

PUBLIC ACCOUNTS COMMITTEE
(1973-74)

(FIFTH LOK SABHA)

HUNDRED AND FOURTEENTH REPORT

[Action taken by Government on the recommendations of P.A.C. contained in their 89th Report (Fifth Lok Sabha) on Review of implementation by Government of the recommendations of the Public Accounts Committee relating to 'Customs' during 1962—72].



LOK SABHA SECRETARIAT
NEW DELHI

March, 1974/Phalgun, 1895 (SAKA)

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CORRIGENDA TO THE 114TH REPORT OF THE PUBLIC
 ACCOUNTS COMMITTEE PRESENTED TO THE LOK SABHA
 ON 17.4.1974.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
4	1.10	6	seen	seem
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21	S.No.1, column 2	1.3		1.4
24	S.No.5, column 2	1.12		1.21

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PUBLIC ACCOUNTS COMMITTEE

(1973-74)

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Shri Jyotirmoy Bosu

MEMBERS

2. Shri Virendra Agarwala
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19. Shri Nawal Kishore
20. Shri P. S. Patil
21. Shri Sasankasekhar Sanyal
22. Shri Sawaisingh Sisodia

SECRETARIAT

Shri M. S. Sundaresan—*Deputy Secretary.*

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

*Elected on 29-11-73 vice Shri D. S. Afzalpurkar died.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Fourteenth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Eighty-Ninth Report (Fifth Lok Sabha) on Review of implementation by Government of the recommendations of the Public Accounts Committee relating to 'Customs' during 1962—72.

2. On the 26th May, 1973 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

Shri H. N. Mukerjee— *Convener.*

2. Shri Sunder Lal	}	<i>Members</i>
3. Shri Biswanarayan Shastri		
4. Shri M. Anandam		
5. Shri Nawal Kishore.		
6. Shri H. M. Patel.		

3. The Action Taken Sub-Committee of the Public Accounts Committee (1973-74) considered and adopted this Report at their sitting held on 1st March, 1974. The Report was finally adopted by the Public Accounts Committee on the 25th March, 1974.

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

(vi)

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

NEW DELHI;

March 26, 1974.

Chaitra 5, 1896 (S).

JYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in their 89th Report (Fifth Lok Sabha) on Review of Implementation by Government of the recommendations of the Public Accounts Committee relating to 'Customs' during 1962—72.

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

1.3. Action Taken Notes/Statements on the recommendations of the Committee contained in the Report have been categorised under following heads:—

- (i) Recommendations/observations that have been accepted by the Government.

Paragraph Nos. 6.1(2) and 6.2.

- (ii) Recommendations/observations which the Sub-Committee may not like to pursue in view of the replies of Government.

Nil.

- (iii) Recommendations/observations which the Sub-Committee may like to reiterate/comment upon.

Nil.

- (iv) Recommendations/observations in respect of which Government have given interim replies.

Paragraph Nos. 6.1(1), 6.1(3), 6.1(4), 6.1(5).

1.4. The Committee hope that the final replies in regard to these recommendations to which only interim replies have so far been furnished, will be submitted to them expeditiously after getting them vetted by Audit.

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

The need to explore ways and means of achieving a more accurate and scientific forecasting of customs revenue and keeping Parliament apprised of unforeseen variations in the Estimates— [Paragraph 6.1(1)].

1.6. After reviewing the action taken by Government on various recommendations of the Committee made during 1962 to 1972 for narrowing the wide gap between the Budget Estimates and the Actuals, the Committee had, in paragraph 3.11 of the Report, summed up the position as follows:

“* * * * * even after 10 years of repeated recommendations of the Committee, the Government have not taken adequate steps to implement the promises made from time to time regarding narrowing the variations between the Budget and the Actuals and the Committee can, therefore, only conclude that this inaction is due either to unwillingness to implement the assurances given or to inability to do so.”

1.7. The Committee had suggested the following step in paragraph 6.1(1) of the Report:—

“The question of narrowing the gap between the Budget Estimates and Actuals is taken up seriously for study by a group of experts who should be drawn from not only the Customs Department but also from other concerned Ministries, such as, Ministries of Foreign Trade, Steel and Mines, Industrial Development, Agriculture and Planning. It would be worthwhile to associate in this Committee some experts of statistical methods in public finance. This Committee should be constituted immediately to suggest ways and means of achieving a more accurate and scientific forecasting of resources, so that the variations remain within a range of 3 to 4 per cent. If unforeseen factors occur in the course of the year, such as a sudden spurt of imports, the Parliament should be immediately apprised of it by Government who should lay a statement on the table of both the Houses explaining the unforeseen variations in the estimates and the reasons for them, so as to satisfy the Parliament that the variations had occurred in spite of the best efforts of the Government to ensure accurate estimating.”

1.8. In their reply dated the 5th November, 1973, the Ministry of Finance (Department of Revenue and Insurance) have stated:—

“The recommendation of the P.A.C. regarding the setting up of an Expert Committee has been accepted by the Government. Details regarding the composition of the committee, terms of reference, etc., are being worked out.

As for the recommendation regarding apprising the Parliament of unforeseen variations in the estimates and the reasons therefor, the matter is under examination and a separate communication will follow.”

1.9. In their subsequent reply dated the 23rd January, 1974, the Ministry have furnished the following information:

“The Government have since set up an Expert Committee to conduct a comprehensive enquiry into the causes of variations and to suggest ways and means of achieving a more accurate and scientific forecasting of customs revenue. A copy of the Memorandum F. No. 342|3|73-TRU dated the 7th January, 1974, setting up the Expert Committee is enclosed*.”

1.10. It is seen from the Memorandum that the Expert Committee has been constituted with the following terms of reference:—

- “(a) To examine the present system of forecasting of customs revenue, with particular reference to the type of data collected and the type of analysis which it is subjected to;
- (b) In the light of the examination made as in item (a), to recommend the type of additional data, including international prices of imported commodities and intelligence regarding export prices and prospects, to be collected:—
 - (i) from the field formations of the Central Excise and Customs Departments;
 - (ii) from the concerned Ministries, their Attached and Subordinate offices, Public Undertakings, autonomous bodies etc.; and
 - (iii) from the Indian Embassies/High Commissions in foreign countries;
- (c) To advise the lines on which the additional data should be collected and analysed for Budget purposes;

*Vide Page No. 16.

- (d) To suggest the staffing and other machinery for the collection, analysis and interpretation of the data collected, so as to make it meaningful and useful for Budgetary purposes and with a view to achieve the objective of a more accurate and scientific forecasting;
- (e) To make such other recommendations as may seem germane to the objective of the enquiry.

The Committee may co-opt members as may be necessary from time to time.

The Committee will submit its report to the Government of India within six months from the date of its appointment."

1.11. The Committee's Report suggesting inter-alia constitution, of an Expert Committee immediately to suggest ways and means of achieving a more accurate and scientific forecasting of customs revenues was presented in April, 1973. Such an Expert Committee has; however, been constituted on the 7th January, 1974 and its report is awaited only in July, 1974. Thus it is not possible at this stage to examine its suggestions and the action taken on the basis thereof. The Committee regret to have to remain content with the observation that the Expert Committee should promptly report to Government within the stipulated period and that action should be taken to achieve the objectives set out by them without delay. They would await a report in this regard within six months.

The Committee had also desired that the Parliament should be apprised of unforeseen variations in the estimates occurring in the course of the year as well as the reasons therefor. This is still stated to be under examination. As quite some time has elapsed since the presentation of the Report, Government could have at least intimated whether they accept the suggestion in principle although the methodology of giving effect to it may take some more time. The decision in this regard should be intimated to the Committee forthwith. Apparently the suggestions of the Committee do not receive prompt attention of Government which cannot but be deprecated.

Setting up of a Central Exchange of Valuation for uniformity in classification—Paragraph 6.1(4).

1.12. The Committee, while suggesting certain remedial measures to improve the working of the Customs Department, had observed in paragraph 6.1(4) of the Report as follows:

“There should be no further delay in establishing the Central Exchange of valuation to ensure uniformity in classification.”

1.13. In their reply dated the 26th October, 1973, the Ministry of Finance (Department of Revenue and Insurance) have stated:

“The details of the Scheme for the setting up of a Central Exchange have since been finalised by the Central Board of Excise and Customs. The Scheme will be submitted shortly to the Expenditure Finance Committee for sanction.”

1.14. Earlier the Ministry of Finance had stated as follows in reply to the recommendation of the Committee contained in paragraph 1.8 of the 22nd Report (Fifth Lok Sabha) *vide* letter, No. 370|12|72-Cus. I dated 27-4-1972:—

“The Government have accepted in principle the proposal for setting up a Central Exchange for assessment data on an experimental basis for six months.

Based on feasibility studies conducted at the Computer Centre, Delhi, a phased programme for the setting up of the Central Exchange was prepared. The scheme was, however, not piloted earlier in view of the heavy and unexpected expenditure falling upon the Government on account of the Refugees from Bangladesh and the need for utmost economy in that context. The matter is being pursued actively with a view to ensure early implementation of the scheme.”

1.15. The Committee had observed that there should be no further delay in establishing the Central Exchange of Valuation to ensure uniformity in classification. It was as early as 1969-70 that the Committee were informed that there was a proposal to set up a kind of Central Exchange of Classification and Valuation (*vide* paragraph 1.18 of 110th Report—1969-70). In their 22nd Report (paragraph 1.8) presented in December, 1971, the Committee had called for an early decision on the proposal and again in the 43rd Report (paragraph 1.64) they had desired that necessary details for setting up the Central

Exchange should be finalised expeditiously. The Committee were informed in April, 1972 that the Government had accepted in principle the proposal for setting up a Central Exchange for assessment data. Further, in December, 1972, it was intimated that necessary steps for obtaining the clearance from the Expenditure Finance Committee had been initiated and that soon after the clearance was accorded further administrative steps for setting up the Exchange would be taken (page 38 of the 71st Report). Strangely enough it appears from the present reply of the Ministry (October, 1973) that the scheme is yet to be referred to the Expenditure Finance Committee. Thus the matter has been pending for over 4 years now. The Committee find no justification for the delay after the proposal had been accepted in principle by Government, as intimated by them in April, 1972. The way Government move in a matter of such importance despite the assurance given to the Committee from time to time is indeed disquieting. The Committee would like to stress that the Central Exchange should be brought into being early in 1974-75. They would also like to have an explanation forthwith for the inordinate delay that has taken place.

Reorganisation of the Internal Audit Department with a view to making it independent and effective—Paragraph 6.1(5).

1.16. In order to improve the working of the Internal Audit Department, the Committee had, in paragraph 6.1(5) of the Report, observed as follows:

“The working of the Internal Audit Department should be gone into with a view to streamlining its procedures and functions and it should be placed under a separate Director of Internal Audit who will report directly to the Board. It is only then that it will be free from local influence and will perform its functions without fear or favour. It should be examined whether the staff working in the Internal Audit should not be formed into a separate cadre with adequate career prospects within the Internal Audit Department so that the members working therein may really feel free to report on the mistakes found in the documents of Custom Houses. In this connection the Committee would commend the pattern adopted by the Railways for the internal check of their transactions.”

1.17. In their reply dated the 14th January, 1974, the Ministry of Finance (Department of Revenue and Insurance) have stated:

“The Government have noted the Committee's recommendations. The question of strengthening and reorganising the

internal audit set up in the Central Excise Department also is being examined in depth by the Central Excise (Self Removal Procedure) Review Committee. This committee is expected to submit its report shortly. Government will take a final decision in the matter after taking into consideration the views and suggestions of the said committee also on the subject."

1.18. The Committee had given important suggestions to make Internal Audit effective and independent. It has been intimated that Government will take final decision in the matter after taking into consideration the views and suggestions of the Central Excise (Self-Removal Procedure) Review Committee on the subject. It is not clear how the Central Excise (Self-Removal Procedure) Review Committee is concerned with the Internal Audit of the Customs Department. If the implied suggestion of the Government is that the recommendation of the Review Committee would be equally applicable to Customs, obviously such an implication will not follow having regard to differing requirements of the two departments and the administrative structure and procedural differences relating to Customs and Central Excise levies. It is also doubtful whether the Review Committee is at all competent to offer remarks on the set-up of the Internal Audit required for Customs. It is, therefore, of utmost importance that the suggestion made by this Committee should be acted upon without any further delay.

*The need to attend to the Committee's Recommendations—
(Paragraph 6.2)*

1.19. The Committee had, in paragraph 6.2 of the Report, observed as follows summing up their impression of the way the Government have been acting on their recommendations made from time to time:

"The Committee's review in respect of a limited field has, to their mind, been fully worth the additional effort and time they have had to spend. Review has brought out clearly that Government has not been attaching to the Committee's recommendations the importance, they deserve. The Committee regret this because the ignoring of them has led to continued inefficiency. The public interest has not been served."

1.20. In their reply dated the 9th November, 1973, the Ministry of Finance (Department of Revenue and Insurance), have stated:

"The Government have been attaching great importance to

the recommendations of the Public Accounts Committee and have been intimating to the Committee the implemental action taken on each of their recommendations.

As regards the Committee's observations that mistakes in assessment keep on occurring in spite of the recommendations of the Committee to avoid them and assurances of the Government to implement the recommendations, it may be stated that the number of erroneous assessments that are pointed out every year and the revenue involved in such assessments is insignificant as compared to the total number of assessments that are made and the revenue that is collected by the Custom Houses. Further, the mistakes in assessment that are detected are generally in respect of different commodities, involving assessments by different officers. Having regard to the complexity of Customs tariff the difference in nomenclature between the Customs and Central Excise tariff, and the very wide spectrum of goods of a sophisticated nature that are imported, mistakes in classification and application of countervailing duty could not totally be eliminated. Under these circumstances, in spite of all seriousness with which the recommendations of the committee are implemented there are bound to be some cases of incorrect assessments every year. As regards the observations of the committee about the working of the internal audit departments in the Custom Houses, it may be stated that after re-organisation, the working of the internal audit departments in the major Custom Houses has shown a marked improvement. This fact has been noted by the Committee themselves, in para 5.8 of their 89th Report. Further efforts to streamline the working of the internal audit departments on the basis of the recommendations of the committee will continue. The Government would again like to assure the Committee that its recommendations will continue to receive Government's serious and urgent consideration."

1.21. As regards the Committee's observations on the response from Government to their recommendations, it has been intimated that Government have been attaching great importance to the recommendations which will continue to receive serious and urgent consideration. However, the fact remains that there have been avoidable delays in implementing the recommendations evidence of which is available in this Report. The Committee would, therefore,

like to reiterate that their recommendations should be acted upon in letter and spirit promptly so as to have the desired effect.

The contention of the Ministry that the under/over assessments pointed out by the Revenue Audit are insignificant in proportion to the total revenue, displays a complacent attitude. It should be noted in this connection that the Audit makes only a test check which is but an insignificant proportion of the total transactions of the Department. The Committee are of the view that the results of Audit and the Committee's recommendations thereon should be taken for more seriously which is very unfortunately not the case today.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations

(2) As regards the mistakes in assessments, the best way to minimise them, if not to eliminate them altogether, would be (a) to improve the quality of scrutiny by Appraisers by giving them periodical training in the technical fields in which they are working and in classification matters and (b) to bring out, as speedily as possible, a book of Indian Customs Tariff giving up-to-date effective rates of duty levied under the Customs and allied Acts. At present the Indian Customs Tariff contains separate section for each type of levy and some of the columns have outlived their purpose. Serious thought should be given to modernise and redesign the information given in the Tariff Schedule giving against each commodity all the duties leviable thereon, such as basic duty, additional (Counter-vailing) duty, Auxiliary duty and so on.

It would also be desirable to give cross reference to Board's rulings and instructions against each tariff item or if this is found cumbersome, reference may be given to the appropriate item in the Tariff guide.

[Paragraph No. 6.1 (2) of the 89th Report of P.A.C.—5th Lok Sabha].

Action Taken

(2) (a) In view of the high degree of specialisation in different fields, it is not practicable to give training to Appraisers in the numerous and varying branches of technology. The purpose underlying the Committee's recommendation is sought to be met by Government by recruiting, as Appraisers, persons with expert knowledge and experience in different branches of technology such as electrical/mechanical machinery, metallurgy, drugs and chemicals, jewellery, textiles, motor vehicles etc. There are, at present, 59 such experts working in the various Customs Houses, 26 out of them were recruited after January, 1969. Directly recruited Appraisers, both experts as well as non-experts are given initial training in the

different aspects of their work on their entry into Government service. Special courses of training in the field of classification and valuation are now being conducted for the Appraisers.

(b) A Working Schedule of the Indian Customs Tariff giving the effective rates of duty levied under the Indian Tariff Act, with an indication therein against the appropriate items, that Countervailing duty (with item number) would be leviable in addition wherever applicable, is brought out each year to facilitate the work of assessing officers. A decision has also been taken that the Customs Working Schedule in printed form would be brought out every year to be sold as a priced publication so that the public would also be able to make use of the same. This is being implemented.

(c) The Indian Customs Tariff Guide which is brought upto date and issued periodically, gives a reference to the appropriate tariff item applicable to the goods and the observations of the Committee in this regard are therefore already being implemented.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 521/15/73-Cus.(TU) dated 23-10-1973].

Recommendation

The Committee's review in respect of a limited field has, to their mind, been fully worth the additional effort and time they have had to spend. Review has brought out clearly that Government has not been attaching to the Committee's recommendations the importance, they deserve. The Committee regret this because the ignoring of them has led to continued inefficiency. The public interest has been served.

[Paragraph No. 6.2 of the 89th Report of P.A.C.—5th Lok Sabha].

Action Taken

The Government have been attaching great importance to the recommendations of the Public Accounts Committee and have been intimating to the Committee the implemental action taken on each of their recommendations.

As regards the Committee's observations that mistakes in assessment keep on occurring inspite of the recommendations of the Committee to avoid them and assurances of the Government to implement the recommendations, it may be stated that the number of erroneous assessments that are pointed out every year and the revenue involved in such assessments is insignificant as compared to the total number

of assessments that are made and the revenue that is collected by the Custom Houses. Further, the mistakes in assessment that are detected are generally in respect of different commodities, involving assessments by different officers. Having regard to the complexity of Customs tariff the difference in nomenclature between the Customs and Central Excise tariff, and the very wide spectrum of goods of a sophisticated nature that are imported, mistakes in classification and application of countervailing duty could not totally be eliminated. Under these circumstances, inspite of all seriousness with which the recommendations of the committee are implemented there are bound to be some cases of incorrect assessments every year. As regards the observations of the committee about the working of the internal audit departments in the Customs Houses, it may be stated that after re-organisation, the working of the internal audit departments in the major Customs Houses has shown a marked improvement. This fact has been noted by the Committee themselves, in para 5.8 of their 89th Report. Further efforts to streamline the working of the internal audit departments on the basis of the recommendations of the committee will continue. The Government would again like to assure the Committee that its recommendations will continue to receive Government's serious and urgent consideration.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 411/44/73-Cus. III, dated 9-11-1973].

CHAPTER III

**RECOMMENDATIONS|OBSERVATIONS WHICH THE COM-
MITTEE DO NOT DESIRE TO PURSUE IN VIEW OF
REPLIES OF GOVERNMENT**

NIL

CHAPTER IV

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

NIL

CHAPTER V

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

Recommendation

The question of narrowing the gap between the Budget Estimates and Actuals is taken up seriously for study by a group of experts who should be drawn from not only the Customs Department but also from other concerned Ministries, such as, Ministries of Foreign Trade, Steel and Mines, Industrial Development, Agriculture and Planning. It would be worthwhile to associate in this Committee some experts of statistical method in public finance. This Committee should be constituted immediately to suggest ways and means of achieving a more accurate and scientific forecasting of resources, so that the variations remain within a range of 3 to 4 per cent. If unforeseen factors occur in the course of the year, such as a sudden spurt of imports, the Parliament should be immediately apprised of it by Government who should lay a statement on the table of both the Houses explaining the unforeseen variations in the estimates and the reasons for them, so as to satisfy the Parliament that the variations had occurred in spite of the best efforts of the Government to ensure accurate estimating.

[Paragraph No. 6.1(1) of the 89th Report of P.A.C.—5th Lok Sabha].

Action Taken

The recommendation of the P.A.C. regarding the setting up of an Expert Committee has been accepted by the Government. Details regarding the composition of the committee, terms of reference, etc. are being worked out.

As for the recommendation regarding apprising the Parliament of unforeseen variations in the estimates and the reasons therefore, the matter is under examination and a separate communication will follow.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 342|3|73—TRU, dated 5-11-1973].

Further information

Attention of the Committee is invited to this Ministry's earlier 'action taken note' forwarded to the Lok Sabha Secretariat under their endorsement on letter F. No. 342|3|73—TRU dated the 16th September, 1973, addressed to the Office of the Comptroller and Auditor General of India, New Delhi.

2. The Government have since set up an Expert Committee to conduct a comprehensive enquiry into the causes of variations and to suggest ways and means of achieving a more accurate and scientific forecasting of customs revenue. A copy of the Memorandum F. No. 342|3|73-TRU dated the 7th January, 1974, setting up the Expert Committee is enclosed. (Annexure).

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. 342|3|73—TRU, dated 23-11-1974].

F. No. 342|3|73-TRU

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Revenue & Insurance)

New Delhi, the 7th January, 1974

MEMORANDUM

SUBJECT: *Setting up of an Expert Committee to suggest ways and means of achieving a more accurate and scientific forecasting of customs revenue.*

In recent years, wide variations between the Budget Estimates and the Actuals have been noticed in the Customs revenue. The Public Accounts Committee has expressed serious concern over these variations and has recommended that the question of narrowing the gap between the Budget Estimates and Actuals should be taken up seriously for study by a group of experts, who would be drawn from not only the Customs Department but also from other concerned Ministries, such as the Ministry of Commerce, Steel and Mines, Industrial Development, Agriculture and Planning. Some experts of statistical methods in Public Finance should also be associated with this Committee. The Public Accounts Committee has further observed that this Committee should suggest ways and means of achieving a more accurate and scientific forecasting of resources, so that the variations remain within a range of 3 to 4 per cent.

2. The Government of India have accepted this recommendation and have accordingly decided to appoint a Committee to conduct a comprehensive enquiry into the causes of variations and to suggest ways and means of achieving a more accurate and scientific forecasting of Customs revenue.

3. The Committee will consist of the following:—

1. Shri M. Narasimham, Additional Secretary, Department of Economic Affairs, Ministry of Finance—*Chairman*

Members

2. Shri S. G. Bose-Mullick, Chief Controller of Imports and Exports.

3. Shri K. Narasimhan, Member, Central Board of Excise & Customs.

4. Dr. A. K. Ghosh, Economic Adviser, Ministry of Industrial Development.

5. Dr. K. S. Gill, Adviser, P.P. Division, Planning Commission.

6. Shri B. Maithreyan, Joint Secretary, Department of Economic Affairs, Ministry of Finance.

7. Shri A. P. Verma, Joint Secretary, Ministry of Petroleum & Chemicals.

8. Shri V. K. Dar, Joint Secretary, Ministry of Steel & Mines.

9. Shri M. R. Shroff, Officer-on-Special Duty, Department of Economic Affairs, Ministry of Finance.

10. Shri Bimal Jalan, Officer-on-Special Duty, Department of Economic Affairs, Ministry of Finance.

11. Shri V. R. Rao, Director, Central Statistical Organisation, Planning Commission.

4. The following will be the terms of reference of the Committee:

(a) To examine the present system of forecasting of customs revenue, with particular reference to the type of data collected and the type of analysis which it is subjected to;

(b) In the light of the examination made as in item (a), to recommend the type of additional data, including inter-

national prices of imported commodities and intelligence regarding export prices and prospects, to be collected:—

- (i) from the field formations of the Central Excise and Customs Departments;
 - (ii) from the concerned Ministries, their Attached and Subordinate offices, Public Undertakings, autonomous bodies, etc.; and
 - (iii) from the Indian Embassies|High Commissions in foreign countries;
- (c) To advise the lines on which the additional data should be collected and analysed for Budget purposes;
- (d) To suggest the staffing and other machinery for the collection, analysis and interpretation of the data collected, so as to make it meaningful and useful for Budgetary purposes and with a view to achieve the objective of a more accurate and scientific forecasting;
- (e) To make such other recommendations as may seem germane to the objective of the enquiry.

5. The Committee may co-opt members as may be necessary from time to time.

6. The Committee will submit its report to the Government of India within six months from the date of its appointment.

(B. N. SHARMA)

Under Secy. to the Govt. of India.

Copy to:—

1. All Members of the Committee.
2. Department of Economic Affairs, (Ministry of Finance), New Delhi.
3. The Ministry of Industrial Development, New Delhi.
4. The Ministry of Petroleum & Chemicals, New Delhi.
5. The Ministry of Steel and Mines, (Department of Mines), New Delhi.
6. The Ministry of Steel and Mines, (Department of Steel), New Delhi.

7. The Ministry of Agriculture (Department of Agriculture), New Delhi.
8. The Ministry of Commerce, New Delhi.
9. Planning Commission, New Delhi.
10. Central Statistical Organisation, Planning Commission, New Delhi.
11. Director of Revenue Audit, Office of the Comptroller and Auditor General of India, New Delhi.
12. All Collectors of Customs and Central Excise.
13. All Under Secretaries|Sections in the Customs Wing|Tariff Unit.
14. Director of Inspection (Customs & Central Excise)|Director (Drawback)|Director (Training), New Delhi.
15. The Bulletin and Manual Sections (with 4 spare copies).
16. P.S. to F.S.|Secy. (EA)|Ch (E&C)|M(T)|M(CUS)|M(CX)|JS (Adm.).

Recommendation

The Tariff Guide issued by the Board should be brought out in loose-leaf form and kept up-to-date by issuing supplements as soon as tariff advices are given by the Board. Every Appraiser and Internal Auditor should be supplied with a copy of the Guide and supplements.

[Paragraph 6.1(3) of the 89th Report of P.A.C.—5th Lok Sabha].

Action Taken

Since Tariff Guide is useful not only for the Appraisers and the Auditors in the Custom Houses but also for the trade, before bringing out the Tariff Guide in loose-leaf from the Collectors of Customs have been asked to obtain the views of the various Chambers of Commerce and Associations representing the trade, through the Customs Advisory Committees at the ports.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. F. No. 411|35|73-Cus. III dated 2-11-1973].

Recommendation

There should be no further delay in establishing the Central Exchange of valuation to ensure uniformity in classification.

[Paragraph 6.1(4) of the 89th Report of P.A.C. 5th Lok Sabha].

Action Taken

The details of the Scheme for the setting up of a Central Exchange have since been finalised by the Central Board of Excise & Customs. The Scheme will be submitted shortly to the Expenditure Finance Committee for sanction.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. F. No. H. 11016|18|73-Ad. IV dated 26-10-1973].

Recommendation

6.1(5). The working of the Internal Audit Department should be gone into with a view to streamlining its procedures and functions and it should be placed under a separate Director of Internal Audit who will report directly to the Board. It is only then that it will be free from local influence and will perform its functions without fear or favour.

It should be examined whether the staff working in the Internal Audit should not be formed into a separate cadre with adequate career prospects within the Internal Audit Department so that the members working therein may really feel free to report on the mistakes found in the documents of Customs Houses. In this connection the Committee would commend the pattern adopted by the Railways for the internal check of their transactions.

[Paragraph 6.1(5) of the 89th Report of P.A.C. 5th Lok Sabha].

Action Taken

The Government have noted the Committee's recommendations. The question of strengthening and re-organising the internal audit set up in the Central Excise Department also is being examined in depth by the Central Excise (Self Removal Procedure) Review Committee. This Committee is expected to submit its report shortly. Government will take a final decision in the matter after taking into consideration the views and suggestions of the said Committee also on the subject.

[Ministry of Finance (Department of Revenue and Insurance)
O.M. No. F. No. H. 11016|10|73-Ad. IV, dated 14-1-1974].

NEW DELHI;
March 26, 1974.

Chaitra 5, 1896 (S).

JYOTIRMOY BOSU,
Chairman,

Public Accounts Committee.

APPENDIX

Summary of main Conclusions/Recommendations

Sl. No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendation
1	2	3	4
1	1.3	Ministry of Finance (Dept. of Revenue and Insurance)	<p>The Committee hope that the final replies in regard to these recommendations to which only interim replies have so far been furnished, will be submitted to them expeditiously after getting them vetted by Audit.</p>
2	1.11	-do-	<p>The Committee's Report suggesting <i>inter alia</i> constitution of an Expert Committee immediately to suggest ways and means of achieving a more accurate and scientific forecasting of customs revenues was presented in April 1973. Such an Expert Committee has, however, been constituted on the 7th January, 1974 and its report is awaited only in July, 1974. Thus it is not possible at this stage to examine its suggestions and the action taken on the basis thereof. The Committee regret to have to remain content with the observation that the Expert Committee should promptly report to Government within the stipulated period and that action should be taken to achieve the objectives set out by them without delay. They would await a report in this regard within six months.</p>

The Committee had also desired that the Parliament should be apprised of unforeseen variations in the estimates occurring in the course of the year as well as the reasons therefor. This is still stated to be under examination. As quite some time has elapsed since the presentation of the Report, Government could have at least intimated whether they accept the suggestion in principle although the methodology of giving effect to it may take some more time. The decision in this regard should be intimated to the Committee forthwith. Apparently the suggestions of the Committee do not receive prompt attention of Government which cannot but be deprecated.

3 1.15

Ministry of Finance (Dept.
of Revenue and Insurance)

The Committee had observed that there should be no further delay in establishing the Central Exchange of Valuation to ensure uniformity in classification. It was as early as 1969-70 that the Committee were informed that there was a proposal to set up a kind of Central Exchange of Classification and Valuation (*vide* paragraph 1.18 of 110th Report—1969-70). In their 22nd Report (paragraph 1.8) presented in December 1971, the Committee had called for an early decision on the proposal and again in the 43rd Report (paragraph 1.64) they had desired that necessary details for setting up the Central Exchange should be finalised expeditiously. The Committee were informed in April 1972 that the Government had accepted in principle the proposal for setting up a Central Ex-

change for assessment data. Further, in December, 1972, it was intimated that necessary steps for obtaining the clearance from the Expenditure Finance Committee had been initiated and that soon after the clearance was accorded further administrative steps for setting up the Exchange would be taken (page 38 of 71st Report). Strangely enough it appears from the present reply of the Ministry (October, 1973) that the scheme is yet to be referred to the Expenditure Finance Committee. Thus the matter has been pending for over 4 years now. The Committee find no justification for the delay after the proposal had been accepted in principle by Government, as intimated by them in April, 1972. The way Government move in a matter of such importance despite the assurance given to the Committee from time to time is indeed disquieting. The Committee would like to stress that the Central Exchange should be brought into being early in 1974-75. They would also like to have an explanation forthwith for the inordinate delay that has taken place.

33

4 1.18 Ministry of Finance (Dept. of Revenue and Insurance)

The Committee had given important suggestions to make Internal Audit effective and independent. It has been intimated that Government will take final decision in the matter after taking into consideration the views and suggestions of the Central Excise (Self-Removal Procedure) Review Committee on the subject. It is not clear how the Central Excise (Self-Removal Procedure) Review Committee is concerned with the Internal Audit of the Customs Department. If the implied suggestion of the Government is that the

recommendation of the Review Committee would be equally applicable to Customs, obviously such an implication will not follow having regard to differing requirements of the two departments and the administrative structure and procedural differences relating to Customs and Central Excise levies. It is also doubtful whether the Review Committee is at all competent to offer remarks on the set-up of the Internal Audit required for Customs. It is, therefore, of utmost importance that the suggestion made by this Committee should be acted upon without any further delay.

5 1.12 Ministry of Finance (Dept.
of Revenue and Insurance)

As regards the Committee's observations on the response from Government to their recommendations, it has been intimated that Government have been attaching great importance to the recommendations which will continue to receive serious and urgent consideration. However, the fact remains that there have been avoidable delays in implementing the recommendations evidence of which is available in this Report. The Committee would, therefore, like to reiterate that their recommendations should be acted upon in letter and spirit promptly so as to have the desired effect.

The contention of the Ministry that the under|over assessments pointed out by the Revenue Audit are insignificant in proportion to the total revenue, displays a complacent attitude. It should be noted in this connection that the Audit makes only a test check which is but an insignificant proportion of the total transactions of the Department. The Committee are of the view that the results of Audit and the Committee's recommendations thereon should be taken far more seriously which is very unfortunately not the case today.