

Chapter IV: Other issues of operational malfunction

Few other issues such as improper allocation/utilisation of hardware, inadequate disaster management system, non uploading of manually filed import and export transaction in ICES 1.5, as listed below were also observed in audit.

4.1 Improper allocation/utilization of hardware

Audit observed that only 250 and 100 numbers of Thin Client terminals have been installed at Chennai Sea and Chennai Air Commissionerates against 414 and 166 numbers received by them. Further, in case of Chennai Air and ICD Patparganj, it was observed that out of 100 and 62 numbers of installed terminals, only 80 and 30 terminals were actually in use as on 31 March 2013. This indicates that optimum utilization of hardware was not being done.

The department in their reply (January 2014) furnishing tabular statement of total thin clients supplied, thin clients used and thin clients not used in Custom House, Chennai, ACC, Chennai and ICD, Patparganj stated that data has been collected through site survey conducted by the Resident Engineers of M/s HP deployed at the above sites on 9th January 2014. The reasons for under-utilization of hardware supplied were due to online filing of BEs/SBs in ICEGATE, number of users in the Service Centre having gone down resulting in under utilization of 'thin clients', shortage of officers/staff under various cadres due to which less number of 'thin clients'/nodes have been used as against initial estimates and due to non-availability of modules pertaining to the processing of BEs filed in Courier and APSO less number of thin clients' have been used as against initial estimates. The Commissioner of Customs, Airport and Air Cargo, Chennai has informed that all the 'thin Clients' will be put to use after implementation of Cadre Restructuring in the Department.

Reply of CBEC indicates that they have accepted that optimum utilization of hardware was not being done and the procurement and distribution lacks proper planning.

4.2 Protection from lightning strikes

Protection from lightning strikes was not available at ICD, Pithampur. It may be installed for protection of EDI Hardware, software and Staff.

CBEC in its reply (January 2014 and February 2014) stated that in terms of the extant instructions at the time of implementation of LAN project, site preparation is the responsibility of the custodian. The action taken to resolve the position will be informed to Audit in due course.

Final outcome may be intimated.

4.3 Limited power back up

The duration of power back up available at ICD, Mandideep (Bhopal) was only half an hour which appeared insufficient, for protection of data and continuation of working of the EDI system.

CBEC in its reply (January 2014 and February 2014) stated that under the LAN project only power back up has been provided. However, the site specific requirements will be examined and appropriate action as considered necessary will be taken. The action to taken to resolve the position will be informed to Audit in due course.

Final outcome may be intimated.

4.4 Details of manually filed bills were not entered in the ICES

It is observed that in respect of Air Customs, Chennai and Tuticorin Sea Customs, the details of the manually filed import and export bills were not entered in the ICES system after giving OOC in the cases of imports and 'let export order (LEO)' in the cases of exports. On this being pointed out, the Tuticorin Customs stated (June 2013) that action would be initiated to enter all the manually filed documents in the ICES.

CBEC in its reply (January 2014) stated that a utility for entering such data is available. The instructions in this regard will be reiterated to all the formations. CUS-PAC wing will separately provide the relevant details on action taken by Tuticorin.

Final outcome may be intimated.

5 Conclusion

The Indian Customs EDI System (ICES) has been in operation for nearly 18 years. It has automated many of the business processes of the Customs department relating to clearance of imports and exports, providing transparency and uniformity in assessments and trade facilitation at the same time. At the management level, the present performance review has found weaknesses in areas of IT Strategic planning, personnel management and training policy and policy for internal assessment and audit of the core applications.

The department does not have any roadmap for future development of the system. It has not built sufficient internal competencies over the years for better management and monitoring of the ICT systems and applications by recruiting technically qualified manpower, which may affect operational efficiency. There is no provision for internal audit of the core applications to review their effectiveness. At the application level, even after 18 years of operation and despite having been pointed out by C&AG in the last

performance audit, data validations in several critical areas such as customs and excise exemption notifications, country of origin based exemption, RSP based assessments, etc., which are essential for ensuring correct assessments, were found to be lacking, allowing incorrect exemptions which were accepted by the application, leaving scope for mis-declarations and incorrect assessments and consequent leakage of revenue. The Directory Updating procedure for the master tables of notifications, duties, exchange rates, etc. was also found lacking in appropriate checks, leading to delayed updating and failure to detect missed updating. Having spent ₹ 604 crore in upgrading the version from ICES 1.0 to ICES 1.5 commensurate gains in terms of cost and time saving have not been estimated. Audit does not have an unfaltering assurance of the risks mitigated and feedback actions on the measure of the performance indicators of such a mission critical system.

CBEC's IS management style is repeatable but intuitive with few definable processes and creates a risk of undetected non-compliance in a rapidly changing business and technology environment. There were few qualitative changes in the management of IS while migrating from ICES 1.0 to ICES 1.5 as observed by C&AG since 2008 Performance Audit. Though DoS informed that they have drawn up risk registers and identified the risks, the register(s) were not produced to audit for scrutiny. Similarly, management of benchmarks for measurement of the Key performance indicators that cover timeliness and quality of services were deficient as indicated by the systemic issues and those based on scoping and functionality of the application.

New Delhi
Dated : 28 May 2014

(Nilotpal Goswami)
Principal Director (Customs)

Countersigned



New Delhi
Dated : 30 May 2014

(Shashi Kant Sharma)
Comptroller and Auditor General of India