

**IRREGULARITIES IN PROCUREMENT OF  
GOODS AND SERVICES, AWARD OF WORK  
TO NON-EXISTENT FIRMS, UNREALISED VAT  
REFUND AND EXCESS PAYMENT OF  
DEPARTMENTAL CHARGES**

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their One Hundred and Thirty-second Report (16<sup>th</sup> Lok Sabha)]

**MINISTRY OF TOURISM**

**PUBLIC ACCOUNTS COMMITTEE  
(2019-20)**

**NINTH REPORT**

---

**SEVENTEENTH LOK SABHA**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

**PAC NO. 2190**

**NINTH REPORT**

**PUBLIC ACCOUNTS COMMITTEE**  
**(2019-20)**

**SEVENTEENTH LOK SABHA**

**IRREGULARITIES IN PROCUREMENT OF GOODS  
AND SERVICES, AWARD OF WORK TO NON-  
EXISTENT FIRMS, UNREALISED VAT REFUND AND  
EXCESS PAYMENT OF DEPARTMENTAL  
CHARGES**

[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their One Hundred and Thirty-second Report (16<sup>th</sup> Lok Sabha)]

**MINISTRY OF TOURISM**



Presented to Lok Sabha on: *16.03.2020*

Laid in Rajya Sabha on: *16.03.2020*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

March, 2020/ Phalguna, 1941 (Saka)

# CONTENTS

PAGE

## COMPOSITION OF THE PUBLIC ACCOUNTS COMITTEE (2019-20)

### INTRODUCTION

CHAPTER I	Report
CHAPTER II	Observations/Recommendations which have been accepted by the Government
CHAPTER III	Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government
CHAPTER IV	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration
CHAPTER V	Observations/Recommendations in respect of which Government have furnished interim replies/no replies

### APPENDICES

I*	Minutes of the Twelfth sitting of Public Accounts Committee (2019-20) held on 12 March, 2020.
II	Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their One Hundred and Thirty-second Report (Sixteenth Lok Sabha).

\* Not appended to the Report

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2019-20)**

**Shri Adhir Ranjan Chowdhury**

-

**Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

**RAJYA SABHA**

16. Shri Rajeev Chandrasekhar
17. Prof. M. V. Rajeev Gowda
18. Shri Naresh Gujral
19. Shri P. Bhattacharya<sup>1</sup>
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

**SECRETARIAT**

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Smt. M.L.K. Raja - Director
3. Smt. Bharti S. Tuteja - Additional Director

---

<sup>1</sup> Elected w.e.f. 10 February, 2020 in lieu of vacancy caused due to resignation of Shri Bhubaneswar Kalita from Rajya Sabha on 05 August, 2019.

## **INTRODUCTION**

I, the Chairperson, Public Accounts Committee (2019-20), having been authorised by the Committee, do present this Ninth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their One Hundred and Thirty-second Report (Sixteenth Lok Sabha) on '**Irregularities In Procurement of Goods and Services, Award of Work to Non-Existent Firms, Unrealised VAT Refund and Excess Payment of Departmental Charges**' relating to the Ministry of Tourism.

2. The One Hundred and Thirty-second Report was presented to Lok Sabha/laid on the table of Rajya Sabha on 21 December, 2018. Replies of the Government to the Observations/ Recommendations contained in the Report were received on 25 September, 2019 and 4 February, 2020. The Committee considered the draft Report on the subject and thereafter adopted the Report at their sitting held on 12 March, 2020. Minutes of the sittings form appendices to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee 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.

5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the One Hundred and Thirty-second Report (Sixteenth Lok Sabha) is given at Appendix-II.

**NEW DELHI;**  
**13 March, 2020**  
**23 Phalguna, 1941 (Saka)**

**Adhir Ranjan Chowdhury**  
**Chairperson**  
**Public Accounts Committee**

## CHAPTER - I REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their One Hundred and Thirty-second Report (16<sup>th</sup> Lok Sabha) on "Irregularities in procurement of goods and services, Award of work to non-existent firms, Unrealised VAT refund and Excess payment of departmental charges" relating to the Ministry of Tourism.

2. The One Hundred and Thirty-second Report which was presented to Lok Sabha on 21<sup>st</sup> December, 2018 contained six Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of Tourism and are categorized as under:

i. Observations/Recommendations which have been accepted by the Government:  
Para Nos. 3, 4 and 6

**Total: 03**  
**Chapter – II**

ii. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:  
NIL

**Total: NIL**  
**Chapter – III**

iii. Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para No. 5

**Total: 01**  
**Chapter – IV**

iv. Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

Para Nos. 1 and 2

**Total: 02**  
**Chapter -V**

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of Ministry of Tourism which included *inter-alia* issues of irregularities in procurement of goods and services by India Tourism Office (ITO), Beijing; award of work to non-existent firms by ITO, London; unrealised VAT refund by ITO, Tokyo; and excess payment of departmental charges by Dr. Ambedkar Institute of Hotel Management Catering and Nutrition, Chandigarh .

4. The final Action Taken Notes furnished by the Ministry of Tourism have been reproduced in the relevant chapters of this Report. The Committee will now deal with action taken by the Government on their Observations/Recommendations which either need reiteration or merit comments.

5. **The Committee desire the Ministry of Tourism to furnish Action Taken Notes in respect of Observations/Recommendations contained in Chapter I and final action taken replies in respect of Observations/Recommendations contained in Chapter V for which interim reply has been given by the Government within six months of the presentation of the Report to the House.**

**Unrealised VAT refund relating to India Tourism Office, Tokyo**  
**(Recommendation No. 5)**

6. *The Committee noted that ITO, Tokyo had engaged (May 1999) M/s Sugiyama Accountant Office, Tokyo for filing Consumption Tax (VAT in Japan) returns for payments made in Japan and receiving the refund for the same. The agency discontinued its services from January 2013. The Committee found that ITO did not claim tax refunds for the period from January 2013 to March 2015. As per Audit, an estimate of the amount of refunds to be claimed for the period October 2013 to March 2015 worked out to Rs 25.63 lakh. The Committee observed that the Ministry allowed engagement of a tax accountant only from October 2013 till July 2016 and for the subsequent period, directed ITO, Tokyo to devise a mechanism to recover tax on its own or adopt a mechanism for nonpayment of VAT in consultation with the Indian Mission and local authorities concerned. The Committee also noted that the tax accountant could only be appointed after February 2017 and that following the appointment ITO, Tokyo had recovered total VAT refund for the period January 2013 to June 2016 and July 2016 to December 2017. The Committee found from the submission of the Ministry that the ITO, Tokyo failed in devising a mechanism to recover tax on its own and were dismayed to note that the Ministry was not able to enforce its own directions. The Committee desired the ITO, Tokyo to adopt a mechanism for exemption from VAT in coordination with India Mission and local authorities urgently. Further, the responsibility for the lackadaisical approach of the officials of ITO, Tokyo and Ministry may be fixed and action taken against those found responsible in this regard.*

7. The Ministry of Tourism in their Action Taken Notes have stated as under:-

“M/s Sugiyama Accountant Office, Tokyo was engaged by ITO Tokyo in 1999 for filing VAT returns and the agency discontinued its services in January 2014. Based on the information received from ITO Tokyo, the agency recovered VAT amounting to JPY 69,308,262 (Rs. 3,26,02,352.00 approx.) from Japan for the period January 1999 to September 2013.

Subsequently, ITO Tokyo engaged M/s Saito Tax Accounting Office and received VAT refunds as follows:

October 2013 to June 2016: JPY 1,64,50,675.00 (Rs. 95,29,993.00)

July 2016 to December 2017: JPY 73,54,853.00 (Rs. 45,16,613.00)

January 2018 to December, 2018: JPY 50,42,131 (Rs. 33,41,815.00)

As per Audit, an estimate of the amount of refunds to be claimed for the period October 2013 to March 2015 worked out to Rs 25.63 lakh. However, ITO Tokyo received VAT refund amounting to JPY 8032045.00 (Rs.46,53,021.00 approx. as per rate of exchange on the date of receipt of the recovery i.e. 12<sup>th</sup> January, 2018. JPY 1= Rs. 1.7262.00).

ITO Tokyo has informed that it has confirmed from the Office of Ministry of Foreign Affairs, Government of Japan, that ITO Tokyo is not eligible for tax exemption in Japan. However, the office can claim tax refund.

In view of the above, ITO Tokyo has been successful in claiming VAT refund totalling JPY 98155921.00 (Rs. 4,99,90,774.00) for the period from January 1999 to December 2018. Details of VAT claimed is at Annexure."

8. While vetting the above ATNs, the Audit made the following comments:-

"Ministry has not replied on fixing the responsibility of the officials of both ITO Tokyo and Ministry for lackadaisical approach in the matter. Action taken on these recommendations may please be informed to PAC."

9. In their further comments to the above said Audit observation, the Ministry stated as under:-

"ITO Tokyo has been successful in claiming VAT refund totalling JPY98155921.00 (Rs. 4,99,90,774.00) for the period from January 1999 to December 2018. Details of VAT claimed are at Annexure. Since there has been a total recovery for the period January 1999 to December 2018, there is no lapse on part of ITO Tokyo/Ministry of Tourism."

10. **The Committee observed in their earlier Report that the Ministry allowed engagement of a tax accountant only from October 2013 till July 2016 and for the subsequent period, directed ITO, Tokyo to devise a mechanism to recover tax on its own or adopt a mechanism for nonpayment of VAT in consultation with the Indian Mission and local authorities concerned. The Committee note in this regard that following the appointment of a certified Tax Accountant, in February 2017, ITO, Tokyo had recovered VAT refund for the period October 2013 to December 2018. The Committee are dismayed to note that instead of devising its own mechanism to recover VAT etc., the accountants were retained well beyond July 2016, which is contrary to the directives of the Ministry. The Committee would like to be apprised whether Ministry's prior approval for engaging the accountants for the succeeding years was taken or not.**

The Committee note from the submission made by the Ministry that though Audit had estimated refunds to be claimed for the period October 2013 to March 2015 at Rs 25.63 lakh, ITO Tokyo, received VAT refund amounting to JPY 8032045.00 (Rs. 46,53,021.00 approx. as per rate of exchange on the date of



receipt of the recovery i.e. 12<sup>th</sup> January, 2018. JPY 1= Rs. 1.7262.00). The Committee cannot help noting in this regard that the Ministry's approach to its tourism offices appears to be lackadaisical. The Committee also emphasise on the need for exercising caution against succumbing to allurements of exchange rate fluctuation and desire that timelines be prescribed within which refunds may be claimed by the tourism offices. Any delays need to be invariably brought to the notice of the Ministry.

The Committee are astonished to note that ITO, Tokyo did not make any efforts to devise any mechanism for recovery of tax and waited for the Ministry to appoint tax accountants. The Ministry, on its part, has failed to enforce its own directions, has allowed engagement of tax accountants for claiming refunds even after July 2016 and has refrained from even responding to the failure of the ITO in devising a mechanism. The Committee, while rejecting the contention of the Ministry that since the total recovery for the period January 1999 to December 2018 has been made, there is no lapse on part of ITO Tokyo/Ministry of Tourism, reiterate their earlier recommendation that the responsibility for the lackadaisical approach of the officials of both ITO, Tokyo and Ministry may be fixed and action taken against those found responsible in this regard.

**Excess payment of departmental charges by Dr. Ambedkar Institute of Hotel Management Catering and Nutrition, Chandigarh**  
**(Recommendation Para No. 6)**

11. The Committee noted that the Dr. Ambedkar Institute of Hotel Management, Catering and Nutrition (AIHM) Chandigarh accorded (January 2010) administrative approval for construction of an additional block at Rs.9.91 crore. The Committee observed that the executing agency, i.e. Engineering Department, UT Chandigarh, charged departmental charges at 14.30 per cent as against seven per cent as stipulated in CPWD Works Manual resulting in excess payment amounting to Rs.61.46 lakh. The Committee noted from the reply of the Ministry that Engineering Department had revised the cost estimates to Rs.9.26 crore by bringing down the departmental charges to the prescribed 7%. The Committee also noted that the building was taken over by the AIHM in August 2015 and an amount of Rs.8.85 crore was paid by the AIHM to the Engineering Department, Chandigarh. However, the final utilization certificate in respect of above payment was awaited. The Committee were shocked to note from the reply of the Ministry that the incorrect application of the charges was mainly a failure of the Engineering department, Chandigarh Administration which was supposed to charge as per CPWD Manual. The Committee were of the view that AIHM should have vetted the cost estimates properly as the onus lied on it also to ensure that payments are made according to the Government manuals. The Committee opined that instead of shifting the responsibility, the Ministry should set the affairs of organizations under its aegis avoid recurrence of such mistakes. The Committee desired that Utilization Certificate from the Engineering Department Chandigarh be obtained at the earliest and the departmental charges adjusted while making final payment for the works. The Committee were of the view that the lapse pointed out by the Audit indicated deficiency in the prevalent system of internal controls and internal audit and casual approach of the officials concerned in AIHM and desired that to avoid recurrence of such mistakes the systems be reviewed and strengthened and responsibility fixed.

12. The Ministry of Tourism in their Action Taken Notes have stated as under:-

" The Ministry of Tourism took up the matter with its all Autonomous Bodies to ascertain whether there are cases of excess payment of departmental charges as per CPWD works Manual to the executing agencies other than CPWD. In response to this, so far no instance of overcharging the departmental charges (except one case of AIHM, Chandigarh) has come to the notice of the Ministry of Tourism.

In Dr. Ambedkar Institute of Hotel Management, Chandigarh (AIHM) for construction of additional block projects for augmenting their existing physical infrastructure to cater to their need for additional space for classrooms & labs arising from increased intake to students due to 27% reservations for OBCs, the whole project was fully funded by the Government of India, through Ministry of Tourism and the cost estimates were prepared based on the departmental charges @14.3%. As the cost of the estimates was above Rs. 5.00 crore, the Departmental charges @ 7 percent was to be paid. Accordingly, the matter was taken up by the institute vigorously and then after, the Engineering Department (Executing agency) revised the original estimates bringing down the departmental charges from 14.3 percent to 7 percent.

The excess amount towards departmental charges was not actually paid to the Engineering Department. Against the revised cost estimates of Rs. 9.26 crore, till date, an amount of Rs. 8.85 crore is only deposited with executing agency.

Further, while furnishing utilization certificate for an amount of Rs. 7.40 crore by the Engineering Department, Chandigarh Administration vide their Memo No. 11963 dated 25.09.2018, they have levied 7 percent as departmental charges on total expenditure of Rs. 6.92 crore (upto July, 2018). Executive Engineers, C.P. Division No. 2 Roads, Chandigarh has also informed to AIHM, Chandigarh that their office has taken up the matter with concerned wings i.e., Public Health and Electrical to supply the utilization certificate of amount deposited by their office but the same is still awaited. They have also informed that the balance amount shall be refunded after receiving the actual figures of expenditure from Electrical and Public Health Wing.

To review and strengthen the system, the Ministry of Tourism has also issued a letter dated 28<sup>th</sup> January, 2019 to all Central autonomous bodies as well as State implementing agencies which have received grant-in-aid to set up State IHMs, FCIs informing inter-alia that for award of works to any PSU/State Govt. organization (other than CPWD/ State PWD), the implementing agencies including Central IHMs shall ensure competition among such PSU/Organizations. The competition shall be essentially on the lump sum service charges to be claimed for execution of works. Those who have already awarded the works to other than CPWD/State PWD, it may be ensured that departmental charges levied should be at par or below than that of CPWD rate manual."

13. While vetting the above ATNs, the Audit made the following comments:-

“Engineering department had prepared a revised Utilization Certificate for Rs. 885.00 lakh for total expenditure including departmental charges amounting to Rs. 744.33 lakhs thus leaving balance of Rs. 140.67 lakhs vide Memo no. 4732 dated 15/03/2019.

The balance amount of Rs. 140.67 lakhs has been refunded by the Sub Divisional Engineer, Road Sub Division No. 3, Chandigarh and credited vide bill no. CP00000985 dated 05.03.2019 in the account no. 10004492493 pertaining to the Principal Incharge Dr. Ambedkar IHM, Chandigarh.

Further the Principal Incharge Dr. Ambedkar IHM, Chandigarh requested Ministry of Tourism vide ADM/IHM/2K19/3562 dated 29.03.2019 to provide detail of account number of Ministry of Tourism for transfer of Rs. 140.67 lakh. This may be brought to the notice of PAC.

Latest position of transfer of fund to the Ministry by Principal in charge AIHM may please be informed to PAC. Ministry's reply is silent about fixing of the responsibility in this case and strengthening the system of internal controls and internal audit.”

14. In their further comments to the above said audit observation, the Ministry stated as under:-

“The Ministry of Tourism took up the matter with its all Autonomous Bodies to ascertain whether there are cases of excess payment of departmental charges as per CPWD works Manual to the executing agencies other than CPWD. In response to this, so far no instance of overcharging the departmental charges (except one case of AIHM, Chandigarh) has come to the notice of the Ministry of Tourism.

In Dr. Ambedkar Institute of Hotel Management, Chandigarh (AIHM) for construction of additional block projects for augmenting their existing physical infrastructure to cater to their need for additional space for classrooms & labs arising from increased intake to students due to 27% reservations for OBCs, the whole project was fully funded by the Government of India, through Ministry of Tourism and the cost estimates were prepared based on the departmental charges @14.3%. As the cost of the estimates was above Rs. 5.00 crore, the Departmental charges @ 7 percent was to be paid. Accordingly, the matter was taken up by the institute vigorously and then after, the Engineering Department (Executing agency) revised the original estimates bringing down the departmental charges from 14.3 percent to 7 percent.

The excess amount towards departmental charges was not actually paid to the Engineering Department. Against the revised cost estimates of Rs. 9.26 crore, till date, an amount of Rs. 8.85 crore is only deposited with executing agency.

Further, while furnishing utilization certificate for an amount of Rs. 7.40 crore by the Engineering Department, Chandigarh Administration vide their Memo No. 11963 dated 25.09.2018, they have levied 7 percent as departmental charges on total expenditure of Rs. 6.92 crore (upto July, 2018). Engineering department had prepared a revised Utilization Certificate for Rs. 885.00 lakh for total expenditure including departmental charges amounting to Rs. 744.33 lakhs thus leaving balance of Rs. 140.67 lakh vide Memo no. 4732 dated 15.03.2019.

The balance amount of Rs. 140.67 lakh has been refunded by the Sub Divisional Engineer, Road Sub Division No. 3, Chandigarh and credited vide bill no. CP00000 dated 05.03.2019 in the account no. 10004492493 pertaining to the Principal In-charge Dr. Ambedkar IHM, Chandigarh.

Further, the Principal Incharge, Dr. Ambedkar IHM, Chandigarh has deposited the amount of Rs. 1,69,37,072/- in Government Account along with accrued interest (Rs. 140.67 Lakh + Rs. 28.70 Lakh).

To review and strengthen the system, the Ministry of Tourism has also issued a letter dated 28<sup>th</sup> January, 2019 to all Central autonomous bodies as well as State implementing agencies which have received grant-in-aid to set up State IHMs, FCIs informing inter-alia that for award of works to any PSU/State Govt. organization (other than CPWD/ State PWD), the implementing agencies including Central IHMs shall ensure competition among such PSU/Organizations. The competition shall be essentially on the lump sum service charges to be claimed for execution of works. Those who have already awarded the works to other than CPWD/State PWD, it may be ensured that departmental charges levied should be at par or below than that of CPWD rate manual.

Further, the concerned institute has been given strict instructions to follow norms while proposing the details project proposal.”

**15. The Committee noted in their earlier Report that the Engineering Department had revised the cost estimates to Rs.9.26 crore by bringing down the departmental charges to the prescribed 7% and the building was taken over by the AIHM in August 2015. An amount of Rs.8.85 crore was paid by the AIHM to the Engineering Department, Chandigarh; however, the final utilization certificate in respect of above payment was awaited. The Committee opined that AIHM should have vetted the cost estimates properly as the onus lies on the Institute to also ensure that payments are made according to the Government manuals and desired that Utilization Certificate from the Engineering Department, Chandigarh be obtained at the earliest and the departmental charges adjusted while making final payment for the works. As the lapse pointed out by the Audit was indicative of deficiency in the prevalent system of internal controls and internal audit, and adopting a casual approach by the officials concerned in AIHM, the Committee desired that the systems be reviewed and strengthened and responsibility fixed. The Committee note from the action taken reply submitted by the Ministry that against the revised cost estimate of Rs. 9.26 crore, an amount of Rs. 885 lakh was**

paid to the executing agency. The executing agency furnished a utilization certificate for total expenditure including departmental charges amounting to Rs. 744.33 lakh and made a refund of Rs. 140.67 lakh to the AIHM. The Committee also note that AIHM has deposited an amount of Rs. 169.37 lakh in Government Account which includes accrued interest of Rs. 28.70 lakh. The Committee are disappointed to note that the submission regarding receipt of refund was made by the Ministry only after it was pointed out by the Audit. The Committee, while noting that the Ministry received refund in April, 2019 whereas Action Taken Replies were sent to Audit in May, 2019, expect the Ministry to furnish details of actual status to the Committee and to the Audit on issues raised by them. The Committee observe that actual expenditure incurred on the project was only Rs 744.33 lakh, whereas Rs 885 lakh , i.e. more than 95% of the cost estimates were deposited by the AIHM with the executing agency during 2009-10 to 2014-2015. The Committee note that executing agency made a refund of Rs 140.67 lakh in 2019 implying that neither these funds were available for use by the Ministry nor any interest was earned on the amount for the period it remained with the executing agency. The Committee exhort the Ministry to issue guidelines to the organization under its aegis to ensure timely receipt of the utilization certificate from the executing/ implementing agencies. The Committee are of the view that the Ministry may think of withholding at least 10 percent of the estimated costs till final utilization certificates are submitted by the executing/ implementing agencies.

Further, the Committee, while noting that the Ministry has also issued a letter dated 28<sup>th</sup> January, 2019 to all Central autonomous bodies as well as State implementing agencies which have received grant-in-aid to set up State IHMs, FCIs informing inter-alia that for award of works to any PSU/State Govt. organization (other than CPWD/ State PWD), the implementing agencies including Central IHMs shall ensure competition among such PSU/Organizations, reiterate that internal controls and internal audit need to be strengthened and Standard Operating Procedures issued to ensure that the above instructions are followed scrupulously.

-----

**CHAPTER II**  
**OBSERVATION/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN**  
**ACCEPTED BY THE GOVERNMENT**

**Observation/Recommendation**

The Committee while opining that the scale of malpractices in the ITOs indicates connivance of the officials of Ministry and, therefore, desired that the independent inquiry into the same may be conducted and those responsible be brought to book. The Committee were of the considered opinion that the Ministry had failed to monitor the ITOs adequately and desire that a robust mechanism for the same be developed to keep a check on such instances. Further, regular monitoring including periodical inspections by the Ministry will act as a deterrent for the unscrupulous elements. The Committee also desired that internal controls and the internal audit may be strengthened and SOPs be developed and circulated and mandatorily followed by the ITOs.

[Observation/Recommendation Nos. 3 of the 132<sup>nd</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]

**Action taken by the Ministry**

Decision to examine the case from the Vigilance angle was taken on 25.01.12

Charge-sheet was issued on 06.3.2013.

FIR has also been filed by MoT with the Parliament Street Police Station under Prevention of Corruption Act and relevant sections of IPC i.e. 420/210 B r/w Sec. 13 of PCA, 1988 on 24.01.2013. Delhi Police visited London in the March-April, 2016 to cross check the documents.

Disciplinary proceedings are underway.

IO had earlier advised MoT to make arrangements for regular Hearing (RH) through video conferencing. As various issues cropped up due to the decision of hearing of Defense witnesses via video conferencing, an OM was sent seeking advice of CVC on making arrangements for the visit of IO, PO, CO and Defense Assistant to country where the defense witnesses are based.

CVC advised CVO/MoT to decide the issue as deemed fit, in consultation with the Disciplinary Authority as it is an administrative matter in the domain of MoT.

The matter was re-examined and this proposition of arranging for the visit of IO, PO, CO and Defense Assistant was found to be difficult. A letter was sent to Secretary, CVC

requesting to look into the matter and direct the concerned IOs to complete the inquiry on the basis of documents/files and defense witnesses available locally.

CVC again stands on advice given earlier, accordingly, the advice of Hon'ble Minister (T) on the matter is being sought.

### **Vetting Comments of the Audit**

Reply is silent on a robust mechanism to keep a check on such instances, monitoring including periodical inspections by the Ministry, to strengthen internal control and to develop SOPs. Further, disciplinary proceedings are still underway. The latest status of above may please be informed to PAC.

### **Final Action taken by the Ministry**

With regard to robust mechanism to keep a check on such instances, monitoring including periodical inspections by the Ministry, to strengthen internal control and to develop SOPs, it is stated that Internal audit of the India Tourism Offices (ITOs) overseas is carried out from time to time.

The overseas offices are also inspected by the senior officers of the Ministry whenever they are on official tour to the concerned country where the ITO is located.

Further, all proposal of high value are forwarded to the Ministry which are examined and concurred by the Integrated Finance Division and approved by the competent authority in the Ministry.

In addition all ITOs Overseas have also been issued instructions regarding procedures to be followed especially in matters related to incurring of expenditure etc (copy enclosed).

As regards to information about latest status against part II of remarks given against Sl. No. 2&3: Para 18.1 and 18.2, it is intimated that proposal seeking direction on the issue of conducting hearing of defense witnesses who are based abroad in their respective countries of residence has been put for consideration of Disciplinary Authority i.e., Hon'ble Minister (T), decision on which is yet to be taken.

In the meantime, a request to grant extension of time for continuing the proceedings further as per the extant rule considering the specified period of 06 months for completion of subjected inquiry is over, has been received from Inquiry Officer and the same has been put up for the approval of Hon'ble Minister (T).

Inquiry Officer and the same has been put up for the approval of Hon'ble Minister (T).

Inquiry will be proceeded further on receipt of final decision / direction of Hon'ble Minister (T) on the issue put up for his consideration.

**[ Additional Director General (Parlt.), M/O Tourism  
(Ministry of Tourism OM No.16/03/2017-Parlt. Dated 25.09.2019 )**

### **Observation/Recommendation**

The Committee noted that Diplomatic Missions/Posts and the offices abroad were entitled to refund of Value Added Tax (VAT) paid on expenditure incurred on running and maintenance of the offices. However, India Tourism Office (ITO), Tokyo having jurisdiction over Japan, North Korea, South Korea and Taiwan, did not claim tax refunds for the payments made to firms at South Korea since introduction of VAT in South Korea (August 2011) on the ground that ITO was not registered in South Korea and was therefore, not eligible for tax refund. Notably, Embassy of India (Eol), Seoul regularly claimed VAT refunds during this period and had no objection to ITO's bills being routed through Mission. The Committee noted that ITO stopped payment of VAT with effect from 1st September 2015 and recovered VAT paid for the period from 1st April 2014 to 31 August 2015. However, as per local laws, refund claims pertaining to the period prior to March 2014 was declared time barred rendering payments made by ITO during the years 2012-13 and 2013-14 amounting to Rs 62.18 lakh unrealizable. The Committee were astonished to note from the reply of the Ministry that ITO, Tokyo was unaware about the requirement for claiming tax refund from South Korea authorities as the issue of tax refund from Korea was raised by audit in 2015 as the same was not pointed out during audit of accounts in 2012. The Committee were appalled to note the callous approach of the Ministry in dealing with the lapse on part of its Tokyo office and shifting the responsibility on to the Audit. The responsibility squarely lied on the Ministry to develop a mechanism whereby its staff were aware of the prevalent rules, regulations, procedures, facilities etc and updated of every development. The Committee further noted from the reply of the Ministry that ITO Tokyo had, subsequently, made efforts to recover amount of VAT refunds and had sent communications to the service providers/ agencies that had provided services to its offices. However, the communications were returned by Korean post. The Committee were aghast to note that instead of taking the issue up with the Korean service providers, earnestly, the Ministry was giving lame excuses that the communications were returned and desired that the same may be done through India Mission in Seoul and apprise them about the efforts made in this regard. The Committee while noting that the language and lack of expertise in dealing with the accounting system in a foreign country were issues that hinder the implementation of prevalent rules, regulations etc. desired that appropriate staffing may be done in the ITOS to cater to such needs.

[Observation/Recommendation No. 4 of the 132<sup>nd</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]

### **Action taken by the Ministry**

The Ministry of Tourism has noted the recommendations of the Committee and directed the India Tourism Office (ITO) Tokyo to consult/coordinate with the Embassy of India in Seoul to recover VAT for the period 2012-13 and 2013-14 amounting to Rs. 62.18 lakh



from the service providers in Korea, and also apprise the Mission about the efforts made by ITO Tokyo in this regard.

ITO Tokyo has apprised the Embassy of India in South Korea regarding the recovery of VAT in Korea and the efforts made by the office related to the said recovery. As advised by the Mission, ITO Tokyo has submitted all the documents relating to the Tax recovery to the Indian Mission. ITO Tokyo is in touch with the Mission and has been informed that the related documents have been sent to the Ministry of Foreign Affairs (MOFA), Republic of Korea and a reply is awaited from the Korean Administration.

ITO Tokyo has not been paying VAT in Korea since September 2015 and all invoices raised to ITO Tokyo are without tax. ITO Tokyo has informed that as per Article No. 24 of Chapter III Zero Tax Rate and Tax Exemption of the Value Tax Act (enforcement date 01 January 2017), ITO Tokyo is exempt from payment of VAT in Korea.

### **Vetting Comments of the Audit**

Ministry has not replied on the Committee's recommendations for appropriate staffing in the ITOs with person having knowledge of local language and accounting system of the concerned country. Action Taken on this recommendation may please be informed to PAC

### **Final Action taken by the Ministry**

The Ministry of Tourism has noted the recommendations of the Committee and action is being initiated for approval of an administrative solution at the level of the competent authority.

**[ Additional Director General (Parlt.), M/O Tourism  
(Ministry of Tourism OM No.16/03/2017-Parlt. Dated 25.09.2019 )**

### **Observation/Recommendation**

The Committee noted that the Dr. Ambedkar Institute of Hotel Management , Catering and Nutrition (AIHM) Chandigarh accorded (January 2010) administrative approval for construction of an additional block at Rs 9.91 crore. The Committee observed that the executing agency, i.e. Engineering Department, UT Chandigarh, charged departmental charges at 14.30 per cent as against seven per cent as stipulated in CPWD Works Manual resulting in excess payment amounting to Rs 61.46 lakh . The Committee noted from the reply of the Ministry that Engineering Department had revised the cost estimates to Rs 9.26 crore by bringing down the departmental charges to the prescribed 7%. The Committee also noted that the building was taken over by the AIHM in August 2015 and an amount of Rs 8.85 crore had already been paid by the AIHM to the Engineering Department, Chandigarh. However, the final utilization Certificate in respect of above payment was still awaited. The Committee were shocked to note from the

reply of the Ministry that the incorrect application of the charges was mainly a failure of the Engineering department, Chandigarh Administration which was supposed to charge as per CPWD Manual. The Committee were of the view that AIHM should have vetted the cost estimates properly as the onus equally lies on it to ensure that payments are made according to the Government manuals. The Committee opined that instead of shifting the responsibility, the Ministry should set the affairs of organizations under its aegis in order so that such mistakes do not recur. The Committee desired that the Ministry may ensure that the Utilization Certificate from the Engineering Department Chandigarh is obtained at the earliest and the departmental charges are adjusted while making final payment for the works. The Committee opined that the lapse pointed out by the Audit indicate deficiency in the prevalent system of internal controls and internal audit and casual approach of the officials concerned in AIHM and desired that to avoid recurrence of such mistakes the systems be reviewed and strengthened and responsibility fixed.

[ Observation/Recommendation No. 6 of the 132<sup>nd</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha) ]

#### **Action taken by the Ministry**

The Ministry of Tourism took up the matter with its all Autonomous Bodies to ascertain whether there are cases of excess payment of departmental charges as per CPWD works Manual to the executing agencies other than CPWD. In response to this, so far no instance of overcharging the departmental charges (except one case of AIHM, Chandigarh) has come to the notice of the Ministry of Tourism.

In Dr. Ambedkar Institute of Hotel Management, Chandigarh (AIHM) for construction of additional block projects for augmenting their existing physical infrastructure to cater to their need for additional space for classrooms & labs arising from increased intake to students due to 27% reservations for OBCs, the whole project was fully funded by the Government of India, through Ministry of Tourism and the cost estimates were prepared based on the departmental charges @14.3%. As the cost of the estimates was above Rs. 5.00 crore, the Departmental charges @ 7 percent was to be paid. Accordingly, the matter was taken up by the institute vigorously and then after, the Engineering Department (Executing agency) revised the original estimates bringing down the departmental charges from 14.3 percent to 7 percent.

The excess amount towards departmental charges was not actually paid to the Engineering Department. Against the revised cost estimates of Rs. 9.26 crore, till date, an amount of Rs. 8.85 crore is only deposited with executing agency.

Further, while furnishing utilization certificate for an amount of Rs. 7.40 crore by the Engineering Department, Chandigarh Administration vide their Memo No. 11963 dated 25.09.2018, they have levied 7 percent as departmental charges on total expenditure of Rs. 6.92 crore (upto July, 2018). Executive Engineers, C.P. Division No. 2 Roads, Chandigarh has also informed to AIHM, Chandigarh that their office has taken up the

matter with concerned wings i.e., Public Health and Electrical to supply the utilization certificate of amount deposited by their office but the same is still awaited. They have also informed that the balance amount shall be refunded after receiving the actual figures of expenditure from Electrical and Public Health Wing.

To review and strengthen the system, the Ministry of Tourism has also issued a letter dated 28<sup>th</sup> January, 2019 to all Central autonomous bodies as well as State implementing agencies which have received grant-in-aid to set up State IHMs, FCIs informing inter-alia that for award of works to any PSU/State Govt. organization (other than CPWD/ State PWD), the implementing agencies including Central IHMs shall ensure competition among such PSU/Organizations. The competition shall be essentially on the lump sum service charges to be claimed for execution of works. Those who have already awarded the works to other than CPWD/State PWD, it may be ensured that departmental charges levied should be at par or below than that of CPWD rate manual.

#### **Vetting Comments of the Audit**

Engineering department had prepared a revised Utilization Certificate for Rs. 885.00 lakh for total expenditure including departmental charges amounting to Rs. 744.33 lakhs thus leaving balance of Rs. 140.67 lakhs vide Memo no. 4732 dated 15/03/2019.

The balance amount of Rs. 140.67 lakhs has been refunded by the Sub Divisional Engineer, Road Sub Division No. 3, Chandigarh and credited vide bill no. CP00000985 dated 05.03.2019 in the account no. 10004492493 pertaining to the Principal Incharge Dr. Ambedkar IHM, Chandigarh.

Further the Principal Incharge Dr. Ambedkar IHM, Chandigarh requested Ministry of Tourism vide ADM/IHM/2K19/3562 dated 29.03.2019 to provide detail of account number of Ministry of Tourism for transfer of Rs. 140.67 lakh.

This may be brought to the notice of PAC.

Latest position of transfer of fund to the Ministry by Principal in charge AIHM may please be informed to PAC. Ministry reply is silent about fixing of the responsibility in this case and strengthening the system of internal controls and internal audit.

#### **Final Action taken by the Ministry**

The Ministry of Tourism took up the matter with its all Autonomous Bodies to ascertain whether there are cases of excess payment of departmental charges as per CPWD works Manual to the executing agencies other than CPWD. In response to this, so far no instance of overcharging the departmental charges (except one case of AIHM, Chandigarh) has come to the notice of the Ministry of Tourism.

In Dr. Ambedkar Institute of Hotel Management, Chandigarh (AIHM) for construction of additional block projects for augmenting their existing physical infrastructure to cater to their need for additional space for classrooms & labs

arising from increased intake to students due to 27% reservations for OBCs, the whole project was fully funded by the Government of India, through Ministry of Tourism and the cost estimates were prepared based on the departmental charges @14.3%. As the cost of the estimates was above Rs. 5.00 crore, the Departmental charges @ 7 percent was to be paid. Accordingly, the matter was taken up by the institute vigorously and then after, the Engineering Department (Executing agency) revised the original estimates bringing down the departmental charges from 14.3 percent to 7 percent.

The excess amount towards departmental charges was not actually paid to the Engineering Department. Against the revised cost estimates of Rs. 9.26 crore, till date, an amount of Rs. 8.85 crore is only deposited with executing agency.

Further, while furnishing utilization certificate for an amount of Rs. 7.40 crore by the Engineering Department, Chandigarh Administration vide their Memo No. 11963 dated 25.09.2018, they have levied 7 percent as departmental charges on total expenditure of Rs. 6.92 crore (upto July, 2018). Engineering department had prepared a revised Utilization Certificate for Rs. 885.00 lakh for total expenditure including departmental charges amounting to Rs. 744.33 lakhs thus leaving balance of Rs. 140.67 lakh vide Memo no. 4732 dated 15.03.2019.

The balance amount of Rs. 140.67 lakh has been refunded by the Sub Divisional Engineer, Road Sub Division No. 3, Chandigarh and credited vide bill no. CP00000 dated 05.03.2019 in the account no. 10004492493 pertaining to the Principal In-charge Dr. Ambedkar IHM, Chandigarh.

Further, the Principal Incharge, Dr. Ambedkar IHM, Chandigarh has deposited the amount of Rs. 1,69,37,072/- in Government Account along with accrued interest (Rs. 140.67 Lakh + Rs. 28.70 Lakh).

To review and strengthen the system, the Ministry of Tourism has also issued a letter dated 28<sup>th</sup> January, 2019 to all Central autonomous bodies as well as State implementing agencies which have received grant-in-aid to set up State IHMs, FCIs informing inter-alia that for award of works to any PSU/State Govt. organization (other than CPWD/ State PWD), the implementing agencies including Central IHMs shall ensure competition among such PSU/Organizations. The competition shall be essentially on the lump sum service charges to be claimed for execution of works. Those who have already awarded the works to other than CPWD/State PWD, it may be ensured that departmental charges levied should be at par or below than that of CPWD rate manual.

Further, the concerned institute has been given strict instructions to follow norms while proposing the details project proposal.

**[ Additional Director General (Parlt.), M/o Tourism  
Ministry of Tourism OM No. 16/03/2017-Parlt dated 04.02.2020 ]**

-----

**CHAPTER III**

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT  
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE  
GOVERNMENT**

**- NIL -**

**CHAPTER-IV**  
**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES**  
**OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE**  
**COMMITTEE AND WHICH REQUIRE REITERATION**

**Observation/Recommendation**

Further, the Committee noted that ITO, Tokyo had engaged (May 1999) M/s Sugiyama Accountant Office, Tokyo for filing Consumption Tax (VAT in Japan) returns for payments made in Japan and receiving the refund for the same. The agency discontinued its services from January 2013. The Committee find that ITO did not claim tax refunds for the period from January 2013 to March 2015. As per Audit, an estimate of the amount of refunds to be claimed for the period October 2013 to March 2015 worked out to Rs 25.63 lakh. The Committee observed that the Ministry allowed engagement of a tax accountant only from October 2013 till July 2016 and for the subsequent period, directed ITO, Tokyo to devise a mechanism to recover tax on its own or adopt a mechanism for nonpayment of VAT in consultation with the Indian Mission and local authorities concerned. The Committee observed that the tax accountant could only be appointed after February 2017. The Committee also noted from the reply of the Ministry that following the appointment of a certified Tax Accountant for recovery of VAT in Japan, ITO, Tokyo had recovered total VAT refund for the period January 2013 to June 2016 and July 2016 to December 2017. The Committee found from the submission of the Ministry that the ITO, Tokyo had miserably failed in devising a mechanism to recover tax on its own and were dismayed to note that the Ministry had not been able to enforce its own directions. The Committee desired that ITO, Tokyo may adopt a mechanism for exemption from VAT in coordination with India Mission and local authorities urgently. Further, the responsibility for the lackadaisical approach of the officials of both ITO, Tokyo and Ministry may be fixed and action taken against those found responsible in this regard.

[Observation/Recommendation No.5 of the 132<sup>nd</sup> Report of Public Accounts  
Committee (16<sup>th</sup> Lok Sabha)]

**Action taken by the Ministry**

M/s Sugiyama Accountant Office, Tokyo was engaged by ITO Tokyo in 1999 for filing VAT returns and the agency discontinued its services in January 2014. Based on the information received from ITO Tokyo, the agency recovered VAT amounting to JPY 69,308,262 (Rs. 3,26,02,352.00 approx.) from Japan for the period January 1999 to September 2013.

Subsequently, ITO Tokyo engaged M/s Saito Tax Accounting Office and received VAT refunds as follows:

October 2013 to June 2016: JPY 1,64,50,675.00 (Rs. 95,29,993.00)

July 2016 to December 2017: JPY 73,54,853.00 (Rs. 45,16,613.00)

January 2018 to December, 2018: JPY 50,42,131 (Rs. 33,41,815.00)

As per Audit, an estimate of the amount of refunds to be claimed for the period October 2013 to March 2015 worked out to Rs 25.63 lakh. However, ITO Tokyo received VAT refund amounting to JPY 8032045.00 (Rs. 46,53,021.00 approx. as per rate of exchange on the date of receipt of the recovery i.e. 12<sup>th</sup> January, 2018. JPY 1= Rs. 1.7262.00).

ITO Tokyo has informed that it has confirmed from the Office of Ministry of Foreign Affairs, Government of Japan, that ITO Tokyo is not eligible for tax exemption in Japan. However, the office can claim tax refund.

In view of the above, ITO Tokyo has been successful in claiming VAT refund totalling JPY 98155921.00 (Rs. 4,99,90,774.00) for the period from January 1999 to December 2018. Details of VAT claimed is at Annexure.

#### **Vetting Comments of the Audit**

Ministry has not replied on fixing the responsibility of the officials of both ITO Tokyo and Ministry for lackadaisical approach in the matter. Action taken on these recommendations may please be informed to PAC.

#### **Final Action taken by the Ministry**

ITO Tokyo has been successful in claiming VAT refund totalling JPY98155921.00 (Rs. 4,99,90,774.00) for the period from January 1999 to December 2018. Details of VAT claimed are at Annexure. Since there has been a total recovery for the period January 1999 to December 2018, there is no lapse on part of ITO Tokyo/Ministry of Tourism.

**[ Additional Director General (Parlt.), M/O Tourism  
(Ministry of Tourism OM No.16/03/2017-Parlt. Dated 25.09.2019 )**

-----

**CHAPTER V**  
**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE**  
**GOVERNMENT HAVE FURNISHED INTERIM REPLIES**

**Observation/Recommendation**

The Committee noted that ITO, Beijing had not adhered to the GFR while procuring goods and services valuing Rs 7.17 crore during the period 2009-12. Further, the office splited the orders frequently to keep the value of work awarded within the powers of the Director of the office. The ITO also paid Rs 74.90 lakh @ 15% as service fee upto April 2012 whereas from April 2012 onwards none of the vendors claimed any markup fee. The Committee were shocked to note from the reply of the Ministry that while admitting the procedural lapse it has qualified the same by stating that the goods and services procured by ITO Beijing were related to participation in travel fairs/ exhibitions, organizing Know India seminars and other tourism related promotional activities undertaken by the office. The Committee were of the view that any expenditure from the Government of India funds should not be incurred without following proper financial procedures and purpose of the procurement cannot be an excuse for expending casually in gross violation of the financial rules. The Committee while noting that an administrative inquiry had been initiated by the Ministry and the charge sheet was issued way back on 14.01.2015 are aghast to find that the matter is yet to see finality even after lapse of almost four years. The Committee, therefore, desired that the process may be expedited and the guilty be punished for the grave offences committed by them.

[Observation/Recommendation No. 1 of the 132<sup>nd</sup> Report of Public Accounts  
Committee (16<sup>th</sup> Lok Sabha)]

**Action taken by the Ministry**

Decision to examine the case from the Vigilance angle was taken on 05.03.14.

Charge-sheet was issued on 14.01.2015.

Disciplinary proceedings are underway. IO had requested MoT to explore the legality of holding video conference in the case for additional 9 witnesses in Beijing.

Same led to certain legal issues and concerns from DA. Therefore, the advice of CVC was sought on making arrangements for the visit of IO, PO, CO and Defense Assistant to country where the defense witnesses are based. CVC advised CVO/MoT to decide the issue as deemed fit, in consultation with the Disciplinary Authority as it is an administrative matter in the domain of MoT.



The matter was re-examined and this proposition of arranging for the visit of IO, PO, CO and Defense Assistant was found to be difficult. A letter was sent to Secretary, CVC requesting to look into the matter and direct the concerned IOs to complete the inquiry on the basis of documents/files and defense witnesses available locally.

CVC again stands on advice given earlier, accordingly, the advice of Hon'ble Minister (T) on the matter is being sought.

#### **Vetting Comments of the Audit**

Final disciplinary action as and when be taken may please be informed to PAC.

#### **Final Action taken by the Ministry**

As and when disciplinary proceedings are concluded and final decision on the same is taken, it will be intimated to PAC for remarks given against Sl.No.1; Para 18.1 and 18.2.

**[ Additional Director General (Parlt.), M/O Tourism  
(Ministry of Tourism OM No.16/03/2017-Parlt. Dated 25.09.2019 )**

#### **Observation/Recommendation**

The Committee noted that the ITO, London did not invite open tenders for construction of India Tourism stands in 18 travel fairs and exhibitions held in UK and Ireland during 2010-11 even though the value of work was more than Rs 25 lakh. The ITO awarded work to M/s RAR without receiving the bid, commenced the work without formally executing the agreement and released payments including VAT without verifying its whereabouts. Further, for organizing a dinner for 550 guests for the India evening during World Trade Market (WTM) in November, 2010, ITO, London had obtained quotations from three agencies. Subsequently, it was decided to serve only snacks during the event. Instead of calling for fresh tenders, ITO London asked the lowest bidder i.e. M/s SLEC Limited ,amongst the above three agencies to offer their quote for snacks only. However, payment was made even before the revised quote was received. No supply order or agreement was executed with M/s SLEC Limited and the invitation cards had the name of altogether different entities casting doubts on the existence of the supplier. The Committee were astonished to note from the reply of the Ministry that though there was a procedural lapse on the part of the office, the goods and services procured by ITO, London were related to participation in travel fairs/ exhibitions which is one of the promotional activities undertaken by the ITOs overseas for promoting of tourism in India. The Committee emphasised that the award of work to a non-existent firm cannot be justified under any premise and, therefore, Ministry should refrain from making

such callous statements. The Committee were shocked to find that though the charge sheet was issued long back on 6.3.2013, the case has been lingering on for more than 5 years now. The Committee were of the view that taking unduly long time in completing a departmental inquiry points toward lack of urgency in deciding cases of apparent frauds and desired that the process be urgently expedited so that those responsible are punished without further delay. The Committee would also like to be apprised of the efforts made by the Ministry to claim VAT refunds from M/s Orange Events, to which the trade name M/s RAR belonged, and amount realized so far.

[Observation/Recommendation Nos. 2 of the 132<sup>nd</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]

#### **Action taken by the Ministry**

Decision to examine the case from the Vigilance angle was taken on 25.01.12

Charge-sheet was issued on 06.3.2013.

FIR has also been filed by MoT with the Parliament Street Police Station under Prevention of Corruption Act and relevant sections of IPC i.e. 420/210 B r/w Sec. 13 of PCA, 1988 on 24.01.2013. Delhi Police visited London in the March-April, 2016 to cross check the documents.

Disciplinary proceedings are underway.

IO had earlier advised MoT to make arrangements for regular Hearing (RH) through video conferencing. As various issues cropped up due to the decision of hearing of Defense witnesses via video conferencing, an OM was sent seeking advice of CVC on making arrangements for the visit of IO, PO, CO and Defense Assistant to country where the defense witnesses are based.

CVC advised CVO/MoT to decide the issue as deemed fit, in consultation with the Disciplinary Authority as it is an administrative matter in the domain of MoT.

The matter was re-examined and this proposition of arranging for the visit of IO, PO, CO and Defense Assistant was found to be difficult. A letter was sent to Secretary, CVC requesting to look into the matter and direct the concerned IOs to complete the inquiry on the basis of documents/files and defense witnesses available locally.

CVC again stands on advice given earlier, accordingly, the advice of Hon'ble Minister (T) on the matter is being sought.

### **Vetting Comments of the Audit**

Reply is silent on a robust mechanism to keep a check on such instances, monitoring including periodical inspections by the Ministry, to strengthen internal control and to develop SOPs. Further, disciplinary proceedings are still underway. The latest status of above may please be informed to PAC.

### **Final Action taken by the Ministry**

With regard to robust mechanism to keep a check on such instances, monitoring including periodical inspections by the Ministry, to strengthen internal control and to develop SOPs, it is stated that Internal audit of the India Tourism Offices (ITOs) overseas is carried out from time to time.

The overseas offices are also inspected by the senior officers of the Ministry whenever they are on official tour to the concerned country where the ITO is located.

Further, all proposal of high value are forwarded to the Ministry which are examined and concurred by the Integrated Finance Division and approved by the competent authority in the Ministry.

In addition all ITOs Overseas have also been issued instructions regarding procedures to be followed especially in matters related to incurring of expenditure etc (copy enclosed).

As regards to information about latest status against part II of remarks given against Sl. No. 2&3: Para 18.1 and 18.2, it is intimated that proposal seeking direction on the issue of conducting hearing of defense witnesses who are based abroad in their respective countries of residence has been put for consideration of Disciplinary Authority i.e., Hon'ble Minister (T), decision on which is yet to be taken.

In the meantime, a request to grant extension of time for continuing the proceedings further as per the extant rule considering the specified period of 06 months for completion of subjected inquiry is over, has been received from Inquiry Officer and the same has been put up for the approval of Hon'ble Minister (T).

Inquiry Officer and the same has been put up for the approval of Hon'ble Minister (T).

Inquiry will be proceeded further on receipt of final decision / direction of Hon'ble Minister (T) on the issue put up for his consideration.

**[ Additional Director General (Parlt.), M/O Tourism  
(Ministry of Tourism OM No.16/03/2017-Parlt. Dated 25.09.2019 )**

-----

**NEW DELHI;**

**13 March, 2020**

**23 Phalguna, 1941 (Saka)**

**ADHIR RANJAN CHOWDHURY**

**Chairperson**

**Public Accounts Committee**

Government of India  
Ministry of Tourism  
(Overseas Marketing Division)

Transport Bhawan,  
1 parliament Stree,  
New Delhi-110 001

No. 15-OM (25)/2019 Pt

Dated: 19.09.2019

OFFICE MEMORANDUM

Further to instructions issued vide OM of even number dated 03.01.2019 (copy enclosed), it is to inform that the same has been further revised as under:-

- i. The ITOs will follow General Financial Rules (GFR) for incurring expenditure under Plan Head
- ii. The revised Delegated Financial Powers (DFP) of Officers in charge of the ITOs overseas circulated vide letter No. 15-OM (22)/08 dated 07.06.2018 should be adhered to until further orders.
- iii. The Hand book of Financial and Accounting Procedures compiled by the then Financial Controller circulated vide the then JS & FA (T) Sh. Bharat Bhushan's letter 17th July 2009 and re-circulated to all ITOs overseas on 11.03.2012.
- iv. No Regional Director/Director/Assistant Director will incur/commit expenditure beyond the budget allocated to the office within the financial year for undertaking various activities approved in the Annual Action Plan.
- v. No officer will incur expenditure beyond his/her Delegated Financial Powers (DFP) under any circumstances. All cases where the expenditure is beyond the DFP of the Regional Director/Director/Assistant Director as the case may be, should be referred to the Ministry for concurrence of the Integrated Finance Division (IFD) and approval of the competent authority.
- vi. In case any expenditure incurred by the Regional Director/Director/Assistant Director as the case may be, is more than the delegated financial powers, the matter should be brought to the notice of the Ministry of Tourism with proper justification, within fifteen days positively.

- vii. In cases of recovery in respect of officers/officials posted overseas, the concerned Regional Director/Director/Assistant Director of the ITO overseas will effect recovery within thirty days (30) on receipt of directions from the Ministry of Tourism.
- viii. The Diplomatic Missions/Posts and offices overseas are entitled to refund of Value Added Tax (VAT) paid on expenditure incurred in running, maintenance of the offices etc. Similarly, the ITOs overseas may also be entitled to recovery of VAT in the countries within their jurisdiction. The issue regarding VAT refunds has been viewed very seriously in the Ministry and accordingly, all concerned ITOs overseas are directed to claim VAT refund in a timely manner.
- ix. All ITOs overseas are advised to adopt a mechanism for exemption from VAT in coordination with the concerned Indian Mission abroad and local authorities; or devise a mechanism to recover tax on its own.
- x. All ITOs are advised to train the local staff handling account work, with the local tax rules to enable recovery of tax on its own from the countries within its jurisdiction.
- xi. In the event of a vacancy of local based staff, the concerned ITO overseas is advised to engage an appropriate person possessing knowledge of accounts, rules and regulations and tax rules to enable recovery of tax by the concerned ITO overseas.
- xii. All ITOs Overseas will maintain the records of Cheque Books including cancelled cheques, if any for Plan & Non-Plan.
- xiii. All ITOs overseas will maintain Cash Book properly and close the same on a daily basis.
- xiv. ITOs overseas will reconcile Plan and Non-Plan expenditure with bank statements on a monthly basis.
- xv. All ITOs overseas to ensure that Statements of expenditure along with vouchers reach the Pay & Accounts Officer, Ministry of Tourism positively by the 7<sup>th</sup> of each month. Scanned copies of the same along with dispatch details are to be mailed to the Overseas Marketing Division each month.
- xvi. There are provisions for accounting adjustment of Gain/Loss in exchange as per revised accounting procedure for release of funds and booking of expenditure in respect of overseas offices. All ITOs will follow the said procedure strictly and will not utilise Gain/Loss in exchange at any cost.
- xvii. All ITOs Overseas will transfer all receipt such as participation fee, VAT etc to the Ministry invariably.

- xviii. All ITOs Overseas will undertake various promotional activities strictly as per approved Annual Action Plan (AAP). They will maintain the record of AAP on yearly basis.
- xix. ITOs overseas should ensure obtain the approval of the Ministry of Tourism for any activity that is not approved in the Annual Action Plan.
- xx. All ITOs Overseas will maintain the record Hospitality guests sponsored and Publicity returns received on yearly basis.
- xxi. All ITOs Overseas will maintain Office lease agreement, House lease agreement, Storage lease agreement (if any), AMCs for office equipment such as Xerox machine/Frinking machine/Computer etc.
- xxii. All ITOs overseas will follow the guidelines/instructions of Mission Abroad in respect of entitlement of Telephone charges, House rent, Heating charges, etc for their officers at various level.

6. All India Tourism Offices overseas are directed to follow aforesaid instruction/procedure strictly and exercise due diligence while incurring expenditure of any nature.

7. This issues with the approval of Secretary (Tourism) and is for strict compliance by all officers posted in the ITOs overseas.

  
(A. Arya)

Deputy Director General

To,

The India Tourism Offices Overseas

Government of India  
Ministry of Tourism  
(Overseas Marketing Division)

OFFICE MEMORANDUM

No. 15-OM (25)/2009 Pt.

Dated: 03.01.2019

As you are aware, the Ministry of Tourism had decided to re-organise its offices on the basis of an in-depth analysis by consolidating its 14 overseas India Tourism offices into 8 offices which would function as global marketing hubs to cover various important source markets contributing to foreign tourist arrivals.

2. The objective of these India Tourism Offices Overseas is to position India as a preferred tourism destination in the tourism generating markets to promote various tourism products and destinations and to increase India's share in the global tourism market. The objectives are met through an integrated marketing and promotional strategy and a synergized campaign in association with the Travel Trade, State Governments and Indian Missions overseas etc.

3. Though the performance of these offices has been satisfactory in achieving the Ministry's objectives, some serious irregularities have been noticed through audit reports etc. It has been observed that lack of understanding of the Rules and ignorance about the procedures to be followed by the officers in the India Tourism Offices overseas may have been one of the reasons for such irregularities.

4. Ministry of Tourism vide OM No. No. 15-OM (25)/2009 Pt. dated 30<sup>th</sup> July, 2012 had issued Standard Operating Procedures regarding Functioning of India Tourism Offices (ITOs) overseas. The said SoP was laid down in respect of such items of work specific to the Ministry of Tourism with the objective to reduce the chances of committing errors/irregularities by the officers of the ITOs overseas.

5. The Ministry of Tourism is in the process of revising the earlier SoP. However, till such time, all ITOs overseas are directed to adhere to the following:

- i. The ITOs will follow General Financial Rules (GFR) for incurring expenditure under Plan Head
- ii. The revised Delegated Financial Powers (DFP) of Officers in charge of the ITOs overseas circulated vide letter No. 15-OM (22)/08 dated 07.06.2018 will be scrupulously followed until further orders.

- 577
- iii. The Hand book of Financial and Accounting Procedures compiled by the then Financial Controller circulated vide the then JS & FA (T) Sh. Bharat Bhushan's letter 17th July 2009 and re-circulated to all ITOs overseas on 11.03.2012.
  - iv. No Regional Director/Director/Assistant Director will incur/commit expenditure beyond the budget allocated to the office within the financial year for undertaking various activities approved in the Annual Action Plan.
  - v. ITOs overseas should ensure obtain the approval of the Ministry of Tourism for any activity that is not approved in the Annual Action Plan.
  - vi. No officer will incur expenditure beyond his/her Delegated Financial Powers (DFP) under any circumstances. All cases where the expenditure is beyond the DFP of the Regional Director/Director/Assistant Director as the case may be, should be referred to the Ministry for concurrence of the Integrated Finance Division (IFD) and approval of the competent authority.
  - vii. In case any expenditure incurred by the Regional Director/Director/Assistant Director as the case may be, has been more than the delegated financial powers, the matter will be brought to the notice of the Ministry of Tourism with proper justification, within fifteen days positively.
  - viii. In cases of recovery in respect of officers/officials posted overseas, the concerned Regional Director/Director/Assistant Director of the ITO overseas will effect recovery within thirty days (30) on receipt of directions from the Ministry of Tourism.
  - ix. The Diplomatic Missions/Posts and offices overseas are entitled to refund of Value Added Tax (VAT) paid on expenditure incurred in running, maintenance of the offices etc. Similarly, the ITOs overseas may also be entitled to recovery of VAT in the countries within their jurisdiction. The issue regarding VAT refunds has been viewed very seriously in the Ministry and accordingly, all concerned ITOs overseas are directed to claim VAT refund in a timely manner.
  - x. All ITOs overseas are advised to adopt a mechanism for exemption from VAT in coordination with the concerned Indian Mission abroad and local authorities; or devise a mechanism to recover tax on its own.
  - xi. All ITOs are advised to train the local staff handling account work, with the local tax rules to enable recovery of tax on its own from the countries within its jurisdiction.
  - xii. In the event of a vacancy of local based staff, the concerned ITO overseas is advised to engage an appropriate person possessing knowledge of accounts, rules and regulations and tax rules to enable recovery of tax by the concerned ITO overseas.
  - xiii. All ITOs overseas will close Cash Books on a daily basis.





(Annexure for Reply to R/c No. 5)

Year	Period	Amount in JPY	Received	ROE	Amount in INR	
1999	1Q	Jan. - Mar.	1,946,650	14 Jul, 1999	2.7620	704,797
	2Q	Apr. - June	2,140,866	29 Sep, 1999	2.6340	812,781
	3Q	July - Sep.	1,172,247	29 Dec, 1999	2.4020	488,030
	4Q	Oct. - Dec.	1,146,517	29 Mar, 2000	2.5270	453,707
	Total		6,406,280			2,459,315
2000	1Q	Jan. - Mar.	864,745	4 Jul, 2000	2.3710	364,717
	2Q	Apr. - June	1,591,532	28 Sep, 2000	2.3580	674,950
	3Q	July - Sep.	1,603,511	27 Dec, 2000	2.3100	694,161
	4Q	Oct. - Dec.	468,942	30 Mar, 2001	2.4730	189,625
	Total		4,528,730			1,923,453
2001	1Q	Jan. - Mar.	958,478	29 Jun, 2001	2.6020	368,362
	2Q	Apr. - June	663,786	1 Oct, 2001	2.4820	267,440
	3Q	July - Sep.	756,957	6 Feb, 2002	2.7340	276,868
	4Q	Oct. - Dec.	1,027,737	29 Mar, 2002	2.7110	379,099
	Total		3,406,958			1,291,769
2002	1Q	Jan. - Mar.	2,552,297	1 Jul, 2002	2.5340	1,007,221
	2Q	Apr. - June	474,373	7 Oct, 2002	2.5070	189,219
	3Q	July - Sep.	413,826	27 Dec, 2002	2.4900	166,195
	4Q	Oct. - Dec.	924,738	14 Apr, 2002	2.4630	375,452
	Total		4,365,234			1,738,087
2003	1Q	Jan. - Mar.	781,762	1 Jul, 2003	2.5290	309,119
	2Q	Apr. - June	762,450	30 Sep, 2003	2.5890	294,496
	3Q	July - Sep.	535,683	29 Dec, 2003	2.3700	226,027
	4Q	Oct. - Dec.	894,747	31 Mar, 2004	2.3910	374,215
	Total		2,974,642			1,203,856
2004	1Q	Jan. - Mar.	591,918	17 Jun, 2004	2.4760	239,062
	2Q	Apr. - June	488,815	30 Sep, 2004	2.3500	208,006
	3Q	July - Sep.	658,926	20 Dec, 2004	2.2700	290,276
	4Q	Oct. - Dec.	959,930	28 Apr, 2005	2.3880	401,981
	Total		2,699,589			1,139,325
2005	1Q	Jan. - Mar.	1,711,335	4 Jul, 2005	2.4850	688,666
	2Q	Apr. - June	452,588	15 Nov, 2005	2.5270	179,101
	3Q	July - Sep.	633,055	28 Dec, 2005	2.5890	244,517
	4Q	Oct. - Dec.	1,315,515	3 Apr, 2006	2.6000	505,967
	Total		4,112,493			1,618,251
2006	1Q	Jan. - Mar.	1,816,656	30 Jun, 2006	2.4350	746,060
	2Q	Apr. - June	1,107,730	12 Sep, 2006	2.4700	448,474
	3Q	July - Sep.	1,291,268	27 Dec, 2006	2.6120	494,360
	4Q	Oct. - Dec.	804,338	6 Apr, 2007	2.6420	304,443
	Total		5,019,992			1,993,336
2007	1Q	Jan. - Mar.	1,682,146	18 Jun, 2007	2.9560	569,062
	2Q	Apr. - June	686,471	23 Oct, 2007	2.8280	242,741
	3Q	July - Sep.	980,918	26 Feb, 2008	2.6940	364,112
	4Q	Oct. - Dec.	969,030	16 May, 2008	2.5760	376,176
	Total		4,318,565			1,552,091

2008	1Q	Jan. - Mar.	874,996	25 Jul ,2008	2.5010	349,858
	2Q	Apr. - June	793,987	14 Nov ,2008	2.0560	386,180
	3Q	July - Sep.	798,998	28 Jan ,2009	1.8700	427,272
	4Q	Oct. - Dec.	1,167,703	17 Mar ,2009	1.8570	628,812
	Total			3,635,684		1,792,122
2009	1Q	Jan. - Mar.	1,212,188	8 Jul ,2009	1.9920	608,528
	2Q	Apr. - June	1,170,226	28 Oct ,2009	1.8780	623,124
	3Q	July - Sep.	1,194,200	15 Jan ,2010	1.9030	627,535
	4Q	Oct. - Dec.	3,162,446	15 Apr ,2010	1.9600	1,613,493
	Total			6,739,060		3,472,680
2010	1Q	Jan. - Mar.	3,998,792	8 Jul ,2010	1.9600	2,040,200
	2Q	Apr. - June	1,726,776	15 Oct ,2010	1.8510	932,888
	3Q	July - Sep.	1,842,386	17 Jan ,2011	1.8130	1,016,208
	4Q	Oct. - Dec.	1,287,306	28 Mar ,2011	1.8140	709,650
	Total			8,855,260		4,698,947
2011	1Q	Jan. - Mar.	2,430,665	8 Jul ,2011	1.7610	1,380,275
	2Q	Apr. - June	637,816	14 Oct ,2011	1.5920	400,638
	3Q	July - Sep.	1,149,452	27 Jan ,2012	1.4490	793,273
	4Q	Oct. - Dec.	1,030,217	12 Apr ,2012	1.6460	625,891
	Total			5,248,150		3,200,077
2012	1Q	Jan. - Mar.	1,627,535	9 Aug ,2012	1.4250	1,142,130
	2Q	Apr. - June	707,002	29 Oct ,2012	1.4370	491,999
	3Q	July - Sep.	561,616	29 Jan ,2013	1.5220	368,999
	4Q	Oct. - Dec.	1,222,907	17 Apr ,2013	1.7235	709,549
	Total			4,119,060		2,712,676
2013	1Q	Jan. - Mar.	1,373,906	23 Jul ,2013	1.6197	848,247
	2Q	Apr. - June	644,076	28 Oct ,2013	1.5620	412,341
	3Q	July - Sep.	860,583	25 Dec ,2013	1.5768	545,778
	Total			2,878,565		1,806,366
1999 Apr-2013 Sep Total			69,308,262		32,602,352	

2014	4Q	Oct. - Dec.	415,441			
	1Q	Jan. - Mar.	961,721			
	2Q	Apr. - June	980,409			
	3Q	July - Sep.	1,352,260			
2015	4Q	Oct. - Dec.	1,722,700			
	1Q	Jan. - Mar.	2,599,514			
	2Q	Apr. - June	1,576,368			
	3Q	July - Sep.	1,806,059			
2016	4Q	Oct. - Dec.	2,398,692			
	1Q	Jan. - Mar.	1,898,219			
	2Q	Apr. - June	739,292			
		Total	16,450,675	12 Jan ,2017	1.7262	9,529,994
2017	3Q	July - Sep.	2,059,669			
	4Q	Oct. - Dec.	1,045,912			
	1Q	Jan. - Mar.	1,280,836			
	2Q	Apr. - June	459,165			
	3Q	July - Sep.	1,291,404			
	4Q	Oct. - Dec.	1,217,867			
		Total	7,354,853	13 Mar ,2017	1.6284	4,516,613
2018	1Q	Jan. - Mar.	2,320,709			
	2Q	Apr. - June	649,200			
	3Q	July - Sep.	580,960			
	4Q	Oct. - Dec.	1,491,262			
		Total	5,042,131	26 Feb ,2018	1.5088	3,341,815
2013 Oct - 2018 Dec. Total			28,847,659			17,388,422

**APPENDIX-II**  
(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR ONE HUNDRED AND THIRTY-SECOND (SIXTEENTH LOK SABHA)**

(i) Total number of Observations/Recommendations	-	6
(ii) Observations/Recommendations of the Committee which have been accepted by the Government:	-	Total : 03 Percentage: 50%
Para Nos. 3, 4 and 6		
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:	-	Total : 0 Percentage:0%
-Nil-		
(iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:	-	Total : 01 Percentage:17%
Para No. 5		
(v) Observations/Recommendations in respect of which the Government have furnished interim replies/no replies:	-	Total : 02 Percentage: 33%
Para Nos. 1 and 2		