

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

New Delhi

12th August, 2025**CAG's COMPLIANCE AUDIT REPORT ON CUSTOMS PRESENTED IN PARLIAMENT**

The Compliance Audit Report No. 11 of 2025 of the Comptroller and Auditor General of India on Department of Revenue- Customs and Directorate General of Foreign Trade under Ministry of Commerce and Industry for the year ended 31 March 2022 was presented in Parliament here today.

This report contains 119 paragraphs including one Subject Specific Compliance Audit with total revenue implication of ₹831 crore. In 118 paragraphs involving money value of ₹76 crore, rectificatory action has been taken by the department/Ministry by issuing show cause notices, adjudication of show cause notices and recovery of ₹69 crore in 83 cases has been effected till date.

The following are the important findings in the report:

- I. During FY 22, audit issued 251 Inspection reports to the respective Commissionerates/ Regional licensing authorities containing 2065 observations and carrying a total revenue implication of ₹9,824 crore. Out of these, 119 audit observations with revenue implication of ₹831 crore noticed during FY 22 have been covered in this report. The remaining cases are being pursued by the respective field formations. The Ministry of Finance and Ministry of Commerce have responded in 80 out of 119 cases issued. Additionally, in 38 cases, responses were received from the local Customs Commissionerates/Regional Authorities.

{Paragraph 2.6}

II. Subject Specific Compliance Audit on 'Special Customs procedures for Courier, Baggage and Postal goods including e-commerce goods'- Chapter III

A Subject specific compliance Audit (SSCA) was conducted to examine the compliance of special Customs procedures for faster clearances made in respect of following subjects:

- International Courier goods
- Baggage including unaccompanied baggage
- Postal goods including e-commerce goods

Some of the important observations of Audit are the following:

- Equipment required for faster and appropriate assessments e.g. X-ray scanners, carat meters etc. were either existing with limited functionalities or were in numbers not proportionate to the volume of load handled or not put to use. In some cases, this equipment were non-existent.
- The X-ray machines at Mumbai and Ahmedabad were old (2009-2011) and slow in scanning and image movements and were not capable of generating alerts based on

specific shapes and nature of images or concealed consignments, apart from leading to shutdowns on heavy usage.

- Carat meters were available only at two units (Ahmedabad and Kolkata Airport). Drug detection kits were available only at three units (Mumbai, Kolkata and Bhubaneswar). Dog squads were available only at four units (Mumbai, Ahmedabad, Chennai and Kochi). These inadequacies are making Courier terminals vulnerable to trafficking of illegal goods.
- Manpower shortages, space shortages, absence of institutional mechanism for training of screeners make ports vulnerable to illegal traffic and delayed clearances as well.
- The Department was accepting incomplete Baggage Declaration Forms (BDF) at International Airports, wherein mandatory information such as country visited, country from where coming, duration of stay abroad, number of baggage were neither mentioned in the BDF attached with the baggage receipt nor the types of goods were recorded.
- The usage of the digital Application “ATITHI @Indian Customs” was low because of its limitation of not having the electronic duty payment option.
- Instances of unreasonable delays such as non-preparation of inventory and delay in depositing of seized goods in warehouses during 2019 to 22 in Chaudhary Charan Singh International Airport (CCSIA)-Lucknow, Sri Guru Ram Das Ji International Airport (SGRDJIA)-Amritsar. The delays ranges from 5 to 528 days. The goods seized-inter-alia included gold and items thereof- 110.85 Kg and iPhones, Arms ammunition, laptops and other items. There was lack of co-ordination between agencies and the monitoring was inadequate for appropriate management of Un-cleared/ Unclaimed/ seized/ baggage goods.
- In the absence of EDI module and standardization of Customs procedures towards data maintenance of all dutiable and non-dutiable goods at FPOs, trail of assessments made, Audit was restrained to draw an assurance about FPOs being compliant with Customs procedures.

Some of the important recommendations of Audit are the following:

- (i) Ministry may review the requirements and maintenance of existing X-Ray machines/ scanners and install technologically advanced machines for effective, speedy and precise assessments envisaged while creating these infrastructures at all the Courier Terminals/Airports/UB terminals/Foreign Postal offices.
- (ii) There was a need for standardizing the requirements of equipment, space norms, manpower, training norms at the policy level to be followed uniformly across all Courier Terminals/Airports/UB terminals/Foreign Postal offices for effective Customs services/ assessments and facilitation to the trade and the passengers. Monitoring of pending clearances need to be strengthened for availability of additional space towards faster assessments.
- (iii) Mandatory use of eBR module and mandatory uploading of all manual BRs in the module for data accuracy and correct reporting to higher management. The functionalities of digital App “ATITHI @Indian Customs” need to be reviewed to make it user-friendly and suitable for widespread use. The Customs clearances module be

integrated with digital App “ATITHI @Indian Customs” for advance declarations and with banking system for digital payment functionality.

- (iv) Specific timelines are required for faster actions on unclaimed/uncleared goods where department itself is the Custodian. Increase in pendency of personal gifts at FPOs and ICTs (possibly due to increase in import duties) needs to be reviewed to ease the stagnations.
- (v) Review the extant co-ordination mechanism among the user departments and put in place a robust interactive mechanism monitored by the Senior Management for astute decisions.
- (vi) There is a need for an IT based System to strengthen monitoring mechanism in International Courier Terminals (ICTs), International Airport (IA) Terminals and Foreign Post offices (FPOs) for detecting discrepancies in Assessments and Reports.

Additionally, Internal Audits of these units be mandated at regular intervals and inter-departmental coordination be streamlined to tackle pendency of un-cleared goods.

{Paragraphs 3.1 to 3.12.8}

III. Non-compliance to provisions of various Export Promotion Schemes of Foreign Trade Policy – Chapter IV

Test audit of 20 Regional Authorities and eight Development Commissioners revealed instances of violations of prescribed rules, procedures framed to give effect to the provisions of the Foreign Trade Policy and procedures regarding fulfilment of export obligations and awarding export incentives involving revenue of **₹773 crore**.

Of the total revenue of **₹773 crore** due from exporters/importers, in one case (**Paragraph 4.3**), lack of proper validation controls in ICES 1.5 resulted in irregular IGST refund to non-entitled Export-Oriented Units (EOUs) and Advance Authorization (AA) Holders involving revenue of **₹736 crore**.

{Paragraphs 4.3 to 4.3.10}

IV Non-compliance to provisions of Customs Act, Customs Tariff Act and Tariff notifications- Chapter V

The cases of non-compliance noticed during audit could be broadly categorized as follows:

- Misclassification of imports (**Paragraphs 5.6.1 to 5.6.5**)
- Incorrect application of notifications (**Paragraphs 5.7.1 to 5.7.7**)
- Other irregularities (**Paragraphs 5.8 to 5.8.1**)

Audit noticed 88 cases of under assessments of applicable Customs duties due to misclassification of imported goods, incorrect application of notifications and incorrect levy of applicable levies and other charges, as result of which revenue of ₹46 crore was at risk.

{Paragraphs 5.6 to 5.8}