

NINETY-EIGHTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1994-95)

(TENTH LOK SABHA)

**UNION EXCISE DUTIES—SYSTEM DEFECTS
IN WORKING OF CHIEF ACCOUNTING
OFFICES**

**MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**



Presented to Lok Sabha on 26 April, 1995
Laid in Rajya Sabha on 26 April, 1995

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NEW DELHI**

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CORRIGENDA TO 98TH REPORT OF THE PUBLIC ACCOUNT
COMMITTEE (10TH LOK SABHA)

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Minutes of the sittings of Public Accounts Committee held on 25.11.1994 (AN) and 21.4.1995.

* Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(1994-95)

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INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Ninety-Eighth Report on Paragraph 2.22 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993, No. 4 of 1994, Union Government (Revenue Receipts—Indirect Taxes) relating to Union Excise Duties—System defects in working of Chief Accounting Offices.

2. The Report of the Comptroller and Auditor General of India for the year ended 31 March 1993, No. 4 of 1994, Union Government (Revenue Receipts—Indirect Taxes) was laid on the Table of the House on 10 May, 1994.

3. The Central Board of Excise and Customs CBEC in the Ministry of Finance (Department of Revenue) controls the collection of central excise duties through 36 collectorates. The Collectorates, in turn, function through their Divisions and Ranges. In each Central Excise Collectorate there is a Chief Accounts Officer (CAO). The Chief Accounts Officer of the Collectorate is required to verify the amounts paid by the assesseees as per their returns, with the amounts reported as received by the banks to the Pay and Accounts Officers (PAO). The Committee have noted with concern from the Audit paragraph that central excise duties claimed by assesseees to have been paid to public sector banks were not checked by CAO in as many as 1,34,843 cases upto the year 1991-92. Of these, 59,306 cases were not checked because copies of Personal Ledger Accounts (PLAs) were not received from ranges whereas the remaining 75,537 cases were pending verification even though the required details of PLA were already available with the CAO. Further, there was inordinate delay in reconciliation of revenue receipts by CAO with the figures reported by the Pay and Accounts Officers in their monthly statements. The reconciliation was pending beyond the prescribed period of six months in as many as 30 Collectorates. Shortcomings/inadequacies/irregularities were also observed in the system of reconciliation effected, verification of refunds of central excise duty, conducting internal check of challans and connected records etc. The Committee have, therefore, desired that the Ministry of Finance should thoroughly analyse the facts contained in this report and take concrete measures with a view to streamlining the working of the Chief Accounting Offices and ensuring proper accountal of revenue receipts.

4. The Central Excise duty collections in the branches of banks are consolidated by the branches and remitted to the State Bank of India or Reserve Bank of India for credit to Central Government account. The Reserve Bank of India in May, 1985 had laid down a procedure whereby

interest in cases of delayed remittances were to be paid to Government at the rate of five per cent per annum for the period of delay if it exceeded one month and the receipt transactions involved Rs. one crore and above. The Committee have noted with regret that in several cases there had been considerable delays in remitting the Central Excise dues by the Public Sector Banks. The Committee's examination found such delays having taken place in 18 Collectorates of Central Excise ranging from eight days to three years. The Committee have desired that the Department of Revenue should take up the matter with the Reserve Bank of India and other authorities with a view to ensuring that the Government is not deprived of realising their dues in time. In this context, the Committee have been surprised to note that the rate of penal interest on delayed remittances for receipt transactions involving Rs. one crore and above has been pegged at a rate as low as 5% per annum only. The Committee have been convinced that there is a scope for upward revision of interest rates on delayed remittances of Government receipts by the public sector banks and they have, therefore, recommended that the penal rate should be equivalent atleast to the rate of interest payable on treasury bills of similar number of days.

5. The Committee examined audit paragraph 2.22 at their sitting held on 25.11.1994 (AN). The Committee considered and finalised the report at their Sitting held on 21.4.1995. Minutes of the sittings form Part-II* of the Report.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the report and have also been reproduced in a consolidated form in Appendix III to the Report.

7. The Committee would like to express their thanks to the Officers of the Ministry of Finance (Department of Revenue) for the cooperation extended by them in giving information to the Committee.

8. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
21 April, 1995

1 Vaisakha, 1917 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

* Not printed. (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

REPORT

UNION EXCISE DUTIES—SYSTEM DEFECTS IN WORKING OF CHIEF ACCOUNTING OFFICES

Introductory

The Central Board of Excise & Customs in the Ministry of Finance (Department of Revenue) controls the collection of central excise duties through 36 Collectorates. The Collectorates, in turn, function through their Divisions and Ranges. In each Central Excise Collectorate, there is a Chief Accounts Officer (CAO). Under Rule 173G of the Central Excise Rules, 1944, assessees are required to maintain an account current (Personal Ledger Account—PLA) with the Chief Accounts Officer of the Collectorate concerned showing the cash deposits made in the nominated bank and debits made on account of duty paid on the excisable goods manufactured and recovered by him. It is the responsibility of the manufacturer to see that there is adequate balance in the PLA to cover the duty due on the goods intended to be removed. The Chief Accounts Officer at the Collectorate Headquarters and the Range Officers in the field offices have to exercise the prescribed checks to ensure the proper upkeep and maintenance of the PLA of the assessee. The Chief Accounts Officer of the Collectorate is required to verify the amounts paid by the assessee as per their returns, with the amounts reported as received by the banks to the Pay and Accounts Officer. The CAO also checks the refunds of duty made.

2. As per the procedure prescribed, the assessee, at the time of payment of duty furnishes four copies of TR—6 challans to the Bank. After receipt of the amount and making endorsement to that effect, the bank returns the duplicate and triplicate copies of the TR—6 challans to the assessee and the original and quadruplicate copies are forwarded to the Focal Point Bank whereby the amount deposited is transferred to the Government account. After endorsing these copies of the challans to this effect, the focal point bank sends the original sets of TR-6 challans with scrolls to the Pay and Accounts Officer (PAO) and the quadruplicate copy to the nominated range officer who segregates them and sends them to the respective Range Officers. The assessee, while furnishing RT-12 returns by the 5th of the following month, submits the duplicate copy to the Range Officer and retains the triplicate copy for his file.

3. The Range Officer is required to tally the duplicate copy of the challan received from the assessee with the quadruplicate copy and prepares a monthly Revenue statement indicating the particulars of amount

deposited, challan-wise/date-wise and despatch it to the CAO alongwith a copy of the PLA submitted by the assessee and the quadruplicate copy of the challan. The Pay & Accounts Officer, after receiving the original copy of the TR-6 challans alongwith banks scrolls, verifies and tallies the content and sends a sheet to the Chief Accounts Officer (CAO) indicating the details of TR-6 challans and the amount deposited Division/Range-wise.

4. On receipt of monthly statements of revenue receipts from the Range Officers and monthly compilation sheet from the Pay and Accounts Officer, the Chief Accounts Officer (CAO) check them from supporting challans. He reconciles the monthly statements of revenue receipts of Range Officers with the figure booked by the PAO in the monthly account. From these checked statements, he traces challans as entered therein in the monthly compilation sheets of revenue compiled by the PAO in respect of each focal point Bank with a view to ensuring that (i) the challans have been properly classified in the monthly account of the PAO and (ii) the amounts of the challans agree with those appearing in the compilation sheets.

5. The discrepancies observed in the reconciliation process such as "less credits" and "more credits" are noted down in the check register and a copy of the same forwarded to the PAO. These discrepancies are carried forward and adjusted in subsequent months after verifying with the concerned challans or by taking up the matter with the respective banks/assessee as the case may be.

Earlier Report of PAC

6. The delay in submission of the returns and in reconciling revenue receipts had engaged the attention of the Public Accounts Committee earlier also. In their 160th Report (Seventh Lok Sabha) and 110th Report (Eighth Lok Sabha) the Committee had emphasised the need to complete the reconciliation work expeditiously so as to ensure proper accountal of revenues.

Audit Paragraph

7. This Report is based on Paragraph 2.22 of the Report of C&AG for the year ended 31 March, 1993, No. 4 of 1994, Union Government (Revenue Receipts—Indirect Taxes) which highlights some of the system defects or shortcomings noticed in the offices of CAOs.

Non-verification of Duty Paid

8. It is seen from the Audit paragraph that there were delays in receipt of copies of Personal Ledger Account (PLA) from the ranges affecting verification with the bank returns. Central Excise duties claimed by assessees to have been paid in to public sector banks were not checked by CAO in 1,34,843 cases up to the year 1991-92. 59,306 cases were not checked because copies of PLAs were not received from ranges whereas

remaining 75,537 cases were pending verification even though the required details of PLA were already available with the CAO.

9. In the light of the fact that a large number of PLAs were either not received at all during the year 1988-89 to 1991-92 or though received but not verified, the Committee asked as to how the Ministry claimed that the correctness of the duty paid by the assesseees was cross checked and assured. The Ministry of Finance (Department of Revenue) in a note stated that the verification of the PLA is primarily carried out by the Range Offices. While making the assessments, it is also one of the functions of the R.O. to check the entries shown in the PLA extracts and their correctness. The function carried out by the C.A.O. is therefore only a second checking and auditing of the PLA statements. Thus, according to the Ministry even if there is a delay in verification by the C.A.O. the verification carried out by the Range staff would generally ensure correctness of the duty paid and shown in the PLA.

10. The Committee desired to know the reasons for the non-verification of the duty paid. The Ministry of Finance (Department of Revenue), cited the following reasons for delay in receipt of PLA and verification by the Chief Accounts Officer (CAO):—

- (i) inadequate staff strength both at the Range as well as CAO Office.
- (ii) delay in receipt of quadruplicate copy from the focal bank/ Nominated Range Officer.
- (iii) receipt of incomplete challans.

11. The Committee enquired the time normally taken in actual practice in submission of PLAs copy from the ranges to CAOs office and its verification by CAO. The Ministry in a post evidence note stated that normally, the PLAs were verified within 1-6 months from the date of receipt of the same from the R.O. However, in certain cases, delay in verification had been noticed for more than 2-3 years. This delay was on account of non-receipt of PLAs from R.Os, shortage of staff in C.A.O. Branch and lack of proper attention to work in the C.A.O. Branch etc.

12. When asked about the action taken to ensure timely submission of PLAs and their verification by CAO, the Ministry of Finance (Department of Revenue) in a note stated that the Central Board of Excise and Customs *vide* their instructions dated 21 November 1994 asked the Collectors of Central Excise to see that the copies of PLAs and revenue statements should be furnished to the C.A.O. by 10th of every month, without waiting the finalisation of the assessments. The C.A.O. shall complete the checking of credit entries in PLA from original copy of TR-6 challans received from PAO within 15 days from receipt of the PLA from R.O.

13. On being enquired about the precise steps taken to overcome the specific causes of delay enumerated above, the Ministry in a post-evidence note stated that the Collectors have been impressed upon to ask the Nominated Range Office (NRO), if necessary, to depute one staff of his office to collect the quadruplicate T.R. 6 challans from those banks instead of waiting for their despatch by those banks in a normal course. Similarly, the R.Os. may depute an officer to N.R.O. and collect copies of the challans concerning their range.

14. As regards incomplete challans, the Ministry stated that earlier, the R.Os. in cases where the assessment were pending, either did not send the PLAs to the CAO or sent them without quadruplicate copy of TR-6 challans to C.A.O. These PLAs were kept pending for finalisation of assessments. However, *vide* Circular dated 21.11.94 referred to above, the R.Os. have been asked to forward the PLA statement by 10th of the month without waiting for the finalisation of assessment. According to the Ministry, C.A.O. has also been asked to make the verification on the basis of Revenue Statement received from the PAO based on original copy of the T.R. 6 challans. C.A.Os have also been asked to make use of computers, wherever made available. The Ministry stated that these efforts are expected to ensure prompt verification of PLAs and to overcome the malady of delays to a large extent.

15. According to the audit paragraph in Aurangabad Collectorate PLA files were not being maintained from September, 1990. Asked about the reasons for not maintaining PLA files, the Ministry stated that PLA files were not being maintained due to lack of knowledge of correct procedure and inadequate staff strength. However, it was seen from the statement of staff strength furnished by the Ministry that in Aurangabad, Rajkot and Hyderabad Collectorates there was no vacancy in any of the cadres.

When asked to justify the plea of inadequate staff for delay in receipt of PLA and verification thereof, the Ministry of Finance in a note *inter-alia* stated that the plea of delay in verification of PLA on account of inadequate staff strength was based on the vacancy position in general in the Accounts Branch of the Collectorates.

16. Another reason attributed by the Ministry for not maintaining the PLA files correctly in Aurangabad Collectorate was the lack of knowledge of correct procedure. On being further asked about the same, the Ministry in a note stated that there was no separate cadre for the persons working in the Chief Accounts Officer Branch. They were provided from the overall strength of ministerial staff of the Collectorate and they naturally take time to acquaint themselves with the procedure or to acquire experience. Now, the National Academy for Customs, Excise and Narcotics (NACEN) has been asked to organise training courses for the persons posted in the Chief Accounts Officer Branch.

17. Replying to a related question, the Ministry also stated that there was no separate course of training for the C.A.O. and the staff working

under him. However, a separate course was now being added by the NACEN to the standardised chart of programmes for the Regional Training Institutes, on "Reconciliation of Revenue Receipts and Accounting Procedures". They also stated that such courses will be held by the Regional Training Institutes, henceforth, on regular basis and the Calendar of Training Programmes for 1995-96 was being prepared.

18. Regarding the inadequate staff strength, a representative of the Central Board of Excise and Customs stated that a cadre review was under progress.

19. The Committee wanted to know the position in respect of the 1,34,843 cases pointed out by Audit where verifications were pending. From the Collectorate-wise details furnished by the Ministry initially, it was seen that verification of 1,08,928 PLAs files had since been completed. From a note furnished subsequently, by the Ministry, it was however observed that 27697 PLAs in respect of the period covered under the Audit Para were still pending verification. This also excluded the figures of five Collectorates, viz., Bombay-I, Calcutta-I, Trichy, Kanpur and Shillong. The statement furnished to the Ministry also revealed that 1955 PLAs in respect of Delhi and Cochin upto the year 1988-89 were pending verification for want of PLAs, from the Range Offices and also that 889 PLAs pertaining to Calcutta II Collectorate received from the Range Offices pertaining upto 1988-89 yet to be verified by the CAO.

20. At the instance of the Committee, the Ministry of Finance also furnished the Collectorate-wise position of PLAs (with the exception of Aurangabad, Bombay-I, Bombay-III, Calcutta-I, Indore, Kanpur, Meerut, Shillong, Trichy and Vadodara Collectorates) pending verification for the years 1992-93 and 1993-94 which is shown as Appendix-II. The list showed that 47404 and 71120 PLAs pertaining to the years 1992-93 and 1993-94 were still pending verification.

Non-reconciliation of Revenue Receipts

21. The Public Accounts Committee (1987-88) in their 110th Report (Eighth Lok Sabha) had expressed their disappointment over the issue of non completion of reconciliation and recommended that the Ministry should complete the task of clearing pending reconciliation within a period of six months and also recommended that Ministry of Finance should prescribe a time limit for completing reconciliation of departmental figures of collections of Central Excise duty appearing in the monthly statements of Range Offices with the figures booked in the accounts of PAOs so as to ensure proper accounting of revenue. The Committee had also desire that the prescribed time limit should be scrupulously adhered to by periodical monitoring at an appropriately higher level. The Committee in their 16th Report (Ninth Lok Sabha) had also recommended that concerted efforts were required to be made to complete the pending reconciliation work.

22. On being asked about the concrete steps taken in pursuance of the Committee's aforesaid recommendations to complete the reconciliation work, the Ministry of Finance (Department of Revenue) in a note stated that they had prescribed a time limit of six months for completing reconciliation work. The Collectors of Central Excise were requested by them to complete the reconciliation work within the specified time.

23. It has been brought out in the Audit paragraph that reconciliation work was not done from 1988-89 onwards in four collectorates, viz., Meerut, Pune, Calcutta-II and Shillong. The revenue collections not verified in Shillong and Pune collectorates amounted to Rs. 3664.33 crores. Such verification was also pending since April 1990 or 1991 in other nine collectorates, viz., Bhubaneswar, Allahabad, Bolpur, Coimbatore, Delhi, Madras, Surat and Visakhapatnam and Hyderabad.

24. From the detailed information obtained by the Committee it was further seen that reconciliation work was pending for more than six months in 30 Collectorates and the work was in arrears from 1988-89 in Pune and Shillong collectorates, from 1991-92 in Delhi, from 1992-93 in Meerut, Surat, Vadodara, Belgaum and Bombay-I Collectorates. Asked about the reasons for not carrying out reconciliation work within the prescribed time schedule of six months, the Ministry of Finance (Department of Revenue) in their post evidence note *inter-alia* stated that the work involved including verification/reconciliation of accounts with reference to returns/documents was highly holuminous and when done manually it was time consuming. They also added that over the years, the entries required to be checked/verified/reconciled had tremendously increased. Besides, the work was pending due to the other reasons discussed earlier and also due to the lack of proper interest in the work of reconciliation.

25. From the updated information furnished by the Ministry it was seen that the reconciliation work up to the month of December, 1993 and onwards has since been completed in 24 Collectorates as on 31.12.1994. In the remaining 12 Collectorates (Bhubaneswar, Bombay-I, Bombay-II, Calcutta-I, Coimbatore, Delhi, Jamshedpur, Meerut, Patna, Shillong, Surat and Vadodara) the reconciliation work was, however pending for the period varying between March, 1988 (Shillong) and November, 1993 (Patna & Jamshedpur).

26. Explaining the reasons for non-reconciliation of revenue receipts from March, 1988 onwards in Shillong Collectorate the Ministry stated that the work in Shillong Collectorate was lagging behind as the post of Chief Accounts Officer was lying vacant for the last many years. The post had been filled recently and the position is expected to improve in the coming months. According to the Ministry, the Collector of Central Excise, Shillong was being asked to pay personal attention to this matter and to expeditiously complete pending reconciliation.

27. Enumerating the steps taken/proposed to be taken by them for improving the reconciliation work, the Ministry in a note stated that the issue of arrears in reconciliation of revenue receipts and of proper accounts, training/qualification among persons posted with CAO/ACAO/ other accounts staff was discussed in the Collectors conference held on 8th to 10th July 1993. Among the final recommendation of the conference, a suggestion that the technical skills of the accounts staff needed to be upgraded urgently was accepted unanimously. It was also suggested that the accounts examination conducted by the Controller General of Accounts for appointment as Junior Accounts Officer should include papers on Revenue Accounts for those being posted in Collectorates and persons being posted as Chief Accounts Officer (CAO) should also be required to qualify in these accounts examination. According to the Ministry, it was proposed to take action on these recommendations which will upgrade the skills of CAO who then will be in a position to train those working under him. As a result of this, they expected the reconciliation work to improve considerably.

28. The Committee asked whether the Ministry had undertaken any special drive so as to ensure that the arrears in reconciliation work are reduced within a time bound programme. In a note furnished after evidence, the Ministry stated that the Member (CX) in the Central Board of Excise and Customs *vide* letter dated 29 November, 1994 has asked all Principal Collectors/Collector of Central Excise to make efforts to expedite the work of revenue reconciliation and verification of PLAs. Instructions are also stated to have been issued to all CCEs to furnish a monthly report to the Board of the results achieved in the field of reconciliation of revenue so as to enable the Board to monitor the progress.

Results of reconciliation done

29. While reconciling, two types of discrepancies are generally noticed, firstly, credits appearing in the P.A.O's statement but not appearing in the Range Officers statement (More Credits) and secondly, credits appearing in the monthly statement of the Range Office but not appearing in the statement furnished by PAO (Less Credits).

30. It is seen from the Audit Paragraph that results of reconciliation in 13 Collectorates revealed that 10075 receipted challans involving duty of Rs. 34.76 crores included in the monthly statements received from range offices could not be traced in the accounts of Pay and Accounts Officer compiled from bank statements. But, per contra, 40315 challans involving Rs. 1205.96 crores appearing in the accounts of Pay and Accounts Officer could not be traced in the monthly statements received from range officers. In Coimbatore, Trichy and Madurai challans amounting to Rs. 4.49 crores were not traced by CAO, but the difference was shown as 'nil' in the check register maintained by the CAO. According to the Audit, the prescribed verification/check was not effective and the system ran more on trust than by verification and control.

31. As regards missing challans mentioned in the Audit para, the Ministry of Finance (Deptt. of Revenue) stated that out of 10,075 cases involving Rs. 3476.42 lakhs included in the Range Officer's statements and missing in the PAO's statement, 4274 such challans involving Rs. 2014.20 lakhs have been reconciled and a fraud case of Rs. 13.91 lakhs had been detected in the Collectorate of Central Excise, Calcutta I. In this case, the assessee had been penalised with Rs. 10 lakhs. Remaining cases were still under the process of reconciliation. Regarding 40315 cases involving an amount of Rs. 120596.09 lakhs mentioned in the PAO's statements but not found place in the Range officer's statements, 25000 of such cases involving Rs. 117886.29 lakhs have so far been reconciled. Remaining cases were under the process of reconciliation.

32. The Committee enquired about the details of the fraud case detected in the Collectorate of Central Excise, Calcutta I. Explaining the facts, the Ministry of Finance (Department of Revenue) in a note stated that M/s. United Engineering Works, Calcutta claimed to have deposited Rs. 13,90,570/- in the U.B.I. Darga Raod Branch, Calcutta-15 and S.B.I., C.I.T. Road Branch, Calcutta-14 (nominated Bank branches) through 248 numbers of TR-6 challans during the period 8.7.1983 to 11.1.1988 and taken the same amount as credits in their PLA and utilised for payment of duty on the clearances of the excisable goods manufactured by them. At the time of reconciliation of the revenue accounts (February, 1988) it was detected that no such amount was deposited in the Bank and the assessee had submitted to the Department forged TR-6 challans using fake bank seal and forged signatures of the bank officials and accordingly duped the Government. An offence case was booked and the case was also handed over to the CBI by the Collectorate. The Collector of Central Excise, in the meantime, adjudicated the case *vide* order-in-original No. II(4816.00) Collr.3/90 dated 9.3.1990 demanding duty of Rs. 13,90,570 besides imposing a penalty of Rs. 10 lakhs.

33. Informing the Committee of the further progress of the case, the Ministry stated that against the above adjudication order the assessee filed an appeal to the CEGAT alongwith the prayer for stay against recovery. The ERB, CEGAT, Calcutta in their order dated 25.5.1991 ordered the assessee to deposit Rs. 7 lakhs towards payment of duty and bond for the balance amount of duty and waived deposit of penalty during the pendency of appeal. This order was further modified by order dated 20.2.1992 directing the assessee to deposit Rs. 2 lakhs (instead of Rs. 7 lakhs ordered earlier) within two months and giving an undertaking to the effect that the assessee would not alienate any properties of the company during the pendency of the appeal. The assessee deposited Rs. 2 lakhs during the period 24.4.92 to 28.5.92. The case was stated to be still pending with the CEGAT.

34. In the light of the case mentioned above, the Committee desired to know whether the delay in reconciliation did not result in commission of fraud/irregularities by the unscrupulous assessee and the same remaining undetected for prolonged period. The Ministry, in reply, in a note stated that in case of production of fake TR-6 challans in collusion with the Bank/Departmental officers possibilities of fraud/irregularities by unscrupulous manufacturers may not be altogether ruled out.

Verification of refunds of revenue

35. According to the procedure prescribed, verification of refunds is also required to be done in the similar manner as for receipts. Audit has pointed out that verification of refunds of revenue was not done in 27 collectorates from 1989-90. The amount of refunds not verified in 10 Collectorates was Rs. 159.76 crores. Monthly statements of refunds were not received from the Divisional Offices in Cochin, Ahmedabad, Rajkot, Vadodra, Surat, Chandigarh, Calcutta-I and Bolpur Collectorates. Watch over receipt of the Statements from Divisional/Range Offices was not kept in Chandigarh, Calcutta I, Bolpur, Ahmedabad, Rajkot, Vadodra and Surat Collectorates.

36. Explaining the procedure for verification of refunds of revenue, the Ministry of Finance (Deptt. of Revenue) in a note stated that refunds of Central Excise duty are made by the competent authority through account payee cheques marked with "Revenue Refunds/Rebate/Drawback of Revenue" payable at the focal point bank. The cheque issuing authority prepares a weekly statement of cheques issued and sends it to the Pay and Accounts Officer. The bank after honouring the cheques, prepares payment scrolls Collectorate-wise, major head-wise and indicate the particulars on the reverse of such cheque for the purpose of identification. The scrolls is totalled after the close of the business every day by the paying branch and the book of the branch will be balanced for the day with reference to the totals of the day's scrolls. In case of a branch serving the Chief Accounts Officer (CAO) office directly, the original and duplicate copy of the scrolls with paid cheques will be sent to the CAO by the beginning of the next working day. The triplicate copy is retained by the bank. In case of branch serving a D.D.O., the original and duplicate copy of the scrolls are forwarded to the CAO and the triplicate copy to the concerned D.D.O. The quadruplicate copy is retained by the bank. The concerned D.D.O. checks the payment recorded in the scrolls with the entries in the cash book maintained by him in which all cheques issued are recorded and reconciles the discrepancies, if any, detected by him with the bank scrolls and advise the C.A.O. accordingly. The C.A.O. office reconciles the original and duplicate copies of the scrolls with the paid cheques and with the statements of cheques received from the D.D.O.'s along-with the report of reconciliation on the basis of triplicate copy received

by them from the bank and certify the correctness in the copies of the scrolls.

37. When enquired about the cases pointed out by Qaudit, the Ministry in a note stated that non-verification was mainly due to non-availability of documents and insufficient staff strength and that the Collectors have been asked to complete the job in two months, the results of which will be furnished shortly. The requisite information was not furnished by the Ministry.

Delay by Public Sector Banks in Remitting Duty Collections

38. The central excise duty collections in the branches of banks are consolidated by the branches and remitted to the State Bank of India or Reserve Bank of India for credit to Central Government Account. The Reserve Bank of India in its letter of 27 May, 1985 had laid down a procedure whereby interest in cases of delayed remittances were to be paid to Government at the rate of 5 per cent per annum for the period of delay. In their 28th Report (Eighth Lok Sabha), the Public Accounts Committee had emphasised the need to avoid delays in remittances of Governmental money by the Public Sector Banks.

39. The Audit para points out that there were cases of delays ranging from eight days to more than three years in remitting the collections of Central Excise duties by branches of banks to the State Bank of India/ Reserve Bank for credit to the Central Government Account. However, in 18 Collectorates, interest amounting to Rs. 4.93 crores for the years 1989-90 and 1990-91 alone was accrued to the Government on delayed remittances which was not paid by Public sector banks.

40. When asked to furnish details of recovery already made out of Rs. 4.93 crores pointed out by Audit, the Ministry in their note furnished to the Committee stated that as per Reserve Bank of India instructions, the interest is leviable @ 5% on receipt transactions of Rs. one crore and above, if the period of delay exceeds one month; whereas the Audit has considered delays of more than nine days irrespective of the amount of transaction involved. Therefore, the delayed amount for the period 1989-91 which qualified for levy of interest comes to Rs. 35.77 crores as against Rs. 707.91 crores shown by Audit. According to the Ministry, interest of Rs. 73.55 lakhs on the delayed amount of Rs. 33.75 crores out of Rs. 35.77 crores for the period 1989-91 has been recovered. For the remaining amount delayed (Rs. 35.77 crores minus Rs. 33.75 crores) the interest to be recovered works out to Rs. 0.96 lakhs. The Ministry also stated that the State Bank of India which is responsible for the delay has been requested to remit the interest amount at the earliest.

41. The Committee desired to know the reasons for the delays in remittance of CBEC dues by the Public Sector Banks to the Government account. The Ministry of Finance in a note recounted them as follows:

- (a) Loss of challans/scrolls in transit
- (b) Postal delay
- (c) Misplacement of challans/scrolls by the Couriers
- (d) Law and order problem/curfew/riots
- (e) Transport problems in Islands (Andaman & Nicobar)
- (f) Delays by the banks due to long festival holidays. (e.g. Pooja holidays etc.)
- (g) Strikes by the employees of the Public Sector Banks.

42. To a question of the Committee, the representative of the Ministry of Finance (Deptt. of Revenue) stated during evidence that the board had taken up the matter relating to the delay by public sector banks in remitting duty collections with Reserve Bank of India in 1991. In a subsequent note, the Ministry also stated that it was later followed up too.

43. The Committee enquired about the basis for fixation of 5% as the rate of penal interest. According to the Ministry the basis of levying on banks a penal interest of 5% for delayed remittances was the result of indepth examination of this question by the Ministry of Finance in consultation with the RBI. The Ministry of Finance (Deptt. of Revenue) stated that the rate of 5% was suggested by Reserve Bank of India (RBI) as being near to the interest rate on Govt. Treasury Bills and would cover the loss that might be suffered by the Govt. on account of non-availability of such funds due to delay in remittance of receipts by the banks.

44. The rate of interest of 5% on account of delayed remittance has been linked with the interest charged on Treasury Bills which is 4.6 per cent. As per statement 58 structure of interest rates available in the Report on currency and finance, 1992-93 published by the Reserve Bank of India, the rate of interest on treasury bills beyond 91 days is 9.95—10.08% (for 1990-91), 8.77—10.08% (for 1991-92) and 7.8—8.4% (for 1992-93). The rate of interest beyond 182 days upto 364 days is 9.88—10.25% for the year 1992-93. From the above it follows, that the rate of interest on treasury bills varies depending upon the number of days. Drawing the attention of the Ministry of Finance to the above, the Committee desired to know the reasons for not revising this rate of interest on delayed remittances. The Secretary (Revenue) stated in evidence:

"I entirely agree with you. I have already taken a decision that I will take up the question of revising the interest rate. I am going to take a decision very shortly. I spoke to the Secretary, Economic Affairs. He

also agree with me that we should hike up this rate. We will hike up this rate."

45. In this connection, the Ministry of Finance (Deptt. of Revenue) in their post-evidence note stated that the matter has since been discussed by the Finance Secretary with the Governor, Reserve Bank of India on 16 December 1994 whose recommendation in this regard was awaited. They also stated that the Secretary, Revenue had also written to the RBI Governor on the subject on 30.12.1994.

Internal Audit Checks

46. The Chief Accounts Officer is to conduct internal check of challans and connected records received from the departmental officers in the ranges and divisions. According to the information made available to the Committee, the Chief Accounting Offices carry out two types of internal verifications on the challans and connected records received from the ranges and divisions, viz. (i) check credit entries in the challans compared with entries made in PLA and also check debit entries and balance in PLA for arithmetical accuracy and (ii) verification of refund statements received from the DDO by comparing it with original duty paying documents such as challans, PLA so as to ensure the correctness of refund made.

47. Percentages have also been prescribed for the checks to be conducted at different levels. As regards refunds verification, there will be 100% post-audit by the CAO.

48. On being enquired about the system being followed for monitoring and clearance of cases of irregularities detected during internal verification, the Ministry of Finance (Deptt. of Revenue) in their reply stated that in case of overdrawal, the concerned Range/Divisional Officer is informed to take remedial action who in turn take necessary action on their own and/or refer to the higher authorities for necessary action as the case may be as required under the Central Excise Law. As regards discrepancies in the post-audit of refund claims the CAO coordinate with various DDOs. and the banks and set right the anomalies. Important and long pending issues are brought to the notice of the Collector for remedial action.

49. In reply to a specific query of the Committee as to how many cases of irregularities have been noticed during internal checks the Ministry of Finance mentioned two cases for overdrawal of Rs. 1.01 lakh in the Collectorate of Central Excise, Bombay-III by the assesses. The Ministry stated that necessary action has been taken in these cases. In a subsequent note furnished, the Ministry of Finance stated that 22 more cases involving Rs. 11.48 lakhs have been reported from five further Collectorates.

50. However, Audit Paragraph has revealed internal checks of challans and connected records received from the departmental offices in the ranges and divisions are not being carried out by the Chief Accounts Officer in some collectorates and where the checks were done, no records

were maintained for watching the pursuance of the irregularities noticed during such checks. The specific system defects/shortcomings noticed by Audit in certain collectorates are brought out in audit sub paragraph 2.22(iv) and the Ministry's comments on the same are furnished below:

- | | | |
|---------|--|--|
| (a) (i) | Non-carrying out prescribed checks by CAO office in Goa & Guntur Collectorates | During the material period there was no regular CAO (Guntur) or there is no sanctioned post of CAO (Goa). However, the requisite checks are now carried out. |
| (ii) | Delay in checking the relevant records in Vadodara, Aurangabad & Vizag, Collectorates. | -do- |
| (b) | Non-maintenance of records for watching pursuance of irregularities noticed by CAO in Allahabad, Kanpur Meerut, Cochin, Patna, Indore, Raipur, Calcutta-I & II, Bolpur and Chandigarh Collectorates. | Necessary watch register for pursuing the irregularities noticed is being maintained in 8 out of 11 Collectorates. The remaining 3 have also been asked to maintain the requisite register. |
| (c) | Non-conducting 100% checks of refunds made in Ahmedabad, Rajkot, Vadodara, Surat, Patna, Delhi & Vizag | Collectors of Central Excise have been instructed to monitor the post-audit of refund claims by the CAO and ensure 100% checks of refunds made by the CAO's office wherever not carried out. |

51. Audit also pointed out that in the remaining Collectorates check of 64,077 refund cases involving Rs. 201.47 crores pertaining to the period 1987-88 to 1991-92 were pending. The full particulars of the cases referred to above and the specific reasons for not carrying out the prescribed internal audit checks in certain Collectorates are yet to be furnished by the Ministry.

Monitoring

52. The Committee desired to know whether the Ministry ascertained that the Chief Accounts Officer were reviewing the check register every month in terms of the prescribed procedure and the extent of shortfall and the reasons. The Ministry of Finance in a note stated that it was the primary duty of the Chief Accounts Officer to review the Check Register in terms of the prescribed procedure. The Chief Accounts Officer was also required to report to the Collector of Central Excise every month of the work done by his organisation and the position of the work outstanding.

According to the Ministry, the Collector of Central Excise, being head of the Collectorate is also required to review the position and instruct the Chief Accounts Officer to act according to the procedure prescribed.

53. The Committee enquired about the system that existed at the Collectorate/Board/Ministry level for monitoring the receipt of PLAs and their subsequent verification by the Chief Accounts Officer and as to how it was operationalised, in practice, to detect delays and initiating adequate remedial action in time. The Ministry of Finance (Department of Revenue) in a note stated that vide Circular dated 21st November, 1994 issued by the Central Board of Excise & Customs, the Collectors of Central Excise have been asked to personally monitor the reconciliation by conducting monthly review of the work done by the Chief Accounts Officers and Pay and Accounts Officers. They have also been asked to furnish the progress of reconciliation in their monthly technical reports to the Board for periodical review.

Computerisation

54. The Committee enquired whether the Ministry had conducted any study for use of computers in the process of reconciliation/verification etc. and if the progress made. The Ministry of Finance in a note stated that introduction of computers for monitoring of the verification/reconciliation by CAO had already been approved by the Department and the job of development of the concerned software is in progress.

55. In this connection, the representative of CBEC stated in evidence:

"On computerisation I want to add that practically all Collectorates have been computerised. We have about 310 divisions which is the next stage and below that is the range office. Out of these 310 divisions, more than 200 have been computerised. In some of the divisions the Range Officer has his office. In quite a few cases they are far away and all on their own; the poor chaps have to work without much infrastructural facility and yet they are at the cutting edge of interaction with the people. The Range Officer who is sitting in the divisional office has access to the computer and can start using that computer with a few days training and go on to the computer from the manual system. The CAO is the man who does the reconciliation. He can start using the computer which is in the Collectorate Headquarters. We will see that the remaining divisional offices are also computerised".

56. The Secretary, Revenue in this context stated:

"....The most important thing is the computerisation taking place today is most connected with the general operations of the Excise Collectorate. The software is available. Only the interlinking has to be done. It will be complete and total only when every Range Officer's work also goes into the computer....."

57. Underlining the relevance of computers in the task of revenue reconciliation, the Chairman, CBEC stated in evidence that the possible types of frauds and abuses on the system can be completely eliminated only if the modern methods of computerisation was adopted for the purpose rather than the old physical measures of taking and cross checking four copies of documents.

58. Explaining the proposal in this regard further, the Ministry of Finance in a note furnished subsequently stated that one of the items of data entry includes Personal Ledger Account which provides details of the credits (deposit) through TR 6 challans. In addition, data entry screens have been provided for deposits/credits made by assessee who are not required to maintain a PLA (e.g. manufacturer of matches). The software provided for integration of both PLA and non-PLA credit (deposits through challans) and this information could be taken on floppies. The task of matching the original copy (of the challan) based data input from the PAO's end and the duplicate copy based data input was stated to have been attempted in few Collectorates (e.g. Madurai, Trichy and Meerut). According to the Ministry, the problems thrown up by the trial runs have since been resolved and it was now possible to match the credits as per PAO's records with the credits taken by the assessee for duty payment purposes.

Henceforth, the checks and reconciliation were proposed to be undertaken by the system itself and any mismatched credit entries would be highlighted for suitable corrective action by the Range Officer. The Ministry stated that this would eliminate the scriptory work at the Range Office and CAO's office and considerably reduce the delay in reconciliation of revenue receipts in future. They also stated that the implementation of the above scheme would be completed in all the 28 collectorates by June, 95.

Need for streamlining the system

59. The Committee drew attention of the Ministry of Finance to the fact that despite the recommendations made by the Public accounts Committee in the past emphasising the need for expeditious reconciliation of revenues, the present position was not satisfactory. They pointed out particularly to the arrears accumulated in certain Collectorates even pertaining to the year 1988 onwards. Offering his comments, the Chairman, CBEC stated in evidence:

"I have no defence because there had been a failure primarily on the part of the collector to supervise; and secondly on the part of the Board for overall supervision. I have to throw myself at your mercy because it is not that difficult or a complicated exercise. It could be done, given some willingness and cooperation on the part of both the staff of P&AO as well as the Chief Accounts Officer.

60. The Secretary, Revenue in his deposition attributed the arrears to the officers being "lethargic"

61. The Committee further pointed out that after the subject had been taken up by them for the present examination, there had been improvement in very quick time. In this connection, the Secretary Revenue, stated in evidence:

".....if everyone does his work in time, if the people devote some time to this work, which is a drab kind of work, which is not an interesting work, there will be no arrears. They simply put it in arrears. Only when the pressure comes on them, they start doing the work. Once there is pressure that if they do not do this work, they will lose their job or they will not get their pay, then only Government work will be done. At the subordinate level, there are less avenues of promotion. They get salary and bonus irrespective of quality and quantity of work done. It is virtually impossible to punish a Government servant. That is how the system is working. Unless there is some kind of punishment which will be enforced on them, they will not work. I think only when this kind of pressure comes on them, they work".

62. On being asked about the steps proposed to be taken to overcome the situation arising out of non-reconciliation of revenues, the Chairman, CBEC stated in evidence:

".....I can assure the Committee that whatever lapses were there in not reconciling them, they may be overcome. I do realise that reconciliation is such a process that if it is left prolonged, it would be difficult to reconcile."

63. In a note furnished to the Committee subsequently the Ministry of Finance (Department of Revenue) stated that detailed instructions have been issued by them on 21 November, 1994 emphasising the need for speedy reconciliation of revenue receipts.

64. The Central Board of Excise and Customs (CBEC) in the Ministry of Finance (Départment of Revenue) controls the collection of central excise duties through 36 Collectorates. The Collectorates, in turn, function through their Divisions and Ranges. In each central excise Collectorate there is a Chief Accounts Officer (CAO). Under Rule 173G of the Central Excise Rules, 1944, assesseees are required to maintain an account current (Personal Ledger Account - PLA) with the Chief Accounts Officer of the Collectorate concerned showing the cash deposits made in the nominated bank and debits made on account of duty paid on the excisable goods manufactured and removed by him. The Chief Accounts Officer of the Collectorate is required to verify the amounts paid by the assesseees as per their returns, with the amounts reported as received by the banks to the Pay and Accounts Officer (PAO).

65. The issue relating to non-verification of Personal Ledger Accounts and non-reconciliation of central excise duties by the Chief Accounting Offices had engaged the attention of the Public Accounts Committee on earlier occasions also. The Committee had time and again emphasised the need to complete the reconciliation work expeditiously so as to ensure proper account of revenues. They, however, regret to note from the Audit paragraph under examination that the working of the Chief Accounting Offices continues to be inhibited by several system defects/shortcomings. Some of the more glaring shortcomings observed by them are discussed in the succeeding paragraphs.

66. Central Excise duties are paid by assesseees into public sector banks to the account of the excise department. The banks furnish daily scrolls with receipted challans to the Pay and Accounts Officers in the Collectorates and quadruplicate copy of the challans go to the Chief Accounting Offices. The duties paid by assesseees are recorded in Personal Ledger Account of the assesseees maintained in the Ranges and copy thereof is sent to CAO. The PAO independently sends compiled accounts based on returns from banks to the CAO. The credit for duty claimed by assessee as per PLA is to be checked by CAO by referring to the compiled bank account and supporting challans received from bank. The Committee note with concern from the Audit paragraph that central excise duties claimed by assesseees to have been paid to public sector banks were not checked by CAO in as many as 1,34,843 cases upto the year 1991-92. Of these, 59,306 cases were not checked because copies of PLAs were not received from Ranges whereas the remaining 75,537 cases were pending verification even though the required details of PLA were already available with the CAO.

67. The Ministry of Finance (Department of Revenue) attributed non-verification to delay in receipt of quadruplicate copy of the challan from the focal bank/nominated range officer, receipt of incomplete challans, inadequate staff strength, lack of knowledge of correct procedure etc. The Ministry stated that as a result of the steps since taken by them, out of the 1,34,843 cases pending only 27,697 PLAs (excluding the Collectorates of Bombay I, Calcutta I, Trichy, Kanpur and Shillong) were now outstanding. They also stated that the matter has also since been reviewed by the Board and detailed instructions issued to the Collectorates on 21 November 1994 emphasising the need to strictly follow the already prescribed time limit in the submission of the copy of PLA and the revenue statement to the office of CAO by the 10th of the following month, laying down a time limit of 15 days for CAO to complete checking of credit entries in PLA from the original treasury documents, stressing the need to ensure submission of PLA to CAO even in assessment is incomplete, specifying the steps to be taken to ensure prompt receipt of quadruplicate copies of the challans by the Range Officers through the nominated Central Excise officers etc. The Ministry also stated that they have initiated steps for emphasising necessary training to the staff and also are undertaking a cadre review for augmentation of the

staff strength. While the Committee welcome these steps and would await their impact, they are unhappy to point out that adequate attention was not given to this important area by the Ministry resulting in the pendency assuming an alarming level. The Committee trust that the Central Board of Excise and Customs will ensure that their latest instructions are effectively implemented and that the Personal Ledger Accounts are verified within the prescribed period. They would also like to be apprised of the latest position, Collectorate-wise of PLAs pending verification.

68. In this context, the Ministry of Finance stated that the function carried out by the Chief Accounting Officer was only a second checking and auditing of the PLA statements and therefore, even if there was a delay in verification by them, the verification carried out by the Range staff would generally ensure correctness of the duty paid and shown in the PLA. The Committee do not agree with this view. One of the purposes of reconciliation done by CAO of PLAs is to ensure that the amount stated to have been paid towards excise duty is actually credited to Government account under the proper head. In the opinion of the Committee, this will be frustrated if the reconciliation of PLAs is not done by CAO.

69. Another shortcoming observed by the Committee in the working of the Chief Accounting Offices was the inordinate delay in reconciliation of revenue receipts by CAO with the figures reported by the Pay and Accounts Officers in their monthly statements. In pursuance of the recommendation of the Public Accounts Committee in their 110th Report (1987-88—Eighth Lok Sabha), the Ministry of Finance had prescribed a time limit of six months from the period to which it related positively for completing reconciliation work. The Central Board of Excise and Customs had also issued instructions that the Collectors should personally ensure that the reconciliation work be given priority and the lapses on this account be dealt with sternly. The Committee's examination, however, revealed that reconciliation work was pending for more than six months in 30 Collectorates. Explaining the reasons for the reconciliation lagging behind, the Ministry *inter alia* stated that the work was voluminous and time consuming, lacked proper interest etc. Later, the Ministry stated that pursuant to their subsequent efforts, the reconciliation work upto the month of December 1993 and onwards has since been completed in 24 Collectorates as on 31.12.1994. In the remaining 12 Collectorates the reconciliation was, however, pending for the period varying between March 1988 (Shillong) and November 1993 (Patna and Jamshedpur). From the facts stated above the Committee can only conclude that the authorities concerned were not serious in ensuring that the prescribed reconciliation of revenue was done within the stipulated period of six months. The Committee deplore the departmental failure in the matter and consider that this unsatisfactory state of affairs

in the prime revenue earning department of the country has to be rectified without further delay. They would like to be informed of the precise action taken to clear the accumulated reconciliation work and also the latest position in the matter.

70. Yet another shortcoming observed by the Committee in the working of the Chief Accounting Offices related to the inadequacies in the present system of reconciliation effected. The Audit scrutiny revealed that in 13 Collectorates, 10075 receipted challans involving duty of Rs. 34.76 crores included in the monthly statements received from Range Offices could not be traced in the accounts of Pay and Accounts Officer compiled from bank statements. But, per contra, 40315 Challans involving Rs. 1205.96 crores appearing in the accounts of Pay and Accounts Officer could not be traced in the monthly statements received from Range Officers. In the Collectorates of Coimbatore, Trichy and Madurai, challans amounting to Rs. 4.49 crores were not traced by CAO. The Ministry of Finance stated that out of the 10,075 cases involving Rs. 34.76 crores included in the Range Officers' statements and missing in the PAO's statement, 4274 such challans involving Rs. 20.14 crores have been reconciled. Similarly, out of the 40315 cases involving Rs. 1205.96 crores mentioned in the PAO's statements, 25,000 of such cases involving Rs. 1178.86 crores had so far been reconciled. According to the Ministry, the remaining cases were under the process of reconciliation. It is evident from the above that the present system of verification through reconciliation leaves a lot to be desired and the extent of revenue remaining unreconciled is a matter of concern to the Committee. The Committee desire that concerted efforts should be made to complete reconciliation of the pending cases referred to above and would like to be apprised of the position thereof. They would also like to be informed of the latest position of reconciliation of revenue.

71. The Committee find that during the course of reconciliation of revenues, the Department had detected a case involving duty of Rs. 13.91 lakhs at the Collectorate of Central Excise, Calcutta-I where in an assessee had been found to have allegedly misdeclared having deposited the amount using fake bank seal and forged signatures of the bank officials. The Committee have been informed that the dues to the Government on account of duty and penalty are yet to be fully recovered from the assessee as the case was stated to be pending with the Customs, Central Excise and Gold Control Appellate Tribunal (CEGAT). The case was also reportedly handed over to the CBI. Undoubtedly, such cases reinforce the apprehension of the Committee about the Governmental dues being endangered and lying undetected due to the prolonged delays in reconciling the revenues. The Committee would like to be apprised of the progress made in the recovery of dues from the party as also the criminal and other action taken against the party. They would also like to be informed of the similar and other types of irregularities detected during the course of reconciliation and the action taken thereon.

72. According to the procedure prescribed, verification of refunds of central excise duty effected is also required to be done in the similar manner as that of receipts. The Committee, however, note with concern that verification of refunds of revenue was not done in 27 collectorates from 1989-90. Significantly, the refunds not verified in 10 collectorates amounted to Rs. 159.76 crores. There were also other related shortcomings like non-receipt of monthly statements from the Divisional Offices, failure to keep watch over the receipt of the statements from Divisional/Range Offices etc. The Ministry of Finance assured the Committee that the Collectors have been asked to complete this job in two months. The Committee cannot remain satisfied with this. They desire that the Central Board of Excise and Customs should thoroughly analyse the shortcomings in the working of the Department in this behalf and take effective measures in order to ensure that the refunds of duty made are subjected to the relevant checks prescribed and also to streamline them wherever necessary. The Committee would like to be informed of the status of the cases referred to above and also the latest position prevailing in different collectorates about the verification of refunds.

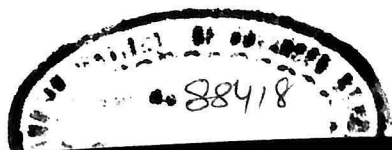
73. The Central Excise duty collections in the branches of banks are consolidated by the branches and remitted to the State Bank of India or Reserve Bank of India for credit to Central Government account. The Reserve Bank of India in May, 1985 had laid down a procedure whereby interest in cases of delayed remittances were to be paid to Government at the rate of five per cent per annum for the period of delay if it exceeded one month and the receipt transactions involved Rs. one crore and above. Pertinently, in their 28th report (Eighth Lok Sabha), the Public Accounts Committee had emphasised the need to avoid delays in remittance of Governmental money by the Public Sector Banks. The Committee regret to note that in several cases there had been considerable delays in remitting the Central Excise dues by the Public Sector Banks. The Committee's examination found such delays having taken place in 18 collectorates of Central Excise ranging from eighth days to three years. The delayed amount which qualified for levy of interest in such test checked cases during the period 1989-91 came to Rs. 35.77 crores on which interest @5% due is yet to be fully recovered by the Department. The Ministry of Finance attributed the delays in remittance on account of Central Excise dues by the Public Sector Banks to loss of challans/scrolls in transit, postal delay, misplacement of challans/scrolls by the couriers, strike by employees of Public Sector Banks etc. The Committee deprecate the delay in the remittance of Governmental dues by the Public Sector Banks and they wish to point out that the reasons adduced in this behalf were considered by them earlier also and found as not insurmountable. The Committee, therefore, desire that the Department of Revenue should take up the matter with the Reserve Bank of India and or other authorities with a view to

ensuring that the Government is not deprived of realising their dues in time. The Committee would also like to be apprised of the amount of delayed remittance of Central Excise dues made by Public Sector Banks during the period 1992-94 and the penal interest which became due and collected there against.

74. In this context, the committee are surprised to note that the rate of penal interest on delayed remittances for receipt transactions involving Rs. one crore and above has been pegged at a rate as low as 5% per annum only. The Ministry of Finance stated that the rate of 5% was suggested by the Reserve Bank of India as being near to the interest on Government Treasury Bills and would cover the loss that might be suffered by the Government on account of non-availability of such funds due to the delay in remittance of receipt by the Banks. It this connection Committee's attention has been drawn to the fact that the rate of interest on treasury bills varies depending upon the number of days. For example, the rate of interest on Treasury bills beyond 91 days was 9.95-10.08% for 1990-91, 8.77-10.08% for 1992-93; the rate of interest beyond 182 days upto 364 days was 9.88 to 10.25% for the year 1992-93. The Committee are convinced that there is a scope for upward revision of interest rates on delayed remittances of Government receipts by the public sector banks and they would, therefore, recommend that the penal rate should be equivalent atleast to the rate of interest payable on treasury bills of similar number of days. They also recommend that penal interest should be levied on all cases of delayed remittances instead of the existing stipulation for levy of such interest in receipt transactions involving Rs. one crore and above only.

75. As per the procedure prescribed, the Chief Accounts Officer is to conduct internal check of challans and connects records received from the departmental officers in the ranges and divisions. The Committee, however, note that several inadequacies have been observed on this score in different Collectorates of Central Excise. The shortcomings *inter alia* included failure to carry out the prescribed checks, delay in checking the relevant records, non-maintenance of records for watching pursuance of irregularities, non conducting the prescribed 100 per cent checks of refunds etc. The Committee desire that the various shortcomings pointed out by Audit on this score should be thoroughly looked into with a view to ensuring scrupulous observance of the prescribed procedures and also streamlining of the system. The Committee would like to be informed of the precise action taken in the matter.

76. The Committee regret to observe that there had been absence of proper review and monitoring of the work of reconciliation of revenue accounts by the Chief Accounting Offices at different levels including Collector, Board and the Ministry resulting in the work getting grossly neglected. The Ministry of Finance assured the Committee that vide instructions issued on 21 November, 1994, the Collectors of Central Excise have been asked to personally monitor the reconciliation by conducting monthly review of the work done by the Chief Accounts Officers and Pay



and Accounts Officers. The Collectors are also stated to have been asked to furnish the progress of reconciliation in their monthly technical reports to the Board for periodical review. The Committee trust that the work would now be monitored earnestly by all concerned so that proper accountal of central excise revenues are securely ensured. The Committee would like to be apprised of the assessment of the Ministry of the work as emerging from the monthly reports submitted by the Collectors to the Board.

77. The Committee have been informed that the Department have introduced/are introducing computers gradually for facilitating the task of checking and reconciling central excise receipts and that it is expected to reduce the delay considerably. The Committee would like to be informed of the progress made in this direction.

78. From the facts stated in the foregoing paragraphs it is abundantly clear that the working of the Chief Accounting Offices under the Collectorates of Central Excise leaves a lot to be desired. During evidence, the Chairman, Central Board of Excise and Customs admitted that "there had been a failure primarily on the part of the Collector to supervise, and secondly on the part of the Board for overall supervision". In his deposition the Secretary, Department of Revenue attributed the arrears to the officers being "lethargic". Later, the Ministry of Finance (Department of Revenue) informed the Committee that in the light of the shortcomings observed they have issued detailed instructions to the Collectors on 21.11.1994 for expeditious completion of revenue receipts. The Committee cannot remain satisfied with this since similar instructions issued in the past had miserably failed in bringing about perceptible improvements in the system. The Committee therefore, desire that the Ministry of Finance should thoroughly analyse the facts contained in this report and take concrete measures with a view to streamlining the working of the Chief Accounting Offices and ensuring proper accountal of revenue receipts.

New Delhi;
21 April, 1995

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

1 Vaisakha, 1917 (Saka)

APPENDIX I

AUDIT PARA NO. 2.22 OF THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31 MARCH, 1993, NO. 4 OF 1994, UNION GOVERNMENT (REVENUE RECEIPTS — INDIRECT TAXES)

2.22 System Defects in Working of Chief Accounting Offices

The Central Board of Excise and Customs in the Ministry of Finance (Department of Revenue) controls the collection of central excise duties through 36 collectorates which function through their divisions and ranges thereunder. In each central excise collectorate, there is a Chief Accounts Officer (CAO) who is to verify the amounts paid by the assessees as per their returns, with the amounts reported as received by banks to the pay and Accounts Officers. The CAO also checks the refunds of duty made. Some of the system defects or shortcomings noticed in the offices of CAOs are indicated below briefly.

(i) System of verification:

Central Excise duties are paid by assessees into public sector banks to the account of the excise department. The banks furnish daily scrolls with receipted challans to the Pay and Accounts Officers in the Collectorates and quadruplicate copy of the challans got to the Chief Accounts Officer (CAO). For each assessee, a personal ledger account (PLA) is maintained by the Ranges in which the duties paid by assessees are recorded and copy thereof is sent to the CAO. The PAO independently sends compiled accounts based on returns from banks to the CAO. The credit for duty claimed by assessee as per PLA is to be checked by CAO by reference to the compiled bank account and supporting challans received from bank. There were delays in receipt of copies of Personal Ledger Account (PLA) from the ranges affecting verification with the bank returns.

year	No. of collec- torates	No. of PLAs not checked	
		For want of PLAs from Range Offices	Cases where details of PLA were received but not verified by CAO.
Upto 1988-89	13	10003	12798
1989-90	17	8645	17275
1990-91	22	21400	23264
1991-92	13	19258	22200
Total		59306	75537

The number of PLAs maintained in 36 collectorates were around 84,000. Unless the copy of PLA is received, it cannot be verified by checking it with the copies of challans received directly from the bank.

In 75,537 cases credit entries were lying unverified in CAO branch even though copies of PLAs had already been received from the Range Offices. In Goa collectorate, copies of challans received from bank were being filed without verification against the credit entries in the PLA. In Aurangabad collectorate, PLA files were not being maintained from September 1990. In the collectorates of Hyderabad, Guntur, Visakhapatnam, Goa, Aurangabad, Indore, Calcutta I,II and Bolpur watch over the receipt of PLAs from the Ranges was not being kept. In Shillong collectorate, the deposits posted in the PLA by the assesseees were being verified by reference to challans filed by assesseees instead of copies of challans received from the bank directly.

It is clear that with the volume of transactions involved in the checking process, prescribed by the department, the work can be done effectively only with the use of computers. No action has been taken in this direction.

(ii) Non-reconciliation of revenue receipts:

The Public Accounts Committee (1987-88) in their 110th Report (8th Lok Sabha) had recommended that the Ministry of Finance should prescribe a time limit for receipt of the monthly revenue statements from the range offices for reconciling them with the figures of revenue collections posted in the accounts of the Pay and Accounts officers of the collectorates from documents received from the bank.

Test check in audit revealed that in Meerut, Pune, Calcutta-II and Shillong collectorates this was not done from 1988-89 onwards. The revenue collections not verified in Shillong and Pune collectorates amounted to Rs. 3664.33 crores. Such verification was also pending since April 1990 or 1991 in the following collectorates:—

Bhubaneswar	April	1990
Allahabad	April	1991
Bolpur	April	1991
Coimbatore	April	1991
Delhi	April	1991
Madras	April	1991
Surat	April	1991
Visakhapatnam	April	1991
Hyderabad	December	1991

In the following collectorates, verification was pending in respect of most of the ranges as indicated below:—

Name of collectorate	Total No. of ranges	No. for which verification pending		
		1989-90	1990-91	1991-92
Bolpur	61	35	29	61
Bombay I	83	—	—	12
Calcutta I	84	54	50	66
Delhi	72	25	70	72
Madras	56	25	25	56

The recommendations of the Public Accounts Committee are not being implemented in most of the collectorates.

(iii) Results of reconciliation done:

The check register recording results of reconciliation done revealed that in 13 collectorates 10075 receipted challans involving duty of Rs. 34.76 crores included in the monthly statements received from range offices could not be traced in the accounts of Pay and Accounts officer, compiled from bank statements. But, *per contra*, 40315 challans involving Rs. 1205.96 crores appearing in the accounts of Pay and Accounts Officers could not be traced in the monthly statements received from range officers. In Coimbatore, Tirchy and Madurai challans amounting to Rs. 4.49 crores were not traced by CAO, but the difference was shown as 'Nil' in the check register maintained by the CAO.

It would, thus, appear that the prescribed verification/check is not effective and the system runs more on trust than by verification and control.

(iv) Verification of refunds of revenue:

Verification of refunds of revenue to be done similarly as for receipts, was not done in 27 collectorates from 1989-90. The amount of refunds not verified in 10 collectorates was Rs. 159.76 crores. Monthly statements of refunds were not received from the Divisional Offices in Cochin, Ahmedabad, Rajkot, Vadora, Surat, Chandigarh, Calcutta I and Bolpur collectorates. Watch over receipt of the statements from Divisional/Range Offices was not kept in Chandigarh, Calcutta, Bolpur, Ahmedabad, Rajkot, Vadodara and Surat collectorates.

(v) *Delays by public sector banks in remitting duty collections:*

The excise duty collections in the branches of banks are consolidated by the branches and remitted to the State Bank of India or Reserve Bank of India for credit to Central Government Account. The Reserve Bank of India in its letter of 27 May 1985 had laid down a procedure whereby interest in cases of delayed remittances were to be paid to Government at the rate of 5 per cent annum for the period of delay. In the years 1989-90 to 1990-91, in 18 collectorates, interest due but not paid to Government by banks amounted to Rs. 4.93 crores as detailed below:—

Period of delay	No. of cases	Amount involved (Rs. in crores)	Amount of interest at 5 per cent (Rs. in lakhs)
Between 8 to 15 days	99739	503.14	82.70
Between 16 to 30 days	6874	48.76	15.36
Between 31 days to 1 year	1848	155.40	388.50
More than 1 year but less than 2 years	40	0.37	2.77
More than 2 years but less than 3 years	37	0.16	2.00
More than 3 years	10	0.08	1.20
Total			492.53

(vi) *Internal audit checks:*

(a) The Chief Accounts Officer is to conduct internal check of challans and connected records received from the departmental officers in the ranges and divisions. In the collectorates of Guntur and Goa, the prescribed checks were not carried out. The checks were pending for long in the collectorates of Vadodara (from 1987), Aurangabad (from September 1990) and Visakhapatnam (from April 1991). In Vadodara collectorate, audit had pointed out short levy of duty of Rs. 4.03 lakhs in 42 cases which were not detected by CAO. Recoveries amounting to Rs. 2.99 lakhs have been made so far.

(b) In the collectorates of Allahabad, Kanpur, Meerut, Cochin, Patna, Indore, Raipur, Calcutta I, II, Bolpur and Chandigarh, records for watching pursuance of irregularities noticed during checks by CAO, were not maintained.

(c) The CAO is to exercise cent per cent check of refunds made. In the collectorates of Ahmedabad, Rajkot, Vadodara, Surat, Patna, Delhi and Visakhapatnam such checks were not conducted. In the remaining collectorates check of 64,077 refund cases involving Rs. 201.47 crores was pending as indicated below:—

Year	No. of collectorates	No. of refund cases	Total amount of refunds involved (Rs. in crores)
1987-88	10	2454	12.53
1988-89	18	19437	41.80
1989-90	18	16128	43.08
1990-91	20	12235	49.09
1991-92	19	13823	54.97
Total		64077	201.47

In Cochin collectorate, the statements of refunds were not received by CAO from the divisional offices during the years 1988-89 to 1991-92. In Bolpur collectorate, pre-check of refunds was stated to have been made while issuing cheques for refunds and that further post audit of refunds was not considered necessary. But, no orders of the Central Board of Excise and Customs in support of the practice, was shown to Audit. In Madras collectorate, internal audit done was on photocopy of challan (which can be manipulated) and not on original challan. In some collectorates, internal check by CAO was delayed by 3 years.

Reply of the Ministry is awaited.

APPENDIX II

COLLECTORATE-WISE POSITION OF PLAS PENDING FOR THE YEARS 1992-93 AND 1993-94 POSITION AS ON 31.12.94

S.No.	Collectorate	1992-93	1993-94
1.	AHMEDABAD	3647	3756
2.	ALLAHABAD	NIL	NIL
3.	BANGALORE	175	1835
4.	BELGAUM	NIL	2580
5.	BHUBANESHWAR	2303	3425
6.	BOMBAY-II	11803	14992
7.	BOLPUR	850	2028
8.	CALCUTTA-II	3193	2752
9.	CHANDIGARH	661	N.R.
10.	COCHIN	604	1001
11.	COIMBATORE	4380	12060
12.	DELHI	2447	2412
13.	GOA	117	110
14.	GUNTUR	NIL	3
15.	HYDERABAD	3513	5008
16.	JAIPUR	NIL	700
17.	JAMSHEDPUR	(Included in CCE, Patna's figures)	
18.	MADRAS	1134	5047
19.	MADURAI	NIL	NIL
20.	NAGPUR	270	463
21.	PATNA	NIL	NIL
22.	PUNE	3101	3369
23.	RAJKOT	8185	7866
24.	RAIPUR	NIL	NIL
25.	SURAT	1021	1713
26.	VIZAG	NIL	NIL

NOTE: Information in respect of Aurangabad, Bombay-I, Bombay-III, Calcutta-I, Indore, Kanpur, Meerut, Shillong, Trichy and Vadodara will follow shortly.

APPENDIX-III

Conclusions and Recommendations

Sl. No.	Para No.	Ministry/ Department concerned	Conclusion/Recommendation
1	2	3	4
1.	64	Ministry of Finance (Deptt. of Revenue)	<p>The Central Board of Excise and Customs (CBEC) in the Ministry of Finance (Department of Revenue) controls the collection of central excise duties through 36 Collectorates. The Collectorates, in turn, function through their Divisions and Ranges. In each central excise Collectorate there is a Chief Accounts Officer (CAO). Under Rule 173G of the Central Excise Rules, 1944, assessees are required to maintain an account current (Personal Ledger Account — PLA) with the Chief Accounts Officer of the Collectorate concerned showing the cash deposits made in the nominated bank and debits made on account of duty paid on the excisable goods manufactured and removed by him. The Chief Accounts Officer of the Collectorate is required to verify the amounts paid by the assessees as per their returns, with the amounts reported as received by the banks to the Pay and Accounts Officers (PAO).</p>
2.	65	-do-	<p>The issue relating to non-verification of Personal Ledger Accounts and non-reconciliation of central excise duties by the Chief Accounting Office had engaged the attention of the Public Accounts Committee on earlier occasions also. The Committee had time and again emphasised the need to complete the reconciliation work expeditiously so as to ensure proper accountal of revenues. They, however, regret to note from the Audit paragraph under examination that the working of the Chief Accounting Offices</p>

1	2	3	4
			continues to be inhibited by several system defects/shortcomings. Some of the more glaring shortcomings observed by them are discussed in the succeeding paragraphs.
3.	66	Ministry of Finance (Deptt. of Revenue)	Central Excise duties are paid by assessees into public sector banks to the account of the excise department. The banks furnish daily scrolls with receipted challans to the Pay and Accounts Officers in the Collectorates and quadruplicateds copy of the challans go to the Chief Accounting Offices. The duties paid by assessees are recorded in the Personal Ledger Account of the assessees maintained in the Ranges and copy thereof is sent to CAO. The PAO independently sends compiled accounts based on the returns from banks to the CAO. The credit for duty claimed by assessee as per PLA is to be checked by CAO by referring to the compiled bank account and supporting challans received from bank. The Committee note with concern from the Audit paragraph that central excise duties claimed by assessees to have been paid to public sector banks were not checked by CAO in as many as 1,34,843 cases upto the year 1991-92. Of these, 59,306 cases were not checked because copies of PLAs were not received from Ranges whereas the remaining 75,537 cases were pending verification even though the required details of PLA were already available with the CAO.
4.	67	-do-	The Ministry of Finance (Department of Revenue) attributed non-verification to delay in receipt of quadruplicate copy of the challan from the focal bank/nominated range officer, receipt of incomplete challans, inadequate staff strength, lack of knowledge of correct procedure etc. The Ministry stated that as a result of the steps since taken by them, out of the 1,34,843 cases pending only 27,697 PLAs (excluding the Collectorates of Bombay I, Calcutta I, Trichy, Kanpur and Shillong) were now outstanding. They also stated that the

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matter has also since been reviewed by the Board and detailed instructions issued to the Collectorates on 21 November, 1994 emphasising the need to strictly follow the already prescribed time limit in the submission of the copy of PLA and the revenue statement to the office of CAO by the 10th of the following month, laying down a time limit of 15 days for CAO to complete checking of credit entries in PLA from the original treasury documents, stressing the need to ensure submission of PLA to CAO even if assessment is incomplete, specifying the steps to be taken to ensure prompt receipt of quadruplicate copies of the challans by the Range Officer through the nominated Central Excise Officers etc. The Ministry also stated that they have initiated steps for emphasising necessary training to the staff and also are undertaking a cadre review for augmentation of the staff strength. While the Committee welcome these steps and would await their impact, they are unhappy to point out that adequate attention was not given to this important area by the Ministry resulting in the pendency assuming an alarming level. The Committee trust that the Central Board of Excise and Customs will ensure that their latest instructions are effectively implemented and that the Personal Ledger Accounts are verified within the prescribed period. They would also like to be apprised of the latest position, Collectorate-wise of PLAs pending verification.

5. 68 Ministry of Finance
(Deptt. of Revenue)
- In this context, the Ministry of Finance stated that the function carried out by the Chief Accounting Officer was only a second checking and auditing of the PLA statements and therefore, even if there was a delay in verification by them, the verification carried out by the Range staff would generally ensure correctness of the duty paid and shown in the PLA. The Committee do not agree with this

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			<p>view. One of the purposes of reconciliation done by CAO of PLAs is to ensure that the amount stated to have been paid towards excise duty is actually credited to Government account under the proper head. In the opinion of the Committee, this will be frustrated if the reconciliation of PLAs is not done by CAO.</p>
6.	69	Ministry of Finance (Deptt. of Revenue)	<p>Another shortcoming observed by the Committee in the working of the Chief Accounting Offices was the inordinate delay in reconciliation of revenue receipts by CAO with the figures reported by the Pay and Accounts Officers in their monthly statements. In pursuance of the recommendation of the Public Accounts Committee in their 110th Report (1987-88-Eighth Lok Sabha), the Ministry of Finance had prescribed a time limit of six months from the period to which it related positively for completing reconciliation work. The Central Board of Excise and Customs had also issued instructions that the Collectors should personally ensure that the reconciliation work be given priority and the lapses on this account be dealt with strenly. The Committee's examination, however, revealed that reconciliation work was pending for more than six months in 30 Collectorates. Explaining the reasons for the reconciliation lagging behind, the Ministry <i>inter alia</i> stated that the work was voluminous and time consuming, lacked proper interest etc. Later, the Ministry stated that pursuant to their subsequent efforts, the reconciliation work upto the month of December 1993 and onwards has since been completed in 24 Collectorates as on 31.12.1994. In the remaining 12 Collectorates the reconciliation was, however, pending for the period varying between March 1988 (Shillong) and November 1993 (Patna and Jamshedpur). From the facts stated above the Committee can only conclude that the authorities concerned were not serious in ensuring that the prescribed</p>

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reconciliation of revenue was done within the stipulated period of six months. The Committee deplore the departmental failure in the matter and consider that this unsatisfactory state of affairs in the prime revenue earning department of the country has to be rectified without further delay. They would like to be informed of the precise action taken to clear the accumulated reconciliation work and also the latest position in the matter.

7. 70 Ministry of Finance (Deptt. of Revenue) Yet another shortcoming observed by the Committee in the working of the Chief Accounting Offices related to the inadequacies in the present system of reconciliation effected. The Audit scrutiny revealed that in 13 Collectorates, 10075 receipted challans involving duty of Rs. 34.76 crores included in the monthly statements received from Range Offices could not be traced in the accounts of Pay and Accounts Officer compiled from bank statements. But, per contra, 40315 Challans involving Rs. 1205.96 crores appearing in the accounts of Pay and Accounts Officer could not be traced in the monthly statements, received from Range Officers. In the Collectorates of Coimbatore, Trichy and Madurai, challans amounting to Rs. 4.49 crores were not traced by CAO. The Ministry of Finance stated that out of the 10,075 cases involving Rs. 34.76 crores included in the Range Officers' statements and missing in the PAO's statement, 4274 such challans involving Rs. 20.14 crores have been reconciled. Similarly, out of the 40315 cases involving Rs. 1205.96 crores mentioned in the PAO's statements, 25,000 of such cases involving Rs. 1178.86 crores had so far been reconciled. According to the Ministry, the remaining cases were under the process of reconciliation. It is evident from the above that the present system of verification through reconciliation leaves a lot to be desired and the extent of revenue remaining unreconciled is a matter of concern to the Committee. The

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			<p>Committee desire that concerted efforts should be made to complete reconciliation of the pending cases referred to above and would like to be apprised of the position thereof. They would also like to be informed of the latest position of reconciliation of revenue.</p>
8.	71 Ministry of Finance (Deptt. of Revenue)		<p>The Committee find that during the course of reconciliation of revenues, the Department had detected a case involving duty of Rs. 13.91 lakhs at the Collectorate of Central Excise, Calcutta-I wherein an assessee had been found to have allegedly misdeclared having deposited the amount using fake bank seal and forged signatures of the bank officials. The Committee have been informed that the dues to the Government on account of duty and penalty are yet to be fully recovered from the assessee as the case was stated to be pending with the Customs, Central Excise and Gold Control Appellate Tribunal (CEGAT). The case was also reportedly handed over to the CBI. Undoubtedly, such cases reinforce the apprehension of the Committee about the Governmental dues being endangered and lying undetected due to the prolonged delays in reconciling the revenues. The Committee would like to be apprised of the progress made in the recovery of dues from the part as also the criminal and other action taken against the party. They would also like to be informed of the similar and/or other types of irregularities detected during the course of reconciliation and the action taken thereon.</p>
9.	72 Ministry of Finance (Deptt. of Revenue)		<p>According to the procedure prescribed, verification of refunds of central excise duty effected is also required to be done in the similar manner as that of receipts. The Committee, however, note with concern that verification of refunds of revenue was not done in 27 collectorates from 1989-90. Significantly, the refunds not verified in 10 collec-</p>

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			<p>torates amounted to Rs. 159.76 cores. There were also other related shortcomings like non-receipt of monthly statements from the Divisional Offices, failure to keep watch over the receipt of the statements from Divisional/Range Offices etc. The Ministry of Finance assured the Committee that the Collectors have been asked to complete this job in two months. The Committee cannot remain satisfied with this. They desire that the Central Board of Excise and Customs should thoroughly analyse the shortcomings in the working of the department in this behalf and take effective measures in order to ensure that the refunds of duty made are subjected to the relevant checks prescribed and also to streamline them wherever necessary. The Committee would like to be informed of the status of the cases referred to above and also the latest position prevailing in different Collectorates about the verification of refunds.</p>
10. 73	<p>Ministry of Finance (Deptt. of Revenue)</p>	<p>The Central Excise duty collections in the branches of banks are consolidated by the branches and remitted to the State Bank of India or Reserve Bank of India for credit to Central Government account. The Reserve Bank of India in May, 1985 had laid down a procedure whereby interest in cases of delayed remittances were to be paid to Government at the rate of five per cent per annum for the period of delay if it exceeded one month and the receipt transactions involved Rs. one crore and above. Pertinently, in their 28th Report (Eighth Lok Sabha), the Public Accounts Committee had emphasised the need to avoid delays in remittance of Governmental money by the Public Sector Banks. The Committee regret to note that in several cases there had been considerable delays in remitting the Central Excise dues by the Public Sector Banks. The Committee's examination found such delays having taken place in 18 Collectorates of Central Excise ranging from eight days to three years. The delayed amount which qualified for levy of interest in such test</p>	

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checked cases during the period 1989-91 came to Rs. 35.77 crores on which interest @5% due is yet to be fully recovered by the Department. The Ministry of Finance attributed the delays in remittance on account of Central Excise dues by the Public Sector Banks to loss of challans/scrolls in transit, postal delay, misplacement of challans/scrolls by the couriers, strike by employees of Public Sector Banks etc. The Committee deprecate the delay in the remittances of Governmental dues by the Public Sector Banks and they wish to point out that the reasons adduced in this behalf were considered by them earlier also and found as not insurmountable. The Committee, therefore, desire that the Department of Revenue should take up the matter with the Reserve Bank of India and or other authorities with a view to ensuring that the Government is not deprived of realising their dues in time. The Committee would also like to be apprised of the amount of delayed remittances of Central Excise dues made by Public Sector Banks during the period 1992-94 and the penal interest which became due and collected thereagainst.

11. 74

Ministry of
Finance
(Deptt. of
Revenue)

In this context, the Committee are surprised to not that the rate of penal interest on delayed remittances for receipt transactions involving Rs. one crore and above has been pegged at a rate as low as 5% per annum only. The Ministry of Finance stated that the rate of 5% was suggested by the Reserve Bank of India as being near to the interest on Government Treasury Bills and would cover the loss that might be suffered by the Government on account of non-availability of such funds due to the delay in remittance of receipt by the banks. In this connection, the Committee's attention has been drawn to the fact that the rate of interest on treasury bills varies depending upon the number of days. For example, the rate of interest on Treasury bills beyond 91 days was 9.95-10.08% for 1990-91, 8.77-10.08% for 1992-

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			<p>93: the rate of interest beyond 182 days upto 364 days was 9.88 to 10.25% for the year 1992-93. The Committee are convinced that there is a scope for upward revision of interest rates on delayed remittances of Government receipts by the Public sector banks and they would, therefore, recommend that the penal rate should be equivalent atleast to the rate of interest payable on treasury bills of similar number of days. They also recommend that penal interest should be levied on all cases of delayed remittances instead of the existing stipulation for levy of such interest in receipt transactions involving Rs. one crore and above only.</p>
12	75	<p>Ministry of Finance (Deptt. of Revenue)</p>	<p>As per the procedure prescribed, the Chief Accounts Officer is to conduct internal check of challans and connected records received from the departmental officers in the ranges and division. The Committee, however, not that several inadequacies have been observed on this score in different Collectorates of Central Excise. The shortcomings <i>inter alia</i> included failure to carry out the prescribed checks, delay in checking the relevant records, non-maintenance of records for watching pursuance of irregularities, non-conducting the prescribed 100 per cent checks of refunds etc. The Committee desire that the various shortcomings pointed out by Audit on this score should be thoroughly looked into with a view to ensuring scrupulous observance of the prescribed procedures and also streamlining of the system. The Committee would like to be informed of the precise action taken in the matter.</p>
13	76	-do-	<p>The Committee regret to observe that there had been absence of proper review and monitoring of the work of reconciliation of revenue accounts by the Chief Accounting Offices at different levels including Collector, Board and the Ministry resulting in the work getting</p>

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			grossly neglected. The Ministry of Finance assured the Committee that <i>vide</i> instructions issued on 21 November, 1994, the Collectors of Central Excise have have been asked to personally monitor the reconciliation by conducting monthly review of the work done by the Chief Accounts Officers and Pay and Accounts Officers. The Collectors are also stated to have been asked to furnish the progress of reconciliation in their monthly technical reports to the Board for periodical review. The Committee trust that the work would now be monitored earnestly by all concerned so that proper accountal of central excise revenues are securely ensured. The Committee would like to be apprised of the assessment of the Ministry of the work as emerging from the monthly reports submitted by the collectors to the Board.
14	77	Ministry of Finance (Deptt. of Revenue)	The Committee have been informed that the Department have introduced/are introducing computers gradually for facilitating the task of checking and reconciling central excise receipts and that it is expected to reduce the delay considerably. The Committee would like to be informed of the progress made in this direction.
15	78	-do-	From the facts stated in the foregoing paragraphs it is abundantly clear that the working of the Chief Accounting Offices under the Collectorates of Central Excise leaves a lot to be desired. During evidence, the Chairman, Central Board of Excise and Customs admitted that "there had been a failure primarily on the part of the Collector of supervise, and secondly on the part of the Board for overall supervision. In his deposition the Secretary, Department of Revenue attributed the arrears to the officers being "lethargic". Later, the Ministry of Finance (Department of Revenue) informed the Committee that in the light of the shortcomings observed they have issued detailed instructions to the Collectors on 21.11.1994 for expeditious completion of revenue receipts. The Committee

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cannot remain satisfied with this since similar instructions issued in the past had miserably failed in bringing about perceptible improvements in the system. The Committee, therefore, desire that the Ministry of Finance should thoroughly analyse the facts contained in this report and take concrete measures with a view to streamlining the working of the Chief Accounting Offices and ensuring proper accountal of revenue receipts.

