

**LOSS OF REVENUE DUE TO SHORT
LEVY OF TAX, INCORRECT
CLASSIFICATION OF EXCISABLE
GOODS AND NON-FULFILMENT OF
EXPORT OBLIGATION**

[Action Taken by the Government on the Observations/
Recommendations of the Committee contained in their
Fifteenth Report (15th Lok Sabha)]

MINISTRY OF FINANCE

**PUBLIC ACCOUNTS
COMMITTEE
2010-2011**

THIRTY THIRD REPORT

FIFTEENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

THIRTY THIRD REPORT
PUBLIC ACCOUNTS COMMITTEE
(2010-2011)

FIFTEENTH LOK SABHA

LOSS OF REVENUE DUE TO SHORT LEVY OF
TAX, INCORRECT CLASSIFICATION OF
EXCISABLE GOODS AND NON-FULFILMENT
OF EXPORT OBLIGATION

[Action Taken by the Government on the Observations/Recommendations of the
Committee contained in their Fifteenth Report (15th Lok Sabha)]

MINISTRY OF FINANCE



Presented to Lok Sabha on 23 March, 2011

Laid in Rajya Sabha on 23 March, 2011

LOK SABHA SECRETARIAT
NEW DELHI

March, 2011/Phalguna, 1932 (Saka)

P.A.C. No. 1940

Price: ₹ 43.00

© 2011 BY LOK SABHA SECRETARIAT

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fourteenth Edition) and printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2010-2011)	(iii)
INTRODUCTION	(v)
CHAPTER I Report	1
CHAPTER II Observations/Recommendations which have been accepted by Government	9
CHAPTER III Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government	31
CHAPTER IV Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration	32
CHAPTER V Observations/Recommendations in respect of which Government have furnished interim replies	33

APPENDICES

I. Minutes of the Twenty-seventh sitting of Public Accounts Committee (2010-11) held on 18th March, 2011	35
II. Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Fifteenth Report (Fifteenth Lok Sabha)	37

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2010-2011)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Ramen Deka
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Dr. K. Sambasiva Rao
9. Shri Yashwant Sinha
10. Shri Jitendra Singh (Alwar)
11. Kunwar Rewati Raman Singh
12. Shri K. Sudhakaran
13. Dr. M. Thambidurai
14. Shri D. Venugopal
15. Shri Aruna Kumar Vundavalli

Rajya Sabha

- *16. Vacant
17. Shri N. Balaganga
18. Shri Prasanta Chatterjee
19. Shri Kalraj Mishra
20. Shri N.K. Singh
21. Shri Tiruchi Siva
22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Smt. A. Jyothirmayi — *Under Secretary*

* Vacancy occurred *vice* Shri Ashwani Kumar has been appointed as Minister of State *w.e.f.* 19th January, 2011.

INTRODUCTION

I, the Chairman, Public Accounts Committee (2010-11), having been authorised by the Committee, do present this Thirty-third Report (Fifteenth Lok Sabha) on action taken by the Government on the Observations/Recommendations of the Committee contained in their Fifteenth Report (Fifteenth Lok Sabha) on '**Loss of Revenue due to Short Levy of Tax, Incorrect, Classification of Excisable Goods and non-fulfilment of Export Obligation**' based on Para No. 3.24.4 of C&AG Report No. 8 of 2007 (Direct Taxes), Para No. 2.2.1 of C&AG Report No. CA 7 of 2008 (Central Excise) and Para No. 7.1 of C&AG Report No. 10 of 1998 (Customs).

2. The Fifteenth Report was presented to Lok Sabha/laid in Rajya Sabha on 29th April, 2010. Replies of the Government to the Observations/Recommendations contained in the Report were received on 24.02.2011. The Public Accounts Committee considered and adopted the Thirty-third Report at their sitting held on 18th March, 2011. Minutes of the sitting are given at *Appendix-I*.

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

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

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Fifteenth Report (Fifteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;
18 March, 2011

29 Phalguna, 1932 (Saka)

DR. MURLIMANO HAR JOSHI
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Fifteenth Report (15th Lok Sabha) on '**Loss of Revenue due to Short Levy of Tax, Incorrect Classification of Excisable Goods and non-fulfilment of Export Obligation**'.

2. The Fifteenth Report of the Public Accounts Committee based on Para No. 3.24.4 of C&AG Report No. 8 of 2007 (Direct Taxes), Para No. 2.2.1 of C&AG Report No. CA7 of 2008 (Central Excise) and Para No. 7.1 of C&AG Report No. 10 of 1998 (Customs) respectively relating to the Ministry of Finance (Department of Revenue) was presented to Lok Sabha on 29th April, 2010. The Report contained twelve Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of Finance (Department of Revenue) and are broadly categorized as under:

- (i) Observations/Recommendations, which have been accepted by the Government:

Para Nos. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11 & 12

Total: 11

Chapter-II

- (ii) Observations/Recommendations, which the Committee do not desire to pursue in view of the replies received from the Government:

-Nil-

Total: Nil

Chapter-III

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

-Nil-

Total: Nil

Chapter-IV

- (iv) Observations/Recommendations in respect of which the Government have furnished interim replies:

Para No. 7

Total: 1

Chapter-V

3. The Committee in their 15th Report had made the following Observations/Recommendations:

- Serious concern was expressed over inordinate delays and persistent failures on the part of a large number of Ministries/Departments in submitting Action Taken Notes within the stipulated period of 4 months from the date of laying the Audit Reports on the Table of the House. As many as 3450 Audit Paragraphs were pending with the various Ministries/Departments as on 28th February, 2010. Out of this, 2208 paras were pending with the Department of Revenue with the break up being, 1453 relating to Direct Taxes (CBDT), 443 paras on Central Excise (CBEC) and 312 paras on Customs (CBEC).
- The Committee had desired that the Department of Revenue-CBDT put in place a strong and effective mechanism to ensure that the issue of Non-Compliance by the Departments in timely submission of replies to the Audit paragraphs are settled conclusively so that same issues do not recur.
- In their Report, the Committee had recommended that the Department of Revenue should institutionalize half yearly meetings between the Department and the Office of C&AG at the level of Joint Secretary and quarterly meetings at the Director's level to reconcile the quantum of pendency in order to settle the controversial/disputed issues, facts and figures. It was also recommended that the work of computerization of records and building of electronic database should be expedited to improve the monitoring and quick disposal/submission of Action Taken Notes by the Department.
- Regarding definitions of 'edible oil' and 'hair oil', the Committee had noted that the products had not been codified clearly in the relevant chapters of Central Excise Tariff which had resulted in classification of excisable 'hair oil' as duty free 'edible oil' and had thereby affected the revenue earnings adversely. The Committee had desired that before issuing clarifications or carrying out any amendments to this effect, the legal sustainability of the same be ascertained to avoid different interpretations and litigation by the assessees.
- Noting that Action Taken Notes on Para No. 7.1 of Audit Report No. 10 of 1998 relating to 'Non-fulfilment of export obligation (Customs)' was not furnished, the Committee had recommended that the coordination between the Ministry of Finance and the Ministry of Commerce be strengthened to prevent revenue leakages in respect of Export Promotion Schemes.

4. The Action Taken Notes furnished by the Ministry of Finance (Department of Revenue) have been reproduced in the relevant Chapters of this Report. In the ensuing paragraphs, the Committee deal with Action Taken by the Government on Observations/Recommendations made in the Original Report which merit comments or need reiteration.

5. The Committee desire that the Ministry of Finance (Department of Revenue) furnish, at the earliest, final/conclusive Action Taken Note on the Observation/ Recommendation to which interim reply has been submitted.

A. Inordinate delay in timely submission of Action Taken Notes

[Recommendation Paragraph Nos. 1 and 4 of the Fifteenth Report (15th Lok Sabha)]

6. In their Fifteenth Report, the Committee had observed that there were inordinate delays and persistent failures on the part of a large number of Ministries/Departments in submitting Action Taken Notes within the stipulated period of four months from the date of laying the Audit Reports on the Table of the House. During examination of the subject, the Committee had found that as on 28th February, 2010, Remedial Action/ Corrective Action Taken Notes on a total number of 3450 Audit Paragraphs were pending with various Ministries/Departments pertaining to the period from 1995-96 to 2008-09. Out of this, 2208 paras were pending with the Department of Revenue. Amongst them, 1453 related to Direct Taxes (CBDT), 443 paras to Central Excise (CBEC) and 312 paras pertained to Customs (CBEC). The Committee had noted that the Department of Revenue were facing certain practical difficulties in adhering to the prescribed period of four months for furnishing the Remedial/Corrective Action Taken Notes and had recommended that the Department of Revenue institutionalize half yearly meetings between the Department and the Office of C&AG so as to minimise the quantum of pendency and to settle the controversial/disputed issues, facts and figures. The Committee had further recommended that the work of computerization of records and building of electronic database be expedited in order to improve the monitoring and quick disposal/submission of Action Taken Notes by the Department.

7. Apprising the Committee about the steps that were taken by the Ministry on their Recommendation, the Ministry of Finance (Department of Revenue-Central Board of Excise & Customs) in their Action Taken Notes have stated as under:—

"Special effort has been put in to reduce pendency of ATNs. In compliance with the observations/recommendations of the PAC the following measures have been initiated to bring down the pendency:

- (a) A Standing Audit Committee has been constituted under the Revenue Secretary with representatives from the CBEC and CAG to monitor the disposal of ATNs and expeditiously resolve issues relating to contested paras.
- (b) Workshops with officers of the CAG at the level of Director and Joint Secretary have been conducted during the months of July, August and September to facilitate expeditious settlement of paras.
- (c) A special drive has been undertaken to expeditiously complete translation of ATNs into Hindi. As a result 693 have been translated into Hindi out of 1400 paras reported to be pending on this count.
- (d) Close coordination between CAG and Dept. of Revenue (CBEC-Central Excise & Service Tax) has enabled reconciliation of pendency of outstanding

paras. As on 30.09.2010 the number of paras outstanding (up to the Audit Report No. 7 of 2008) has been brought down from 443 to 130 paras. Since the then current report (CA 20 of 2009-10, containing 316 paras) is now classified as non-current, the present figure of outstanding paras is as follows:—

Outstanding Non-Current Audit Paras as on 28-02-2010	:	316
Add: Paras contained in CA 20 of 2009-10	:	443
Total	:	759
Outstanding paras as on 30.09.10	:	214
Outstanding with CAG	:	132
Outstanding with CBEC (Central Excise & Service Tax)	:	82
Paras settled during the period Feb—Sept. 2010	:	545
Reduction in Pendency	:	52%

- (e) It is also brought to the kind notice of the Committee that a serious fire incident which occurred on the night on 26th/27th May 2010 in Hudco Vishala Building on the 5th and 6th Floors severely affected the section dealing with PAC and CAG matters. All office equipment (Computers, Photocopies and Fax machines) and large amount of records and files were destroyed in the fire incident. This has adversely affected the functioning of the Section and delayed disposal of the outstanding paras. Records are still in the process of reconstruction, which has been undertaken with assistance of CAG Office and field Offices of the CBEC."

8. Further, the Ministry of Finance (Department of Revenue—Central Board of Direct Taxes) have added as under:—

"The Paragraph is a statement of facts and concerns expressed by the Hon'ble Committee have been noted. Every efforts is being made to expedite furnishing of Action Taken Notes (ATNs) at the earliest. It is however, submitted that the pending ATNs pertain to past 8 years (Audit Report Years 1999-2000 to 2006-07) and in the same period the Income Tax Department underwent complete restructuring. As a result, jurisdiction of large number of cases got changed and the process involved physical transfer of records. Because of these problems, it became difficult to trace records in many cases delaying the replies.

The issue of pending ATNs has been taken up with the field formations and 624 ATNs have been furnished since February 2010. However, still there are 733 old draft paras in which ATNs are to be submitted. Every effort is being made to obtain the requisite information from the field formations (Chief Commissioners of Income Tax) to enable the Ministry to furnish ATNs in the remaining cases at the earliest."

9. The Committee note that pursuant to their recommendations, the Department of Revenue (CBEC) have constituted a Standing Audit Committee under the Revenue Secretary with representatives from CBEC and CAG to monitor the disposal of Action Taken Notes (ATNs). It is heartening to note that the pendency of outstanding paragraphs pertaining to Department of Revenue (CBEC) has been brought down from 443 to 130. With the constitution of a Standing Audit Committee for removal of bottlenecks and monitor the disposal of ATNs, the Committee hope that the ATNs would be submitted within the stipulated period of four months from the date of laying the Audit Reports in Parliament. The Central Board of Direct Taxes, have informed the Committee that they had taken up the pendency of ATNs with the field formations and 624 ATNs were furnished since February 2010. However, the Committee, would like to know the latest position in respect of 733 paras on which ATNs are still pending and by when the rest would be furnished by the Central Board of Direct Taxes. Further, the Committee would also like to know the action initiated to fix responsibility against the officials who were responsible for delayed submission of Action Taken Notes. Regarding the fire incident which occurred on 26/27 May, 2010 in Hudco Vishala Building, the Committee are appalled to note that the Section dealing with PAC and CAG matters was engulfed by fire leading to delay in disposal of the outstanding paras. The Committee call upon the Ministry to expedite the process of reconstruction of the relevant records with the help of the C&AG and also ensure its safe custody. The Committee would like to be apprised of the preventive steps taken by the Ministry after this incident.

B. To obviate systemic deficiencies and removal of ambiguities in the Law

[Recommendation Paragraph No. 3 of the Fifteenth Report (15th Lok Sabha)]

10. The Committee while examining the reasons for inordinate delay in the submission of Action Taken Notes on the part of the Department of Revenue found that some cases were pending in various Courts and it was opined that timely submission of Action Taken Notes had nothing to do with the finality of matter through the judicial process. The Committee had recommended that notwithstanding the Court cases, Action Taken Notes must be forwarded within the prescribed period of four months and had also desired to know the measures contemplated by the Ministry to obviate systemic deficiencies apart from removing ambiguities in the law in this regard in order to bring down the pendency of cases.

11. The Ministry while furnishing their Action Taken Notes have *inter-alia* stated as under:—

- (a) The Directions of the PAC have been complied with from March 2010 to Sept. 2010—ATNs have been submitted to the CAG incorporating the status of the cases *i.e.*, whether pending with appellate authorities or courts—with details of the action taken by the Department in response to observation of the Audit.
- (b) The steps taken to bring down the court cases and disputes are:—
 - (i) The Department selectively, places on the website draft circulars, draft regulations etc. inviting comments from field formations and trade bodies so that likely difficulties and disputes can be removed at draft stage.

- (ii) The Department has set up a Directorate of Legal Affairs with the mandate of closely monitoring cases before CESTAT, High Courts and Supreme Courts.
- (iii) The Department has a Policy Wing and Tax Research Unit which formulates policies relating to the Act and addresses disputes by issue of instructions under Section 37B and takes up references from the field formations/trade bodies/assesseees for amendments of the act and notification for rationalization of duties.
- (iv) The Department has also taken several steps for improving the quality of representation before the Tribunal and Courts. Some of the steps taken are by way of circulars.

12. The Committee are pleased to note that the Ministry has made it clear to their field formations that the pendency of matters in the courts has nothing to do with submission of ATNs within the prescribed period of four months, constituted a Committee headed by Member (A&J) CBDT for reducing litigation and also decided to implement the National Judicial Reform System (JRS). The Committee would like to be apprised of the findings of the Member (A&J) CBDT for reducing litigation, the action taken by the Government on such findings and the results following implementation of JRS so as to reduce litigations.

C. Delayed action in monitoring the Export Obligation

[Recommendation Paragraph No. 11 of the Fifteenth Report (15th Lok Sabha)]

13. The Committee had taken serious exception to the failure of the Department of Revenue—CBEC to furnish Remedial/Corrective Action Taken Notes for more than 12 years on the Audit Paragraph No. 7.1 of C&AG's Report No. 10 of 1998, Union Government inspite of Audit pointing out the delay wayback in October, 1997. The Committee had noted that only after the selection of the para for examination by them that the DGFT under the Ministry of Commerce had intimated in the meeting held on 5th February, 2010 that three out of the seven licences had been redeemed. The Committee were then informed about the status of the cases and the action that had been taken so far.

14. In their Action Taken Notes, the Ministry of Finance, Department of Revenue (Central Board of Excise & Customs) have submitted as under:—

“M/s. DCM Toyota Ltd. has been declared defaulter. An adjudication order under FT(DT) Act, 1992 has been issued by Ministry of Commerce by imposing penalty of ₹ 32.23 crores on the firm, followed by issuance of a recovery letter dated 11.06.2010 to Chief Secretary, New Delhi. Further, Regional Authority, New Delhi has initiated action for fixing the responsibility for the delay in action in monitoring the Export Obligation.”

Further, it has been added that:—

"M/s. Pearl Intl. Ltd. also has been declared defaulter and placed under Denied Entity thereby stopping all benefits under the Foreign Trade Policy. An adjudication order under FT(DR) Act, 1992 has also been issued by the Ministry

of Commerce and a penalty of ₹ 90.45 crores has been imposed on the firm. This has been followed by issuance of a recovery letter dated 11.05.2010 to Chief Secretary, New Delhi. Further, Regional Authority, New Delhi has initiated action for fixing the responsibility for the delay in action in monitoring the Export Obligation."

15. The Committee were apprised that two firms (M/s. DCM Toyota Ltd. and M/s. Pearl Intl. Ltd.) were declared as defaulters and penalties of Rs. 32.23 crores and ₹ 90.45 crores were imposed on them respectively and that action has also been initiated to fix responsibility for delay in monitoring the Export Obligation. The Committee would like to be informed about the recoveries effected. from the defaulter firms and the outcome of the steps initiated to fix responsibility in this regard.

D. Strengthening the monitoring mechanism

[Recommendation Paragraph No. 12 of the Fifteenth Report (15th Lok Sabha)]

16. The Committee in their Original Report had stressed that monitoring of licences issued under Export Promotion Schemes was the foremost duty of licensing authority to ensure that there were no revenue leakages. Nothing that both the Ministry of Finance and the Ministry of Commerce (which were involved in monitoring) had not taken action in the instant case for 12 years, the Committee had stressed the need for strengthening co-ordination between the two Ministries. Further, it was also recommended that the Ministry of Finance strengthen their mechanism to monitor the cases where licensees had availed the benefit of duty-free imports. Fearing that there could be many such other similar unreported cases, the Committee had also recommended that the Ministries/Departments concerned look into such cases and carry out necessary rectifications.

17. While furnishing the Action Taken by the Ministry of Finance, Department of Revenue (Central Board of Excise & Customs) in this regard, it has been stated as under:

"The Department of Revenue has issued Circular No. 5/2010—Customs Dt. 16.3.2010 whereby the field formations have been directed to monitor the Export Obligations (EO) effectively and to ensure that the Government revenue is safeguarded in cases of default.

The Ministry of Commerce has also issued Policy guidelines regarding monitoring of EO *vide* letter No. 01/94/180/1060/AM-10/PC-4/dated 27.7.2010 to all the Regional Authorities, who have been instructed to meticulously monitor the Export Obligation and take appropriate action as per FT (DR) Act, 1992 for recovery in cases of non-fulfilment within the specified time period."

18. The Committee note that the Ministry of Finance have issued instructions to the field formations to ensure that the Government revenue is safeguarded in cases of default. Further, the Ministry of Commerce have also issued policy guidelines to monitor meticulously the Export Obligation for recovery in case of non-fulfilment of Export Obligations. Surprisingly, both the Ministries are studiously silent about the initiative taken to strengthen the coordination between them as

desired by the Committee. The Committee would like to be apprised of the tangible action initiated to plug the loopholes and for effective coordination between the Ministry of Finance and Ministry of Commerce and the outcome of such efforts. The Ministry of Finance also need to indicate whether any, and what efforts, have been made by them to ascertain similar unreported cases of non-fulfilment of Export Obligations.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS, WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Ministry of Finance, Department of Revenue (Central Board of Excise & Customs)

Observation/Recommendation No. 1

1. Non-Compliance by the Ministries/Departments in timely submission of replies to the Audit paragraphs of C&AG is a matter of great concern to the Public Accounts Committee because such lack of response on the part of the Chief Accounting Authorities/Secretaries of the Ministries/Department dilutes the role and authority of Parliament and encourages financial indiscipline, frauds and corruption. With effect from March, 1996 Ministries/ Departments are required to furnish the remedial/corrective Action Taken Notes to the Public Accounts Committee through the Ministry of Finance (Department of Expenditure) on all those Paragraphs of the Reports of the Comptroller and Auditor General of India, which are not formally taken up by the Committee for examination and Reports presented thereon. Such remedial/corrective Action Taken Notes are to be furnished within four months of the laying of the Audit Reports in Parliament. Nevertheless, the Committee are at pain to note that still there are inordinate delays and persisting failures on the part of a large number of Ministries/Departments in timely submission of Action Taken Reports within the stipulated period of 4 months from the date of laying the Audit Reports on the Table of the House. The Committee's examination of the subject has revealed that as on 28th February, 2010 remedial action/ corrective Action Taken Notes on a total number of 3450 Audit Paragraphs were pending with various Ministries/Departments. This pertains to the period 1995-96 to 2008-09. Out of this, as many as 2208 paras are pending with the Department of Revenue with the break up being, 1453 relating to Direct Taxes (CBDT), 443 paras on Central Excise (CBEC) and 312 paras on Customs (CBEC).

[Para 1 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

Special effort has been put in to reduce pendency of ATNs. In compliance with the observations/recommendations of the PAC the following measures have been initiated to bring down the pendency:—

- (a) A Standing Audit Committee has been constituted under the Revenue Secretary with representatives from the CBEC and CAG to monitor the disposal of ATNs and expeditiously resolve issues relating to contested paras.

- (b) Workshops with officers of the CAG at the level of Director and Joint Secretary have been conducted during the months of July, August and September to facilitate expeditious settlement of paras.
- (c) A special drive has been undertaken to expeditiously complete translation of ATNs into Hindi. As a result 693 have been translated into Hindi out of 1400 paras reported to be pending on this count.
- (d) Close coordination between CAG & Deptt. of Revenue (CBEC—Central Excise & Service Tax) has enabled reconciliation of pendency of outstanding paras. As on 30.09.2010 the No. of paras outstanding (upto to the Audit Report No. 7 of 2008) has been brought down from 443 as reported during Oral evidence in the course PAC's 15th Report (15th Lok Sabha) to 130 paras. Since the then current report (CA 20 of 2009-10, containing 316 paras) is now classified as non-current the present figure out of standing paras is as follows:—
- | | | |
|--|---|-----|
| Outstanding Non-Current Audit Paras as on 28-02-2010 | : | 443 |
| Add: Paras contained in CA 20 of 2009-10 | : | 316 |
| TOTAL | : | 759 |
| Outstanding paras as on 30.09.10 | : | 214 |
| Outstanding with CAG | : | 132 |
| Outstanding with CBEC (C. Excise & Service Tax) | : | 82 |
| Paras settled during the period Feb.-Sept. 2010 | : | 545 |
| Reduction in Pendency | : | 52% |
- (e) It is also brought to the kind notice of the Committee that a serious fire incident which occurred on the night of 26th/27th May 2010 in Hudco Vishala Building on the 5th & 6th Floors severely affected the section dealing with PAC and CAG matters. All Office equipment (Computers, Photocopiers & Fax machines) and large amount of records and files were destroyed in the fire incident. This has adversely affected the functioning of the Section and delayed disposal of the outstanding paras. Records are still in the process of reconstruction, which has been undertaken with assistance of CAG Office and field Offices of the CBEC.

[Ministry of Finance, Department of Revenue) O.M. No. 238/04/2010-CX-7
dated 5th January, 2011]

**Ministry of Finance, Department of Revenue
(Central Board of Direct Taxes)**

Observation/Recommendation No. 1

Non-Compliance by the Ministries/ Departments in timely submission of replies to the Audit paragraphs of C&AG is a matter of great concern to the Public Accounts Committee because such lack of response on the part of the Chief Accounting/

Secretaries of the Ministries/Departments dilutes the role and authority of Parliament and encourages financial indiscipline, frauds and corruption. With effect from March, 1996 Ministries/Departments are required to furnish the remedial/corrective Action Taken Notes to the Public Accounts Committee through the Ministry of Finance (Department of Expenditure) on all those Paragraphs of the Reports of the Comptroller and Auditor General of India, which are not formally taken up by the Committee for examination and Reports presented thereon. Such remedial/corrective Action Taken Notes are to be furnished within four months of the laying of the Audit Reports in Parliament. Nevertheless, the Committee are at pain to note that still there are inordinate delays and persisting failures on the part of a large number of Ministries/Departments in timely submission of Action Taken Reports within the stipulated period of 4 months from the date of laying the Audit Reports on the Table of the House. The Committee's examination of the subject has revealed that as on 28th February, 2010 remedial action/corrective Action Taken Notes on a total number of 3450 Audit Paragraphs were pending with various Ministries/Departments. This pertains to the period 1995-96 to 2008-09. Out of this, as many as 2208 paras are pending with the Department of Revenue with the break up being, 1453 relating to Direct Taxes (CBDT), 443 paras on Central Excise (CBEC) and 312 paras on Customs (CBEC).

[Para 1 of Part—II of the 15th Report of PAC
(15th Lok Sabha)]

Action Taken by Government

The Paragraph is a statement of facts and concerns expressed by the Hon'ble Committee have been noted. Every effort is being made to expedite furnishing of Action Taken Notes (ATNs) at the earliest possible. It is, however, submitted that the pending ATNs pertain to past 8 years (Audit Report Years 1999-2000 to 2006-07) and in the same period the Income Tax Department underwent complete restructuring. As a result, jurisdiction of large number of cases got changed and the process involved physical transfer of records. Because of these problems, it became difficult to trace records in many cases delaying the replies.

The issue of pending ATNs has been taken up with the field formation and 624 ATNs have been furnished since February 2010. However, still there are 733 old draft paras in which ATNs are to be submitted.

Every effort is being made to obtain the requisite information from the field formation (Chief Commissioners of Income Tax) to enable the Ministry to furnish ATNs in the remaining cases at the earliest.

[Ministry of Finance, Department of Revenue O.M.F. No. 240/5/2010-A&PAC-I
dated 28-10-2010]

**Ministry of Finance, Department of Revenue
(Central Board of Direct Taxes)**

Observation/Recommendation No. 2

The Committee observe certain critical shortcomings in the internal audit system of the Department of Revenue—CBDT which are responsible for the Non-Compliance by

the Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG of India. For instance, while preparing Remedial/Corrective Action Taken Notes Internal audit missed a number of Facts/Figures and issues which the Audit had to point out and make corrections later on thus delaying the finalization and furnishing of the Action Taken Notes. The Committee recommend that the Department of Revenue—CBDT should take corrective measures at their level to streamline the existing internal audit system to ensure that no requisite information is missed out at any stage of auditing. They further recommend that a strong and effective mechanism should be put in place to ensure that the issue of Non-Compliance by the Departments in timely submission of replies to the Audit paragraphs of C&AG be settled conclusively and the same issues do not recur.

[Para 2 of Part—II of the 15th Report of PAC
(15th Lok Sabha)]

Action Taken by Government

The period under consideration in the present report of the Public Accounts Committee is 1999-2000 to 2006-07. During this period the internal audit in the Income Tax Department was being done through the Chain Audit System which was subsequently found to be ineffective. This system was replaced by the new Internal Audit System with effect from 01-06-2007. Details of the same have already been submitted to the Hon'ble Committee and find mention at Para 16 of Part-I of this report. Central Board of Direct Taxes (CBDT) issued an instruction on the subject *vide* F. No. 246/109/2004-A & PA C.I dtd. 17.04.2007 as Instruction No. 3 of 2007. It is a comprehensive instruction prescribing, *inter alia*, targets for internal audit by dedicated audit teams headed by different levels of officers of the department depending upon the Income limits of cases assessed. In order to ensure uniform and systematic auditing a check list was issued on 10-03-2008 for use by the Internal Audit wing of the department. However, this check list was found wanting and committee headed by a Chief Commissioner of Income tax was formed for re-writing the Audit Manual and the check list for Internal Audit. The revised Check List is exhaustive and has been approved for issue to be used by the Internal Audit of the Income Tax Department. The Director General of Income Tax (Admn.) has also been directed to revisit the Check List after two years based upon the experience gained.

With the introduction of new Internal Audit System, the processes have got streamlined. However, because of sever constraints on manpower front, the desired pace is yet to be achieved. The Department is making sincere efforts to overcome the problem of shortage of manpower.

The timely submission of replies to the Audit Paragraphs of C&AG, has been taken up on priority and the CBDT has asked all the Chief Commissioners of Income Tax (Cadre Controlling Authority) to expedite submission of reports/ATNs. This was followed up during the month of April, 2010 by the Member (A&J), CBDT through holding review meeting with all the Chief Commissioners of Income Tax of Delhi, Chennai and Mumbai which constitute a majority of the pendency. In the Annual Conference of the Chief Commissioners and Director Generals on 09th & 10th June, 2010, this issue was again taken up and all the senior officers were

sensitized about the urgency of the matter and they were asked to ensure that replies in all the pending cases should be sent most urgently. Comprehensive guidelines issued *vide* instruction No. 9 of 2006 of the CBDT prescribing the modalities in which the Audit Paragraphs received from the C&AG, are to be dealt with, were reiterated. These guidelines prescribe the procedure from the initial stage— *i.e.*, the requisitioning of records by the Local Audit Parties of the C&AG from the Assessing Officers till the final submission of ATNs. Time lines for each stage along-with the responsibility of officers to ensure due compliance has also been prescribed. In order to give focused attention, the CBDT has included the implementation of instruction No. 9 as part of the Central Action Plan for the Financial Year 2010-11. The progress is being regularly monitored at the level of Member in the Central Board of Direct Taxes.

The Cabinet Secretary held a meeting on 17-06-2010 of the Committee of Secretaries to review the work of submission of ATNs on paras contained in the C&AG Audit reports and the Public Accounts Committee reports laid on the table of the Parliament. Further, a Standing Audit Committee in the Department of Revenue under the Chairmanship of the Revenue Secretary has been constituted to review the progress of work relating to the submission of ATNs wherein the C&AG has been requested to nominate an officer of the rank of Director General/Principal Director to enable better co-ordination in disposal of the pendency.

[Ministry of Finance, Department of Revenue O.M.F. No. 240/5/2010-A&PAC-I dated 28-10-2010]

**Ministry of Finance, Department of Revenue
(Central Board of Excise & Customs)**

Observation/Recommendation No. 3

(a) The Committee take serious note of the inordinate delay in the submission of Action Taken Notes on the part of the Department of Revenue on the plea that many of these cases are pending in various courts. The Committee are of the opinion that timely submission of Action Taken Notes has nothing to do with the finality of the matter through the judicial process because what is sought from the Ministry is the information on Action Taken by the Department on the Audit observation within a period of four months from the date of laying of the Audit observation within a period of four months from the date of laying of the Audit Report on the Table of the House. If necessary, these Action Taken Notes may include necessary details of judicial processes like serving, going in for appeal etc. as well as the Action Taken by the Ministry/Department on the Audit Paras. The Committee therefore, recommend that notwithstanding the court cases. Action Taken Notes must be forwarded within the prescribed period of four months.

(b) The Committee would like to know the measures contemplated by the Ministry to obviate systemic deficiencies and to remove ambiguities in the law in this regard so as to bring down the number of court cases.

[Para 3 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

- (a) The Directions of the PAC have been complied with From March 2010 to Sept. 2010—ATN have been submitted to the CAG incorporating the status of the case i.e. whether pending with appellate authorities or courts—with details of the action taken by the Deptt. in response to observation of the Audit.
- (b) The steps taken to bring down the court cases and disputes are:—
- (i) The Department selectively, places on the website draft circulars, draft regulations etc. inviting comments from field formations and trade bodies so that likely difficulties and disputes can be removed at draft stage.
 - (ii) The Department has set up a Directorate of Legal Affairs with the mandate of closely monitoring cases before CESTAT, High Courts and Supreme Courts.
 - (iii) The Department has a Policy Wing and Tax Research Unit which formulates policies relating to the Act and addresses disputes by issue of instructions under Section 37B and takes up references from the field formations/trade bodies/assesseees for amendments of the act and notification for rationalization of duties.
 - (iv) The Department has also taken several steps for improving the quality of representation before the Tribunal and Courts. Some of the steps taken are by way of circulars:
 - (1) F.No. 390/Misc./411/07-JC dated 7.1.2008
 - (2) F. No. 390/Misc./411/07-JC dated 6.2.2008
 - (3) Circular No. 863/1/2008-CX dated 2.1.2008
 - (4) F.No. 390/Misc./100/09-JC dated 3.6.2009

[Ministry of Finance, Department of Revenue O.M. No. 238/04/2010-CX-7
dated 5th January, 2011]

**Ministry of Finance, Department of Revenue
(Central Board of Direct Taxes)**

Observation/Recommendation No. 3

The Committee take serious note of the inordinate delay in the submission of Action Taken Notes on the part of the Department of Revenue on the plea that many of these cases are pending in various courts. The committee are of the opinion that timely submission of Action Taken Notes has nothing to do with the finality of the matter through the judicial process because what is sought from the Ministry is the information on Action Taken by the Department on the Audit observation within a period of four months from the date of laying of the Audit Reports on the Table of the House. If necessary, these Action taken Notes may include necessary details of judicial

processes like serving of notices, going in for appeal etc. as well as the Action Taken by the Ministry/Department of the Audit paras. The Committee therefore, recommend that notwithstanding the court cases, Action Taken Notes must be forwarded within the prescribed period of four months. The Committee would like to know the measures contemplated by the Ministry to obviate systemic deficiencies and to remove ambiguities in the law in this regard so as to bring down the number of court cases.

[Para 3 of Part-II of the 15th Report of PAC,
(15th Lok Sabha)]

Action Taken by Government

Recommendations of the Hon'ble Committee have been noted. It is submitted that the observations of the committee have been conveyed to the field formation clarifying that pendency of matters in the courts has nothing to do with submission of Action Taken Notes within prescribed period of four months.

Regarding reducing litigation, the Finance Minister has constituted a Committee headed by Member (A&J), CBDT which has held several meetings. Report of the Committee is expected by the end of 2010. However some of the initiatives taken by the Department to reduce litigation include decision to implement National Judicial Reference System (JRS) which will comprise of repository data base of all reported and unreported judgements of ITAT, High Courts and the Supreme Court. Besides, the statutory provisions, allied laws, circulars, instructions etc. will be accessible in e-form. The JRS will have facility of a search engine to peruse through/search for cases in the repository data base as well as in the data base for tracking the appeals (the judicial monitoring data base). **Such a system will help in the following manner:**

- It will help in tracking all appeals in ITAT, High Courts and the Supreme Court.
- It will facilitate issuing alerts and reminders in case of delays in filing appeals.
- It will empower the Assessing Officers in arriving at just and fair assessment orders through easy accessibility to judicial information, case laws and judgements. It will help in improving the quality of assessment orders. This is one of the important challenges before the department as poor quality high pitched orders often result in appeals which are difficult to be defended before the tribunal and courts. Since substantial revenue is often entailed, the officers concerned tend to pursue these cases in appeal.
- Easy availability of this data base will help the Assessing Officers and the supervisory officers (Joint/Additional Commissioners and Administrative Commissioners) to know latest judgements of Supreme Court, various High Courts and ITAT on a issue and thus help to avoid frivolous litigation.
- It will assist the Departmental Representatives/Counsels in improving the quality of representation before Tribunal & Courts and enhancing the success rate of the department in appeals.

The JRS is expected to be operational during Financial Year 2011-12

[Ministry of Finance, Department of Revenue O.M.F. No. 240/5/2010-A&PAC-I
dated 28-10-2010]

**Ministry of Finance, Department of Revenue
(Central Board of Excise & Customs)**

Observation/Recommendation No. 4

(a) The Committee feel that Department of Revenue which are stated to be facing certain practical difficulties in adhering to the prescribed period of four months for furnishing the Remedial/Corrective Action Taken Notes, should overhaul the concerned section/wing by inducting more manpower and machinery so as to comply with the mandatory requirement.

(b) The Committee also recommend that the Department institutionalize half yearly meetings between the Department and the Office of C&AG at the level of Joint Secretary and above and quarterly meetings at the Director's level to reconcile the quantum of pendency and also to settle the controversial/disputed issues, facts and figures etc.

(c) The Committee further recommend that the work of computerization of records and building of electronic database should be expedited to improve the monitoring and quick disposal/submission of Action Taken Notes by the Department.

[Para 4 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

- (1) It is also brought to the kind notice of the Committee that a serious fire incident which occurred on the night of 26th/27th May 2010 in Hudco Vishala Building on the 5th & 6th Floors severely affected CBEC office among which is also the section dealing with PAC matters. All Office equipment (Computers, Photocopiers & Fax machines) and large amount of records and files were destroyed in the fire incident. This has adversely affected the functioning of the Section and delayed disposal of the outstanding paras. Records are still in the process of reconstruction, which has been undertaken with assistance of CAG Office and field Offices of the CBEC.
- (2) The Department is in the process of augmenting officers working in the section. Due to the fire incident there is limited infrastructure and equipment available. Upon resurrection of the office space and machinery, proposals for enhancing manpower and equipment (Fax Machines, Photocopiers, Computers, Vehicles etc.) which are at various stages of approval, will be implemented.
- (3) A Standing Audit Committee has been constituted under the Revenue Secretary with representatives from the CBEC and CAG to monitor the disposal of ATNs and expeditiously resolve issues relating to contested

paras. Workshops with officers of the CAG at the level of Director and Joint Secretary have been conducted during the months of July, August and September to facilitate expeditious settlement of paras.

- (4) The work relating to computerisation of Audit paras for the last 10 years has been completed to enable better monitoring of compliance.

[Ministry of Finance, Department of Revenue O.M.No.238/04/2010-CX-7
dated 5th January, 2011]

**Ministry of Finance, Department of Revenue
(Central Board of Direct Taxes)**

Observation/Recommendation No. 4

The Committee feel that Department of Revenue which are stated to be facing certain difficulties in adhering to the prescribed period of four months for furnishing the remedial/corrective Action Taken Notes, should overhaul the concerned section/wing by inducting more manpower and machinery so as to comply with the mandatory requirement. The Committee also recommend that the Department institutionalize half yearly meetings between the Department and the office of C&AG at the level of Joint Secretary and above and quarterly meetings at the Director's level to reconcile the quantum of pendency and also to settle the controversial/disputed issues, facts and figures etc. The Committee further recommend that the work of computerization of records and building of electronic database should be expedited to improve the monitoring and quick disposal/submission of Action Taken Notes by the Department.

[Para 4 of Part-II of the 15th Report of PAC
(15th Lok Sabha)]

Action Taken by Government

Following the directions of the Hon'ble Committee, the first meeting for reconciling the pendency between the officers of C&AG of India and the CBDT, took place on 05-03-2010. Subsequent reconciliation was done in August 2010. The latest reconciliation has been done on 27-10-2010.

Further, a Standing Audit Committee in the Department of Revenue under the chairmanship of the Revenue Secretary has been constituted to review the work relating to timely submission of ATNs. The C&AG has been requested to nominate an officer of the rank of Director General/Principal Director to this Committee for better co-ordination in disposal of the pendency and to resolve controversial/disputed issues.

The task of preparing electronic database of pending Audit Paras was taken up and the same is nearing completion. The database will facilitate in better monitoring of pending cases. This mechanism would be reviewed after 31-03-2011 and further corrective measures, as required, will be taken.

[Ministry of Finance, Department of Revenue O.M.F. No. 240/5/2010-A&PAC-I
dated 28-10-2010]

**Ministry of Finance, Department of Revenue
(Central Board of Direct Taxes)**

Observation/Recommendation No. 5

The Committee take note of the fact that while discussing the case of M/s Indian Overseas Bank (Para 3.24.2 of CAG's Audit Report No. 8 of 2007), the Department of Revenue informed the Sub-Committee that remedial action had already been taken by them in 2006. The Committee do not see any plausible reason why this fact could not have been brought to the notice of the audit in 2006 itself. They further recommend that the filed formations of Income Tax Department should invariably endorse a copy of Proforma Reports on paragraphs included in Audit Report to the Office of the C&AG of India so that instances of such nature do not recur in future. The Committee also learn that comprehensive guidelines, *vide* instruction No. 9 of 2006 of the CBDT prescribing modalities in which the Audit paragraphs received from C&AG are to be dealt with had been issued by the Department as early as 2006. The Committee are to the considered opinion that when such elaborate instructions and guidelines have been made available to the officers to deal with Audit paragraphs, responsibility should be fixed for those responsible for not submitting the Action Taken Notes within the stipulated time.

[Para 5 of Part-II of the 15th Report of PAC
(15th Lok Sabha)]

Action Taken by Government

As per the extant practice, the Accountant General (AG) concerned issues a Statement of Fact (SOF) to the Commissioner of Income Tax concerned when the AG proposes to include an audit objection in the report as an audit para. As per Instruction No.9 of 2006 issued by the CBDT, following receipt of the SOF, the Commissioner concerned has to furnish a reply directly to the AG concerned. Thus, reply of the Commissioner to the audit objection is already with the C&AG. However, the audit objection gets converted into audit para when the C&AG is not satisfied with the views of the Commissioner & there is difference of opinion. In such a situation, endorsing a further copy may not serve the purpose since the C&AG needs reply of the Ministry on the Audit Para included in their report presented before the Parliament. It is also submitted that if field officers are asked to submit reply to an audit para included in the report directly to C&AG, it may be difficult to maintain uniformity of approach on important and contentious issues. As per present practice, report of the Commissioner is examined in CBDT to maintain uniformity keeping in view the legislative intent and the latest judicial pronouncements. In view of this, the present practice may be allowed to continue. However, administrative measures are being taken to see that the replies are furnished within the prescribed time limit.

Instruction No. 9 of 2006 prescribes in para 7 detailed procedures through which responsibility needs to be fixed for lapse in dealing with revenue audit objections. In all cases of the audit paras where ATNs are pending, the facts are examined critically to see that instances of gross negligence and dereliction of duty are duly identified for initiation of appropriate proceedings against the Officers/Officials concerned.

[Ministry of Finance, Department of Revenue O.M.F. No. 240/5/2010-A&PAC-I,
dated 28.10.2010]

**Ministry of Finance, Department of Revenue
(Central Board of Direct Taxes)**

Observation/Recommendation No. 6

In view of the unsatisfactory performance of the Ministries/Departments in timely submission of Action Taken Notes, the Committee recommend the following measures to avoid future pendencies: (i) Necessary arrangements should be made to ensure submission of the Action Taken Notes on all the paragraphs of the Audit Reports of C&AG of India strictly within the stipulated period of four months; (ii) there should be a time bound mechanism to monitor and follow up of Audit paragraphs periodically even after furnishing the first Action Taken Note till the issue is settled; (iii) all the field formations of Ministry of Finance (Department of Revenue) should be suitably instructed to take appropriate action against the defaulters promptly and intimate the same to the Ministry and then to the C&AG without any delay and; (iv) all the paragraphs related to earlier Reports should also be reviewed and a timeframe should be specified to finalize them. In the light of the submissions/suggestions made by senior functionaries of the Revenue Department and the importance of the subject. It was decided to examine the issue further in the next fiscal year to ensure the compliances of the Committee's recommendation.

[Para 6 of Part-II of the 15th Report of the PAC
(15th Lok Sabha)]

Action Taken by Government

Measures suggested by the Committee have been duly noted and various steps have been taken. These include:

- (1) The task of preparing Electronic database of the pending cases has been taken up and the same is nearing completion. All current draft paras are also being maintained in the electronic database. This will facilitate more efficient data management & more effective supervision & monitoring.
- (2) The issue of timely submission of replies to C&AG has been included in the Central Action Plan of CBDT for the Financial Year 2010-11 with a view to give focused attention to the subject matter. This aspect is monitored at the level of Member (CBDT) regularly.
- (3) The Chief Commissioners of Income Tax have been asked to ensure timely submission of replies and take necessary action against officials who are found grossly negligent in this regard.
- (4) All the paragraphs related to earlier reports which were pending for ATNs have been identified and concerted efforts are being made to submit ATNs in all such cases. All pending cases have been reviewed and target for submission of ATNs in all such cases has been fixed as 31st March 2011.

[Ministry of Finance, Department of Revenue O.M.F. No. 240/
5/2010-A&PAC-I, dated 28-10-2010]

**Ministry of Finance, Department of Revenue
(Central Board of Excise & Customs)**

Observation/Recommendation No. 6

In view of the unsatisfactory performance of the Ministries/Departments in timely submission of Action Taken Notes, the Committee recommend the following measures to avoid future pendencies: (i) Necessary arrangements should be made to ensure submission of the Action Taken Notes on all the paragraphs of the Audit Reports of C&AG of India strictly within the stipulated period of four months; (ii) there should be a time bound mechanism to monitor and follow up of Audit paragraphs periodically even after furnishing the first Action Taken Note till the issue is settled; (iii) all the field formations of Ministry of Finance (Department of Revenue) should be suitably instructed to take appropriate action against the defaulters promptly and intimate the same to the Ministry and then to the C&AG without any delay and; (iv) all the paragraphs related to earlier Reports should also be reviewed and a timeframe should be specified to finalize them. In the light of the submissions/suggestions made by senior functionaries of the Revenue Department and the importance of the subject it was decided to examine the issue further in the next fiscal year to ensure the compliance of the Committee's recommendation.

[Para 6 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

- (1) The instructions have been noted for compliance.
- (2) The pendency has been brought down from 443 as on 28.02.2010 to 133 as on 31.12.2010, a reduction of 70% (Paras from 1995-96 to 2007-08).
- (3) Comments with respect to observation/recommendation No. 4 also refer.

[Ministry of Finance, Department of Revenue O.M. No. 238/04/2010-CX-7
dated 21.2.2011]

**Ministry of Finance, Department of Revenue
(Central Board of Excise & Customs)**

Observation/Recommendation No. 8

The Committee, taking note of the serious and complicated nature of the dispute in regard to classification of Hair Oil, observe that the Department should consider taking steps to bring the matter to the Supreme Court and to finally get them settled by the Apex Court in case such matters are pending in the various High Courts. This is imperative because the possibility of different verdicts/judgments by High Courts may lead to uncertainty in the law.

[Para 8 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

In regard to classification of Hair Oil, 11 cases are pending before various High Courts. These are as follows:—

ZONE	NAME OF THE PARTY (M/s)	WRIT PETITION No./HIGH COURT
Cochin	Marico Ind., Palakkad	16810 of 2009 (High Court of Kerala)
	KPL Oil Mills Thrissur	19673 of 2009 (High Court of Kerala)
	KLF Oil Mills Pvt. Ltd.	19369 of 2009 (High Court of Kerala)
	K&P Associates	36547 of 2009 (High Court of Kerala)
Pune	Marico Ltd., Goa	373 of 2009 (Mumbai High Court of Goa)
	Siddivinayak Pack Goa	375 of 2009 (Mumbai High Court of Goa)
	Plastic Export Zundert	348 of 2009 (Mumbai High Court of Goa)
Hyderabad	Recon Oil Industries Ltd.	23387 of 2009 (A P High Court)
Hyderabad	Nilgiri Oil & Job workers	26751 of 2009 (A P High Court)
Mumbai	Kamani Oil Industries (P) Ltd.	5395 of 2009 (High Court of Mumbai)
Bhopal	Dabur India, Pithampur	9851 of 2009 (MP High Court, Jabalpur)

In compliance of the directions of the PAC, the Department has in consultation with the Central Agency Section, Ministry of Law, drafted and filed a Transfer Petition before the Hon'ble Supreme Court to transfer the cases before the High Courts and club these with Civil Appeal No. 16595/2009 CCE Chennai Vs. M/s Aishwarya Industries and others and CA 1766/2009 in the matter of M/s Madhan Agro Industries Ltd., both of which are pending before the Hon'ble Supreme Court.

[Ministry of Finance, Department of Revenue O.M. No. 238/04/2010-CX-7
dated 5th January, 2011]

**Ministry of Finance, Department of Revenue
(Central Board of Excise & Customs)**

Observation/Recommendation No. 9

The Committee regret to observe that the Ministry of Finance and the Ministry of Commerce did not furnish the Action Taken Notes on para No. 7.1 of Audit Report No. 10 of 1998 relating to "Non-fulfilment of export obligation (Customs Receipts)" even after twelve years from the date of the Audit Report being Tabled in the Parliament. This case was re-examined by the Ministries only after the Committee selected it for examination. This reflects the inadequacy of monitoring mechanism in the Department of Revenue- CBEC. The Committee recommend that the existing mechanism of furnishing Action Taken Notes by the Ministries streamlined to ensure that they are furnished within the stipulated time. The Committee further recommend that purposive remedial

action be taken to avoid inordinate delays in furnishing the Action Taken Notes in future. Officials responsible for lapses in this regard be cautioned and called to account.

[Para 9 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

The recommendation of the Committee have been noted for strict compliance. The mechanism to monitor the audit paras has been strengthened and it is submitted that no delays in replying to audit paras shall occur in future.

[Ministry of Finance, Department of Revenue O.M. No. 603/1/2010-DBK
dated 9th February, 2011]

Ministry of Finance, Department of Revenue (Central Board of Excise & Customs)

Observation/Recommendation No. 10

The Committee learn that seven quantity based advance licences were issued by the Director General of Foreign Trade (DGFT) between February 1993 and October 1995 for duty free import of goods valued at Rs. 279.97 crore with a matching Export Obligation (EO) of Rs. 506.24 crore to be fulfilled within a period of 12 months. Since the EO was not fulfilled by the licensees, a sum of Rs. 432.47 crore, equivalent to shortfall in EO. (Rs. 263.51 crore being the amount of unutilized imports) and a sum of Rs. 191.59 crore being the customs duty on the unutilized value of imported materials together with interest at the rate of 24 per cent per annum amounting to Rs. 143.44 crore, were payable by the licensee. In addition, violation of conditions attached to the duty free licence also attracted penalty under the Foreign Trade (Development & Regulation) Act, 1992. The Committee, therefore, recommend that the total amount of money payable by the licensees amounting to Rs. 767.6 crore be recovered at the earliest alongwith the required penalties and interest. To prevent such cases in future the Department of Revenue and the Ministry of Commerce must formulate a suitable mechanism so that there is no loss of revenue to the Government of India.

[Para 10 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

Policy guidelines have issued by Ministry of Commerce on monitoring of EO *vide* letter No. 01/94/180/1060/AM-10/PC-4/ dated 27-7-2010 to all the Regional Authorities, who have been instructed to meticulously monitor the Export Obligation and take appropriate action as per FT(DR) Act, 1992 for recovery in cases of non-fulfilment within the specified time period. The matter is being monitored and followed up on continuous basis.

The Department of Revenue has issued circular No. 5/2010-Customs dt. 16-3-2010 hereby the filed formations have been directed to monitor the export obligations effectively and to ensure that the Government revenue is safeguarded in cases of default.

Vetting comments of Audit

The Ministry of Finance Department of Revenue has issued directions to all field formation to monitor the Export Obligation effectively in case of default to prevent loss of revenue to the Government.

As mentioned in Para 11, out of seven licences, four were redeemed and one cancelled. Action taken in remaining two cases outlined in Para 11. Audit has no further comments on this para.

Ministry's comments on vetting comments of Audit

No further action is required.

[Ministry of Finance, Department of Revenue O.M. No. 238/04/2010-CX-7,
dated 5th January, 2011]

Para No. 10 of Observation/Recommendation No. 10

Ministry of Finance, Department of Revenue

Observation/Recommendation of PAC	Action Taken by Government	Vetting Comments	ATN of DOR on vetting comments
<p>The Committee learn that seven quantity based advance licenses were issued by the Director General of Foreign Trade (DGFT) between February 1993 and October 1995 for duty free import of goods valued at Rs. 279.97 crore with a matching export obligation (EO) of Rs. 506.24 crore to be fulfilled within a period of 12 months. Since the EO was not fulfilled by the licensees, a sum of Rs. 432.47 crore, equivalent to shortfall in EO. (Rs. 263.51 crore being the amount of unutilized imports) and sum of Rs. 191.59 crore being the customs duty on the unutilized value of imported materials together with interest at the rate of 24 per cent per annum amounting to Rs. 143.44 crore, were payable by the licensee. In addition, violation of conditions attached to the duty free licence also attracted penalty under the Foreign Trade (Development & Regulation) Act, 1992. The Committee, therefore, recommend that the total amount of money payable by the licensees amounting to Rs. 767.6 crore be recovered at the earliest alongwith the required penalties and interest. To prevent such cases in future the Department of Revenue and the Ministry of Commerce must formulate a suitable mechanism so that there is no loss of revenue to the Government of India.</p> <p>(Sl. No.; AppendixDAP No. 203 Para 7.1 of the 1996-97.</p> <p>15th Report of the Public Accounts Committee (15th Lok Sabha)</p>	<p>Policy guidelines have issued by Ministry of Commerce on monitoring of EO <i>vide</i> letter No. 01/94/180/1060/AM-10/PC-4/ dated 27.7.2010 (copy enclosed) to all the Regional Authorities, who have been instructed to meticulously monitor the Export obligation and take appropriate action as per FT(DR) Act, 1992 for recovery in cases of non-fulfilment within the specified time period. The matter is being monitored and followed up on continuous basis.</p> <p>The Department of Revenue has issued Circular No. 5/2010-Customs dt. 16.3.2010 whereby the field formations have been directed to monitor the export obligations effectively and to ensure that the Government revenue is safeguarded in cases of default.</p> <p>(submitted on 2.11.2010)</p>	<p>The Ministry of Finance Department of Revenue has issued directions to all field formation to monitor the Export Obligation effectively in case of default to prevent loss of revenue to the Government.</p> <p>As mentioned in Para 11, out of seven licences, four were redeemed and one cancelled. Action taken in remaining two cases outlined in Para 11. Audit has no further comments on this para.</p> <p>(vetted by C&AG on 22.11.2010)</p>	<p>No further action is required.</p>

**Ministry of Finance, Department of Revenue
(Central Board of Excise & Customs)**

Observation/Recommendation No.11

The Committee take serious note of the fact that the Department of Revenue-CBEC completely failed to furnish Remedial/Corrective Action Taken Notes for more than 12 years on the Audit paragraph No. 7.1 of C&AG's Report No. 10 of 1998, Union Government despite Audit pointing out the delay way back in October 1997. Only after selection of the para for examination by the Committee, the DGFT under the Ministry of Commerce intimated in the meeting held on 5th February, 2010 that three out of the seven licences had been redeemed on (i) 12 July, 2000 (M/s BHEL), (ii) 6 February, 2002 (M/s Maruti Udyog Ltd) and (iii) 27 January, 2010 (M/s Maruti Udyog Ltd). Subsequently in the meeting held on 23 February, 2010, the Director General of Foreign Trade intimated that EO had been fulfilled in respect of M/s CEGELEC and that the licence had been redeemed on 30.03.1999, the unutilized licence of M/s Ballarpur Industries Ltd. was surrendered and cancelled on 9 March, 2000 (Review Order dated 19 February, 2010) and the remaining two licensees M/s DCM Toyota and M/s Pearl International had been declared defaulters and that adjudication orders had been passed. Imposing penalty under the FT (D&R) Act in February 2010.

[Para 11 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

M/s DCM Toyota Ltd. has been declared defaulter. An adjudication order under FT(DT) Act, 1992 has been issued by Ministry of Commerce by imposing penalty of Rs. 32.23 crores on the firm, followed by issuance of a recovery letter dated 11.06.2010 to Chief Secretary, New Delhi. Further, Regional Authority New Delhi has initiated action for fixing the responsibility for the delay in action in monitoring the Export Obligation.

M/s Pearl Intl. Ltd also has been declared defaulter and placed under Denied Entity thereby stopping all benefits under the Foreign Trade Policy. An adjudication order under FT(DR) Act, 1992 has also been issued by Ministry of Commerce and a penalty of Rs. 90.45 crores has been imposed on the firm. This has been followed by issuance of a recovery letter dated 11.05.2010 to Chief Secretary, New Delhi. Further, Regional Authority, New Delhi has initiated action for fixing the responsibility for the delay in action in monitoring the Export Obligation.

Vetting comments of Audit

Ministry may intimate the PAC of the outcome of the action taken against two licensees. It may also give the details of action taken on officials on whom responsibility has been fixed.

Ministry's comments on vetting comments of Audit

DGFT has been requested to intimate the action taken.

[Ministry of Finance, Department of Revenue O.M. No. 238/04/2010-CX-7,
dated 5th January, 2011]

Para No. 11 of observation/recommendation No. 11

Ministry of Finance, Department of Revenue

Observation/Recommendation of PAC	Action Taken by Government	Vetting Comments	ATN of DOR on vetting comments
<p>The Committee take serious note of the fact that the Department of Revenue-CBEC completely failed to furnish Remedial/Corrective Action taken Notes for more than 12 years on the Audit paragraph No. 7.1 of C&AG's Report No. 10 of 1998, Union Government despite Audit pointing out the delay way back in October 1997. Only after selection of the para for examination by the Committee, the DGFT under the Ministry of Commerce intimated in the meeting held on 5th February, 2010 that three out of the seven licences had been redeemed on (i) 12 July, 2000 (M/s BHEL), (ii) 6 February, 2002 (M/s Maruti Udyog Ltd.), and (iii) 27 January, 2010 (M/s. Maruti Udyog Ltd.). Subsequently in the meeting held on 23 February, 2010, the Director General of Foreign Trade intimated that EO had been fulfilled in respect of M/s CELEC and that the licence had been redeemed on 30.03.1999, the unutilized licence of M/s Ballarpur Industries Ltd., was surrendered and cancelled on 9 March, 2000 (Review Order dated 19 February, 2010) and the remaining two licensees M/s DCM Toyota and M/s Pearl International had been declared defaulters and that adjudication orders had been passed, imposing penalty under the FT (D&R) Act in February, 2010.</p> <p>(Sl. No....; Appendix.... DAP No. 203 Para 7.1 of the 1996-97. 15th Report of the Public Accounts Committee (15th Lok Sabha)</p>	<p>M/s DCM Toyota Ltd. has been declared defaulter. An adjudication order under FT(DT) Act, 1992 has been issued by Ministry of Commerce by imposing penalty of Rs. 32.23 crores on the firm, followed by issuance of a recovery letter dated 11.06.2010 to Chief Secretary, New Delhi. Further, Regional Authority, New Delhi has initiated action for fixing the responsibility for the delay in action in monitoring the Export Obligation.</p> <p>M/s Pearl Intl. Ltd. also has been declared defaulter and placed under Denied Entity thereby stopping all benefits under the Foreign Trade Policy. An adjudication order under FT (DR) Act, 1992 has also been issued by Ministry of Commerce and a penalty of Rs. 90.45 crores has been imposed on the firm. This has been followed by issuance of a recovery letter dated 11.05.2010 to Chief Secretary, New Delhi. Further, Regional Authority, New Delhi has initiated action for fixing the responsibility for the delay in action in monitoring the Export Obligation.</p> <p>(submitted on 2.11.2010)</p>	<p>Ministry may intimate the PAC of the outcome of the action taken against two licensees. It may also give the details of action taken on officials on whom responsibility has been fixed.</p> <p>(vetted by C&AG on 22.11.2010)</p>	<p>DGFT has been requested to intimate the action taken.</p>

**Ministry of Finance, Department of Revenue
(Central Board of Excise & Customs)**

Observation/Recommendation No. 12

The Committee believe that monitoring of licences issued under Export Promotion Schemes is the foremost duty of the licensing authority to ensure that there are no leakages of revenue. Since the Ministries did not take action on the instant case for 12 years although it was pointed out by audit, there appears to be total indifference on the part of the officials concerned in monitoring obligations and responding to audit. The Committee recommend that coordination between the two Ministries should be strengthened to prevent recurrence of such lapses. The Ministry of Finance should strengthen the mechanism to monitor the cases where license has availed the benefit of duty-free imports. In the meanwhile, the DGFT authorities should follow up and monitor the cases where the licensee have not fulfilled the prescribed conditions. The Committee further recommend that show cause-cum-demand notices be issued, pursued properly and recovery proceedings, if required, be initiated at the earliest in such cases. The Committee fear that there may be many such other similar unreported cases as well. The Committee, therefore, recommend that the Ministries/Department concerned must look into such cases and necessary rectifications be carried out at the earliest. The Committee further recommend that the Ministry/Department must re-enforce the confidence of the people that the laws and procedures are fair and just and are being implemented in the spirit in which these should be.

[Para 12 of the 15th Report of the Public Accounts Committee,
(15th Lok Sabha)]

Action Taken by Government

The Department of Revenue has issued Circular No. 5/2010-Customs dt. 16-3-2010 whereby the field formations have been directed to monitor the Export Obligations (EO) effectively and to ensure that the Government revenue is safeguarded in cases of default.

The Ministry of Commerce has also issued Policy guidelines regarding monitoring of EO *vide* letter No. 01/94/180/1060/AM-10/PC-4/dated 27-7-2010 (copy enclosed) to all the Regional Authorities, who have been instructed to meticulously monitor the Export Obligation and take appropriate action as per FT (DR) Act, 1992 for recovery in cases of non-fulfilment within the specified time period.

Vetting comments of Audit

Ministry of Finance, Department of Revenue has issued instructions to the field formation to ensure the Government revenue is safeguarded in case of default. Ministry of Commerce has also issued policy guidelines to monitor meticulously the Export Obligation and take appropriate action for recovery in case of non-fulfilment of Export Obligations.

Ministry has mentioned nothing about initiative taken to strengthen the coordination between the two Ministries as observed by the PAC. It has not indicated whether it

made any effort to ascertain similar unreported cases. Nothing has been stated on the action it has contemplated/initiated in such cases.

Ministry's comments on vetting comments of Audit

The Commissioners have been sensitized to hold regular meetings with DGFT officials so that timely action is taken against the defaulters.

[Ministry of Finance, Department of Revenue O.M. No.238/04/2010-CX-7, dated
5th January, 2011]

Ministry of Finance, Department of Revenue

Para No. 12 of Observation/Recommendation No. 12

Observation/Recommendation of PAC	Action Taken by Government	Vetting Comments	ATN of DOR on vetting comments
<p>The Committee believe that monitoring of licences issued under Export Promotion Schemes is the foremost duty of the licensing authority to ensure that there are no leakages of revenue. Since the Ministries did not take action on the instant case for 12 years although it was pointed out by audit, there appears to be total indifference on the part of the officials concerned in monitoring obligations and responding to audit. The Committee recommend that coordination between the two Ministries should be strengthened to prevent recurrence of such lapses. The Ministry of Finance should strengthen the mechanism to monitor the cases where licensee has availed the benefit of duty-free imports. In the meanwhile, the DGFT authorities should follow up and monitor the cases where the licensees have not fulfilled the prescribed conditions. The Committee further recommend that showcause-cum-demand notices be issued, pursued properly and recovery proceedings, if required, be initiated at the earliest in such cases. The Committee fear that there may be many such other similar unreported cases as well. The Committee, therefore, recommend that the Ministries/ Department concerned must look into such cases and necessary rectifications be carried out at the earliest. The Committee further recommend that the Ministry/Department must enforce the confidence of the people that the laws and procedures are fair and just and are being implemented in the spirit in which these should be.</p> <p style="text-align: right;">(Sl. No.; Appendix.....DAP No. 203 Para 7.1 of the 1996-97. 15th Report of the Public Accounts Committee (15th Lok Sabha)</p>	<p>The Department of Revenue has issued Circular No. 5/2010—Customs dt. 16-3-2010 whereby the field formations have been directed to monitor the Export Obligations (EO) effectively and to ensure that the Government revenue is safeguarded in cases of default. The Ministry of Commerce has also issued Policy guidelines regarding monitoring of EO <i>vide</i> letter No. 01/94/180/1060/AM-10/PC-4 dated 27-7-2010 (copy enclosed) to all the Regional Authorities, who have been instructed to meticulously monitor the Export Obligation and take appropriate action as per FT (DR) Act, 1992 for recovery in cases of non-fulfilment within the specified time period.</p> <p style="text-align: right;">(Submitted on 2-11-2010)</p>	<p>Ministry of Finance, Department of Revenue has issued instructions to the field formation to ensure the Government revenue is safeguarded in case of default. Ministry of Commerce has also issued policy guidelines to monitor meticulously the Export Obligation and take appropriate action for recovery in case of non-fulfilment of export Obligations. Ministry has mentioned nothing about initiative taken to strengthen the coordination between the two Ministries as observed by the PAC. It has not indicated whether it made any effort to ascertain similar unreported cases. Nothing has been stated on the action it has contemplated/initiated in such cases.</p> <p style="text-align: right;">(Vetted by C&AG on 22-11-2010)</p>	<p>The Commissioners have been sensitized to hold regular meetings with DGFT officials so that timely action is taken against the defaulters.</p>

CHAPTER III

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

-NIL-

CHAPTER IV

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

-NIL-

CHAPTER V

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

Ministry of Finance, Department of Revenue (Central Board of Excise & Customs)

Observation/Recommendation No. 7

- (a) The Committee note that in Chapter 15 and 33 of Central Excise Tariff, definitions of 'edible oil' and 'hair oil' have not been clearly codified resulting in incorrect classifications of excisable 'hair oil' as duty free 'edible oil' and consequent short levy of duty. The existence of such ambiguities in the provisions of the Central Excise Tariff provides scope for exploitation of these clauses by certain manufacturers to escape paying duties.
- (b) In one illustrative case of such kind, the Committee found that Bhubaneswar I Commissionerate cleared coconut oil packed in pouches and bottles containing 5 ml, 100 ml or 200 ml of Dabur Anmol Coconut Oil as edible oil even though the product is commonly used as hair oil by the general public. Moreover, this product contains additives other than butylated hydroxyanisole, thus not qualifying to be classified as edible oil in terms of the provisions of Chapters 15 and 33 the Central Excise Tariff. Even the manufacturer of the product promotes it as hair oil in the media. The Committee are constrained to observe that this type of laxity will tempt other manufacturers of similar products to deliberately classify the product as edible oil to claim zero duty instead of paying 8 per cent duty under Chapter 33 of the Tariff. In these circumstances, the Committee recommend that the Department of Revenue should make clear-cut and transparent provisions to classify a particular type of oil as 'edible oil' or 'hair oil' especially by taking into account all the necessary criteria in this regard.
- (c) The Committee further recommend the Department of Revenue to revisit the Central Excise Tariff in its entirety and explore better ways of its enforcement and compliance. To ensure that revenue loss to Government is avoided at all cost, ambiguities in the Tariff be removed to minimize possible legal wrangles later on. The Committee desire that before issuing clarifications or carrying out any amendments to this effect, the legal sustainability of the same be ascertained to avoid different interpretations and litigation by the assessee.

[Para 7 of the 15th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken by Government

- (a) The Ministry has undertaken to examine in detail the viability of inserting a provision in the Chapter notes under Chapter 15 and Chapter 33 so as to clearly distinguish between edible oil and hair oils. However, since the directions issued earlier under Section 37 B of the Central Excise Act dated 30.06.09 have been challenged before various High Courts (11 cases) and the Department has filed a transfer petition before Hon'ble Supreme Court as directed by the PAC and the matter has become sub-judice. The recommendation of the Committee that the Department of Revenue should revisit the Central Excise Tariff on this issue has been noted.
- (b) The CAG in its report No. 7 of 2008, para No. 2.2.1 relating to DAP No. 295 had observed that M/s Maxcare Laboratories Ltd. had been clearing coconut oil packaged in 5 ml, 100 ml and 200 ml in the brand name of Dabur Anmol Coconut oil at Nil rate of duty as edible oil thereby evading duty. The Department did not admit the Audit Objection placing reliance upon Board's Circular No. 166/77/95-CX dated 29.12.1955 issued from F. No. 103/1/95-CX.3 which stated that additives other than BHA would also be permitted provided such additives were permitted under Rule 59 of the Prevention of Food Adulteration Rules, 1955, without making the same to be "preparation for use on hair". As per the list under Rule 59. Tertiary butyl hydro quinone is similarly permitted to be added to coconut oil as BHQ. In the 15th Report of PAC (15th Lok Sabha) the Hon'ble Committee has observed, by placing reliance on the Circular dated 31.08.95, that because a substance other than BHQ, namely TBHQ was added the coconut oil should have been classified by the Department as hair oil. However, CAG in its report No. 7 of 2008 have overlooked the Circular of 29.12.1995, which permits TBHQ as an additive without altering the classification of the product. It has also been reported by the field formation that the subject unit- M/s Maxcare Laboratories Ltd., is closed since 2007. A protective Show Cause Notice demanding a duty of Rs. 5,21,63,116/- from the period 21.3.1996 to 31.12.2002 has been issued to the assessee but has not been adjudicated due to the audit objection being contested.
- (c) In the same para Audit recommended that the Department should amend the Tariff to plug the loophole through which duty was being evaded. Earlier, the Department issued an order dated 03.06.09 under Section 37 B of the Act. This order has been challenged in various High Courts by several assessees. The Department has also filed a Transfer Petition before the Hon'ble Supreme Court seeking that these 11 cases before different High Courts be heard by the Hon'ble Supreme Court. This severely limits the ability of the Department to bring the same amendment through another route.

NEW DELHI;
18 March, 2011
29 Phalgun, 1932 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX-I

MINUTES OF THE TWENTY SEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11) HELD ON 18TH MARCH, 2011

The Committee sat on Friday, the 18th March, 2011 from 1000 hrs. to 1040 hrs. in Room No. '51' (Chairman's Chamber), First Floor, Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Naveen Jindal
4. Shri Satpal Maharaj
5. Dr. K. Sambasiva Rao
6. Shri Aruna Kumar Vundavalli

Rajya Sabha

7. Shri Kalraj Mishra
8. Shri N.K. Singh
9. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Smt. A. Jyothirmayi — *Under Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri R.S. Mathrani — *Director General of Audit
(Central Expenditure)*
2. Shri Subir Mallick — *Principal Director (Indirect Taxes)*
3. Smt. A. Panda — *Director of Audit (AMG-II)*

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG of India to the sitting. The Chairman, then apprised the Members that the meeting has been convened to consider and adopt three Draft Reports *viz.* one Original Report and two Action Taken Reports.

3. The Committee, then took up the following Draft Reports for consideration:

- (i) Draft Report on 'National Rural Health Mission' (Ministry of Health and Family Welfare) based on C&AG Report No. 8 of 2009-2010 (Performance Audit) Union Government (Civil);
- (ii) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Fifteenth Report (Fifteenth Lok Sabha) on 'Loss of Revenue due to Short Levy of Tax, Incorrect Classification of Excisable Goods and non-fulfilment of Export Obligation'; and
- (iii) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Seventeenth Report (Fifteenth Lok Sabha) on 'Conservation and Protection of Tigers in Tiger Reserves'.

4. After some deliberation, the Committee adopted the aforementioned Draft Reports with some modifications/amendments and authorized the Chairman to finalise the Reports, in the light of factual verification done by the Audit and present the same to both the Houses.

The Committee then adjourned.

APPENDIX-II

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR FIFTEENTH REPORT (FIFTEENTH LOK SABHA)

(i) Total No. of Observations/Recommendations:	—	12
(ii) Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11 and 12	—	Total: 11 Percentage—91.67%
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government: -Nil-	—	Total: Nil Percentage—0%
(iv) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: -Nil-	—	Total: Nil Percentage—0%
(v) Observations/Recommendations in respect of which Government have furnished interim replies: Para No. 7	—	Total: 1 Percentage—8.33%