

HUNDRED AND THIRTY-THIRD REPORT

PUBLIC ACCOUNTS COMMITTEE (1987-88)

(EIGHTH LOK SABHA)

CUSTOMS RECEIPTS—SHORT COLLECTION OF DUTY DUE TO ADOPTION OF INCORRECT ASSESSABLE VALUE

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



*Presented to Lok Sabha on 28 April, 1988
Laid in Rajya Sabha on 28 April, 1988*

**LOK SABHA SECRETARIAT
NEW DELHI**

*April, 1988/Chaitra, 1910 (Saka)
Price : Rs. 13.00*

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PART II*

**Minutes of the Sitting of the Public Accounts Committee
(1987-88) held on 23.9.1987 and 18.4.1988.**

PUBLIC ACCOUNTS COMMITTEE
(1987-88)

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Shri Amal Datta

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3. Shri Mohd. Ayub Khan
4. Shri Y. S. Mahajan
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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*

*Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha w.e.f. 2.4.1988.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Hundred and Thirty-third Report on Paragraph 1.14 of the Report of the Comptroller and Auditor General of India for the year 1985-86—Union Government (Civil), Revenue Receipts, Vol. I Indirect Taxes, relating to Customs Receipts— Short collection of duty due to adoption of incorrect assessable value.

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, while examining a case of short levy of customs duty amounting to Rs. 15.47 lakhs due to adoption of incorrect assessable value, the Committee have expressed their dismay that such a patent mistake went undetected by all the departmental levels/functionaries including Internal Audit. In the opinion of the Committee, the occurrence of such a simple mistake involving substantial revenue going unchecked in an organisation responsible for contributing the maximum amount of tax revenue to the Union exchequer is indeed a sad reflection on the function of the Customs Department. The Committee have desired that the Ministry of Finance should look into the reasons for the system/human failures in this case and take appropriate remedial measures for improving the system with a view to obviating recurrence of such cases in future so that governmental financial interest are protected.

4. The Committee have observed that the facts relating to the present case of short-levy as initially furnished to the Audit and subsequently to the Committee before evidence were later on found to be incorrect by the Ministry of Finance themselves. Pointing out that even before inclusion of a paragraph in the relevant report of the Comptroller and Auditor General of India, the Ministries get ample opportunities to verify the factual correctness of the subject matter, the Committee have opined that the failure of the Ministry of Finance to be fully versed with the relevant facts in this case evenafter the submission of the Audit Report to Parliament and selection of the paragraph by the Public Accounts Committee, is clearly indicative of two short-comings.

First, of casual approach of the Department, in attending to audit objections and secondly of the lack of effective communication between the Collectorates and the Central Board of Excise and Customs/Ministry. Deprecating this casual approach of the Department, the Committee have urged the Ministry of Finance to take effective remedial steps to evolve a better system of feedback and interaction between the Collectorates and the Board/Ministry.

5. The Committee have attempted an evaluation of the efficacy of the Internal Audit Department at the important Custom Houses in terms of the objections raised and admitted. The Committee have noted with regret that despite their persistent exhortations, the performance of the Internal Audit Department of Customs Houses has not made any perceptible impact on the working of the Department. The low percentage of objections raised by the Internal Audit which are admitted coupled with its inability to detect mistakes/irregularities which are subsequently found out by the Revenue Audit Branch of the Comptroller and Auditor General of India as sadly happened in the present case, clearly indicate that the working of the Internal Audit Department of Customs Houses is far from satisfactory. Some of the instructions governing the working of the Department relating to percentage of test checks to be conducted etc. were issued as back as in 1971 and are long overdue for review. Even the implementation of the accepted recommendations of the Public Accounts Committee is apparently half-hearted. The Committee have recommended that the Ministry of Finance should undertake a critical evaluation of the performance of the Internal Audit Department of the Customs Houses particularly in the context of the extent of the implementation of the earlier recommendations of the Committee and the effectiveness of the follow-up action.

6. The Public Accounts Committee (1987-88) examined the Audit Paragraph at their sitting held on 23 September, 1987.

7. The Committee considered and finalised this report at their sitting held on 18 April, 1988. The Minutes of the sittings form Part II* of the Report.

8. 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 and have also been reproduced in a consolidated form in Appendix IV to the Report.

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

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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.

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;
April 20, 1988
Chaitra 31, 1910 (S)

AMAL DATTA
Chairman,
Public Accounts Committee.

REPORT

CUSTOMS RECEIPTS—SHORT COLLECTION OF DUTY DUE TO ADOPTION OF INCORRECT ASSESSABLE VALUE

Audit Para

This Report is based on Paragraph 1.14 of the Report of the Comptroller and Auditor General of India for the year 1985-86, Union Government (Civil) Revenue Receipts, Volume I, Indirect Taxes (Appendix I)

Irregularities

2. Bharat Earth Movers Ltd. (BEML), a public sector undertaking, imported a consignment of parts of Highway wheel-type tractor consisting of 63 cases valued at US \$ 4,23,623/- (f.o.b.), under two invoices dated 25.4.1983. The assessable value of these goods amounted to Rs. 44.25 lakhs involving total customs duty of Rs. 36.86 lakhs. These goods were imported at Madras port under bill of lading dated 3 May 1983 and on importation were entered for warehousing and deposited under bond dated 24 June 1983 in the importers private bonded warehouse in Madras Port Trust area.

3. On 18 September, 1984, the importer filed an ex-bond bill of entry bearing Import Department S.N. 002881 for removal of nine cases. This bill of entry ran into two pages, marked page 1 and 2. Page 1 of the bill of entry contained description of eight different items alongwith their individual assessable value. Page 2 of the bill of entry contained description of one item with its individual assessable value. Marks and numbers of the goods being cleared were also shown in this page. A copy each of the two invoices, referred to above, were attached to the bill of entry alongwith a packing list for each of the nine cases in which the goods were packed, and a work-sheet showing the total f.o.b. value of these goods in US \$ 2,34,729 and the total c.i.f. value thereof in Indian rupees amounting to Rs. 24,52,304/-. One hand-written two-page work sheet showing break-up of value Tariff-item-wise was also attached to the bill of entry. This work-sheet also gave details of Indian f.o.b. value in US \$ for the nine cases in question showing its conversion into Indian rupees for the total assessable value of Rs. 24,52,304/-

4. The bill of entry was assessed by the Madras Custom House on 12.10.1984. While assessing the goods described in the two sheets of the bill of entry, the assessing officer worked out the total duty payable as Rs. 6,58,234/. However, this amount of duty was assessed incorrectly due to the wrong treatment of assessable value of Rs. 8,04,880/- instead of the actual assessable value of Rs. 24,52,304/- in respect of the nine items resulting in a short-levy amounting to Rs. 13.55 lakhs.

5. Further, interest for the extended warehousing period was incorrectly levied for 308 days instead of 391 days. This discrepancy in the total number of days for which interest was chargeable, coupled with the interest chargeable on the differential duty which had been short-levied led to a total short-levy in interest chargeable amounting to Rs. 1.92 lakhs.

6. Thus, the total short-levy of customs duty in the case under examination worked to Rs. 15.47 lakhs.

Failure of Customs authorities

7. The Committee have been informed that it is the duty of the officer-in-charge of the warehouse to ensure proper assessment of goods before clearance. Moreover, the Internal Audit checks all documents relating to clearances of goods from bonded warehouses to ensure that imported goods have been correctly classified, assessable value correctly worked out and correct rate of duty and rate of exchange applied.

8. In the present case, the bill of entry was assessed by a Customs Appraiser and checked and counter-signed by an Assistant Collector of Customs. It was also checked by the Assistant Collector of Customs in charge of the Internal Audit Department.

9. The Ministry of Finance (Department of Revenue) have in a note stated that there was an omission on the part of the assessing officer to reconcile the abstract in the main working sheet showing the correct assessable value of Rs. 24,52,304 with the assessable value of each item of goods declared in the bill of entry. The Supervisory Officer incharge of the warehouse also missed to detect the short-levy of interest chargeable.

10. According to the Ministry, the mistake also could not be detected by the Internal Audit Department on account of human failure.

11. During evidence, the Secretary, Ministry of Finance (Department of Revenue) stated that it was one of those rare coincidences where the machinery for the check had failed and it was a very serious matter that things like that could happen and did happen. The Chairman, Central Board of Excise and Customs also stated that this case happened because of a total negligence by all the concerned persons.

Recovery of duty

12. The Committee have been informed that the importers in the case, viz., Bharat Earth Movers Ltd., had also not pointed out the discrepancy in value and assessment to the Customs authorities. As per Section 28 of the Customs Act, 1962, a notice for any non-levy, short-levy or erroneous refund of duty should be issued within a period of six months. By the time the present case of irregularity had received departmental attention through audit by the Revenue Audit Branch of the C&AG, the prescribed period for issue of notice against short-levy of customs duty had expired. However, a request was made to the importers for voluntary payment and the short-levy of Rs. 15,47,858 was recovered.

Action against departmental officers

13. On enquiry by the Committee about the action taken against the departmental officers for their lapses, the Ministry of Finance (Department of Revenue) in a note furnished after evidence stated that the group Appraiser, who assessed the Bill of Entry was suspended. After the matter was enquired into, disciplinary proceedings have been initiated against the officers responsible for the short-levy.

14. The Committee are dismayed that such a patent mistake went undetected by all the departmental levels/functionaries including Internal Audit, resulting in short levy of Customs duty amounting to Rs. 15.47 lakhs. In the opinion of the Committee the occurrence of such a simple mistake involving substantial revenue going unchecked in an organisation responsible for contributing the maximum amount of tax revenue to the Union exchequer is indeed a sad reflection on the functioning of the Department. The Committee desire that the Ministry of finance should look into the reasons for the system/human failures in this case and take appropriate remedial measures for improving the system with a view to obviating recurrence of such cases in future so that governmental financial interests are protected.

15. The Committee note that while the group Appraiser who assessed the bill of entry was suspended, the Ministry of Finance have not clearly indicated the action taken against the senior officers who had countersigned the bill of entry after assessment and internal auditing. The Committee trust that the Ministry of finance would look into the same and take suitable action and also ensure that in future the supervisory officers exercise greater care and control in proper assessment and realisation of duty.

Furnishing of incorrect information

16. The Committee were informed by Audit that the irregularity had taken place in an inland customs bonded warehouse situated at Kolar under the jurisdiction of Bangalore Collectorate. In a written note furnished to the Committee before evidence, the Ministry of Finance (Department of Revenue) stated that the importers had omitted to file the additional sheet of Bill of Entry containing 11 items. The Bill of Entry was, therefore, assessed for nine items only valuing Rs. 8,04,880/- resulting in under-assessment of goods worth Rs. 16,47,424/- involving short-levy of duty of Rs. 15,47,858/- including the interest amount of Rs. 1.92 lakhs for the extended period of warehousing. It was also stated that the non-declaration of goods of the value of Rs. 16,47,424/- in the Bill of Entry escaped the notice of the Central Excise authorities incharge of the warehouse for lack of adequate experience in Customs appraising. Explaining the position in respect of short-levy of interest, the Ministry had stated that interest chargeable on bonded goods was related to customs duty leviable. As customs duty itself was short-levied due to omission, interest worked out on the basis of custom duty was also incorrect.

17. However, during the course of evidence, the Member, Central Board of Excise and Customs stated that the information was not correct. Expressing regrets over the same, the witness stated that the particular warehousing bond was not at Bangalore and the irregularity had occurred at Madras Port itself. Further, it was the customs officers themselves at Madras Port who had missed the particular page. Moreover, the position in respect of short-levy of interest as intimated earlier was also not fully correct. In a note furnished after evidence, the Ministry of Finance (Department of Revenue) stated that the interest for the extended warehousing period had been worked out for 308 days instead of 391 days. This discrepancy in the total number of days for which interest was chargeable, coupled with the interest chargeable on the differential duty which had been short-levied led to a total short-levy in interest chargeable amounting to Rs. 1.92 lakhs.

18. Apologising for the wrong information furnished to the Committee,

the Secretary, Ministry of Finance (Department of Revenue) during evidence described the whole thing as 'very shocking'.

19. Even before inclusion of a paragraph in the relevant Report of the Comptroller and Auditor General of India, the Ministries get ample opportunities to verify the factual correctness of the subject matter. The Ministries, can, therefore, legitimately be expected to be fully equipped with all the facts relevant to the draft Audit paragraph even at that stage. However, in the present case, even after the submission of Audit Report to Parliament and selection of the paragraph by the Public Accounts Committee, the Ministry of Finance were not fully versed with the correct facts relevant to the case. It was only when the subject matter was due to be orally discussed with the Committee that the Ministry found the information to be incorrect. In the opinion of the Committee this is clearly indicative of two short-comings. First, of the casual approach of the Department in attending to audit objections and secondly of the lack of effective communication between the Collectorates and the Board/Ministry. The Committee strongly deprecate this casual approach of the Department and would urge the Ministry of Finance to take effective remedial steps to evolve a better system of feedback and inter-action between the Collectorates and the Board/Ministry. The failure on the part of the departmental heads to react to the Audit Paras in a serious manner has been the bane of financial management and the Committee would urge the Government to take effective remedial measures to ensure prompt and adequate follow up action on audit objections. The Committee would like to be apprised of the action taken in this regard.

Working of Internal Audit Department of Customs Houses

20. In an earlier section of this Report, the Committee have pointed out that the Internal Audit Department of the Madras Custom House had failed to detect the short levy of duty in the case under examination. In the scheme of customs administration the Internal Audit has an important role keeping in view the revenue potentiality of the Department. The revenue from customs bonded warehouses (the irregularity under examination was reported from a warehouse) alone was about Rs. 2,471 crores during the year 1986-87. The Internal Audit Department serves as the agency for verifying that all customs revenue and other duties leviable under various legislations and enactments are correctly assessed and brought to account. The Internal Audit Department is also responsible for bringing to light any weaknesses or defects in procedure which may in any way tend to impair the efficiency of administration and thereby affect public revenue.

21. The function of the Internal Audit Department is to audit all documents passed in connection with import and export cargo, pre-audit or refund/ drawback claims, bonds and guarantees before they are allowed to be cancelled on the fulfilment of undertakings etc. The Internal Audit Department is required to complete their audit of bills of entry within a period of 120 days so that any chances of any demand becoming time barred by operation of Section 28 of the Customs Act, 1962 are avoided.

22. All Bills of Entry, where the value of goods is Rs. 5000/- and above are audited by a Customs Appraiser and rest by the staff of the Internal Audit Department consisting of Upper Division Clerks or Deputy Office Superintendents. The Assistant Collector, Internal Audit Department is required to check two per cent of the Bills of Entry where the value of goods exceeds Rs. one lakh and the Deputy Collector of Customs broadly one per cent where the value of goods exceed Rs. five lakhs excluding certain specified categories of documents. Similar monetary limits have been laid down for checking of various types of documents in respect of shipping bills, drawbacks claims and refunds.

23. The instructions laying down the above mentioned percentages of checks to be exercised were issued in 1971.

24. The working of the Internal Audit Department of the Custom Houses had engaged the attention of the Public Accounts Committee on various occasions. Time and again the Committee have emphasised the need to improve the functioning of the Internal Audit Department with a view to ensuring proper realisation and accounting of Customs revenue. In paragraph 3.25 of their 44th Report (Seventh Lok Sabha) the Committee had made specific recommendations on the subject. The recommendations are reproduced and shown as Appendix II.

25. In the context of the present case, the Committee enquired about the action taken to implement the above recommendations by initiating monitoring by Central Board of Excise and Customs for assessing the performance of Internal Audit and improving its effectiveness. The Committee also enquired about the number of Conferences of Collectors of Customs where the topic of "performance of Internal Audit Department" formed the subject matter of discussion. The reply furnished by the Ministry in this regard is reproduced and shown as Appendix III.

26. Having become aware of the failure of the Internal Audit to point out the mistake in the case under examination, the Committee attempted to

evaluate the efficacy of the Internal Audit Department at the important Custom Houses in terms of the objections raised and admitted. The details of objections raised by Internal Audit Department and admitted during 1982-83 to 1986-87 are as follows :—

Custom House	No. of objections raised and money value	No. of objections admitted and money value	Percentage of objections admitted over objections raised
Madras	22,138 (Rs. 30.83 crores)	7,261 (Rs. 10.75 crores)	32.50 (34.87)
Calcutta	20,680 (Rs. 44.87 crores)	17,995 (Rs. 41.84 crores)	87 (93.25)
Bombay	54,601 (Rs. 638.40 crores)	24,215 (Rs. 158.25 crores)	44.35 (24.76)
Delhi	8,691 (Rs. 29.14 crores)	1,258 (Rs. 0.55 crores)	14.47 (1.81)
*Sahar (Bombay)	33,091 (Rs. 214.70 crores)	796 (Rs. 0.36 crores)	2.41 (0.16)

*Sahar Airport started functioning only from 1984.

27. The Committee regret to note that despite their persistent exhortations, the performance of the Internal Audit Department of Customs Houses has not made any perceptible impact on the working of the Department. The low percentage of the objections raised by Internal Audit which are admitted coupled with its inability to detect mistakes/irregularities which are subsequently found out by the Revenue Audit Branch of the Comptroller and Auditor General of India as sadly has happened in the present case, clearly indicate that the working of Internal Audit Department of Customs Houses is far from satisfactory. Some of the instructions governing the working of the Department relating to percentage of test checks to be conducted etc. were issued far back in 1971 and are long overdue for review. Even the implementation of the accepted recommendations of the Public Accounts Committee is apparently half-hearted. The Committee need hardly reiterate the importance of the Internal Audit as an effective tool of management control in checking leakage of customs revenue. They desire that the Ministry of Finance should undertake a critical evaluation of the performance of the Internal Audit Department of Customs Houses particularly in

the context of the extent of implementation of the earlier recommendations of the Committee and the effectiveness of the follow-up action. The Committee would like to be apprised of the further action taken in the matter.

Report on Accountability in Administration

28. The facts stated in the preceding paragraphs have among others identified two important areas of shortcomings of the governmental functioning which requires attention, viz., the system of internal audit and reaction of Ministries to Audit paragraphs. In this connection, it is relevant to mention that a report on "Accountability in Administration" was submitted to Honourable Speaker/Prime Minister on 27 February, 1987 by a sub-committee constituted by the Conference of Chairman of Public Accounts Committee of Parliament and State Legislatures held in New Delhi in September 1986. Even though the report was not presented to the Parliament, copies of the report were forwarded to all the Ministries/Departments of the Government of India. The report *inter-alia* contained suggestions on both the above aspects.

29. The Committee hope that the Government have applied their mind on the above mentioned report in order to make the executive more responsive towards public accountability.

NEW DELHI :

April 20, 1988

Chaitra 31, 1910 (S)

AMAL DATTA

Chairman,

Public Accounts Committee

APPENDIX I

(vide Para 1)

***Paragraph 1.14 of the Report of Comptroller and Auditor General of India
for the year 1985-86, Union Government (Civil), Revenue Receipts,
Volume-I, Indirect Taxes***

Though the total assessable value of nine cases covering parts of Highway Wheel type Tractor cleared from a warehouse during October, 1984 worked out to Rs. 24.52 lakhs in the work sheet attached to the bill of entry, the same was declared as Rs. 8.05 lakhs only in the bill of entry. This resulted in under-valuation of goods by Rs. 16.47 lakhs and consequent non levy of duty on this value.

On this discrepancy as well as the mistake in computation of the period of warehousing for the purpose of levy of interest being pointing out in audit (June 1985), the department admitted the objection (January 1986) and stated that the importers were asked to pay the short collected amount of Rs. 15.47 lakhs including the differential interest of Rs. 1.92 lakhs chargeable on the warehoused goods voluntarily.

The Ministry of Finance confirmed the facts and stated (December 1986) that the amount short levied had since been realised.

APPENDIX II

(vide para 24)

Recommendations of the Public Accounts Committee in para 3.25 of their 44th report (Seventh Lok Sabha) relating to customs receipts.

In para 3.22 the Committee have recommended that the Collectors of Customs should make proper use of and also improve the efficiency of the Internal Audit Department. The Committee are also of the view that the present departmental arrangement for evaluating the working of the Internal Audit Department through the monthly Audit Bulletin published by all major Customs Houses and circulated to other is not adequate as no monitoring is done by the Central Board of Excise and Customs, either of the efficiency of performance of Internal Audit itself or of the effectiveness of the follow up action. Internal Audit is a very important tool of internal control through which the Board can not only keep an effective watch over the standard of performance of their field formations but also bring about substantial improvements through pointing out errors and omissions of common occurrence. For this purpose it is necessary that, apart from the local Collectors taking personal interest in this work, the Board should provide a central point of co-ordination and control. The Committee would suggest that the findings of the Internal Audit Departments through the Monthly, Audit Bulletins should simultaneously be reported to the Director of Audit who should also collect data about the progress of internal audit in different collectorates, the numbers and nature of objections taken, the quality of follow-up action and the progress of clearance of objections both of internal audit as well as Customs Revenue Audit. The Director of Audit should prepare a quarterly Audit Bulletin giving an assessment of the working of internal audit and indicating typical errors and omissions have considerable revenue effect. This Bulletin should be circulated to the Collectors for their information and guidance and a copy thereof should be sent to Audit. The quarterly Bulletin should also be considered by the Board. The Committee would further suggest that the performance of Internal Audit should invariably be a subject for the Collectors Conferences which the Board should arrange on the lines of the conferences of Commissioners of Income-tax.

APPENDIX III

(vide para 25)

*Written information furnished by the Ministry of Finance
(Department of Revenue) on the following points*

- (i) The remedial action taken to initiate the monitoring by Central Board of Excise & Customs for assessing the performance of Internal Audit or for increasing the effectiveness of Internal Audit Department,
- (ii) In how many Conferences of Collectors of Customs, the topic of "performance of Internal Audit Department" formed the subject matter of discussion? If so, please furnish the yearwise details in respect of the following four years :

Year	Dates of Conference	Venue	Brief particulars and gist of the decision taken
1983-84			
1984-85			
1985-86			
1986-87			

Reply :

14 (i) In pursuance to the recommendations in para 3.25 of the 44th Report (7th Lok Sabha) 1980-81, Directorate of Audit were entrusted with the responsibility of monitoring the performance of Internal Audit Department in the Custom Houses. The Directorate of Audit prepare and circulate quarterly Customs Audit Bulletins giving an assessment of working of Internal Audit and highlighting important Audit and CRA objections. They also undertake periodic inspection of Internal Audit Department of the Custom Houses.

14 (ii) In the all India Conference of Collectors of Customs and Central Excise held from 18th to 21st July, 1983 at Vigyan Bhavan, New Delhi, the performance of Internal Audit in the Custom Houses and in the Central Excise Collectorates was discussed. Besides, Tariff Conferences of Collectors of Customs are held every quarter. The performance of Internal Audit Department, in the Custom Houses is generally discussed in these conferences. Individual audit objections taken by Receipt Audit or Internal Audit, which have been disputed by the Custom House, are also discussed and appropriate decision taken in respect of the disputed audit objections with the concurrence of the Director of Receipt Audit, who also participates in these conferences.

APPENDIX IV

Conclusions/Recommendations

S. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	14	Ministry of Finance (Department of Revenue)	The Committee are dismayed that such a patent mistake went undetected by all the departmental levels/functionaries including Internal Audit, resulting in short levy of Customs duty amounting to Rs. 15.47 lakhs. In the opinion of the Committee the occurrence of such a simple mistake involving substantial revenue going unchecked in an organisation responsible for contributing the maximum amount of tax revenue to the Union exchequer is indeed a sad reflection on the functioning of the Department. The Committee desire that the Ministry of Finance should look into the reasons for the system/human failures in this case and take appropriate remedial measures for improving the system with a view to obviating recurrence of such cases in future so that governmental financial interests are protected.
2	15	—do—	The Committee note that while the group Appraiser who assessed the bill of entry was suspended, the Ministry of Finance have not clearly indicated the action taken against the senior officers who had countersigned the bill of entry after assessment and internal auditing. The Committee trust that the Ministry of Finance would look into the same and take suitable action and also ensure that in future the supervisory officers exercise greater care and control in proper assessment and realisation of duty.

1	2	3	4
3	19	—do—	

Even before inclusion of a paragraph in the relevant Report of the Comptroller and Auditor General of India, the Ministries get ample opportunities to verify the factual correctness of the subject matter. The Ministries, can, there fore, legitimately be expected to be fully equipped with all the facts relevant to the draft Audit paragraph even at that stage. However, in the present case, even after the submission of Audit Report to Parliament and selection of the paragraph by the Public Accounts Committee, the Ministry of Finance were not fully versed with the correct facts relevant to the case. It was only when the subject matter was due to be orally discussed with the Committee that the Ministry found the information to be incorrect. In the opinion of the Committee this is clearly indicative of two short-comings. First, of the casual approach of the Department in attending to audit objections and secondly of the lack of effective communication between the Collectorates and the Board/Ministry. The Committee strongly deprecate this casual approach of the Department and would urge the Ministry of Finance to take effective remedial steps to evolve a better system of feedback and inter-action between the Collectorates and the Board/Ministry. The failure on the part of the departmental heads to react to the Audit Paras in a serious manner has been the bane of financial management and the Committee would urge the Government to take effective remedial measures urgently to ensure prompt and adequate follow up action on audit objections. The Committee would like to be apprised of the action taken in this regard.

14

4 27 —do—

The Committee regret to note that despite their persistent exhortations, the performance of the Internal Audit Department of Customs

1	2	3	4
			<p>House it has not made any perceptible impact on the working of the Department. The low percentage of objections raised by Internal Audit which are admitted coupled with its inability to detect mistakes/irregularities which are subsequently found out by the Revenue Audit Branch of the Comptroller and Auditor General of India as sadly has happened in the present case, clearly indicate that the working of Internal Audit Department of Customs Houses is far from satisfactory. Some of the instructions governing the working of the Department relating to percentage of test checks to be conducted etc. were issued far back in 1971 and are long overdue for review. Even the implementation of the accepted recommendations of the Public Accounts Committee is apparently half-hearted. The Committee need hardly reiterate the importance of the Internal Audit as an effective tool of management control in checking leakage of customs revenue. They desire that the Ministry of Finance should undertake a critical evaluation of the performance of the Internal Audit Department of Customs Houses particularly in the context of the extent of implementation of the earlier recommendations of the Committee and the effectiveness of the follow-up action. The Committee would like to be apprised of the further action taken in the matter.</p>
5	29	Ministry of Finance (Department of Expenditure)	<p>The Committee hope that the Government have applied their mind on the above mentioned report in order to make the executive more responsive towards public accountability.</p>

