



CORRIGENDA TO 110TH REPORT OF PUBLIC  
ACCOUNTS COMMITTEE (EIGHTH LOK SABHA)

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### PART II\*

Minutes of the Sitting of the Public Accounts Committee  
(1987-88) held on :

25.9.1987

9.3.1988

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\*Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

**PUBLIC ACCOUNTS COMMITTEE**  
**(1987-88)**

**CHAIRMAN**

**Shri Amal Datta**

**MEMBERS**

*Lok Sabha*

2. Shri S. M. Bhattam
3. Shri Mohd. Ayub Khan
4. Shri Y. S. Mahajan
5. Shri Ajay Mushran
6. Shri K. Ramamurthy
7. Shri Balwant Singh Ramoowalia
8. Shri Navinchandra Ravani
9. Shri S. Jaipal Reddy
10. Shri Chiranji Lal Sharma
11. Shri Pratap Bhanu Sharma
12. Genl R. S. Sparrow
13. Dr. Chandra Shekhar Tripathi
14. Shri Vir Sen
15. Shri Yogeshwar Prasad Yogesh

*Rajya Sabha*

16. Shri A. K. Antony
17. Shri Nirmal Chatterjee
18. Shri Bhuvnesh Chaturvedi
19. Shri M. S. Gurupadaswamy
20. Shrimati Manorama Pandey
21. Shri B. Satyanarayan Reddy
22. Shri T. Chandrashekhar Reddy

**SECRETARIAT**

1. Sh. K. H. Chhaya—*Joint Secretary*
2. Shri B. D. Duggal—*Chief Financial Committee Officer*
3. Shri S. M. Mehta—*Senior Financial Committee Officer*

## INTRODUCTION

1. the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Hundred and Tenth report on paragraph 2.77 of the Report of the Comptroller and Auditor General of India for the year 1985-86—Union Government (Civil), Revenue Receipt, Vol. I, Indirect Taxes, relating to Union Excise Duties—Fraudulent procurement of Central Excise stamps by match factories.

2. The Report of the C&AG of India for the year 1985-86, Union Government (Civil) Revenue Receipts, Vol. I, Indirect Taxes, was laid on the Table of the House on 8 May, 1987.

3. In this report, the Committee have examined certain cases of excess procurement of Central Excise stamps and irregular availing of concessional rate of excise duty by a number of match factories in Cochin Collectorate of Central Excise by fraud, involving duty aggregating Rs. 6.67 lakhs. The Committee have observed that the prescribed procedure for accounting, monitoring and reconciliation of revenue in respect of excise duty on matches was not followed at any of the levels, resulting in non-detection of the fraud. Expressing their concern over the fact that the frauds were committed by unscrupulous assesseees with the active connivance of the Central Excise staff, the Committee have recommended that Government should clear departmental enquiries and initiate action against delinquent officials who colluded with the unscrupulous assesseees and also against those who failed in exercising proper supervision and control, expeditiously and ensure immediate corrective measures with a view to eliminating possibility of recurrence of such cases in future. The department should speed up the adjudication processes and vigorous efforts be made to recover the dues from the assesseees concerned by way of duty, penalty etc., apart from launching criminal proceedings against the parties for the fraudulent means adopted by them in cheating Government.

4. The Committee have recommended that early steps should be taken by the Ministry of Finance to rationalise and simplify the system of payment of excise duty on matches so that compliance and administration becomes easier for the honest assesseees and to the department and the malpractices

resorted to by unscrupulous elements resulting in leakage of revenue are effectively checked.

5. While dealing with the present position of reconciliation of revenue receipts as per the records of the Pay and Accounts Officers and the Range Officers, the Committee have deplored the failure of the various Collectorates of Central Excise in intimating the present position of reconciliation of revenue receipts prevailing in their Collectorates. What has greatly concerned the Committee is that even the incomplete data made available to them in respect of the limited number of Collectorates indicated that an amount of about Rs. 760 crores is lying unreconciled in 22 Collectorates. Expressing their disappointment over the deterioration of the position since presentation of their earlier report on the subject, the Committee have recommended that the Ministry of Finance should complete the task of clearing pending reconciliations within a period of six months and apprise the Committee of the precise position prevailing at all India level. The Committee have further recommended that the Ministry of Finance should prescribe a time limit for completing reconciliation of departmental figures of collections of Central Excise duty appearing in the monthly statements of the Range Officers with the figures of revenue collections booked in the accounts of the Pay and Accounts Officers of the concerned Collectorate, so as to ensure proper accountal of revenues. The prescribed time limit should be scrupulously adhered to by periodical monitoring at an appropriately higher level.

6. The Public Accounts Committee (1987-88) examined the Audit Paragraph at their sitting held on 25 September, 1987.

7. The Committee considered and finalised this report at their sitting held on 9 March, 1988. The Minutes of the sitting form Part II\* of the Report.

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

9. The Committee would like to express their thanks to the officers of the Ministry of Finance (Department of Revenue) for the cooperation extended by them in giving information to the Committee.

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\*Not printed (one cylostyle copy laid on the Table of the House and five copies placed in the Parliament library).

(vii)

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

NEW DELHI ;

*11 March, 1988*

*21, Phalguna 1909 (S)*

AMAL DATTA,

*Chairman,*

*Public Accounts Committee.*

## REPORT

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

#### *Introductory*

Central Excise duty on matches is required by law to be paid in the shape of Central Excise stamps. The procedure for procurement of stamps is laid down in Rule 65 of the Central Excise Rules, 1944. As per the Rule, assessees desiring to obtain Central Excise stamps are required to prepare challans in quintuplicate for the amount required to be paid and deposit the amount together with the challans into the nominated public sector bank. The bank receives the money and returns the duplicate, triplicate and quintuplicate copies of the receipted challan to the assessee. The assessee retains the triplicate copy and has to present the duplicate and quintuplicate copies of the challans to the Range Officer who would check them and return the quintuplicate copy with the endorsement to the Treasury Officer to issue appropriate number of Central Excise stamps. The assessee would present such quintuplicate copy to the Treasury Officer who would thereon supply the stamps to the assessee.

#### *Irregularities*

2. This Report is based on paragraph 2.77 of the Report of the C&AG for the year 1985-86, Union Government (Civil), Revenue Receipts, Volume-I, Indirect Taxes, which deals with cases of excess procurement of banderols and irregular availing of concessional rate of excise duty by a number of match factories in Cochin Collectorate of Central Excise by fraud, involving excise duty aggregating Rs. 6.67 lakhs. The Audit paragraph is reproduced at Appendix-I

3. The nature of irregularities could be broadly summarised into two parts.

4. Firstly, in respect of 25 match factories, remittances as per treasury copies of the challans were higher than the amounts accounted for by the bank

resulting in excess issue of Central Excise stamps amounting to Rs. 2.18 lakhs during the period April 1984 to October 1985. A list of the match units and the duties involved is shown as at Appendix II.

5. Secondly, notification No. 22/82 dated 23 February, 1982 (as amended) issued by the Government envisaged concessional rate of duty of Rs. 1.60 per gross for the first clearance upto 120 million matches in respect of manufacturers whose clearances for home consumption did not exceed certain prescribed limits. However, Central Excise stamps issued from treasury to three licencees involved in the above mentioned cases availing of the concessional duty were not fully accounted for in their registers. If the unaccounted purchases made by them through the fraudulent means were also taken into account, the licencees would not have been eligible for concessional duty which they actually availed of. Evasion of duty on this score amounted to Rs. 4.49 lakhs. The details of such cases are shown in Appendix III.

6. From the information furnished to the Committee by the Ministry of Finance (Department of Revenue), it is seen that the *modus operandi* adopted for the procurement of Central Excise stamps in such cases was as follows :

- (i) Firstly, the quintuplicate copies of the challans were forged (after it was endorsed by the Range Inspector and before its presentation to the Treasury) to show amounts, higher than the amounts actually deposited in the bank, thus enabling the assesseees to procure stamps from the Treasury for higher amounts.
- (ii) Secondly, the Range copy of challan (duplicate) was also used for getting Central Excise stamps from another Treasury for the second time after having already used the fifth copy of the same challan.

7. Explaining the background of the case to the Committee the Member, CBEC stated during evidence that the period during which the fraud was committed was between April 1984 and the beginning of November 1985. The Accountant General's Audit party had conducted the audit of banderols in October 1985 and the irregularities were pointed out in November 1985. The match factories around Quilon in Cochin Collectorate were then raided by the preventive staff and cases of illicit removals were registered. Out of the 130 irregular challans, interpolation of figures was found to have been done in respect of 128 and the remaining two were utilised twice. The duty involved according to the Ministry, is estimated to be Rs. 5.96 lakhs in all 19 factories (24 licencees). Out of the 19 units availing of puty concessions, five units

became ineligible for concessional rate of duty as a result of addition of the suppressed production to the declared production. The total duty evaded by the said five units in Cochin Collectorate is estimated at Rs. 2.67 lakhs during 1984-85 and Rs. 52,000 during 1985-86.

*Failure to exercise prescribed checks and connivance of staff in the fraud*

8. The Committee's attention has been drawn to the prescribed checks and counter-checks to be exercised by the department for verifying the correctness of deposits/remittances made by the assessees intending to obtain Central Excise stamps and to ensure that only the appropriate value of stamps is authorised to be issued by the Treasury.

9. As per the prescribed systems of accounting and reconciliation, the bank sends the original copy of the challan alongwith the bank scroll to the Pay and Accounts Officer and the quadruplicate copy of the challan to the Range Officer. The Range Officer is to check the duplicate copy of the challan received from the assessee with quadruplicate copy received from the bank. He is also required to send monthly statements to the Chief Accounts Officers showing details of payments by assessees supported by quadruplicate copies of challans. The Chief Accounts Officer is required to reconcile the figures with those booked by the Pay and Accounts Officer in his monthly account. The Treasury Officer is required to send a plus and minus Memorandum in respect of the Central Excise stamps issued during a month to the Pay and Accounts Officer. The Pay and Accounts Officer is to cross check the amounts with the original challan and bank scrolls received from the bank.

10. On enquiry by the Committee about the operation of the above discussed control mechanism in the cases under examination, the Secretary, Ministry of Finance (Department of Revenue) stated during evidence that there was a failure on the part of supervision and had the supervision been strict, then this perhaps could have been checked.

11. The Ministry of Finance (Department of Revenue) in a note, added that the evasion in this case had occurred not because of any lacunae in the procedure but due to fraud and non-adherence to the prescribed procedure by officers of various departments/agency.

12. During examination, the Committee were informed that certain instances had come to the notice of the department in February 1984 itself

when some assesseees had in connivance with the departmental officials managed to get endorsement from the Range Office not only in the quintuplicate copy, but also in the office copy/other copies of the challans and got extra banderols. After having come across those cases, the department issued orders amending the challan format with effect from 1.4.1984 so as to ensure that authorisation to the treasury for issue of banderols is made only on the reverse of the quintuplicate copy to prevent misuse of the other copies of the challan.

13. It was intimated by the Ministry of Finance in a note that the fraud was suspected to have been committed by an inspector of Central Excise with the assistance of a sepoy in collusion with the Bank/Treasury officials and the assesseees. The case was registered by the CBI on 20.10.1986. The report of the CBI had confirmed active connivance of the staff of the Central Excise Department with assesseees in committing the fraud.

14. The Ministry subsequently stated that as a follow up of the report received from the CBI, sanction was accorded on 14 September, 1987 for the prosecution of the officials involved and orders placing these officials under suspension with immediate effect were also issued on 14 September 1987. Another Inspector found to have attested certain challans was also placed under suspension on the basis of the subsequent investigation by the department. The CBI did not find evidence to establish involvement of the Treasury Officer in the fraud. Regarding the fraud case pertaining to 124 challans, departmental investigation was being pursued separately.

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

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

*Delay in pointing out defects in banking practice*

17. The Ministry of Finance (Department of Revenue) stated that in the instant case, the bank officials were not scrupulous about mentioning the amount received in words as well as in figures which left scope of the unscrupulous assessee to interpolate the amounts in the challans. During evidence it was stated that the department has since taken up the matter with the concerned banks who have issued necessary instructions for writing the amounts in words as well as figures.

18. However, on perusal of the copies of the correspondence exchanged between the collectorate of Central Excise and Customs, Cochin and the banks involved, furnished at the instance of the Committee, after evidence, it was seen that the initial letter in this regard was addressed by the Collectorate on 14th August, 1987 only.

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

*Action against the assesseees*

20. The Committee have been informed that after raiding the match units, certain documents were seized and on the basis of those documents, 19 show cause notices were issued. Out of these cases, five cases have already been decided by the Collector, involving duty amount of Rs. 4.29 lakhs. On adjudication, the Collector confirmed the duty of Rs. 4.29 lakhs and has also imposed a penalty of Rs. 1.5 lakhs. The other cases were under adjudication.

21. The parties were taking the plea that they were not at all aware of what was happening. Eleven of them have stated that they had not even started production, one said that he was not functioning, and the remaining seven have denied knowledge.

22. In a note furnished after evidence, the Ministry of Finance (Depart-

ment of Revenue) have stated that all the 19 cases have been adjudicated. No recovery has been made yet. The statutory period available for filing appeal against the order of the adjudicating authority is not yet over.

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

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

24. There is no other excisable commodity the duty payment of which is required to be endorsed in the form of affixation Central excise banderols or stamps on the commodity.

25. In reply to a question of the Committee the Ministry of Finance in a note furnished after evidence have stated that apart the cases under examination, there were other cases involving evasion of excise duty on matches. They included cases of clandestine removal of matches in a manner otherwise than as provided for in the rules, diversion of clearances in the names of other factories to keep the production and clearance within the exemption limit so as to avail concessional rates of duty etc.

26. When the Committee asked whether the Ministry proposed to effect any change so as to rationalise the procedure for payment of Central Excise duty on matches with a view to checking leakage of revenue, the Ministry of Finance (Department of Revenue) in a note furnished subsequent to evidence stated that the feasibility of shifting a part of the duty on matches to one of the essential raw materials for the manufacture of matches in order to simplify the system of collection of duty was currently under examination.

27. On enquiry by the Committee whether the Ministry would examine the feasibility of introducing a one-window concept for collection of excise duty on matches with a view to simplifying the system, the Ministry in a post-evidence note replied that in view of a proposal under consideration to extend the system of payment of duty through Personal Ledger Accounts (PLA) to matches also in line with the procedure prescribed in respect of other commo-

duties, there may not be any need for considering introduction of one-window concept.

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

*Delay in submission of monthly returns and reconciliation of revenue receipts*

29. In an earlier section of this Report, the Committee have pointed out the failure of the Central Excise department in the proper upkeep and reconciliation of accounts relating to the collection of central excise duty on matches. In fact, the system provides for reconciliation in respect of duty paid on all other excisable commodities as well.

30. Under the Central Excise Rules, 1944, assesseees are required to keep on an Account Currents with the Chief Accounts Officer of the Collectorate concerned to pay duties on the excisable goods. It is the responsibility of the manufacturer to see that there is adequate balance in the Account Current (Personal Ledger Account) to cover the duty due on the goods intended to be removed. The Chief Accounts Officer at the collectorate headquarters and the Range Officers in the field offices have to exercise the prescribed checks to ensure the proper upkeep and maintenance of the personal ledger accounts of the assesseees. The role and functions of the Chief Accounts Officer essentially consist in ensuring independently that the duties paid by the licenseees through the personal ledger account from time to time have, in fact, been properly credited into the Government account and that there are no overdrawals. Prior to 1 April 77, completion of PLA files was done in the office of the Chief Accounts Officer with the help of revenue records received from the Range Officers and the documents received directly from the Treasury Officers.

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

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

32. In their 160th Report (Seventh Lok Sabha), the Public Accounts Committee had drawn attention of Government to the fact that as on 31st December, 1980, about two lakh monthly returns were still awaited in the offices of the Chief Accounts Officers from the Range Offices resulting in an estimated amount of Rs. 502 crores lying unreconciled in a number of collectorates.

33. In response to a query by the Committee, in the context of the cases under examination relating to evasion of excise duty on matches, the Ministry of Finance (Department of Revenue) have not been able to indicate the precise present position of unreconciled receipts in the Chief Accounts Offices. The Ministry could not furnish the complete information so far. Out of 32 Collectorates, the Ministry have been able to furnish information only in respect of 22 collectorates, which itself is incomplete in many cases. The same is shown in Appendices IV and V. Appendix IV indicates the position where the credit is in excess as per the records of the Pay & Accounts Officer and Appendix V indicates the position where the credit is less as per the records of the Pay and Accounts Officer. As per Appendix IV a sum of Rs. 759.61 crores is excess credited in the books of Pay and Accounts Officers where Appendix V indicates that sum total of Rs. 385.51 crores is less credited as per the books of the Pay and Accounts Officers in respect of 22 collectorates. It will also be seen from the statement that receipts pertaining even to the year 1977-78 and onwards are yet to be reconciled in various collectorates.

34. The Ministry of Finance (Department of Revenue) have in a note furnished after evidence stated that the Central Board of Excise and Customs have been issuing instructions from time to time to clear the arrears of reconciliation.

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

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

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

NEW DELHI ;  
 11 March, 1988  
 21 Phalgun, 1909 (Saka).

AMAL DATTA  
 Chairman,  
 Public Accounts Committee

## APPENDIX I

(vide para 2)

*[Paragraph 2.77 of the Report of the Comptroller & Auditor General of India for the year 1985-86, Union Govt. (Civil), Revenue Receipts, Volume-1, Indirect Taxes relating to Union Excise Duties—Fraudulent procurement of central excise stamps by match factories.]*

Central excise duty on matches is required by law to be paid in the form of central excise stamps. Assessee desiring to obtain these stamps are required to prepare challans in quintuplicate for the required amount to be paid and deposit the amount together with the challans into the nominated public sector bank. The bank receives the money and returns the duplicate, triplicate, and quintuplicate copies of the receipted challan to the assessee. The assessee is to present the duplicate and quintuplicate copies of the challans to the Range Officer who would check them and return the quintuplicate copy with endorsement to the Treasury Officer to issue appropriate number of central excise stamps. The assessee would present such quintuplicate copy to the Treasury Officer who would thereon supply the central excise stamps to the assessee.

The bank sends the original copy of the challan alongwith the bank scroll to the Pay and Accounts Officer and the quadruplicate copy of the challan to the Range Officer. The Range Officer is to check the duplicate copy of the challan received from the assessee with the quadruplicate copy received from the bank. He is also required to send monthly statements to the Chief Accounts Officer showing details of payments by assessee supported by quadruplicate copies of challans. The Chief Accounts Officer is required to reconcile the figures with those booked by the Pay and Accounts Officer in monthly account. The Treasury Officer is required to send a Plus and Minus Memorandum in respect of the central excise stamps issued during a month to the Pay and Accounts Officer. The Pay and Accounts Officer is to cross check the amounts with the original challan and bank scroll received from the bank.

As per a notification dated 23 February, 1982 as amended match factories were eligible for concessional rate of duty of Rs. 1.60 per gross boxes

of 50 matches for the first clearance upto 120 million matches, during a financial year, provided that—

- (a) clearance for home consumption during the financial year did not exceed 150 million,
- (b) total production of matches during a calendar month did not exceed 15 million, and
- (c) clearance for home consumption during the preceding financial year did not exceed 150 million matches.

(A) A test check of the issue register of central excise stamps and challans kept at a sub-treasury with bank scrolls maintained by the bank revealed that in a good number of cases the amount of remittance as per the treasury copy of the challan (quintuplicate copy) was higher than the amount accounted for by the bank resulting in issue of central excise stamps for amounts in excess of those remitted into the bank. Such excess issues to 25 match factories amounted to Rs. 2,18,400 during the period April 1984 to October 1985.

(B) It was further noticed that central excise stamps issued from the treasury to certain licensees availing the concessional rate of duty were not fully accounted for in their registers. If the unaccounted purchases were also taken into account, the licensee would not be eligible for the concessional rate of duty which they had availed under notification dated 23 February 1982 basing on the production and clearances of the factory. Thus there was evasion of duty to the extent of Rs. 4,48,957 by three units during 1983-84 to 1985-86.

On these irregularities being pointed out in Audit (November 1985), the department conducted investigation and raids. The Collector reported (February, May and July 1986) that the investigations revealed that central excise stamps were procured without actual payment in bank, the quintuplicate copy of the challans were defalcated to a higher amount before presentation to the treasury and central excise stamps illicitly procured were utilised to clear suppressed production of matches. He added that cases were registered against 19 match factories for clearance of matches, using illicitly procured central excise stamps, suppression of production and illegal availment of concession in duty, violating the provisions of the Rules 9(1), 52, 52A, 53, 65, 66, and 67 of the Central Excise Rules, 1944 and attracting penal provisions

under Rules 9(2), 52A, 209, 210 and 226 *ibid* and that further details would be intimated after adjudication.

The Ministry of Finance stated (December 1986) that 23 match units were raided and cases for illicit removal of matches were registered against 8 units. The Ministry added that the adjudication proceedings were in progress in 19 cases and that since the investigation showed that some forgery might have taken place, the cases were also referred to C.B.I. for further investigation and action.

## APPENDIX-II

(vide Para 4)

### *Statement Showing Excess Drawal of Banderoles from Treasury*

Sl. No.	Name of units	L4 No.	Amount involved Rs.
1.	Ambili Match works	5.M.83	31,600
2.	Jawahar Unit I	1.M.77	16,000
3.	Jawahar Unit II	11.M.77	9,000
4.	Jawahar Unit III	2.M.78	13,000
5.	Jawahar Unit IV	6.M.78	8,000
6.	Jawahar Unit V	15.M.78	2,000
7.	Jawahar Unit VI	16.M.78	2,000
8.	Eagle Match works	16.M.84	6,000
9.	Salmath Match works	11.M.83	3,000
10.	Krishna Match works	12.M.84	16,000
11.	Ambili Match Ind.	10.M.84	5,000
12.	Mini Match works	7.M.84	4,000
13.	Sun Match works	62.M.80	2,000
14.	KG Match works	46.M.79	11,800
15.	Muregesh Match works	5.M.84	17,000
16.	Rekha Match works	52.M.80	2,000
17.	Priya Match works	15.M.81	3,000
18.	Ayyans Match works	11.M.83	14,000
19.	Dhanya Match works	2.M.84	16,000
20.	Ramani Match works	65.M.80	2,000
21.	Thundil Match works	31.M.80	3,000
22.	Sathya Match works	2.M.83	3,000
23.	Sarojana Match works	26.M.84	2,000
24.	Krishna Match Industries	5.M.83	2,000
25.	Noble Match Industries	3.M.84	25,000
			<b>Rs. 2,18,400</b>

### APPENDIX III

(vide Para 5)

#### *Consolidated Statement of Loss of Revenue due to Clandestine Removal of Matches*

Sl. No.	Name of unit with L4 No.	Year	Clearances as per RGI (gross)	Clandestine clearances on banderoles unaccounted (gross)	Total clearances	Differential duty (at Rs. 2.90/ Rs. 1.90)
1.	Ambili Match Works, L45,M83	84-85	14,000	21,374	35,375	1,02,587.50
		85-86	5,250	4,875	10,125	19,237.50
2.	Jawahar Unit I IM 77	83-84	16,150	8,500	24,650	71,485.00
		84-85	15,785	12,250	28,035	81,301.50
		85-86	4,000	5,750	9,750	18,525.00
3.	Jawahar Unit III III 2M 78	83-84	16,545	6,187.50	22,732.50	65,924.25
		84-85	16,085	10,000	26,085	75,646.50
		85-86	3,000	4,500	7,500	14,250
<b>Total</b>					<b>Rs. 4,48,957.25</b>	

**APPENDIX IV**

*(vide para 33)*

*Collectorate-wise Statement Showing the Position of Amount/more/less credited in PAOs Books*

**Amount more credited in PAOs Books (Figures rupees in lakhs)**

S. No.	Name of the Collectorates	Month/Year upto which reconciliation work is completed.	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	Total more credited in P.A.Os
1	2	3	4	5	6	7	8	9	10
1.	Chandigarh	Upto 8/87	nil	nil	nil	nil	nil	nil	
2.	Goa	Upto 8/87	nil	nil	nil	nil	nil	nil	
3.	Guntur	Upto 8/87	nil	nil	nil	nil	nil	nil	
4.	Allahabad	Upto 7/87	1951.20	4348.31	2362.31	1078.04	1814.54	8084.77	
5.	Aurangabad	Upto 7/87	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	
6.	Bangalore	Upto 7/87	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	
7.	Baroda	Upto 7/87	nil	nil	nil	nil	nil	nil	
8.	Bombay Ex. I	Upto 7/87	nil	nil	nil	nil	nil	nil	
9.	Belgaum	Upto 7/87	nil	nil	nil	nil	nil	nil	
10.	Madras Ex. II	Upto 7/87	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	

1	2	3	4	5	6	7	8	9	10
11.	Nagpur	Upto 7/87	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	
12.	Rajkot	Upto 7/87	nil	nil	nil	nil	nil	nil	
13.	Coimbatore	Upto 5/87	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	
14.	Bombay	Upto 3/87	nil	nil	nil	nil	nil	nil	
	C. Ex. III								
15.	Kanpur	Upto 3/87	nil	nil	nil	nil	nil	418.71	
16.	Cochin	Upto 5/87	N.G.	N.G.	N.G.	2624.88	2052.10	406.92	
17.	Indore	Upto 3/84	142.02	17.09	1283.79	740.32	674.28	423.07	
		For 83-84 } 85-86 } Completed							
		84-85-15 F.P. Banks out of 43 F.P. Banks completed							
		86-87-1 Dn. Satna out of 10 Dns. completed upto 3/87							
		9 others Dns. upto 5/86							
18.	Calcutta C. Ex. I	For 85-86 } 86-87 } completed	nil	nil	nil	nil	nil	nil	
		Beyond 3/87 in progress							
19.	Bhubaneswar	Upto 4/87	N.G.	N.G.	N.G.	N.G.	N.G.	39.39	
20.	Calcutta-II	Upto 6/87	N.G.	N.G.	N.G.	N.G.	N.G.	nil	
21.	Hyderabad		N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	
22.	Trichy	Upto 7/87—Formed PAOs office in 2/84—							
			2093.30	4865.40	3646.10	4443.24	4540.92	9372.86	

B N.G. means not given.

**APPENDIX-IV (Contd.)**

*Collectorate-wise statement showing the position of Amount/more/less credited in PAOs Books*

**amount more credited in PAOs Books (Figure rupees in lakhs)**

S.N.	Name of the Collectórates	Month/Year upto which reconcilia-tion work is completed	1983-84	1984-85	1985-86	1986-87	1987-88	Total more credited in P.A.Os.
1	2	3	4	5	6	7	8	9
1.	Chandigarh	Upto 8/87	nil	nil	nil	nil	nil	nil
2.	Goa	Upto 8/87	nil	nil	nil	nil	0.01	0.01
3.	Guntur	Upto 8/87	nil	nil	nil	nil	nil	nil
4.	Allahabad	Upto 7/87	5920.20	5206.76	3457.65	2981.13	804.10	38509.09
5.	Aurangabad	Upto 7/87	N.G.	nil	nil	nil	366.50	366.50
6.	Bangalore	Upto 7/87	N.G.	nil	141.45	737.98	832.67	1712.10
7.	Baroda	Upto 7/87	nil	nil	nil	nil	nil	nil
8.	Bombay Ex. I	Upto 7/87	nil	nil	nil	nil	nil	nil
9.	Belgaum	Upto 7/87	nil	nil	nil	nil	nil	nil
10.	Madras Ex. I	Upto 7/87	N.G.	457.67	350.73	213.94	263.61	1285.25
11.	Nagpur	Upto 7/87	205.02	457.25	727.11	387.47	54.76	1831.61

1	2	3	4	5	6	7	8	9
12.	Rajkot	Upto 7/87	nil	nil	nil	nil	nil	nil
13.	Coimbatore	Upto 5/87	N.G.	00.06	4.71	97.32	33.50	135.59
14.	Bombay C. Ex. III	Upto 3/87	nil	nil	nil	nil	N.G.	nil
15.	Kanpur	Upto 3/87	490.04	102.60	65.09	105.00	N.G.	1181.44
16.	Cochin	Upto 5/87	39.13	459.86	67.96	537.46	N.G.	6188.31
17.	Indore	Upto 3/84	1094.52	30.24	1448.91	880.87	N.G.	6735.71
18.	Calcutta C. Ex. I	For 85-86 } completed 86-87 }	nil	nil	nil	nil	N.G.	nil
		Beyond 3/87 in progress						
19.	Bhubanesware	Upto 4/87	4525.69	585.28	166.76	1104.36	101.86	7423.34
20.	Calcutta-II	Upto 6/87	nil	N.G.	nil	269.73	N.G.	269.73
21.	Hyderabad		N.G.	N.G.	33.00	1300.00	N.G.	1333.00
22.	Trichy	Upto 7/87		1023.00	4762.00	1537.00	1667.00	8989.00
	<b>Total</b>		<b>13174.60</b>	<b>8322.72</b>	<b>11225.37</b>	<b>10152.26</b>	<b>4124.01</b>	<b>75960.78</b>

N.G. means not given.

**APPENDIX V***(vide Para 33)**Collectorate-wise statement showing the position of amount less credited in the PAOs books**(Figures rupces in lakhs)*

S. No.	Name of the Collectorates	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
1	2	3	4	5	6	7	8
1.	Chandigarh	nil	nil	nil	nil	nil	nil
2.	Goa	nil	nil	nil	nil	nil	nil
3.	Guntur	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.
4.	Allahabad	11211.23	932.72	2885.12	178.54	438.89	1030.43
5.	Aurangabad	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.
6.	Bangalore	N.G.	N.G.	N.G.	7.80	256.32	77.33
7.	Baroda	nil	nil	nil	nil	nil	nil
8.	Bombay C.Ex. I	nil	nil	nil	nil	nil	nil
9.	Belgaum	nil	nil	nil	nil	nil	nil
10.	Madras C. Ex. I	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.
11.	Nagpur	nil	nil	nil	nil	nil	nil
12.	Rajkot	nil	nil	nil	nil	nil	nil
13.	Coimbatore	nil	nil	nil	nil	nil	nil

	2	3	4	5	6	7	8	
14. <b>Bombay C. E. III]</b>		nil	nil	nil	nil	nil	nil	
15. <b>Kanpur</b>		N.G.	00.02	4.27	21.61	76.37	53.73	
16. <b>Cochin</b>		N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	
17. <b>Indore</b>		70.03	74.10	243.64	277.52	331.76	196.43	
18. <b>Calcutta C. E. I</b>		nil	nil	nil	nil	nil	nil	
19. <b>Bhubaneshwar</b>		N.G.	N.G.	N.G.	N.G.	N.G.	14.90	
20. <b>Calcutta II</b>		N.G.	N.G.	N.G.	N.G.	N.G.	00.03	
21. <b>Hyderabad</b>		N.G.	N.G.	N.G.	N.G.	N.G.	N.G.	
22. <b>Trichy</b>		—Formed in 2/84—						
<b>Total</b>		11281.26	1006.86	3133.03	485.47	1103.34	1372.85	

N.G. means not given.

**APPENDIX V (Contd.)**

*Amount less credited in the PAOs books*

(Figures in lakhs)

S. No.	Name of the Collectorates	1983-84	1984-85	1985-86	1986-87	1987-88	Total less credited in PAOs
1	2	3	4	5	6	7	8
1.	Chandigarh	nil	nil	nil	nil	nil	nil
2.	Goa	nil	nil	nil	nil	nil	nil
3.	Guntur	54.26	27.93	2.80	N.G.	N.G.	84.99
4.	Allahabad	597.26	1020.94	1285.33	692.17	64.27	20337.13
5.	Aurangabad	N.G.	nil	21.42	00.24	N.G.	21.66
6.	Bangalore	1.79	2.2	121.25	614.33	26.90	1108.04
7.	Baroda	nil	nil	nil	nil	nil	nil
8.	Bombay C. Ex. I	nil	nil	nil	nil	nil	nil
9.	Belgaum	0.50	0.8	1.83	0.69	N.G.	3.83
10.	Madras C. Ex. I	N.G.	N.G.	N.G.	N.G.	N.G.	N.G.
11.	Nagpur	N.G.	N.G.	N.G.	1.58	1.31	2.89
12.	Rajkot	nil	nil	nil	nil	nil	nil
13.	Coimbatore	nil	nil	nil	nil	nil	nil

1	2	3	4	5	6	7	8
14.	<b>Bombay C. E. III</b>	nil	nil	nil	nil	N.G.	nil
15.	<b>Kanpur</b>	92.82	190.41	103.63	282.26	N.G.	825.12
16.	<b>Cochin</b>	N.G.	nil	2.04	93.54	N.G.	95.58
17.	<b>Indore</b>	628.23	1716.32	594.20	282.05	N.G.	4414.28
18.	<b>Calcutta C. E. I</b>	nil	nil	nil	nil	N.G.	nil
19.	<b>Bhubaneswar</b>	212.91	674.18	460.21	158.90	168.40	1689.50
20.	<b>Calcutta II</b>	3.59	N.G.	435.54	nil	N.G.	1439.16
21.	<b>Hyderabad</b>	N.G.	N.G.	1373.00	118.00	N.G.	1491.00
22.	<b>Trichy</b>		7922.00	104.50	7.64	3.68	8087.82
		1591.57	11554.91	4505.75	2251.40	264.56	38551.00

N.G. means not given.

**APPENDIX VI**  
*Conclusions/Recommendations*

Sl. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	15	Ministry of Finance (Department of Revenue)	It is disquieting to note that the prescribed procedure for accounting, monitoring and reconciliation of revenue in respect of excise duty on matches was not followed at any of the levels, resulting in non-detection of the fraud. The Committee cannot but express deep concern that the frauds were committed by the unscrupulous assesseees with the active connivance of the Central Excise staff. The very fact that the fraud was perpetrated for such a long period from April 1984 to November 1985 is clearly indicative of the total failure of senior supervisory level in exercising the required vigilance and control.
2	16	—do—	The Committee recommend that the Ministry of Finance should enquire into the reasons of these failures and ensure immediate corrective measures with a view to eliminating possibility of recurrence of such cases in future. They urge the Government to clear departmental enquiries expeditiously and initiate action against delinquent officials who colluded with the unscrupulous/assesseees and also against those who failed in exercising proper supervision and control, expeditiously.

1	2	3	4
3	19	Ministry of Finance (Deptt. of Revenue)	<p>The Committee are surprised to note that although the cases of irregularities were brought to the notice of the department in October-November, 1985, the defects observed in the working of some public sector banks with regard to the acceptance of the challans were taken up by the department with the concerned banks for rectification only in August 1987. Apparently, this has been done only after the subjectmatter was selected by the Public Accounts Committee for detailed examination. The Committee deprecate this casual approach and desire that the Central Board of Excise and Customs should issue necessary instructions and ensure that atleast in future prompt action is taken in such cases.</p>
4	23	—od—	<p>The Committee recommend that the department should speed up adjudication processes and vigorous efforts be made to recover the dues from the assesseees concerned by way of duty, penalty etc. They trust that the department must have already launched criminal proceedings against the parties for the fraudulent means adopted by them in cheating Government. The Committee would like to be apprised of the action taken on this score and also of the progress made in the recovery of dues from the assesseees in all the cases.</p>
5	28	—do—	<p>The Committee hope that early steps will be taken by the Ministry of Finance to rationalise and simplify the system of payment of excise duty on matches so that compliance and administration becomes easier for the honest assesseees and to the department and the malpractices resorted to by unscrupulous elements resulting in leakage of revenue are effectively checked.</p>
6	35	—do—	<p>The Committee deplore the failure <u>various Collectarates of</u></p>

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

7      36    Ministry of Finance  
          (Deptt. of Revenue)

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

1	2	3	4
8	37 Ministry of Finance (Deptt. of Revenue)		<p>The Committee further recommend that the Ministry of Finance should prescribe a time limit for completing reconciliation of departmental figures of collections of Central Excise duty appearing in the monthly statements of the Range Officers with the figures of revenue collections booked in the accounts of the Pay and Accounts Officers of the concerned Collectorate, so as to ensure proper accountal of revenues. The prescribed time limit should be scrupulously adheard to by periodical monitoring at an appropriately higher level.</p>

