

## EXECUTIVE SUMMARY

The Report has a total revenue implication of ₹ 2428 crore covering 150 paragraphs and four long thematic paragraphs. This includes 92 paragraphs involving money value of ₹ 38.90 crore on which rectificatory action was taken by the department/Ministry in the form of issuing show cause notices, adjudicating of show cause notices and recovery of ₹ 15.40 crore. A few significant findings included in this report are mentioned in the following paragraphs.

### Chapter I: Customs revenue

- Customs revenue as a ratio of GDP has been stagnant at an average of 1.6 percent over the last five years.  
*{Paragraph 1.5}*
- Exports have recorded a growth of 17 per cent while imports registered growth of 2 per cent during FY 14. Customs receipts grew at 4 per cent during the same period.  
*{Paragraphs 1.6 to 1.8}*
- The Customs Revenue forgone ranged from 43 to 63 percent between FY 10 to FY 14. Five schemes accounted for 79 per cent of total revenue foregone under the Schemes.  
*{Paragraph 1.11}*
- Customs revenue of ₹ 17,986 crore demanded up to March 2014 was not realized by the department at the end of the FY 14. Of this, ₹ 5,964 crore was undisputed. Seven Zones accounted for 72 per cent of total revenue arrears pending during FY 14.  
*{Paragraph 1.13}*
- In the last five audit reports (including current year's report), we had included 656 audit paragraphs involving ₹ 4533 crore. Of these, the Government had accepted audit observations in 575 audit paragraphs involving ₹ 320 crore and had recovered ₹ 109 crore.  
*{Paragraph 1.28}*

### Chapter III: Working of Directorate General of Valuation

- The valuation tools developed and data bases maintained by DGOV have a scope for improvement with consequent revenue implication.  
*{Paragraphs 3.1 to 3.16}*

### Chapter IV: Incorrect assessment of customs duties

- We detected incorrect assessment of customs duty totaling ₹ 115.52 crore. These arose mainly due to irregular extension of warehousing period, clearance of hazardous textiles dyes into India, payment of

interest on terminal excise duty refunds, excess payment of drawback, non levy of anti dumping duty, and project imports benefits allowed incorrectly etc.

*{Paragraphs 4.1 to 4.11}*

**Chapter V: Incorrect application of General exemption notifications**

- Duty of ₹ 30.56 crore was short levied due to incorrect application of exemption notifications.

*{Paragraphs 5.1 to 5.6}*

**Chapter VI: Mis-classification of goods**

- Duty of ₹ 9.99 crore was short levied due to misclassification of goods.

*{Paragraphs 6.1 to 6.9}*

**Chapter VII: Duty exemption/Remission schemes**

- Revenue of ₹ 1.90 crore was due from exporters/importers who had availed of the benefits of the duty exemption schemes but had not fulfilled the prescribed obligations/conditions.

*{Paragraphs 7.1 to 7.2}*

- This chapter also includes one long paragraph on 'Net Foreign Exchange Earnings by Hospitality Sector' highlighting cases of licences issued to Service providers without valid Registration certificates, non-submission of installation certificates and progress reports, incorrect/excess grant of duty scrip, consideration of ineligible foreign exchange earned etc with a total money value of ₹ 180.75 crore.

*{Paragraphs 7.3 to 7.24}*

**Chapter VIII: Audit of DGFT's EDI system**

- The DGFT and its regional offices are now heavily dependent on the DGFT EDI System for their mandated work. Analysis of the DGFT EDI databases and processes revealed several shortcomings on issues relating to systemic issues, inadequate controls, incorrect or insufficient mapping of FTP provisions, lack of validations, permissions for too many manual interventions and alterations of data and incorrect updation of important rate directories.

- **There is a need of a commensurate IS organization in the DGFT with the capability to manage the business critical online system having considerable revenue implication.**
- **Audit has noticed cases of Inadequate validation, input and process controls with money value of ₹ 1062.40 crore and incorrect mapping of business processes and rules with money value of ₹ 987.21 crore.**

***{Paragraphs 8.1 to 8.8}***