

III QUARTER  
2020-21  
(1/10/2020-  
31/12/2020)

# CUSTOMS AUDIT BULLETIN





# Table of Contents

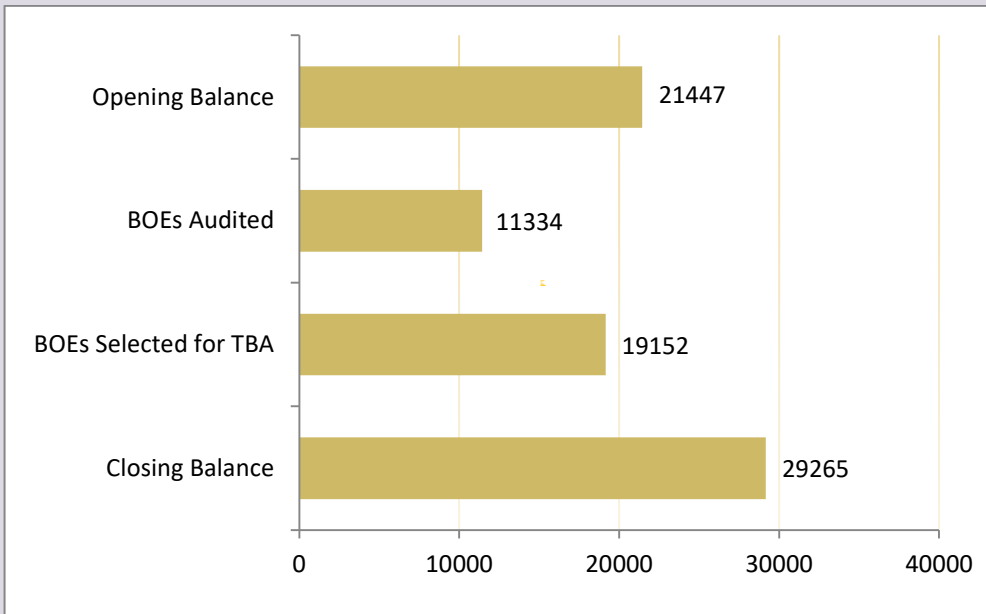
<b>Customs Audit Commissionerate, Delhi.....</b>	<b>1-6</b>
Transaction Based Audit .....	1-1
TBA Disposal Status.....	1
Detection & Recoveries .....	1
Advisories and Alert Circulars .....	2
Theme Based Audit .....	3-5
Premises Based Audit .....	6
<b>Customs Audit Commissionerate, Mumbai .....</b>	<b>7-13</b>
Transaction Based Audit .....	7
TBA Disposal Status.....	7
Detection & Recoveries .....	7
Theme Based Audit .....	8
Premises Based Audit .....	9-13
<b>Customs Audit Commissionerate, Nhava Sheva.....</b>	<b>14-18</b>
Transaction Based Audit .....	14
TBA Disposal Status.....	14
Detection & Recoveries .....	14
Theme Based Audit .....	15-17
Premises Based Audit .....	18
<b>Customs Audit Commissionerate, Chennai .....</b>	<b>19-22</b>
Transaction Based Audit .....	19
TBA Disposal Status.....	19
Detection & Recoveries .....	19
Theme Based Audit .....	20-21
Premises Based Audit .....	22

# CUSTOMS AUDIT COMMISSIONERATE, DELHI



## A. TRANSACTION BASED AUDIT

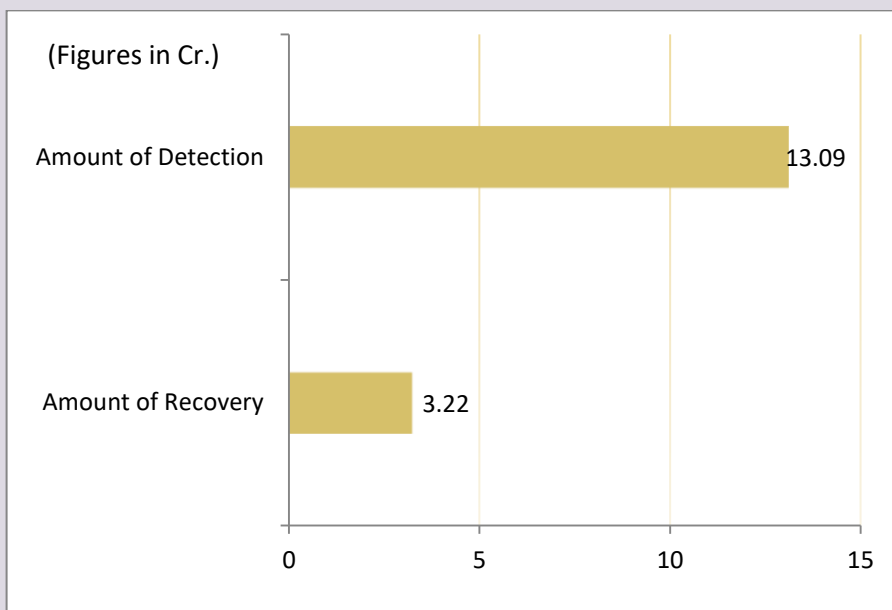
### a. TBA Disposal Status:



During the quarter, Customs Audit Commissionerate, Delhi has succeeded in conducting Transaction based audit of total **11334** Bills of Entry which is **59.2%** of total Bills of Entry selected for TBA through RMCC for the period.



### b. Detection & Recoveries



During the quarter, Customs Audit Commissionerate, Delhi has issued total 28 Consultative letters against audit detection involving **Rs. 13.09 Crore**. The Commissionerate has succeeded in realising recovery of **Rs. 3.22 Crore** which is 24.59% of the total detection for the quarter.

**Details of Advisories & Alerts issued (During Quarter 01.10.2020 to 31.12.2020) with brief of explanation:-**

**Alert No. 04/2020 dated 11.11.2020:-** Wrong claim of benefit of serial no. 6A of Notification No. 057/2017-Cus dated 30.06.2017 in case of various kinds of connectors and SIM socket for manufacturing of PCBA of mobile phones. During the course of Post Clearance Audit of bills of entry, this office has noticed instances of wrong claim of benefit of serial no. 6A of Notification No. 057/2017-Cus dated 30.06.2017 in case of imports of various kinds of connectors and SIM socket for manufacturing of PCBA of mobile phones.

**Alert No. 05/2020 dated 11.11.2020:-** Wrong claim of benefit of serial no. 6(a) of Notification No. 057/2017-Cus dated 30.06.2017 in case of imports of Vibration Motor/Ringer for manufacturing of mobile phones. During the course of Post Clearance Audit of bills of entry, this office has noticed instances of wrong claim of benefit of serial no. 6(a) of Notification no. 056/2017-Cus dated 30.06.2017 in case of imports of Vibration Motor/ Ringer for manufacturing of mobile phones.

**Alert No. 06/2020 dated 02.12.2020:-** Short payment of duty in respect of import of items namely fuel delivery module i.e. Customized and exclusive assembly/part of two wheelers- During the course of PCA of various BOEs filed by Ms. Napino Systems Pvt. Limited, Plot Number 131, Sector-8, IMT, Manesar, Gurugram, Haryana-122050 at ICD, Garhi Harsaru, ICD Patli and ICD, PPG respectively, it was observed that they have classified item namely “ Fuel Delivery Module” under CTH 84133090 and discharged BCD @7.5%, SWS @10% of BCD and IGST @ 28%.



## **B. THEME BASED AUDIT (ThBA)**

❖ Vide D.O.F. No. 450/72/2016-Cus-IV dated 26.07.2018 issued by Joint Secretary (Customs), Customs Audit Commissionerate, Delhi Zone has been allotted the following themes:-

➤ **Duty Drawback Scheme during the period of transition to GST regime w.e.f. 01.07.2017 to 30.09.2017-**

Based on the reports and data from 25 Commissionerates and audit findings in Customs Delhi Zone, an audit report on the theme “Drawback Scheme during transition to GST regime” was prepared and circulated among the 16 Principal Chief/ Chief Commissioners of Customs on 12.02.2019.

Compliance report has been received from Hyderabad Customs Commissionerate, Pune Customs Commissionerate, Mangaluru Customs Commissionerate, CCO Bengaluru, CCO Bhubaneshwar Zone, Goa Customs Commissionerate, Tiruchirapalli Customs (Preventive) Commissionerate, CCPU Delhi, Ahmedabad Customs, Chennai Customs Audit Commissionerate, CCCO Gujarat Zone, Cochin (CGST) Zone, ICD Tughlakabad (Export). Accordingly, interim compliance report incorporating compliance reports received from aforementioned Customs Zones/Commissionerate vide letter dated 05.12.2019, has been sent to the Joint Secretary (Drawback), CBIC, North Block, New Delhi.

A Reminder letter dated 15.12.2020 was issued to remaining Commissionerate to send the Compliance report.

➤ **Import of Telecom Equipment, Mobile/Cellular Phone Parts and Aircraft Parts-**

Based on the data retrieved for the period 01.07.2018 to 30.09.2018, Audit of Bills of Entry pertaining to ‘import of telecom equipment, mobile/cellular phone parts and aircraft parts’, which were selected on the basis of prescribed criteria, has been completed and consequently, Thematic Audit Report 2018-19 on the said theme has been prepared involving a detection of INR 602.10 Crore. Accordingly, aforementioned reports vide letter C. No. VIII/Cus Audit/Thematic-II/Theme-2/51/2019/9318-9331 dated 13.01.2020 have been circulated/sent to all the Chief Commissionerates of Customs for sending the compliance report. Further, a letter dated 25.08.2020 was sent to Chief Commissionerates of Customs and Principal Commissioner/Commissioner of ICD PPG, ICD TKD and ACC Import of Delhi Zone for sending compliance report. Compliance reports have been received from Mangalore (NUL) and NS-IV(Audit), JNCH.

Further, vide D.O.F. No. 450/61/2018-Cus-IV dated 17.09.19 issued by Special Secretary & Member, CBIC; Customs Audit Commissionerate, Delhi Zone has been allotted the following 02 new themes for financial year 2019-20:-

➤ **Anti-Dumping Duty on Auto/Vehicle Parts-Radiators, Axle for trailers, Alloy Wheel etc. (Notification No. 20/2017-Cus. Dated 12.05.2017).**

An Audit report on the theme “Anti-Dumping Duty on Auto/Vehicle Parts-Radiators, Axle for trailers, Alloy Wheel etc. (Notification No. 20/2017- Cus. Dated 12.05.2017)” was prepared and circulated among 10 Principal Commissioner/Chief Commissioner of Customs on 15.12.2020. Compliance report from all Zones is awaited.

➤ **Related party transaction value cases handled by SVB Cells at major Customs Houses.**

Checklists and Formats have been prepared for seeking data/inputs from SVB Cells and Executive Commissionerates of Delhi Customs Zone, circulated vide letters C. No. VIII/Cus. Audit/Thematic-I /SVB/87/2019/8677-8681 and 8674-8676, respectively, both dated 25.11.2019 and reminders dated 12.02.2020 and 17.05.2020. Reply was received only from Bengaluru Customs Commissionerate, however, the report received was found incomplete, therefore, a letter was sent asking full details in prescribed format. Data has also been sought from DG (Systems) vide letter dated 17.02.2020. Reply was received from DG (Systems) via e-mail dated 11.06.2020 wherein they have provided that the data files, to be retrieved through FTP mechanism. On retrieval of data file shared by EDW helpline through FTP, it is found that file is having a total of 1.23 crore records (rows of data) and the data contains almost all the bills of entry filed whereas this office sought specific data pertaining to provisionally assessed bills of entry. Accordingly, a letter dated 02.07.2020 and reminder dated 07.09.2020 were sent to the Additional/ Joint Director (EDW), DG Systems and Data Management, New Delhi for sending the desired data.

Further, reminder letters dated 29.07.2020 and 07.09.2020 were sent to the Pr. Commissioner/ Commissioner of Customs of ACC (Import), ICD PPG and other ICDs, for supply of information related to SVB theme. Reminder letters dated 29.07.2020 and 07.09.2020 were also sent to the In-Charge of SVB i.e. (i) Airport and General, New Delhi (ii) Import-II, Zone-I, Mumbai (iii) Chennai III Commissionerate, Chennai (iv) Port, Customs House, Kolkata for sending the requisite data.

However, on non-receipt of replies from Customs Commissionerate under Delhi zone, officers were nominated for visit to the Customs Commissionerates for persuasion and providing the required assistance in the subject matter for early reply in the matter.

Reply of the Joint Commissioner of Customs (Port), Kolkata has been received vide letter dated 22.09.2020. Further, reply from ICD TKD has also been received. Sample files were asked in hard/soft copy from SVB Section of which 10 files (scanned copy)

have been received. Scrutiny of the documents is under progress. Further, follow up is being done with SVB scheme. Reminder to Principal Commissioner/ Commissioner of Customs, Mumbai, Chennai and Bangaluru was sent on 22.12.2020.

Further, vide F.No. 715/03/2020-Cus(AS) dated 26.08.2020 issued by Director (AS), CBIC Customs Audit Commissionerate has been allotted the following new theme for financial year 2020-21

**Valuation of goods stored in a bonded warehouse for the levy of IGST when sold bond to bond:**

Under the scheme of Bond to Bond sale of goods IGST is leviable at the time of filing of Ex-Bond Bill of Entry. The value addition accruing at each stage would be accounted for on which IGST would be payable at the time of clearance of the warehoused goods. Therefore, sequence of chain from the first importer to the last buyer in the chain is to be established.

In this regard, for the purpose of conducting thematic audit on the said theme a suitable plan, methodology, objective, checklist and retrieval of data from ICES/EDW system on the above said theme is being done.



### **C. PREMISES BASED AUDIT (PBA)**



The Risk Management Centre for Customs (RMCC) has assigned 43 Auditees for PBA to this Commissionerate, 40 of them are Importer/Exporter and remaining 03 units pertain to CHA's. Premise Based Audit of these entities is to be completed before August, 2021; Desk Review and Audit plan is under process.

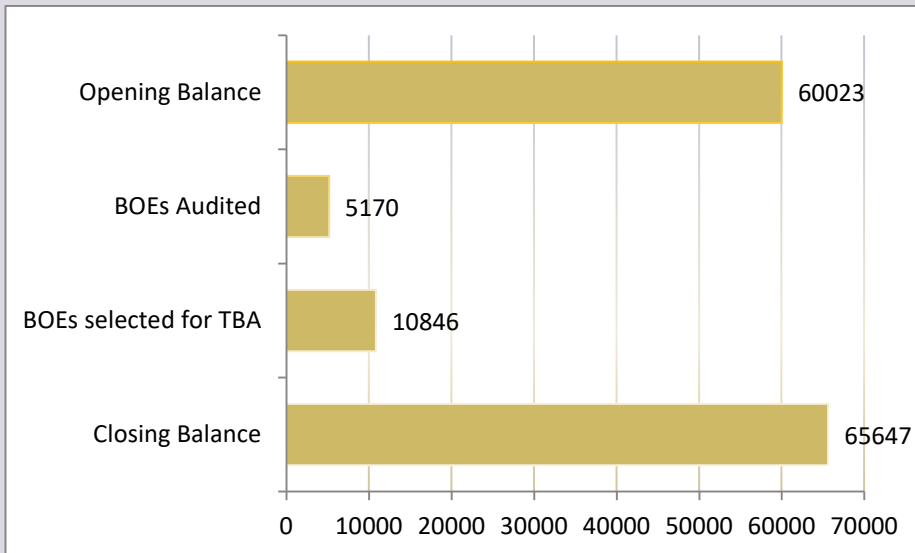
During the quarter, 05 SCNs were issued involving an amount of Rs. 41.88 Crore. However, due to limitations caused by COVID-19 pandemic, no premises-based audit of units could be conducted during the period but Desk Reviews of many units have been done.

## CUSTOMS AUDIT COMMISSIONERATE, MUMBAI



### A. TRANSACTION BASED AUDIT (TBA)

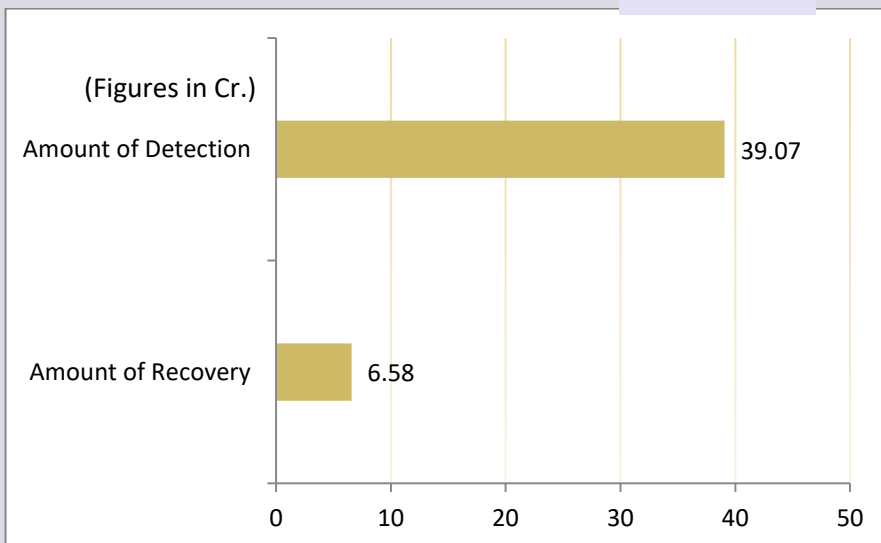
#### b. TBA Disposal Status:



During the quarter, Customs Audit Commissionerate, Mumbai has succeeded in conducting Transaction Based Audit of total 5170 Bills of Entry which is **47.7%** of total Bills of Entry selected for TBA through RMCC for the period.



#### b. Detection & Recoveries



During the quarter, Customs Audit Commissionerate, Mumbai has issued total 131 Consultative letters against audit detection involving **Rs. 39.07 Crore**. The Commissionerate has succeeded in realising recovery of **Rs. 6.58 Crore** which is 16.84% of the total detection for the quarter.



## **B. THEME BASED AUDIT**

<b>Period</b>	<b>Theme allotted</b>	<b>Status</b>
2018-19	Customs (Import of goods at concessional rate of duty) Rules, 2017	Thematic Audit has been completed. However, Final report on the theme is under compilation.
2019-20	Import under Re-Export Bond	Thematic Audit has been completed and audit report has been published. 14 audit findings and accordingly 11 conclusions /recommendations have also been published. Total Rs. 14.02 Cr amount of duty forgone and realisation of amount of Duty Rs. 0.16 Cr investigated during the audit.
2019-20	Undue benefit to Notification No. 50/2017 (Sr. No. 530A)	The theme is under process as reports from other zones are pending for which reminder has already been issued. Duty detection of Rs. 3.69 Cr and Recovery of Rs. 2.55 Cr reported till date.
2020-21	Manufacture & Other Operations under Bond Scheme	Checklist is approved by Pr. CC; Zone-I. Letters has been sent to various field formations.

### **C. PREMISES BASED AUDIT (PBA):**



The Risk Management Centre for Customs (RMCC) has assigned 31 entities for Premises Based Audit in F.Y. 2019-20, of which 6 entities have been audited finally and rest of the entities are struck at various stages due to the prevailing COVID-19 pandemic situations. The Risk Management Centre for Customs (RMCC) has assigned 43 entities for Premises Based Audit in F.Y. 2020-21. These entities have been allocated to all circles of Audit Commissionerate for conducting PBA. All the PBA circles are making efforts to complete the pending PBAs on fast track basis in next couple of months.

Status of PBA of 31 entities from DGARM vide letter F. No. IV(26)/229/2018 RMCC/5664 dated 01.02.2019 are as under:-

Status of PBA for the financial year 2019-20 as on 31.12.2020						
Sl. No.	IEC/PAN	IEC NAME	Circle	Detection	Recovery	Present Status
1	388015284	Ceat Ltd.	A	----	-----	Premise visit is completed. Documents verification under process.
2	399014098	Polmann India Ltd	A	99.74 lac	33.36 lac	<i>Audit Completed</i>

3	30500536 7	Sumatichand Gouti Jewellers Pvt. Ltd.	A	----	----	No data has been provided by the Auditee and has been non co-operative since beginning. Letter to DGARM and copy to RMCC has been sent to change the facilitation level of the Auditee as per the audit manual. The case has been referred to SIU, Kolkata for a detailed investigation to be carried out.
4	AAACK4 719KCH0 03	Khimji Poonja Freight Forwarders Pvt. Ltd.	A	----	----	<i>Final audit report submitted</i>
5	38806125 1	Lubrizol India Pvt. Ltd.	B	----	----	<i>Audit Completed.</i>
6	38807667 4	The Supreme Industries Limited	B	----	----	Premises visited. Documents verification under process.
7	34070034 98	Sabic Innovative Plastics India Pvt. Ltd.	B	----	----	Premises visit is pending. Entity sought 45 days time to submit data and consent for premises visit.
8	38807645 3	Vallabhji Malsi & Co.	B	----	----	<i>Audit Completed.</i>
9	39607050 7	Best Paper Mills Pvt. Ltd.	C	67,727	1,02,471	Final audit report is under process
10	39503828 6	Overseas Polymers Pvt. Ltd.	C	2,06,15 0	2,91,047	Final audit report is under process
11	88900935 0	Pratibha Syntex Limited	C	45.51 lac	SCN	SCN Issued for import. SCN to be issued for export.
12	31303624 1	Starlite	C	----	----	Importer not responding, letter to RMCC has been sent.
13	39800234 7	Degussa India Pvt. Ltd./ Evonik India Pvt. Ltd.	D	1,21,88 ,416	1,16,52,0 73	<u>SCN Issued</u>
14	88801535 6	20 Microns Ltd.	E	----	----	Audit plan approved, Premises visit was scheduled on 17.08.2020 to 21.08.2020. However,

						auditee has requested by mail dated 13.08.2020 to postpone audit till 30.09.2020 due to Covid-19. Thus, rescheduled on 26.10.2020-29.10.2020. Importer requested for time extension upto December,2020. However, letter issued on 12.11.2020 to importer to submit document for scrutiny.
15	38800379 1	Cipla Ltd.	E	----	----	Audit plan approved. Auditee has been requested to share the documents required by this office to initiate the audit. Mail sent to Auditee to submit EPCG license for the period under audit. Same is in the process of verification. EPCG license and advance license is under scrutiny.
16	89900036 3	Adani Wilmar Limited	E	----	----	Audit plan approved. Premise visit is pending due to Covid-19. Importer requested for time extension limit till 15.01.2021. However, audit scheduled on 18.01.2021-21.01.2021 at their Ahmedabad office.
17	17880002 34	M/s. Vedanta Limited (Old name:-Sesa Goa Limited)	E	----	----	Audit plan approved. Premises visit is pending due to Covid-19. Importer requested for time extension upto January, 2021 and audit rescheduled on 18.01.2021-21.01.2021 at their office in Gurgaon, Haryana.
18	39203493 0	Bhilosa Industries Pvt. Ltd.	F/A	----	----	The entity is referred to DGARM/RMCC for non-cooperation as per Audit Manual.
19	38800725 7	BASF India Limited	G	----	----	Audit plan approved.
20	38905947	Apar Industries	G	----	----	Desk review under process.

	1	Limited				
21	306022109	Jotun India Pvt. Ltd.	G	38,61,387	11,70,209	SCN issued.
22	300070471	Kargwal Enterprises Pvt. Ltd.	G	1,73,674	----	Audit Completed. Discrepancy found. Documents awaited. Letter sent to DGFT and importer
23	388093145	Serum Institute Of India Limited	H	7,48,015	10,21,604	Final audit report is under process
24	300034016	Juniper Networks India Pvt. Ltd.	H	----	----	PBA visit was scheduled from 03.08.2020-05.08.2020. However, due to Covid-19 pandemic, auditee has requested to postpone/reschedule the dates of PBA visit.
25	388198036	Fleetguard Filters Pvt. Limited	H	----	----	PBA was scheduled in the month of August, 2020. However, auditee has requested to postpone audit till the situation improves as the Covid-19 cases have been found at their factory premises and premises has been closed by local authorities for time being.
26	392072823	Sun Pharmaceutical Industries Ltd.	H	----	----	PBA was scheduled in the month of August, 2020. However, due to Covid-19 pandemic, auditee has requested to postpone/reschedule the dates of PBA visit, Further, the auditee was informed for conducting of audit w.e.f. 14.12.2020-18.12.2020 at their premises vide letter dated 25.11.2020. However, auditee informed that, as per HR guidelines, they are still working from home. Hence, there would not be any possibility of PBA. They are ready to share any information as required. Letter dated 23.12.2020 to the auditee



						was issued for providing information /records.
27	11880013 53	Grasim Industries Limited	H	12,22,6 86	15,53,64 4	Premises has been visited and verification of document obtained during PBA is under process. As the auditee has multiple units across the country, the auditee was informed during PBA to submit the remaining data. Recovery of Rs. 15,17,649/- has been made. Draft audit is under process.
28	39605799 3	Encube Ethicals Pvt Ltd	I	40,67,5 61	11,41,60 4	<i>Audit report approved. SCN issued.</i>
29	30407864 6	Vimal Intertrade Pvt.	I	----	----	Premises visit done on 10.12.2020 and 11.12.2020
30	38802429 1	Tata International Limited	E	----	----	Audit plan approved. Premises visit is pending due to Covid-19. Importer has requested for time extension upto January,2021 and audit is rescheduled on 12.01.2021-15.01.2021 at their office in Wadala, Mumbai.
31	AABCC6 364M	Capricorn Logistics Pvt. Ltd.	I	----	----	Premises visit done on 14.12.2020
	Total			3,70,60 ,616/-	2,02,68,6 52/-	

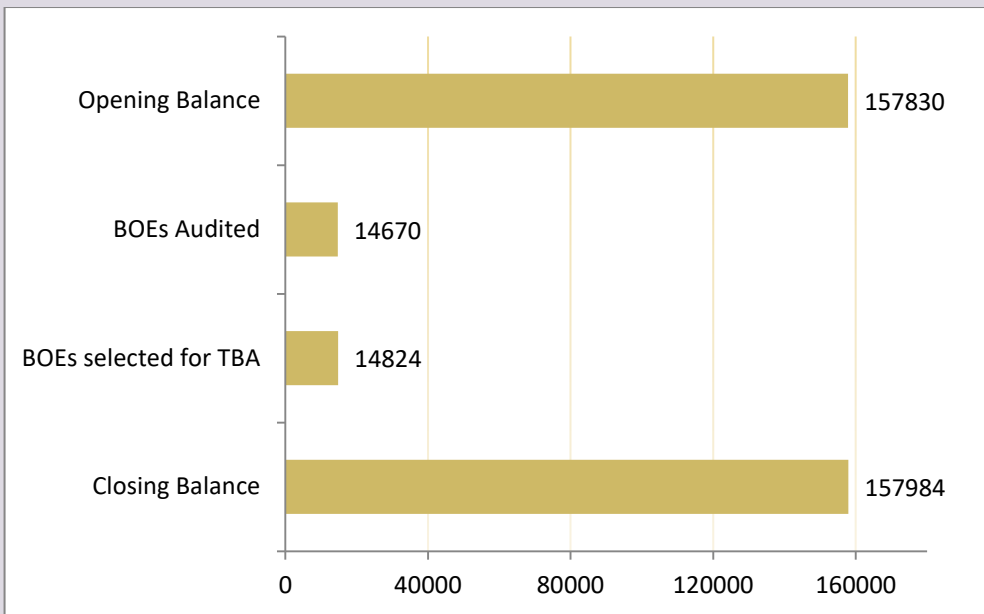


# CUSTOMS AUDIT COMMISSIONERATE, JNCH, NHAVASHEVA



## A. TRANSACTION BASED AUDIT

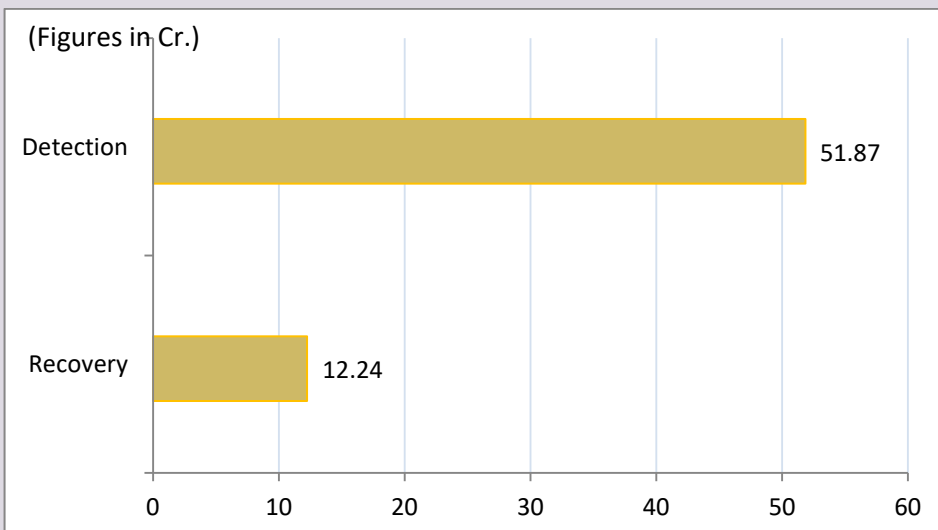
### a. TBA Disposal Status:



During the quarter, Customs Audit Commissionerate, JNCH, Nhava-Sheva has succeeded in conducting Transaction based audit of total 14670 Bills of Entry which is **98.96%** of total Bills of Entry selected for TBA through RMCC for the period.



### b. Detection & Recoveries



During the quarter Customs Audit Commissionerate, JNCH, Nhava-Sheva has issued total 452 Consultative letters against audit detection involving **Rs. 51.87 Crore**. Also, the Commissionerate has succeeded in realising the Recovery of **Rs. 12.24 Crore**, which is **23.59%** of the total detection for the quarter.



## **B. THEME BASED AUDIT (ThBA)**

### **Status of Thematic Based Audit (F.Y. 2018-19)**

#### **1. Applicability of Anti-Dumping Duty (ADD) on items namely float glass, items of Chapter 72 and Chapter 73; safeguard duties; minimum import price,**

The above mentioned theme is divided into three parts as under:-

(i) Minimum Import price, Safeguard Duty and Anti-Dumping Duty on 'Float Glass':-

The said theme was allotted on 25.07.2018 to Mumbai Customs Zone-II. The data was extracted, filtered and sent to 49 ports including JNCH. The reply has been received from 24 ports; reply from 24 ports is still awaited. The final report has been sent on 23.10.2020 to the Board, wherein it was submitted that;

- 7 SCNs have been issued amounting to Rs. 2,68,52,475/-
- Total 45 CL has been issued out of 46 importers.
- For the remaining importer SCN has been issued directly.
- One CL has been closed by way of recovery amounting to Rs. 1, 28,716/-.
- One CL has been closed on merit due to manual payment of duty at the time of clearance.

(ii) Minimum Import price, Safeguard, Anti-Dumping duty on items under CTH 72, of CBIC vide F.No.450/72/2016-Cus-IV dt.26.07.2018, received on 22.04.2019:

This theme was allotted to NS-IV, Audit Commissionerate in April, 2019 and the data was extracted, segregated port wise and mailed to all the jurisdictional Customs authority covering 98 ports. The data was sent to 98 ports. The reply has been received from 56 ports, wherein 49 ports reported that no discrepancy was found and 07 ports replied that data analysis is under process. The Final Action Taken Report is awaited from 42 ports. Final Report has been sent to Board on 23.10.2020, wherein it was submitted that-

- 12 CLs were closed amounting to Rs. 93.76 lakhs
- 36 CLs were dropped on merit amounting to Rs. 11.96 Cr,
- 16 SCNs have been issued having duty implication of Rs. 93,99,038/-
- Remaining 226 CL of Rs. 78.3 Cr, Show Cause Cum Demand Notices are to be issued.
- Total Recovery made against the said PBA stands at Rs. 87.20 Lakhs.

(iii) Applicability of Anti-Dumping Duty in items of Chapter 73, safeguard duties, minimum import price;

This theme was allotted to Audit Commissionerate, Nhava-Sheva vide Joint Secretary (Custom)'s D.O letter issued vide F.No.450/72/2016-Cus-IV dated 26.07.2018. The data for the last five years was retrieved, analyzed and the same was shared with 55 Customs Ports. Final Audit Report had been sent to Board on 23.10.2020, wherein it was submitted that-

- Recovery of Rs. 10.02 Lakh has been made in case of 08 importers so far by way of issuing CLs.
- 46 SCNs have been issued to the importers involving differential duty of 27.74 Cr.
- The Final Action Taken Report is awaited from 26 ports.
- Total 211 CLs were issued involving an amount of Rs. 78.21 Cr.

### **Status of Thematic Based Audit(F.Y.2019-20)**

1. Availment of exemption under wrong schedule to IGST Notification No. 01/2017 dated 28.06.2017, where there are two or more IGST rates against the same headings of Customs Tariff:

Data is to be extracted from EDI/DG System. As the data is voluminous, data retrieving is taking time.

2. Project Export and Export Valuation received vide D.O.F.NO. 450/61/2018-Cus.IV dated 17.09.2019 regarding Project Exports & Export Valuation:

In Project Export there is no tariff entry for project exports in ITC HS code like project imports. The products are classified under the respective HS codes and different items have to be classified under respective RITC having different DBK serial number with corresponding DBK rates and their cap value. Also terms and conditions mentioned in the contract between the consignor and the consignee is crucial to determine the FOB value and commercial value of the goods and services exported. A draft letter has been put up to ADC/PCA for forwarding to SIIB (X) Section to find out whether any specific guidelines with regard to valuation, classification and quantification of export incentives of the project goods meant for export has been received by them from Customs Policy Wing of CBIC, New Delhi in response to their letter dated 06.08.2019. The data for CTH 9406 and CTH 7308 is being analyzed with regards to Project Export and Valuation.

Letter issued to General Manager in Charge, Foreign Exchange Department, RBI, Mumbai asking the data of registered project exporters. Data is being scrutinized to find high value transaction where BRCs (Bank Remittance Certificate) have not been received after expiry of stipulated period to find which Shipping Bill pertain to project export.

### **Status of Thematic Based Audit (F.Y 2020-21)**

1. Mis-classification of pocket sprays and sprays for toiletries, toiletry dispensers allotted vide F.No. 715/03/2020-Cus (AS) dated 26.08.2020:

A letter dated 19.10.2020 sent to DC/EDI, JNCH to obtain EDW data for CTH 3923, 3926,8413,8414 & 8424 for period from 01.12.2015 to till date for all ports pan India. Data will be retrieved by 25th of Jan, 2021 and analysis of the data will be completed by mid of Feb, 2021.

### **C. PREMISES BASED AUDIT (PBA)**



Vide letter issued from F.NO.IV(26)/229/2018 RMCC dated 07.08.2020 by Director General, RMCC, Mumbai, 40 entities were allotted to Audit Commissionerate, JNCH. The Premise Based Audit of these entities is to be completed by July, 2021. The Desk Review and Audit plan are being finalized for these entities.

Further, vide letter issued from F.No. IV(26)229/2018/797 RMCC dated 03.12.2020, three (03) Customs Broker Firms were allotted for premises Based Audit. The office is in the process of formulating Audit Action Plan for conducting PBA of Customs Broker firm.

During this Quarter the office has realized revenue of Rs. 58,26,833/- through Premises Based Audit. It is pertinent to note that the PBA of M/s. Thermax Ltd was conducted on 27.02.2020 but auditee M/s Thermax Ltd paid Rs. 58,26,833/- (which includes Duty + Interest & Penalty) on 27.11.2020. The Final Audit Report in this case is under process. During this Quarter the office visited premises of four (04) auditees namely M/s R.R. Innovative Pvt. Ltd, M.s Asian Paints Ltd, M/s UPL Ltd and M/s Saraswati Clearing Agency. The Final Audit for the above mentioned four auditees will be completed shortly.

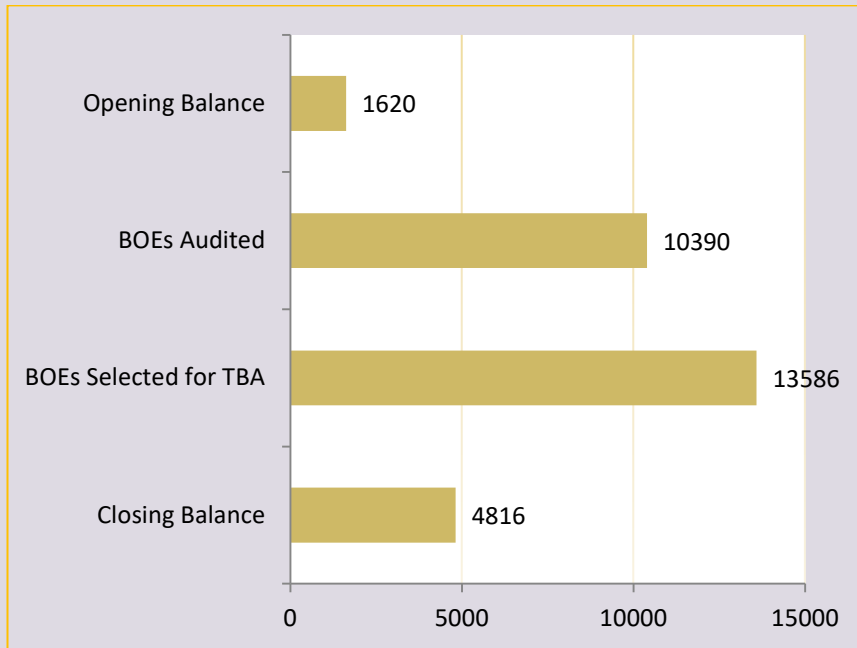
In FY 2019-20, a total of 31 PBAs were allotted, out of which 11 PBAs were completed. Similarly for FY 2020-21 a total of 43 PBAs were allotted. As on date 63 Premises Based Audit are pending.

# CUSTOMS AUDIT COMMISSIONERATE, CHENNAI



## A. TRANSACTION BASED AUDIT (TBA)

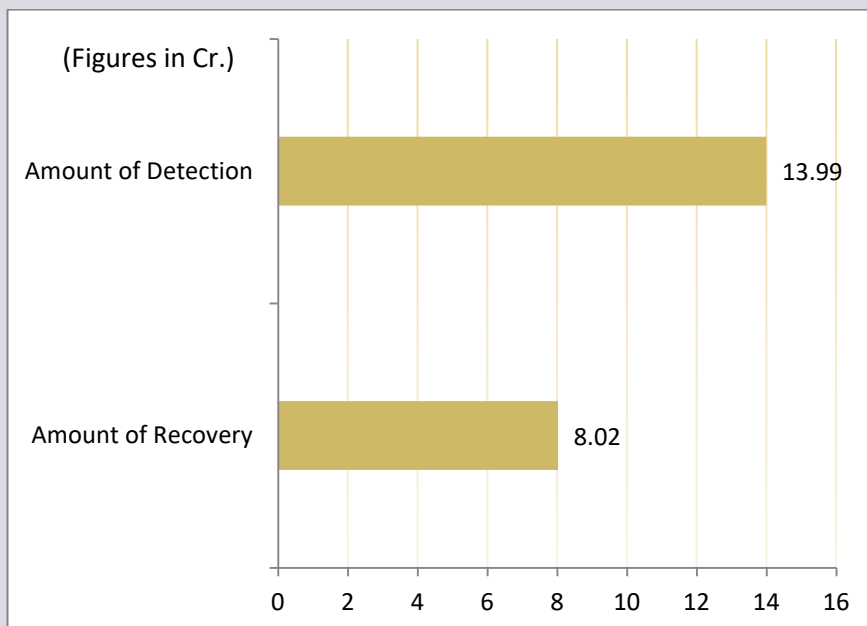
### a. TBA Disposal Status:



During the quarter, Customs Audit Commissionerate, Chennai has succeeded in conducting Transaction based audit of total 10390 Bills of Entry which is **76.48%** of total Bills of Entry selected for TBA through RMCC for the period.



### b. Detection & Recoveries



During the quarter Customs Audit Commissionerate, Chennai has issued total **121** Consultative letters against audit detection involving **Rs. 13.99 Cr.** Also, the Commissionerate has succeeded in realising the Recovery of **Rs. 8.02 Cr.** Total recovery realised during the period is **57.32%** of the total detection.



## **B. THEME BASED AUDIT (ThBA)**

For the financial year 2019-20, two themes have been allotted for Audit Commissionerate viz. **“EOU Scheme (After GST introduction)” & “Courier Companies pre-dominantly clearing Gifts and low value shipments.”**

### **1) EOU Scheme (after GST introduction):**

The data pertaining to imports done by EOUs has been retrieved from EDW tool for the Audit period of 01.07.2017 to 30.06.2019.

The Checklist format for the Bs/E cleared with Notification N.52/2003-Cus. and Bs/E with Notifications other than 52/2003 has been prepared and sent to the Jurisdictional Customs (12) Commissionerates. The replies have been received in full (in reply to the sample Bills of Entry sent) from Ludhiana and Mangalore Commissionerates. Apart from the above partial replies have been received from Chennai IV, VII and Bangalore Commissionerates. Further, 06 Commissionerates are yet to reply to the above letters sent for verification. Reminders have been issued.

A WebEx meeting was convened on 22.12.2020 with the Commissioner and Joint Commissioner (Jaipur Commissionerate) which was attended by Commissioner- Audit, Joint Commissioner- Audit and all ThBA-I officers.

A draft report is under preparation based on the analysis of the data and it will be finalized based on the audit of Sample Bs/E sent to the Jurisdictional Commissionerates mentioned above.

### **2. Courier Companies predominantly clearing gifts and low value shipments (allotted for Financial Year 2019 -2020).**

Progress on this Theme till date is as follows:

Letters were sent to major field formations viz. Mumbai, Delhi, Bangalore, Kolkata and Chennai. Reply was not received from any of the field formations except Bangalore and Kolkata (Few Bills were sent). Data was compiled with the help of Wipro (Developers of ECCS) for Bangalore, Mumbai and Delhi. Chennai has not implemented ECCS. Therefore, Chennai data was collected by the ThBA – II officers and was audited. The Checklist was prepared and sent to Mumbai, Delhi, Bangalore, Kolkata and Chennai. Reply was received only from Bangalore along with the duly filled Checklist. Rest of the data was compiled and audited by ThBA – II Officers.

On the basis of data received and analysis from various field formations; the draft report was submitted for perusal of Commissioner. The Commissioner has directed that the audit of the book of accounts of 8 major Courier Companies be also conducted. Letters were written to



all 8 Courier Companies out of which 3 have replied. Auditing of their book of accounts is being studied. At present the reply from other Courier Companies is awaited.

A WebEx meeting was convened on 16.09.2020 with Sh. Hitesh Shah, Commissioner, Special Cargo, Mumbai which was attended by Commissioner - Audit, Joint Commissioner – Audit and all ThBA – II officers.

As per the direction of Commissioner (Audit) the book of accounts were called for from 8 major Courier Companies. In this regard M/s. Navalai Enterprises and M/s. K K International have submitted their books of Accounts for Audit. A Chartered Accountant was appointed by this office for scrutinizing the books of Accounts of the above said Courier Companies.

The Commissioner, Mumbai highlighted various aspects involved in Courier Companies and shed light on the avenues of misuse of the system for unauthorized Imports/Exports.

**3. Availment of exemption under Sl. No. 18 and 20 of Notification No. 57/2017 – Customs dated 30.06.2017 (allotted for Financial Year 2020 -2021).**

Data has been mined with EDW tool. Data is being studied with a view to analyze the trends of Imports making use of this Notification and for formulation of a Checklist for further analysis.



### **C. PREMISES BASED AUDIT (PBA):**



No units could be audited during the 3<sup>rd</sup> Quarter of 2020-21 due to prevailing COVID-19 situations. However, during this quarter 01 Draft Para was approved in the AMM Meeting wherein amount of Rs. 99010/- was detected. Further, recovery of Rs. 7.02 Crore was made during the period. The major audit points are as follows:-

#### **Short payment of IGST:**

On auditing the Bills of Entry to verify the payment of IGST it was noticed that the following items viz., Power Supply, Terminal Block, Isolator, Control Power supply Current Detector, Transducers, parts for TM Drives & Parts for Solar inverter etc filed by the auditee during the period from 13<sup>th</sup> July to 10<sup>th</sup> November 2017 were classified under the Chapter heading 85044090, 85044090 & 85044029 and IGST was paid at the rate of 18% as per SL.No.375 of Schedule- III of Notification No. 01/2017- I GST.

As per Notification.1/2017-IGST, the rate of 28% of IGST has to be paid for the CTH 8504 for the item description "*Static converters (for example, rectifiers) and inductors (other than Transformers Industrial Electronics; Electrical Transformer; Static Convertors (UPS)*" under Schedule IV sl.NO.137, whereas the IGST rate of 18% has to be paid for the CTH 8504 for the item description "*Transformers Industrial Electronics; Electrical Transformer; Static Convertors (UPS) under Schedule III sl.No.375*".

Notification. 43/2017 dated 14.11.2017 issued amending the rates to 18% IGST for the said item. But the auditee has paid the IGST for 18% for the Bills of Entry filed up to 14.11.2017.

It is clear that as per the said notifications, the items referred above will fall under the SL.No.137 of Schedule IV at the IGST rate of 28%.

Hence, it appears that the auditee has paid the IGST on the lower rate of 18% by mentioning the wrong schedule number and wrong serial number of the IGST Notification and hence liable to pay the differential 10% of IGST of Rs **18,85,821/-** along with the applicable interest.



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