

**PUBLIC ACCOUNTS COMMITTEE
(1977-78)**

(SIXTH LOK SABHA)

FIFTY-SIXTH REPORT

CUSTOMS RECEIPTS

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE)

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 219th Report (Fifth Lok Sabha)]



Presented to Lok Sabha on 23rd December, 1977

Laid in Rajya Sabha on 23rd December, 1977

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1977/Agrahayana, 1899 (S)

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PUBLIC ACCOUNTS COMMITTEE

(1977-78)

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Shri C. M. Stephen

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- *2. Shri Halimuddin Ahmed
3. Shri Balak Ram
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14. Shri M. Satyanarayan Rao
15. Shri Vasant Sathe.

Rajya Sabha

16. Smt. Sushila Shanker Adivareka
17. Shri Sardar Amjad Ali
18. Shri M. Kadershah

*Elected with effect from 23 November 1977 *vice* S/Shri Sheo Narain and Jagdambi Prasad Yadav ceased to be Members of the Committee on their appointment as Ministers of State.

(iv)

19. Shri Piare Lall Kureel *urf* Piare Lall Talib
20. Shri S. A. Khaja Mohideen
21. Shri Bezawada Papireddi
22. Shri Zawar Hussain.

SECRETARIAT

1. Shri B. K. Mukherjee—*Joint Secretary.*
2. Shri T. R. Ghai—*Senior Financial Committee Officer.*

INTRODUCTION

1, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Fifty Sixth Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their Two Hundred and Nineteenth Report (Fifth Lok Sabha) on Customs Receipts relating to Ministry of Finance (Department of Revenue).

2. On 10 August, 1977, an 'Action Taken Sub-Committee' (1977-78), consisting of the following Members, was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports:

1. Shri C. M. Stephen—*Chairman*.
2. Shri Asoke Krishna Dutt—*Convener*.
3. Shri Gauri Shanker Rai
4. Shri Tulsidas Dasappa
5. Shri Kanwar Lal Gupta
6. Shri Zawar Hussain
7. Shri Vasant Sathe.

3. The Action Taken Sub-Committee of the Public Accounts Committee (1977-78) considered and adopted this Report at their sitting held on 29 November, 1977. The Report was finally adopted by the Public Accounts Committee (1977-78) on 19 December, 1977.

4. For facility of reference the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. For the sake of convenience, the conclusions/recommendations of the Committee have also been appended to the Report in a consolidated form. (Appendix).

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

NEW DELHI;

December 20, 1977.

C. M. STEPHEN,
Chairman,
Public Accounts Committee.

Agrahayana 29, 1899 (S).

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their 219th Report (Fifth Lok Sabha) on paragraphs relating to Customs Receipts included in the Report of the Comptroller & Auditor General of India for the year 1973-74, Union Government (Civil), Revenue Receipts, Volume I, Indirect Taxes.

1.2. The Committee's 219th Report was presented to the Lok Sabha on 30 April 1976 and contained 31 recommendations/observations. According to the time schedule for furnishing Action Taken Notes on the Committee's recommendations/observations, prescribed in their 5th Report (Fourth Lok Sabha), the Notes indicating the action taken by Government in pursuance of the recommendations/observations contained in the 219th Report were required to be furnished latest by 31 October, 1976. The Departments of Revenue and Banking and Economic Affairs had, however, been requested, on 4 June 1976, that the relevant Notes be furnished latest by 31 August 1976, in order that the Committee's work might be facilitated. Subsequently, on a request made by the Department of Revenue & Banking, the time limit had been extended upto 15 September 1976 and all the Action Taken Notes were made available to the Committee in accordance with this revised schedule.

1.3. The Action Taken Notes received from Government have been broadly categorised as follows:

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

Sl. Nos. 3, 9, 10, 11, 12, 13, 14, 15, 16, 20, 24, 26, 27, 29, 30, 31, 32, 33, 34 and 37.

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

Sl. Nos. 6, 8, 17, 18, 19 and 21.

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

Sl. Nos. 1, 2, 5 and 7.

(iv) *Recommendations/observations in respect of which Government have furnished interim replies:*

Sl. Nos. 4, 22, 23, 25, 28, 35 and 36.

1.4. **The Committee expect that final replies to those recommendations/observations in respect of which only interim replies have so far been furnished will be submitted to them soon, after getting them vetted by Audit.**

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

Analysis of factors contributing to increased collection of Customs Receipts. (Paragraphs 1.29 and 1.30—Sl. Nos. 1 and 2).

1.6. The Report of the Comptroller and Auditor General of India for the year 1973-74, Union Government (Civil), Revenue Receipts, Volume I, Indirect Taxes, had pointed out, *inter alia*, that the total Customs Receipts during the year 1973-74 amounted to Rs. 9,96,43,43,478 as against Rs. 8,56,63,89,939 during the year 1972-73 and that the increase in receipts during 1973-74 had been attributed by the Ministry of Finance largely to the increase in receipts of import duties brought about by the changes introduced in the 1973 budget. Examining this question, the Committee, in paragraphs 1.29 and 1.30 of their 219th Report (Fifth Lok Sabha), had recommended as follows:

“1.29 In 1973-74, Customs receipts went up to Rs. 996 crores from Rs. 856 crores in 1972-73, the increase being in line with the upward trend noticeable since 1969-70. The Ministry of Finance attributes this phenomenon to the rise in the value of imports as well as of the rates of duty brought about by budgetary changes. It appears, however, that the Ministry cannot quantify the increase in receipts attributable either to budgetary changes or to the rapid change in international prices during the relevant years. Whether the latter phenomenon is only a temporary phase or something more than that seems yet too early for determination. Besides, in Government's view, administrative steps adopted in recent years, including preventive detention and campaign against smuggling operations, have toned up revenue collection, though the precise effect of such steps cannot yet be estimated quantitatively.”

“1.30 The Committee feel that it would be useful if the various factors which contributed to the increased revenue are analysed with a view to finding out—

- (i) how far the budgetary changes contributed to the increased collections;
- (ii) to what extent the international price inflation has boosted the revenue and whether it is a temporary phenomenon;
- (iii) how far the increase in collection is due to the tightening up of the administrative machinery and in what respect; and
- (iv) how far the increase in collection is due to avoidably imprecise estimates of collection of revenue.

The Committee desire that this review should be completed in six months and the results intimated to them.”

1.7. In their Action Taken Note* dated 30 August 1976, furnished in response to this recommendation, the Department of Revenue and Banking (Revenue Wing) have stated:

“As explained earlier, customs revenue receipts are largely accounted by receipts from import duties and that these depend on the value of imports made into the country and the rates of duty applicable from year to year. Customs receipts during 1972-73 were Rs. 856 crores. In 1973-74 these, went up to Rs. 996 crores. The Committee are aware that on account of misclassification, refunds and drawbacks for the year 1973-74 were inflated to the extent of Rs. 24 crores as a result of an adjustment made to rectify the double credit to the extent of this amount of revenue collected during 1970-71 and 1972-73; their attention is invited to para 1.56 in their 219th Report (Fifth Lok Sabha). If this amount is added, the collections during 1973-74 would be Rs. 1020 crores. On analysis, it is seen that the increased revenue was due to:—

- (i) The budgetary changes as per the 1973 budget in the levy of import duties which were expected to yield an additional revenue of Rs. 154.20 crores;
- (ii) The increase in receipts from import duties was also due to substantial increase in the value of imports on account of rise in international prices of principal imports such as vegetable oils, fertilisers, chemicals, iron and steel, non-ferrous metals, machinery and transport equipment during 1973-74 as compared to the preceding year (1972-73);
- (iii) Administrative measures are intended to ensure that there is no leakage and that the revenue due to the Government accrues to it properly and expeditiously. In its nature, it is difficult to quantify the effect of such measures.”

1.8. **The Committee find that apart from almost repeating what had been stated earlier during their examination of the subject, the Department of Revenue & Banking have not been in a position to quantify concretely (i) how far the budgetary changes during 1973-74 actually contributed to increased collection of Customs Receipts during the year, (ii) to what extent inflationary trends that persisted internationally boosted revenues, (iii) how far and to what extent the increase in receipts was attributable to the tightening up of the administrative machinery and (iv) the extent to which imprecise estimates had been responsible for increased collections. Various factors having an impact on the collection of revenues should, however, be analysed in order to determine whether existing levies need to be increased, decreased or discontinued. Such an exercise would also be immensely useful for the determination of fiscal policies and for bringing about, whenever necessary, timely fiscal reforms. The Committee, therefore, desire that a suitable machinery should be devised for the purpose and an evaluation conducted concurrently and continuously, which could provide useful data for the annual budgetary exercise.**

*Not vetted.

Variations between budget estimates and actuals. (Paragraphs 1.31 and 1.33—Sl. Nos. 3 and 5).

1.9. Wide variations between the budget estimates and actuals have been constantly engaging the attention of the Committee, who have, on many occasions, sought to impress upon Government the need for a more scientific and accurate formulation of the budget proposals so that the widening gap between the estimates and actuals could be reduced. Reviewing the position in this regard during 1973-74 and drawing attention, in this context, also to their earlier recommendations on the subject, the Committee, in paragraph 1.31 of their 219th Report, had recommended, *inter alia*, as follows:

“In pursuance of the recommendation contained in paragraph 6.1(1) of their 89th Report (5th Lok Sabha), Government had in January 1974, appointed a committee to examine the question of the discrepancy between budgetary forecasts and actual realisation with a view to more accurate and scientific forecasting of resources. Two of the recommendations of the Expert Committee related to (i) strengthening of the existing machinery in the principal public sector import/export agencies for data collection and for forecasting their future import programme, and (ii) establishment of a short-term forecasting cell in the Department of Economic Affairs, entrusted, *inter alia*, with the task of forecasting international prices. These have been referred to the administrative Ministries and public sector agencies concerned for necessary action. The Committee have been informed by the Department of Revenue and Insurance that the Central Board of Excise and Customs will rely on the departments or agencies of the Government which are most directly concerned with planning of imports as well as foreign exchange budgeting for necessary data and marketing intelligence for the purpose of forecasting of customs revenue. The Committee attach much importance to these recommendations, particularly in the context of the recent inflationary trends in the international prices. The Committee have in para 1.12 of their 203rd Report (5th Lok Sabha) stressed the importance of a coordinated approach to this entire problem so that positive steps can be taken expeditiously to streamline and refine the existing systems for budgetary forecasts. The Committee have also suggested that the Department of Economic Affairs which is most closely involved in the matter, should play a leading role in this regard. The Committee desire that immediate action should be taken in this direction and made known to them.”

1.10. In an interim reply furnished in this regard, in their Action Taken Note dated 30 August 1976, the Department of Revenue & Banking (Revenue Wing) informed the Committee as follows:

“Committee’s recommendation is under examination in consultation with the Department of Economic Affairs. The Committee will be apprised of the further action taken in this regard.”

1.11. Subsequently, in another Note dated 20 December 1976, the Department have stated:

“The Committee’s attention is invited to this Department’s action taken note on paragraph 1.31 in their Two Hundred and Nineteenth Report (Fifth Lok Sabha) forwarded to Lok Sabha Secretariat under Office Memorandum F. No. 342/13/76-TRU dated the 30th August 1976.

Establishment of a short-term forecasting cell which should, *inter alia*, attempt the task of forecasting of inter-national prices as had been recommended by the Expert Committee in para 3.15 of their Report, has been reconsidered by the Government. A careful examination indicates that the forecasting of international prices, apart from the difficulties in making such forecasts, may not be directly useful for estimating customs revenues. Action has already been taken on the recommendation of the Expert Committee to set up an Analytical Statistical Budget Forecasting Cell in the Central Board of Excise and Customs to introduce statistical and econometric methods for forecasting of customs revenues. With this and with the other recommendations of the Expert Committee, the divergence between estimated and actual revenue would be narrowed down. Moreover, customs revenue is greatly dependent on foreign exchange releases. The fluctuations in international prices are compensated by fluctuation in quantities of imports and thus, customs revenue is not very much related with the movement of international prices. The agencies who are likely to be competent to carry out forecasting of international prices are importing agencies like the State Trading Corporation and the Minerals and Metals Trading Corporation. On reconsideration, it has been decided that such a cell should be in the importing agencies and customs may make use of the expertise of such cells.”

1.12. Reiterating in this connection yet another recommendation of theirs, contained in paragraph 6.1(1) of their 89th Report (Fifth Lok Sabha), the Committee, in paragraph 1.33 of their 219th Report, had gone on to observe as follows:

“In paragraph 6.1(1) of their 89th Report, the Committee had observed that if any **unforeseen** factors occur in the course of the year, such as a **sudden spurt** in imports, Parliament should be immediately apprised of it by Government explaining the unforeseen variation in estimates, so that Parliament could satisfy itself that variation had occurred inspite of Government’s effort to ensure accurate estimating. In their reply the **Ministry of Finance (Department of Economic Affairs)** have stated that **as in all other cases** a review of the **Revised Estimates** of collections of Customs revenue during the year, in the light of the various factors developing subsequent to the presentation of the Budget Estimates for the year, is submitted to Parliament along with the Budget Estimates for the next year. Such reports, however, based as they are on the fluctuations over

short periods during the course of the year, may not be adequate and at any rate would not be indicative of the picture likely to emerge eventually for the year as a whole because of the many and rapidly changing factors which influence collections in unpredictable ways from time to time. The Committee, thus, are not satisfied with the Ministry's reply. The Committee recommend that Parliament should be contemporaneously informed about whatever major unforeseen factors occur during the course of the year and have an impact on revenue collection. That is a worthwhile exercise which Government should not grudge undertaking."

1.13. In their Note dated 31 August 1976, indicating the action taken in pursuance of this recommendation, the Department of Economic Affairs have stated:

"The expert committee, appointed to suggest ways and means of achieving a more accurate forecasting of customs revenue, believed that the modifications suggested by them would help in improving the present system of forecasting but had at the same time emphasised that uncertainties and imponderables in the situation are such as to make the task of forecasting of customs revenue extremely difficult even in highly developed countries. It is hoped that with the adoption of the recommendations of the Expert Committee, forecasting of customs revenue would be more scientific. The statistical and econometric methods are likely to reduce the chances of error in the estimation of customs revenue. The outcome of the implementation of the Expert Committee's recommendations and the follow-up results arising therefrom should be watched for some time.

Further, any attempt to explain variation between actual collections during a short spell of period and the likely pro-rate collections during the whole year would be unrealistic and may not reflect the correct position on account of various imponderable factors in our import trade that may emerge later.

In the circumstances, the Public Accounts Committee is again requested not to press their proposal further."

1.14 The Committee note that the recommendation made by the Expert Committee, appointed in January 1974, to suggest ways and means of achieving a more accurate and scientific forecasting of Customs revenue, that a short-term forecasting cell should be established in the Department of Economic Affairs and should, among other things, attempt the task of forecasting international prices has been partly modified and that Government have now decided to set up such a cell in importing agencies like the State Trading Corporation and the Minerals and Metals Trading Corporation which happen to possess also the requisite competence and expertise. A cell of the type contemplated is like to provide useful data in regard to the trends of international prices which, in turn, would facilitate the trading opera-

tions and activities of these public sector corporations. The Committee would urge Government to take early and effective follow-up action on this decision. Coordination should carefully be maintained between the public sector import/export agencies entrusted with this important task and the Central Board of Excise & Customs, and positive use made of the data so collected in the formulation of the budget proposals.

1.15. The Committee are, however, unable to appreciate Government's reluctance to act upon another recommendation of their, contained in paragraph 1.33 of the 219th Report (Fifth Lok Sabha), that Parliament should be kept informed contemporaneously of any unforeseen factors occurring during the course of the year and likely to have an impact of the collection of revenue so that it could satisfy itself that the variation from estimates was on account of reasons beyond Government's control and had occurred in spite of the efforts made to ensure accurate estimation and forecasting of revenues. The alleged difficulties notwithstanding, the Committee are of the view that their suggestion should elicit Government's serious consideration in view specially of various advantages that are likely to accrue. By evolving a system of concurrent monitoring and reporting, a watch over the progressive trend of receipts in a particular year could be maintained by Parliament which, in the likelihood of shortfalls in anticipated revenues in certain spheres, could tap other sources and find other avenues to bridge the resultant gap in the resources. Similarly, in the likelihood of excess realisation, Parliament would have an opportunity to consider timely reliefs in duties or taxes. This would also enable Government to ensure that the receipts in a year approximates to the estimates originally made, subject of course to the variations, if any, which would have already been brought to Parliament's notice and adequately explained. In view of the fact that the advantages far outweigh the difficulties the Committee would reiterate their earlier recommendation in this regard and urge that it be re-examined.

Realisations on account of fines and penalties. (Paragraph 1.41—SI No. 7).

1.16. According to the Audit Report, receipts during the year 1973-74 on account of Fees, Fines, Forfeiture and Miscellaneous Penalties amounted to Rs. 6,18,644. When asked to indicate the break-up of the miscellaneous receipts, the Department had, however, informed the Committee that on the basis of the 'ad hoc reports' received from the Collectorates the total (gross) receipts under the minor head 'Miscellaneous' amounted to Rs. 2,040 lakhs, comprising of Rs. 320 lakhs on account of Fines and penalties, Rs. 949 lakhs representing sale proceeds of confiscated goods and Rs. 771 lakhs attributable to other receipts. Dealing with this discrepancy in the figures, the Committee, in paragraph 1.41 of the Report had observed :

"In the Audit paragraph, receipts from fees, fines, forfeiture and miscellaneous penalties have been shown as Rs. 6,18,644. But according to the break-up of miscellaneous receipts now furnished by the Ministry of Finance, fines and penalties amounting to Rs. 320 lakhs were collected during the year 1973-74.

It is not clear to the Committee why at the time of verification of the Audit paragraph, the Ministry of Finance did not offer the comment on the figure of Rs. 6,18,644 shown as receipt from fees, fines, forfeiture and miscellaneous penalties. The Committee desire that even at this late stage it should be possible for the Ministry of Finance to reconcile the figures."

1.17. Clarifying the position, the Department of Revenue & Banking (Revenue Wing), in their Action Taken Note have stated:

"The position has been verified with the Office of the Accountant General, Central Revenues, who has reported that receipts from fees, fines, forfeiture and miscellaneous penalties amounting to Rs. 6,18,644 represent only the receipts reported by the Accountants General, U. P. and Jammu & Kashmir. The receipts from fines and penalties amounting to Rs. 320 lakhs, furnished by this Department represent collections on all-India basis."

1.18. With reference to the discrepancy, pointed out by them in paragraph 1.41 of the 219th Report (Fifth Lok Sabha), in the receipts from fees, fines, forfeiture and miscellaneous penalties reflected in the Audit Report and those furnished later by the Department of Revenue & Banking, the Committee have been informed that the amount of Rs. 6,18,644 shown in the Audit Report as receipts from fees, fines, forfeiture and miscellaneous penalties represents only the receipts reported by the Accountants General, Uttar Pradesh and Jammu & Kashmir, while the figure of Rs. 320 lakhs furnished later by the Department represents collections from fines and penalties on an all-India basis. The Department's reply is, however, silent on the specific query of the Committee as to why the Finance Ministry had not offered any comments, at the time of verification of the Audit paragraph, in regard to the figures reported by Audit. Had this been done, the correct factual position could have been reported, *ab initio*, to Parliament. Pending necessary clarifications which should be forthcoming soon in this regard, it would, *prima facie*, appear that the reconciliation of the departmental figures with the accounts figures has been done in a somewhat slipshod fashion. Now that instructions have again been issued on 27 August 1976. In pursuance of the Committee's observations in paragraphs 1.56 to 1.58 of the 219th Report (Fifth Lok Sabha), reiterating the need for monthly, reconciliation of the departmental and accounts figures, the Committee trust that this will be scrupulously followed, and variations, if any, between the two sets of figures promptly reconciled.

1.19. Incidentally, since the Committee had earlier been told that even figure of Rs. 320 lakhs furnished by the Department was based only on 'ad hoc reports' received from the Collectorates, they would like to know whether the receipts under the minor head 'Miscellaneous' (including the amount of Rs. 6,18,644) have since been finally reconciled with the receipts accounted for by the Accountant General, Central Revenues. In case this has been done, the Committee would like to be apprised of the subsequent variations, if any, noticed as a result of this exercise and the reasons therefor.

CHAPTER—II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation

In pursuance of the recommendation contained in paragraphs 6.1(1) of their 89th Report (5th Lok Sabha), Government had in January, 1974 appointed a Committee to examine the question of the discrepancy between budgetary forecasts and actual realisation with a view to more accurate and scientific forecasting of resources. Two of the recommendations of the Expert Committee related to (i) strengthening of the existing machinery in the principal public sector import/export agencies for data collection and for forecasting their future import programme, and (ii) establishment of a short-term forecasting cell in the Department of Economic Affairs, entrusted, *inter alia*, with the task of forecasting international prices. These have been referred to the administrative ministries and public sector agencies concerned for necessary action. The Committee have been informed by the Department of Revenue and Insurance that the Central Board of Excise and Customs will rely on the departments or agencies of the Government which are most directly concerned with planning of imports as well as foreign exchange budgeting for necessary data and marketing intelligence for the purpose of forecasting of customs revenue. The Committee attach much importance to these recommendations, particularly in the context of the recent inflationary trends in the international prices. The Committee have in para 1.12 of their 203rd Report (5th Lok Sabha) stressed the importance of a coordinated approach to this entire problem so that positive steps can be taken expeditiously to streamline and refine the existing systems for budgetary forecasts. The Committee have also suggested that the Department of Economic Affairs which is most closely involved in the matter, should play a leading role in this regard. The Committee desire that immediate action should be taken in this direction and made known to them.

[Sl. No. 3 (Para No. 1.31) of Appendix II to the 219th Report
of PAC (Fifth Lok Sabha)].

Action Taken

Committee's recommendation is under examination in consultation with the Department of Economic Affairs. The Committee will be apprised of the further action taken in this regard.

[Deptt. of Revenue & Banking O.M. No. 342/13/76—T.R.U.
Dated 30-8-76].

Further Action Taken

The Committee's attention is invited to this Department's action taken note on paragraph 1.31 in their Two Hundred and Nineteenth Report (Fifth Lok Sabha) forwarded to Lok Sabha Secretariat under Office Memorandum F. No. 342/13/76—TRU, dated the 30th August, 1976.

Establishment of a short-term forecasting cell which should *inter alia*, attempt the task of forecasting of international prices as had been recommended by the Expert Committee in para 3.15 of their Report has been reconsidered by the Government. A careful examination indicates that the forecasting of international prices, apart from the difficulties in making such forecasts, may not be directly useful for estimating customs revenues. Action has already been taken on the recommendation of the Expert Committee to set up an Analytical Statistical Budget Forecasting Cell in the Central Board of Excise and Customs to introduce statistical and econometric methods for forecasting of customs revenues. With this and with the other recommendations of the Expert Committee, the divergence between estimated and actual revenue would be narrowed down. Moreover, customs revenue is greatly dependent on foreign exchange releases. The fluctuations in international prices are compensated by fluctuation in quantities of imports and thus, customs revenue is not very much related with the movement of international prices. The agencies who are likely to be competent to carry out forecasting of international prices are importing agencies like the State Trading Corporation and the Minerals and Metals Trading Corporation. On reconsideration, it has been decided that such a cell should be in the importing agencies and customs may make use of the expertise of such cells.

[Deptt. of Revenue & Banking O.M. No 342/13 TRU, dated 20-12-76].

Recommendation

The Committee find that on account of mis-classification, refunds and drawbacks for the year 1973-74 were inflated to the extent of Rs. 24.79 crores as a result of an adjustment made to rectify the double credit to the extent of this amount of revenue collected during the years 1970-71 and 1972-73. The actual position is that the net customs revenue realised during the year 1970-71 should have been shown less by Rs. 22.82 crores, and for 1972-73 by Rs. 1.97 crores and the net revenue collection for 1973-74 should be higher to the extent of Rs. 24.79 crores. The Committee take a very serious view of the incorrect position in this regard reported to Parliament during these years. Such inadvertence amounts to a grave dereliction of duty on the Part of responsible personnel.

The double credit of the amounts occurred because of mis-classification of an amount of Rs. 22.82 crores representing the Customs duty on gold imported in 1970-71 from U.S.A. in connection with payment of subscription to International Monetary Fund and Customs dues collected at the Bombay Airport amounting to Rs. 1.97 crores during 1972-73. The Committee note that customs dues received at the Bombay Airport were mis-classified by the Airport Customs after a revised procedure was

adopted in February, 1971, according to which the duty and other collections made at the Airport instead of being sent to the Custom House are remitted direct to the State Bank of India. It is regrettable that the revised procedure did not specifically indicate the proper account head to be indicated in the challan for remitting the amount collected at the airport. This led to collections being wrongly classified as revenue receipts under the head "I-Customs" *insted* of Customs Remittances with the result that these amounts were also included by Custom House in their monthly cash account statement to the Accountant General as remittances to the Reserve Bank. The Committee are unhappy that such mis-classification continued unchecked till February 1974.

[Sl. Nos. 9 & 10 (Paras 1.56 & 1.57) of Appendix II to the 219th Report of PAC (Fifth Lok Sabha)]

Action Taken

The circumstances leading to mis-classification of refunds and draw-backs for the year 1973-74 which inflated the figures of net Customs revenue to the order of Rs. 24.79 crores were explained to the Committee in the additional information furnished on points 4(a), (b), (c), (d), (e) and (f), arising out of Para 1 of CAG's Report 1973-74—Union Government (Civil)—Revenue Receipt, Vol. I relating to Customs, which was forwarded to the Lok Sabha Sectt. on 2-2-76. A copy of the instructions issued to the Collectors of Customs & Central Excise on 18-9-75, requiring them to ensure monthly reconciliation of the Accounts figures was also enclosed therewith. The observations of the Committee have been noted for future guidance. A copy of further instructions issued to Collectors, in this regard, is also attached. (Annexure)

[Department of Revenue & Banking O.M. F. No. 442/19/1976-Cus. IV dated 28-8-76]

ANNEXURE

Instruction No. 3/76.

F.No. 442/1976-Cus. VI

**GOVERNMENT OF INDIA
CENTRAL BOARD OF EXCISE AND CUSTOMS**

New Delhi, the 28th August, 1976.

To, All Collector of Customs & Central Excise.

SUBJECT :—*Customs Revenue—Reconciliation of Accounts figures with Departmental figures—Instructions regarding.*

Sir,

A copy of paras 1.56, 1.57 & 1.58 of 219th report of P.A.C. is also enclosed. In this connection I am directed to invite your attention to Board's letter F.No. 450/100/75-Cus. IV dated 18th September, 1975 on the above subject and to say that the Board desires that the instructions contained in the above cited letter may be strictly adhered to and it may be ensured that necessary reconciliation done scrupulously every month.

2. The Board desire that a Certificate should be sent half-yearly to the Director, Statistics & Intelligence Branch, C. & C.E., New Delhi stating that necessary reconciliation has been done every month during the period of 6 months.

3. Receipt of the letter may please be acknowledged.

Yours faithfully,

Sd/-

(A. K. SARKAR),

Under Secretary,

Central Board of Excise & Customs.

Copy forwarded to the Director Statistics & Intelligence Branch, C. & C.E., New Delhi with the request to keep a close watch over the action taken by the Collectors on these instructions and ensure that the necessary reconciliation is done scrupulously every month.

(A. K. SARKAR),

Under Secretary,

Central Board of Excise & Customs.

Recommendation

The double credit of the amounts in the accounts could have been detected during the respective financial years if the Bombay Custom House had followed the proper system for reconciliation of the departmental figures with the accounts figures. The mistake remained undetected till February, 1974 when it came to the notice of Accountant General (Central), Bombay, who made an adjustment in the accounts for 1973-74. Only after the Committee took up examination of the matter, did the Central Board of Excise and Customs issue instructions on 18th September, 1975 requiring monthly reconciliation of revenue receipt figures with accounts figures. The Committee deprecate this delay and urge the Board to keep a close watch over the action taken by the Custom Houses on these instructions and ensure that the necessary reconciliation is done scrupulously every month.

[S. No. 11 (Para 1.58) of Appendix II to the 219th Report of P.A.C. (Fifth Lok Sabha)]

Action taken

A copy of further instructions issued by the Board in pursuance of the Committee's recommendation is attached herewith. (Annexure)

[Department of Revenue & Banking O.M. F. No. 442/19/76-Cus. IV dated 28-8-76].

ANNEXURE

Instruction: No. 3/76

F. No. 442/19/76-Cus. IV

**GOVERNMENT OF INDIA
CENTRAL BOARD OF EXCISE AND CUSTOMS**

New Delhi, the 27th August, 1976

To

All Collector of Customs & Central Excise.

**SUBJECT:—*Customs Revenue—Reconciliation of Accounts figures
with Departmental figures—Instructions regarding***

Sir,

A copy of paras 1.56, 1.57 & 1.58 of 219th report of P.A.C. is also enclosed. In this connection I am directed to invite your attention to Board's letter F.No. 450 10/75-Cus. IV dated 18th September, 1975 on the above subject and to say that the Board desires that the instructions contained in the above-cited letter may be strictly adhered to and it may be ensured that necessary reconciliation is done scrupulously every month.

2. The Board desires that a Certificate should be sent half-yearly to the Director, Statistics & Intelligence Branch, C. & C.E., New Delhi stating that necessary reconciliation has been done every month during the period of 6 months.

3. Receipt of the letter may please be acknowledged.

Yours faithfully,

Sd/-

(A. K. SARKAR)

Under Secretary,

Central Board of Excise & Customs.

Copy forwarded to the Director, Statistics & Intelligence Branch, C.&C.E., New Delhi with the request to keep a close watch over the action taken by the Collectors on these instructions and to ensure that the necessary reconciliation is done scrupulously every month.

Sd/-

(A. K. SARKAR)

Under Secretary,

Central Board of Excise & Customs.

Recommendation

Another unsatisfactory feature of this case is that when the draft Audit Paragraph was sent to the Ministry of Finance for confirmation, the Ministry in their reply did not comment at all on this inflated figure of refunds and drawback for the year 1973-74. However, the Central Board of Excise and Customs later asked the Customs Houses to go into reasons for the increase in the figure of refunds and drawbacks for the year 1973-74. Unfortunately, a copy of this letter was not sent at the same time to Audit who could not, therefore, add a suitable footnote to the relevant Audit Paragraph. The Committee suggest that in future, where the figures appearing in the draft Audit Paragraph appear to be doubtful and need verification, the Board should immediately inform Audit about the position.

[Sl. No. 12 (Para No. 1.59) of Appendix II to the 219th Report of PAC (Fifth Lok Sabha)]

Action taken

As per the draft Audit Paragraph received from the Office of the Comptroller and Auditor General of India, customs revenue receipts during 1973-74 were shown at Rs. 996.43 crores whereas as per the Departmental returns, these were Rs. 1016.72 crores. This had been pointed out to the Audit in this Department's reply dated the 21st January, 1975.

Subsequently, another draft Audit Paragraph was received and in this Department's reply dated the 27th February, 1975, the above position was brought to their notice again. Since the two sets of figures had shown variation and as a measure of caution, Central Board of Excise and Customs had requested the Collectors of Customs and Central Excise to reconcile the two sets of figures and to furnish the exact reasons in detail for the increase in payments of refunds and drawback during 1973-74 over those of the previous year. That there was an error in misclassification leading to inflation of refunds and drawback for the year 1973-74 came to light only later as a result of this investigation. This was not known at the time the draft Audit Paragraph was received. The recommendation of the Committee to apprise the Audit has, however, been noted.

[Deptt. of Revenue & Banking O.M. No. 342/13/76-T.R.U. dated 30-8-76].

Recommendation

The Committee are surprised that in this case the Custom House did not levy countervailing duty on "immersion coolers" and "milk receiving and cooling units" on the ground that these units being not of storage type were not covered by Tariff item 29A of the Central Excise Tariff, and secondly, that these were not imported as ready assembled units. These grounds cannot be sustained since the description of item 29-A covers all sorts of refrigerators and air-conditioning machinery. Besides, while it may be that for assessment, the units should be ordinarily such as can

be offered for sale as ready assembled units, it does not necessarily follow that it should always be transported in the assembled condition. The Committee are of the view that there was hardly any scope for doubt in levying countervailing duty.

[S. No. 13 (Para No. 2.14) of Appendix II to the 219th Report of P.A.C. (Fifth Lok Sabha)].

Action taken

The observations of the Committee have been noted. They have also been communicated to the Collector of Customs, Madras and other Collectors of Customs of the major ports, for their information and guidance.

It may, however, be mentioned that the assessment of the units without countervailing duty was as a result of a genuine belief that they fell outside the scope of item 29A(i) Central Excise Tariff. Even when the issue was discussed in the Collectors Conference, this doubt was raised and discussed at some length before a final view was taken that the product in question would be classifiable under item 29A (i) of the Central Excise Tariff and hence countervailing duty would be leviable on like product when imported.

[Deptt. of Revenue & Banking O. M. No. F. 521/10/76-Cus (T.U.) dated 30-8-76].

Recommendation

A more serious aspect of this case is the inordinate delay of seven years in taking the final decision after Audit had raised its objection and called for relevant details, catalogue etc. in July 1967. Such information was furnished only in February, 1971, and Audit reiterated that countervailing duty under, item 291(1) of the Central Excise Tariff was leviable. However, it was only after long delay, in January, 1974, that the Conference of Collectors finally decided in favour of the view taken by Audit. The Committee cannot accept the explanation given for this unconscionable delay, namely, that the file had been misplaced in the Custom House. The Committee were, however, informed that the Collectorate has been asked to proceed against the officers responsible for delaying the matter. It is extraordinary, indeed, that it took 4 years to get the papers forwarded to Audit and 7 years to have the matter placed before the Collectors' Conference. Such default does appear to be egregious and the Committee would gravely urge fixation of responsibility in the matter and immediate intimation of action taken on this issue.

[S. No. 14 (Paragraph No. 2.15) of Appendix II to the 219th Report of P.A.C. (Fifth Lok Sabha)].

Action taken

The Collector of Customs, Madras, who is taking necessary action, has reported that one officer has been censured and action against the other officials concerned is in progress.

[Deptt. of Revenue and Banking O.M. No. F. 521/10/76-Cus. (T.U.) dated 30-8-76].

Recommendation

“The Committee are anxious that at the time of Audit, all supporting documents should be made available alongwith the Bills of entry. The Committee desire that necessary instructions in this regard should be issued by the Central Board of Excise and Customs.”

[S.No. 15 (Para No. 2.16) of Appendix II to the 219th Report of P.A.C.
(Fifth Lok Sabha)]

Action Taken

A copy of the instructions issued to the Collectors is enclosed (Annexure)
(Deptt. of Revenue & Banking O.M. No. 411/ 26/76-Cus. III Dated
8-7-77).

ANNEXURE

F. No. 411/26/75-Cus. III

GOVERNMENT OF INDIA

DEPARTMENT OF REVENUE & BANKING

New Delhi dated the 30th August 1976

From

Shri A. Bordia,
Under Secretary to the Govt. of India.

To

All Collectors of Customs.
All Collectors of Central Excise.

SUB :— *219th Report of the P.A.C. on the Report of the C.&A.G. for the year 1973-74—Union Government (Civil) Revenue Receipts Volume I Indirect Taxes—Relating to Customs—Making available of all the documents to the Audit alongwith the Bills of Entry.*

Sir,

I am directed to enclose an extract of the Public Accounts Committee's recommendation No. 2.16 contained in their 219th Report in which they have desired that all the supporting documents should be made available to Audit alongwith the Bills of Entry.

2. In this respect it can hardly be over-emphasised that for safeguarding revenue it is necessary that Bills of Entry are audited expeditiously and therefore all the relevant documents are made available to the audit along with the Bills of Entry. The Board therefore, desires that Bills of Entry when they are sent for audit must always be accompanied by all the basic documents on which assessment has been based. Further, whenever audit requires catalogue, price list, technical literature and such other documents, every endeavour must be made to supply the same to audit without any loss of time. If any delay is anticipated or faced the fact thereof should be communicated to the audit.

These instructions should be communicated to the staff and officers for strict compliance.

The receipt of this letter may please be acknowledged.

Yours faithfully,

(A. BORDIA)

Under Secretary to the Govt. of India.

Copy forwarded to:—

1. All Customs Section of C.B.E. & C.
2. All Officers in Customs Wing (Tech.) of C.B.E.&C.

3. Director of Inspection (Customs & Central Excise)
4. Director of Training (Customs & Central Excise), New Delhi.
5. Director of Drawback.

(A. BORDIA)

Under Secretary to the Government of India.

Extract of para 2.16 of Two hundred and nineteenth report of Public Accounts Committee (1975-76) (Fifth Lok Sabha) Customs Receipts.

* * * *

The Committee are anxious that at the time of audit, all supporting documents should be made available alongwith the Bills of entry. The Committee desire that necessary instructions in this regard should be issued by the Central Board of Excise and Customs.

Recommendation

The Committee also suggest that guidelines should be laid down by the Board regarding the type of cases which should be referred to the Collectors' Conference so that the multiplicity of references, not always warranted, cannot be an excuse for Collectors avoiding the responsibility of taking prompt and principled decision.

[S.No. 16 (Para No. 2.17) of Appendix II to the 219th Report of P.A.C. (Fifth Lok Sabha)]

Action Taken

A copy of instructions issued to the Collectors of Customs of the major ports on the subject, is enclosed for the information of the Committee. (Annexure).

(Deptt. of Revenue & Banking O.M. No. 521/10.76—Cus. (T.U.)
Dated 30-8-76).

ANNEXURE

F. No. 521/10/76-Cus. (TU)

CENTRAL BOARD OF EXCISE AND CUSTOMS

New Delhi, the 20th August, 1976.

To

The Collector of Customs,
Bombay/Calcutta/Madras.
The Collector of Customs and Central Excise,
Cochin.

SUBJECT:—*Reference to the Board on classification matters—regarding.*

Sir,

I am directed to enclose for your information and guidance, the observations of the Public Accounts Committee in para 2.14 of their 219th Report (1975-76: 5th Lok Sabha) and the Department's reply to the Committee on the point.

2. In the same report, the Public Accounts Committee has had occasion to observe in para 2.17 as under:—

“The Committee also suggest that guidelines should be laid down by the Board regarding the type of cases which should be referred to the Collectors' Conference so that the multiplicity of references, not always warranted, cannot be an excuse for Collectors avoiding the responsibility of taking prompt and principled decision.”

The Board desires that issues on classification under the Tariff should not be referred to the Board as a matter of course for discussion of the periodical Conferences of Collectors on classification matters. The Collectors should apply their minds and take a final decision wherever possible. A reference to Board for inclusion of any item in the agenda for Collectors' tariff Conference should be made only in those cases where—

- (i) the Collector has a real doubt regarding the correct classification or where he feels that it is possible to take two or more views and all of which are equally weighty;
- (ii) the Collector himself has no doubt but the Audit hold a different view and do not agree to the position taken by him even after discussion at a senior level;

- (iii) the Collector has information that a practice of assessment different from the one obtaining in his Customs House is being followed in another Custom House or that a decision on classification of particular goods, with which he does not agree, has been taken in another Custom House;
 - (iv) where a decision of the Appellate Collector/Board in an appeal or of the Government of India in Revision is contrary to the practice of the assessment of the Custom House and the Collector is of the view that the practice is correct and needs to be continued;
 - (v) the Collector thinks that changed circumstances or other factors have rendered any previous decision of the Board or of the Collectors-in-Conference as no longer valid;
 - (vi) in any other case where the Collector feels that the issue is of sufficient importance, affecting either the trade or revenue as to merit a reference to the Board for discussion in Conference.
3. Receipt of this letter may please be acknowledged.

Yours faithfully,

(B.C. RASTOGI)
Secretary, Central Board of Excise & Customs.

Recommendation

"The Audit Paragraph refers to 133 cases of seizure of contraband gold pertaining to the period from January, 1970 to June, 1974 involving a total value of Rs. 14.74 crores. According to the information furnished by the Ministry, in 72 of the cases prosecution had been launched, in 12 cases prosecution was under consideration, 26 cases were pending adjudication and in 20 cases goods remained unclaimed. Out of 72 cases in which prosecution was launched, 30 cases had resulted in conviction, two in acquittal, while the remaining cases are still pending in the Courts. The Committee are surprised that in as many as 12 cases of import of contraband gold the question of launching prosecution was still under consideration. Seizure of gold should invariably be followed by very prompt action, for delay defeats the very purpose of the law. The cases pending with the Courts should be vigorously pursued, and a report sent forthwith to the Committee."

[S. No. 20 (Para No. 3.51) of Appendix II of 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

A copy of the instructions issued to Collector is enclosed (Annexure).

2. Out of the 12 cases where prosecutions had not been launched, it is reported that in 7 cases prosecution has since been launched and in one case, the concerned person having expired, prosecution cannot be started. It is also seen that one pending case was included twice. Thus there are only 3 cases now where the decisions regarding launching of prosecution are yet to be taken. In one case adjudication was finalised recently and prosecution complaint is being prepared. In the second case the personal hearing had to be given in the Jail where the accused is a detinue under COFEPOSA Act and adjudication is being finalised. In the third case also adjudication is in progress. In the two cases, where departmental adjudications are not yet over, prosecution would be considered after finalization of the cases.

Out of the 42 cases which were still pending in the Courts, 15 cases have been finalised according to reports so far received.

[Deptt. of Revenue & Banking O.M. No. F. 411/45/76—Cus. III
Dated 31-8-76].

ANNEXURE

F. No. 411/45/76-Cus. III

**GOVERNMENT OF INDIA
DEPARTMENT OF REVENUE AND BANKING**

New Delhi, the 31st August, 1976

From

Shri A. Bordia,
Under Secretary to the Govt. of India.

To

All Collectors of Customs. ! \ (By name)
All Collectors of Central Excise }

SUBJECT:—*219th Report of the P.A.C. on the Paragraphs of the Report of the C.&A.G. for the year 1973-74 Union Govt. (Civil) Revenue receipts Volume I, Indirect Taxes relating to Customs—Recommendation in Para No. 3.51—regarding delay in prosecutions—*

Sir,

I am directed to say that the Public Accounts Committee in their 219th Report of the year 1975-76 have expressed serious concern over the delay in launching prosecution. The committee has further observed that big seizures specially of gold should be followed by prompt action because the delayed action against the smugglers defeats the very purpose of law. Therefore, the Board once again desires to impress upon all Collectors that the prosecutions, wherever warranted, should be launched without any loss of time and senior officers should personally review periodically all the pending cases where a decision on prosecution remains to be taken.

Please acknowledge receipt.

Yours faithfully,

(A. Bordia)

Under Secretary to the Govt. of India.

Recommendation

“While conceding that the delay in adjudication should be minimised, the Ministry appeared to be of the view that this matter should rather be left to heightened administrative check and inspection. It was expected that

with a strengthened staff work could be done more speedily and efficiently. The Ministry also intimated that one reason for delay in adjudication proceedings was that senior officers were under severe pressure and could not devote as much time and attention as was needed.

This does not appear to the Committee to be an insurmountable difficulty. Pending a radical solution of the problem, these matters should be intelligently tackled and the Central Board of Excise & Customs should step up scrutiny of pending cases and ensure quick disposal since only a proportion of it have peculiar complications."

[S. No. 24 (Para 3.55) of Appendix II of 219th Report of P.A.C. (Fifth Lok Sabha)].

Action Taken

The observations of the Public Accounts Committee have been communicated to all the Collectors who have also been asked to ensure speedy finalisation of adjudication cases consistent with requirements of law and the principles of natural justice. A copy of the instructions issued to them is enclosed (Annexure). It may also be mentioned that a watch is kept on the pendency of adjudication through monthly statements submitted to Collectors and also forwarded to the Central Board of Excise & Customs.

[Deptt. of Revenue and Banking O.M. No. F. 411/49/76-Cus. III dated 31-8-76].

ANNEXURE
F. No. 411/49/76-Cus. III
Government of India
(Deptt. of Revenue and Banking)

New Delhi, the 31st August, 1976

From

Shri B. C. Rastogi,
Deputy Secy. to the Govt. of India

To

All Collectors of Customs
All Collectors of Cen. Excise (By Name)

Sir,

SUBJECT :— *Delay in adjudication of seizure cases—Quick disposal thereof—Paragraph No. 3.55 of the 219th Report of the Public Accounts Committee—1975-76.*

The Public Accounts Committee have expressed grave concern about the delay in adjudication of offence cases. In this connection, you may recall that on numerous occasions in the past, the need for ensuring expeditious disposal of adjudication cases was impressed upon all the Collectors.

2. It is once again emphasised that the pendency of adjudication cases should be reviewed personally by Collectors and other senior officers with a view to devising a regular system for prompt disposal of these cases consistent with the requirements of law and principles of natural justice. In particular care may be taken to see that any dilatory tactics that may be adopted by the parties are dealt with firmly. In those categories of cases where there are any peculiar complications leading to delay, the matter may, at once, be brought to the notice of the Board.

Kindly acknowledge receipt.

Yours faithfully,
(B. C. RASTOGI)

Deputy Secretary to the Govt. of India.

Recommendation

The Committee are gravely concerned about the unconscionable delay in adjudication of cases of seizure of goods (other than gold) in various Collectors of Customs and Central Excise. To give an example of the position, the Audit Paragraph had pointed out that in Calcutta Custom house alone in July, 1974 out of 3,462 cases of seizures pertaining to the years 1968, 1969, 1970

and 1971, 364 cases were still pending. As on 1st February, 1975, 314 cases had not been adjudicated or in which disposal orders had not been passed. However, during evidence in September, 1975, the Committee were informed that only 25 of those cases awaited adjudication and/or post adjudication disposal. The fact that the Custom House could dispose of 289 old cases after the Audit Paragraph indicates that serious efforts had not been made earlier in this direction.

According to the information furnished to the Committee pertaining to the years 1972, 1973 and 1974 as many as 4378, 7970 and 9005 cases respectively were pending on 30-9-1975 in most of the Custom Houses taken together for want of adjudication or disposal orders. The value of goods other than gold seized during the period 1969-70 to 1973-74 and pending disposal as on 31-3-1974 in some Collectorates of Customs and Central Excise about which the Committee had information is very large. In this connection, mention may be made of the goods valued at Rs. 11,47,19,827 pending disposal in the Collectorate of Customs (Preventive), Bombay, Rs. 67,09,800 in Collectorate of Customs, Calcutta and Rs. 44,84,838 in Collectorate of Central Excise, Calcutta. The Committee are disturbed by such figures and would require the Central Board of Customs and Excise to examine the matter earnestly and prevent such accumulation in future.

[S. No. 26 & 27 (Para 3.57 & 3.58) of Appendix II of the 219th Report of P.A.C. (Fifth Lok Sabha)].

Action Taken

Instructions have been issued to all the Collectors of Customs and Central Excise to make serious efforts towards completion of adjudication proceedings and disposal of confiscated goods. The Directorate of Inspection (Customs and Central Excise) has been asked to keep a watchful eye on the progress of disposal of confiscated goods and also on the progress of adjudications of cases. He has also been asked to keep the Board informed of the progress in the matter from time to time.

2. Collectors of Customs and Central Excise are already taking steps to quicken the pace of disposal. In so far as unclaimed goods are concerned, part adjudication and early disposal are resorted to. Perishable goods are disposed of on an urgent basis. Court permissions are also sought for sale of goods in prosecution cases. The frequency of auctions has also been increased. In cases where chances of acceptance of appeals and revision petitions are remote, in certain types of cases, goods are being disposed of after confiscation if they have been ordered to be confiscated absolutely.

(Deptt. of Revenue and Banking O.M. No. 545/13/76-LCI dated 6-9-76).

Recommendation

It was admitted during evidence that the Board had already noticed that for identical goods, there were wide variations in the prices fixed by different Collectorates. The Committee learnt that instructions had been issued to Collectors to furnish reports/list of prices fixed by them for all consumer goods of well-known makes to the Directorate of Inspection whose duty was to analyse such reports and bring to the notice of the concerned Collectorates any wide variation in prices fixed by them.

The Committee are anxious that there should be uniformity in valuation of identical goods by the various Excise and Customs Collectorates and that the prices fixed should be realistic and comparable with market prices. This matter should receive the constant and vigilant attention of the Board.

[S. Nos. 24 & 30 (Paragraph 3.60 and 3.61) of Appendix II of 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

Instructions have been issued to all the Collectors to ensure that there is uniformity in valuation of identical goods in all the Collectorates and further the value fixed should be realistic and comparable with market prices. The Directorate of Inspection, Customs and Central Excise, has been asked to keep a close watch on the reports sent by the Collectors and also to keep the Board informed in this regard periodically.

[Deptt. of Revenue and Banking O.M. No. F. 545/17/76-L.C. dated 31-8-76].

Recommendation

The system of sale of confiscated goods through Cooperative Societies hitherto in vogue has been under review by Government. In August, 1975, instructions were issued to all the Collectors of Customs and Central Excise that confiscated watches could be sold as a first priority to the Armed Forces, Central Reserve Police, Border Security Force and Para-Military Forces upto their full requirements, and if any were left over they could be sold to the N.C.C.F., Police Canteens and the Home Ministry Cooperative Society. In the case of calculating machines the instructions were that they should be sold to Government Offices in the first instance and then to the Universities and similar institutions. Similarly, Electronic goods were to be sold to Schools, Universities, Government Offices etc., in the first instance and if not taken up by them, sell to the N.C.C.F. and other organisations. Regarding confiscated textiles/fabrics the Collectors were directed in October, 1975 to dispose them of in accordance with the existing orders after escalating the prices by 50 % over the price for similar goods prior to June, 1975, provided that the price refixed was not more than 90 per cent of the prices of similar goods manufactured in India. The prices, it appears, are being further reviewed. The Committee have also been informed that the question of export of confiscated textiles through the State Trading Corporation is being studied. The Committee wish that early decision in this matter which is not too complex should be taken by Government. In the meantime, necessary safeguards should be enforced so that misuse of the present provisions is prevented and there is no veiled trading, by the backdoor as it were, of smuggled goods.

[Sl. No. 31 (Paragraph 3.62) of Appendix II of the 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

The question of the export of confiscated textiles was taken up with the State Trading Corporation. Due to the various difficulties pointed out by the State Trading Corporation, they have stated that they are not in a position to undertake the export of confiscated textiles abroad.

2. Instructions have been issued that necessary safeguards may be enforced so that misuse of the present provisions is prevented and there is no veiled trading, by the backdoor as it were, of smuggled goods.

[Department of Revenue and Banking U.O. No. 545/12/76-LCI dated 20-8-76].

Recommendation

According to the Audit Paragraph, the stock taking reports (August, 1974) in Calcutta Custom House revealed that in 493 cases the seized goods were not physically there and the Master Register did not also bear any indication of the sale receipts thereof having been deposited to the Government Account. During evidence the Committee were informed that these items had been actually disposed of but the vouchers could not be entered in the books on account of unusual rush of work. Subsequently, it seems, the vouchers did get entry in the books, and the officer involved in the matter had been suitably dealt with for the delay in entering the vouchers. The Committee are unhappy at such glaringly defective maintenance of store accounts in the Calcutta Custom House.

The Committee recall that in paragraph 2.108 of their 44th Report (3rd Lok Sabha), it had been recommended that current accounting procedures should invariably be followed so that malpractices could be checked in time. In pursuance of this recommendation, the Directorate of Inspection were required to keep a close watch on the procedures and carry out inspections from time to time. The Committee are anxious that this task should be seriously undertaken and competently performed.

[Sl. No. 32 (Paragraph 3.63) of Appendix II of the 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

Instructions have been issued to the Collector of Customs, Calcutta who has been asked to evolve a system so as to ensure that there is no repetition of such glaring deflection maintenance of accounts.

2. Instructions have also been issued to all Collectors to ensure that correct accounting procedures are followed so that there is correlation between the registers maintained for recording seizures and disposal of confiscated goods. The Directorate of Inspection (Customs and Central Excise) has been asked to ensure that suitable action is taken in accordance with the above observations of the Committee and the Board kept informed in this regard.

[Deptt. of Revenue and Banking U.O. F. No. 545/22/76-L.C.I. dated 20-8-76)].

Recommendation

It has come to the notice of the Committee that there has hardly been any uniformity in the procedures followed by different collectorates in maintaining correlation between the registers kept for recording seizures and disposal of confiscated goods, but that Instructions have been issued by the Board to

ensure uniformity in this regard. The Committee consider that the correlation and reconciliation between the entries in the Master Sheet, Inventory register and Cash Memos of disposed goods is essential and would ask the Directorate of Inspection to keep it seriously in mind.

[Sl. No. 33 (Paragraph 3.64) of Appendix II of the 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

Instructions have issued to the Directorate of Inspection (Customs and Central Excise) to ensure that the recommendations made by the Committee are fully implemented by all the Collectors of Customs and Central Excise. He has also been asked to keep the Board informed in this regard. Instructions have also been issued to the Collectors to ensure that the recommendations of the Committee are fully implemented.

[Department of Revenue & Banking U.O. F. No. 545/15/76-L.C.I. dated 20-8-76].

Recommendation

During a visit to Custom Houses at Delhi, Calcutta and Madras, it was found that there was delay in disposal of seized vehicles which were often kept exposed to the vagaries of weather, thus inevitably reducing their disposal value. The Committee are surprised that a proposal made as far back as in 1970, for putting up a shed in the Custom House, Delhi has not yet been implemented. This is something which can be done at once. The Committee urge also that the adjudication of cases and the disposal of confiscated vehicles should be expedited by a little special effort.

[S. No. 34 (Paragraph 3.65) of Appendix II of 219th Report of the Public Accounts Committee (Fifth Lok Sabha)].

Action Taken

The Collector of Central Excise, Delhi has reported that the proposal for putting up a shed in the Custom House was pursued with the Central Public Works Department vigorously. The Collector of Central Excise, Delhi has now reported that Central Public Works Department has informed him on 5-1-1976 that the D.D.A. has rejected the plan on the ground that the existing coverage of the building is in excess of permissible limit. Subsequently, the Collector's office took up the matter with the Delhi Development Authority separately, but they did not agree. Efforts were also made to hire accommodation elsewhere but no suitable place could be arranged for the large number of seized and confiscated vehicles. The matter has been also taken up with the Ministry of Works and Housing for waiver of restrictions.

2. Instructions have been issued to all the Collectors to ensure that adjudication of cases and disposal of confiscated vehicles is expedited. They have also been asked to ensure that seized vehicles are not exposed to the vagaries of weather, which inevitably reduce their disposal value.

[Deptt. of Revenue & Banking O.M. No. F. 545/13/76-LCI dated 6-9-76].

Recommendation

This is a case of delay in the disposal of smuggled goods seized after a strenuous chase by a Customs Patrol Party. It appears that the goods were thrown on to the Sea and were naturally somewhat damaged in the process. The Department unfortunately sat on them for about 10 months before they could be disposed of. The Committee wish the Board to examine steps for quick disposal of similarly damaged goods, at least before the deterioration goes too far. Powers could be delegated to the officers for rapid disposal of such damaged goods particularly when they are unclaimed. It should be ensured also that the price of such damaged goods at the time of seizure and of auction is fixed realistically.

[S. No. 37 (Paragraph 3.87) of Appendix II of the 219th Report of the PAC (Fifth Lok Sabha)]

Action Taken

Instructions have been issued to all the Collectors of Customs and Central Excise that steps may be taken for quick disposal of damaged goods, before the deterioration sets in. Instructions have also been issued to ensure that the price of such damaged goods at the time of seizure and of auction is fixed realistically.

2. In the case of damaged goods to be disposed of before adjudication, it has been made the responsibility of the seizureing officer or other officer in whose custody the goods are lying to obtain order for disposal of the goods urgently (on phone, if necessary), from the proper officer of Customs who would be empowered to adjudicate the seized goods.

[Deptt. of Revenue & Banking O.M. No. F. 545/16/76—L.C.I.
dated 15-9-76.]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT

Recommendation

Under the head "miscellaneous" several types of receipts are accounted for by the Customs Department. On the basis of *ad hoc* reports received from the Collectorates, the Ministry of Finance have furnished to the Committee a break-up of miscellaneous receipts separately for fines and penalties, sale proceeds of confiscated goods and other receipts. The Committee had desired to be furnished with separate figures of fines and penalties recovered from foreign nationals and Indian smugglers. It is learnt that attempts were made to collect the information from the various Collectorates of Customs and Central Excise, but it was found not possible to get the information as the figures were not separately maintained. The Committee are surprised that the Board took more than six months to collect only the figures showing the break-up of miscellaneous receipts from the various Collectorates, and even then complete information was not made available to the Committee. The Committee suggest that the statistical organisation of the Board should maintain figures of the various items included in the miscellaneous receipts. For this purpose necessary reports may be called for from the Collectorates. In respect of fines and penalties separate figures should be maintained in respect of recoveries from foreign nationals and Indians, so that these figures could give an idea about the implication of the foreign nationals in economic crimes.

[Sl. No. 6 (Para No. 1.40) of Appendix II of the 219th Report of PAC (Fifth Lok Sabha)]

Action Taken

Minor head 'Other Receipts' (formerly Miscellaneous) under the Major Head 037-CUSTOMS includes customs receipts not accounted for under any of the other three minor heads, namely, Imports, Exports and Cesses on Exports. In view of the detailed nature of the work involved in maintaining separate figures in respect of the various items included under this minor head, Customs and Central Excise Collectorates have been asked to indicate the additional work-load involved in this exercise. The Committee will be apprised of the decision taken on this recommendation on receipt of the replies from the collectorates.

[Deptt. of Revenue & Banking O.M. No. 342/13/76-T.R.V. dated 30-8-76]

Further Action Taken

The Committee's attention is invited to this Department's action taken note on paragraph 1.40 in their Two Hundred and Nineteenth Report (Fifth Lok Sabha) forwarded to Lok Sabha Secretariat under this Department's Office Memorandum F. No. 342/13/76-TRU, dated the 30th August, 1976.

The question has been examined in detail. Types of customs revenue receipts accounted for under the Minor Head 'Other Receipt' (formerly 'Miscellaneous') are from various items. There are various items which, under the present arrangement for Budget accounting, can be grouped together on a single treasury challan and be deposited in the Treasury as one single entry. If an attempt is made to split these receipts either by creating various other sub-heads or by otherwise keeping an account thereof in the departments of the Custom Houses, serious delays, errors and inconvenience can result. Total amount collected under this Minor Head is not very large.

In so far as the recommendation about maintenance of separate figures of fines and penalties on foreign nationals is concerned, it is almost impossible of compliance because very often the nationality of the accused is not known in the departmental proceedings. If the foreigner who is a crew member on a smuggler's boat says that he is an Indian, it will be almost impossible and extremely time-consuming for the customs authorities to verify his claim.

In view of the fore going, it has been proposed to create separate sub-heads for—

- (i) Sale proceeds of smuggled goods;
- (ii) Fines and Penalties; and
- (iii) Other miscellaneous items

under the Minor Head 'Other Receipts' under the Major Head "037-CUSTOMS", from the next financial year.

[Deptt. of Revenue & Banking O.M. No. 342/13/76-TRV dated 23-11-76]

Recommendation

Incidentally, the Committee find that according to the information furnished to them on 18th August, 1975, the net realisation under miscellaneous receipts was Rs. 4.43 lakhs during 1969-70, Rs. 10.91 lakhs during 1970-71 and Rs. 11.50 lakhs in 1971-72 but according to the information subsequently furnished on 18th February, 1976, the total miscellaneous receipts (Gross) amounted to Rs. 671 lakhs in 1969-70, Rs. 1206 lakhs in 1970-71, Rs. 1261 lakhs in 1971-72. The Committee would like to know the reasons for such marked variation in the figures.

[Sl. No. 8 (Para No. 1.42) of Appendix II of the 219th Report of PAC
(Fifth Lok Sabha)]

Action Taken

The information regarding net realisations under miscellaneous receipts furnished to the Committee on 18th August, 1975, represented gross realisations minus miscellaneous refunds paid during the years in question whereas the information furnished on 18th February, 1976 represented

only the gross realisations as is borne out from the Accounts figures shown hereunder:—

		(Rupees in lakhs)		
Accounts		1969-70	1970-71	1971-72
Miscellaneous gross	..	6,71	12,06	12,61
Deduct-R funds	..	2,28	1,15	1,11
Miscellaneous (net)	..	4,43	10,91	11,50

[Deptt. of Revenue & Banking O.M. No. 342/13/76-TRD dated 30-8-76]

Recommendations

In their 89th Report (5th Lok Sabha) the Committee (1972-73) had recommended that the Internal Audit Department should be placed under a separate Director directly under the Board so that it could be free from local influence and perform its functions without fear or favour. On this point only an interim reply was sent to the Committee (1973-74) when they presented the Action Taken Report. However, in a reply now furnished to the Committee, the Ministry of Finance have intimated that it was proposed to set up a Directorate of Audit, as a part of a combined Directorate of Inspection and Audit for the Customs Department to be stationed in Delhi, and as far as the field organisation was concerned, to continue the present arrangement of keeping the Internal Audit Department of the Customs under the control of the respective Collectors of Customs. These proposals, it is learnt, have been approved in principle by the Minister of Finance. The Central Board of Excise and Customs appear to feel that Collectors should not be deprived of the services of Internal Audit for exercising their supervisory functions. Internal Audit is felt, as it were, to be the eyes and ears of the Collector and to take away this vital instrument from his control would weaken his functioning considerably. The Directorate of Audit would, in that case, be responsible for watching the over-all performance of the Internal Audit organisation in the Custom Houses, for examining the staffing position of the audit parties and generally, for giving suitable directions to the Collectors. The Committee, however, feel that while Government have done well in intending to set up a Directorate of Audit, a further step should have been taken in the direction of the independence of Audit for which the Committee have pleaded earlier. The Committee thus would reiterate their earlier recommendation that in order to keep the Internal Audit free from all possibility of narrow local influence and perform its functions truly independently, it would be directly placed under the Director of Audit.

The Committee had also suggested in their 89th Report (5th Lok Sabha) that it should be examined whether the staff working in the Internal Audit Department should not be formed into a separate cadre with adequate career prospects with the Internal Audit Department so that the members working there may really feel free to report on the mistakes found in the documents of the Custom House. It has been stated by the Ministry in their reply that it is not possible to set up a separate cadre for auditors for the reasons that firstly the cadre would be very small and auditors may not have reasonable chances of promotion and secondly auditors will not have any field experience and will be handicapped in their work.

The Committee feel that these difficulties are not unsurmountable. The Committee had recommended the pattern followed by the Railways for the internal check of their transactions to be adopted for the Customs Department. The Committee suggest that this pattern should be carefully studied with a view to adopting it on the Customs side.

[S. No. 17—19 (Para Nos. 2·18—2·20) of Appendix II of the 219th Report of the P.A.C. (Fifth Lok Sabha)]

Action taken

As the suggestions made by the Public Accounts Committee in paragraphs 2·18, 2·19 and 2·20 in their 219th Report are inter-related, all these points are being dealt with together as under:—

The renewed recommendation of the Committee to place Internal Audit Department under a Director of Audit independent of the Central Excise Collectorate/Custom Houses has been re-examined. Government are however, still of the view that for an objective result-oriented performance of the Internal Audit Unit, it should continue to be under the immediate supervisory control of the concerned Collector. It is only after a thorough examination of the *pros and cons* of the situation that Government have come to the conclusion that it is necessary to retain the Internal Audit Department under the control of Collectors concerned. The apprehension that Internal Audit Department is likely to be influenced by narrow local influences does not appear to be justified. In any event, this can be taken care of by the Director of Audit, who will be responsible for laying down the guide-lines and watching the overall performance of the Internal Audit Department for the proper functioning of the Audit Units in the various field formations and will exercise considerable technical control over them. The Director of Audit could in addition advise the Collectors in regard to the points to be audited and also assist the Central Board of Excise and Customs in seeing that the Internal Audit maintains a high tempo of activity. It is felt that this remote control cannot be a substitute for "on-the-spot" day-to-day supervision which is very necessary for efficient administration. Further the Collectors, who are primarily responsible for the proper collection of revenues, should not be deprived of the services of the Internal Audit, through which they can keep an eye on the functioning of the various branches in their charges responsible for revenue collections, prompt enforcement and realisation of demands for short-levies/non-levies of duty, correct payment of refunds and drawback etc. Thus the Internal Audit machinery is the eyes and ears of the Collectors, and taking it away from their control would weaken their supervision over their charges considerably. Viewed from this angle, and for the reasons given earlier, it does not appear desirable to take away the Internal Audit Units from the supervisory control of the Collectors and place them under the Director of Audit. Government, therefore, remain of the view already taken by them, that the balance of advantage would lie in continuing the arrangement whereby the Internal Audit Department is under the control of the Collectors. In coming to this conclusion, the possible risks inherent in over-centralisation have also weighed with Government.

As regards the Committee's recommendation to form a separate cadre of the staff working in the Internal Audit Department with adequate career prospects, Government have re-examined the matter carefully but they are unable to accept the recommendation. They consider that it would be administratively inexpedient to organise a separate cadre for Auditors without proper career prospects since such an arrangement, instead of improving the efficiency, is likely to result in stagnation and frustration to the staff, who will form the cadre of Auditors. Audit work is only a fraction of the work-load handled in the Collectorate/Custom Houses and unless reasonable chances of promotion are provided to the Auditors, the staff will hardly be willing to opt to work as Auditors, as they will have to look forward to promotion only in their own line and will thus miss the chances of promotion to higher posts in the ministerial set-up as well as to certain executive posts which are at present open to them. Further, the purpose in view can be achieved by selecting persons with a flair for Audit work and their earlier experience and intimate knowledge of work in other Units of the Collectorate/Custom Houses will stand them in good stead in discharging their duties efficiently without fear or favour. Periodical exchange of staff between the executive side and audit side will widen the mental horizon of the staff all round.

The observations of the Committee about the adoption of the pattern followed by the Railways for internal check of their transactions in the Customs and Central Excise Department has also been carefully considered. The Accounts Department of a zone is an integral part of the charge of the General Manager of that zone, who functions as its overall supervisor. The Financial Adviser and Chief Accounts Officer is administratively subordinate to the General Manager, but he is the head of the finance and accounts administration, and in his capacity of the Financial Adviser of the Railway zone concerned, has the privilege of requesting the General Manager to refer any item of disagreement between him and the General Manager to the Railway Board for a final decision. The volume of work involved in the internal audit of railway receipts is much smaller compared to the volume of work involved in the internal audit and financial advice regarding expenditure. Since a large complement of staff is engaged in the internal audit of expenditure and receipts the Railways have been able to keep a separate cadre of non-gazetted staff for internal audit work. In the Customs and Central Excise Department a much smaller complement of staff are engaged only in the internal audit of revenue receipts and are not concerned with expenditure audit. Further the system of internal audit of receipts in the Railways, which is conducted with reference to the tariff and distance tables, is comparatively simpler than the system of internal audit in the Customs and Central Excise department where it is of a more technical nature and would require detailed knowledge of the relevant revenue laws and allied enactments, the tariff structures, the numerous notifications of the Government, and the details of various procedures in force, etc. The need for this expertise necessitates the exchange of staff between the internal audit and executive wings of the Department. The nature and the requirements of Audit in the Central Excise and Customs Department are more akin to those in the sister Department of Income-tax, and therefore, it would be more appropriate to take into consideration the Internal Audit set-up obtaining in the Income-tax Department for deciding as to what system of Internal Audit would be the best for the Central Excise and Customs Departments. In the Income-Tax Department, the Internal Audit staff form part of the Commissioner's charges, though their day-to-day work is

directly and almost entirely supervised by senior officers such as Inspecting Assistant Commissioners. The Director of Inspection at Delhi has been made responsible for securing more effective organisation and coordination of Internal Audit work in the various Commissioner's charges. As already stated a similar organisation is proposed to be set up for the Internal Audit work in the Customs and Central Excise Departments.

[Deptt. of Revenue & Banking O.M. No.] H-11016/5/76-Ad- IV dated 15-9-76].

Recommendation

“As stated earlier, 26 cases were pending adjudication, while in 20 cases the goods remain unclaimed. The Committee disapprove of such delay in adjudication after seizure of contraband gold. Why the 20 cases in which the goods are unclaimed should be still pending should be explained.”

[S. No. 21 (Para 3.52) of Appendix II of the 219th Report of P.A.C. (Fifth Lok Sabha)].

Action Taken

The 26 cases which were pending adjudication did not include the 20 cases in which the gold was unclaimed. These latter 20 cases were all adjudicated and the gold confiscated absolutely.

[Deptt. of Revenue and Banking O.M. No. 411/46/76-Cus. III dated 30-8-76].

CHAPTER IV

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

Recommendation

In 1973-74, Customs receipts went up to Rs. 996 crores from Rs. 856 crore in 1972-73, the increase being in line with the upward trend noticeable since 1969-70. The Ministry of Finance attributes this phenomenon to the rise in the value of imports as well as of the rates of duty brought about by budgetary changes. It appears, however, that the Ministry cannot quantify the increase in receipts attributable either to budgetary changes or to the rapid changes in international prices during the relevant years. Whether the latter phenomenon is only a temporary phase or something more than that seems yet too early for determination. Besides, in Government's view, administrative steps adopted in recent years, including preventive detention and a campaign against smuggling operations, have toned up revenue collection, though the precise effect of such steps cannot yet be estimated quantitatively.

The Committee feel that it would be useful if the various factors which contributed to the increased revenue are analysed with a view to finding out—

- (i) How far the budgetary changes contributed to the increased collections ;
- (ii) to what extent the international price inflation has boosted the revenue and whether it is a temporary phenomenon ;
- (iii) how far the increase in collection is due to the tightening up of the administrative machinery and in what respect; and
- (iv) how far the increase in collection is due to avoidably imprecise estimates of collection of revenue.

The Committee desire that this review should be completed in six months and the results intimated to them.

[Sl. Nos. 1 and 2 (Para Nos. 1.29 and 1.30) of Appendix II of the 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

As explained earlier, customs revenue receipts are largely accounted by receipts from import duties and that these depend on the value of imports made into the country and the rates of duty applicable from year to year. Customs receipts during 1972-73 were Rs. 856 crores. In 1973-74, these went up to Rs. 996 crores. The Committee are aware that on account of mis-classification, refunds and drawbacks for the year 1973-74 were inflated

to the extent of Rs. 24 crores as a result of an adjustment made to rectify the double credit to the extent of this amount of revenue collected during 1970-71 and 1972-73; their attention is invited to para 1.56 in their 219th Report (Fifth Lok Sabha). If this amount is added, the collections during 1973-74 would be Rs. 1020 crores. On analysis, it is seen that the increase in revenue was due to :—

- (i) The budgetary changes as per the 1973 budget in the levy of import duties which were expected to yield an additional revenue of Rs. 154.20 crores ;
- (ii) The increase in receipts from import duties was also due to substantial increase in the value of imports on account of rise in international prices of principal imports such as vegetable oils fertilisers, chemicals, iron and steel, non-ferrous metals, machinery and transport equipment during 1973-74 as compared to the preceding year (1972-73) ;
- (iii) Administrative measures are intended to ensure that there is no leakage and that the revenue due to the Government accrues to it properly and expeditiously. In its nature, it is difficult to quantify the effect of such measures.

[Deptt. of Revenue and Banking O.M. No. 342/13/76-TRL dated 30-8-76].]

Recommendation

In paragraph 6.1(1) of their 89th Report, the Committee had observed that if any unforeseen factors occur in the course of the year, such as a sudden spurt in imports, Parliament should be immediately apprised of it by Government explaining the unforeseen variation in estimates, so that Parliament could satisfy itself that variation had occurred inspite of Government's effort to ensure accurate estimating. In their reply the Ministry of Finance (Department of Economic Affairs) have stated that as in all other cases a review of the Revised Estimates of collections of Customs revenue during the year, in the light of the various factors developing subsequent to the presentation of the Budget Estimates for the year, is submitted to Parliament along with the Budget Estimates for the next year. Such reports, however, based as they are on the fluctuations over short periods during the course of the year, may not be adequate and at any rate would not be indicative of the picture likely to emerge eventually for the year as a whole because of the many and rapidly changing factors which influence collections in unpredictable ways from time to time. The Committee, thus, are not satisfied with the Ministry's reply. The Committee recommend that Parliament should be contemporaneously informed about whatever major unforeseen factors occur during the course of the year and have an impact on revenue collection. This is a worth while exercise which Government should not grudge undertaking.

[S. No. 5 (Para 1.33) of Appendix II of 219th Report —5th Lok Sabha].

Action Taken

The expert committee, appointed to suggest ways and means of achieving a more accurate forecasting of customs revenue, believed that the modifications suggested by them would help in improving the present system of fore-

casting but had at the same time emphasised that uncertainties and imponderables in the situation are such as to make the task of forecasting of customs revenue extremely difficult even in highly developed countries. It is hoped that with the adoption of the recommendations of the Expert Committee, forecasting of customs revenue would be more scientific. The statistical and econometric methods are likely to reduce the chances of error in the estimation of customs revenue. The outcome of the implementation of the Expert Committee's recommendations and the follow up results arising therefrom should be watched for some time.

Further, any attempt to explain variation between actual collections during a short spell of period and the likely *pro-rata* collections during the whole year would be unrealistic and may not reflect the correct position on account of various imponderable factors in our import trade that may emerge later.

In this circumstances, the Public Accounts Committee is again requested not to press their proposal further.

[Ministry of Economic Affairs (Budget Division) O.M. No. F. 8(17)
—B(R.A.)/76 dated 31-8-76].

Recommendation

In the Audit Paragraph, receipts from fees, fines, forfeiture and miscellaneous penalties have been shown as Rs. 6,18,644. But according to the break-up of miscellaneous receipts now furnished by the Ministry of Finance, fines and penalties amounting to Rs. 320 lakhs were collected during the year 1973-74. It is not clear to the Committee why at the time of verification of the Audit Paragraph, the Ministry of Finance did not offer the comment on the figure of 6,18,644 shown as receipt from fees, fines, forfeiture and miscellaneous penalties. The Committee desire that even at this late stage it should be possible for the Ministry of Finance to reconcile the figures.

[Sl. No. 7 (Para No. 1.41) of Appendix II of the 219th Report of P.A.C. (Fifth Lok Sabha)].

Action Taken]

The position has been verified with the Office of the Accountant General, Central Revenues, who has reported that receipts from fees, fines, forfeiture and miscellaneous penalties amounting to Rs. 6,18,644 represent only the receipts reported by Accountants General, U.P. and Jammu & Kashmir. The receipts from fines and penalties amounting to Rs. 320 lakhs, furnished by this Department, represent collections on all-India basis.

[Deptt. of Revenue & Banking O.M. No. 342/13/76-T.R.U. dated 30-8-76.]

CHAPTER V

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

Recommendation

The Committee note that in pursuance of another recommendation of the Expert Committee it was decided to constitute a regular Budget Forecasting Cell to begin with, to handle the work relating to Customs budget forecasting. Later this Cell after some experience was to be expanded and take up the work of excise forecasting also. The sanction for necessary additional staff of sufficient economic/statistical experience has been issued. The Committee expect that the Cell will now be set up without further delay. The Expert Committee had suggested possible statistical and econometric models for forecasting customs revenue. It has been stated that the possible statistical models would be further examined as soon as the Cell is constituted and efforts would be made to devise a workable model so as to achieve the object of forecasting customs revenue on a more scientific and dependable basis. The Committee wish that this examination is completed soon and the progress intimated to them.

[Sl. No. 4 (Para No. 1.32) of Appendix II of the 219th Report of P.A.C. (Fifth Lok Sabha)].

Action Taken

The Department of Personnel and Administrative Reforms has already been requested to recommend a panel of suitable officers for the posts sanctioned for the Budget Forecasting Cell. The Indian Statistical Institute, Calcutta, has also been approached to lend the services of an expert having knowledge and experience of econometric model building to assist in working out more refined statistical forecasting techniques. It is expected that Analytical Statistical Budget Forecasting Cell will be constituted shortly and efforts would be made by the Cell to devise a workable model so as to achieve the object of forecasting customs revenue on a more scientific and dependable basis. The Committee would be intimated about the progress made, in due course.

[Deptt. of Revenue & Banking O.M. No. 342/13/76-T.R.U. dated 30-8-76.]

Recommendation

The Committee understand that the delay in adjudication is to some extent due to legal process required to be followed and that sometimes the position is aggravated by the dilatory tactics adopted by the parties concerned. The Ministry is not in favour of any time-limit however, reasonable, being fixed for finalisation of adjudication as that might, in its view, result in the cases being decided in slip shod manner.

“The Committee asked whether any change in law was felt necessary to reduce delay in adjudication. The Board explained that it would be salutary if there was some system by which the parties could be precluded from having as much opportunity as they have at present to delay proceedings. If, however, full opportunity was not given writ petitions might be filed under Article 226 of the Constitution. In such circumstances, the Board was examining how the writ jurisdiction in some of these cases could be taken away. The Committee expect that this examination would be expedited and the results made known. It is particularly urgent that the law’s delays should be eliminated at least in adjudication of cases relating to smuggling.”

[Sl. Nos. 22 & 23 (Paras No. 3.53 & 3.54) of Appendix II of the 219th Report of P.A.C. (Fifth Lok Sabha)].

Action Taken

The taking away of the writ jurisdiction in certain categories of cases is under examination of the Government. Collectors have also been addressed to watch and to expedite disposal of adjudication cases.

[Deptt. of Revenue & Banking O.M. No. 411/47/76-Cus. III dated 31-8-76].

Recommendation

The Committee have learnt that in order to avoid delays in courts, it has been decided in principle to establish special courts for trial of customs offences. The Committee welcome the idea and urge that speedy action is taken in this matter.

[Sl. No 25 (Para No. 3.56) Appendix II of 219th Report of P.A.C. (5th Lok Sabha)].

Action Taken

A Note alongwith a draft of a bill for the creation of Special Courts for the trial and punishment of economic offences, including Customs offences, prepared by this Ministry in consultation with the Ministry of Law and other concerned Ministries/Departments has already been submitted to the Cabinet Committee. In the light of the directions of the Committee, the bill is being recast. It is expected that final decision to bring forward the bill will be taken shortly.

[Ministry of Home Affairs O.M. No. F. 2/2/76-Indl. dated 30-8-76].

Recommendation

Under the existing procedure the confiscated goods are not disposed of till all the entire process of adjudication appeal and revision Petition etc. has been completed. Only in certain types of cases namely (i) where goods are likely to deteriorate or perish (ii) where the recurring cost of up-keep as of animals, is disproportionately high and (iii) where arrangements for storage cannot be provided except, as in the case of dangerous commodities, at disproportionately high cost, the confiscated goods can be disposed of earlier.

The Committee learn that Government are considering whether legal powers may be taken for disposal of appeals, revision petitions, etc. The Committee feel that Government should have made these exercises much earlier, and urge rapid finalisation of the issue involved.

[Sl. No. 28 (Para No. 3.59) of Appendix II of the 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

The amendment to the Customs Act, 1962 has been drafted for taking powers for early disposal of confiscated goods. The Bill is expected to be presented in Parliament very shortly.

[Deptt. of Revenue & Banking O.M. No. 545/20/76-L.C.I. dated 20-8-76].

Recommendation

This is a clear case of contravention of Government orders (December, 1972), according to which, confiscated rayon and other synthetic yarn were required to be sold in auction by the department directly to Weavers' Association/Cooperatives and certified users without any discount. Under earlier instructions of the Central Board of Excise and Customs of May, 1972, there had been, it appears, a practice in Bombay Custom House to sell the yarn to cooperative societies at market price less 10%. The Committee are unhappy that this practice was continued in spite of the subsequent orders issued in December, 1972. The Collectorate of Central Excise, Bangalore also followed the wrong practice prevalent in Bombay Collectorate, on the parties concerned producing copies of cash Memos issued by the Collectorate of Customs and Central Excise, Bombay, without applying their mind to such cases and glibly overlooking that the practice contravened the orders of the Board issued in December, 1972. This resulted in loss by way of discount amounting to Rs. 74,354 on the sales during the period from March to November, 1973. The Committee wish that responsibility should be fixed for such contravention of the Government's categorical orders issued in December 1972, both in the Bombay and Bangalore Collectorates.

[Sl. No. 35 (Para 3.76) of Appendix II of the 219th Report of the PAC (Fifth Lok Sabha)].

Action Taken

Out of the total amount of Rs. 74,354 allowed as a discount, an amount of Rs. 38,082 has already been realised from the parties concerned. The Collector of Central Excise, Bangalore has been asked to realise the remaining amount of discount from the parties concerned.

2. Instructions have been issued to the Collector of Customs (Preventive) Bombay and the Collector of Central Excise, Bangalore to fix responsibility in the light of the P.A.C.'s recommendation for further necessary action, and their reports are awaited.

[Deptt. of Revenue & Banking O.M. No. 545/13/76-L.C.I. dated 6-9-76].

Recommendation

The Committee note, however, that the orders of the Board issued in December, 1972 were subsequently modified in May 1974, to the effect that such yarn could be sold to Weavers' Association/Cooperatives on the basis of the market price minus 10 per cent discount. But no satisfactory procedure appears to have been followed by the Bangalore Collectorate to ascertain the market price for the identical goods. According to the figures furnished by Audit the prices obtained in auction by the neighbouring Cochin Customs were considerably higher than those charged by the Bangalore Collectorate from the handloom Cloth Manufacturers Associations. The price of Mamillon Gold yarn was Rs. 44.50 at Cochin Customs House *vis-a-vis* Rs. 17 obtained in Bangalore Collectorate during the period July-September, 1974. This is a wide disparity, and the Committee do not countenance the view urged on them that it would be unrealistic to compare the auction price in the Cochin Collectorate and the market price followed in the Bangalore Collectorate. Even granting that auction and market prices might be somewhat different, the Committee do not consider that the gap could be so wide. It may be noted, for whatever it is worth, that the prices fixed by the Bombay and Bangalore Collectorates were somewhat comparable. Indeed, this whole matter of whether the market prices in the Bangalore and Bombay Collectorates were properly fixed should be looked into. The Committee are of the views that the Department might itself conduct an auction, and on the basis of such experience as well as other circumstances of which they can take cognisance, evolve a fairly foolproof procedure in this regard.

[Sl. No. 36 (Para 3.77) of Appendix II of the 219th Report of the P.A.C. (Fifth Lok Sabha)].

Action Taken

The whole matter of whether the market prices in the Bangalore and Bombay Collectorates were properly fixed, is being looked into.

2. As the existing instructions lay down *inter-alia* that nylon and metallic (radiant) yarn may also be sold to certified actual users by auction, instructions have also been issued to the Collectorate that the P.A.C.'s observations may be kept in view while disposing of such goods. The Directorate of Inspection (Customs and Central Excise) has also been asked to evolve a foolproof procedure in the manner as desired by the P.A.C.

[Deptt. of Revenue and Banking O.M No. 545/17/76-L.C.I. dated 31-8-76].

NEW DELHI :

December 20, 1971.

Agrahayana 29, 1899 (*Saka*).

3161 LS—4

C. M. STEPHEN,
Chairman,

Public Accounts Committee.

APPENDIX

Conclusions/Recommendations

Sl. No.	Page No. of the Report	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	1.4	M/o Finance (Department of Revenue)	The Committee expect that final replies to those recommendations/ observations in respect of which only interim replies have so far been furnished will be submitted to them soon, after getting them vetted by Audit.
2	1.8	—Do—	The Committee find that apart from almost repeating what had been stated earlier during their examination of the subject, the Department of Revenue & Banking have not been in a position to quantify concretely (i) how far the budgetary changes during 1973-74 actually contributed to increased collection of Customs Receipts during the year, (ii) to what extent inflationary trends that persisted internationally boosted revenues, (iii) how far and to what extent the increase in receipts was attributable to the tightening up of the administrative ma-

chinery and (iv) the extent to which imprecise estimates had been responsible for increased collections. Various factors having an impact on the collection of revenues should, however, be analysed in order to determine whether existing levies need to be increased, decreased or discontinued. Such an exercise would also be immensely useful for the determination of fiscal policies and for bringing about, whenever necessary, timely fiscal reforms. The Committee, therefore, desire that a suitable machinery should be devised for the purpose and an evaluation conducted concurrently and continuously, which could provide useful data for the annual budgetary exercise.

3 I.14 M/o Finance (Deptt. o : Revenue)

The Committee note that the recommendation made by the Expert Committee, appointed in January 1974, to suggest ways and means of achieving a more accurate and scientific forecasting of Customs revenue, that a short-term forecasting cell should be established in the Department of Economic Affairs and should, among other things, attempt the task of forecasting international prices has been partly modified and that Government have now decided to set up such a cell in importing agencies like the State Trading Corporation and the Minerals and Metal Trading Corporation which happen to possess also the requisite competence and expertise. A cell of the type contemplated is likely to provide useful data in regard to the trends of international prices which in turn, would facilitate the trading operations and activities of these public sector corporations. The Committee would urge Government to take early and effective follow-up action on this decision. Coordination should carefully be maintained between the public sector import/export agencies entrusted with this important task and the Central Board of Excise & Customs, and positive use made of the data so collected in the formulation of the budget proposals.

4 I.15

—Do—

The Committee are, however, unable to appreciate Government's reluctance to act upon another recommendation of theirs, contained in paragraph 1.33 of the 219th Report (Fifth Lok Sabha), that Parliament should be kept informed contemporaneously of any unforeseen factors

occurring during the course of the year and likely to have an impact on the collection of revenues, so that it could satisfy itself that the variation from estimates was on account of reasons beyond Government's control and had occurred in spite of the efforts made to ensure accurate estimation and forecasting of revenues. The alleged difficulties notwithstanding, the Committee are of the view that their suggestion should elicit Government's serious consideration in view specially of various advantages that are likely to accrue. By evolving a system of concurrent monitoring and reporting, a watch over the progressive trend of receipts in a particular year could be maintained by Parliament which, in the likelihood of shortfalls in anticipated revenues in certain spheres, could tap other sources and find other avenues to bridge the resultant gap in the resources. Similarly in the likelihood of excess realisation, Parliament would have an opportunity to consider timely reliefs in duties or taxes. This would also enable Government to ensure that the receipts in a year approximates to the estimates originally made, subject of course to the variations, if any, which would have already been brought to Parliament's notice and adequately explained. In view of the fact that the advantages for outweigh the difficulties, the Committee would reiterate their earlier recommendation in this regard and urge that it be reexamined.

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5 1-18

M/o Finance (Deptt. of Revenue)

With reference to the discrepancy, pointed out by them in paragraph 1.41 of the 219th Report (Fifth Lok Sabha), in the receipts from fees, fines, forfeiture and miscellaneous penalties reflected in the Audit Report and those furnished later by the Department of Revenue & Banking, the Committee have been informed that the amount of Rs.6,18,644 shown in the Audit Report as receipts from fees, fines, for-

feiture and miscellaneous penalties represents only the receipts reported by the Accountants General, Uttar Pradesh and Jammu & Kashmir, while the figure of Rs. 320 lakhs furnished later by the Department represents collections from fines and penalties on an all-India basis. The Department's reply, is however, silent on the specific query of the Committee as to why the Finance Ministry had not offered any comments, at the time of verification of the Audit paragraph, in regard to the figures reported by Audit. Had this been done, the correct factual position could have been reported, *ab initio*, to Parliament. Pending necessary clarifications which should be forthcoming soon in this regard, it would, *prima facie*, appear that the reconciliation of the departmental figures with the accounts figures has been done in a somewhat slipshod fashion. Now that instructions have again been issued on 27 August 1976, in pursuance of the Committee's observations in paragraphs 1.56 to 1.58 of the 219th Report (Fifth Lok Sabha), reiterating the need for monthly reconciliation of the departmental and accounts figures, the Committee trust that this will be scrupulously followed, and variations, if any, between the two sets of figures promptly reconciled.

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6 1.19

—Do—

Incidentally, since the Committee had earlier been told that even the figure of Rs. 320 lakhs furnished by the Department was based only on 'ad hoc reports' received from the Collectorates, they would like to know whether the receipts under the minor head 'Miscellaneous' (including the amount of Rs. 8,18,644) have since been finally reconciled with the receipts accounted for by the Accountant General, Central Revenues. In case this has been done, the Committee would like to be apprised of the subsequent variations, if any, noticed as a result of this exercise and the reasons therefor.

