

Chapter 6: Monitoring, co-ordination, and internal control

This section focuses on the appropriateness and adequacy of the procedures including procedures of management of data put in place by the DoR and CBEC for monitoring of the scheme implementation, coordination between the different departments and their field formations and internal control mechanism like reports, returns, information, and communication. The observations below highlight the issues where the monitoring and controls have been found to be weak, and coordination mechanisms which need to be strengthened.

6.1 Project Import data management in EDI System

The CAG, in its earlier Performance Audit Report (AR No. 24 of 2009-10), had recommended developing appropriate accounting and monitoring modules and integrating these with the EDI system to facilitate effective monitoring of project imports. In response, the CBEC vide Circular dated 4 May 2011 informed that the matter had been taken up with the DG, System for further action.

6.1.1 Incomplete Project Import Data in EDI System: At the time of registration of contract, there is a stipulated set of documents that are to be submitted by the importer, which includes vital details of the project such as name and location of the project, project implementation agency- Government/PSU/Private, name of the sponsoring authority, value of project and break-up of cost of goods and services, list of items to be imported as approved by the sponsoring authority and details of contracts/sub-contracts pertaining to the project. At the Commissionerate level, the contract registers maintain manually capture information like the unique registration number and date of a contract, CIF value of contract, amendments to the contract, details of imports admissible (Value and Quantity) against a contract and actual duty foregone etc.

Imports under a Project usually take place through several contracts viz., import of equipment and goods, indigenous purchases, rendering of Services etc., and each of these contracts may be registered in any of the Customs Commissionerate across the country for making imports. In ACC New Delhi, Chennai, Kandla, Kolkata, Mundra and NCH, Mumbai Commissionerates, Audit observed that despite Board's assurance, EDI system does not have any designated fields to capture imports made against essentiality certificate for a particular project under project import scheme. Lack of any designated field in the EDI system has led to following:-

- System is unable to generate detailed report of total import made under particular project import case at any point of time.

- Registration and finalisation of the project at port is being done manually.
- System does not have common centralised ledger for maintaining import (value wise, quantity wise and specification wise) made under particular project.
- Release advices (RA), in case where importers intend to import goods other than the port of registration, are being issued and monitored manually. Further, genuineness of RAs are being verified manually- i.e. the Commissionerate is still collecting finally assessed BEs in respect of imports other than the registered port manually, which leads to undue delay to finalise the cases where project is at the stage of finalisation. Scrutiny further revealed that Commissionerate is seeking one or two BEs from RA port to finalise the contract and due to want of status of these BEs, project remains un-finalised for indefinite period. Thus, there is no tool in EDI system to generate finally assessed BEs of other port where RA was issued.

In the absence of complete information regarding the project, it is a cumbersome and time-consuming process task to monitor the importation and finalisation of the Project Contract by the Commissionerate.

6.1.2 Incorrect debit of Bonds in Bonds Module: In terms of Regulation 5 (4) of the PIR, 1986, the importer has to furnish such other documents or other particulars as may be required by the proper officer in connection with the registration of contract which includes Continuity Bond with Cash Security Deposit. The Continuity Bond should be made for an amount equal to the CIF value of the contract sought to be registered.

The procedure being followed by the Project Import Group at the time of importation of goods in the Commissionerates that the Group is required to check the description, value and quantity of the goods imported vis-à-vis the description, value and quantity registered and the Bill of Entry is assessed provisionally. The Group keeps a note of the description of goods and their value in the Project Contract Register.

After the introduction of the ICES 1.5, the procedure is being followed by debiting the value of the Bond equivalent to the CIF value of imports made against the BE in the Bond module. In cases where the Telegraphic Release Advice (TRA) is involved and the imports are made through ports other than the Port of Registration, the bond is being debited for the TRA amount at the Port of Registration and manual TRA is issued for utilisation at the Port of importation.

Analysis of the data revealed that during the period 2011-12 to 2015-16, in 3202 BEs, imports were made under CTH 9801 for availing Project Import

benefits without debiting the bond. Consequently, the goods imported have been allowed the concessional duty/exemption from duty amounting to ₹ 1,133.05 crore applicable to Project Imports giving scope for misuse of the concession by utilizing the goods for purposes other than Project imports. It is pertinent to highlight the fact that the Bond Ledger is a very important document referred to and relied upon by the Commissionerate during the finalization of a contract as the credits and debits are made therein.

Recommendation: Audit recommends that for having better control over the Project imports and for monitoring their credit/debits in the Bond Ledger in an efficient and accurate manner, Board may consider introducing a centralized Bond Management Module separately for Project Imports to monitor the imports made through the Port of Registration and the imports made in other Ports through TRA.

The Board during the exit meeting (19 December 2016) and DoR in their reply (26 December 2016) Stated that Ministry concurs with the recommendation on creation of Centralised Bond Management and Project Management module in ICES 1.5 after a thorough review of PIR.

6.1.3 Final assessment of BEs instead of provisional assessment: As per Paragraph 4.1 of Chapter-5 of Customs Manuals, in respect of goods cleared under project import BE is assessed provisionally by debiting the value/duty against Bonds executed, pending finalization of the Project Contract by submission of prescribed documents.

From the data provided by the DG (Systems and Data Management) for the period from 2011-12 to 2015-16, audit ascertained that final assessment was resorted to instead of provisional assessment in 2532 BEs filed during the period 2011-12 to 2015-16 in 31 Ports⁵³. The goods, involving Assessable value of ₹ 6,113.56 crore, were imported under Project Imports and classified under CTH 9801.

Few cases of ACC New Delhi, Cochin and Kandla Commissionerates verified by audit are detailed below:

- In Cochin Commissionerate, the Project Contract of one importer⁵⁴ revealed that four BEs filed in Kochi and other ports were assessed finally without debiting the Bond. Similarly, in another Project Contract⁵⁵ import was made (August 2015)

⁵³ACC Ahmedabad, ACC Bangalore, Mumbai Sea, ACC Mumbai, Kolkata Sea, ACC Kolkata, Cochin Sea, Cochin Air Cargo, ACC Delhi, ICD Durgapur, ACC Hyderabad, Kandla Customs, ACC Jaipur, Chennai Sea, ACC Chennai, ICD Mandideep, Mundra, ICD Nagpur, NhavaSheva Mumbai, Pipavav Victor, ICD Patparganj, Paradeep, ICD Raipur, ICD-Sabarmati (Khodiyar), ICD Dadri, ICD Tughlakabad, Tuticorin Sea, ICD Tuticorin, ICD Tondiarpet, Vizac Sea, ICD Bangalore.

⁵⁴M/s BPCL-KR IREP.

⁵⁵M/s Prodair Air Products India Private Ltd.

through Nava Sheva Port on the basis of TRAs, but the final assessment was made without debiting the Bond. Assessable value of five BEs was ₹ 14.37 crore, involving duty of ₹ 3.10 crore.

- Similar observations of final assessment without provisional assessment were noticed in three contracts⁵⁶ (seven BEs-CIF value ₹ 3.05 crore) of ACC New Delhi Commissionerate.
- In Kandla Commissionerate, Audit observed from the finalised contract cases that in three contracts, importers got their import consignment cleared from various Custom Houses through TRAs. On verification, Audit found that in 17 BEs the Commissionerate allowed clearance of goods without assessing the goods under provisional assessment and bond was also not debited. This had resulted in irregular assessment of goods under project import for assessable value of ₹ 7.03 crore involving duty of ₹ 19.56 lakh.

In the Project Imports, the assessments are finalised after receipt of reconciliation statement, proof of installation of goods etc. and direct finalisation of BEs was therefore incorrect. It showed that there was inadequate validation in the EDI system to ensure mandatory provisional assessment.

DoR in their reply (December 2016) accepted the audit observation in respect of Cochin and ACC, New Delhi Commissionerates.

Recommendations: Audit recommends that for effective monitoring of Project Import cases through Customs EDI system (ICES 1.5v) Board may explore the possibility of a Project Management Module on the lines of EPCG scheme in ICES for so as to reduce the dependency on monitoring of Project Import cases through manual system.

The Board during the exit meeting stated (19 December 2016) that based on the changes in the PIR, a Project Management Module will be developed in ICES 1.5.

6.2 Inconsistency in databases of CBEC field formations

Audit while conducting this performance audit observed that the databases maintained by three entities viz. (i) at the Commissionerates, (ii) Directorate General of Performance Management (DGPM) and (iii) Directorate General of Systems and Data Management had mis match of data as detailed below:

⁵⁶Contract Nos. 2/2008, 3/2009 and 2/2015.

(i) Revenue figures during FY 12 to FY 16 captured by field formations of CBEC

Audit observed that revenue figures during FY 12 to FY 16 captured by CBEC website, Directorate General of Performance Management and Directorate General (Systems and Data Management) are inconsistent as detailed below:

Table No. 13: Revenue figures captured by field formation of CBEC

₹ in crore

Source of information	FY 12	FY 13	FY 14	FY 15	FY 16	Total
CBEC's website (cbecddm.gov.in)	3759.40	3074.21	2759.12	1185.85 (upto11/2014)	Not available	10778.60
Directorate General of Performance Management (DGPM)	2422.60	2312.83	2305.22	1328.16	1151.64	9520.45
DG (System)	1930.80	1913.27	1844.39	1239.44	1161.78	8089.68

DoR in their reply (December 2016) stated that DG (Systems) figures are based on retrieval of data from Electronic Data Warehouse (EDW) which do not take into account the non EDW/manual BE. DGPM is nodal agency for monitoring reports and they receive reports from field formations which is then compiled. However the difference in the report of DGPM and DDM are under examination.

(ii) Contract details reported by CBEC and Commissionerates

The information received from CBEC was co-related by audit with the information provided by the 24 Commissionerates. Audit observed lack of consistency in the databases of CBEC and the Commissionerates as detailed below:

Table No. 14: Contract details

(CIF Value is in ₹ crore)

Source	Opening balance as on 1 April 2011		Contracts registered during FY 12 to FY 16		Contracts finalised during FY 12 to FY 16		Closing balance of Contract on 31 March 2016	
	Nos.	CIF value	Nos.	CIF value	Nos.	CIF value	Nos.	CIF value
CBEC	1594	3,09,596	946	1,65,318	653	55,969	1929	4,16,658
Commissionerates	1905	1,34,091	994	1,35,547	676	27,055	2223	2,60,176

Commissionerate wise factual information furnished by DoR (December 2016) was under examination.

(iii) Mis-match in Commissionerate database: Audit scrutiny of records/reports maintained at the Commissionerates level brought cases of mis-match of information/data as detailed below:

Table No. 15: Mis-match in Commissionerate level data

Comm.	Figures as per			
	Comm.	Quarterly Report	Contract Register maintained	CBEC
Kandla	70 contracts registered with value of ₹ 3,469.93 crore	80 contracts registered	71 contracts registered with value of ₹ 7,267.81 crore	79 contracts with value of ₹ 3,467.80 crore
	77 contracts finalised	--	79 contracts (as per audit)	45 contracts finalised
	89 contracts (83 Private +6 Govt./PSU) shown as closing balance of FY 16	--	89 contracts (80 Private+9 Govt./PSU) as revealed in audit	94 contracts (87 Private+7 Govt./PSU) shown as closing balance of FY 16
ICD (City), Bangalore	39 contracts finalised during FY 12 to FY 16			Nil contracts finalised during FY 12 to FY 16

DoR in their reply (December 2016) stated that in Kandla Commissionerate, the figures have been rectified and due care has been taken now for correct reporting.

Other instances of mis-matched noticed were:

- As per information furnished by CBEC, contracts were shown as registered in Chennai and Kandla Commissionerates, but no duty collected and duty foregone was shown in Commissionerates records.
- Ahmedabad Customs and Bhubaneswar Commissionerate stated in CBEC's information that duty foregone amount could not be ascertained for BEs filed in EDI system.
- Allahabad Commissionerate had shown the opening balance of one contract during 2012-13 and 'nil' addition/clearance during FY 13 to FY 16. However, instead of closing balance of one contract, it was shown as 'Nil' in FY 16 which needs reconciliation.
- In respect of Ahmedabad Customs, CBEC data shows six contracts as an opening balance of FY 12, leaving the 28 contracts of Custom House Surat, unreported.
- Five Project Contracts registered at Air Cargo Complex, Ahmedabad were shown as Government/PSU sectors contracts instead of private sector contracts.

Reply of Ministry is awaited in these cases (December 2016).

(iv) Incorrect reporting of pendency of Project contracts

Board vide circular dated 4 May 2011 clarified that the concerned Commissioner of Customs should monitor the pendency of Project Import cases and submit a monthly report to the Chief Commissioner of Customs in charge of the Zone, in the prescribed format. The Chief Commissioner of Customs will monitor the pendency and send a quarterly consolidated report of the Zone by 15th of next month to the Directorate General of Inspection (Customs & Central Excise), New Delhi in prescribed format. The DGIC&CE

will in turn monitor the pendency at All India level, in centralized manner and will report to the Board on a quarterly basis about the progress made in finalization of Project Imports, trend of compliance etc. and suggest corrective measures to be taken, if any.

Audit observed that in 12 Commissionerates⁵⁷ the instruction in circular dated 4 May 2011 have not been implemented in spirit (as detailed in **Appendix 6**) resulting in incorrect reporting of Project Import cases.

The inconsistent statistical information captured in different records/field formations of CBEC shows that there is no robust system for database management to monitor Project Import cases.

DoR in their reply (December 2016) stated that respective Commissionerates have stated that remedial action has been initiated.

Recommendation: Audit recommends that Board may consider having a centralised database for project import cases so that inconsistency of data among different entities could be avoided.

The Board during the exit meeting stated (19 December 2016) that Ministry concurs with recommendation on creation of Centralised Database in ICES 1.5 after a thorough review of PIR.

6.3 Monitoring of Bank Guarantee (BG) and Bond

Bank Guarantee (BG)/Bond is required to be given by the importer at the time of registration of contract or to be revalidated on expiry of the executed BG/Bond from time to time as under:

Table No. 16: Bank guarantees and Bond

Period	Amount of BG to be obtained	Authority
Bank Guarantee		
Upto 28.02.2011	2 per cent of CIF value of contract (₹ 50 lakh cash security and balance amount in the form of BG).	Circular dated 09.08.1995
From 01.03.2011	Only BG of 2 per cent of CIF value of contract (maximum ₹ 1 crore). Cash Security discontinued. BG is to be renewed from time to time.	Circular dated 01.03.2011.
Exemption to Government Departments/PSUs		Circular dated 24.03.1993
For Power project having provisional status of mega power, Fixed Deposit Receipts (FDRs)/BG equivalent to duty payable but for exemption under project import, is required to be given.		As per condition No. 93 of Sr. No. 507 of notification dated 17.03.2012
Period	Amount of BG to be obtained	Authority
Bond		
In terms of paragraph 3.3 (v) of Chapter 5 of CBEC's Customs Manual, 2014, Continuity Bond equal to the CIF value of the contract sought to be registered is also required to be executed by the importer		

⁵⁷ Ahmedabad, Kandla, Mundra, ICD City, Bangalore and Mangalore, Tuticorin, Kanpur, ACC, New Delhi, ICD, Hyderabad, Noida, NCH and JNCH, Mumbai.

6.3.1 Submission of BG and Bond

Seven contracts registered between March 2009 and April 2015 in four Commissionerates,⁵⁸ audit observed (April to July 2016) that importers either not submitted the BGs or submitted the same for lesser amount resulting in non/short submission of BGs of ₹ 32.67 crore. Two cases of excess submission of BGs of ₹ 9.10 lakh also noticed in ACC New Delhi Commissionerate.

Audit further observed in four contracts of four Commissionerates⁵⁹ that importers executed the bond with shortfall of ₹ 232.21 crore.

DoR in their reply (December 2016) accepted the audit observation in respect of ACC, New Delhi, Kandla, Kolkata and NCH, Mumbai Commissionerates. In respect of Ahmedabad and Chennai Commissionerates, reply is awaited.

In respect of Mangalore Commissionerate, DoR stated that as the importer was obtaining Essentiality Certificates in a phased manner, there was no necessity to further execute an additional bond. In respect of Cochin Commissionerate, DoR stated that the amount of Bond is based on the value of the goods likely to be imported at the relevant exchange rate. As there is fluctuation in the exchange rate at different points of time, the value in INR may vary. Therefore, the bond registration for Rs.1700 crore was only for an approximate anticipated value.

Reply of DoR is not acceptable because as per PIR, 1986, Bank Guarantee (BG) to be obtained should be equivalent to the CIF value of imports.

6.3.2 Revalidation of BG and Bond

Audit observed that in six Commissionerates⁶⁰, 37 BGs of ₹ 66.49 crore executed by the importers against availing duty concessions under Project Import had expired, however, no action was taken by the Commissionerate to renew the same resulting in non-safeguard of the revenue involved in these ongoing project contracts.

Further, Audit observed two cases⁶¹ wherein bond amounting to ₹ 1341.53 crore executed between 2008-09 and 2011-12 expired between 2009-10 and 2012-13. On expiry of validity of bond, the Commissionerate cannot take action to enforce the same in the event of default by the importers. Non-revalidation of these bonds led to revenue being unprotected.

Commissionerate wise factual informations furnished by DoR (December 2016) was under examination.

⁵⁸ Ahmedabad, ACC New Delhi, Kandla and Mumbai (NCH)

⁵⁹ Mangalore (NCH), Chennai Sea Customs, Cochin and Kolkata Commissionerate

⁶⁰ Ahmedabad, Chennai Sea Customs, Kandla, Kolkata, Ludhiana, NCH Mumbai

⁶¹ One case each in Kandla Commissionerate and Mumbai (JNCH) Commissionerate

6.4 Maintenance of records

Regulation 4 and 5 of PIR, 1986 read with provisions contained in Appraising Manual (Volume-I), envisages maintenance of Project import contract register. As per provisions, each Commissionerate has to maintain project import register in the form prescribed and project number/date assigned should be recorded at the time of registration. The details of contracts, contract value and imports made (BE No./RA No.) are also required to be recorded in this register and the register should be reviewed once in a month by the proper officer for effective monitoring of the contracts.

6.4.1 Audit observed that in 15 Commissionerates⁶², maintenance of records pertaining to Project Import cases was improper. Commissionerate wise deficiencies observed and its impacts on the consistency in reporting to the management are detailed in **Appendix 7**. Few illustrative cases of improper maintenance of records are detailed below:

- In ICD Khodiyar, ACC Bangalore, ICD Hyderabad, Paradip Customs Division and Noida Customs contract registers were not maintained.
- In 11 Customs ports⁶³, contract registers were maintained improperly lacking the details such as imports details, value of imports, duty paid, duty foregone etc. details of TRA imports. In absence of updating of registers, audit could not ascertain the exact details of number of and value of contracts registered, Details of finalised contracts, pendency of contracts etc.
- In one contract (Contract No. 1/2005) registered in February, 2005 in Mangalore Commissionerate, duty was paid in February, 2005. The contract was finalised in December, 2006 and cash security was also refunded to importer. However, the Commissionerate in March, 2015 i.e. after nine years asked the importer about the status of the contract i.e. contract was finalised or not and submit the copy of OIO. Thus, asking copy of finalisation order from importer, after nine years disclosed the improper monitoring of project import cases.
- In ACC New Delhi Commissionerate, in two contracts (M/s DMRC Ltd.), while debiting value of goods imported under project import, value of goods cleared on merit rate was also debited by the customs from the Bond value resulting in excess debit of ₹ 3.70 crore from the registered value of contracts.

⁶²ICD, Khodiyar, Ahmedabad, Kandla, Mundra, ICD City, Bangalore and Mangalore, ACC, Bangalore, Chennai, Sea, Cochin, ACC, New Delhi, Hyderabad, Kolkata, Noida, NCH and JNCH, Mumbai and Tuticorin.

⁶³Kandla, Mundra, ICD (City) Bangalore, Mangalore Customs, Chennai Sea, Tuticorin, Cochin, ACC New Delhi, Kolkata, NCH-Mumbai and JNCH, Mumbai.

The non-maintenance/improper maintenance of contract registers, led to the poor internal control management by the higher authorities.

DoR in their reply (December 2016) stated that all Commissionerates have noted audit observation for compliance.

6.4.2 There are 848 pending/on-going contract files in Contract cell, NCH, Mumbai Commissionerate involving CIF value of ₹ 30,252.15 crore as on 31 March 2016, out of which 177 (21 per cent) files pertaining to years 1990 to 2010 involving CIF value of ₹ 3,031.03 crore were reported to be missing/not traceable in the Contract Cell as detailed in **Appendix 8**. The value of goods imported in some of these missing files was much higher involving considerable duty concession. These contract files should have been monitored with more emphasis and finalised after obtaining all documents and assurances about their installation and end use. The following details indicate the number and value of the contracts files of which were missing:

Table No. 17: Summary of missing files in NCH, Mumbai

Missing details	Files	Files involving import >₹ 100 crore	Files involving imports between ₹ 100 and 50 crore	Files involving imports between ₹ 50 and 10 crore	Files involving import <₹ 10 crore
No. of files		7	6	17	147
Total CIF value		2090.18	467.16	332.46	141.23
Period		1996 to 2008	2005 to 2008	1990 to 2009	1995 to 2007

NCH, Mumbai Commissionerate/Board may ascertain the reason for missing files from the Project Imports cell.

Ministry's reply is awaited (December 2016).

6.5 Lack of co-ordination between inter-departmental authorities

In Kandla Commissionerate, Audit observed (April-July 2016) that there was lack of proper coordination between the inter-departmental authorities as detailed below:

6.5.1 Final import of an importer⁶⁴ (registration No. 04/2006 dated 15 June 2006) was completed on 24 January 2007 and the importer requested for finalisation of the contract vide letter dated 29 June 2009 after which Customs, Kandla requested Customs, Nhava Sheva, Mumbai to submit finalised BEs to finalise the project contract vide letter dated 13 July 2009. In this regard though four reminders had been issued by the Customs Kandla, no action was initiated by Customs Nhava Sheva, Mumbai till date (June 2016), even after lapse of more than six years. The project contract still remains non-finalised due to lack of co-ordination.

⁶⁴M/s IDMC Ltd., Anand

DoR in their reply (December 2016) stated that Kandla Commissionerate has issued SCN to M/s IDMC Ltd.

6.5.2 In another case, an importer⁶⁵ got registered (September 2008) vide Registration No.04/2008 dated 9 September 2008 for initial setting up of the unit. The same unit was again allowed for another registration of Project Import for initial setting up vide Registration No. 06/2010 dated 29 June 2010 even though the same was to be registered under substantial registration. Neither the Sponsoring authority nor customs authority/Central Excise had knowledge whether the unit falls under the category of “Initial setting up” or “Substantial expansion”, which is solely dependent on declaration given by the importer. This resulted in non-compliance to the Board’s instruction to substantiate their claims of substantial expansion by producing documentary evidence like, CE certificate, annual account books/balance sheets etc.

DoR in their reply (December 2016) stated that both the projects were registered for initial setting up based on the recommendation of the sponsoring authority.

Reply of the department is not acceptable because in respect of M/s. Ramoji Granite Ltd., the Ministry of Commerce and Industry, in the letter dated 24-05-2010 stated the unit was an existing unit with capacity of 36 lakh sq.mtr and additional capacity 19 lakh sq. mtr. was proposed to be added. This proves that project import registered second time under registration No. 6/2010 dated. 29-06-2010 was for substantial expansion. Hence, merely accepting the sponsoring authorities certificate without verification by Customs Authorities reflects poor coordination between the departments.

6.5.3 Further, in one more case, an importer⁶⁶ was registered under Registration No.19/2008 for value of CIF ₹13.20 crore and was reported as pending for finalisation at the time of audit (March 2016). Details of import made under this contract were not found on records at Customs, Kandla.

Audit, however, cross checked the details of importer with jurisdictional Central Excise Range, Wankaner and observed that unit imported capital goods worth ₹ 2.99 crore between October and November 2008 through four BEs under the same contract and on contract being finalised, Kandla customs had refunded Cash Security Deposit of ₹ 8.68 lakh.

Though DoR in their reply (December 2016) stated that the project has been finalised, the date of finalisation of project was not provided.

⁶⁵M/s Ramoji Granite Ltd.

⁶⁶M/s VarmoraGranitoPvt. Ltd., Wankaner.

These instances highlight lack of co-ordination between Customs and other inter-departmental authorities resulting in unnecessary delay and non compliance with procedures.

DoR in their reply (December 2016) stated that the project has been finalised. However, in March 2016, audit noticed that the case was pending to import and case was not finalised.

6.6 Improper finalisation of contract ignoring additional contract

In Kandla Commissionerate, Audit observed that importer⁶⁷ had initially registered a project vide No. 18/2010 (September 2010) for CIF value of ₹ 12.05 crore and later on, additional registration of CIF value of ₹ 5.12 crore was added (February 2011).

On verification of O-I-O dated 17 October 2011, it was noticed that the contract was finalised for CIF value of ₹ 12.05 crore and the cash security of ₹ 24.15 lakh was also refunded to the importer. Audit noticed that balance amount of ₹ 5.12 crore was not considered in O-I-O and the contract was finalised ignoring the additional contract ₹ 5.12 crore and cash security of ₹ 10.24 lakh was also not released to the importer despite the contract being finalised.

DoR in their reply (December 2016) stated that the additional project for CIF value for Rs. 5.12 crore was added on 01.02.2011. SCN in the matter would be issued for finalization of the remaining value of project.

6.7 Conclusion

Though Customs Department has computerised its operations through the EDI system, the performance audit has revealed that no steps have been taken to integrate the Project Import scheme within the EDI system. Consequently, it is almost impossible to have a complete overall picture of all the imports being effected under the projects registered under the scheme, besides making the monitoring of the scheme highly cumbersome and dependent on manual interventions. The Ministry needs to review the monitoring and control of the scheme implementation to strengthen the data base management, tighten internal controls for better reporting and for timely finalisation of project import contracts.

Instances of poor maintenance of records by the Commissionerates and huge numbers of Project Imports files of ongoing projects missing in NCH Commissionerate, Mumbai indicate inadequate internal control mechanism in the Commissionerates.

⁶⁷M/s Donato Vitrified Pvt Ltd.