

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

New Delhi

24th March, 2021

CAGs COMPLIANCE AUDIT REPORT ON CUSTOMS PRESENTED IN PARLIAMENT

The Compliance Audit Report No. 17 of 2020 of the Comptroller and Auditor General of India on Department of Revenue - Customs and Director General of Foreign Trade under Ministry of Commerce and Industry, for the year ended 31 March 2019 was presented in Parliament here today.

Audit relies on Customs transaction data to draw assurance that laws have been applied correctly to prevent loss of revenue. However, with limited availability of data and information, audits were carried out in the field by physically visiting the 48 Commissionerates.

This report contains 114 paragraphs with total revenue implication of `10909 crore. In 93 paragraphs involving money value of `63 crore, rectificatory action has been taken by the department and recovery of `32 crore has been effected till date.

The following are the important findings in the record:

- I. During FY 19, audit issued 353 inspection reports to the respective Commissionerates/ Regional Licensing Authorities containing 2299 observations and carrying a revenue implication of `3296 crore. Out of these 113 audit observations with revenue implication of `260 crore noticed during FY 19 have been included in this report.

In addition a Subject specific Compliance Audit involving money value of `10649 crore regarding "Show cause notices and adjudication process was highlighted.

{Paragraphs 2.6.1, 2.6.2 and 2.6.4}

- II. Audit noticed shortcomings in issue of Show cause notices (SCNs), deficiencies in the process and procedures leading to adjudication, lack of proper follow up of adjudication and review orders and deficiency in monitoring and internal controls. Total 141 audit observations were issued with a money value of `10,649 crore.

Absence of provisions for prescribed timelines for issue of SCNs and their adjudication in the Foreign Trade Development and Regulation Act, 1992 to act swiftly against the defaulters left discretion in the hands of administrative Regional Authorities (RAs) and Development Commissioners and avoidable delays in recovery of Government revenue.

{Paragraphs 3.1 to 3.5}

- III. Audit noticed 86 cases of under assessments of applicable Customs duties due to incorrect application of notifications, misclassification of imported goods and Incorrect levy of applicable levies and other charges, as result of which revenue of ` 233 crore was at risk etc.

{Paragraphs 4.1 to 4.13}

Systemic Issues: Audit noticed systemic issues in few import cases wherein the Risk Management System (RMS) allowed clearance even though the prescribed import conditions were not fulfilled. The RMS needs to address the issues flagged by audit so that the prescribed import conditions are complied with and applicable duties are automatically charged once the BE passes through the system.

{Paragraphs 4.7.1 to 4.7.3, 4.8.3 and 4.8.5}

Persistent irregularities: Instances of non-realisation of cost recovery (establishment) charges from the units in the Special Economic Zone (SEZ) and misclassification of imports flagged to the Ministry in the previous Audit Reports continue to be reported in the Customs field formations, notwithstanding assurances of the Central Board of Indirect Taxes and Customs (CBIC) that their field formations have been sensitised to check similar issues cautiously.

{Paragraphs 4.12.1, Sl.No.5 and 6, Annexure 9}

- IV. Test audit of 28 RAs revealed instances of violations of prescribed rules, procedures framed to give effect to the provisions of the Foreign Trade Policy (FTP) and procedures regarding fulfilment of Export Obligation (EO) and awarding export incentives. Revenue of 27.74 crore was due from exporters/ importers who had availed the benefits of the duty under Export promotion schemes but have not fulfilled the prescribed obligations/conditions.

Irregularities reported, especially the issue of non-fulfilment of EO and other non-fulfilment of conditions by exporter/ importer as per FTP seem to be widespread and need to be addressed by the DGFT, New Delhi and CBIC.

{Paragraphs 5.1 to 5.3}

BSC/SS/TT