

**"INCORRECT ADOPTION OF EXCHANGE RATE
AND UNDUE BENEFIT TO THE SERVICE
PROVIDER"**

MINISTRY OF EXTERNAL AFFAIRS

PUBLIC ACCOUNTS COMMITTEE
(2018-19)

ONE HUNDRED AND TWELFTH REPORT

SIXTEENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

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SERVICE PROVIDER"**

MINISTRY OF EXTERNAL AFFAIRS



Presented to Lok Sabha on:

10.08.2018

Laid in Rajya Sabha on:

10.08.2018

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2018 /Shravana, 1940 (Saka)

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* Will be appended at the time of printing.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2018-19)

Shri Mallikarjun Kharge

-

Chairperson

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3. Shri Sudip Bandyopadhyay
4. Shri Prem Singh Chandumajra
5. Shri Gajanan Chandrakant Kirtikar
6. Shri Bhartruhari Mahtab
7. Smt. Riti Pathak
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Janardan Singh Sigriwal
10. Shri Abhishek Singh
11. Shri Gopal Shetty
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13. Shri Anurag Singh Thakur
14. Shri Shivkumar Chanabasappa Udasi
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RAJYA SABHA

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21. Shri C.M.Ramesh*
22. Shri Bhupender Yadav*

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| 2. | Shri T. Jayakumar | - | Director |
| 3. | Shri Sanjeev Sharma | - | Additional Director |
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| 5. | Smt. Malvika Mehta | - | Committee Officer |

*Elected w.e.f 6th August, 2018

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2017-18)

Shri Mallikarjun Kharge

-

Chairperson

MEMBERS

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5. Shri Nishikant Dubey
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19. Shri Mohd. Ali Khan†
20. Shri Sukhendu Sekhar Roy‡
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22. Shri Bhupender Yadav

* Ceased to be a Member of Committee consequent upon acceptance of his resignation from Lok Sabha w.e.f. 22 February, 2018.

† Elected w.e.f. 29 December, 2017 in lieu of vacancy caused due to retirement of Shri Shantaram Naik.

‡ ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 18 August, 2017 and re-elected w.e.f. 29 December, 2017.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2018-19), having been authorised by the Committee, do present this One-Hundred and Twelfth Report (Sixteenth Lok Sabha) on "**Incorrect Adoption of Exchange Rate and Undue Benefit to the Service Provider**" based on Para Nos. 7.1 and 7.2 respectively of the C&AG's Report No. 11 of 2016 relating to the Ministry of External Affairs.

2. The Report No. 11 of 2016 of the Comptroller and Auditor General of India was laid on the Table of the House on 2 August, 2016.

3. The Public Accounts Committee (2017-18) selected the subject for detailed examination and report. The Committee took evidence of the representatives of the Ministry of External Affairs on the subject at their sitting held on 24.11.2017. The Public Accounts Committee (2018-19) considered and adopted this report at their sitting held on 9.8.2018. Minutes of the Sittings form appendices of the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** and form Part II of the Report.

6. The Committee thank the predecessor Committee for taking oral evidence and obtaining information on the subject.

7. The Committee would like to express their thanks to the representatives of the Ministry of External Affairs for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

8. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
9 August, 2018
18 Shravana, 1940 (Saka)

MALLIKARJUN KHARGE
Chairperson,
Public Accounts Committee.

Part-A

Report

Introduction

1. The Public Accounts Committee decided to take up for detailed examination and report, Paras 7.1 and 7.2 of Audit Report no. 11 of 2016 (Union Civil Compliance) on 'Less collection of revenue due to incorrect adoption of exchange rate on fees/penalties charged towards renunciation of citizenship and misuse of passports' and 'Undue benefit to the Service Provider' respectively.

I Less collection of revenue due to incorrect adoption of exchange rate on fees/penalties charged towards renunciation of citizenship and misuse of passports

2. In Para 7.1, Audit contended that incorrect adoption of prevailing official exchange rate by High Commission India (HCI) Ottawa and its Consulates in Toronto and Vancouver in June 2010, instead of the exchange rate for visa fees as required under the Manual and unwarranted downward revision of service fees for renunciation of Indian citizenship and penalty on misuse of passports later in March 2013, resulted in less collection of revenue of ₹ 27.01 crore.

3. According to Audit, as per Schedule IV of the Citizenship Rules 2009 which came into force from 25 February 2009, and Passport Manual 2010 (Chapter 29 para 5 (ii)), a service fees of ₹ 7,000 was to be charged for renunciation of citizenship abroad. Further, the Passport Manual 2010 (Chapter 29 para 5 (iv a and g)) prescribed a penalty of ₹ 10,000 for passport not surrendered upto three years, but used once for travel after obtaining foreign passport or when the passport is retained over three years. The manual further provided that the rate of exchange for collection of penalty in applicable local currency was the same exchange rate as being used for calculation/conversion of visa/other consular services. Further, as per practice, the exchange rate adopted for renunciation fees by the Missions was the same as used for penalty for misuse of passports.

4. Audit noticed in September 2014 that the rate of exchange used by the HCI, Ottawa and two Consulates under its jurisdiction, at Toronto and Vancouver for visa services was @ 1 Canadian Dollar (C\$)=₹ 29.231¹. However, instead of adopting the above exchange rate being used for visa services as prescribed under the Passport Manual, these Missions/Posts had applied the official exchange rate prevailing in June

¹ 1C\$=' 29.23 with effect from 1 March 2002 to 30 September 2012 used for visa services.

2010 @1C\$=₹ 41.66² for local currency both for penalty and renunciation fees. Accordingly, HCI, Ottawa fixed (June 2010) the renunciation fees at C\$168 (₹ 7000/₹ 41.66) and penalty to be charged at C\$240 (₹ 10,000/₹ 41.66) instead of C\$ 240 ((₹ 7000/₹ 29.23) for renunciation fees and C\$343 ((₹ 10,000/₹ 29.23) for penalty as per the rate of exchange being used for visa services. The incorrect fees was applied to 17,664 renunciation cases and 797³ misuse of passport cases during the period from June 2010 to February 2013. This according to Audit resulted in revenue loss of C\$ 13,53,899 (₹ 6.05 crore⁴).

5. According to Audit, the Ministry had revised Passport fees and Passport related services through Ministry's Gazette Notification in October 2012. The Ministry, while referring to revised passport fees and related fees, issued further clarifications in October 2012 and December 2012 stating that the above Gazette Notification only covered passport fee and passport related services as enumerated therein and hence structure of consular fees would remain unchanged. The Ministry also advised the Missions in October 2012 that the fee in terms of local currency may be revised if the local currency depreciated against US dollar by 10 per cent or more. However, the fees may not be revised in the case of appreciation of local currency against US dollar.

6. Audit, however, observed in September 2014 that HCI, Ottawa and its Consulates in Vancouver and Toronto, despite the above clarification issued by the Ministry, had again made downward revision of service fees for renunciation from C\$168 to C\$126 and penalty on misuse of passports from C\$240 to C\$180 in March 2013 by applying the official exchange rate of October 2012⁵ (1C\$=₹55.55). The downward revision of service fees was applied to 27,057 renunciation cases and 5,125 misuse of passport cases during the period from 1 March 2013 to 22 January 2015. Thus, as per Audit, due to such incorrect downward revision on renunciation fees and penalty based on the prevailing official exchange rate, the Mission suffered a revenue loss of C\$ 39,19,873 (₹ 20.96 crore⁶).

7. In reply, the Ottawa Mission in January 2015 stated that error in re-fixation of passport surrender fees and associated penalty was neither intentional nor an

² 1C\$=₹ 41.66 - the prevailing exchange rate as in June 2010.

³ Consulate General of India, Vancouver did not provide data on misuse of passports for the period from June 2010 to December 2010.

⁴ Least exchange rate for the month of May 2011 1C\$=₹ 44.69 during the period June 2010 to February 2013 has been considered for calculating loss of revenue in terms of rupee.

⁵ ₹ 1 = C\$.018 prevailing exchange rate as in October 2012.

⁶ Least exchange rate for the month of April 2013 1C\$=₹ 53.47 during the period March 2013 to January 2015 has been considered for calculating loss of revenue in terms of rupee.

inadvertent lapse on Mission's part but on account of ambiguity in the instructions issued by the Ministry and delay by the Ministry in responding to Mission's request in October 2014 for clarification on this issue. The Mission further stated that in September 2015 fees had been revised after receipt of clarification from Ministry on 22 January 2015.

8. Audit did not accept the reply of the Mission as according to them there was no necessity for the Mission to obtain clarification from the Ministry since the Passport Manual provisions were clear on the rate of exchange to be adopted. Further, the fact that other Missions test checked in Audit correctly followed the Passport Manual provisions in applying the exchange rate for renunciation fees and penalty for misuse of passports also indicates that there was no ambiguity in the Manual provision warranting any clarification.

9. The Mission correctly revised the renunciation fees and penalty for misuse of passports with effect from 23 January 2015 following clarification from the Ministry at the instance of Audit. Thus, according to Audit, the total revenue loss amounted to (₹ 6.05 crore + ₹ 20.96 crore) ₹ 27.01 crore.

10. In this regard, the Ministry in their final action taken notes have submitted the following:-

"It was clarified in Ministry's Message No. V.1/401/1/2011 dated 5th October, 2012 that for revision of Passport and related fees, the current official exchange rate conveyed by FE Section of the Ministry was applicable and not that of 2002 when the Passport fee were revised last. It was also clarified *vide* Ministry's communications dated 6.12.2012 and reiterated on 01.01.2013 that the above mentioned criteria could be followed for the fixation of penalty also. The Mission/Posts in Canada abided by the instructions of the Ministry and fixed the fees accordingly.

11. The Ministry have further submitted that:-

"Ministry does not completely agree with the Audit conclusion. We do agree with the contention of Audit that the adoption of prevailing official exchange rate by the Mission was incorrect. However, the Mission/Posts in Canada also abided by the Ministry's instructions dated 06.12.2012 and 01.01.2013 in fixing the fees and were correct to that extent. The revision of the fees of passport related services is also applicable in the cases of renunciation of Passport and for penalty fixed for non-surrendering of passport."

12. In response to the above, Audit contended the following :-

“There was no necessity for the Mission to obtain clarification from the Ministry since the provisions of Passport Manual were clear on the rate of exchange to be adopted and there was no ambiguity in the Manual Warranting any clarification.”

13. The Ministry were asked if there was any internal audit system in place in Missions, and that since Audit is only a test check, whether the Ministry has reviewed services being provided vis a vis charges being levied by service providers for other missions. In response, the Ministry stated the following:-

“Indian Missions and Posts abroad undergo both internal and external (i.e. statutory) audit. Internal Audit is conducted by the Internal Audit wing of the Office of the Principal Chief Controller of Accounts of the Ministry of External Affairs as per the approved Internal Audit Plan for a given year. The external or statutory audit of Indian Missions and Posts abroad is conducted by the C&AG, including through the Offices of the Principal Director of Audit with resident offices in Embassy of India in Washington, High Commission of India in Kuala Lumpur and High Commission of India in London.

The Ministry monitors implementation by Indian Missions and Posts abroad of contracts awarded for outsourcing of consular and visa support services. After a comprehensive review, the outsourcing model is currently being reviewed for further revision.”

II Undue benefit to the Service Provider

14. In Para 7.2, according to Audit, High Commission of India, London (Mission) entered into an agreement with VF Services (UK) Ltd, the Service Provider (SP) for various visa support services on 24 January 2008 for a period of five years. The agreement became operational on 29 May 2008.

15. As per the agreement, the SP was, amongst others, responsible for accepting visas application forms, accepting visa fees and paying the fee due to the Mission in Mission's bank account, scrutinizing the visa applications to ensure completeness, forwarding the complete applications along with passports to the Mission twice each day, collect processed applications from Mission twice each day, return passports to applicants, maintaining proper records, accounts, quality control system, security, telephonic enquiry system, progress tracking system and contingency plan. As per the agreement, the charges to clients were not to exceed the cost of the appropriate prescribed visa fee plus SP's Service Charge for each passport not exceeding GBP

6.90 per visa application. The amount of the SP's Service Charge was to remain fixed for the entire duration of the Agreement and was to be changed only if there was a change in the rate of local taxes or VAT. Accordingly, the SP's Service Charge was increased to GBP 7.70 in September 2011.

16. The Mission introduced the service of Fast Track Business Visa (FTBV) in March 2010 whereby business visa would be issued on same day on payment of additional visa fee and Service Charges. The Service Charges were to be collected and retained by the SP. The Mission fixed a Service Charge of GBP 25 for each such visa.

17. According to Audit, the award of above additional work to the SP resulted in undue benefit to the SP for the following reasons:

- additional work was given to the existing SP (contractor) without competition, transparency and price discovery which was mandated by General Financial Rules and CVC guidelines;
- additional work of FTBV initially awarded without competition and price discovery was not reviewed for a long period of 5 years; The Mission continued outsourcing of this work at current rate (GBP 25 per application) despite the Ministry expressing its reservations in June 2013⁷, August 2013⁸ and May 2014⁹. The Ministry essentially disfavored outsourcing of FTBV and wanted the Mission to process such visas;
- Mission did not undertake due diligence in estimating the Service Charges. Initially, it proposed (August 2008) a Service Charge of GBP 50 which was later on reduced (October 2009) to GBP 25 without detailed estimation of cost, market survey and study; and negotiations with the vendor. The fact that the new SP had agreed to render the same service at normal Service Charges (GBP 7.44) with effect from March 2015 (new agreement) against the enhanced Service Charge of GBP 25 during 15 March 2010 to February 2015 points also Mission had arbitrarily fixed a Service Charge of GBP 25 in March 2010.
- the entrustment of additional work of FTBV did not entail any additional process/activity by the SP. The FTBV processing required collection of applications upto 1130 hours on each day, delivery of these applications to the Mission and collection of issued visas on the same day at 1600 hours. This schedule did not require extra investment as the SP was already responsible for delivery of applications and collection of passports twice each working day

⁷ Ministry's Egram No. 104 dated 28 June 2013

⁸ Ministry's Egram No. 132 dated 13 August 2013

⁹ Ministry's Email No. 2154/JS(CPV)/2014 dated 8 May 2014

(timings to be determined by the Mission). The additional burden in issuing same day visa, if any, was on the Mission as they had to process all such cases on day to day basis.

- while going for a fresh tender for visa work in July 2013, the Mission omitted to include this item of work. This hampered price discovery and created uncertainty about continuity of services;

18. When the above facts were pointed out by Audit in August 2015, the Mission justified the levy of Service Charge by stating that the Service Charge of GBP 25 was approved by the Ministry. The Mission's contention is not acceptable due to the following reasons:

- The decision to award additional work was not in conformity with General Financial Rules and CVC guidelines.
- Ministry also did not agree to the Mission's proposal in July 2013 to consider continuation of present arrangement for handling FTBV through the SP with Service Charge remaining at the same level (GBP 25).

19. Thus, the Mission's decision to award processing of FTBV cases at enhanced Service Charge of GBP 25 per case in place of normal Service Charge of GBP 7.70 resulted in undue benefit of ₹ 10.72¹⁰ crore to the SP from March 2010 to February 2015.

20. The Ministry in their final action note to Audit, submitted the following:-

"Ministry does not agree with the views of the Audit that Mission had contradicted the specified basic guidelines (rules-178 outsourcing of services) and CVC guidelines regarding transparency in works/purchase/consultancy contracts for signing of agreement contract with VF services (UK) ltd. the services provider (SP) for outsourcing of various visa support services.

Mission vide letter no. Lon/visa/551/02/2008 dated 20 October 2009 had moved a proposal to the Ministry, para 5 of which specifically proposes the Ministry may consider GBP 100 (GBP 75 for the mission and GBP 25 for the SP) as emergency visa fee in addition to the normal visa fee for business category. The letter was followed up with the reminder on 5 November 2009. Ministry vide JS (CPV)'s letter No. VII/407/12/2007 dated 27 January 2010 had approved the proposal of the Mission to introduce emergency processing fee for the issuance of business visa on the same day. Para 3 of Ministry's letter states that 'as proposed', the Mission may change GBP 100 as emergency processing fee for processing of business visa on the day of application. Thus, the approval for

¹⁰ 72006 Applications multiplied by GBP 17.3 (25 minus 7.70) as Service Charge per application is equal to GBP 1245703.80 or INR 107155440.87 (calculated @ GBP 1 = ` 86.02 being the Average Official rate of exchange for the period 2010-11 to 2014-15).

charging of GBP 25 as processing fee by VFS on emergency business visas was by the Ministry, as proposed by the Mission.

Mission has been receiving a large number of request for the urgent visa from the business travellers. In the absence of a separate mechanism for the receipt and processing of the urgent business visa applications, it is practically very difficult for the mission to handle such urgent visa requests. It is also not feasible /advisable for the Mission to completely disregard as it could generate complaints.

Proposal of the Mission to introduce FTBV with an additional fee of GBP 100(GBP 75 for government and GBP 25 For services provider) was examined by the Ministry keeping the above facts in view and to help those business travellers who require to travel to India on urgent basis. This had resulted in substantial facilitation of business travellers to India and reflects efficient service rendered by the Mission to the business communities and PIOs who need fast services and are willing to pay for it. It is worth mentioning here that introduction to FTBV does not force applicants to compulsorily apply for it and pay additional fees Ministry has also not received any complaints so far from urgent visa seekers regarding payment of additional fee to get FTBV on the same day. The main objective of the introduction to FTBV was not to benefit the service provider but to facilitate short notice business travellers to India as well as increase the ability of our visa issuance system to cater to urgent needs thus promoting our overall trade and economic interest. Ministry *vide* JS (CPV)'s letter No. VII/407/12/2007 dated 27 January 2010 had approved the introduction of FTBV Mission had been authorized to charge GBP 100 as emergency processing fee for processing of business visa on the day of application in accordance with the Mission's proposal. Thus, charging of GBP as processing fee by VFS on emergency business visas was only done with approval of the Ministry and therefore, no undue benefit had been provided as observed by the Audit.

Ministry appreciates the views of the Audit that as per agreement with the SP, there is a provision for the delivery of the applications and the collection of the passport twice each working day, but it is not possible for the mission to segregate emergency visa applications out of hundreds odd applications received by the Mission without a separate mechanism for it. Ministry is of the view that the Service Provider is required to deploy additional efforts and resources to segregate and process FTBV cases on the urgent basis as much as higher level of the service is assured. Therefore, logic and reason demand that the Service Provider should be incentivised and paid extra for processing FTBV separately. It is also earned additional revenue @GBP 75 each for FTBV cases. Therefore, no financial loss has resulted to the Government as result of introducing this scheme.

Audit may appreciate that the matter has been reviewed by the Ministry and in the new agreement effective from the March,2015, the SP has agreed to provide the services at the same rate of GBP 7.44 only.

With introduction of e-TV facility, which also allow routine business meetings, the demand for FTBV had come down. FTBV has since been dispensed with."

21. Secretary, MEA in his oral submission to the Committee in the sitting on 24.11.2017 stated the following:-

".. the Ministry is looking at that Ministry does not want to disturb the existing arrangement. So, there is a noting which says that the current arrangement can continue till the expiry of the existing contract. This is one possibility which they had in mind. Then they also say, the new contract must have such a provision. Do not separate from the contract. Alternatively, Mission can handle the fast track passports directly. This is the thinking in the notes which audit, the CAG is aware of. So, you can see that they are looked at possibilities. How is this reflected in the correspondence between the Ministry and the Mission? In June the Ministry has told the Mission, Mission may consider handling the fast track business visa directly without involving the service provider.."

22. The Secretary, MEA also stated that :-

"...With the introduction of the e-visa, demand for this Fast Track Service has come down in the new contract effective from March, 2015 and the service provider is not charging any additional service fee for emergency business visas."

23. In this regard when asked what is the mechanism of issuing e-visas and whether the fees for issuing business visas now been reduced, the Ministry replied as under:-

"It is submitted that the issuance of e-Visas is handled by Ministry of Home Affairs."

24. When asked why was the additional work of Fast Track Business Visa given to the existing contractor without any tendering, due diligence or price discovery , what was the prevalent rate when the contract was awarded and why was the rate of 25 GBP for the service not revised for five years, the Ministry submitted the following response:-

"The fast-track business visa was an optional service available to visa applicants. Therefore, it would have been operationally impractical, and would have inconvenienced applicants, to provide this optional service from a location other than from the application centre being operated by the existing service provider after separately tendering for a service provider for this particular optional service alone. Therefore, it is submitted for the Hon'ble Committee's consideration that it was functionally optimal to provide this service as a new item in the scope of work of the existing service provider. However, the Mission should have signed an Addendum to the existing contract with the service provider outlining the terms and conditions of this new item in the scope of work for which a higher

service fee (from the tendered bid) was to be charged; this procedural lapse is regretted. The rate of GBP 25 was revised after five years, as this item was covered under the scope of work at the time of re-tendering."

25. The Ministry was asked to give details of the system that has been devised in order to avoid under-bidding and subsequent overcharging by service providers and the penalties being imposed for non-adherence to the contract. The Ministry submitted the following:-

"In December 2015, after comprehensive internal consultations, the Ministry revised the standard tender document issued by Indian Missions and Posts abroad for outsourcing of visa, passport and consular support services, based on which contracts in eight countries covering 17 Missions and Posts have been awarded since January 2016. Some features of this revised 'Request for Proposal' (RFP), are:

- a. The eligibility criteria have been broadened to facilitate wider participation and competition among bidders.
- b. More emphasis has been laid on technical soundness of the bidders, with numerical evaluation of the technical criteria ensuring greater transparency and objectivity in the process.
- c. Steps have been taken to prevent dishonest underbidding. Bidders have to provide a Cost Sheet with the Financial Bid; criteria by which a bid would be deemed financially unviable has been defined; and it has been notified that such bids would be considered unresponsive and would be rejected.
- d. A Service Level Agreement has been introduced to help Missions and Posts to penalise the Service Provider in case of violation of the service standards defined in the Agreement.
- e. The Performance Security has been broken into four smaller parts (10%, 20%, 20% and 50%) so that service deficiencies can be penalized in a proportionate manner, as per the severity of the Agreement's violation.
- f. Provision has been kept for steeper penalties in cases of a serious violation of the contractual provisions.
- g. Bidders have to quote their rates for 'Value Added Services' (such as internet or photocopying) in their Financial Bid, which are given due weightage in the financial evaluation.
- h. The working hours of the application centres to be operated by the Service Provider have been increased to extend the availability of the services.
- i. Sub-contracting the work by the Service Provider to a local partner has been prohibited, to ensure accountability.
- j. In large and sensitive areas, the contract is awarded to more than one company for better competitive rate and service."

Part-B

Recommendations/Observations of the Committee

1. The C&AG of India in their Report no. 11 of 2016 (Union Civil Compliance) have brought out two paras viz. 7.1 and 7.2 pertaining to the Ministry of External Affairs on 'Less collection of revenue due to incorrect adoption of exchange rate on fees/penalties charged towards renunciation of citizenship and misuse of passports' and 'Undue benefit to the Service Provider', respectively. In Para 7.1, Audit found that incorrect adoption of prevailing official exchange rate by the Mission and Posts in Canada in June 2010 and further unwarranted downward revision of service fees for renunciation of Indian citizenship, and penalties on misuse of passports in March 2013 resulted in revenue loss of (₹ 6.05 crore + ₹ 20.96 crore) ₹ 27.01 crore. In Para 7.2, Audit found that the decision of High Commission of India in London to award processing of Fast Track Business Visas cases at enhanced Service Charge of Great Britain Pound (GBP) 25 per case in place of normal Service Charge of GBP 7.70 resulted in undue benefit of ₹ 10.72 crore to the Service Provider from March 2010 to February 2015. The Committee have observed certain shortcomings in the functioning of the Ministry with regard to these audit paras and have accordingly made their observations/recommendations on important issues in the succeeding paragraphs.

Recommendation no. 1- Laxity in following laid down procedures/ rules

2. The Committee note that the High Commission of India, Ottawa and two Consulates under its jurisdiction, at Toronto and Vancouver applied the official exchange rate prevailing in June 2010 i.e. @ 1 Canadian Dollar (C\$)=₹ 41.662 for local currency both for penalty of misuse of passports and renunciation of citizenship fees as against the rate of exchange for visa services i.e. 1 (C\$)=₹ 29.231 which was the rate required to be used according to the Citizenship Rules 2009 and Passport Manual 2010, resulting in a loss of ₹6.05 crore. The Committee further note that the High Commission in Ottawa and the two Consulates made downward revision of service fees for

renunciation and penalty and misuse of passports despite the Ministry's clear instructions that the fee in terms of local currency may be revised if the local currency depreciated against US dollar by 10 per cent or more and which depreciation had not happened at that point. The Committee are dismayed to note that the Mission in Ottawa could be so callous in their reply by stating that the error was on account of ambiguity in the instructions issued by the Ministry and delay by the Ministry in responding. The fact that all the other missions applied the correct rate of exchange points to error of judgment on the part of the concerned officials in the Mission and laxity in following duly laid down procedures/rules. The Committee further observe that, the fees was revised after receipt of clarification from the Ministry in January 2015 and that too at the instance of Audit. The Committee deprecate the lackadaisical attitude of the Ministry and the Mission in this regard. While, the amount so lost cannot be recovered, the Committee recommend the Ministry to fix accountability for non-adherence of stipulated rules and guidelines and further; to conduct a review of all the missions to check that such errors are not repeated and also to issue necessary instructions that strict action would be taken if such instances were to arise again.

Recommendation no. 2- Internal Audit

3. The Committee are disappointed to note that the internal audit of the Mission in Ottawa and the two Consulates at Toronto and Vancouver failed to point out the deviation in application of exchange rates which ultimately led to pecuniary loss. In this regard, in their 30th report on 'Global Estate Management' and 61st report on 'Action taken on recommendations/ Observations of the Committee contained in their 30th Report on 'Global Estate Management', the Committee, while observing that the internal audit system of the Ministry was not functioning properly, felt that there was a need for strengthening internal audit as a preventive and remedial mechanism and had strongly recommended that an effective internal e-audit system may be developed in the Ministry. The instant case of incorrect adoption of exchange rate on fees/penalties charged towards renunciation of citizenship and misuse

of passports points to the same issue of lack of internal audit. The Committee has been categorically pointing out in their earlier reports the need for strengthening internal audit mechanism of the Ministry as strong internal controls followed by regular internal audit are a hall mark of good governance and the need of the hour for the Missions. The Committee, accordingly, recommend that an effective mechanism for internal audit for early detection and rectification of irregularities/errors may be developed under intimation to the Committee.

Recommendation no. 3- Visas on Urgent Basis/Short Notice

4. The Committee note that the High Commission of India, London introduced the service of Fast Track Business Visa (FTBV) whereby business visa would be issued on same day on payment of additional visa fee and Service Charges. Audit contended that the Mission's decision to award processing of FTBV cases at enhanced Service Charge of GBP 25 per case in place of normal Service Charge of GBP 7.70 resulted in undue benefit of ₹ 10.72 crore to the Service Provider i.e. VF Services (UK) Ltd. The Committee observe from the reply of the Ministry that the High Commission of India, London had been receiving a large number of requests for urgent visas from business travellers and in the absence of a separate mechanism for receipt and processing of urgent business visa applications, it was very difficult for the Mission to handle such urgent visa requests. In this regard, Secretary MEA in his submission stated that with the introduction of e-visa, demand for the FTBV came down. The Committee further observe that e-visa is being handled by Ministry of Home Affairs. The Committee are apprehensive of coordination and jurisdictional issues in handling of e-visa which is being handled by Ministry of Home Affairs as the Missions come under Ministry of External Affairs, and hope that steps will be taken to streamline the whole process of issue of e-visa. It has further been stated in the final action taken note of the Ministry that FTBV has been dispensed with. In this context, the Committee are of the view that efficient delivery of Visa services across all Missions is essential not only to promote trade and economic interests but also to allow seamless, smooth

and hassle free movement of people from overseas to India and vice versa. While taking care of security concerns is important on one hand, the focus should be on facilitation rather than hindrance. The Committee, therefore, recommend that all Missions should provide, through their visa issuance services, visas on short notice for immediate travel on medical reasons, death of family/relative, or any other ground which can be justified by the traveller as urgent apart from business purposes.

Recommendation no. 4- Administrative control over Missions

5. The Committee note that the work of Fast Track Business Visas was not reviewed for a period of 5 years. The Mission continued outsourcing of this work at the prevalent rate of GBP 25 per application despite the Ministry expressing its reservations in June 2014, August, 2013 and May, 2014. In the context of above and in case of the contract related to issuance of fast track visas, Secretary, MEA in his oral submission to the Committee stated that the Ministry did not want to disturb the existing arrangement and had communicated to the Mission that the prevalent arrangement could continue till the expiry of the existing contract and that alternate possibilities could be explored thereafter. The apparent hesitation of the Ministry in giving clear directions to the Mission points towards incongruity in the administrative relationship of the Mission and the Ministry. The Committee recommend that steps be taken to ensure that administrative instructions of the Ministry are followed consistently by the Missions and that there should not be any scope for discretion in the same.

Recommendation no. 5- Due Diligence/Detailed study before finalising Contracts

6. The Committee are constrained to note that the Mission did not undertake due diligence in estimating the Service Charges for Fast Track Business Visa. In August, 2008 it proposed a Service Charge of GBP 50 which was reduced in October, 2009 to GBP 25 without detailed estimation of cost, market survey and study and negotiations with the vendor. The Committee note that the new

Service Provider agreed to render the same service at normal Service Charges of GBP 7.44 w.e.f. March 2015 in a new agreement against the enhanced service charge of GBP 25 during 15 March 2010 to February 2015. The Committee find that while going for a fresh tender for visa work in July 2013, the Mission omitted to include this item of work. The Committee note that the contention of the Ministry that the Service Charge for Fast Track Business Visa in 2009 was based on prevailing market rates and negotiations, were not supported with any documentary evidence on record. This clearly indicates that the decision of fixing the Service Charges for FTBV was arbitrary. The Committee, therefore, enjoin upon the Ministry to fix the responsibility on the concerned officers for this aberration and unfair trade practice and to refer the matter to the CVO of the Ministry for enquiry. It is needless to state here that the Committee be apprised of the trajectory in this regard. While noting that the Ministry has revised the standard tender document issued by Indian Missions and Posts abroad for outsourcing of visa, passport and consular support services, the Committee hope that the provisions so incorporated shall be followed in letter and spirit.

Recommendation no. 6- Computerisation

7. The Committee note that incorrect fees was applied to 17,664 renunciation cases and 797 misuse of passport cases from June 2010 to February 2013, i.e. for almost 3 years, and incorrect downward revision on renunciation fees and penalty was applied to 27,057 renunciation cases and 5,125 misuse of passport cases from 1 March 2013 to 22 January 2015, i.e. for almost 2 years. The Committee infer that the Mission correctly revised the renunciation fees and penalty for misuse of passports with effect from 23 January 2015 only after being pointed out by Audit. The Committee are of the firm opinion that the delay in identification and rectification of the incorrect rate of exchange points towards a gap in communication between the Ministry and Missions. Accordingly, in the present scenario, in the opinion of the Committee, full computerization of all processes and systems is essential for effective

communication and efficient service delivery. Accordingly, the Committee in unequivocal terms recommend that :-

- i. All the Missions be fully computerized and connected with the central portal of the Ministry of External Affairs for real time interface between the Missions and the Ministry;
- ii. Information on various visa services provided, average number of days taken for the same and charges thereof may be made available online to ensure transparency. Further, a response time for clarification of queries regarding visa services be prescribed by the Ministry; and
- iii. Mechanism to ensure timely reporting and accountability may be created.

NEW DELHI;
9 August, 2018
18 Shravana, 1940 (Saka)

MALLIKARJUN KHARGE
Chairperson,
Public Accounts Committee.