

**EIGHTY-THIRD REPORT**  
**PUBLIC ACCOUNTS COMMITTEE**  
**(1981-82)**

(SEVENTH LOK SABHA)

**CUSTOMS RECEIPTS**

**MINISTRY OF FINANCE**  
**(DEPARTMENT OF REVENUE)**

**[Action taken on the 44th Report (Seventh Lok Sabha)]**



*Presented in Lok Sabha on ..... 6 APRIL 1982*

*Laid in Rajya Sabha on .....*

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Corrigenda to the 83rd Report (7th Lok Sabha)  
of P.A.C. presented to Lok Sabha on 16.4.1982

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(1)	-	10	Delete 'a' between 'which' and 'Government'	
2	1.5	12	Thtat	that
2	1.7	34	allwed	allowed
3	1.8	17	For the existing line from 'suggest' to 'Customs' substitute 'issued by them do not seem to have had any effect and'	
57	Col.4 of Appendix	4	Disammonium	di-ammonium

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**PUBLIC ACCOUNTS COMMITTEE**  
**(1981-82)**

**CHAIRMAN**

Shri Satish Agarwal

**MEMBERS**

*Lok Sabha*

2. Shri Subhash Chandra Bose Alluri
3. Shri Tridib Chaudhuri
- \*4. Shri K. P. Singh Deo
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17. Shri N. K. P. Salve
18. Shri Tirath Ram Amla
19. Smt. Maimoona Sultan
20. Shri Patitpaban Pradhan

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\* Ceased to be a Member of the Committee consequent on his appointment as a Deputy Minister w.e.f. 15-1-1982.

\*\* Ceased to be a Member of the Committee consequent on his appointment as a Minister of State w.e. f. 15-1-1982.

[iv.]

21. Prof. Rasheeduddin Khan
22. Shri Indradeep Sinha

**SECRETARIAT**

1. Shri H. G. Paranjpe—*Joint Secretary*
2. Shri D. C. Pande—*Chief Financial Committee Officer*
3. Shri K. K. Sharma—*Senior Financial Committee Officer*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 83rd Report on Action Taken by Government on the recommendations of the Public Accounts Committee contained in 44th Report (7th Lok Sabha) on Customs Receipts relating to Ministry of Finance (Department of Revenue).

2. In their earlier Report, the Committee had pointed out that di-ammonium phosphate having a moisture content of 8 per cent by weight was cleared free of customs duty although exemption from payment of duty was applicable only when the moisture content did not exceed 1.5 per cent by weight. This resulted in short collection of duty to the tune of Rs. 1.26 crores. The Ministry of Finance had informed the Committee that assessments were made on a provisional basis and duty could be adjusted on the basis of final assessment. In the Action Taken Note, the Ministry of Finance have now stated that instructions have been issued impressing upon the Collectors of Customs the need for expeditious finalisation of provisional assessment cases. Not satisfied with the reply of the Government, the Committee have in this Report recommended that the Central Board of Excise and Customs must find out all cases in which their instructions regarding finalisation of provisional assessments within a period of one year from the date of import have not been followed ascertain the reasons for delays and then devise effective measures to monitor compliance.

3. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 23 March, 1982. Minutes of the sitting of the Committee form Part II of the Report.

4. For reference facility and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

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

SATISH AGARWAL

*Chairman*

*Public Accounts Committee.*

NEW DELHI;

March 30, 1982

Chaitra 9, 1904 (Saka).

## CHAPTER I

### REPORT

1.1 This Report deals with the action taken by Government on the recommendations of the Public Accounts Committee (1980-81) contained in their 44th Report (Seventh Lok Sabha) on the paragraphs relating to Customs Receipts included in the Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) Revenue Receipts, Volume I—Indirect Taxes.

1.2 The 44th Report was presented to Parliament on 28 April, 1981. Action taken notes in respect of all the recommendations have been received from Government. These have been broadly categorised as follows:—

(i) *Recommendations or observations which have been accepted by Government.*

S.Nos. 1, 2, 12, 13, 14, 15, 16, 17; 18; 19; 20; 21; 22; 24; 25; 26 and 27.

(ii) *Recommendations or observations which the Committee do not desire to pursue in the light of the replies received from Government.*

S.Nos. 4, 6, 7 and 9.

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

S.Nos. 3, 5 and 23.

(iv) *Recommendations or observations in respect of which Government have furnished interim or no replies.*

S. Nos. 8, 10 and 11.

1.3 The Committee expect that final replies to the recommendations in respect of which only interim replies have so far been furnished will be submitted soon after getting the same vetted by Audit.

1.4 The Committee will now deal with the replies furnished in respect of some of the recommendations.



*Incorrect Application of Exemption Notifications*

(Paragraph 1.78—Sl. No. 3)

1.5 Dealing with the case of incorrect application of exemption notification in respect of a consignment of 10,000 metric tonnes of di-ammonium phosphate having a moisture of 8 percent by weight which was more than the limit prescribed in the exemption notification, the Committee in paragraph 1.78 of their 44th Report had observed:

“It would, therefore, appear that while granting the exemption from customs duty the correct facts and the legal position had not been properly appreciated. The logic of comparing the excess of 6.5 per cent in the present case over the prescribed maximum moisture content of 1.5 per cent with that of 1 per cent in an earlier case is not comprehensible to the Committee. It is also unfortunate that no note was taken of the fact that the Chemical Examiner had specially recommended for the condonation of excess percentage in the earlier cases whereas no such recommendation was made in the present case. Since the notification was specific about the moisture content and was to be read and applied as such, the exemption was apparently not admissible in this case.”

1.6 In their Action Taken Note dated 28-12-1981, the Ministry of Finance (Department of Revenue) have stated that:—

“Even though initially the benefit of exemption contained in notification No. 115-Customs dated 11-3-1972 was extended and the goods allowed clearance free of duty demand notices on the basis of objection raised by the audit were issued in all such cases where moisture content exceeded the prescribed limit.”

1.7 While the Committee appreciate that on the basis of objection raised by the Audit, demand notices have since been issued in all the cases where moisture content exceeded the prescribed limit, the circumstances in which di-ammonium phosphate which did not conform to the specification laid down in the exemption notifications was in the first instance allowed clearance free of customs duty have not been intimated to the Committee. The Committee would like Government to look into the matter to find out the lacunae in the

**system under which DAP containing moisture exceeding the prescribed limit could be cleared and also intimate the remedial measures taken in this regard.**

*Delay in the finalisation of provisional assessments*

(Paragraph 1.80—Sl. No. 5)

1.8 Commenting upon the unusual delays in the finalisation of provisional assessments, the Committee in Para 1.80 of their 44th Report had recommended as follows:—

“On an earlier recommendation of the Committee the Ministry of Finance had given an assurance that instructions had been issued to the Collectors of Customs to the effect that provisional assessments should be finalised in all cases within a period of one year from the date of import. This assurance was given in August, 1976. The Committee are constrained to observe that the assurance given by the Ministry of Finance and the instructions suggest that the Central Board of Excise and Customs the finalisation of provisional assessments continues to be delayed for years together. The Committee would suggest that the Central Board of Excise and Customs must take stock of the situation, find out all cases in which their instructions have not been complied with ascertain the reasons for delay and then devise effective measures to monitor compliance with the instructions issued by them to the Collectors of Customs.”

1.9 In their action taken note dated 28-12-1981, the Ministry of Finance (Department of Revenue) have stated:—

“Instructions have been issued by the Department of Revenue impressing upon the Collectors of Customs the need for expeditious finalisation of provisional assessment cases.”

1.10 In their earlier Report the Committee had pointed out that the finalisation of provisional assessments continued to be delayed for years together. The Committee had recommended that the Central Board of Excise and Customs must devise effective measures to monitor compliance with the instructions issued in the matter by them. In their action taken note, the Ministry of Finance have stated: “Instructions have been issued by the Department of Revenue impressing upon the Collectors of Customs the need for expeditious

finalisation of provisional assessment cases." The Committee are not satisfied with the reply of Government. They would like to point out that in pursuance of an earlier recommendation of the Committee, similar instructions were issued but subsequent experience has shown that these instructions merely remained on paper and the finalisation of provisional assessments continued to be delayed for years together. The Committee therefore reiterate their earlier recommendation that the Central Board of Excise and Customs must find out all cases in which their instructions regarding finalisation of provisional assessments within the prescribed period have not been followed, ascertain the reasons for delays and then advise effective measures to monitor compliance. . .

*Delay in the receipt of original bills of entry in Customs Revenue Audit*

(Paragraph 3.21—Sl. No. 23)

1.11 Commenting on the delay in the receipt of original bills of entry in Customs Revenue Audit, the Committee had in para 3.21 of their 44th Report had recommended:—

“According to an instruction issued by Government on 14th February, 1975 the original bills of entry are required to be forwarded to the Customs Revenue Audit for audit purposes within a period of 120 days after completion of all other formalities including audit by Internal Audit Department. This was done in order to avoid the chances of any demand becoming time-barred by the operation of Section 28 of the Customs Act which lays down a period of six months within which a notice may be issued for any non-levy, short-levy or erroneous refund of duty. According to Ministry of Finance, the Internal Audit Department is required to watch the timely receipt of documents through a Key Register maintained by it for this purpose. The Committee note, however, that a test check by the Customs Revenue Audit in a single Custom House revealed three cases in which the documents were not received in the Internal Audit Department within the prescribed period and the failure of the I.A.D. to raise objections within time resulted in considerable loss of revenue. The Ministry of Finance have not explained the reasons for this delay in the receipt of documents in the I.A.D. in any of these three cases, nor

have they indicated how and why the control mechanism of the Key Register maintained in the I.A.D. proved ineffective. The fact that a limited test check in a single Custom House revealed three cases of failure would seem to indicate that the default is fairly widespread. The Committee would, therefore, recommend that the Ministry of Finance should enquire into the reasons for delay in these cases and then devise effective measures to ensure that such delays do not take place and the documents are received in the I.A.D. at the earliest for them to complete their work and furnish the documents to the Customs Revenue Audit within the stipulated period of 120 days."

1.12. In their Action Taken Note dated 31-12-1981, the Ministry of Finance (Department of Revenue) have stated "Observations of the Committee have been noted. Suitable instructions have been issued to the Collectors for strict compliance."

1.13. In their earlier Report, the Committee had noted that a test check by the Customs Revenue Audit in a single Custom House had revealed three cases of delay in the receipt of documents in the Internal Audit Department resulting in delay in raising objections and consequent loss of revenue. The Committee had recommended that the Ministry of Finance should enquire into the reasons for delay in these cases and then devise effective measures to ensure that such delays do not take place. In their reply the Ministry of Finance have stated that "observations of the Committee have been carefully noted. Suitable instructions have been issued to the Collectors for strict compliance." The Committee are constrained to observe that the reply of the Government is vague and evasive. They would like to be informed whether the cases of delay have since been enquired into and what effective measures have been taken to avoid such delays in future.

1.14. The Committee would further recommend that in order to ensure compliance with the instructions issued by the Board the Directors of Audit and Inspection and the Members of the Board should look into these aspects during their inspection/visits to the collecterates/field formations.

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Recommendation**

The Committee find that under Section 25(1) of the Customs Act, 1962, the Government issued a notification in August, 1973 whereby di-ammonium phosphate imported for use as ammanure or for the manufacture of complex fertilizer was exempted from payment of basic customs duty provided the imported goods conformed to the specifications prescribed in the notification. One of the specifications prescribed in the notification required that the moisture content in the imported di-ammonium phosphate should not exceed 1.5 per cent by weight.

[S.No. 1 Para 1.76 of 44th Report of P.A.C. (Seventh Lok Sabha)]

#### **Action Taken**

Since, this para contains narration of facts, no action is called for.

[Ministry of Finance, Department of Revenue O.M. No. 369/11/  
81-Cus.I dated 28-12-1981]

#### **Recommendation**

In Visakhapatnam Custom House, a consignment of 10,000 metric tonnes of di-ammonium phosphate having a moisture content of 8 per cent by weight but conforming to other specifications mentioned in the aforesaid notification was imported by the Ministry of Food and Agriculture in the year 1974 and was cleared free of the whole of Customs duty resulting in short collection of about Rs. 1.26 crores. The concessional assessment was resorted to on the basis of the opinion given by the Chemical Examiner of the Madras Custom House on 19-8-1974 in the case of an earlier import. In that case the moisture content was only 1 per cent in excess of the stipulated maximum limit of 1.5 per cent and the Chemical Examiner had recommended for the condonation of the

excess percentage. The chemical test report on the sample of the goods under reference revealed a moisture content of 8 per cent.

[S.No. 2 Para 1.77 of 44th Report of P.A.C. (Seventh Lok Sabha)]

#### **Action Taken**

Since this para contains only narration of facts no action appears to be called for. It may however be mentioned that demand notices were issued in all such cases where the moisture content had exceeded the prescribed limit.

[Ministry of Finance, Department of Revenue O.M. No. 369/11/  
81-Cus.I dated 28-12-1981]

#### **Recommendation**

From the information made available to the Committee it is seen that the State Governments have a net work of Inspectors who make random checks of warehouses of manufacturers, handling agencies of fertilisers, cooperatives etc., and take samples for testing. In cases where the fertilisers, imported or indigenous do not conform to prescribed specifications, action is taken against the persons concerned. During the years 1978 and 1979 the number of cases so detected was 302 and 214, the number of cases where prosecutions were launched was 123 and 155 and where convictions were awarded was 30 and 42 respectively. The Committee apprehend that the number of such cases will be very large if a through check of the material is carried out. The Committee would, therefore, like the Central Government to make appropriate arrangements through the State Governments so as to ensure that fertilisers of sub-standard quality do not get distributed to the farmers.

[S. No. 12—Para 1.87 of 44th Report of PAC (7th L.S.)]

#### **Action Taken**

It is the cardinal principal of the Government's policy that fertilisers to be supplied to farmers for use in the fields must be of perfect quality. The Fertilizer (Control) Order lays down, for each recognised fertiliser, specifications that must be conformed for a substance to qualify as a fertiliser, to be used or intended to be "used as a fertiliser of the soil". These specifications cover all the variables like moisture content, nutrient content, free acidity, particle size, Biuret, water solubility etc. If a fertiliser does not conform to the prescribed standard, this has to be disposed as non-standard fertiliser, in accordance with the provisions of the Ferti-

Fertiliser (Control) Order, clause 13B (extracts enclosed-Annexure A'.) The Government have revised the procedure for disposal of imported non-standard fertilisers and have now stipulated that such fertilisers can only be supplied to the manufacturers of mixtures, registered with the State Governments. A copy of the revised procedure is attached (Annexure 'B'). The Fertiliser (Control) Order also lays down in detail the various quality control measures that are to be complied with and the machinery that has to enforce them. The Fertiliser (Control) Order empowers the State Governments to authorise their inspectors to draw the samples, in accordance with the procedure laid down in Schedule-II of the Order. After drawal of samples, these will be got analysed in the Laboratories of the State Governments or the Central Fertilisers Control Laboratory, Faridabad. Earlier, only the State Laboratories had been recognised for this purpose. However, recently the Fertiliser (Control) Order has been amended to include Central Fertiliser Control Laboratory, Faridabad in the list of laboratories to which State Governments can send the samples for analysis. It is proposed to increase the analysing capacity of the Central Fertiliser Control Laboratory, Faridabad to about 6,000 samples per year. At present, there are 36 fertiliser control Laboratories in the country with analysing capacity of about 57,000 samples per annum. This capacity is, however, much less than the estimated requirements of analysing a minimum of 1,17,000 samples of fertilisers annually, in the country. This has to be achieved in a phased manner by the State Governments. In so far as the Central Laboratory is concerned, the question of expanding its network by opening regional laboratories at suitable locations like ports, is being examined. If and when these regional laboratories are set up, it will not only augment the existing analysing capacity of the fertiliser control laboratories, but will facilitate quicker analysis of fertilisers.

On receipt of the recommendation of the Public Accounts Committee, under examination, this Ministry has written to the State Governments to take all necessary action in the light of the observations of the Committee. These measures should include steps to augment the samples testing capacity in the States and to increase the strength of the enforcement machinery, so that an effective supervision could be maintained over the network of fertiliser dealers. The State Government have also been advised to inspect the premises of every dealer more frequently and to draw more samples for analysis in order to see that provisions of the

Fertiliser (Control) Order are strictly complied with. A copy of the instructions issued is placed at Annexure 'C'.

Thus, it is hoped that with the projected increase in analysing capacity of the Central Government laboratories as well as the State Government laboratories, the work relating to analysis of fertilisers would be done expeditiously. It will also be possible to draw and analyse much larger number of samples than are being attempted now. The augmentation of the infrastructural facilities in the State and in the Central Laboratory would also go a long way in enforcing the quality control measures in respect of fertilisers, under the Fertilisers (Control) Order, more vigorously and effectively.

[Ministry of Agriculture (Department of Agriculture and Co-operation) O.M. No. 15-6/81-FA/FIC, dated 26-11-81]

### ANNEXURE-A

#### THE FERTILISER (CONTROL) ORDER, 1957

#### AND

#### THE ESSENTIAL COMMODITIES ACT, 1955

\* \* \* \* \*

\*13B. Disposal of non-standard fertilisers:—Notwithstanding anything contained in the Order, a person may sell, offer for sale stock, or exhibit for sale or distribute, any fertiliser not conforming to the prescribed standard thereafter in this Order referred to non-standard fertiliser subject to the conditions that—

- (a) the container of such non-standard fertiliser is conspicuously superscribed with the words "non-standard" and also with the sign "X", both in red colour; and
- (b) an application for the disposal of non-standard fertilisers in Form "F" is submitted to the registering authority to grant certificate of registration for sale of such fertilisers and a certificate of authorisation with regard to their disposal and price is obtained in Form 'G'.

Provided that the price per unit of the non-standard fertiliser shall be fixed by such registering authority after satisfying itself that the sample taken is a representative one, and after considering the nutrient content in the sample determined on the basis of a chemical analysis of the non-standard fertiliser.

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\*Vide Notification No. 16-17/68-M dated 22-1-70.



**\*\*Provided further that the Central Government may by notification in the Official Gazettee exempt such agencies as distribute fertilisers on behalf of the Central Government, from complying with the conditions laid down in Sub-clauses (a) and (b) of the clause.**

**ANNEXURE-B**

No. 5-5/80-MD

**GOVERNMENT OF INDIA**

**MINISTRY OF AGRICULTURE**

**Deptt. of Agriculture & Cooperation**

New Delhi, dated the 20th July, 1981

To,

The Managing Director,  
Food Corporation of India,  
16-20 Barakhamba Lane,  
New Delhi.

(Attention Shri K. V. Seshadri)

**SUB:—Disposal of sub-standard fertiliser by the Food Corpn. of India on Agrindia account—Issue of revised procedure for—**

Sir,

I am directed to refer to this Ministry's D.O. Lr. No. 7-38/74-MD to Shri A. K. Dutt, the then Managing Director, Food Corporation of India, New Delhi, on the subject mentioned above, and to say that the existing procedure for the disposal of sub-standard fertilisers contained in para 3(b) of this Ministry's d.o. letter dated the 18th May, 1976 referred to above has been revised with a view to accelerate the disposal of sub-standard fertilisers. The new procedure would be as under:—

- (i) The sub-standard fertilisers would be offered/sold only to the manufacturers of mixtures/Special mixtures registered under the Fertiliser (Control) Order. There will be no tenders or public auction as provided in the present system.
- (ii) The price to be offered to the mixing units would be 75 per cent of the price that works out on the basis of the

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**\*\*Vide Notification No. GSR 417(E) of 26-9-72.**

reduced nutrient content. It will be on "as is where is" basis.

- (iii) In case, there were no offers or there were not sufficient offers at 75 per cent of the reduced prices, the prices would be negotiated with the manufacturers concerned by a Committee of Senior Officers of the Food Corporation of India. The Committee would have the option to accept prices up to 60 per cent of the prices that work out on the basis of reduced nutrient contents.
- (iv) In very exceptional circumstances, where price available was even less than 60 per cent of the price that works out on the basis of the reduced nutrient contents, the said Committee of Sr. Officers would have the option to accept the highest price quoted or to negotiate for higher price and accept it.
- (v) The Committee of Sr. Officers would be at the level of Zonal Officers of the Food Corporation of India.

It may be mentioned here that analysis of sub-standard fertilisers from the point of nutrient content is a pre-condition to the disposal of the stock of sub-standard fertilisers.

2. Further, it has been reported that some of the sub-standard stocks are lying in small lots (a lot up to 3 tonnes being defined as small lot) scattered over various places, It has been decided that these stocks would be offered to the State Farms and other sponsored research schemes/projects of the Central Government free of charge. However, the handling and transportation charges on these lots to their places of use would have to be arranged by these bodies at their own expense. The details of such small lots may kindly be intimated to this Ministry.

3. The revised procedure for the disposal of sub-standard fertiliser has been approved by the Finance Division and Minister (A, RRI & CS).

4. It is requested that immediate instructions may kindly be issued to your Zonal/Regional Managers and also to the Managing Directors of SWC and CWC. A copy of your instructions may please be endorsed to this Ministry.

.. Yours faithfully.

Sd/

(A. M. Singh)

*Under Secretary to the Govt. of India.*

**ANNEXURE-C**

Dr. G. S. Vidyarthi  
Joint Secretary (F&M)

D. O. No. 25-6/81-STU  
GOVERNMENT OF INDIA  
MINISTRY OF AGRICULTURE  
*Deptt. of Agriculture & Cooperation*  
*Krishi Bhavan, New Delhi.*  
August, 19, 1981

Dear Shri

The Public Accounts Committee (1980-81) (Seventh Lok Sabha) in their Forty-fourth Report have expressed apprehension that the actual number of cases relating to sale of sub-standard fertilisers in this country would be far more larger than that being detected at present, if a thorough check is carried out. They have therefore, recommended that appropriate arrangements through the State Governments may be made so as to ensure that fertilisers of sub-standard quality do not get distributed to the farmers. An extract from the relevant report of PAC is enclosed.

2. The above recommendation of the PAC has been examined in this Ministry. We feel that there is a dire need for strengthening and gearing up the quality control arrangements and the enforcement machinery of the State Governments/Union Territories to enture the availability of good quality of fertilisers to the farmers.

3. I would request you kindly to take all necessary action that is necessary in the light of the observations of the Public Accounts Committee. These measures should include steps to augment the sample testing capacity in the State and to increase the strength of the enforcement machinery, so that an effective supervision over the net-work of fertiliser dealers could be maintained. The premises of every dealer should be inspected more frequently and samples should be drawn for analysis, in order to see that the provisions of the Fertiliser (Control) Order, 1957 are strictly complied with.

4. We shall be grateful, if you will kindly intimate the action taken or proposed to be taken at an early date.

With Kind regards.

Yours Sincerely.

Sd/ (G. S. Vidyarthi)  
19-8-81....

### Recommendation

The Committee find that the indigenous production of phosphate fertilisers is not keeping pace with the consumption in the country and the import is increasing over the years to meet the entire demand. While the quantity imported in the year 1977-78 was 1,64,000 tonnes, it increased to 2,43,000 and 2,37,000 tonnes in the years, 1978-79 and 1979-80, respectively. The demand for such fertilisers is estimated around 23 lakhs tonnes by 1984-85. As the production from the existing operating units and the projects under implementation is not likely to be adequate to meet the growing demand for such fertilisers, the Deptt. of Chemicals and Fertilisers is planning to take up more new phosphate fertiliser projects/expansion schemes for implementation in a phased manner during the Sixth Five Year Plan. The Committee feel that Government should have taken adequate steps well in time to narrow down the gap between the demand and indigenous availability of such fertilisers. They would like that the proposed expansion schemes are implemented according to schedule which would help in conserving foreign exchange so vitally needed by the country.

[S. No. 13—Para 1.80 of the 44th Report of PAC (7th LS)]

### Action taken

The observations of the Committee in regard to the need for taking adequate steps well in time to narrow the gap between the demand and indigenous availability of phosphatic fertilisers have been noted and brought to the notice of the Ministry of Petroleum Chemicals & Fertilisers (Deptt. of Chemicals and Fertilisers).

2. Consumption, production, capacity of fertilisers the gap in respect of phosphatic fertilisers during the last few years are indicated below:—

(in thousand tonnes)

Year	Capacity	Production	Consumption	Gap
1975-76 . . . . .	692	320	467	147
1976-77 . . . . .	801	480	635	155
1977-78 . . . . .	1015	670	867	197
1978-79 . . . . .	1080	770	1106	336
1979-80 . . . . .	1230	757	1150	393
1980-81 . . . . .	1282	841	1214	373

From the table given above, it would be observed that during the last six years, the capacity of phosphatic fertilisers has nearly doubled and the production from the capacity installed for phosphatic fertilisers has increased by more than two and a half times. However, the consumption in the country is increasing at a much faster rate. It is expected that by 1981-82, the phosphatic capacity would go to 1490 thousand tonnes of P2O5. However, the above capacity would not be sufficient to meet the increased demand of this fertiliser in the country. During the Sixth Five Year Plan, the estimated consumption of phosphatic fertilisers in the country would be as follows:—

	(Figures in 000 tonnes)
1982-83 . . . . .	1899
1983-84 . . . . .	2126
1984-85 . . . . .	2338

It has been planned to take up 11 new phosphatic fertiliser plants with a capacity of 13.88 lakh tonnes in a phased manner during the Sixth Five Year Plan period. An investment decision for a capacity of 3.0 lakh tonnes of phosphatic fertiliser has already been taken. Steps to study the feasibility of the other projects are in progress. With the installation of the above capacity, the total capacity for production of phosphatic fertilisers in the country will be 28.78 lakh tonnes by the end of Sixth Five Year Plan against requirements of 23.38 lakh tonnes. However, the actual production will depend upon the capacity utilisation which is again depending. On various factors like, availability of raw material power, labour problems etc. From the above, it would be seen that if everything goes alright, the capacity to be created by the end of the Sixth Plan would be sufficient to meet the estimated demand for these fertilisers. However, it would be seen from the table given under para 2 above that the projects do not run at full capacity due to various inhibiting factors. The Department of Chemicals & Fertilisers are however, taking all possible steps, apart from creating additional fertiliser capacity to increase production from the existing fertiliser plants to reduce our dependence on imports to a greater extent. Action is being taken by that Department to remove the constraints which have resulted in low production.

3. As regards increasing import of phosphatic fertiliser over the years, it may be submitted that India is not well endowed with raw materials for phosphatic production viz., rock phosphate and sulphur. While there are no indigenous sulphur resources in the country,

the rock phosphate resources are also very limited. Government have given priority to the utilisation of the available indigenous resources for production of phosphate fertilisers. Even after completion of the beneficiation scheme of the Jhamar Kotra mines, which are the largest indigenous resources of P<sub>2</sub>O<sub>5</sub> indigenous production will not be more than 1 million tonnes of rock as against our requirements of 3.1 million tonnes of rock by 1984-85. Government have also approved two projects in the Sixth Five Year Plan, which would produce sulphuric acid from Pyrities available within the country and thus reduce the import requirement of sulphur. In order not to expose the Indian economy to unacceptable uncertainties of prices of finished fertilisers, it has been decided to set up substantial indigenous capacity for production of fertilisers. However, in view of the inadequate availability of indigenous resources, some of these plants will depend on imported intermediates like phosphoric acid or basic raw material like rock phosphate and sulphur. In view of the above, it may not be possible to reduce our dependence on imports in the case of phosphatic fertilisers to a negligible level. However, the risk would be reduced by a judicious combination of import of raw materials, intermediates and finished fertilisers.

[Ministry of Agriculture (Deptt. of Agriculture and Cooperation) O.M. No. 15-6/81-FA/F.I.C. dated 26-11-81].

#### **Recommendation**

The Government have issued instructions to the Custom Houses from time to time relating to disposal of perishable goods. These instructions clearly provide that perishable goods should be disposed of even before adjudication wherever it is felt that such adjudication may take some time. This is to ensure that the perishable goods are not totally lost in value on account of continued storage and delay in disposal. These instructions provide *inter alia* that "in the case of perishable goods it is not merely permissible but obligatory on the part of the Customs authorities to sell the goods before they deteriorate and keep the sale proceeds with them in order to protect the interest of the importers."

S. No. 14—Para 2.32 of the 44th Report of the Public Accounts Committee (7th Lok Sabha)]

#### **Action taken**

The observations of the Committee have been noted.

[Ministry of Finance (Deptt. of Revenue) O.M. F. No. 715/14/81-L.C. (A.S.): dated 19-10-81]

### Recommendation

In the case under examination, the goods were seized in August, 1974 and were identified as tetracycline hydrochloride in December, 1974. Thereafter there was a delay of 4 months on the part of the Superintendent (Godown) in obtaining the test report, and a further delay of 7 months in seeking the orders for disposal from the Collector. The Committee have been informed that the connected officer has been warned for causing this delay.

[S. No. 15—Para 2.33 of the 44th Report of the Public Accounts Committee (7th Lok Sabha)]

### Action taken

The observations of the Committee have been noted.

[M/o Finance (Deptt. of Revenue) O.M.F. No. 715/14/81—LC (AS)  
Dated 1-10-81]

### Recommendation

The Committee are also surprised to find that even though the Supdt. Godown) had solicited orders of the Collector on 9 September, 1975 and 23 October 1975 for disposal of goods on the ground that they were of perishable nature, no orders for disposal were issued. Instead, the Supdt. (Godown) was informed that the case was likely to be adjudicated and the former should await adjudication orders. Subsequent events show that emphasis was laid on prosecution of the offenders and no orders were passed about disposal of goods, although the instructions issued by the Ministry of Finance, themselves provide that perishable goods can be disposed of even before adjudication. The Member (Anti-smuggling) conceded during evidence that "there has been some sort of lack of implementation in certain cases. This is one such case." As the time is the essence in the disposal of perishable goods, the Committee would like the Government to review the existing provisions and consider delegation of powers of disposal in such cases to the local Customs Units themselves up to appropriate financial limits.

[S. No. 16—Para 2.34 of the 44th Report of the Public Accounts Committee (7th Lok Sabha)]

**. Action taken**

The recommendation of the Committee that the Government should review the existing provisions regarding disposal of perishable goods and consider delegation of power of disposal in such cases to local Customs Units themselves up to appropriate financial limits have been noted by the Government. Instructions have been issued to all Collectors of Customs and Central Excise indicating financial limits up to which seized perishable goods can be disposed of by various categories of officers. A copy of instructions No. 715/14/91-L.C. (A.S.), dated the 14th October, 1981 is enclosed.

[M/o Finance (Deptt. of Revenue) O.M. No. 715/14/81-LC (A.S.)  
dated 19-10-81]

F. No. 715/14/81-L. C. (A. S.)

GOVERNMENT OF INDIA

Ministry of Finance

Department of Revenue

New Delhi, the 14th October, 1981.

To

All Collectors of Customs & Central Excise.

Subject:—Seized/confiscated perishable goods/Disposal of—Fixing of monetary limits of various classes of Officers of Customs.

Sir,

The undersigned is directed to refer to Para 2.34 of the 44th Report of the Public Accounts Committee (7th Lok Sabha) for the year 1980-81 (copy enclosed) wherein it has been stated that as time is the essence in the disposal of perishable goods, the Committee would like the Government to review the existing provisions and consider delegation of powers of disposal in such cases to local Customs Units themselves up to appropriate financial limits.

2. In this connection, the Board vide their instructions No. 2/16/56-L.C.I., dated 16-11-1956 and 8/1/61-L.C.I., dated 11-7-1961 have already issued instructions regarding delegation of powers to officers for disposal of perishable goods. The matter has been considered again in the light of the recommendations of the Public Accounts Committee and it has been decided in partial modification of the orders quoted



above that various categories of officers of Customs can now dispose of seized/confiscated perishable goods even before adjudication to the extent indicated below:—

	Rs.
(i) Superintendent of Customs/Central Excise	2,5000/-
(ii) Asstt. Collector of Customs/Central Excise	25,000/-
(iii) Dy. Collectors of Customs/Central Excise	1,00,000/-
(iv) Addl. Collectors/Collectors of Customs/ Central Excise	Unlimited

3. It is again stressed that utmost expedition must be adopted for disposal of perishable goods so that no deterioration leading to loss of their value takes place.

Yours faithfully,

Sd/—

(ASHOK MEHTA)

SENIOR TECHNICAL OFFICER

Copy forwarded for information to:—

1. Director of Preventive Operations, Lok Nayak Building, Khan Market, New Delhi.
2. Directorate of Inspection & Audit (C. & C.E.), New Delhi.
3. Directorate of Revenue Intelligence, New Delhi.
4. P.S. to Chairman|A.S. (AS) |M(Cus), P.A. to Dir. (Cus) |  
D.S.(A.S.)/D.S.(L.C.)

Sd/—

SENIOR TECHNICAL OFFICER

Copy of Para 2.34 of the 44th Report of the Public Accounts Committee (7th Lok Sabha) for the year 1980-81 regarding seized|confiscated perishable goods—Disposal of—Fixing of monetary limits of various classes of Officers of Customs.

2.34. The Committee are also surprised to find that even though the Supdt. (Godown) had solicited orders of the Collector on 9 September, 1975 and 23 October, 1975 for disposal of goods on the ground that they were of a perishable nature, no orders for disposal were issued. Instead, the Supdt. (Godown) was informed that the case was likely to be adjudicated and the former should await adjudication orders. Subsequent events show that emphasis

was laid on prosecution of the offenders and no orders were passed about disposal of goods, although the instructions issued by the Ministry of Finance, themselves provide that perishable goods can be disposed of even before adjudication. The Member (Anti-smuggling) conceded during evidence that "there has been some sort of lack of implementation in certain cases. This is one such case." As the time is the essence in the disposal of perishable goods, the Committee would like the Government to review the existing provisions and consider delegation of powers of disposal in such cases to the local Customs Units themselves upto appropriate financial limits.

### **Recommendation**

Another disquieting feature of the present case is that there was further delay of over one year (June 1977 to June 1978) during which period the Customs authorities consulted the various testing laboratories to first determine the identity of the goods and then for ascertaining its life expectancy. The Committee are now informed that as a result of audit objection, Government have issued instructions on 27 December, 1979 that in cases where the description or the date of manufacture of a seized chemical/drug is not available, utmost care, precaution and expedition should be exercised to ascertain from Drug Control authorities not only the identity, purity and potency of the drug/chemical at the time of seizure but also the life expectancy of the seized drug/chemical. The Committee expect that these instructions will be scrupulously followed.

[S. No. 17—Para 2.35 of the 44th Report of the Public Accounts  
Committee (7th Lok Sabha)]

### **Action taken**

The views of the Committee have been communicated to all Collectors of Customs and Central Excise to bring to the notice of all concerned officers/staff, the instructions of the Ministry regarding disposal of seized/confiscated drug/chemicals. The Collectors have been further instructed to ensure that these instructions are scrupulously followed.

A copy of Ministry's instructions No. 715/14/81-L.C.A.S. dated 1-10-1981 is enclosed.

M/o Finance (Deptt. of Revenue) O.M. No. 715/14/81-L.C.(A.S.)  
dated 19-10-81]

F. No. 715/14/81-L.C.(A.S.)  
GOVERNMENT OF INDIA  
MINISTRY of FINANCE  
Department of Revenue

NEW DELHI, THE 1ST OCTOBER, 1981.

To

All Collectors of Customs & Central Excise.

Subject:—Seized/confiscated perishable goods—Disposal of —Instructions regarding.

Sir,

The undersigned is directed to enclose a copy of Para 2.35 of the 44th Report of the Public Accounts Committee (7th Lok Sabha) for the year 1980-81 regarding delays in disposal of seized chemicals/drugs. The Committee have observed that they expect that the instructions issued by the Government regarding disposal of seized/confiscated perishable goods would be scrupulously followed.

2. In this connection, attention is invited to the instructions issued by the Central Board of Excise & Customs regarding disposal of perishable goods and in particular to the following instructions regarding disposal of seized drugs/chemicals:

- (1) F. No. 545/1/78-L.C.I, dated 21-12-1978.
- (2) F. No. 545/38/77-L.C.I, dated 27-12-1979.
- (3) F. No. 549/7/79-L.C.(AS), dated 27-4-1981.
- (4) F. No. 549/8/8C-L.C(AS), dated 2-5-1981.

It is reiterated that all the instructions issued by the Ministry/Board should be scrupulously followed so that perishable goods do not deteriorate in value before their disposal. Utmost care, precaution and expedition should be exercised to ascertain from Drug Control authorities not only the identity, purity and potency of the drugs/chemicals at the time of seizure but also the life expectancy of the seized drugs/chemicals.

3. Receipt of this letter may please be acknowledged.

Yours faithfully,  
Sd/—  
(ASHOK MEHTA)

Copy forwarded for information to:—

1. Director of Preventive Operations, Lok Nayak Building Khan Market, New Delhi.
2. Directorate of Inspection & Audit (C. & C.E.), New Delhi.
3. Directorate of Revenue Intelligence, New Delhi.
4. P.S. to Chairman/A.S.(A.)/M(Cus), P.A. to Dir. (Cus)/D.S.(A.S.)/D.S.(L.C.)

Sd/—

SENIOR TECHNICAL OFFICER

### Recommendation

The Committee find that pursuant to the recommendation contained in the PAC report (Paras 3.60 & 3.61 of 219th Report) (5th Lok Sabha) the Government have issued instructions to the effect that the valuation of seized goods should be realistic so that there is no undue disparity between the value of the goods as at the time of seizure and at the time of their final disposal. The pattern of valuation at the time of seizure is based on the prevailing market price of the goods of like kind and quality. The fair price of the goods under disposal is determined after taking into consideration the saleable value of the goods in the market, i.e. the price which the goods can fetch when resold in the market by the purchaser, taking into consideration the condition in which they are at the time of sale. With a view to achieving uniformity in valuation, the Central Board of Excise and Customs have issued instructions that the prices of goods fixed at Bombay should be circulated to all the Collectorates so as to serve as a guide in fixing the prices of seized goods and goods ripe for disposal. The Committee have been informed that the Directorate of INSPECTION and Audit Customs and Central Excise receives periodical reports from the Collectors showing the Bombay prices and the prices fixed by the other Collectorate for purposes of comparison. The Committee would like to be informed about the specific action taken from time to time by the Directorate of Inspection, Customs and Central Excise and the Board on the reports received from the various Collectors to ensure uniformity in valuation of identical goods.

[S. No. 18—Para 2.36 of the 44th Report of the Public Accounts Committee (7th Lok Sabha)]

### **Action taken**

The Committee has already been informed that with a view to achieving uniformity in valuation, the Central Board of Excise & Customs have issued instructions that the prices of goods fixed at Bombay should be circulated to all the Collectorates so as to serve a guideline in fixing the prices of seized/confiscated goods. The Directorate of Inspection, Customs and Central Excise has been entrusted with the task of monitoring these prices and it receives periodical reports from the Collectors showing the Bombay prices and the prices fixed by the other Collectorates for purposes of comparison. Where the difference in prices of the same or similar items fixed by Bombay Custom House and of the Custom Houses/Central Excise Collectorates is found to be too wide, the Directorate of Inspection addresses individual Collectorates to reconcile the differences so as to ensure uniformity. The Directorate also asks the individual Collectorates to indicate in each case of variation and prices, the reasons for the differences in prices with those fixed by the Bombay Preventive Collectorate. However, some variations in prices are bound to be there on account of differences in the condition of the goods at the time to fixation of price, differences in models and on account of market conditions.

[M/o Finance (Deptt. of Revenue) O.M. No. 715/14/81-LC(AS)  
dated 19-10-81]

### **Recommendation**

The Committee were told by the Ministry of Finance that Government have not made any study to see how the valuation at the time of seizure compare with the valuation at the time of disposal and with the actual sale proceeds. The Committee recommend that a procedure should be evolved whereby such a study could be made at specified intervals to enable the Government to equip themselves with the requisite data essential to take such measures as are warrant to ensure correct appraisal of value of the goods both at the time of seizure and their disposal.

[S. No. 19—Para 2.37 of the 44th Report of the Public Accounts  
Committee (7th Lok Sabha)]

### **Action taken**

The recommendations of the Committee that a procedure should be evolved whereby a study to see how the valuation of goods at

the time of seizure compares with the valuation at the time of disposal and with actual sale proceeds should be made at specified intervals to enable the Government to equip themselves with requisite data essential to take such measures as are warranted to ensure the correct appraisal of the value of the goods have been noted. Instructions have been issued to all Collectors of Customs and Central Excise to conduct an annual study to see how the valuation of goods at the time of seizure compares with the valuation of goods at the time of sale and with actual sale proceeds. The results of this study giving reasons for any undue disparities which cannot be explained by the condition of the goods at the time of disposal, market conditions, etc. will be communicated by the Collectors to the Directorate of Preventive Operations by the 28th February of each year following the year for which the study is made. The Directorate of Preventive Operations will then consolidate the reports submitted by the Collectors and bring any undue disparities between the values which can not be explained by the factors listed above to the notice of the Collectors for remedial action. The Directorate of Preventive Operations will also send a consolidated report based on the reports of the Collectors to the Ministry by 31st of March each year.

A copy of Ministry's instructions No. 715/14/81-LC(AS) dated 1-10-1981 is enclosed.

[M/o Finance (Deptt. of Revenue) O.M.F. No. 715/14/81-LC(AS)  
dated 19-10-81]

F. No. 715/14/81-L.C.(A.S.)  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
Department of Revenue

NEW DELHI, THE 1ST OCTOBER, 1981.

To

All Collectors of Customs & Central Excise.

Subject:—Valuation of seized/confiscated goods—Disparities between the value at the time of seizure and at the time of disposal—Instructions regarding.

Sir,

The undersigned is directed to enclose a copy of Para 2.37 of the 44th Report of the P.A.C. (7th Lok Sabha) for the year 1980-81

regarding disparities between the valuation of goods at the time of seizure and valuation at the time of disposal and with actual sale proceeds.

2. It has been decided that all Collectors of Customs and Central Excise will get, at the end of each year, a study made to see how the valuation of goods at the time of seizure compares with the valuation at the time of disposal and with actual sale proceeds. The results of this study giving reasons for any undue disparities which cannot be explained by the condition of the goods at the time of disposal, prevailing market conditions etc. will be communicated to the Director of Preventive Operations by the 28th February of each year following the year for which the study is made.

3. The Director of Preventive Operations will then consolidate the reports submitted by the Collectors and bring any undue disparities between the values which cannot be explained by the factors listed above to the notice of Collectors for remedial action. He will also send a consolidated report based on the reports of the Collectors to the Ministry by the 31st March of each year giving details of action taken by him in respect of such disparities etc.

Yours faithfully,

Sd/—

(ASHOK MEHTA)

SENIOR TECHNICAL OFFICER

Copy forwarded for information to:—

1. Director of Preventive Operations, Lok Nayak Building Khan Market, New Delhi.
2. Directorate of Inspection & Audit (C. & C.E.), New Delhi.
3. Directorate of Revenue Intelligence, New Delhi.
4. P.S. to Chairman|A.S. (AS)|M(Cus), P.A. to Dir. (Cus);  
D.S.(A.S.)/D.S.(L.C.)

Sd/—

SENIOR TECHNICAL OFFICER

### Recommendation

The Committee find from the information made available to them that the value of seized/confiscated goods in stock in various Custom Houses as on 30 June 1980 was of the order of Rs. 76 crores. Out of this, goods valued at Rs. 11.51 crores were ripe for disposal on the date. During the course of visit of a Study Group of the Committee to some of the Custom Warehouses during October, 1980 it was noticed that there was heavy accumulation of confiscated goods. Some of the reasons for such accumulation were stated to be (i) non-disposal due to process of investigation, adjudication, appeal and revision and (ii) non-lifting of goods like liquor by ITDC and watches by HMT and (iii) downward trend in the sale of consumer items and luxury goods for the use of bona fide consumers and personnel of the military and para-military forces respectively due to procedural and other difficulties. The Committee also noticed during on-the-spot visit that storage system in the Custom Houses was not very systematic and methodical and there were no proper indications about the names of the articles stored therein. At the retail sales counters of Custom Houses, wide disparity in the prices of confiscated goods of the like kind and quality was observed. The Committee are of the view that the existing rules and procedures regarding receipts, storage and disposal of seized and confiscated goods in stock results not only in deterioration in their quality but also casts heavy burden on the Government by way of avoidable expenditure on warehousing and accounting.

In pursuance of an earlier recommendation (Paras 3.57 and 3.58 of their 219th Report—5th Lok Sabha) wherein the Committee had expressed their distress at the large value of goods awaiting disposal, the Government had stated that instructions had been issued to all Collectors of Customs and Central Excise to take serious efforts towards completion of adjudication proceeding and disposal of confiscated goods. The value of seized confiscated goods amounting to Rs. 76 crores as on 30 June, 1980, however, indicates that the desired results have not been achieved in spite of the instructions issued in the matter. The Committee therefore recommend that the Government should issue suitable instructions to ensure that the disposal of confiscated goods is monitored on quarterly basis. They would also like the Government to evolve some system whereby these and other instructions for disposal of confiscated goods are subjected to review at specified intervals with a view to introduce such changes as are essential in the interest of expeditious disposal of confiscated goods.

[S. No. 20 Para 2.38 of the 44th Report of the Public Accounts Committee (7th Lok Sabha)].



**Action taken**

Instructions regarding receipt, storage and disposal of confiscated goods are constantly reviewed by the Government not only with a view to evolve better procedures but also to expedite the disposal of these goods. As a result of the various instructions issued by the Ministry from time to time, the value of confiscated goods disposed of has been continuously increasing during the last 3 years as is evident from the figures given below:—

Year	Value of goods disposed of (Rs. in crores)
1978 . . . . .	6.04
1979 . . . . .	11.47
1980 . . . . .	17.76
1981 (upto 30-6-1981) . . . . .	9.59

The Ministry have also from time to time reviewed the existing instructions regarding disposal of confiscated goods and taken measures to expedite their disposal. Some of the recent instructions issued in this regard are listed below:—

- (1) Instructions No. 549/59-M/77-LCI, dated 2-6-1979 regarding additional measures for disposal of confiscated goods sensitive to smuggling in which it has been provided that synthetic textiles and other consumer goods like electronic goods including other miscellaneous items may be sold to military and para-military organisations for use by their personnel and National Cooperative Consumers' Federation Ltd. for sale to bona-fide consumers through Cooperative Consumer Societies, Super Bazars, Sahakari Bhandars, etc. at a discount of 10 per cent to the former and 12½% to the later.
- (2) Instructions No. 549/123/79-LC.I, dated 22-12-1979 regarding additional measures for disposal of confiscated watches which may be offered first to HMT in case of their refusal to NCCF, Military and Para-Military Organisations.
- (3) Instructions No. 549/123/79-LC.I, dated 30-1-1980 for disposal of confiscated electronic watches to N.C.C.F.

- (4) Instructions No. 549/90/79-L, C.I. dated 3-9-1980 regarding disposal of wild life skins.
- (5) Instructions No. 549/40/80-LC.I. dated 24-11-1980 regarding expeditious disposal of confiscated liquor.
- (6) Instructions No. 549/8/80-LC.I dated 8-1-1981 regarding expeditious disposal of confiscated medicines/drugs.
- (7) Instructions No. 549/101/79-LC.I dated 31-1-1981 regarding disposal of confiscated 12 bore arms and ammunition.
- (8) Instructions No. 549/86/79-LC.I dated 27-2-1981 regarding raising the discount permissible on sales of confiscated goods to N.C.C.F. from 12½% to 14½ per cent.
- (9) Instructions No. 711/4/81-LC (AS) dated 27-4-1981 increasing the sale points through which the NCCF is allowed to dispose of confiscated goods purchased by them from Customs.
- (10) Instructions No. 549/47/80-LC (AS) dated 4-6-1981 raising the discount on sales of watches to HMT from 10 per cent to 12 per cent to expedite disposal.
- (11) Instructions No. 549/90/79-LC.I dated 28-7-1981 regarding expeditious disposal of confiscated snake skins.

The Directorate of Preventive Operations have also been entrusted with the task of monitoring the disposal of seized/confiscated goods and that directorate receives quarterly statements from the Collectors of Customs and Central Excise regarding receipt/disposal of seized/confiscated goods. The Directorate of Preventive Operations reviews the disposal figures supplied by the Collectors, consolidates the statements and sends a report to the Ministry. Officers of the Directorate of Preventive Operations also during their inspections of Custom Houses/Central Excise Collectories, inspect the arrangements for receipt, storage and disposal of confiscated goods and make appropriate recommendations to the Collectors as also the Ministry in this regard.

Vide instructions No. 715/14/81-LC (AS) dated 1-10-1981 the Directorate of Preventive Operations has been directed (Copy enclosed that they should also obtain from the Collectors, along with the quarterly statements regarding receipt, storage and disposal of confiscated goods, comments of the Collectors as to whether the instructions regarding receipt, storage and disposal of confiscated

goods and instructions regarding stock taking/stock challenges are being properly observed. The Collectors will also incorporate in their quarterly statement to the D.P.O. as to whether any of the existing instructions on the subject require review/modifications. The D.P.O. has been asked that while forwarding their quarterly report to the Ministry, they will also incorporate suggestions as to whether any of the existing procedures for receipt, storage and disposal of seized/confiscated goods requires modifications.

Instructions have also been issued from time to time that Collectors should expedite adjudication of Custom House cases. The Directorate of Preventive Operations also monitors the results achieved by the Collectors with regard to investigations, adjudications and prosecutions.

[M]o Finance (Deptt. of Revenue O.M. F. No. 715/14/81-LC (AS) dated 19-10-81)].

### **Recommendation**

In pursuance of an earlier recommendation made by the Committee in Para 3.59 of their 219th Report (5th Lok Sabha) to quicken the disposal of confiscated goods, the Government had informed that the amendment of the Customs Act, 1962 had been drafted for taking powers for early disposal on confiscated goods. Subsequently, on reconsideration of the matter, the Government have informed that the amendment has not been incorporated in the Customs Central Excise and Salt and Central Board of Revenue (Amendment) Bill in view of the fact that the proposed amendment to the law would result in deprivation of the goods to the owner. The Government have also intimated that they have taken some administrative measures like augmentation of the strength of the Central Board of Excise and Customs to expedite the disposal of appeals and revisions and are also considering the recommendations of the Jha Committee in regard to the setting up of classification tribunals. The Committee would like to know how far the measures adopted by the Government have helped in achieving the objective of expediting the disposal of the confiscated goods and also of the progress made towards the setting up of the tribunals in question.

[S. N : 20—Para 2.39 of the 44th Report of the Public Accounts Committee (7th Lok Sabha)].

### **Action taken**

The Finance Act, 1980 has provided that the Central Government shall constitute Appellate Tribunal called "Customs, Excise and Gold (Control) Appellate Tribunal" for hearing appeals under the Customs Act, 1962, Central Excises and Salt Act, 1944 and Gold (Control) Act, 1968. These Tribunals are expected to be set up shortly.

The Committee has already been informed as per Department's reply to Para 2.38 of the Committee's Report of the progress achieved to expediting the disposal of confiscated goods as a result of the various measures adopted by the Government.

[M.O. Finance (Deptt. of Revenue) O.M. F. No. 715/14/81—LC (AS) Dated 19-10-81]

### **Recommendation**

3.20 The main function of the Internal Audit Department of a Custom House in the scheme of Customs administration is to ensure correct realisation and accounting of revenue. The working of the Department had engaged the attention of the Public Accounts Committee on various occasions. Time and again, the Committee have emphasised the need to improve the functioning of the Internal Audit Department with a view to ensuring proper realisation and accounting of revenue. They are, however, greatly concerned to note from the Audit Paragraph under examination that despite their persistent exhortations, the Internal Audit Department of the Customs Houses continues to be inhibited by certain deficiencies in its functioning. Some of the glaring shortcomings observed by the Committee during the course of examination are dealt with in the succeeding paragraphs.

3.22 In one of the said three cases the Ministry of Finance have merely stated that the records are not available to indicate the circumstances under which the bill of entry was delayed. In the other two cases they have acknowledged that either appropriate objections were not raised by the I.A.D. even belatedly or adequate follow-up action was not taken to raise the less charge demand. In the first case they have stated that the failure on the part of Internal Audit "may be attributable to the error of judgement on the part of audit officer" and in the second case they have stated "had the less charge demand been issued from I.A.D. revenue would have been safeguarded". The Committee are constrained to note that these cases are symptomatic of the defective functioning of

Internal Audit mentioned at the outset. The Committee would suggest that all Collectors of Customs should be made to realise that internal audit is an important tool of management control with them and to make a proper use of this tool they must take personal interest in improving the efficiency of Internal Audit and in ensuring adequate and timely follow-up action.

3.23 Another disquieting drawback in the functioning of Internal Audit Department noticed by the Committee during the course of examination is that in certain cases objections were raised by the Internal Audit Department well within the time limit and demands were issued wherever necessary but the Internal Audit Department had subsequently dropped the objections incorrectly. The Committee note that in a case in Custom House, Bombay, the Internal Audit Department in June 1977 had pointed out that the description and classification of the goods was not clear in respect of an import made in July, 1976. After receiving the invoices in July, 1978, the Internal Audit Department pointed out a short-levy of duty amounting to Rs. 3.24 lakhs for which a demand issued was not honoured by the importer on the ground that it was time barred. The Department thereafter treated the objection as closed. The Revenue Audit pointed out that the closure of the objection was incorrect as the objection calling for clarification was raised well in time. The Department admitted the Revenue Audit objection and was able to recover the short levy.

3.24 The Committee note that in a similar case in Custom House, Madras, at the instance of the Internal Audit Department a demand was raised in August, 1975 on an importer for a sum of Rs. 72,019 towards additional duty in respect of thermostats and motorised valves imported in february, 1975. However, on the ground that the goods would attract additional duty only if they are identifiable as parts of refrigerating and air-conditioning appliances as laid down by a notification of 1962, the objection was dropped and the demand withdrawn. On a suggestion by Revenue Audit, the issue was reconsidered and the department accepted the objection. but the importer refused to pay the duty voluntarily as the demand had already been withdrawn. The Ministry of Finance have informed the Committee that the demand was withdrawn under the orders of the Collector after the Internal Audit Department and the Appraising Department had taken contradictory views on the leviability of duty. It is obvious that checks in vogue in the department for closure of the objections raised by the Internal

Audit are inadequate. The Committee would suggest that if a difference of opinion arises between the Appraising Department and the Internal Audit Department regarding rate of customs duty leviable on a commodity, in order to safeguard revenue, demand should be raised at the higher rate pending final decision of the competent superior authority on the objection raised by Internal Audit Department.

(S. Nos. 22, 24, 25, & 26, Paras 3.20, 3.22, 3.23 and 3.24 of 44th Report of P. A. C.

#### **Action taken**

Observations of the Committee have been carefully noted. Suitable instructions have been issued to the Collectors for strict compliance (copy enclosed).

(M/O Finance Department of Revenue O. M. F. No. 442/4/81-Cus. IV dated the 31st December, 1981).

*Authenticated by*

Sd/

Additional Secretary to the Govt of India

File No. 442/4/81-Cus. IV

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Department of Revenue

Central Board of Excise and Customs,

New Delhi, the 31st Dec '81.

From

Z. B. Nagarkar,

Under Secretary to the Govt. of India.

To

Collectors of Customs,

Bombay/Calcutta/Madras/Cochin.

Sir,

Sub:—Public Accounts Committee-Paragraphs 3.20, 3.21, 3.22, 3.23 and 3.24 of 44th Report (7th Lok Sabha) (1980-81)—objections of *Internal Audit Department—Instructions reg.*

I am directed to enclose extracts of Paras 3.20 to 3.24 of the 44th Report of the Public Accounts Committee (7th Lok Sabha) (1980-

81) on the above subject and to say that even though instructions have been issued in this regard by the Board from time to time, there is still scope for further improvement in the working of the Internal Audit Departments of the Customs Houses, in the context of the PAC's observations contained in the paragraphs referred to above. Accordingly, the Board apart from re-emphasising the instructions already issued finds it expedient to issue supplementary instructions for strict compliance by the field formations.

2. In terms of instructions contained in Board's letter F. No. 422/2/73.Cus. IV dated 14-2-1975, it is laid down that the Bills of Entry should be forwarded to the CRA within 12 days from the date of payment of duty. To ensure that this time limit is strictly adhered to, it is essential that in the first instance the Bills of Entry should reach the IAD within the shortest possible time and in any case not later than 20 days so that the IAD is able to conduct its own audit before forwarding the Bills of Entry to the CRA.

3. The Bill of Entry passes through several departments, namely, Import/Nothing, Appraising, Accounts (Cash), Central Exchange and Statistics. Collectors were asked to fix the maximum time which should be taken in each department to pass the Bill of Entries so that it reaches the IAD within the stipulated time. To ensure that the various time limits fixed in respect of each stage are scrupulously followed, it is incumbent that the Asst. Collector in-charge of each Department periodically reviews the position and in case of delay takes suitable remedial action with utmost promptitude.

4. With the same objective in view the key registers maintained in IAD in which Bills of Entry are entered should be scrutinised on day to day basis to keep a watchful eye on the flow of documents.

5. In cases where demands have to be issued as a result of objections raised by IAD, the action for issue of demand be completed and the relative assessment documents returned to IAD within seven days for transmission to C.R.A. For close monitoring of the movement of document, an advance index should be maintained by IAD of all Bills of Entry on which objections are raised and which are returned to the concerned group for suitable follow up action so that documents are sent to CRA well in time and demands if any arising as a result of CRA's objections could also be issued within the statutory time limit of six months laid down under Section 28 of the Customs Act, 1962.

6. In the Bombay Custom House, a working procedure has been evolved whereby less charge demands in cases where the time limit is about to expire are issued by the IAD itself to avoid chances of any demands becoming time-barred by the operation of Section 28 of the Customs Act, 1962. Other Custom Houses may also usefully adopt this procedure.

7. The PAC have also pointed out certain cases of loss of revenue on account of demands not being raised in pursuance of the AD objections on which the appraising department had expressed a different view. To avoid recurrence of such situations in future, it is desired that all such disputed cases should be reviewed constantly by the Dy. Collector (Audit) and Dy. Collector (Appraising) on a fortnightly basis so that the differences are reconciled and the necessary action initiated well in time. In case, however, difference of opinion still persists between the Appraising Department and the Internal Audit Department, to safeguard revenue, demands should be raised at a higher rate pending final decision of the competent superior authority on the objections raised by the Internal Audit Department.

8. It is needless to emphasise that it is only through personal supervision by the senior officers that the various time limits prescribed can be complied with. It should also be remembered that Internal Audit is an important tool of management control and to make a proper use of this tool, the Collectors should take personal interest in constantly improving the functioning of Internal Audit and ensuring adequate and timely follow up action.

9. If, despite the various drills indicated above, instances of delay or hold up come to notice, precise reasons for failure in each particular case should be carefully identified to enable the adoption of suitable remedial measures. Any deviation from the instructions or laxity leading to delay, hold-up, etc., on the part of individual officers should be viewed seriously and responsibility fixed accordingly so as to instil amongst them a sense of urgency in this regard.

Kindly acknowledge receipt of this letter.

Yours faithfully,  
Sd/-  
(Z. B. NAGARKAR)

Under Secretary, Central Board of Excise & Customs.

Encl: as above.



### **Recommendation**

In para 3.22 the Committee have recommended that the Collectors of Customs should make proper use of and also improve the efficiency of the Internal Audit Department. The Committee are also of the view that the present departmental arrangement for evaluating the working of the Internal Audit Department through the monthly Audit Bulletin published by all major Custom Houses and circulated to other is not adequate as no monitoring is done by the Central Board of Excise and Customs, either of the efficiency of performance of Internal Audit itself or of the effectiveness of the follow up action. Internal Audit is a very important tool of internal control through which the Board can not only keep an effective watch over the standard of performance of their field formations but also bring about substantial improvements through pointing out errors and omissions of common occurrence. For this purpose it is necessary that apart from the local Collectors taking personal interest in this work, the Board should provide a central point of coordination and control. The Committee would suggest that the findings of the Internal Audit Departments through the Monthly Audit Bulletins should simultaneously be reported to the Director of Audit who should also collect data about the progress of Internal audit in different Collectorates, the numbers and nature of objections taken, the quality of follow up action and the progress of clearance of objections both of internal audit as well as Customs Revenue Audit. The Director of Audit should prepare a quarterly Audit Bulletin giving an assessment of the working of internal audit and indicating typical errors and omissions having considerable revenue effect. This Bulletin should be circulated to the Collectors for their information and guidance and a copy thereof should be sent to Audit. The Quarterly Bulletin should also be considered by the Board. The Committee would further suggest that the performance of Internal Audit should invariably be a subject for the Collectors Conferences which the Board should arrange on the lines of the Conferences of Commissioners of Income Tax.

[S. No. 27 Para 3.25 of 44th Report of PAC (7th Lok Sabha)]

### **Action Taken**

The recommendation of the Committee has been implemented. A copy of the instructions issued is enclosed.

[M.O. Finance (Deptt. of Revenue) O.M.F. No. 442/9/81-Cus IV  
Dated 16-1-82]

F. No. 442/9/81-Cus. IV  
GOVERNMENT OF INDIA

CENTRAL BOARD OF EXCISE & CUSTOMS

NEW DELHI, the 20th August, 1981.

To

The Collector of Customs.

BOMBAY|CALCUTTA|MADRAS/COCHIN.

SUB:—P.A.C.—Para 3.25 of 44th Report (1980-81 (7th Lok Sabha)—Evaluation of the working of the Internal Audit—Instructions regarding—

Sir,

I am directed to enclose herewith extracts of para 3.25 of 44th Report of the P.A.C. (1980-81) (7th Lok Sabha) on the above subject and to say that the Board desires that—

- (i) a copy of the Monthly Audit Bulletin containing the review of the work done by the I. A. D. may be forwarded regularly to the Director of Audit (Customs & Central Excise), New Delhi for preparing Quarterly Audit Bulletin under intimation to the Board; and
- (ii) the performance of the Internal Audit should invariably be included in the Agenda for Collectors' Conferences.

Yours faithfully,

Sd/-  
(Z. B. NAGARKAR)

UNDER SECRETARY,

CENTRAL BOARD OF EXCISE & CUSTOMS

ENCL: AS ABOVE.

Copy, alongwith enclosures, forwarded to the Director of Audit (Customs & Central Excise), New Delhi. It has been decided that hereafter, the Monthly Audit Bulletins, received from the Custom Houses may be taken up for regular scrutiny by the Directorate of Audit. The Directorate will collect requisite data about the progress of internal audit in different Custom Houses, number and nature of objections taken, the quality of follow up action and progress of clearance of objections both of internal audit as well as

Customs Revenue Audit. They will also compile every quarter ending March, June, September and December, Quarterly Audit Bulletins, highlighting significant aspects concerning the working of the Internal Audit and indicating typical errors and omissions having substantial revenue implications, and circulate the Bulletins to the Collectors for their information and guidance, with a copy to the office of the C. & A.G. of India, under intimation to the Board.

Sd/-

(Z. B. NAGARKAR)

UNDER SECRETARY,

CENTRAL BOARD OF EXCISE & CUSTOMS.

ENCL: AS ABOVE.

## **CHAPTER III**

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

#### **Recommendation**

The Committee were informed that besides this case there are 15 other cases of imports of di-ammonium Phosphate containing moisture in excess of the prescribed limit of 1.5 per cent by weight during the years 1973—1979, to which the exemption notification was applied. Of these, in 7 cases exemption was allowed on the basis of the advice of the Chemical Examiner in similar other cases and in the remaining 8 cases assessments were made on provisional basis subject to final assessment on receipt of the report of the Chemical Examiner. The total quantity and amount of duty involved in these cases is of the order of 73.439 M.T. and Rs.10.23 crores respectively. Out of this an amount of only Rs. 94.29 lakhs pertaining to one case has been realised so far. The amount in balance is still to the tune of more than Rs. 9 crores. Although instructions have been issued by the Board that assessments made provisionally should be finalised expeditiously, the Committee are concerned to note that 7 assessments made provisionally during August 1978—November 1979 have not yet been finalised. The Committee desire that these cases as also the remaining 7 cases pertaining to the years 1974 and 1975 where total exemption from customs duty was allowed, should be finally settled without delay.

[S.No. 4 Para 1.79 of 44th Report of PAC (Seventh Lok Sabha)]

#### **Action Taken**

Besides the case under reference i.e. (consignment covered under B/E No. 074/20.12.1974 pertaining to Vizag Custom House), there are five cases of Di-ammonium Phosphate and six cases of Ammonium nitrate Phosphate where the moisture content exceeded the limit of 1.5% prescribed under notification No. 115—Customs dated 11-8-1973. These cases related to the import of fertilizers through Vizag Port during the period 1973—1975. All these cases have been finally assessed and demand notices issued. A statement detailing all the particular in respect of these cases is enclosed at

Annexure I. Details of similar cases relating to Kakinada and Tuticorin ports are also shown in Annexure-II.

As regards, settlement of these cases, the Ministry of Agriculture on whose behalf the fertilizers have been imported, has agreed to honour the demands to the tune of Rs. 10.21 crores approximately pending at Vizag port. A copy of the Sanction order No. 6-2/80-FA/COF/Vol. II dated 13/16th November, 1981 issued by that Ministry authorising payment of Rs. 10,20,95,913.62 to the Custom authorities towards the duty demanded is enclosed Annexure-III. For payment of the remaining demands the matter is being pursued with the Ministry of Agriculture.

(Ministry of Finance, Department of REV. O.M. No. 369/11/81-Cus. I dated 28-12-1981).

#### ANNEXURE I

EXEMPTION FROM CUSTOMS DUTY WAS INITIALLY ALLOWED THOUGH THE MOISTURE CONTENT WAS IN EXCESS OF 1.5% AND WHERE DEMANDS HAVE BEEN ISSUED FOR RECOVERY OF SHORT LEVY.

S.No.	Name of the Fertilizers	B./E. No. & Dt.	Quantity	Amount of short levy for which demand was issued
1	2	3	4	5
1.	Di-Ammonium-Phosphate	011/4-6-75 Ex. Sc. No.5/20-6-75	9,446,430 MT	Rs. 2,61,25,891.00
2.	Do.	075/11-7-74 Ex. Sc. No. 3/16-4-74	500.000 MT	Rs. 6,66,540.00
3.	Do.	074/11-4-74 Ex. Sc. No. 2/15-7-74	512.111 MT	Rs. 6,60,072.00
4.	Do.	073/11-4-74 Ex. Sc. No. 1/12-7-74	9,991.019 MT	Rs. 1,30,27,509.82
5.	Do.	076/11-4-74 Ex. Sc. No. 4/15-7-74	7,000.000 MT	Rs. 93,32,457.26
6.	Do.	074/20-12-74 Ex. Sc. No. 11/ 23-12-1974	10,000.000 MT	Rs. 1,24,86,504.00— subject matter of PAC
7.	Ammonium-Nitrate-Phosphate.	032/9-8-74 Ex. Sc. No. 5/9-8-74	4,225.000 MT	Rs. 55,72,755.27
8.	Do.	018/2-5-75 Ex. Sc. No. 1/5-5-75	5,268.724 MT	Rs. 78,63,654.00
9.	Do.	006/2-11-73	6,000.000 MT	Rs. 54,93,982.90
10.	Do.	007/2-11-73	5,000.000 MT	Rs. 45,78,159.60
11.	Do.	008/2-11-73	1,000.000 MT	Rs. 9,15,300.12
12.	Do.	102/29-1-75	673.000 MT	Rs. 1,53,73,087.00

**ANNEXURE — II**

**(A) EXEMPTION FROM CUSTOMS DUTY WAS INITIALLY ALL OWED THROUGH THE MOISTURE CONTENT WAS IN THE EXCESS OF 1.05% AND WHERE DEMANDS HAVE BEEN ISSUED OR RECOVERY OF SHORT LEVY.**

S. No.	NAME OF THE FERTILIZER	B/E.No. AND DATE	QUANTITY	AMOUNT OF SHORT LEVY FOR WHICH DEMAND WAS ISSUED
1	2	3	4	5
<i>Tuticorin Port :</i>				
1	Di-ammonium Phosphate	1/5-11-74	13,589.715 MT	Rs. 2,35,22,210.45
2	Do.	8/20-8-74	954.708 MT	Rs. 12,28,338.46
3	Ammonium Nitrate phosphate	3/5-6-75	,601.782 MT	Rs. 1,20,28,254.91

(B) CASES WHERE IN GOODS WERE ASSESSED PROVISIONALLY AND DEMANDS FOR SHORT LEVY WAS ISSUED BY THE CUSTOM HOUSE AFTER RECEIPT OF THE CHEMICAL TEST REPORT INDICATING MOISTURE CONTENT IN EXCESS OF 1.5%

1	2	3	4	5	6
<b>KAKINADA PORT 2.</b>					
1	D:-Ammonium Phosphate	4/11-8-78	2,500 MT	Rs. 20,22,666.10	Rs. 27,33,440.44
2	Do.	6/28-8-78	2,000 MT	Rs. 16,18,132.80	Rs. 21,85,153.58
3	Do.	3/24-8-79	5,000 MT	Rs. 52,43,991.01	Rs. 65,98,608.77
4	Do.	4/14-9-79	2,000 MT	Rs. 20,52,534.30	Rs. 25,82,737.25
5	Do.	6/20-9-79	1,000 MT	Rs. 10,26,267.14	Rs. 12,91,368.54
6	Do.	9/29-9-79	6,000 MT	Rs. 61,57,548.39	Rs. 77,44,981.12
7	Do.	4/14-11-79	214 MT	Rs. 2,19,620.97	Rs. 2,76,352.63

Note :- Figures shown under Col. 6 of Statement (B) are the revised amounts of short levy taking into account auxiliary duty of @ 15% adv. as against the figures of amounts of short levy reported earlier as indicated under Col. 5 which were inclusive of auxiliary duty @ 5% adv.

**ANNEXURE-III**

No. 6-2/80-FA/COF|Vol. II

GOVERNMENT OF INDIA

Ministry of Agriculture

**Deptt. of Agriculture & Coopn.**

New Delhi, the 13/16th Nov., 81

To

The Pay & Accounts Officer,  
Deptt. of Agriculture & Cooperation,  
16, Akbar Road Hutments,  
New Delhi

Subject: Payment of basic customs duty in respect of 7 fertiliser shipments which arrived at Vizag. during the period from 1973—75.

Attn. (Shri O. P. Bhargava, Pay & Accounts Officer)

Sir,

I am directed to convey the sanction of the President to the payment of Rs. 10,20,95,913.62 (Rupees ten crores, twenty lakhs, ninety five thousand, nine hundred and thirteen and paise sixty two only) to the custom authorities towards the basic duty demand in respect of 7 fertilizer shipments which arrived at Vizag, as per details in the list enclosed. The amount may be paid to the Food Corporation of India through demand draft payable at New Delhi, who were the handling agents for these vessels, based on pre-receipted bills submitted by them.

2. This amount is being paid 'under protect' to the custom authorities, pending outcome of the appeal|revision filed|to be filed by the Food Corporation of India. The above amount of payment made to the Food Corporation of India may be adjusted based on the receipt for the amount issued by the Custom Authorities of Vizag.

3. The expenditure is debitable to the Major Head '505' A. Capital Outlay on Agriculture, A.A. 3-Manuare & Fertilizer, A.A. 3(1) Purchase of Fertilizers (Voted) in Grant No. 2 Agriculture.



4. This issues with the concurrence of Finance Division vide their U.O. No. 3750 dated 12-11-1981.

Yours faithfully,

Sd-

(K. Shanker)

Director of Accounts

Tele: 45269

Encl : One.

Copy forwarded for information and necessary action to:—

1. Director of Audit, Commerce, Works and Misc. New Delhi.
2. Managing Director, F.C.I. 16, Barakhamba Lane, New Delhi.  
Request initiate necessary action to arrange immediate payment to the Customs Authorities, Vizag. A separate communication in this regard is being issued separately.
3. J.M. (P.O.) Food Corporation of India, Vizag for information.
4. Director of Customs (Shri A. D. Nagpal) Deptt. of Revenue, C.B.E.C., New Delhi for information.
5. PA/Budget Section.
6. Finance Division. 7. Guard File.

Sd-

Director of Accounts.

LIST SHOWING THE DETAILS OF CASES IN RESPECT OF WHICH BASIC CUSTOM DUTY IS BEING PAID

Sl. No.	Name of the vessel	Demand Notice No. & date	Amount	Total
1	2	3	4	5
1.	VISHVA ASHA	S. 9/162/78-79-AP dt. 23-2-80	1,24,86,504/-	1,24,86,504/-
2.	ANTAIOS	S. 9/172/78-79-AP dt. 23-2-80	1,30,27,509.82	} 2,36,86,579.73
		S. 9/168/78-79-AP dt. 23-2-80	6,60,072.65	
		S. 9/169/78-79-AP dt. 23-2-80	6,66,540.00	
		S. 9/173/78-79-AP dt. 23-2-80	93,32,457.26	

1	2	3	4	5
3.	HWACHU	S. 9/71/79-80-AP dt. 23-2-80	1,53,73,087.00	1,53,73,087/—
4.	BELLAMI	S. 9/50/79-80-AP dt. 23-2-80	78,63,654.00	78,63,654/—
5.	ISLAND ARCHON	S. 9/72/79-80-AP dt. 23-2-80	2,61,25,891.00	2,61,25,891/—
6.	RATNA KIRTI	S. 9/178/78-79-AP dt. 7-3-80	54,93,982.90	} 1,09,87,442.62
		S. 9/179/78-79-AP dt. 7-3-80	45,78,159.60	
		S. 9/180/78-79-AP dt. 7-3-80	9,15,300.12	
7.	VISHVA USHA	S. 9/159/78-79-AP dt. 7-3-80	55,72,755.27	55,72,755.27
Total:				10,20,95,913.62

### Recommendation

The Committee were told by the Member (Customs) during evidence that "the Internal Audit brought to the notice of the Customs House that this consignment should have been charged to duty." The Member (Customs) had added that the Internal Audit had brought it to notice on 17th October, 1978 and the Customs Revenue Audit had pointed it out on 17th January, 1979; the demand for Rs. 1,24,86,504/- was issued on the basis of the Revenue Audit Objection on 22-2-1980. The Committee however, understand that in the reply sent to Audit in January, 1980 the Ministry of Finance had stated, "the Internal Audit Department of the Customs House had raised the same point in October, 1978 in a similar consignment". The Committee would like the Ministry of Finance to reconcile the discrepancy in the two statement and enquire specifically whether the Internal Audit Department of the Custom House actually checked this particular case and if so, when and what exactly was the point raised by them. The Committee would like to be informed of the reasons for this failure/delay on the part of Internal Audit and the action taken by the Ministry to ensure that such failures and delays do not recur.

[S. No. 6 Para 1.81 of 44th Report of PAC (Seventh Lok Sabha)]

### Action taken

The subject Bill of Entry was checked by the Internal Audit Department on 14-9-1978 but no objection was raised at that stage on this particular Bill of entry. However, the Internal Audit Deptt. raised objection in another but similar case on 19-10-1978. The objection on the subject Bill of Entry was however raised by the CRA on 17-1-1979. The demand notice was issued by the Custom House on 18-1-1979 and the same was confirmed on 22-2-1980.

It is rather unfortunate that the subject Bill of Entry escaped the notice of I.A.D. even though they had themselves raised a similar objection in an identical case prior even to the detection by the C.R.A. It would thus be seen from the above that there is no real discrepancy in the two statements referred to above.

Since this was an isolated case of human error, no action perhaps appears to be called for.

[Ministry of Finance, Deptt. of Revenue O.M. No. 369/11/81-Cus. I dated 28-12-1981].

### Recommendation

The Ministry of Agriculture had informed the Committee that the imported di-ammonium phosphate referred to in the Audit paragraph contained a moisture content of 0.8 per cent at the time of loading. Its moisture content was however, found to be 8 per cent on test of its sample by the Customs Chemical Examiner. The Ministry of Agriculture have contested the result of this test by saying that the method prescribed by the Customs was too simple and was not calculated to cover large quantities of the kind envisaged in this particular product. On the other hand, the Customs Department have stated before the Committee that the sample was not drawn from the periphery or from one particular corner of the hold but from the centre of the hold according to the procedure for sampling laid down in Central Appraising Manual. They have further stated that the authorised representative of the Food Corporation of India who was present at the time had made an endorsement on the Bill of Entry to the effect that "the samples have been drawn in duplicate and sealed in our presence and they are representative samples of the entire consignment. "This findings, the Customs authorities say, has never been challenged by the Ministry of Agriculture earlier. To this, the representative of the Agriculture stated in evidence; "I accept that the Food Corporation official who was there when the sample was taken might have been ignorant, since this system of

sample drawing was not there earlier." It is only from April, 1980 onwards that a beginning has been made by the Ministry of Agriculture to inspect some fertilizer shipments at Indian Ports.

[S. No. 7—Para 1.82 of 44th Report of PAC (Seventh Lok Sabha)].

#### **Action taken**

For purpose of drawal of samples, the procedure laid down at para 27 (3XA) under Chapter I Part II of Volume II of the Central Manual of the Appraising Deptt., has been correctly followed in these cases.

[Ministry of Finance, Deptt. of Revenue O.M. No. 369/11/81-Cus.—I dated 28-12-1981].

#### **Recommendation**

The Committee find that the condition of the maximum moisture content of 1.5 per cent by weight was deleted when a fresh notification granting exemption from customs duty on the import of DAP was issued on 15th July, 1980. With this changed position even though the imported material is not to be tested by Customs Department for purposes of exemption from duty, suitable satisfactory arrangements have to be evolved by the Ministry of Agriculture to ensure that the imported DAP conforms to all the technical specifications and the interests of the farmer who is the ultimate consumer are not affected adversely. The Committee would therefore like to know the details of the measures taken in this direction and whether the same are fool proof against supply of damaged or deteriorated material. In this connection it is important to observe that the deletion of the condition about moisture content from the Exemption Notification for purposes of customs duty does not affect the position under the Fertiliser Control Order according to which DAP containing excess moisture would still be non-standard.

[S. No. 9—Para 1.84 of 44th Report of PAC (Seventh Lok Sabh)].

#### **Action taken**

Detailed specifications, including methods of analysis, have been prescribed for all fertilisers, including DAP, that are imported from abroad. These specifications are also incorporated in the contracts that the MMTC enters into with the concerned suppliers. In order to ensure that the material supplied/despached by the suppliers conforms strictly to the specifications laid down by us, the material is got tested/surveyed before loading, by inspecting agencies,

appointed by the MMTC. In order to ensure the efficiency as well as the integrity of the inspection at the loading end, as recommended by the Public Accounts Committee in Para 1.85 of their report under reply, the proposal to depute teams of technical experts to the loading ports for overseeing the work of the survey/loading is under examination.

2. The Government have also started a system of taking samples of the fertilizer shipments at different Indian Ports and get them analysed in the Central Fertilizer Control Laboratory. At present, this is done in a limited way. However, it is proposed to introduce it as a system at all the Indian ports. For this purpose, a proposal to open Regional Laboratories at suitable locations, like ports, is under consideration of the Government.

3. As for the non-standard fertilisers, the procedure for disposing of such stocks has been prescribed in the Fertiliser (Control) Order. In nutshell, the bags of these fertilisers would bear a different marking, the prices would be refixed on the basis of the nutrients in consultation with the State Governments. Moreover, such fertilisers are offered to manufacturers of mixtures, duly registered with the State Government. Adequate powers have been delegated to the State Government to ensure and enforce the quality of fertiliser through periodical checks by their enforcement agencies in accordance with the procedure prescribed under the Fertiliser (Control) Order. Moreover, in pursuance of the recommendation of the Committee in para 1.87 of its report under consideration, the State Governments have been requested to take all necessary action in the light of the observations of the Committee. These measures should include steps to augment the sample testing capacity in the States and to increase the strength of the enforcement machinery, so that an effective supervision could be maintained over the network of fertiliser dealers. The State Governments also been advised to inspect the premises of every dealer more frequently and draw more samples for analysis in order to see that the provisions of the Fertiliser (Control) Order are strictly complied with.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation O.M.  
No. 15-6/31-F.A./FIC Dt. 17-12-81]

## CHAPTER IV

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

#### Recommendation

It would, therefore, appear that while granting the exemption from customs duty the correct facts and the legal position had not been properly appreciated. The logic of comparing the excess with that of 6.5 per cent in the present case over the prescribed maximum moisture content of 1.5 per cent of 1 per cent in an earlier case is not comprehensible to the Committee. It is also unfortunate that no note was taken of the fact that the Chemical Examiner had specifically recommended for the condonation of excess percentage in the earlier cases whereas no such recommendation was made in the present case. Since the notification was specific about the moisture content and was to be read and applied as such, the exemption was apparently not admissible in this case.

[S. No. 3—Para 1.78 of 44th Report of P.A.C. (Seventh Lok Sabha)]

#### Action taken

Even though initially the benefit of exemption contained in notification No. 115-Customs dated 11-8-1973 was extended and the goods allowed/clearance free of duty demand notices, on the basis of objection raised by the audit were issued in all such cases where moisture content exceeded the prescribed limit.

[Ministry of Finance, Deptt. of Revenue, O.M. No. 369/11/81-  
Cus. I dated 28-12-1981]

On an earlier recommendation of the Committee the Ministry of Finance had given an assurance that instructions had been issued to the Collectors of Customs to the effect that provisional assessments should be finalised in all cases within a period of one year from the date of import. This assurance was given in August, 1977. The Committee are constrained to observe that the assurance given by the Ministry of Finance and the instructions issued by them

do not seem to have had any effect and the finalisation of provisional assessments continues to be delayed for years together. The Committee would suggest that the Central Board of Excise and Customs must take stock of the situation, find out all cases in which their instructions have not been complied with, ascertain the reasons for delay and then devise effective measures to monitor compliance with the instructions issued by them to the Collectors of Customs.

[S. No. 5—Para 1.80 of 44th Report of P.A.C. (Seventh Lok Sabha)]

#### **Action taken**

Instructions have been issued by the Department of Revenue impressing upon the Collectors of Customs the need for expeditious finalisation of provisional assessment cases. Copies of such instructions contained in letter Nos. 512/1/78-Cus. VI dated 12-4-1978 and 512/19/79-Cus. VI dated 7-8-1979 are enclosed at Annexure IV and V.

[Ministry of Finance, Deptt. of Revenue, O.M. No. 369/11/81-Cus. I dated 28-12-1981]

#### **ANNEXURE—IV**

F. No. 512/1/78-Cus. VI  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
Department of Revenue

NEW DELHI, the 12th April, 1978

To

All Collectors of Customs,  
All Collectors of Central Excise,  
Dy. Collector of Customs,  
Visakhapatnam Goa.  
Asstt. Collector of Customs, New Kandla.

Subject:—Expeditious finalisation of provisional assessment cases—  
Submission of Monthly Reports.

Sir,

I am directed to refer to the above subject and to say that certain guidelines were laid down vide circular No. 5/1973 in F. No. 512/5/72-Cus. VI dated 23-4-73 prescribing practical time limits for finalisation of different types of provisional assessment cases. A copy of the circular is enclosed.

2. In a recent review of the pendency of provisional assessment cases at the major Custom Houses, it has been observed that inspite of Board's instructions to finalise the cases within 1 year, a large number of cases are pending over one year. What is further alarming is the pendency of very old cases. The Public Accounts Committee have time and again expressed concern over these pendencies. You are therefore requested to initiate steps to finalise the over 1 year old provisional assessment cases.

3. In order to monitor the arrears positions it has also been decided that a monthly statement of provisional assessment cases as well as I.T.C. bond and END USE Bond cases pending over 1 year may be sent to the Board and the Directorate of Statistics and Intelligence New Delhi with a view to enable the concerned authorities at the Custom Houses and the Board's office to keep a watch on the pendency position. The monthly statement of provisional assessment cases may be sent in the attached proforma so as to reach Board's office and S&I Branch by 10th of the following months. The report for April 1978 may be sent by 10th May, 1978.

Receipt of this letter may be acknowledged.

Yours faithfully,

Sd/—

(A. BORDIA)

UNDER SECY. TO THE GOVT. OF INDIA

ENCL: AS ABOVE



**PROFORMA**

*Monthly arrears statement of (a) Project import and Machinery contract cases; (b) other provisional assessment cases and (c) ITC Bond and End Bond cases pending over 1 year (from date of last import in cases of contract cases) for the month of .....*

Board's reference F. No. 512/1/78- Cus. VI dated 12-4-1978 Custom House-----

(1) Op	(2) Opening Balance	(3) Receipt	(4) Disposal	(5) Closing Balance	(6) Year-wise Break-up of column (4)	(7) Reas for pendency
<b>A. Project Import cases and Machinery contract cases.</b>						
<b>B. Other Provisional Assessment cases .</b>						
<b>C. I.T.C. Bond and End use Bond cases.</b>						

## ANNEXURE—V

## IMMEDIATE

F. No. 512/19/79—Cus. VI  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
Department of Revenue

NEW DELHI, the 7th August, 1979

To

1. All Collectors of Customs,
2. All Collectors of Central Excise,
3. Dy. Collector of Customs,  
Visakhapatnam/Goa.
4. Assistant Collector of Customs, Kandla.

Subject:—Expeditious finalisation of provisional assessment cases—  
submission of monthly reports—Instructions regarding.

Sir,

I am directed to refer to this Department letter F. No. 512/1/78-Cus. VI dated 23-5-1978 on the above subject and to say that it has been observed that pendency of provisional assessment cases in most of the Collectorates is far from satisfactory. In spite of Board's instructions to finalise these cases within one year, a large number of very old cases are still pending finalisation. The Public Accounts Committee have time and again expressed concern over these pendencies. It is, therefore, requested that vigorous steps may please be taken to finalise these cases. Special attention may be taken to finalise these cases. Special attention may be paid to the cases which pertain to the period prior to 1975.

2. As requested already, the monthly statements of pending provisional assessment cases may please be furnished in the prescribed proforma to the Board and to the Directorate of Statistics and Intelligence (S & I Branch) by 10th of the following month positively.

3. Kindly acknowledge the receipt of this letter.

Yours faithfully,

Sd/—

(A. BORDIA)

UNDER SECY. TO THE GOVT. OF INDIA

Copy forwarded to the Directorate of Statistics & Intelligence Customs & Central Excise (S&I Branch) in continuation of this Department letter F. No. 512/1/78-Cus. VI dated 23-5-1978, for compilation of monthly statements furnished by various formation and for monitoring improvement of pendency position as considered necessary.

Sd/—

(A. BORDIA)

UNDER SECY. TO THE GOVT. OF INDIA.

#### **Recommendation**

According to an instruction issued by Government on 14th February, 1975 the original bills of entry are required to be forwarded to the Customs Revenue Audit for audit purposes within a period of 120 days after completion of all other formalities including audit by Internal Audit Department. This was done in order to avoid the chances of any demand becoming time-barred by the operation of Section 28 of the Customs Act which lays down a period of six months within which a notice may be issued for any non-levy, short-levy or erroneous refund of duty. According to Ministry of Finance, the Internal Audit Department is required to watch the timely receipt of documents through a Key Register maintained by it for this purpose. The Committee note, however, that a test check by the Customs Revenue Audit in a single Custom House revealed three cases in which the documents were not received in the Internal Audit Department within the prescribed period and the failure of the I.A.D. to raise objections within time resulted in considerable loss of revenue. The Ministry of Finance have not explained the reasons for this delay in the receipt of documents in the I.A.D. in any of these three cases, nor have they indicated how and why the control mechanism of the Key Register maintained in the I.A.D. proved ineffective. The fact that limited test check in a single Custom House three cases of failure would seem to indicate that the default is fairly widespread. The Committee would, therefore, recommend that the Ministry of Finance should enquire into the reasons for delay in these cases and then devise effective measures to ensure that such delays do not take place and the documents are received in the I.A.D. at the earliest for them to complete their work and furnish the documents to the Customs Revenue Audit within the stipulated period of 120 days.

[S. No. 23—Para 3.21 of 44th Report of the P.A.C. (7th Lok Sabha)]

**Action taken**

Observations of the Committee have been carefully noted. Suitable instructions have been issued to the Collectors for strict compliance.

[Department of Revenue O.M. F. No. 442/4/81-Cus. IV dated the  
31st December, 1981.]

## **CHAPTER V**

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

#### **Recommendation**

The Committee thus find that the views of the Customs authorities and of the Ministry of Agriculture as regards the method for drawal of sample for testing and the test report of the Chemical Examiners have not been reconciled. When the evidence of officials was being taken by the Committee, the representatives of the Central Board of Excise and Customs, the Ministry of Agriculture and the Indian Council of Agricultural Research were contesting each other's claims regarding the extent of moisture in the DAP and its effect on the quality of the fertiliser for use as manure. The representative of the Ministry of Agriculture stated in evidence that "we have strong reasons to feel that there is some mistake somewhere. It (Moisture content) cannot be 8 per cent". The Committee do not appreciate why opinion on such technical matters could not be sorted out among the officers and experts of the Government before they appeared before the Committee to tender evidence. As the demand for payment of customs duty amounting to Rs. 1.26 crores on the above import of DAP is pending realisation from the Ministry of Agriculture, the Committee desire that the matter should be sorted out with the Ministry of Finance and settled early.

[S. No. 8—Para 1.83 of 44th Report of P.A.C. (7th L.S.)]

#### **Action Taken**

The matter regarding overall demand raised by Customs Authorities, Visakhapatnam in relation to DAP, ANP shipments not conforming to specifications, is being sorted out between the Ministries of Agriculture and Finance in consultation with the Ministry of Law. Based on the advice of Law Ministry, the Food Corporation of India have been instructed to go in for appeal against the demand in accordance with the provisions of the Customs Act, 1962. Based on the outcome of the appeal, the matter will be finalised. The matter has also been discussed in an inter-ministerial meeting held on 29th October, 1981 under the Chairmanship of

Secretary (Agriculture) in which representatives of Ministry of Finance, Ministry of Law were also present.

[Ministry of Agriculture (Deptt. of Agriculture and Co-operation) O.M. No. 15—6/81—FA/FIC dated 17-12-81]

#### **Action Taken**

Please refer to Action Taken Note under para 1.79 where the latest position as to the realisation of demands has been explained.

[Ministry of Finance, Department of Revenue O.M. No. 369/11/81—Cus. I dated 28-12-1981].

#### **Recommendation**

The Committee were informed that with effect from 1975, the entire work of purchases has been transferred to MMTC who have appointed Inspection Agencies for checking the quality of fertilisers at factory site/loading port, and that in countries where suitable inspection agents are not available, inspection is arranged at the time of arrival of fertilizers at the Indian Ports. The Committee were also informed that the supplier's responsibility ceases the moment the material passes the bar of the ship. This being the case the Committee cannot help but observe that the inspection of the fertilizer on arrival at the Indian port can at best serve only an academic purpose. Any meaningful inspection to protect the country's interests should be at the port of leading. If the present case is any indication the arrangements for such inspection are not altogether satisfactory. Considering the stakes involved the Committee cannot share the Ministry's complacency in this matter based on the so called "world reputation" of the inspection agents. The Committee would strongly recommend that in the context of the continuing large-scale imports, the Ministry should make effective arrangements, even if it involves the deputation of our own technical people at the exporting end to ensure the efficiency as well as the integrity of the inspection at the loading end.

[S. No. 10—Para 1.85 of 44th Report of P.A.C. (7th L.S.)]

#### **Action Taken**

The Government has noted the observations of Public Accounts Committee and is seized of the problem necessitating further strengthening of Quality Control arrangements both within the country as well as at the leading ports. Regarding detailed arrange-

ments to be made, the Public Accounts Committee will be informed subsequently.

[Ministry of Agriculture (Deptt. of Agriculture and Co-operation) O.M. No. 15—6/81—FA/FIC dated 19-12-81]

### Recommendation

The Committee were informed that in the case referred to in the audit paragraph, 10,000 tonnes of di-ammonium phosphate were imported. The Chemical Examiner's report indicated the moisture content as 8 per cent by weight as against the permissible limit of 1.5 per cent by weight. Considering that the correctness of the sample had been duly verified by the representative of the Ministry of Agriculture, the present explanation of that Ministry to the effect that the moisture content could not really be 8 per cent would seem to be merely an after-thought. If the Ministry's assertion that the moisture content at the time of loading was only 0.8 per cent is accepted the excess moisture of 7.2 per cent should have clearly resulted in an extra weight of 720 tonnes of DAP at the port of unloading in India. Although the Ministry have stated that no concession in price was given to the farmers, the ultimate consumers of this non-standard fertilizer, they have failed to give any account of this extra 720 tonnes of DAP valuing atleast Rs. 7.20 lakhs. In fact there should be similar extra weight in the other cases 73,439 metric tonnes of DAP carrying excess moisture also. The Committee should strongly recommend that the Ministries of Finance and Agriculture should investigate this matter thoroughly and report the correct position to the Committee.

[S. No. 11—Para 1.86 of 44th Report of P.A.C. (7th Lok Sabha)]

### Action Taken

Since it is a matter of accountal and distribution of fertilizers which exclusively concerns the Ministry of Agriculture to whom this para has been allotted, this Ministry has no comments to offer.

[Ministry of Finance, Department of Revenue O.M. 369'11|81-Cus. I dated 28-12-1981]

NEW DELHI;  
March 30, 1982  

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Chaitra 9, 1904 (Saka)

SATISH AGARWAL  
Chairman  
Public Accounts Committee.

## APPENDIX

### *Conclusions/Recommendations*

S. No.	Para No.	Ministry/ Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	1.7	M/o Finance (Deptt. of Revenue)	While the Committee appreciate that on the basis of objection raised by the Audit, demand notices have since been issued in all the cases where moisture content exceeded the prescribed limit, the circumstances in which disammonium phosphate which did not conform to the specification laid down in the exemption notifications was in the first instance allowed clearance free of customs duty have not been intimated to the Committee. The Committee would like Government to look into the matter to find out the lacunae in the system under which DAP containing moisture exceeding the prescribed limit could be cleared and also intimate the remedial measures taken in this regard.
2	1.10	Do.	In their earlier Report the Committee had pointed out that the finalisation of provisional assessments continued to be delayed for years together. The Committee had recommended that the Central



Board of Excise and Customs must devise effectively measures to monitor compliance with the instructions issued in the matter by them. In their action taken note, the Ministry of Finance have stated: "Instructions have been issued by the Department of Revenue impressing upon the Collectors of Customs the need for expeditious finalisation of provisional assessment cases." The Committee are not satisfied with the reply of Government. They would like to point out that in pursuance of an earlier recommendation of the Committee, similar instructions were issued but subsequent experience has shown that these instructions merely remained on paper and the finalisation of provisional assessments continued to be delayed for years together. The Committee therefore reiterate their earlier recommendation that the Central Board of Excise and Customs must find out all cases in which their instructions regarding finalisation of provisional assessments within the prescribed period have not been followed, ascertain the reasons for delays and then devise effective measures to monitor compliance.

M/o Finance  
(Deptt. of Revenue)

In their earlier Report, the Committee had noted that a test check by the Customs Revenue Audit in a single Custom House had revealed three cases of delay in the receipt of documents in the Internal Audit Department resulting in delay in raising objections and consequent loss of revenue. The Committee had recommended that the Ministry of Finance should enquire into the rea-

sons for delay in these cases and then devise effective measures to ensure that such delays do not take place. In their reply the Ministry of Finance have stated that "observations of the Committee have been carefully noted. Suitable instructions have been issued to the Collectors for strict compliance." The Committee are constrained to observe that the reply of the Government is vague and evasive. They would like to be informed whether the cases of delay have since been enquired into and what effective measures have been taken to avoid such delays in future.

4

1.14

Do

The Committee would further recommend that in order to ensure compliances with the instructions issued by the Board the Directors of Audit and Inspection and the Members by the Board should look into these aspects during their inspection/visits to the collectorates/field formations.

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MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS  
COMMITTEE HELD ON 23 MARCH, 1982.

The Public Accounts Committee sat from 1500 to 1630 hrs. in  
Committee Room No. 50, First Floor, Parliament House, New Delhi.

PRESENT

Shri Satish Agarwal—*Chairman*

- |                                     |   |                |
|-------------------------------------|---|----------------|
| 2. Shri Subhash Chandra Bose Alluri | } | <i>Members</i> |
| 3. Shri Ashok Gehlot                |   |                |
| 4. Shri M. V. Chandrashekara Murthy |   |                |
| 5. Shri Hari Krishna Shastri        |   |                |
| 6. Shri Satish Prasad Singh         |   |                |
| 7. Shri Jagdish Tytler              |   |                |
| 8. Smt. Purabi Mukhopadhyay         |   |                |
| 9. Shri N. K. P. Salve              |   |                |
| 10. Prof. Rasheeduddin Khan         |   |                |

REPRESENTATIVES OF THE OFFICE OF THE C&A.G.

1. Shri R. C. Suri—*Addl. Dy. C&AG*
2. Shri N. Sivasubramaniam—*Director of Receipt Audit*
3. Shri G. N. Pathak—*Director of Audit (Defence Services)*
4. Shri S. R. Mukherjee—*Director of Audit, CW&M.*
5. Shri R. S. Gupta—*Joint Director*
6. Shri N. C. Roy Choudhury—*Joint Director*
7. Shri G. R. Sood—*Joint Director*

SECRETARIAT

1. Shri D. C. Pande—*Chief Financial Committee Officer.*
2. Shri K. C. Rastogi—*Senior Financial Committee Officer.*
3. Shri K. K. Sharma—*Senior Financial Committee Officer.*

2. \* \* \* \* \*

3. The Committee then took up for consideration and adopted the following Draft Reports subject to certain modifications/amendments as given in Annexures I-IV\*.

- (i) Draft Report on Para 1.23—Indirect Taxes—Delay in revision of Tariff Values.
- (ii) Draft 83rd Report on action taken on 44th Report (Seventh Lok Sabha) on Customs Receipts.
- (iii) Draft 87th Report on Ministry of Defence—Para 7 regarding Trainer Aircraft.
- (iv) Draft 88th Report on para 13 (Civil)—National Highways.

*The Committee then adjourned.*

#### ANNEXURE II

Modifications/Amendments made by the Public Accounts Committee in draft Eighty-third Report on action taken by Government on the recommendations contained in their 44th Report (Seventh Lok Sabha) on Customs Receipts

Page	Para Lines	Modifications/Amendments
9	1.13	<p>After Para 1.13, add the following as para 1.14:—</p> <p>“The Committee would further recommend that in order to ensure compliance with the instructions issued by the Board the Directors of Audit &amp; Inspection and the Members of the Board should look into these aspects during their inspection/visits to the formations”.</p>

\*Annexures I, III — IV not printed.

