

**CHAPTER V : MINISTRY OF HEALTH AND FAMILY WELFARE**

**Department of Health**

**Post-Graduate Institute of Medical Education and Research, Chandigarh**

**5 Avoidable payment of demurrage charges**

**Failure of Post Graduate Institute of Medical Education and Research to submit application complete in all respects for duty exemption certificate resulted in avoidable payment of demurrage charges amounting to Rs 12.86 lakh.**

Hospital equipments, when imported for use in hospitals in India are exempted from payment of custom duty under section 25(I) of Customs Act, 1962. In order to provide time and to avoid delay, demurrage etc. in issue of CDEC<sup>1</sup> to Government Hospitals for import of hospital equipments, the application duly completed and supported by required certificates/documents viz. Proforma Invoice, Literature etc. should immediately be submitted to the DGHS<sup>2</sup> after opening LOC<sup>3</sup>.

During audit (August 1999) of PGIMER<sup>4</sup>, Chandigarh, it was revealed that supply order for the purchase of X-ray unit (high power) was placed in October 1997 with a Foreign supplier through Indian firm of Chandigarh for which the LOC was opened in March 1998. Application for issue of CDEC submitted in February 1998 to the DGHS was found incomplete. Again in the fresh application submitted by PGIMER in May 1998, the description of the equipment to be supplied was not in conformity with the proforma invoice and certificate that the equipment/spares were for patient care only was also not attached resulting in delay in processing the application by the DGHS. Ultimately the CDEC was issued in September 1998 and was received by PGIMER in October 1998. The consignment arrived at AAI<sup>5</sup> in June 1998 was got released in January 1999 after making a payment of Rs 26.63 lakh on account of demurrage charges. However, the demurrage charges amounting to Rs 19.72 lakh instead of Rs 26.63 lakh were finally assessed by AAI in January 1999 of which Rs 6.86 lakh were waived off on the request of

<sup>1</sup> Custom Duty Exemption Certificate

<sup>2</sup> Director General of Health Services

<sup>3</sup> Letter of Credit

<sup>4</sup> Post Graduate Institute of Medical Education and Research

<sup>5</sup> Airport Authority of India

PGIMER and refund was received in July 1999 but the refund of Rs 6.91 lakh (Rs 26.63 lakh - Rs 19.72 lakh) already paid in excess of final assessment was applied for by PGIMER in February 2000 which has not been received as yet (November 2000).

Thus, failure of the department to submit the application duly complete in all respects alongwith required information, certificates and supporting documents delayed the release of consignment resulting in avoidable payment of demurrage charges of Rs 12.86 lakh.

On being pointed out in audit (August 1999 and December 1999) the PGIMER stated in February 2000 that circumstances leading to the payment of demurrage charges were being investigated.

The matter was referred to the Ministry in June 2000; their reply was awaited as of February 2001.