

CHAPTER VII: MINISTRY OF COMMERCE

7.1 Recovery at the instance of Audit

Joint Director General of Foreign Trade, Mumbai recovered Rs 69.88 lakh towards excess payment of Cash Compensatory Support, refund of terminal excise duty and deemed exports duty/draw back etc. upon being pointed out by Audit.

A mention was made in paragraphs 2.3 of the Comptroller and Auditor General's Report No. 2 of 1997, 3.2 of Audit Report No. 2 of 1998 and 3.4 of Audit Report No. 2 of 1999 of excess payments made due to non-adherence to stipulated rules and procedure in the scrutiny of various claims. Though there was a need for ensuring better internal control with a comprehensive check of payments, such excess payments continued to recur. Sample check of paid vouchers in the office of Joint Director General of Foreign Trade (JDGFT), Mumbai revealed the following excess payments on claims submitted to JDGFT, Mumbai.

- (a) JDGFT, Mumbai paid Cash Compensatory Support (CCS) claims of Rs 81.55 lakh in 607 cases without imposing any cut in respect of the exports made by them during 1989-90 to 1991-92, though there were delays ranging between 7 and above 24 months in submission of their applications for CCS. On this being pointed out by Audit between March 1995 and February 1996, JDGFT, Mumbai recovered Rs 12.18 lakh in 126 cases during 1998-2000.
- (b) Contrary to the laid down procedure, JDGFT, Mumbai released full refund of terminal excise duty, and deemed export duty draw back of Rs 56.55 lakh in 33 cases during 1997-2000 without imposing any cut in respect of the exports made by them during 1996-98, though, there were delays ranging between 7 and above 12 months. JDGFT, Mumbai recovered Rs 31.81 lakh in respect of 23 cases when pointed out by Audit during 1998-2000.
- (c) JDGFT, Mumbai admitted and paid refund of Terminal Excise Duty though there were deficiencies in the documents furnished in 23 cases involving payments of Rs 2.04 crore. JDGFT, Mumbai recovered Rs 17.94 lakh in seven cases when it was pointed out by Audit during 1997-2001.
- (d) According to paragraph 10.3 of Export and Import Policy (1997-2002), refund of Terminal Excise Duty/Duty Draw back can be made under Deemed Exports in respect of the goods manufactured and supplied in India. Contrary to this, JDGFT, Mumbai admitted and paid the terminal excise duty (refund) on 'Job Work' packing and forwarding charges and also refunded cess to five firms of Rs 7.95 lakh. JDGFT, Mumbai recovered this amount when pointed out by Audit during 1999-2001.

The JDGFT, Mumbai while accepting the facts stated in October 2001 that audit observations arose owing to improper record management, clerical errors etc. It was also stated that, compared to the annual disbursement of Duty Draw back/Central Excise Duty, the amount held in objection by audit on an average worked out to only 0.13 *per cent* which would be settled soon. The reply of the Department underscores the requirement of proper record management and strengthening the internal control system in order to avoid excess payments, irrespective of the quantum of excess payment involved.

The Ministry stated in October 2001 that they have since taken several steps to ensure that such instances do not recur.