

**UNION EXCISE DUTIES—
FRAUDULENT PROCUREMENT OF
CENTRAL EXCISE STAMPS BY
MATCH FACTORIES**

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

**HUNDRED AND SEVENTY-NINTH
REPORT**



**FOR SALES SECRETARIES
NEW DELHI**

**HUNDRED AND SEVENTY-NINTH
REPORT
PUBLIC ACCOUNTS COMMITTEE
(1989-90)**

(EIGHTH LOK SABHA)

**UNION EXCISE DUTIES—FRAUDULENT PROCURE-
MENT OF CENTRAL EXCISE STAMPS BY MATCH
FACTORIES**

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

[Action Taken on 110th Report (8th Lok Sabha)]



*Presented to Lok Sabha on 11.8.1989
Laid in Rajya Sabha on 11.8.1989*

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 1989/Sravana, 1911 (S)

P.A.C. No. 1277

Price ; Rs. 10.00

© 1989 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY MANAGER, LETTERPRESS UNIT, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.

CONTENTS

		PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE		(iii)
INTRODUCTION		(v)
CHAPTER I	Report	1
CHAPTER II	Recommendations and Observations that have been accepted by Government	7
CHAPTER III	Recommendations and Observations which the Committee do not desire to pursue in the light of the replies received from Government	14
CHAPTER IV	Recommendations and Observations replies to which have not been accepted by the Committee and which require reiteration	15
CHAPTER V	Recommendations and Observations in respect of which Government have furnished <i>interim</i> replies	22
PART II	Minutes of the Sitting of Public Accounts Committee (1989-90) held on 8-8-1989	23
APPENDIX I	Statement showing classification of action taken replies received from Government	25
APPENDIX II	Conclusions/Recommendations	26

PUBLIC ACCOUNTS COMMITTEE

(1989-90)

CHAIRMAN

Shri P. Kolandaivelu

MEMBERS

Lok Sabha

2. Shri Abdul Hannan Ansari
3. Shri Chhitubhai Gamit
4. Shri M. Y. Ghorpade
5. Shri Mohd. Ayub Khan
6. Shri Y. S. Mahajan
7. Shri Pratap Bhanu Sharma
8. Maj. Gen. R. S. Sparrow
9. Shrimati Usha Rani Tomar
10. Dr. Chandra Shekhar Tripathi
11. Shri Vir Sen
12. Shri Yogeshwar Prasad Yogesh
- *13. Shri M. Mahalingam
- *14. Shri Vijay N. Patil
- *15. Dr. G. S. Rajhans

Rajya Sabha

16. Shri Rameshwar Thakur
17. Shri Jagesh Desai
18. Shri Surender Singh
19. Shri P. N. Sukul
20. Vacant**
21. Vacant£
22. Vacant£

*Elected w.e.f. 3-8-1989 vice Sarvashri Bh. Vijaykumar Raju, S. Jaipal Reddy and Saifuddin Chowdhary resigned from the Committee w.e.f. 10-5-1989, 12-5-1989 and 5-6-1989 respectively.

**Due to resignation by Shri Parvathaneni Upendra from membership of the Committee w.e.f. 12-5-1989.

£Due to resignation by Sarvashri Jaswant Singh and Virendra Verma from membership of the Committee w.e.f. 15-5-1989.

(iv)

SECRETARIAT

1. Shri G. L. Batra—*Joint Secretary*
2. Shri K. K. Sharma—*Director*
3. Shri A. Subramanian—*Senior Financial Committee Officer*

INTRODUCTION

1. I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Seventy-Ninth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 110th Report (Eighth Lok Sabha) relating to Union Excise Duties—Fraudulent procurement of central excise stamps by match factories.

2. In the Report, the Committee have recommended that the Ministry of Finance should take concrete action for simplification and rationalisation of the system of payment of central excise duty on matches so as to make compliance and administration easier and ensure that the malpractices resorted to by unscrupulous elements resulting in leakage of revenue are effectively checked.

3. In their earlier Report, the Committee had drawn attention of the Ministry of Finance to the delay in reconciliation of central excise revenue receipts as per the records of the Pay and Accounts Officers and the Range Officers. In this Report, the Committee have reiterated their earlier recommendation that the Ministry of Finance should prescribe a time limit for completing reconciliations and enforce periodical monitoring at an appropriately higher level for scrupulous adherence to the time limit.

4. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 8 August, 1989. Minutes of the sitting form Part II of the Report.

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

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

NEW DELHI;
11 August, 1989.
20 *Shravana*, 1911 (S).

P. KOLANDAIVELU,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their Hundred and Tenth Report (Eighth Lok Sabha) on paragraph 2.77 of the Report of Comptroller and Auditor General of India for the year 1985-86, Union Government (Civil), Revenue Receipts, volume-I, Indirect Taxes relating to Union Excise Duties—Fraudulent procurement of central excise stamps by match factories.

2. The Committee's Report contained 8 recommendations/observations. Action Taken Notes on all these recommendations/observations have been received from the Ministry of Finance (Department of Revenue). The action taken notes have been broadly divided into four categories as indicated in Appendix I.

3. In the succeeding paragraphs the Committee deal with action taken on some of their recommendations/observations.

Defects in banking practice leading to manipulations of the challans
(Serial No. 3, Paragraph 19)

4. Central excise duty on matches is required by law to be paid in the shape of central excise stamps. According to the prescribed procedure, assessees, desiring to obtain central excise stamps, are required to prepare challans in quintuplicate for the amount required to be paid to obtain the stamps and deposit the amount along with the challans into the nominated public sector banks. As the bank officials receiving the money along with the challans were not often mentioning the amount received in words as well as in figures, the defective practice left scope for the unscrupulous assessees to interpolate the amounts in the challans and commit a fraud on the exchequer. Although such cases of irregularities were brought to notice of the Department in October-November 1985, the defective procedure adopted in the banks was taken up by the Department with the concerned banks for rectification only in August 1987. The Committee took note of the fact that this had been done only after the matter was selected by the Public Accounts Committee for detailed examination and hence the Committee

depreciated the casual approach and desired that the Central Board of Excise and Customs should issue necessary instructions to ensure that at least in future action in such cases is taken promptly.

5. In their action taken note the Ministry of Finance (Department of Revenue) have intimated that the recommendations of the Committee have been noted and that the field formations have been suitably informed. The Ministry have also regretted the delay in initial response at the collectors level.

6. As one of the modus operandi adopted for procuring stamps in excess of the amount actually deposited in the banks, has been the interpolation of the amounts in the challans, the Committee had desired that the Central Board of Excise and Customs should issue necessary instructions and ensure prompt action in such cases. The Committee note in this connection from the action taken note that apart from ensuring issue of instructions, steps do not seem to have been taken to see that the instructions are in fact implemented in practice. The Committee hence reiterate their earlier recommendations and hope that the Ministry would ensure that the instructions to write the amount both in words and figures are duly implemented by the banks.

Need for rationalisation of the system of payment of excise duty on matches

(S. No. 5, paragraph 28)

7. Based on the examination of certain cases of excess procurement of central excise stamps and irregular availing of concessional rate of excise duty by a number of match factories in Collectorate of Central Excise, Cochin by fraud, involving duty aggregating Rs. 6.67 lakhs, the Committee, in paragraph 28 of their Report had recommended:

“The Committee hope that early steps will be taken by the Ministry of Finance to rationalise and simplify the system of payment of excise duty on matches so that compliance and administration becomes easier for the honest assesses and to the department and the malpractices resorted to by unscrupulous elements resulting in leakage of revenue are effectively checked”.

8. The Ministry of Finance (Department of Revenue) have in their action taken note stated as follows:

“Different alternatives to rationalise and simplify the system of payment of excise duty on matches are still being examined”.

9. In their earlier Report, while examining certain cases of excess procurement of central excise stamps and irregular availing of concessional rate of excise duty by a number of match factories, the Committee had emphasised the need for simplification and rationalisation of the system of payment of central excise duty on matches. The Ministry of Finance have in their action taken note stated that different alternatives to rationalise and simplify the system of payment of excise duty on matches are still being examined. The Committee desire that the Ministry of Finance should take concrete action in this direction so as to make compliance and administration easier and to ensure that the malpractices resorted to by unscrupulous elements resulting in leakage of revenue are effectively checked. The Committee would like to be informed of the conclusive action taken in this matter.

*Delay in reconciliation of central excise receipts
(Sl. Nos. 6 to 8, Paragraph 35 to 37)*

10. Under the Central Excise Rules, 1944, assessees are required to keep on an Account Current with the Chief Accounts Officer of the Collectorate concerned to pay duties on the excisable goods. It is the responsibility of the manufacturer to see that there is adequate balance in the Account Current (Personal Ledger Account) to cover the duty due on the goods intended to be removed. The Chief Accounts Officer at the collectorate headquarters and the Range Officers in the field offices have to exercise the prescribed checks to ensure the proper upkeep and maintenance of the personal ledger accounts of the assessees. The role and functions of the Chief Accounts Officer essentially consist in ensuring independently that the duties paid by the licensee through the personal ledger account from time to time have, in fact, been properly credited into the Government account and that there are no overdrawals. Prior to 1 April 1977, completion of PLA files was done in the office of the Chief Accounts Officer with the help of revenue records received from the Range Officers and the documents received directly from the Treasury Officers.

11. Consequent on the departmentalisation of receipt accounts with effect from 1 April, 1977 the collection of revenue has been entrusted to the nominated public sector banks. The focal point banks are required to furnish daily scrolls with challans to the Pay and Accounts Officer of the department who furnish monthly compiled figures to the Chief Accounts Officer concerned. Under this revised scheme, each Range Officer is required to send a monthly return to the Chief Accounts Officer showing details of payment by

the assessee in the PLA duly supported by the quadruplicate copies of the paid challans (which should be certified as checked and compared with the copies of challans received with the assessment documents). PLA files in the Chief Accounts Office have to be completed on receipt of the monthly returns and reconciliation of departmental figures with those booked by the Pay and Accounts Offices done in accordance with the instructions contained in the Chapter XII of the Manual for Collection of Revenue and Payments of Refunds etc. The unreconciled items i.e. particulars of challans which remain unticked either in the monthly statements of the Range Officers or in the compilation sheets of the Pay and Accounts Officers are entered in a 'Check Register of Tax Revenue Receipts' to enable detection of fraudulent challans etc. and prompt settlement of all outstanding items by correspondence with the Range Officers and/or the concerned focal point bank.

12. In their 110th Report, the Committee had drawn attention of the Ministry of Finance to the delay in reconciliation of central excise revenue receipts as per the records of the Pay and Accounts Officers and the Range Offices. The Committee had deplored the failure of the various Collectorates of Central Excise in intimating the present position of reconciliation of revenue receipts prevailing in their Collectorates. What had greatly concerned the Committee was that even the incomplete data made available to them in respect of the limited number of Collectorates indicated that an amount of about Rs. 760 crores was lying unreconciled in 22 Collectorates. There were Collectorates where reconciliation involving substantial amounts were yet to be completed in respect of the period as far back as 1977-78. Expressing their disappointment over the deterioration of the position since presentation of their earlier report on the subject, the Committee had recommended that the Ministry of Finance should complete the task of clearing pending reconciliations within a period of six months and apprise the Committee of the precise position prevailing at all India level. The Committee had further recommended that the Ministry of Finance should prescribe a time limit for completing reconciliation of departmental figures of collections of central excise duty appearing in the monthly statements of the Range Officers with the figures of revenue collections booked in the accounts of the Pay and Accounts Officers of the Collectorate concerned, so as to ensure proper accountal of revenues. The prescribed time limit should be scrupulously adhered to by periodical monitoring at an appropriately higher level.

13. In their action taken note, the Ministry of Finance (Department of Revenue) have furnished the latest position of reconcilia-

tions in respect of all the Collectorates. According to the Ministry, out of 32 Collectorates, 25 Collectorates were fairly current in doing the reconciliation work of 1988-89, six Collectorates were in third/ fourth quarter of 1987-88 and would be entering shortly in 1988-89. According to the Ministry, only two Collectorates, viz. Shillong and Delhi were lagging behind. The Ministry have intimated that in the statement of more credit the amount has come down from Rs. 760 crores to Rs. 641.46 crores and in the statement of less credits, the figure has come down from Rs. 385.51 crores to Rs. 89.29 crores.

14. The Ministry of Finance, have, however, added that the work relating to reconciliation is on continuing basis. According to the Ministry, with the coverage of later periods, new unreconciled amounts are added whereas the old unreconciled transactions are cleared to the extent, such transactions have been paired.

15. In their, action taken note, the Ministry have further stated:

“Though, there is improvement in the entire situation yet, the Board is very keen to ensure the completion of the work as well as pairing of the transactions which remains unreconciled. For this purpose, strict instructions have been issued to all the Collectors, warning them that they will be personally responsible for any lapse. It has also been enjoined on them that the work should be completed as fast as possible.

Further instructions have been issued to all the Collectorates to complete this item of work by forming joint team of staff drawn from the PAO and the CAO of their Collectorates and reconcile the accounts either based on the data available at the Collectorates Head Quarters or alternatively the teams be asked to proceed to the Ranges to check the accounts and reconcile the same with the accounts maintained by the Focal Point Banks”.

16. In their earlier Report, the Committee had drawn attention of Ministry of Finance to the delay in reconciliation of departmental figures of collections of central excise duty appearing in the monthly statements of the Central Excise Range Officers with the figures of revenue collections booked in the accounts of the Pay and Accounts Officers of the Collectorate concerned. Expressing their concern over the fact that a substantial amount of central excise duty relating even to periods as far back as 1977-78 was lying unreconciled, the Committee had recommended that the Ministry of Finance should com-

plete the task of clearing pending reconciliations within a period of six months. The Committee had also recommended that the Ministry should prescribe a time limit for completing reconciliations and enforce periodical monitoring at an appropriately higher level for scrupulous adherence to the time limit. In their action taken reply, the Ministry of Finance have claimed considerable improvement in the reconciliation work. Out of 32, all with the exception of Delhi and Shillong Collectorate are fairly current in doing the reconciliation work. The Ministry have assured that the Collectors have been enjoined upon for fast completion of the work and strict instructions have also been issued warning that they would be personally responsible for any lapse. While the Committee do take note of the progress made, they are unhappy to point out that the Ministry in their note have not made any mention of the action taken on the recommendation of the Committee for prescribing a time limit and for introducing of a system for periodical monitoring at an appropriately higher level. The Committee are concerned to note in this regard that though the work of reconciliation has been in arrears at Delhi and Shillong Collectrates since April 1984, the specific measures taken to wipe out the arrears by a time bound programme and the reasons for accumulation of arrears for several years have not been spelt out. The Committee would like to be apprised of the position in this regard.

17. In the opinion of the Committee, laying down a time limit and introducing a system of regular monitoring are absolutely essential for ensuring proper accountal of central excise revenues. The Committee, therefore, reiterate their earlier recommendations and would like to be informed of the action taken in the matter. They would also like to be informed of the latest position of reconciliation prevailing in all the Collectrates.

CHAPTER II
RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE
BEEN ACCEPTED BY GOVERNMENT

Recommendations

It is disquieting to note that the prescribed procedure for accounting, monitoring and reconciliation of revenue in respect of excise duty on matches was not followed at any of the levels, resulting in non-detection of the fraud. The Committee cannot but express deep concern that the frauds were committed by the unscrupulous assesseees with the active connivance of the Central Excise staff. The very fact that the fraud was perpetuated for such a long period from April 1984 to November 1985 is clearly indicative of the total failure of senior supervisory level in exercising the required vigilance and control.

The Committee recommend that the Ministry of Finance should enquire into the reasons of these failures and ensure immediate corrective measures with a view to eliminating possibility of recurrence of such cases in future. They urge the Government to clear departmental enquiries expeditiously and initiate action against delinquent officials who colluded with the unscrupulous/assesseees and also against those who failed in exercising proper supervision and control, expeditiously.

[Sl. Nos. 1 & 2 (Paras 15 and 16) of Appendix VI to 110 Report
of the Public Accounts Committee (Eighth Lok Sabha)]

Action Taken

In the instant case, the fraud could occur because firstly, the bank officials were not scrupulous about mentioning the amount received in words as well as in figures which left scope for the unscrupulous assessee to interpolate the amounts in the challans. At the range level also, due to suspected collusion of the officers concerned, the matching of the challans could not bring out the discrepancy. On account of this unusual situation the safeguards at the range level also did not operate. The subsequent checks at the level of Pay and Accounts Officer also did not operate due to abnormal delay in receipt of statements from the treasury. The evasion in this case could occur due to fraud and non-adherence to the prescribed procedure by officers of

various departments/agencies. Had the bank officials taken proper care in specifying the amounts both in words and figures, in all copies of the challans, there was minimal possibility of fraud of such nature to have occurred. The fraud would not have remained undetected for so long, had there been no delay in reconciliation of accounts, which in turn occurred on accounts of non-receipt of monthly statement from the treasury officer.

.With a view to eliminate recurrence of such cases in future, the *modus operandi* adopted in this case has been brought into the notice of all Central Excise Collectorates. The Pay and Accounts Officers have been further instructed to watch the receipt of statements and pursue its receipt from concerned treasury officer. The concerned Bank was requested and had already issued instructions to its branches to indicate amount both in words and figures correctly in all parts of the challans. The matter was also brought to the notice of Director of Treasury, Trivandrum to ensure that the prescribed procedure was scrupulously followed at all levels. The disciplinary action had already been initiated/taken against the defaulting officers involved in this case.

.Investigations conducted by the Department and subsequently by C.B.I. brought to light the involvement of one Shri E.K. Harshakumar (the then Inspector) and one P. K. Ravindran Nair (the then Sepoy) who were placed under suspension on 14-9-87. On the same day itself, sanction was accorded by the Disciplinary authority for the prosecution of the above officers. The case is pending trial. The detailed investigation conducted by the Department also brought out the involvement of another Inspector Shri C.B. Warrrier. He was also placed under suspension with effect from 23-9-87. Charge sheet under Rule 14 of C.C.S. (C. C. A.) Rules, 1965 have already been issued to these officers and further action is in progress. The Chief Controller of Accounts had also initiated disciplinary proceedings against the Pay & Accounts Officer and the Junior Accounts officer involved in this case. Action has also been initiated against the officials connected with Internal Audit of the Pay & Accounts Office for their failure in not pointing out these lapses in their audit.

[Ministry of Finance (Department of Revenue) letter No. 234/1/88-IX-7, dated the 24th October, 1988]

Recommendations

The Committee recommend that the department should speed up adjudication processes and vigorous efforts be made to recover

the dues from the assesseees concerned by way of duty, penalty etc. They trust that the department must have already launched criminal proceedings against the parties for the fraudulent means adopted by them in cheating Government. The Committee would like to be apprised of the action taken on this score and also of the progress made in the recovery of dues from the assesseees in all the cases.

[S. No. 4 (Para 23) of Appendix VI to 110th Report of the Public Accounts Committee (Eighth Lok Sabha)]

Action Taken

The present position of the cases with regard to adjudication proceedings, duty, penalty, fine imposed and realised and prosecution sanctioned is given in the Annexure I.

Out of five cases for which prosecution has been sanctioned, proceedings have been initiated in respect of four units viz. (i) M/s. Eagle Match Works, (ii) Murugesh Match Works, (iii) K. G. Match Works and (iv) Jawahar Match Works.

[Ministry of Finance (Department of Revenue) letter No. 234/1/88-IX-7, dated the 24th October, 1988]

ANNEXURE I

Details of Match Cases Adjudicated (19 Nos.)

Sl. No.	Name of the party	Duty demanded as per adjn. order	Penalty imposed	Redemption fine imposed	Whether prosecution sanctioned	AMOUNT REALISED			Remarks
						Duty	Penalty	Redemption Fine	
1	2	3	4	5	6	7	8	9	10
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	Noble Match Industries	1,21,175.00	35,000	6,000	Yes	2,000	Nil	1,000	Tribunal vide order No. 141/88 dt. 19-4-88 directed the party to deposit Rs. 25,000/-
2	Salamath Matches	3,084.80	3,000	Nil	No, amt. being small, not found fit	3,084.80	3,000	Nil	..
3	Mini Match	4,000.00	2,000	Nil	Do.	4,000	2,000	Nil	
4	Eagle Match Works	11,417.60	5,000	Nil	Yes	Nil	Nil	Nil	Tribunal vide stay order No. 158/88 dt. 25-4-88 to deposit Rs. 3,000/-
5	Sathi Match Works	Nil	Nil	Nil	..	Nil	Nil	Nil	Benefit of doubt given.
6	Priya Match Works	Nil	Nil	Nil	..	Nil	Nil	Nil	Do.

1	2	3	4	5	6
		Rs.	Rs.	Rs.	Rs.
7	Dhanya Match Works .	240.00	100	Nil	No, amt. being small, not found fit
8	Jawahar Match Works .	77,981.40	40,000	Nil	Yes
9	Krishna Match Industries	Nil	Nil	Nil	..
10	Ayyans Match Industries	Nil	Nil	Nil	..
11	Surojam Match Works	2,400.00	2,000	Nil	No, amt. being small, not found fit
12	K.G. Match Works	13,800.00	10,000	Nil	Yes
13	Ambili Match Works (L4 No. 10/M/84)	Nil	100	Nil	No, amount being small, not found fit
14	Ambili Match Works (L 4 No. 5/M/83)	2,22,757.00	70,000	8,000	Under consideration

7	8	9	10
Rs.	Rs.	Rs.	
240.00	100	Nil	..
Nil	Nil	Nil	Tribunals stay order No. 129/88 dt. 11-4-88 directed the party to pay Rs.25000/-
Nil	Nil	Nil	Benefit of doubt given.
Nil	Nil	Nil	Do.
Nil	Nil	Nil	Tribunal's Stay order No. 156/88 dt. 15-4-88 directed the party to deposit Rs. 500/-
Nil	Nil	Nil	..
Nil	100	Nil	..
10,000	100	5,000	Tribunal's order No. 118/88 dated 23-3-88 directed the party to deposit Rs. 50,000/-

1	2	3	4	5
		Rs.	Rs.	Rs.
15	Remani Match Works .	Nil	Nil	Nil
16	Sun Match Works .	Nil	Nil	Nil
17	Murguesh Match Works	25,000.00	10,000	500
18	Thundil Match Works .	3,000.00	1,000	Nil
19	Rekha Match Works .	Nil	Nil	Nil
		4,84,855.80	1,78,200	14,500

6	7	8	9	10
	Rs.	Rs.	Rs.	
..	Nil	Nil	Nil	Benefit of doubt given.
..	Nil	Nil	Nil	Do.
Yes	Nil	Nil	500	Tribunal's order No. 156/88 dt. 15-4-88 directed the party to deposit Rs. 5000
No	Nil	Nil	Nil	..
..	Nil	Nil	Nil	Benefit of doubt given.
..	19,324.80	5,300	6,500	

Recommendation

The Committee hope that early steps will be taken by the Ministry of Finance to rationalise and simplify the system of payment of excise duty on matches so that compliance and administration becomes easier for the honest assesseees and to the department and the malpractices resorted to by unscrupulous elements resulting in leakage of revenue are effectively checked.

[S. No. 5 (Para 28) of Appendix VI to 110th Report of the Public Accounts Committee (Eighth Lok Sabha)]

Action Taken

Different alternatives to rationalise and simplify the system of payment of excise duty on matches are still being examined.

[Ministry of Finance (Department of Revenue) letter No. 234/1/88—IX-7 dated 24 October, 1988]

CHAPTER III

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

—NIL—

CHAPTER IV

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

Recommendation

The Committee are surprised to note that although the cases of irregularities were brought to the notice of the department in October-November, 1985, the defects observed in the working of some public sector banks with regard to the acceptance of the challans were taken up by the department with the concerned banks for rectification only in August 1987. Apparently, this has been done only after the subject matter was selected by the Public Accounts Committee for detailed examination. The Committee deprecate this casual approach and desire that the Central Board of Excise and Customs should issue necessary instructions and ensure that atleast in future prompt action is taken in such cases.

[S. No. 3 (Para 19) of Appendix VI to 110th Report of the
Public Accounts Committee (Eighth Lok Sabha)]

Action Taken

In the light of modus operandi adopted by the unscrupulous assesseees in collusion with inspector, suitable instructions were issued in June 1986 by Collector of Central Excise, Cochin to Range Officers of Central Excise asking them to initiate suitable steps to prevent the recurrence of such incidence in future. In these instructions Range officers were asked to request Banks to write the cash receipt from the licensee in words and figures in all the copies of challans. However, the Bank was formally addressed in the matter by the Collectorate Head Office later in August 1987 requesting them to issue necessary instructions to their branches and the bank in turn advised their branches accordingly.

The recommendation of the Committee has been noted and the field formations have been suitably informed. The delay initial response at the Collector's level is regretted.

[Ministry of Finance (Department of Revenue) letter
No. 234/1/88—IX-7 dated 24 October, 1988]

Recommendation

The Committee deplore the failure of the various Collectorates of Central Excise in intimating the present position of reconciliation of revenue receipts as per the records of the Pay and Accounts Officers and the Range Officers, prevailing in their Collectorates. The Committee desire that the Ministry of Finance should find out from the Collectors concerned the reasons for their inability to furnish the requisite information so that such failures are avoided in future and apprise the Committee of the steps taken in this regard.

The fact that many Collectorates have failed to furnish the data and that the information furnished by several others were incomplete would clearly show that the operation of the system is far from being satisfactory. What has greatly concerned the Committee is that even the limited data made available to them indicated that an amount of about Rs. 760 crores is lying unreconciled in the 22 Collectorates. The fact that there are Collectorates where reconciliations involving substantial amounts are yet to be completed even in respect of the period as far back as 1977-78, is indicative of a very unsatisfactory state of affairs. Disappointingly, the position as it prevails today, has considerably worsened, since the presentation of the Committee's earlier report on the subject. Clearly, the Ministry of Finance have done precious little to complete reconciliations. The Committee cannot remain contented with the Ministry's assurance that the Central Board of Excise and Customs have been issuing instructions/reminders from time to time to clear the arrears of reconciliation. They recommend that the Ministry should complete the task of clearing pending reconciliations within a period of six months and apprise the Committee of the precise position prevailing at all India level.

The Committee further recommend that the Ministry of Finance should prescribe a time limit for completing reconciliation of departmental figures of collections of Central Excise duty appearing in the monthly statements of the Range Officers with the figures of revenue collections booked in the accounts of the Pay and Accounts Officers of the concerned Collectorate, so as to ensure proper account of revenues. The prescribed time limit should be scrupulously adhere to by periodical monitoring at an appropriately higher level.

[S. Nos. 6 to 8 (Paras 35 to 37) of Appendix VI to 110th Report of the Public Accounts Committee (Eighth Lok Sabha)]

Action Taken

Information relating to reconciliation work in various Collecto- rates has been tabulated in statements 'A' and 'B' enclosed.

2. It would be seen from the enclosed statements that there has been considerable improvement in the reconciliation work. Out of 32 Collectorates, 25 Collectorates are fairly current doing the reconciliation work of 1988-89. 6 Collectorates are in third/fourth quarter of 1987-88 and would be entering shortly in 1988-89. Only two Collectorates, viz. Shillong and Delhi are lagging behind.

3. The work relating to reconciliation is on continuing basis. With the coverage of later periods new unreconciled amounts are added whereas the old unreconciled transactions are cleared to the extent, such transactions have been paired. As is evident from the enclosed statement, a large number of Collectorates have overtaken the arrears of reconciliation work, thus, adding fresh amounts to the statement of "more credits" and "less credits". Even then the position has improved considerably; i.e.

- (i) In the statement of more credits, the amount has come down from Rs. 760 crores to Rs. 641.46 crores.
- (ii) In the statement of less credits, the figure has come down from Rs. 385.51 crores to Rs. 89.29 crores.

Though, there is improvement in the entire situation yet. the Board is very keen to ensure the completion of the work as well as pairing of the transactions which remains un-reconciled. For this purpose, strict instructions have been issued to all the Collectors, warning them that they will be personally responsible for any lapse. It has also been enjoined on them that the work should be completed as fast as possible.

4. Further instructions have been issued to all the Collectorates to complete this item of work by forming joint team of staff drawn from the PAO and the C.A.O. of their Collectorates and reconcile the accounts either based on the data available at the Collectorates Head Quarers or alternatively the teams be asked to proceed to the Ranges to check the accounts and reconcile the same with the accounts maintained by the Focal Point Banks.

[Ministry of Finance (Department of Revenue) letter No.
234/1/88-IX-7 dated 24 October, 1988]

STATEMENT 'A'

STATEMENT SHOWING 'MORE CREDIT' IN PAO'S BOOKS AS ON

More credits in PAO's

Name of the Collectorate		Month upto which re-conciliation done	1977-78	1978-79	1979-80	1980-81
1	2	3	4	5	6	7
1.	Ahmedabad	6/88	Nil	Nil	Nil	Nil
2.	Allahabad	10/87	Nil	Nil	Nil	1078.04
3.	Aurangabad	6/88	FORMED IN 1983			
4.	Bombay-I	3/88	Nil	Nil	Nil	Nil
5.	Bombay-II	3/88	FORMED IN '80		Nil	Nil
6.	Bombay-III	8/87	FORMED IN 1983			
7.	Bangalore	4/88	Nil	Nil	Nil	Nil
8.	Bolpur	4/88	FORMED IN 1984			
9.	Baroda	4/88	Nil	Nil	Nil	Nil
10.	Belgaum	4/88	FORMED IN 1983			
11.	Bhubaneswar	8/88	WANTED			
12.	Calcutta-I	5/88	Nil	Nil	Nil	Nil
13.	Calcutta-II	5/88	WANTED			
14.	Cochin	5/88	Nil	Nil	Nil	2340.87
15.	Coimbatore	8/88	FORMED IN 1983			
16.	Chandigarh	7/88	Nil	Nil	Nil	Nil
17.	Guntur	3/88	Nil	Nil	Nil	Nil
18.	Goa	5/88	Nil	Nil	Nil	Nil
19.	Hyderabad	5/88	WANTING			
20.	Indore	3/88	142.02	17.09	1283.79	740.32
21.	Jaipur	5/88	Nil	Nil	Nil	Nil
22.	Kanpur	4/88	Nil	Nil	Nil	Nil
23.	Madurai	4/88	Nil	Nil	Nil	Nil
24.	Madras	5/88	Nil	Nil	Nil	Nil
25.	Meerut	6/87	FORMED IN '80			2068.81
26.	Nagpur	5/88	Nil	Nil	Nil	Nil
27.	Patna	7/87	Nil	Nil	Nil	Nil
28.	Pune	12/87	WANTING			
29.	Rajkot	4/88	FORMED IN 1983			
30.	Shillong	3/84	WANTING			
31.	Trichy	3/88	FORMED IN 1983			
32.	Delhi	3/84	WANTING			
Total			142.02	17.09	1283.79	6228.04

14-9-1988 (UPTO THE YEAR 1987-88)

Books (in lakhs)

1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	Total
8	9	10	11	12	13	14	15
Nil	Nil	Nil	Nil	Nil	Nil	7.25	7.25
1814.54	8084.77	5920.20	5206.76	3457.65	2981.13	804.10	29347.19
		Nil	Nil	Nil	Nil	366.50	366.50
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	72.19	2.12	0.02	4.46	78.79
		Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	32.54	109.69	22.07	164.30
			Nil	Nil	Nil	0.82	0.82
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		Nil	Nil	Nil	Nil	Nil	Nil
	39.39	5425.69	585.28	166.76	1104.36	101.86	7423.34
Nil	Nil	Nil	Nil	Nil	Nil	0.61	0.61
	Nil	Nil	Nil	Nil	269.73	600.90	870.63
1601.87	238.44	29.50	443.58	45.83	299.58	Nil	4999.67
		Nil	Nil	0.02	0.07	3.85	3.94
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	Nil	Nil	0.04	0.04
				33.00	1300.00	NG	1333.00
674.28	423.07	1094.52	30.24	1448.91	880.87	416.03	7151.14
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	418.71	490.04	102.60	65.09	105.00	15.57	1197.01
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	6.50	1.15	Nil	Nil	7.65
1004.10	843.38	765.31	940.58	242.72	795.60	155.81	6816.31
Nil	Nil	205.02	457.25	727.11	387.47	54.76	1831.61
Nil	Nil	Nil	Nil	Nil	348.62	NG	348.62
					186.13	1922.22	2108.35
		Nil	Nil	Nil	Nil	Nil	Nil
		Nil	10.23	47.62	15.37	16.67	89.89
5094.79	10047.76	13930.28	7855.21	6270.52	8783.64	4493.52	64146.66

STATEMENT 'B'
Statement showing 'Less Credit' in
 (Upto the year 1987-88)

Sl. No.	Name of the Collectorate	Month upto which re- conciliation done	Less Credits in PAG's Books (in Lakhs)				
			1977-78	1978-79	1979-80	1980-81	1981-82
1	2	3	4	5	6	7	8
1.	Ahmedabad	6/88	0.90	0.15	0.42	1.11	12.70
2.	Ahahabad	10/87	Nil	Nil	Nil	Nil	Nil
3.	Aurangabad	6/88	..... FORMED IN 1983				
4.	Bombay-I	3/88	Nil	Nil	Nil	Nil	Nil
5.	Bombay-II	3/88	FORMED IN '80		11.89	4.68	6.40
6.	Bombay-III	8/87	..... FORMED IN 1983				
7.	Bangalore	4/88	Nil	Nil	Nil	Nil	Nil
8.	Bolpur	4/88	..... FORMED IN 1984				
9.	Baroda	4/88	Nil	Nil	Nil	Nil	Nil
10.	Belgaum	4/88	..... FORMED IN 1983				
11.	Bhubaneshwar	3/88	Nil	Nil	Nil	Nil	Nil
12.	Calcutta-I	5/88	Nil	Nil	0.01	Nil	0.42
13.	Calcutta-II	5/88	Nil	Nil	Nil	Nil	Nil
14.	Cochin	5/88	Nil	Nil	Nil	Nil	Nil
15.	Coimbatore	8/88	..... FORMED IN 1983				
16.	Chandigarh	7/88	Nil	Nil	Nil	Nil	Nil
17.	Guntur	3/88	..... WANTED				
18.	Goa	5/88	Nil	Nil	Nil	Nil	Nil
19.	Hyderabad	5/88	..... WANTING				
20.	Indore	3/88	70.03	74.10	243.64	277.52	331.76
21.	Jaipur	5/88	Nil	Nil	Nil	Nil	Nil
22.	Kanpur	4/88	Nil	Nil	Nil	Nil	Nil
23.	Madurai	4/88	Nil	Nil	Nil	Nil	Nil
24.	Madras	5/88	Nil	Nil	Nil	Nil	Nil
25.	Maerut	6/87	.. FORMED IN 80' WANTED				
26.	Nagpur	5/88	Nil	Nil	Nil	Nil	Nil
27.	Patna	7/87	Nil	Nil	Nil	Nil	Nil
28.	Pune	12/87	Nil	Nil	Nil	Nil	Nil
29.	Rajkot	4/88	..... FORMED IN 1983				
30.	Shillong	3/84	Nil	Nil	Nil	Nil	Nil
31.	Trichy	3/88	..... FORMED IN 1983				
32.	Delhi	3/84	..... WANTED				
TOTAL			70.93	74.25	255.96	283.31	351.28

PAO's books as on 14-9-1981

1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	Total
9	10	11	12	13	14	15
16.38	3.69	Nil	Nil	Nil	Nil	35.35
Nil	Nil	Nil	Nil	Nil	Nil	Nil
..	Nil	10.11	11.31	0.24	Nil	21.66
Nil	Nil	55.69	106.34	28.35	Nil	190.38
Nil	304.58	1879.89	255.48	42.26	47.55	2552.73
..	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	2.32	109.01	200.70	46.62	358.65
..	..	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	Nil	Nil	Nil
..	Nil	0.81	1.89	0.68	Nil	3.38
14.90	212.90	674.17	460.21	158.90	29.67	1550.75
1.31	1.96	5.81	2.98	2.17	1.64	16.30
0.03	3.59	Nil	416.49	Nil	13.32	433.43
Nil	Nil	Nil	Nil	0.36	0.09	0.45
..	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	Nil	Nil	Nil
..	51.57	25.22	2.63	0.20	WANTED	79.62
Nil	Nil	Nil	Nil	Nil	Nil	Nil
..
196.43	460.51	254.58	576.25	39.39	108.50	2682.71
Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	68.23	26.56	65.48	282.26	170.77	613.30
Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	Nil	Nil	Nil
..	..	..	WANTED	..	..	..
Nil	Nil	Nil	Nil	0.15	1.23	1.38
Nil	Nil	Nil	Nil	348.51	WANTED	348.51
Nil	Nil	Nil	Nil	Nil	Nil	Nil
.....	.....	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	..	WANTED	..	..
..	Nil	4.18	19.63	2.86	13.81	40.48
..
229.05	1107.03	2939.34	2027.70	1157.03	433.20	8929.08

CHAPTER V

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

—NIL—

NEW DELHI;
11 August, 1989
20 Sravana, 1911 (S)

P. KOLANDAIVELU,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE 7TH SITTING OF THE PUBLIC ACCOUNTS: COMMITTEE HELD ON 8-8-1989

The Committee sat from 1500 hrs. to 1520 hrs.

PRESENT

Maj. Gen. R. S. Sparrow—*In the Chair*

MEMBERS

2. Shri Abdul Hannan Ansari
3. Shri M. Y. Ghorpade
4. Shri Y. S. Mahajan
5. Smt. Usha Rani Tomar
6. Dr. Chandra Shekhar Tripathi
7. Shri Vijay N. Patil
8. Dr. G. S. Rajhans
9. Shri Rameshwar Thakur
10. Shri Jagesh Desai
11. Shri Surender Singh
12. Shri P. N. Sukul

SECRETARIAT

1. Shri G. L. Batra—*Joint Secretary*
2. Shri K. K. Sharma—*Director*
3. Shri A. Subramanian—*Senior Financial Committee Officer*

REPRESENTATIVES OF AUDIT

1. Shri R. Parameswar—*Addl. Dy. CAG*
2. Shri S. B. Krishnan—*Director (Reports)*
3. Shri R. V. Bansod—*Principal Director of Audit (DS)*
4. Shri Baldev Rai—*Director of Audit (AF&N)*
5. Shri R. Ramanathan—*Director (INDT)*

- 6. Shri Arjun Thapan—*Joint Director of Audit (AF&N)*
- 7. Shri R. P. Singh—*Joint Director of Audit (DS)*
- 8. Shri S. K. Gupta—*Joint Director of Audit (INDT)*

2. In the absence of Chairman, the Committee chose Maj. Gen. R. S. Sparrow to act as Chairman for the sitting.

3. The Committee considered and adopted the following draft Action Taken Reports:

- (i) * * *
- (ii) Action Taken Report on 110th Report of PAC (8th LS)
re. Union Excise. Duties—Fraudulent Procurement of
Central Excise stamps by match factories;
- (iii) * * *
- 4. * * *

5. The Committee authorised the Chairman to finalise the draft Reports (indicated in paragraph 3) in the light of verbal and consequential changes arising out of factual verification by audit and present the same to the House.

The Committee then adjourned

APPENDIX I

(Vide Para 2)

*Statement showing classification of action taken notes received
from Government*

**(i) Recommendations and observations which have been
accepted by Government;**

Sl. Nos. 1, 2, 4 and 5

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

Nil

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

Sl. Nos. 3, 6 to 8.

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

Nil

APPENDIX II

CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Page No.	Ministry/Department concerned	Recommendation/Conclusion
1	2	3	4
1	6	Ministry of Finance/Department of Revenue.	As one of the <i>modus operandi</i> adopted for procuring stamps in excess of the amount actually deposited in the banks, has been the interpolation of the amounts in the challans, the Committee had desired that the Central Board of Excise and Customs should issue necessary instructions and ensure prompt action in such cases. The Committee note in this connection from the action taken note that apart from ensuring issue of instructions, steps do not seem to have taken to see that the instructions are, in fact implemented in practice. The Committee hence reiterate their earlier recommendations and hope that the Ministry would ensure that the instructions to write the amount both in words and figures are duly implemented by the banks.
2	9	do.	In their earlier Report, while examining certain cases of excess procurement of central excise stamps and irregular availing of concessional rate of excise duty by a number of match factories, the Committee had emphasised the need for simplification and rationalisation of the system of payment of central excise duty on matches.

The Ministry of Finance have in their action taken note stated that different alternatives to rationalise and simplify the system of payment of excise duty on matches are still being examined. The Committee desire that the Ministry of Finance should take concrete action in this direction so as to make compliance and administration easier and to ensure that the malpractices resorted to by unscrupulous elements resulting in leakage of revenue are effectively checked. The Committee would like to be informed of the conclusive action taken in this matter.

3 16

do.

In their earlier Report, the Committee had drawn attention of Ministry of Finance to the delay in reconciliation of departmental figures of collections of central excise duty appearing in the monthly statements of the Central Excise Range Officers with the figures of revenue collections booked in the accounts of the Pay and Accounts Officers of the Collectorate concerned. Expressing their concern over the fact that a substantial amount of central excise duty relating even to periods as far back as 1977-78 was lying unreconciled, the Committee had recommended that the Ministry of Finance should complete the task of clearing pending reconciliations within a period of six months. The Committee had also recommended that the Ministry should prescribe a time limit for completing reconciliations and enforce periodical monitoring at an appropriately higher level for scrupulous adherence to the time limit. In their action taken reply, the Ministry of Finance have claimed considerable improvement in the reconciliation work. Out of 32, all with the exception of Delhi and Shillong Collectorates are fairly current in doing the

reconciliation work. The Ministry have assured that the Collectors have been enjoined upon for fast completion of the work and strict instructions have also been issued warning that they would be personally responsible for any lapse. While the Committee do take note of the progress made, they are unhappy to point out that the Ministry in their note have not made any mention of the action taken on the recommendation of the Committee for prescribing a time limit and for introducing of a system for periodical monitoring at an appropriately higher level.

The Committee are concerned to note in this regard that though the work of reconciliation has been in arrears at Delhi and Shillong Collectorates since April 1984, the specific measures taken to wipe out the arrears by a time bound programme and the reasons for accumulation of arrears for several years have not been spelt out. The Committee would like to be apprised of the position in this regard.

Do.

In the opinion of the Committee, laying down a time limit and introducing a system of regular monitoring are absolutely essential for ensuring proper accountal of central excise revenues. The Committee, therefore, reiterate their earlier recommendations and would like to be informed of the action taken in the matter. They would also like to be informed of the latest position of reconciliation prevailing in all the Collectorates.

