

**PUBLIC ACCOUNTS COMMITTEE
(1972-73)**

(FIFTH LOK SABHA)

SEVENTY-FIRST REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 43rd Report (Fifth Lok Sabha) on Chapter II of the Report of the Comptroller and Auditor General of India for the year 1969-70 (Civil)—Revenue Receipts, relating to Customs.]



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1973/Magha, 1894 (Saka)

Price : 0.90 Paise

336.3951/

L2

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK
SABHA SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
ANDHRA PRADESH					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
2.	G.R.Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpat, Chandragiri, Chittoor District.	94	13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
			14.	Deccan Book Stall, Ferguson College, Road, Poona-4.	65
ASSAM					
3.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	M/s. Usha Book Depot 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2. B.R.	5
BIHAR			MYSORE		
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	16.	M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1.	16
GUJARAT			RAJASTHAN		
5.	Vijay Stores, Station Road, Anand.	35	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63	UTTAR PRADESH		
HARYANA			18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14	19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
MADHYA PRADESH			WEST BENGAL		
8.	Modern Book House, Shiv Vilas Place, Indore City.	13	20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
MAHARASHTRA			21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
9.	M/s. Sunderdas Gianchand 601, Girgaum Road, Near Princess Street, Bombay-2.	6	22.	Firma K.L. Mukhopadhyay 6/1A, Banchharam Akrur Lane, Calcutta-12.	82
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	23.	M/s. Mukherji Book House, 8-B, Duff Lane, Calcutta-6.	4
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26			

CONTENTS

		PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1972-73)		(iii)
INTRODUCTION		(v)
CHAPTER	I Report	1
CHAPTER	II Recommendations/observations that have been accepted by Government	8
CHAPTER	III Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.	29
CHAPTER	IV Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration	30
CHAPTER	V Recommendations/observations in respect of which Government have furnished interim replies	34
APPENDIX :	Summary of Conclusions/Recommendations.	39

GOVERNMENT LIBRARY
 Comptroller & Finance Service
 Central Govt. Publications
 Acc No R... 38112 (52)
 Date..... 14.3.23

PUBLIC ACCOUNTS COMMITTEE (1972-73)

CHAIRMAN

Shri Era Sezhiyan

MEMBERS

2. Shri Bhagwat Jha Azad
3. Shri R. V. Bode
4. Shrimati Mukul Banerji
5. Shri Jyotirmoy Bosu
6. Shri K. G. Deshmukh
7. Shri Tayyab Husain
8. Shri Debendra Nath Mahata
9. Shri Mohammad Yusuf
10. Shri B. S. Murthy
11. Shri S. A. Muruganantham
12. Shri Ramsahai Pandey
13. Shri H. M. Patel
14. Shrimati Savitri Shyam
15. Shri Ram Chandra Vikal
16. Shri M. Anandam
17. Shri Golap Barbora
18. Shri Bipinpal Das
19. Shri P. S. Patil
20. Shri Kalyan Roy
21. Shri Swaisingh Sisodia
22. Shri Shyam Lal Yadav

SECRETARIAT

Shri B. B. Tewari—*Deputy Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Seventy-First Report on action taken by Government on the recommendations of the Committee contained in their Forty-Third Report (Fifth Lok Sabha) on Chapter II of the Report of the Comptroller and Auditor General of India for the year 1969-70(Civil)—Revenue Receipts, relating to Customs.

2. On the 6th June, 1972 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

Shri B. S. Murthy—*Convener*.

2. Shri Ramsahai Pandey	}	<i>Members</i>
3. Shrimati Savitri Shyam		
4. Shri H. M. Patel		
5. Shri Shyam Lal Yadav		
6. Shri Bhagwat Jha Azad		
7. Shri M. Anandam		

3. The Action Taken Sub-Committee of the Public Accounts Committee (1972-73) considered and adopted this Report at their sitting held on the 25th January, 1973. The Report was finally adopted by Public Accounts Committee on the 9th February, 1973.

4. For facility of reference the main conclusions|recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations|observations of the Committee is appended to the Report.

(vi)

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

NEW DELHI;
February 12, 1973.
Mogha 23, 1994 (S).

ERA SEZHIYAN.
Chairman,
Public Accounts Committee

CHAPTER I

REPORT

This Report deals with action taken by Government on the recommendations contained in the Forty-third Report of the Public Accounts Committee (Fifth Lok Sabha) on Chapter II of the Report of the Comptroller and Auditor General of India for the year 1969-70 (Civil)—Revenue Receipts, relating to Customs, which was presented to the House on 25th April, 1972.

1.2. Action Taken Notes in respect of all the 22 recommendations|observations contained in the Report have been received from Government.

1.3. The Action Taken Notes have been categorised as under:

(i) *Recommendations|observations that have been accepted by Government:*

S.Nos. 1—4, 8—11, 13, 15—19, 21 and 22.

(ii) *Recommendations|observations which the Committee do not desire to pursue in view of Government's replies.*

Nil .

(iii) *Recommendations|observations replies to which have not been accepted by the Committee and which require reiteration.*

S. No. 7.

(iv) *Recommendations|observations in respect of which Government have furnished interim replies.*

S. Nos. 5—6, 12, 14 and 20.

1.4. The Committee hope that final replies in regard to recommendations|observations to which interim replies have been furnished will be submitted to them expeditiously after getting them vetted by Audit.

1.5. The Committee will now deal with action taken by Government on some of the recommendation/observations.

Anti-smuggling measures—Paragraph 1.29 (S. No. 3)

1.6. Feeling alarmed about the magnitude of the problem of smuggling, the Committee had made the following observations in

paragraph 1.29 of their 43rd Report (Fifth Lok Sabha):—

“The Committee feel alarmed about the magnitude of the problem of smuggling in the country. The Committee were informed during evidence that the Department were catching ‘only a small percentage of what is coming into India and therefore, the problem is much more gigantic and much bigger than we were able to tackle’. The Committee are unhappy that inspite of the awareness of the problem and repeated requests from Custom Houses, the Department have failed to provide the Custom Houses with launches in adequate number and of required speed in the country. The Committee desire that the Ministry should ensure that the preventive network is strengthened by providing the requisite anti-smuggling equipment and staff with necessary powers.”

1.7. In their reply dated 28th December, 1972, the Ministry of Finance (Department of Revenue and Insurance) have stated as under:

“As regards the Committee’s observation regarding the need to provide launches in adequate number and of the required speed, as pointed out in this Ministry’s reply (page 11) with regard to the Committee’s recommendation in Para 1.30 of the 43rd Report, the recommendations of the Study Group have been examined in detail by the Government and in pursuance of those recommendations, the Managing Director of M/s. Garden Reach Workshops has been requested to select suitable boats and submit his recommendations for Government’s approval. The requirements of anti-smuggling equipment and staff with necessary powers, are being reviewed and Committee’s observations in this regard have been noted.”

1.8. The Committee would like to impress upon Government that the final selection of the type of boats suitable for anti-smuggling measures and their supply in adequate number, as also provision of anti-smuggling equipment and staff with necessary powers should be made expeditiously.

Cost of Collection—Paragraph 1.37 (S. No. 7)

1.9. In paragraph 1.37 of the Report, the Committee had made the following observations regarding expenditure on collection of Customs duties:

“The estimated expenditure on other functions of the Customs Department has increased from Rs. 1.90 crores in 1966-67

to Rs. 2.35 crores in 1969-70. In view of the fact that there is considerable reduction in Customs revenue, the Committee would like the Government to examine the feasibility of effecting economy in expenditure on collection."

1.10. The Ministry of Finance (Department of Revenue and Insurance) in their reply dated 30th December, 1972 have stated as follows:

"The increase in expenditure on functions other than preventive of the Customs Department from Rs. 1.90 crores in 1966-67 to 2.35 crores in 1969-70 is accounted for by an additional expenditure of Rs. 38 lakhs on Cost of Establishment and the balance by additional expenditure under other charges.

"2. The increase in Establishment expenditure is attributable partly to normal increments, increased allowances, etc. and partly to upgradation and cost of additional staff. The extra expenditure due to increase allowances was Rs. 27.8 lakhs. Revenue Department has no say in this. The extra expenditure attributable to normal increments and cost of additional staff was Rs. 10.6 lakhs only. The reasons for the additional expenditure on allowances are:

- (i) With the accrual of annual increments to this staff, the staff became entitled to higher rates of various allowances, i.e. house rent allowance, city compensatory allowance, overtime allowance, etc.
- (ii) Enhancement in the rates of dearness allowance twice during the year 1967-68 and again in October, 1968.
- (iii) Merger of part of dearness allowance with pay. This merger led to further increase in house rent allowance, city compensatory allowance and overtime allowance.
- (iv) Introduction of revised overtime scheme with higher rates of overtime in accordance with the Second Pay Commissions' formula.
- (v) Allowances to additional staff sanctioned during 1967-1970.

"The extra expenditure on normal increments to existing staff and on salary of upgraded or additional staff sanctioned during 1967-1970 came to Rs. 10.6 lakhs only. The category-wise break-up of the additional staff sanctioned

during this period for functions other than preventive is as follows:—

Class I	13
Class II	123
Class III	216
Class IV	18
	<hr/>
Total	370
	<hr/>

“In addition to this 217 post of Lower Division Clerks were upgraded to Upper Division Clerks, 84 posts of Head Clerks were upgraded to Deputy Office Superintendents, 25 Superintendents (Ministerial) were upgraded as Office Superintendents and 9 Chemical Assistance were upgraded as assistant Chemical Examiners. Most of the sanctions relating to additional staff were pursuant to the recommendations of the Customs Study Team which went into the organisational structure and methods of the Customs Department. Broadly speaking, the additional staff was sanctioned with the following objectives:—

- (i) For strengthening the supervisory set up at the Class I level by having more officers of Deputy Collectors' status.
- (ii) For proper examination of import and export cargo having regard to the growing complexities of Import Trade Control and for proper valuation of exports for foreign exchange requirements, for export promotion work involving payment of big sums as incentives, and safeguarding of Customs revenue as a consequence of high rates of import duty.
- (iii) For strengthening the non-gazetted ministerial supervisory set up in the various Departments of the Custom Houses.
- (iv) For strengthening the Internal Audit Departments of the Customs Houses.
- (v) For strengthening the Drawback Departments of the Custom Houses to enable it to dispose of the progressively increasing number of claims for drawback on exports. During the period 1967—1970, the amount paid out as drawback to the exporters increased from Rs. 10. crores in 1966-67 to Rs. 23 crores in 1969-70. While this result-

ed in reducing the Customs Revenue, the expenditure on staff to cope up with the increasing number of claims went up.

“3. As for the feasibility of effecting economy of the expenditure on staff, it may be stated that in para 1.21 of their 8th Report (1971-72), the Public Accounts Committee had suggested examination as to what extent economy on staff employed on assessment and collection of duties could be effected with a view to having a proportionate reduction in the cost of collection. Pursuant thereto, the matter was referred to the Director of Inspection (Customs & Central Excise) for detailed examination. The study conducted by the Director of Inspection has shown that there is not excessive deployment of staff in the performance of the functions relating to collection of duties on imports and rather there is need to further augment the existing strength for efficient and effective handling of the existing workload. It has been observed that the trend of a decline in the Customs receipts observed between 1966-67 to 1969-70 has been arrested since 1970-71 from which year the value of imports has also started increasing. The Customs receipts during 1970-71 was Rs. 524 crores and during 1971-72, Rs. 684 crores as against Rs. 423 crores during 1969-70. The value of imports during 1970-71 was Rs. 1,625 crores and during 1971-72, Rs. 1,825 crores as against Rs. 1,582 crores during 1969-70. Besides, officers engaged on performing functions of assessment of Customs duties are also responsible for effective enforcement of the Import Control Regulations. Progressively over the years the import licensing policy has become more and more selective and restrictive necessitating a more closer examination of the imported goods and the documents pertaining to them by the Customs Officers for effective enforcement of the Import Control Regulations.

“4. As for the increase in expenditure under the head of ‘other Charges’ this has been due to payment of arrears of service charges and rent for the Madras Custom House building and A.A.C. Godown, hiring of new accommodation for gunting work by the C.P.W.D. for Bombay Custom House building, hiring for new godown for seized goods, purchase of furniture and office equipment for modernization of fil-

ing, recording and indexing system of the Drawback and Manifest Clearance Department of Bombay Custom House, following the recommendations of Customs Study Team."

1.11. The Committee are not satisfied that adequate steps have been taken to keep the expenditure on collection of Customs Duties at the optimum level. In fact, absence of clear-cut data relating to expenditure on collection of duties and on anti-smuggling activities impedes formation of a clear judgment regarding the justification of expenditure. The Committee would like the matter to be examined again in consultation with Audit and would like to have a clearer report in this regard.

Arrears of Customs duty—Paragraph 1.95 (S. No. 21)

1.12. Expressing concern over the large number of pending cases of provisional assessment, the Committee had made the following suggestion in paragraphs 1.95 of the Report.:

"The Committee are concerned to note that there were 6487 pending cases of provisional assessment involving an amount of Rs. 59.32 crores as on 31st March, 1970. Some of these cases relate to the period as early as 1960-61. The Committee desire that the reasons for pendency of these old cases should be gone into by the Board and necessary steps taken to finalise them expeditiously. The Committee also suggest that some time-limit should be fixed for finalisation of the cases of provisional assessment so that the assessments do not remain provisional for several years."

1.13. In their reply dated 16th November, 1972, the Ministry of Finance (Department of Revenue and Insurance) have stated as follows:—

"The Custom Houses have been asked to take steps to expedite the finalisation of provisional assessment cases and especially those which relate to private parties. Suggestions have been invited from the Collectors of Customs regarding practical time-limit which could be fixed for finalisation of different types of cases in which provisional assessment is resorted to. Such time-limits will be fixed in consultation with the Collectors of Customs. A copy of the letter addressed to the Collectors of Customs in this regard is enclosed (page 26)."

1.14. The Committee desire that the reasons for pendency of provisional assessments should be gone into by the Board with a view to taking suitable remedial measures for the future. The Committee would further like to be informed of the present position of the pendency.

CHAPTER II

RECOMMENDATIONS|OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee are concerned over the significant fall in revenue amounting to Rs. 26.36 crores in receipts from Custom Exports during the year 1969-70. From the statement furnished by the Ministry of Finance, the Committee find that the export value of jute manufactures fell from Rs. 218.01 crores in 1968-69 to Rs. 206.66 crores in 1969-70 and that of Tea from Rs. 156.51 crores to Rs. 124.50 crores. The Committee desire that Government in the Ministry of Foreign Trade should look into the reasons for fall in the export of these and other commodities with a view to taking necessary export promotion measures.

[S. No. 1 (Para 1.27) of Appendix to the 43rd Report—
5th Lok Sabha].

Action taken

The quantity and value of tea exports from India for the last five years are given below:—

	1967-68	1968-69	1969-70	1970-71*	1971-72*
Quantity (m. kgs.)	203.33	200.82	174.11	205.04	218.15
Value (Rs. crores)	180.20	156.51	124.50	153.57	162.38
Unit Value (Rs. kgs.),	8.86	7.79	7.15	7.48	7.44

*Provisional

Exports of tea during 1969-70 amounted to Rs. 124.50 crores as compared with Rs. 156.51 crores during 1968-69. The fall in exports during 1969-70 was principally due to lower off-take of tea by U.K. not only from India but also from other traditional suppliers like Ceylon and Indonesia arising out of accumulated stocks by the close of 1968 which, in turn, resulted in depressing prices in the U.K.

market. Adjustments in consigning teas to London by lower shipments were made by the producers, who manufactured and sold types of tea favoured in the internal market. The world export quota was informally fixed at 594.8 million kgs. during 1970. Government of India abolished the export duty on tea on 1st March, 1970 and also announced an *ad hoc* rebate on excise duty. These measures contributed to an increase in exports of tea during 1970-71 and 1971-72 amounting to Rs. 153.57 crores and Rs. 162.38 crores (Provisional) respectively. It will be seen that exports for the subsequent years have improved.

[Ministry of Foreign Trade O.M. No. K. 13013(7)|72—Plant (A)
dated 27-9-1972].

Following an exceptionally poor jute and mesta crop in the year 1968-69 and the regulatory measures introduced in regard to consumption of jute and production of jute goods, exports of jute goods had declined in 1968-69. Exports in the two succeeding years also failed to rise for the following reasons:—

- (a) severe competition from Pakistan where exports, unlike in India, used to be heavily subsidised through Bonus Vouchers;
- (b) introduction of bulk handling methods and competition from synthetics;
- (c) series of prolonged strikes at Calcutta port and in jute industry which interrupted the continuity and stability of supplies;
- (d) in exports of carpet backing cloth in the early part of 1970-71 to the U.S. market on account of slowing down of house building activity following credit squeeze and other anti-inflationary fiscal measures taken by the U.S. Government.
- (e) failure of production to reach satisfactory levels to machinery imbalances in jute mills.

2. Exports picked up in 1971-72 when India was virtually a monopoly supplier of jute goods. As a result of a study conducted recently into the markets in U.S.A., Canada, U.K. and Belgium, certain measures for promoting exports of jute goods have emerged, and these are under consideration. Export duty on jute primary

carpet backing cloth has been reduced by Rs. 4.00 per tonne from 1st November, 1972.

[Ministry of Foreign Trade Note No. H. 11013/4/72—Tex (D), dated 2-12-1972].

Recommendation

The Committee note that the Department is paying rewards to the informers who give useful information about the goods smuggled into the country. The rewards are paid within an overall ceiling of Rs. 15 per tola in case of gold and 10 per cent of the estimated market price in India of other confiscated goods. The Collectors are also authorised to pay advance rewards (50 per cent of the expected final reward) immediately on seizure of goods.

[S. No. 2 (Para 1.28) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

The observation of the Committee has been noted.

[Ministry of Finance (Department of Revenue and Insurance) O.M. No. 13|15|72—Ad. V. dated 23-12-1972].

Recommendation

The Committee feel alarmed about the magnitude of the problem of smuggling in the country. The Committee were informed during evidence that the Department were catching "only a small percentage of what is coming into India and therefore, the problem is much more gigantic and much bigger than we were able to tackle". The Committee are unhappy that inspite of the awareness of the problem and repeated requests from Custom Houses, the Department have failed to provide the Custom Houses with launches in adequate number and of required speed in the country. The Committee desire that the Ministry should ensure that the preventive network is strengthened by providing the requisite anti-smuggling equipment and staff with necessary powers.

[S. No. 3 (Para 1.29) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

As regards the Committee's observation regarding the need to provide launches in adequate number and of the required speed, as pointed out in this Ministry's reply (page 11) with regard to the

Committee's recommendation in Para 1.30 of the 43rd Report, the recommendations of the Study Group have been examined in detail by the Government and in pursuance of those recommendations, the Managing Director of M/s. Garden Reach Workshops has been requested to select suitable boats and submit his recommendations for Government's approval. The requirements of anti-smuggling equipment and staff with necessary powers, are being reviewed and Committee's observations in this regard have been noted.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 411/40/72—Cus. III, dated 28-12-1972].

Recommendation

The Committee further desire that an early decision should be taken by Government on the report of the Study Group set up by the Cabinet Secretariat regarding the requirement of launches.

[S. No. 4 (Para 1.30) of Appendix to the 43rd Report—
5th Lok Sabha].

Action taken

The recommendations of the Study Group have been examined in detail by the Government and in pursuance of those recommendations, the Managing Director of M/s. Garden Reach Workshops has been requested to select suitable boats and submit his recommendations for Government's approval.

[Ministry of Finance (Department of Revenue and Insurance)
Note No. 1/35/72-Ad. V., dated 16-12-1972].

Recommendation

The Committee note the improvement in the working of the Internal Audit Department as a result of the reorganisation of the Department effected in March, 1969. The results of Internal Audit in Bombay, Calcutta and Madras Custom Houses revealed that during the year 1969-70, 2978 cases of under-assessments involving an amount of Rs. 97.18 lakhs were detected as against 2309 cases involving Rs. 49.74 lakhs in 1968-69. The Internal Audit Department also detected 2250 cases of over-assessment of duty involving an amount of Rs. 48.63 lakhs in 1969-70 as against 2149 cases involving Rs. 42.15 lakhs during 1968-69. The Committee, however, find that the performance of the Internal Audit Department in the Calcutta custom House has not shown much improvement as compared with the Custom Houses in Bombay and Madras. During the year 1969-70, the Internal Audit Department of Calcutta Custom House

detected only 470 cases of under-assessment involving an amount of Rs. 13.38 lakhs and 323 cases of over-assessment involving an amount of Rs. 5.78 lakhs. The Committee were informed during evidence that the Directorate of Inspection had been asked to undertake a study of the working of the Internal Audit Department in Calcutta Custom House. The Committee desire that this study should be completed as early as possible and necessary steps taken to improve the working of the Department.

[S. No. 8 (Para 1.43) of Appendix to the 43rd Report—
5th Lok Sabha].

Action taken

The observations of the Committee have been noted. The Directorate of Inspection has been asked to undertake a review of the working of the Internal Audit Departments in major Custom Houses, with special reference to the performance in the Calcutta Custom House. On receipt of the report of the Directorate of Inspection, the steps considered necessary to improve the working of the Internal Audit Department will be taken.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 411|31|72-Cus. III, dated 20-10-1972].

Recommendation

The Committee note that with the re-organisation of the Internal Audit Department, appraisers have been inducted into the Department with a view to improving the quality of assessment work. All Bills containing value of any entry exceeding Rs. 20,000 which are required to be endorsed to the Assistant Collectors and 20—25 per cent of the remaining bills of entries are being audited by the appraisers. The Committee desire that the procedure should be kept under watch with a view to increasing the percentage of bills to be audited by the appraisers. The Committee also suggest that the area of audit by the appraisers and auditors should be enlarged to cover all aspects which are at present being covered by the Revenue Audit.

[S. No. 9 (Para 1.44) of Appendix to the 43rd Report—
5th Lok Sabha].

Action taken

The observations of the PAC have been noted.

2. The position will be kept under review. Necessary instructions in the matter have since been issued to the Customs Houses

vide this Ministry's letter F. No. 442|9|72-Cus. IV, dated 11th December, 1972, copy of which is enclosed for ready reference.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 442/9/72-Cus. IV, dated 28-12-1972].

Enclosure

INSTRUCTION No. 8

IMMEDIATE

F. No. 442|9|72-Cus-IV
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE & INSURANCE)
New Delhi, the 11th December, 1972.

From

The Under Secretary to the Government of India.

To

All Collector of Customs,
(Bombay|Calcutta|Madras|Cochin).

SUBJECT: *Recommendations made by the PAC in their 43rd Report (Fifth Lok Sabha)—1971-72 on audit of Bills of Entry in the Custom Houses.*

Sir,

I am directed to refer to the correspondence resting with your letter C. No. 1609|72-PT II, dated 31st August, 1972, C. No. S10-139|70-I.A., dated the 16th August, 1972, C-45|8|72-IAD, dated the 2nd September, 1972, No. C1|187|72-Cus., dated the 17th August, 1972 and to say that the PAC in para 1.44 of their 43rd Report (extracts enclosed) have made a reference to the procedure regarding auditing of Bills of Entry in the Custom Houses. The Committee in this connection have recommended that (i) the procedure regarding scrutiny of Bills of Entry by the Audit Appraisers as envisaged in the Board's letter F. No. 55|82|70-Cus.—IV, dated the 19th September, 1970 may please be kept under watch with a view to increase the percentage of bills to be audited by the audit Appraisers and (ii) that the area of audit by the Appraisers and Auditors should be enlarged to cover all aspects which are at present being covered by the Revenue Audit.

2. The matter has been examined by this Ministry afresh and it has been decided that Custom Houses should keep a constant watch

on the procedure contemplated in the Board's letter referred to above and a detailed report on its working may be furnished to this Ministry in due course to consider the desirability of increasing the percentage of audit checks of Bs./E. in the Custom Houses. As regards the 2nd recommendation of the P.A.C. referred to above, you are requested to take suitable steps to ensure that audit scrutiny by the Appraisers and Auditors in the Internal Audit Department covers all aspects which are at present being covered by Revenue Audit.

3. A report on the implemental action taken on the recommendations of the P.A.C. may please be sent to this Ministry by 18th December, 1972 positively.

4. The receipt of these instructions may please be acknowledged.

Yours faithfully,

(Sd|- ———)

Under Secretary to the Government of India.

Recommendation

The Committee find from the two cases brought to their notice that mistakes occurred in converting Canadian dollars into Rupees for the purpose of levy of Customs duty, due to confusion between the US dollars and Canadian dollars. The Committee desire that necessary instructions should be issued by the Board to the Custom Houses to avoid confusion in conversion of the currencies bearing the same name prevalent in different countries. The Internal Audit Department should be particularly vigilant in auditing the conversion calculations.

[S. No. 10 (Para 1.50) of Appendix to the 43rd Report—
5th Lok Sabha].

Action taken

The observations of the P.A.C. have been noted, and circulated to all the concerned Customs Houses and Collectorates for their information and strict compliance, *vide* letter F. No. 512|6|72-Cus. VIIm, dated 5th June, 1972 (Copy enclosed).

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 512|6|72-Cus. VI, dated 21-12-1972].

Enclosure

F. No. 512|6|72-Cus. VI

Government of India

MINISTRY OF FINANCE

(Department of Revenue and Insurance)

New Delhi, dated the 5th June, 1972.

From

The Under Secretary to the Government of India.

To

The Collectors of Customs,
Madras|Bombay|Calcutta|Cochin.

The Deputy Collector of Customs, Visakhapatnam|Goa.

The Assistant Collector of Customs, Kandla.

The Collector of Central Excise, Delhi.

Sir,

**SUBJECT: P.A.C.—43rd Report (5th Lok Sabha)—Recommendations—
Para 10—Incorrect computation of assessable value.**

I am directed to say that in a Custom House while computing the assessable value of certain export goods the freight charges paid in Canadian dollars were deducted from C.I.F. value in U.S. dollars without converting the Canadian dollars to equivalent U.S. dollars. As the rate of exchange for U.S. dollar to a rupee was less than for Canadian dollar, the assessable values adopted were lower, resulting in short levy of export duty.

2. The matter was discussed in the last meeting of the P.A.C. and in their 43rd report the Committee has made the following recommendations:—

“The Committee find from the two cases brought to their notice that mistakes occurred in converting Canadian dollars into Rupees for the purpose of levy of customs duty, due to confusion between the U.S. dollars and Canadian dollars. The Committee desire that necessary instructions should be issued by the Board to the Custom Houses to avoid confusion in conversion of the currencies bearing the same name prevalent in different countries. The Internal Audit Department should be particularly vigilant in auditing the conversion calculations.”

3. It is requested that the recommendations of the P.A.C. may kindly be circulated to all concerned for strict compliance.

4. The receipt of this communication may kindly be acknowledged.

Yours faithfully,

Sd|-

Under Secretary to the Government of India.

Recommendation

The Committee are not happy over the delay in the giving of ruling by the Central Board of Excise and Customs in this case. This was referred to the Board by the Collector in June, 1965, but the Board gave a ruling in March, 1968, that the P.V.P. of industrial grades for coating tablets is or for use of textile industry be assessed under item 87 of the Indian Customs Tariff and countervailing duty under 15-A of the Central Excise Tariff should be levied. In para 1.22 of their 110th Report (Fourth Lok Sabha) the Committee had suggested that the objections raised by Audit should be resolved within 3 months. The Committee have been informed that under a revised procedure, a Member of the Board goes to the various Custom Houses and settles objections after discussions with the officer on the spot. The Committee hope that as a result of this procedure delay in giving clarifications and rulings by the Board on the references made by the Collectors and objections raised by Audit will be avoided.

[S. No. 11 (Para 1.61) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

The observations of the Committee have been noted by the Government.

[Ministry of Finance (Department of Revenue and Insurance) Note No. 521|21|72-Cus. (TU) dated 14-12-1972].

Recommendation

The Committee have already suggested that the scope of the Internal Audit should be suitably enlarged. The Committee would particularly like to emphasise that the cases of levy of the counter-

vailing duty should be subjected to careful scrutiny by the Internal Audit Department.

[S. No. 13 (Para 1.63) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

The Internal Audit Departments in the major Custom Houses were reorganized in March, 1969 by augmenting the staff and inducting expert Appraisers. Necessary instructions have already been issued to the Collectors of Customs *vide* this Ministry's letter No. 411|45|71-Cus. III dated 11-11-71 (copy enclosed) to the effect that the Internal Audit Department should exercise suitable checks to ensure that the cases of levy of countervailing duty are subjected to careful scrutiny.

[Ministry of Finance (Department of Revenue and Insurance) O.M. No. 411|37|72-Cus. III dated 20-10-1972].

Enclosure

P.A.C. MATTER
IMMEDIATE

F. No. 411|45|71-Cus. III

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE & INSURANCE)

New Delhi, the 11th Nov. 1971.

From,

The Under Secretary to the Govt. of India.

To,

The Collector of Customs,
Bombay|Calcutta|Madras|Cochin (By name)
The Collector of Central Excise,
Delhi. (By name)

Sir,

SUB: P.A.C. meeting—Check of the I.A.D. in regard to ensuring correct assessment from the point of levy of additional duty equal to Central Excise duty.

I am directed to say that during the recent P.A.C. meeting held on 29th October, 1971 on the basis of a suggestion that instructions

be issued or reiterated requiring the I.A.D. of the Custom Houses to exercise necessary check ensuring correct assessment from the point of levy of additional duty equal to Central Excise duty, an assurance was given that the Collectors will be advised to do the needful. I am, therefore, to request you to ensure that suitable checks are exercised by the Internal Audit Department of your Custom House to ensure accuracy of the levy of additional duty in the same manner as for basic duty.

The receipt of this letter may kindly be acknowledged.

Yours faithfully,

Sd|-

Under Secretary to the Government of India.

Copy to T. U. Cell.

Sd|-

Under Secretary to the Government of India.

Recommendation

The Committee see no justification for the delay that occurred in these two cases in revising the rate of landing charges. The delay has involved the Government in a loss of over a crore of rupees as worked out by Audit. The Ministry of Finance have not however furnished any calculations of their own. In the first case the Custom House did not revise the rates fixed in April, 1965 till February, 1968 even though there had been a substantial rise in the Port Trust rates. In the other case the rates fixed in 1960 were continued till March, 1966, even though there was an increase in the rates of landing charges from February, 1963 by way of surcharge of 20 per cent imposed by Port Trust Authorities and this increase was brought to the notice of the Custom House by Audit in May, 1964. The Committee find that according to instructions issued by the Board, review of the landing charges is required to be undertaken by the Custom Houses once in two years and at shorter intervals if changes in the rates prescribed in the Port Trust Authorities warrant such action. The Committee desire that the Board should take serious note of the cases where Collectors fail to review the landing charges within the period prescribed by the Board or at shorter interval, if necessary. These reviews should be completed by the Collectors expeditiously after taking into account the relevant statistics etc. The Committee suggest that the

Board may lay down some reasonable time limit for completing the reviews.

The Committee also suggest that the Internal Audit Department should look into the causes of delay in revision of landing charges.

[S. Nos. 15 and 16 (Paras 1.74 and 1.75) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

The review of landing charges is a time consuming process. Data has to be collected from Port Commissioner's office, Chambers of Commerce, Directorate General of Commercial Intelligence and Statistics, Salt Commissioner, Oil Companies, Food Corporation and Statistical Department of the Custom House. In cases where the data available with such agencies is not in the form required for the purposes of review of landing charges at the particular port, the accuracy has to be checked by cross reference to other sources. In view of these difficulties the completion of review of the landing charges takes long time in some cases.

As explained in the written statement submitted to the P.A.C. with Ministry's O.M. No. 512/4/72-Cus.VI, dated 4th March, 1972, it is not possible to work out the amount of revenue that could have been collected had the revised rates been introduced in Calcutta from 1st June, 1966 and in Cochin from 1st October, 1964 since preparation of such an estimate will involve the scrutiny of thousands of bills of entry that were assessed during the period. Secondly, even if, it was decided to review the Landing charges on the introduction of revised rates from 1st June, 1966 by Port Commissioners, it would have been essential to collect the Statistics on new basis for a reasonable period of (say) 6 months. These statistics would not have been available earlier than February or March, 1967 and the compilation of various data to calculate new rates would have taken some more time. Further, the rate of landing charges fixed from 31st March, 1965 at Calcutta Custom House was 0.4 per cent though the actual percentage of landing charges worked out was 0.25 per cent. Therefore, the Customs House was charging more for some period. Hence, there was excess collection during the earlier period and less collection during some later period and in the long run these would tend to even out.

As regards prescribing periodicity for review of landing charges the observations of the P.A.C. have been brought to the notice of all

concerned and instructions have been issued under letters F.No. 512|7|72-Cus. VI, dated 13th July, 1972, (Circular Nos. 29 & 30) that the rate of landing charges should be reviewed once every three years or at shorter intervals if substantial changes in the rates prescribed by the Port Commissioners or other factors such as devaluation warrant the same. Instructions have also been issued that the review should be initiated for this purpose four to six months prior to the due date so that it is completed within three years. Simultaneously, instructions have also been issued that while auditing the case files relating to fixation of landing charges, the Internal Audit Department should look also into the causes of delay if any, in the revision of landing charges (Annexures A & B).

[Ministry of Finance (Department of Revenue & Insurance)
O.M. No. 512|7|72-Cus. VI dated 27-11-1972].

ANNEXURE A

CIRCULAR No. 29|72.

F. No. 512|7|72-Cus. VI

CENTRAL BOARD OF EXCISE & CUSTOMS

New Delhi the 13th July, 1972.

From

The Under Secretary,
Central Board of Excise & Customs.

To,

All Collectors of Customs.
All Collectors of Central Excise.

SUBJECT:—Landing charges—Calculation of—Instructions regarding.
Sir,

I am directed to say that the Board has decided that the rates of landing charges should be reviewed once every 3 years or at shorter intervals if substantial changes in the rates prescribed by the Port Trust Authorities or other factors such as devaluation warrant the same. For this purpose review should be initiated four to six months prior to the due date so that it is completed and finalised within three years. The instructions contained in Board's letter F. No. 3|1|63-Cus. VI dated the 29th November, 1963 may be deemed to have been amended to this extent.

The receipt of this letter may be acknowledged.

Yours faithfully,

Under Secy. Central Board of Excise and Customs.

ANNEXURE B

CIRCULAR NO. 30|1972.

F. No. 512|7|72-Cus. VI

CENTRAL BOARD OF EXCISE & CUSTOMS

New Delhi, the 13th July, 1972.

From

The Under Secretary,
Central Board of Excise & Customs.

To,

All the Collectors of Customs,
All the Collectors of Central Excise.

SUBJECT:—*Maintenance of separate guard-files of instructions prescribing periodic review.*

Sir,

I am directed to say that the Public Accounts Committee have taken a serious view of the omission on the part of some of the Custom Houses for not taking up review of landing charges within the prescribed period. The observations of the Public Accounts Committee in this regard in their 43rd Report are re-produced below:—

“The Committee find that according to instructions issued by the Board, review of the landing charges is required to be undertaken by the Custom Houses once in two years and at shorter intervals if changes in the rates prescribed by the Port Trust Authorities warrant such action. The Committee desire that the Board should take serious note of the cases where Collectors fail to review the landing charges within the period prescribed by the Board or at shorter interval, if necessary. These reviews should be completed by the Collectors expeditiously after taking into account the relevant statistics etc. The Committee suggest that the Board may lay down some reasonable time limit for completing the reviews.

The Committee also suggest that the Internal Audit Department should look into the causes of delay in revision of landing charges.”

In view of the observations of the Public Accounts Committee, the prescribed periodicity for review of landing charges should be strictly adhered to. A serious note will be taken in cases where the Custom Houses fail to review the landing charges within the prescribed period. In this regard your attention is invited to Board's letter F.No. 520/29/71-Cus. VI dated the 10th November, 1971 according to which for adhering to the periodicity of the review wherever prescribed, the Custom Houses were required to maintain separate guard files of instructions prescribing reviews.

Further, in view of the recommendations of the P.A.C. the Internal Audit Department in the Custom Houses, while auditing the case files relating to the fixation of landing charges, should also look into the causes of delay in revision of the landing charges.

The receipt of this letter may be acknowledged.

Yours faithfully,

Under Secretary, Central Board of Excise and Customs.

Recommendation

The Committee view with disfavour cases of over-assessment as much as those of under-assessment. In the present case failure on the part of the Upper Division Clerk to include the names of the vessels which were granted entry outward after 1st March, 1970 resulted in excess collection of duty on Tea amounting to Rs. 85,418. The Committee hope that as a result of the revised procedure under which the list of vessels for the purpose of reassessment of duty should be personally examined by the Assistant Collector, such mistakes will not recur.

The Committee find that in this case the Internal Audit Department could not detect the mistake as the list prepared by the Import & Export Department was defective. The Committee suggest that in future such lists should be also checked by the Internal Audit Department so that any mistake in the list should not remain undetected.

[S. Nos. 17 & 18 (Paras 1.78 & 1.79) of appendix to the 43rd Report
5th Lok Sabha].

Action taken

The recommendations of the Committee have been noted. Suitable instructions have been issued to the Collectors of Customs and

Central Excise *vide* letter No. F. No. 491/13/71-Cus. VI, dated 16th August, 1972 (copy enclosed).

[Ministry of Finance (Department of Revenue & Insurance) O.M. No. 521/22/72—Cus. (TU) dated 19-12-1972].

Enclosure

CIRCULAR NO. 35

F.No. 491/13/71-Cus. VI

CENTRAL BOARD OF EXCISE & CUSTOMS

New Delhi, dated 16th August, 1972

From,

The Under Secretary,
Central Board of Excise & Customs.

To,

All Collectors of Customs (By name).
The Collectors of Central Excise,
Madurai|Ahmedabad|Delhi.

The Deputy Collector of Customs, Goa/Visakhapatnam|Bhubaneshwar.

The Assistant Collector of Customs, Kandla.

Sir,

SUBJECT: *Grant of entry inwards and outwards—Precautions taken on Budget Day*

I am directed to refer to the Board's letter of even number dated the 28th October, 1971, on the subject mentioned above and to reproduce the recommendations of the P.A.C. in this regard in their 43rd report, for information and compliance:—

“The Committee hope that as a result of the revised procedure under which the list of vessels for the purpose of reassessment of duty should be personally examined by the Assistant Collector, such mistakes will not recur.

The Committee find that in this case the Internal Audit Department could not detect the mistake as the list prepared by the Import and Export Department was defective. The Committee suggest that in future such lists should be also checked by the Internal Audit Department so that any mistake in the list should not remain undetected.”

2. The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd.|-

Under Secretary, Central Board of Excise and Customs.

Recommendation

The Committee note that the total amount of Customs duty remaining unrealised for the period upto 31st March, 1970 was about Rs. 48 lakhs, out of which an amount of Rs. 39 lakhs is pending on account of court orders and Rs. 9 lakhs for other reasons. The arrears including Rs. 21.15 lakhs due from Government Departments, Public Under-takings etc. The Committee desire that vigorous efforts should be made to recover the arrears which do not relate to court cases.

[S.No. 19 (Para 1.93) of appendix to the 43rd Report—5th Lok Sabha].

Action taken

The observations of the P.A.C. have been noted. The Collectors have been asked to make vigorous efforts to realize such arrears. A copy of the letter addressed to the Collectors is enclosed. It will, however, be appreciated that having regard to the yearly revenue arrears of Rs. 9 lakhs only show that the Department has been fully alive to this.

[Ministry of Finance (Department of Revenue and Insurance) O.M. No. 512/5/72-Cus. VI dated 2-11-1972].

ANNEXURE

F. No. 512/5/72-Cus. VI

GOVERNMENT OF INDIA

CENTRAL BOARD OF EXCISE & CUSTOMS

New Delhi, the 5th June, 1972

From

The Under Secretary,
Central Board of Excise and Customs.

To

The Collector of Customs, Bombay/Calcutta/Madras/Cochin.
The Collector of Central Excise, West Bengal/Ahmedabad/
Bangalore/Madurai/Delhi/Chandigarh/Patna/Calcutta &
Orissa.

The Deputy Collector of Customs, Goa/Visakhapatnam.
The Assistant Collector of Customs, Kandla.

Sir,

SUB: P.A.C.—Action on recommendation of the PAC—43rd
PAC report (5th Lok Sabha)—Para 15 (Arrears) for the
year 1969-70 (Customs)—Preparation of brief.

I am directed to say that the P.A.C. in their 43rd report (Fifth Lok Sabha) have observed as follows:—

- “(i) The Committee note that the total amount of Customs duty remaining unrealised for the period upto 31st March, 1970 was about Rs. 48 lakhs, out of which an amount of Rs. 29 lakhs is pending on account of court orders and Rs. 9 lakhs for other reasons. The arrears include Rs. 21.15 lakhs due from Government Departments, Public Undertakings etc. The Committee desire that vigorous efforts should be made to recover the arrears which do not relate to court cases.
- (ii) An amount of Rs. 1.85 crores is involved in cases where notices have been issued by the Customs Department under Section 28(1) of the Customs Act upto 31st March, 1970, for payment of duty. The amounts relate to the years 1962-63 to 1969-70. The Committee desire that necessary steps should be taken to finalise these cases and to avoid accumulation of old cases.”

2. In view of the above, it is requested that vigorous efforts should be made to realise the arrears outstanding where demands have been confirmed and to finalise the cases where demands have been issued under section 28(1) of the Customs Act, 1962. Utmost priority may be given to this work.

3. The receipt of this communication may kindly be acknowledged.

Yours faithfully,

Sd/-

Under Secretary, Central Board of Excise and Customs.

Recommendation

The Committee are concerned to note that there were 6487 pending cases of provisional assessment involving an amount of Rs. 59.32 crores as on 31st March, 1970. Some of these cases relate to the period as early as 1960-61. The Committee desire that the reasons for pendency of these old cases should be gone into by the Board and necessary steps taken to finalise them expeditiously. The Commit-

tee also suggest that some time-limit should be fixed for finalisation of the cases of provisional assessment so that the assessments do not remain provisional for several years.

[S. No. 21 (Para 1.95) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

1.95. The Custom Houses have been asked to take steps to expedite the finalisation of provisional assessment cases and especially those which relate to private parties. Suggestions have been invited from the Collectors of Customs regarding practical time limit which could be fixed for finalisation of different types of cases in which provisional assessment is resorted to. Such time-limits will be fixed in consultation with the Collectors of Customs. A copy of the letter addressed to the Collectors of Customs in this regard is enclosed.

[Ministry of Finance (Department of Revenue & Insurance) O.M. No. 512/5/72-Cus. VI dated 16-11-1972].

Enclosure

D.O.F. No. 512/5/72-Cus. VI

Central Board of Excise and Customs
New Delhi, dated the 22nd September, 1972.

My dear

SUBJECT:—*Expeditious finalisation of provisional assessment cases—
Fixation of time-limit.*

The Public Accounts Committee in the 43rd Report have noted with concern that 6487 cases of provisional assessments involving an amount of Rs. 59.32 crores were pending with the Custom Houses as on 31st March, 1970. Some of these cases relate to the period as early as 1960-61. The Public Accounts Committee desire that the reasons for pendency of these old cases should be gone into by the Board and necessary steps taken to finalise them expeditiously. The Committee have also suggested that some time-limit should be fixed for finalisation of the cases of provisional assessment so that assessments do not remain provisional for several years.

2. You are, therefore, required to go into the reasons for pendency of old cases and take steps to finalise them especially those cases which relate to private parties, expeditiously under intimation to the Board.

3. Since, certain types of cases, such as machinery contract cases, cannot be finalised for long periods due to the fact that the imports are made over periods extending to several years, it may not be possible to lay down a uniform time-limit for finalisation of all types of provisional assessment cases. However, before a time-limit is fixed for finalisation of different types of cases in which provisional assessment is resorted to, you may give your suggestions regarding practical time-limit within which it will be possible for Customs Houses to finalise different types of provisional assessment cases.

Yours sincerely,

Sd/-

Member, Central Board of Excise and Customs.

Recommendation

An amount of Rs. 1.85 crores is involved in cases where notices have been issued by the Customs Department under Section 28(1) of the Customs Act upto 31st March, 1970, for payment of duty. The amounts relate to the years 1962-63 to 1969-70. The Committee desire that necessary steps should be taken to finalise these cases and to avoid accumulation of old cases.

[S. No. 22 (Para 1.96) of appendix to the 43rd Report 5th Lok Sabha]

Action taken

The observations of the P.A.C. have been noted. Steps are being taken to clear the arrears in cases where notices have been issued by the Customs Department under Section 28(1) of the Customs Act. The Collectors have been asked to clear all such arrears early, and a copy of the letter addressed to the Collectors is enclosed.

[Ministry of Finance (Department of Revenue and Insurance) O.M. No. 512/5/72-Cus. VI dated 2-11-1972].

ANNEXURE

F. No. 512/5/72-Cus. VI

GOVERNMENT OF INDIA

CENTRAL BOARD OF EXCISE AND CUSTOMS

New Delhi, the 5th June, 1972

From

The Under Secretary,
Central Board of Excise and Customs.

To

The Collector of Customs, Bombay|Calcutta|Madras|Cochin.
 The Collector of Central Excise, West Bengal|Ahmedabad|Bangalore|Madurai|Delhi|Chandigarh|Patna|Calcutta and Orissa.
 The Deputy Collector of Customs, Goa|Visakhapatnam.
 The Assistant Collector of Customs, Kandla.

Sir,

SUB: P.A.C.—Action on recommendations of the PAC—43rd PAC report (5th Lok Sabha)—Para 15 (Arrears) for the year 1969-70 (Customs)—Preparation on brief.

I am directed to say that the P.A.C. in their 43rd report (Fifth Lok Sabha) have observed as follows:—

- “(i) The Committee note that the total amount of Customs duty remaining unrealised for the period upto 31st March, 1970 was about Rs. 48 lakhs, out of which an amount of Rs. 39 lakhs is pending on account of court orders and Rs. 9 lakhs for other reasons. The arrears include Rs. 21.15 lakhs due from Government Departments, Public Undertakings etc. The Committee desire that vigorous efforts should be made to recover the arrears which do not relate to court cases.
- (ii) An amount of Rs. 1.85 crores is involved in cases where notices have been issued by the Customs Department under Section 28(1) of the Customs Act upto 31st March, 1970, for payment of duty. The amounts relate to the years 1962-63 to 1969-70. The Committee desire that necessary steps should be taken to finalise these cases and to avoid accumulation of old cases.”

2. In view of the above, it is requested that vigorous efforts should be made to realise the arrears outstanding where demands have been confirmed and to finalise the cases where demands have been issued under section 28(1) of the Customs Act, 1962. Utmost priority may be given to this work.

3. The receipt of this communication may kindly be acknowledged.

Yours faithfully,

Sd/-

Under Secretary, Central Board of Excise and Customs.

CHAPTER III

**RECOMMENDATIONS|OBSERVATIONS WHICH THE COM-
MITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERN-
MENT'S REPLIES**

'

NIL

CHAPTER IV

RECOMMENDATIONS|OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The estimated expenditure on other functions of the Customs Department has increased from Rs. 1.90 crores in 1966-67 to Rs. 2.35 crores in 1969-70. In view of the fact that there is considerable reduction in Customs revenue, the Committee would like the Government to examine the feasibility of effecting economy in expenditure on collection.

[S. No. 7 (Para 1.37) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

The increase in expenditure on functions other than preventive of the Customs Department from Rs. 1.90 crores in 1966-67 to Rs. 2.35 crores in 1969-70 is accounted for by an additional expenditure of Rs. 38 lakhs on Cost of Establishment and the balance by additional expenditure under Other Charges.

2. The increase in Establishment expenditure is attributable partly to normal increments, increased allowances, etc. and partly to up-gradation and cost of additional staff. The extra expenditure due to increased allowances was Rs. 27.8 lakhs. Revenue Department has no say in this. The extra expenditure attributable to normal increments and cost of additional staff was Rs. 10.6 lakhs only. The reasons for the additional expenditure on allowances are:

- (i) With the accrual of annual increments to the staff, the staff became entitled to higher rates of various allowances, i.e. house rent allowance, city compensatory allowance, overtime allowance, etc.
- (ii) Enhancement in the rates of dearness allowance twice during the year 1967-68 and again in October, 1968.

- (iii) Merger of a part of dearness allowance with pay. This merger led to further increase in house rent allowance, city compensatory allowance and overtime allowance.
- (iv) Introduction of revised overtime scheme with higher rates of overtime in accordance with the Second Pay Commission's formula.
- (v) Allowances to additional staff sanctioned during 1967—1970.

The extra expenditure on normal increments to existing staff and on salary of upgraded or additional staff sanctioned during 1967—1970 came to Rs. 10.6 lakhs only. The category-wise break-up of the additional staff sanctioned during this period for functions other than preventive is as follows:—

Class I	13
Class II	123
Class III	216
Class IV	18
Total	370

In addition to this, 217 posts of Lower Division Clerks were upgraded to Upper Division Clerks, 84 posts of Head Clerks were upgraded to Deputy Office Superintendents, 25 Superintendents (Ministerial) were upgraded as Office Superintendents and 9 Chemical Assistants were upgraded as Assistant Chemical Examiners. Most of the sanctions relating to additional staff were pursuant to the recommendations of the Customs Study Team which went into the organisational structure and methods of the Customs Department. Broadly speaking, the additional staff was sanctioned with the following objectives:—

- (i) For strengthening the supervisory set up at the Class I level by having more officers of Deputy Collectors' status.
- (ii) For proper examination of import and export cargo having regard to the growing complexities of Import Trade Control and for proper valuation of exports for foreign exchange requirements, for export promotion work involving payment of big sums as incentives, and safeguarding of Customs revenue as a consequence of high rates of import duty.
- (iii) For strengthening the non-gazetted ministerial supervisory set up in the various Departments of the Custom Houses.

- (iv) For strengthening the Internal Audit Departments of the Customs Houses.
- (v) For strengthening the Drawback Departments of the Custom Houses to enable it to dispose of the progressively increasing number of claims for drawback on exports. During the period 1967-1970, the amount paid out as drawback to the exporters increased from Rs. 10 crores in 1966-67 to Rs. 23 crores in 1969-70. While this resulted in reducing the Customs Revenue, the expenditure on staff to cope up with the increasing number of claims went up.

3. As for the feasibility of effecting economy of the expenditure on staff, it may be stated that in para 1.21 of their 8th Report (1971-72), the Public Accounts Committee had suggested examination as to what extent economy on staff employed on assessment and collection of duties could be effected with a view to having a proportionate reduction in the cost of collection. Pursuant thereto, the matter was referred to the Director of Inspection (Customs & Central Excise) for detailed examination. The study conducted by the Director of Inspection has shown that there is no excessive deployment of staff in the performance of the functions relating to collection of duties on imports and rather there is need to further augment the existing strength for efficient and effective handling of the existing workload. It has been observed that the trend of a decline in the Customs receipts observed between 1966-67 to 1969-70 has been arrested since 1970-71 from which year the value of imports has also started increasing. The Customs receipts during 1970-71 was Rs. 524 crores and during 1971-72, Rs. 684 crores as against Rs. 423 crores during 1969-70. The value of imports during 1970-71 was Rs. 1,625 crores and during 1971-72, Rs. 1,825 crores as against Rs. 1,582 crores during 1969-70. Besides, officers engaged on performing functions of assessment of Customs duties are also responsible for effective enforcement of the Import Control Regulations. Progressively over the years the import licensing policy has become more and more selective and restrictive necessitating a more closer examination of the imported goods and the documents pertaining to them by the Customs Officers for effective enforcement of the Import Control Regulations.

4. As for the increase in expenditure under the head "Other Charges", this has been due to payment of arrears of service charges and rent for the Madras Custom House building and A.A.C. Godown, hiring of new accommodation for guniting work by the C.P.W.D. for Bombay Custom House building, hiring for new godown for

seized goods, purchase of furniture and office equipment for modernization of filing, recording and indexing system of the Drawback and Manifest Clearance Department of Bombay Custom House, following the recommendations of Customs Study Team.

[Ministry of Finance (Department of Revenue and Insurance) O.M. No. H.11016/8/72-Ad. IV dated 30-12-1972].

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee are concerned to find that while the Custom Receipts are decreasing the expenditure on their collection is continuing to increase. The Customs Receipts have decreased from Rs. 585.37 crores in 1966-67 to Rs. 423.31 crores in 1969-70 while the expenditure on collection increased from Rs. 5.48 crores to Rs. 7.83 crores. From the break-up of expenditure furnished to them, the Committee find that out of the total expenditure of Rs. 7.83 crores, the estimated expenditure on preventive functions accounted for Rs. 2.03 crores, charges paid to the Union Excise Department for Outports and Land Customs (mostly preventive functions), Rs. 3.45 crores, and other functions Rs. 2.35 crores. The Committee have been informed that as the expenditure in the Custom Grant is not booked on function-wise basis, it is difficult to separate the exact expenditure on preventive functions and other functions. In para 1.21 of their 8th Report (Fifth Lok Sabha) the Committee suggested that the Ministry should examine in consultation with Audit the desirability of maintaining separate accounts for these activities. The Committee desire that this examination should be expedited so that a more objective and realistic appraisal of the expenditure on these two activities could be made.

The Committee find that there is substantial increase in charges paid to the Excise Department for Outports and Land Customs from Rs. 2.31 crores in 1966-67 to Rs. 3.45 crores in 1969-70. The charges paid to the Excise Department work out to about 44 per cent of the total expenditure of the Customs Department. The Committee suggest that it should be examined whether the charges paid to the Excise Department for Outports and Land Customs are worked out on a scientific and rational basis.

[S. Nos. 5 and 6 (Paras 1.35 and 1.36) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

1.35. The Ministry formulated its proposals on the suggestion to maintain separate accounts for different activities and referred, on 4th December, 1972, these proposals to the Comptroller and Auditor General of India, whose reply is awaited.

1.36. The question of revising the prescribed formula for working out the charges paid to the Central Excise Department for Out-ports and Land Customs was considered in the Department of Revenue and Insurance, and its suggestion for a new formula was referred to the Comptroller and Auditor General of India. The Comptroller and Auditor General of India has, a few days ago, made a revised suggestion which is being examined to ascertain if it will achieve the objective in view viz. to lighten the burden of the Customs Department.

[Ministry of Finance (Department of Revenue and Insurance) O.M. No. 5/472-I.F.U. (B&A) dated 29-12-1972].

Recommendation

The Committee suggest that the Board should maintain a register in which Audit objections should be entered and keep a watch over their disposal so that objections are normally disposed of within the time limit of 3 months.

[S. No. 12 (Para 1.62) of Appendix to the 43rd Report—5th Lok Sabha].

Action taken

Under Board's instructions F. No. 55/87/70-Cus.IV dated the 26th February, 1971 (copy enclosed), the major Custom Houses are required to send a monthly statement indicating the details of the Central Revenue Audit objections pending for disposal. In case of Central Excise Collectorates such statements are required to be submitted to the Board quarterly. For the statements received from each of the Custom Houses/Excise Collectorates separate files are maintained in the Board's Office. Through these statements the Board keeps a watch over the disposal of the audit objections pending in the Custom Houses/Excise Collectorates and issues suitable directives to Customs Houses. It is, however, not possible for the Custom Houses to dispose of all the audit objections within a time limit of 3 months, since in many cases due to the difference of opinion between the audit and the Custom Houses the discussions on the objections continue for a long time. Every effort is, how-

ever, made in terms of Board's Instructions F. No. 55/87/70-Cus. IV dated the 26th February, 1971 that the first reply to the audit objection is sent within 2 months of its receipt in the Custom House and subsequent replies within 1 month.

[Ministry of Finance (Department of Revenue and Insurance) O.M. No. 411/33/72-Cus. III dated 9-10-1972].

(The reply has been treated as interim as the matter is under correspondence between the Ministry and Audit.

ENCLOSURE

F. No. 55/87/70-Cuc. IV

CENTRAL BOARD OF EXCISE AND CUSTOMS

New Delhi, the 26th February, 1971,

7th Phalguna, 1892

From

The Under Secretary,
Central Board of Excise and Customs.

To

All Collectors of Customs and Central Excise.

Sir,

SUBJECT: *Watch over disposal of C.R.A. objections in Customs cases—Regarding—*

I am directed to invite your attention to Board's instructions of even number dated the 24th October, 1970 on the above subject and to say that from the reports received from the different Custom Houses it appears that the instructions have not perhaps been followed clearly. I am, therefore, directed to say that the Board would like to have information in respect of pending C.R.A. objections in the following two categories:

- (1) objections in respect of which even the first reply has not issued to the C.R.A. discussing the merits of the objection; and
- (2) objections in respect of which C.R.A. has commented on the Custom House reply discussing the merits, requiring further reply from the Custom House.

2. A revised proforma for reporting these figures is enclosed. The Collectors may kindly ensure that the instructions are clearly followed in reporting the pending cases.

Yours faithfully,

Sd/-

UNDER SECRETARY,

Central Board of Excise and Customs.

PROFORMA

Collectorate _____

STATEMENT OF CRA OBJECTIONS IN CUSTOMS CASES

Month _____, 197

I

No. of objections for which first reply on merits is pending for.

2-3 months	3-4 months	Further monthly break-up	Total
---------------	---------------	--------------------------------	-------

II

No. of objections for which first reply on merits has issued but subsequent reply to CRA is pending for.

1-2 months	2-3 months	Further monthly break-up	Total
---------------	---------------	--------------------------------	-------

Recommendation

The Committee hope that the bill regarding Rationalisation and Classification of goods would be reintroduced in Parliament as early as possible. The Committee desire that the necessary details for setting up of a Central Exchange of classification and Evaluation should be finalised expeditiously.

[S. No. 14 (Para 1.94) of appendix to the 43rd Report—5th Lok Sabha].

Action taken

In terms of notification dated 7th August, 1972 issued by the President under Government of India (Allocation of Business) Rules 1961, the work relating to the Customs Tariff Bill stands transferred to the Ministry of Finance. Action is being taken to obtain the Cabinet's approval for introduction of the Bill with the necessary amendments. As soon as such approval is received, further steps will be taken to introduce the Bill in Parliament.

In view of the heavy expenditure involved in setting up a Central Exchange of Classification and Valuation and the existing instructions on economy, clearance from the Expenditure Finance Committee has to be obtained first. Necessary steps for obtaining the clearance have been initiated and soon after this clearance is accorded, further administrative steps for setting up the Exchange will be taken.

[Ministry of Finance (Department of Revenue and Insurance) Note No. 521/21/72-Cus. (TU) dated 14-12-1972].

Recommendation

The Committee were informed that some parties have paid arrears amounting to Rs. 64,000 voluntarily in cases where the regular demands became time-barred. The Department have withdrawn demands amounting to Rs. 6 lakhs leaving an amount of Rs. 10 lakhs for voluntary payment by the parties. While the Committee appreciate the efforts of the Department to realise the time-barred demands under the voluntary system of payment, they are anxious that such an action should not expose the Department to the charges of using undue pressure. The Committee therefore desire that it should be seriously considered whether the system of voluntary payment should not be abandoned or alternatively some legal provision made in the Act.

[S. No. 20 (Para 1.94) of appendix to the 43rd Report—5th Lok Sabha].

Action taken

It appears that no legal provision regarding recovery of time-barred demands can be made, since under law the time-limit within which demands can be made has been laid down. However, the Ministry of Law is being consulted to ascertain whether a legal

provision of this type can be made in the Act. It may also not be advisable to completely abandon the system of asking for voluntary payments since in several cases parties willingly come forward and pay the amount of less charge. In order that there is no undue pressure on the parties for payment of such amounts, the Board have already instructed the Custom Houses that such time-barred demands should not be kept pending for long periods and should be closed where voluntary payments demanded are not recovered within a few months. It will not be unreasonable for the Government to demand voluntary payments in suitable cases, since the Government also in deserving cases grants refunds to parties even where the refunds are time-barred. Hence on the basis of reciprocity, there is a case for retaining the system of demanding voluntary payments.

[Ministry of Finance (Department of Revenue and Insurance) O.M.
No. 512|5|72-Cus. VI dated 28-12-1972].

NEW DELHI;
February 12, 1973.
Magha 23, 1894 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main Conclusions/Recommendations

Sl. No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1.	1.4	Ministry of Finance (Department of Revenue & Insurance)	The Committee hope that final replies in regard to recommendations/observations to which interim replies have been furnished will be submitted to them expeditiously after getting them vetted by Audit.
2.	1.8	-Do-	The Committee would like to impress upon Government that the final selection of the type of boats suitable for anti-smuggling measures and their supply in adequate number, as also provision of anti-smuggling equipment and staff with necessary powers, should be made expeditiously.
3.	1.11	-Do-	The Committee are not satisfied that adequate steps have been taken to keep the expenditure on collection of Customs Duties at the optimum level. In fact, absence of clear-cut data relating to expenditure on collection of duties and on anti-smuggling activities impedes formation of a clear judgment regarding the justification

of expenditure. The Committee would like the matter to be examined again in consultation with Audit and would like to have a clearer report in this regard.

The Committee desire that the reasons for pendency of provisional assessments should be gone into by the Board with a view to taking suitable remedial measures for the future. The Committee would further like to be informed of the present position of the pendency.

3

Ministry of Finance
(Department of
Revenue & Insurance)

I. 14

4.