

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
10, BAHADUR SHAH ZAFAR MARG

NEW DELHI
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CAG Customs - Compliance Audit Report Presented in Parliament

The Compliance Audit Report of the Comptroller and Auditor General of India on Department of Revenue- Customs (Report No. 17 of 2019) for the year ended 31 March 2018 has been presented in Parliament. This Report contains significant results of the compliance audit of the Department of Revenue – Customs under the Ministry of Finance and Director General of Foreign Trade under Ministry of Commerce and Industry.

Audit relies on Customs transaction data to draw assurance that laws have been applied correctly to prevent loss of revenue. Lack of full access to Pan-India data limits the audit scrutiny to test check of transactions and a limited assurance in certifying revenue receipts. Data requisitioned by audit for import and export transactions in 67 Commissionerates for the year 2017-18 was received with much delay from CBIC, and that too with many gaps and deficiencies. In the absence of full data, audits were carried out in the field by physically visiting the 38 Commissionerates.

This report contains 92 paragraphs with total revenue implication of ₹4795 crore. In 79 paragraphs involving money value of ₹ 368 crore, rectificatory action has been taken by the department and recovery of ₹ 18 crore has been effected till date.

Significant findings included in this Report are mentioned in the following paragraphs.

- I. During FY 18, audit issued 479 inspection reports to the respective Commissionerates/ Regional Licensing Authorities containing 2715 observations and carrying a revenue implication of ₹ 1363 crore. Out of these 91 audit observations with revenue implication of ₹ 590 crore noticed during FY 18 have been included in this report.

In addition a long paragraph involving money value of ₹ 4205 crore regarding non-fulfillment of prescribed export obligations by licence holders of export promotion schemes was highlighted.

{Paragraphs 2.5.1, 2.5.2 and 5.2}

- II. The Bills of Entry for imports of commodities are being cleared through the system under the Custom's Risk Management System (RMS) based clearance in the Indian Customs EDI System (ICES). The RMS was unable to detect the specific conditions of Anti-dumping duty (ADD), that were not met by the imports effected, under many of the bills of entry test checked.

Several instances of escapement of levy and instances of non-compliance with the conditions of the anti-dumping resulted in non/short levy of anti-dumping duty amounting to ₹ 86.69 crore. The department accepted observations amounting to ₹ 53 crore and reported recovery of ₹ 1.20 crore.

{Paragraphs 3.1 to 3.6}

- III. Audit noticed 49 cases of under assessment of applicable Customs duties due to misclassification of imported goods, incorrect application of General exemption and Incorrect levy of applicable levies and other charges, as a result of which revenue of ₹ 88.42 crore was at risk .

{Paragraphs 4.1 to 4.11}

- IV. Despite the Government assurances on the audit recommendations, made earlier, there was no substantial improvement in the control and monitoring mechanism of EPCG licences. Revenue of ₹ 306 crore was due from exporters/importers who had availed the benefits of EPCG scheme but had not fulfilled the prescribed export obligations/conditions.

{Paragraphs 5.3 to 5.3.5}

In addition, in 39 cases of licenses issued under Other Export Promotion Schemes (Other than EPCG Scheme) irregularities were noticed in fixation of export obligation, Clearance of restricted goods in Domestic Tariff Area, allowing benefits of Duty exemption/Remission schemes etc. Revenue of ₹ 40.51 crore was due from exporters/importers who had availed the benefits of the duty exemption schemes but had not fulfilled the prescribed obligations/conditions.

{Paragraphs 5.4 to 5.4.5}

- V. Irregularities in awarding major works by Santacruz Electronics Export Processing Zone (SEEPZ) Special Economic Zone (SEZ), authority are indicative of weak administrative, financial and internal controls over the way in which major works; repairs and maintenance work are being outsourced to external agencies by the Authority. Expenditure involved was ₹ 67.91 crore. The instances of issue of excess work order without approval and cancellation of allotments of units due to lack of mandatory clearances from Statutory authorities are lacunae in the working of the SEEPZ Authority and need to be addressed at the highest level.

{Paragraphs 6.2.1 to 6.2.4}

BSC/SS/TT