

INDIAN CUSTOMS ELECTRONIC DATA INTERCHANGE SYSTEM (ICES 1.5)

[Action Taken by the Government on the Observations/
Recommendations of the Committee contained in their Twenty-Third
Report (16th Lok Sabha)]

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

**PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

FIFTIETH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE
(2015-16)

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MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE - CBEC)



Presented to Lok Sabha on: 28.04.2016

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LOK SABHA SECRETARIAT
NEW DELHI

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* Not appended to the cyclostyled copy of the Report

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

Prof. K.V. Thomas - **Chairperson**

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmputra
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neelgiri Rao
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Smt. Bharti Tuteja - Deputy Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2015-16), having been authorized by the Committee, do present this Fiftieth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty Third Report (Sixteenth Lok Sabha) on **"Indian Customs Electronic Data Interchange System (ICES 1.5)"** relating to Ministry of Finance (Department of Revenue).

2. The Twenty Third Report was presented to Lok Sabha and laid in Rajya Sabha on 13th August, 2015. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Fiftieth Report at their sitting held on 26th April, 2016. Minutes of the sitting are given at Appendix I.

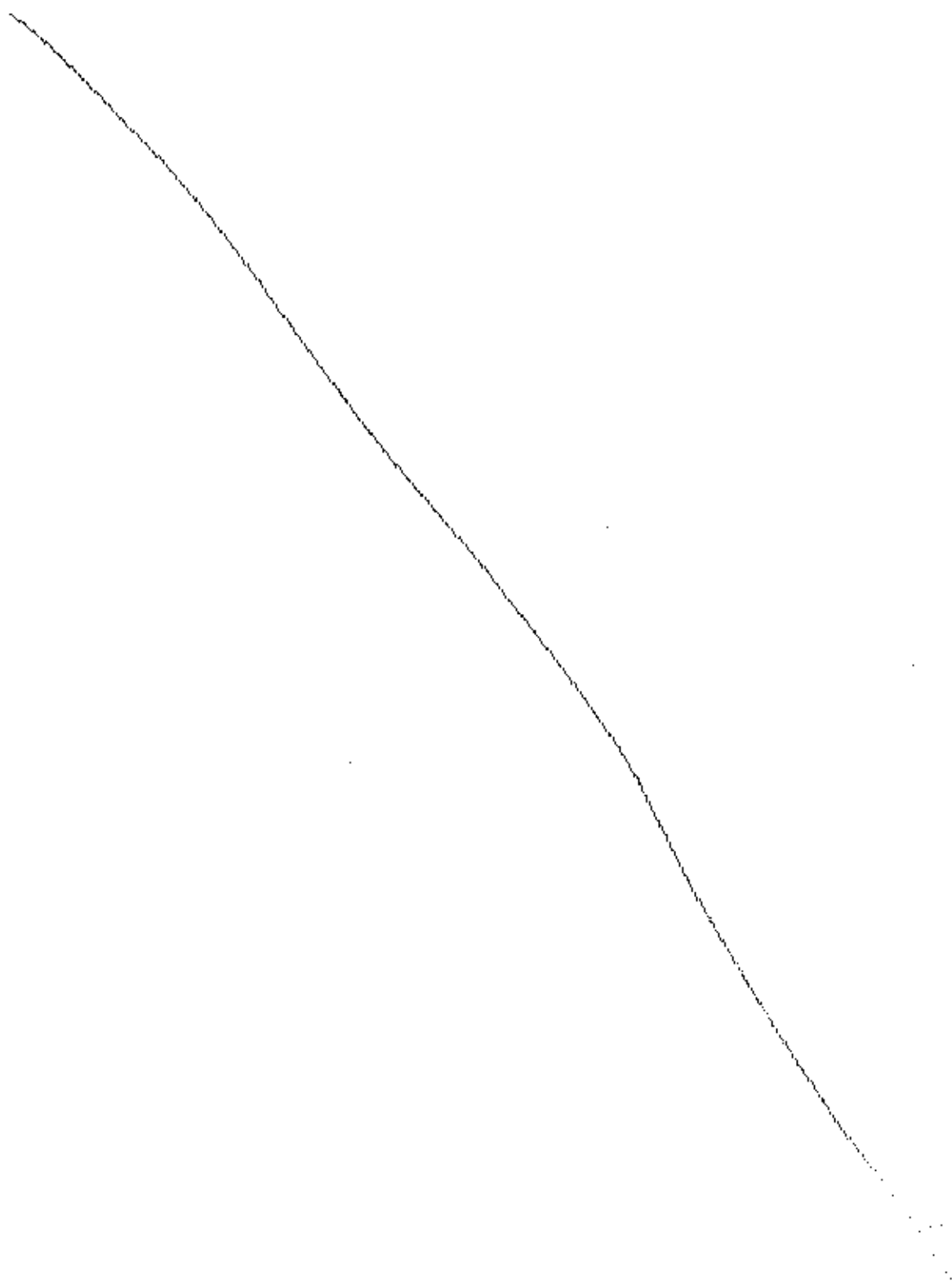
3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

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

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

NEW DELHI;
25 April, 2016
5 Vaisakha, 1938 (Saka)

PROF. K.V. THOMAS,
Chairperson,
Public Accounts Committee.



REPORT

PART - I

INTRODUCTORY

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Twenty Third Report (16th Lok Sabha) on "Indian Customs Electronic Data Interchange System (ICES 1.5)" based on C&AG Report No. 11 of 2014 relating to Ministry of Finance (Department of Revenue).

2. The Twenty Third Report (16th Lok Sabha), which was presented to Lok Sabha and laid in Rajya Sabha on 13th August, 2015, contained 15 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Finance (Department of Finance) and are broadly categorized as under:

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

Para Nos. 1,4,5,8,10,14,15

**Total: 07
Chapter - II**

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

Para Nos. 6, 12

**Total: 02
Chapter - III**

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

Para Nos. NIL

**Total: Nil
Chapter - IV**

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

Para Nos. 2,3,7,9,11,13

**Total: 06
Chapter - V**

3. In their Twenty Third Report, the Committee examined the Indian Customs Electronic Data Interchange System (ICES 1.5) of the Ministry of Finance (Department of Revenue) and found the following shortcomings:

- i) Non-assessment of the cost and time involved in the upgradation of ICES to ICES 1.5
- ii) Non-availability of the total number of Single Sign-on Identify (SSOID), issued to the local user by the DoS for accessing EDI system, in 10 out of 19 EDI locations
- iii) Irregularities in the assessment and delay in the updation of exchange rates resulting to short levy of duty of Rs.2.29 crore.
- iv) Inaction of supervisory officers to resolve the persistent technical fault/ software error in ICES application
- v) Poor functioning of Local Risk Management (LRM) and the lethargic attitude of CBEC on the constitution of LRM Committee at each Custom House
- vi) Inability of Customs Offices to work on ICES due to untrained officers and staff
- vii) Concern over the effectiveness and capacity of ICES regarding accurate determination of Anti-Dumping Duty on import shipment
- viii) Uncertainty on the custom implications of online shopping
- ix) Lack of proper planning on the procurement, distribution and utilization of thin clients terminals
- x) Non linkage of ICES 1.5 with 'SEZonline' portal of the Ministry of Commerce.

4. The Action Taken Notes furnished by the Ministry of Finance (Department of Revenue) in respect of all Observations and Recommendations of the Committee have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on the Observations and Recommendations made in the Original Report which either need reiteration or merit comments.

5. The Committee observed that Sections 46 and 50 of the Customs Act, 1962 stipulate that import/export documents are mandatorily required to be filed electronically through Electronic Data Exchange (EDI) system. In order to prevent misuse, CBEC issued instructions in May, 2011 that manual processing and clearance of import/export goods shall be allowed only in the rarest of rare and genuine cases. Audit has pointed out that out of 116 EDI enabled locations, only in 89 locations, electronic filing of import documents was carried out, out of which, in 29 locations, less than 500 Bills of Entries (Bes) were filed during 2012-13. Similarly, export documents were filed in 99 locations, out of this in 20 locations, less than 500 SBs were filed during the same period. The Committee noted that manual filing of SBs were higher at Commissionerates in Chennai Air, Kochi, Goa, Nagpur and Kolkata Airport, ranging between 4.77% to 23.76%. The Committee fail to understand as to how the CBEC allowed such rampant non-adherence to its instructions, both in terms of number of locations adopting electronic filing and high percentages of manual filing at major locations. They therefore, recommend that stringent action be initiated against responsible authorities in the identified commissionerates for such indifference to its directions. The CBEC have now informed the Committee that the percentage of manually assessed documents has been reducing over the years and presently it is less than one percent of import documents and less than 2.5 percent of export documents. The Committee desired that the Ministry should furnish a Commissionerate-wise Statement to them providing details of those covered under their EDI net till date and the percentage of manual filing of documents by those, if any. The Committee recommended that CBEC should take appropriate

measures and remove the constraints, if any, in ensuring 100% electronic filing, as it will bring better accountability, efficiency and transparency in the Customs Department.

(Recommendation Para No.2)

6. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:-

- "The commissionerates have reported that manual BEs become necessary in some exceptional cases mostly where certain standard pre-requisites for online filing, like IGM/ invoice/ AWB number etc are not available, given the exceptional nature of the transaction. For instance, in case of gold/silver/diamond items allowed to be exported/ re-imported through hand carriage, filing of B/E through EDI is not possible due to non-availability of IGM details, in the case of hand carriage. Similarly, in case of chartered flights and non-scheduled flights, the Air way Bill number is non-standard, hence there is no alternative but to resort to manual filing of Bill of Entry. In cases of import of capital goods through EPCG Annual Licenses, EDI B/Es could not be filed due to the fact that the License details transmitted by DGFT does not contain item-wise details, which is a must for debit of EPCG Scheme Licences under ICES Software.
- Some other instances where manual filing becomes necessary are listed below. EDI connectivity is not established. Even where it is established there are issues related to availability of power in small locations. In some cases, custodian has not provided requisite information technology infrastructure. In some instances, the WAN cable provided by the BSNL was cut due to digging up of roads done by Municipality, PWD, etc. In such instances, there is no alternate but to resort to manual filing of documents.
- Major portion among the total manual S/Bs filed is with respect to Public Sector Oil Companies for Aviation Turbine Fuel (ATF) supplied by them for

fuelling Aircrafts. As there is no Airway Bill, it is not possible to file this on EDI.

- Another major instance of manual S/Bs were/are at the time of ex-bonding of Aircraft stores already warehoused by Airline Companies. Bonded Aircraft Stores (Procedure) Regulations, 1965, allows the facility of filing an application in Form II for the clearance of goods warehoused for use as stores in foreign-going aircraft, which is to be deemed as shipping bill.
- In case of certain exemption notifications, the conditions cannot be automated without a major system change, thus manual Bill of Entry has to be allowed. For instance, in the case of FTA benefits, the system was not designed to accept two Customs Notifications claimed simultaneously, and such Bills of Entry had to be filed manually. However, this has now been rectified.
- For conversion / reversion of vessels, where Bills of Entry have to be filed for Bunkers, provisions etc, filing in EDI system is not possible as there is no invoice in such cases and the Bills of Entry are being filed manually.
- Sometimes manual filing of Shipping Bills has been resorted due to the fact that assessment was provisional.

However, as can be seen, such transactions form a very small percentage of the total number of documents filed in customs, and it would not be feasible, nor from cost-benefit point of view to develop EDI process flows for each of these kinds of exceptions. Unlike in the case of say precious cargo, where the volume/ magnitude/ revenue/ preventive implication of these documents was significant enough to warrant development of a new process flow. In all other cases as listed above, the volumes of transactions of such nature are too low to warrant such parallel developments and have to be limited to exception handling i.e. through manual documentation. However, as prescribed by the Act, this is done only with the approval of the jurisdictional commissioner. It cannot therefore be said that there is rampant non-adherence to Ministry's

instructions by commissionerates. Nevertheless, in view of the Hon'ble Committee's observations, the instructions to the field are being reiterated. The commissionerates which have an exceptionally high level of manual filing as compared to the average will also be suitably sensitized.

(B) Details of manual filing of bill of entry and shipping bill as reported by the Commissionerates is shown below.

Commissionerate/Formation	Year	Bills of Entry			Shipping bills		
		EDI	Manual	% of B/E	EDI	Manual	% of SIB
Chennai Air	2013-14	2,42,470	413	0.17	3,09,235	29,379	8.7
	2014-15	2,48,498	403	0.16	3,65,260	29,590	7.5
Kolkata Air Cargo	2013-14	54157	108	0.2	81208	10719	11.7
	2014-15	54212	28	0.1	82841	9050	9.8
Airport, ACC, Bengaluru	2013-14	333201	284	0.09	254817	3337	1.29
	2014-15	366599	175	0.05	271899	4328	1.57
City Customs, Bengaluru	2013-14	49421	275	0.55	78290	291	0.37
	2014-15	58004	490	0.83	107802	594	0.55
Noida Customs	2013-14	54456	543	1.00	152291	0	0.00
	2014-15	55232	58	0.11	165568	0	0.00
Hapur	2013-14	1312	0	0.00	25406	0	0.00
	2014-15	1489	0	0.00	26164	0	0.00
Mandideep ICD(Bhopal Commissionerate)	2013-14	547	0	0.00	All S/Bs	0	0.00
	2014-15	503	1	0.2	-Do-	0	0.00
Raipur	2013-14	236	5	2	662	0	0.00
	2014-15	260	7	2.6	620	0	0.00

Paradeep	2013-14	1055	360	25.44	NA	-	-
	2014-15	1161	551	32.18	NA	-	-
Mangalore NCH	2013-14	7355	313	4.08	9324	154	1.62
	2014-15	8153	346	4.07	9221	253	2.67
Vijaywada	01/04/15 to 29/02/16	5098	355	4.87	27592	201	0.72
Visakhapatnam	-do-	20140	1452	7.20	22109	4737	21.42
Import, ICD, TKD	01.04.15 to 28.02.16	121112	177	0.15	0	0	0.00
Export, ICD, TKD	-Do-	0	0	0.00	122889	1352	1.09
ICD, PPG &ors.	01.04.13 to 29.02.16	295864	773	0.26	276364	95	0.03
ACC, Export, NCH New Delhi	01.04.14 to 31.03.15	80109	144	0.18	0	0	0.00
-Do-	01.04.15 to 28.02.16	43915	61	0.14	0	0	0.00
ACC, Import, NCH New Delhi	01.01.15 to 15.03.16	520810	89	0.02	0	0	0.00
Mumbai Zone I	01.04.2015-03.01.16	35323	257	0.72	15116	547	3.4
Mumbai Zone II	01.04.15 - 29.02.16	685395	993	0.14	1307555	8140	0.62
Tuticorin	2013-14	36525	754	2.02	246418	839	0.33
	2014-15	39524	1064	2.62	266197	1100	0.41
Ahmedabad	2013-14	56290	2766	4.68	669882	1369	0.20

	2014-15	62404	4080	6.14	184786	1405	0.75
Jamnagar	2013-14	2095	24	1.13	25084	70	0.28
	2014-15	4879	55	1.11	28334	96	0.34
Kandla	2013-14	51016	432	0.84	6565	0	0.00
	2014-15	51192	1303	2.48	5024	0	0.00
Mundra	2013-14	44857	261	0.58	209346	11	0.01
	2014-15	55085	557	1.00	230805	15	0.01
Cochin	2015-16	37129	371	1.00	157146	13293	9.00
Hyderabad	Manual filing is very rare.						
Trichy	Manual filing is very rare.						
Kanpur	No manual filing of export/import document since inception of EDI.						
Calicut	Almost all filing is through EDI.						

From all India perspective, the percentage of manual bills of entry and shipping bills are quite low. Steps are being taken to remove the constraints and further increase the EDI filing to the extent possible."

7. The Committee noted the CBEC instruction that manual processing and clearance of import/ export goods shall be allowed only in rarest of rare and genuine cases and upon finding rampant non-adherence both in terms of number of locations adopting electronic filing and high percentage of manual filing at major locations recommended that CBEC should take appropriate measures and remove the constraints, if any, in ensuring 100% electronic filing as it will bring better accountability, efficiency and transparency in the Customs department. The Committee note from the action taken reply of the Ministry that manual BEs become necessary in some exceptional cases mostly where certain standard prerequisites of online filing are not available, given the exceptional nature of the transaction and that such transactions form a very small percentage of the total number of documents. However, on perusal of the figures given by the Ministry, it is seen that in case of Paradeep Commissionerate the filing of BEs has actually been increasing and has gone up to around 33% of the

total BEs in the year 2014-15. The Committee feel that one third of the total documents cannot be termed as exceptional and express their strong displeasure. Similarly, Vishakhapatnam also has around 22% manually filed shipping bills. The Committee are of the view that besides sensitizing these commissionerates, all the manually processed BEs should be reviewed by the internal auditors to ensure that all the instances are genuine. The Committee desire an explanation of the concerned officers wherever the normal processing exceeded the all India average of 2.5 per cent. While reiterating that appropriate measures may be taken for removing the constraints to ensure maximum electronic filing at all locations.

8. In their Twenty Third Report, the Committee took note of Custom's exemption dated 17 March 2012 which was amended by notification dated 23 January 2013 enhancing the BCD rate from 'nil' to 2.5 percent in respect of certain goods involving crude oil imports. However, audit observed that 15 instances of imports of 'crude sunflower oil' and 'crude palm kernel oil' made on 23 and 24 January 2013 under Chennai Sea Customs were assessed at 'nil' rate of BCD vide exemption notification dated 17 March 2012 instead of revised version dated 23 January, 2013, resulting in short collection of duty of Rs. 2.29 crore. Similarly, according to Section 14 of the Customs Act, 1962, valuation of goods for assessment of duties of customs is to be ascertained with reference to the 'rate of exchange' of the foreign currency of the invoice as in force on the date of presentation of BE and the rate notified by CBEC. The Board, vide NT notifications dated 21 May 2012 and 24 May 2012, had upwardly revised the exchange rates for the Japanese Yen, the U.S Dollar and the Hong Kong Dollar, effective from 22 May 2012 and 25 May 2012, respectively. However, the changes were not updated in the system, resulting in incorrect assessment and consequently short levy of duty. The response of the Ministry w.r.t these cases in Chennai customs based on the reply of Chief Commissioner Customs were not accepted by Audit as those were incorrect. The Committee desired that the Ministry may probe the matter and take suitable action against erring offices for furnishing incorrect information. The Committee also felt that the failure in

update of central excise duties, exemption notices and exchange rate was a serious lapse and a matter of dereliction of duty on the part of concerned officers/staff particularly since the Chennai Customs, where audit noticed irregularity, itself had been the nodal site for update of notifications. The Committee recommended that all such instances should be enquired to fix accountability of the officers by the Department. The Department of Revenue and CBEC should take necessary steps in this regard. Further, the Committee were also of the view that as far as exchange rates update was concerned, a module may be developed in ICES for daily update of exchange rates with RBI. This would enable the exchange rate to be applicable from midnight and issue would get resolved automatically. The Committee recommended that the Department should put in place a system for either centralized monitoring or cross-verification of directory/notifications updating delegated to various Customs field formations.

(Recommendation Para No.5)

9. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:-

"It is submitted that the delay in update of Custom's exemption dated 17 March 2012 which was amended by notification dated 23 January 2013 occurred due to the following reason:

The notification dated 23.01.2013 was received by the directory updating site only on 24.01.2013, and was updated immediately. However, at that point of time, the notification directory was maintained on a separate server, which was replicated only at the end of each day to main server. Therefore, the notification became available to users in ICES 1.5 only on the next day, i.e. 25.01.2013. However, in view of the delay, an advisory was issued and recovery action initiated immediately, and the total amount of Rs. 2.29 crores was recovered within six months.

It can be seen therefore that the delay did not happen due to negligence, but due to two kinds of lag in notification updation, namely communication lag and updation lag. As regards communication lag, issuance of notification is confidential and can be sent by TRU only after it is published in gazette. Further, most notifications are effective from the start of the same day as the date of notification. Some delay may therefore be inevitable. However, if a time lag occurs, an advisory is issued to all sites to recall the earlier BEs and collect differential duty, if any.

As regards the updation lag, with the Notification directory moving to ICES 1.5 main server in March 2013, the updation is now instantaneous as there is no need for replication at the end of the day, and is available to users in ICES 1.5 immediately. This lag has therefore been removed.

To reiterate, the delay was not due to negligence on the part of the directory updating officers; further, immediate corrective action was taken (issuing advisory), which resulted in full recovery of the differential amount.

With regard to Notifications dated 21 May 2012 and 24 May 2012 it is reiterated that non-updation of exchange rate occurred due to the fact that earlier the exchange rate notification was issued once in a month. This practice was changed suddenly without notice as the Ministry was forced to issue revised exchange rate in the middle of the month due to the excessive fluctuation in the US Dollar. It necessitated System changes to remove an existing validation in the system which hitherto ensured that exchange rate notifications could be made effective in ICES only from a future date. In addition, a facility was immediately provided to System Managers of all locations to change the effective exchange rate for the Bills of Entry which were assessed at the earlier rates. An advisory was also issued immediately.

During the period January 2000 till May 2012, there were only 3 instances where exchange rate notifications were issued more than once

in a month. Other than the two instances mentioned by Audit, both in the year 2000, there was only one other instance in 2008. That is, the issue of exchange rate notifications more than once a month was not a regular practice. These scenarios could not therefore be anticipated but as and when they occurred, appropriate correction was carried out in the software.

It is therefore reiterated that the delay was not due to negligence on the part of the directory updating officers; further, immediate corrective action was taken by amending the System immediately, providing a facility to modify exchange rates for the intervening period, and also issuing advisory to the field for recovering any differential duty.

With regard to Custom's exemption notification dated 17.03.2012, it is emphasized that even though the migration from ICES 1.0 to ICES 1.5 was implemented in 2011, the directory updation procedure was implemented in ICES 1.5 only from end of February 2013.

Taking into account the Committee's concerns, an SOP was issued by CBEC to ensure timely updation. Further, a proposal for peer audit sites for cross verification has been approved by the Board and is currently under process. This will further be a counter-check for any delay and error in updation of the directories."

10. The Committee took note of Custom's exemption dated 17 March 2012 which was amended by notification dated 23 January 2013 enhancing the BCD rate from 'nil' to 2.5 percent in respect of certain goods involving crude oil imports and found that the changes were not updated in the system, resulting in incorrect assessment and consequently short levy of duty. The Committee note from the reply of the Ministry that the delay did not happen due to negligence, but due to communication lag and updation lag. Further, the updation lag has been removed as the updation is instantaneous on ICES 1.5 and as regards communication lag, some delay is inevitable as notifications are effective from the date of notification. The

Committee observing that communication lag would always lead to differential duties/recovery/refunds desire the Government to minimize the impact of such communication lags by issuing such notifications online so that real-time updation can take place.

11. In their twenty Third Report, the Committee were of the considered opinion that Human Resource Development and Training was an integral part of any organization for keeping its staff equipped with latest technological or administrative or managerial developments. Paragraph 6.2.2 of IT Security Procedures Ver. 1.7 reportedly states that ICES users shall be imparted training on Information Security on a periodic basis and refresher courses would be conducted to re-train the already trained employees on new threats and counter-measures. The Committee observed that the day to day user management for role allocation and revocation was also handled by CBEC officers themselves as part of the application. Since the customs cargo clearing process is an online process, the inability of Customs Offices to work on ICES could impact the clearance of cargo. Though the representative of the Ministry informed the Committee during the evidence that till date 20,000 users have been trained in 90 locations, the figures furnished for 2014-15 showed only 398 users trained during the year in 5 locations. The Committee, therefore, strongly recommended that regular training of staff and officers at various levels be made an integral feature of IT Management System of CBEC, Department of Revenue and examine the possibility of evolving a personnel policy for development of in-house technical expertise for CBEC'S IS management through recruitment and training of IT personnel. The Department may furnish details of training programmes conducted, if any for improvising skills of staff and officers at various levels during last 5 years to the Committee.

(Recommendation Para No.10)

12. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:-

"Training is being imparted to officers on all the applications as well as networking aspects. The training sessions are conducted in (a) Directorate of Systems (b) Field offices and (c) training academy i.e NACEN. The details of the training imparted are given below:

EDW Project: The Enterprise Data Warehouse (EDW) Trainings are conducted for CBEC officers to train them hands-on on the use of the Enterprise Data Warehouse Cognos Portal. The trainings are conducted at various locations across India as 2 day training sessions for a batch of maximum 25 officers.

ACES Project: On ACES project, the ACES project office is imparting training from time to time to the officers of various field formations in co-ordination with RTIs of NACEN. Training on all the major modules of ACES viz. Registrations, Return, Refund, Dispute Resolution, Export, Audit, Access Control logic, EASIEST etc. is given during the training sessions. The duration of the sessions varies from one to two days depending on topics and target officers that are required to be trained.

LAN/WAN Project: At the time of initiation of LAN/WAN project, the vendor M/s HP had provided training of 3 days to officers of CBEC at various locations. The training material is available on the website www.cbec.gov.in. The training can again be imparted (by HP engineers) at NACEN to officers who are the users of LAN/WAN.

Risk Management Division: The RMD Division has sent a draft training module to NACEN to be included in the training curriculum of all offices in respect of the Risk Management. It covers Overview of Risk Management System, Accredited Clients Programme, Authorized Economic Operator Scheme, Container Selection Module, Post Clearance Audit, Import RMS, Export RMS, Compulsory Compliance Requirements (CCRs) and IPRs.

The training module has been structured to span 2 days, consisting of 8 sessions.

ICES Project: A draft training module on Indian Customs Electronic Data Interchange (ICES) application, named IHAST, has been recently sent to NACEN."

13. The Committee note that though the Ministry has provided the details of the training programmes conducted for its officers on all the applications as well as networking aspects, it has not responded on the suggestion of the Committee to examine the possibility of evolving a personnel policy for development of in-house technical expertise for CBEC's IS management through recruitment and training of IT personnel. The Committee, therefore, reiterate their earlier recommendation that since in-house technical expertise can efficiently manage the IS of the CBEC by providing instant and effective solutions due to easy availability and sound knowledge of the operations, the suggestion regarding recruitment and training of personnel for IS management may be examined under intimation to the Committee.

14. The Committee observed that dumping of goods from outside into the Country could severely affect the national economy, which was the reason behind enactment of Anti-Dumping laws and operation of anti-dumping duty regime in the Country. Based on Audit's observations, the Committee noted the concerns over the effectiveness and capacity of the ICES Software for accurate determination of Anti-Dumping Duty to import shipment. The Committee also noted the Ministry's claim that adequate features for the same were included in the system. However, the Committee desired that Ministry need to conduct a comparative study of technological solutions in place in select developed countries so that features in the ICES 1.5 Version may be further enhanced, not only in the correct assessment of Anti-Dumping Duty, but also in the over efficiency and effectiveness of the system.

(Recommendation Para No.11)

15. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:-

"PAC's concerns over the effectiveness and capacity of the ICES Software for accurate determination of Anti-Dumping Duty relate to lack of validation of the name of the producer. The requisite details being unstructured in nature, System generated automated validations cannot be provided.

The Anti Dumping Duty Notification specifies ADD for a particular product based on a combination of Tariff Heading, Description, Country of Origin, Country of Export, Name of the Manufacturer and Name of the Exporter. The ADD levy varies for every producer, exporter, country etc. There is also a residual entry in the notification which prescribes higher ADD levy for other unspecified producer/exporters. Hence, for an importer there is no incentive to mis-declare producer and it would be prudent if he mentions the name of the producer at the time of import as it will attract lesser ADD.

Further, the system prompts the Appraising Officer regarding the possibility of levy of ADD on a particular product based on the Tariff heading combined with Country of Origin or Country of Export even if an importer does not mention the ADD notification.

However, as desired by the PAC, comparative study of technological solutions in place in select developed countries can be conducted."

16. The Committee noted the concerns over the effectiveness and capacity of the ICES Software for accurate determination of Anti-Dumping Duty to import shipment. The Committee now observe from the action taken reply that the Ministry is relying on assumptions that since there is no incentive for the importer to mis-declare the producer, no mis-

declarations would be made and since the Appraisal Officer is being prompted, no errors would occur. The Committee while insisting that Ministry should insert strong checks in the system to ensure that no mis declarations are made and ADD are levied hope that the Ministry after making a comparative study of the technological solutions in place in select developed countries would set up a strong mechanism for not only correct assessment of ADD but also overall efficiency and effectiveness of the system.

17. The Committee observed that optimum utilization of hardware was not being done and the procurement and distribution of the same lacked proper planning. The Committee took critical note of the Audit observation that only 250 and 100 thin client terminals had been installed at Chennai Sea and Chennai Air Commissionerates against 414 and 166 received by them. Again, in case of Chennai Air and ICD Patparganj, it was observed that out 100 and 62 numbers of installed terminals, only 80 and 30 terminals were actually in use as on 31st March 2013. The Committee further noted that the audit were informed by the Department at that time that all their clients would be put to use in Chennai after implementation of Cadre Restructuring. However, the shortage of Officers was only one reason for the underutilization. Another reason was cited was non-availability of modules pertaining to the processing of BEs filed in Courier and APSO. The Committee felt that such technical upgradation should be undertaken in ICES 1.5 version fast so as to rule out any underutilization resulting from operational issues. While Committee desired to know the present status of thin client terminals in Chennai Sea and Air Commissionerates, they felt that optimum utilization of already procured hardware would enhance the working and efficiency of ICES system. The Committee also felt that under-utilisation of hardware which was already procured points towards an unrealistic procurement planning leading to wastage. The Committee, therefore, recommended that CBEC should henceforth ensure development of a proper system of procurement planning for all its units based on actual requirement and manpower availability.

(Recommendation Para No. 14)

18. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:-

"As per the C&AG and PAC report:

Formation	Thin Clients received	Thin Clients installed	Thin Clients used
Chennai Sea	414	250	
Chennai Air	166	100	80
ICD PPG		62	30

The present status as per the reports received from respective formations:

Formation	Thin Clients received	Thin Clients installed	Thin Clients used
Chennai Sea	417	326	326
Chennai Air	145+14+7+166 *	115	107
ICD PPG	67	43	43

*out of 166 thin clients supplied to Chennai Air as per the figure given in PAC report, 145 were supplied to Chennai Air Cargo, 14 to Chennai Airport and 7 were kept in spare. Out of 145 thin clients supplied to Chennai Aircargo, 115 were installed there and 107 are being utilized. Chennai Airport does not work under ICES module and LAN implementation there has not done so far as it is in the process of shifting to another terminal and after implementation, it will work under APIS

(Advanced Passenger Information System) module of CBEC. The reasons for under utilization which have already been taken note of in the PAC report are reiterated as under:-

- a) Huge shortage of staff in various sections while the provisioning was done as per the sanctioned strength.
- b) Non-availability of modules in Customs application.

However, the recommendations of PAC have been carefully noted and are integral part in planning of RFP for procurement of IT infrastructure for the next phase."

19. The Committee had observed that optimum utilization of hardware was not being done and the procurement and distribution of the same lacked proper planning. The Committee note from the action taken reply of the Ministry that still 174 thin clients out of 650 that were received at various locations have not been put to use. The Committee are of the view that the Ministry besides failing in its procurement planning has also not still been able to address the issue relating to deployment of staff and the non-availability of modules in customs application in respect of the procured thin clients. The Committee exhort the Ministry to take urgent steps to provide modules for operating the thin clients in ICES 1.5 urgently and to provide staff for putting the procured clients into use.

NEW DELHI;
25 April, 2016
5 Vaisakha, 1938 (Saka)

PROF. K.V. THOMAS,
Chairperson,
Public Accounts Committee.

(APPENDIX - II)

(Vide para 5 of Introduction)

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

- | | | |
|-------|---|------------------------------------|
| (i) | Total No. of Observations/Recommendations | - 15 |
| (ii) | Observations/Recommendations of the Committee which have been accepted by the Government: | - Total: 07
Percentage - 46.67% |
| | <i>Para Nos. 1,4,5,8,10,14 & 15</i> | |
| (iii) | Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government: | - Total: 02
Percentage - 13.33% |
| | <i>Para Nos. 6 & 12</i> | |
| (iv) | Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: | - Total: Nil
Percentage - 0% |
| | <i>-Nil-</i> | |
| (v) | Observations/Recommendations in respect of which Government have furnished interim replies: | - Total: 06
Percentage - 40.00% |
| | <i>Para Nos. 2,3,7,9,11 & 13</i> | |