

Instruction No. 02/2021- Customs

F.No. 715/03/2020-Cus (AS)

Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes and Customs
Anti-Smuggling Unit

Room No. 501, Hudco Vishala Building,
Bhikaji Cama Place, New Delhi

Dated: 16th February, 2021

To

All the Principal Chief Commissioners/Chief Commissioners of Customs/
Customs (Preventive),
All the Principal Chief Commissioners/Chief Commissioners of CGST and Customs,
The Director General of Audit,
The Director General of Systems,
All the Principal Commissioners/Commissioners of Customs/Customs (Preventive),
All the Principal Commissioners/ Commissioners of CGST and Customs,
The Commissioner, Directorate of Data Management.

Madam/Sir,

**Subject: Streamlining of Customs Post Clearance Audit (PCA) work -
Instructions- regarding.**

I am directed to draw your kind attention to the Notification No.85/2017-Customs (NT), dated 07.09.2017, the Circular No.02/2019-Customs, dated 08.01.2019, the Customs Post Clearance Audit Manual, 2018 and the Instruction No.18/2020 dated 06.10.2020 relating to Customs Post Clearance Audit. Under the new Customs Post Clearance Audit (PCA) scheme there are Transaction Based Audit (TBA), Premise Based Audit (PBA) and Theme Based Audit (ThBA) and upon review thereof the findings are:

- i. There is a huge pendency in all the three types of Audit;
- ii. There is no proper system of reporting;
- iii. Monitoring of Customs PCA performance is not effective;
- iv. The follow up mechanism of audit detections needs strengthening;
- v. Time lines need to be streamlined for various activities of Customs PCA;
- vi. Monthly meetings to be streamlined;
- vii. Supervision by the Zonal Chief Commissioners is not effective and
- viii. Quarterly bulletins need improvement in term of content and structure.

2. Further, the Board has noticed several gaps in the existing reporting system. These include absence of proper formats for reporting, lack of prescribed timelines and inadequate performance monitoring mechanism etc.

3. The Board has examined the matter and accordingly it has been decided to issue the following instructions in respect of Customs PCA.

3.1 Transactional Based Audit (TBA)

3.1.1. *Liquidation of pendency:* The Monthly Performance Reports (MPR) section of the Directorate of Data Management (DDM) portal shall have two parts for reporting TBA in order to capture the details under two separate categories, namely for the period ending on 31.03.2021 and for the period from 01.04.2021 onwards (refer to para 5 on MIS reports). All the historical pendency accumulated up to 31.03.2021 is required to be cleared by 30.09.2021. All Customs Audit Commissionerates/Customs Houses/Customs Commissionerates shall draw an action plan in this regard. It is also understood that some of the formations complete the post clearance audit manually for sets of bills of entry and the same is not captured in the system. In such cases, the formations may take up the matter with the Directorate General of Systems to find a way to wipe out the pendency in the system.

3.1.2. *Half yearly meetings on TBA:* Respective Zonal ADGs of DG Audit shall convene half yearly meetings of all the Customs Audit Commissionerates/Customs Commissionerates to discuss the conduct of TBA. The meeting may deliberate upon topics such as including local risk parameters in the selection of BE/SB for TBA, the issue as to whether increase or decrease the total number of bills selected for audit, and the progress/pendency of TBA etc. Similarly, the DG Audit shall convene half yearly meetings of the committee consisting of all Zonal Chief Commissioners or the officers deputed by him. The committee shall discuss the points placed before it by the ADG level meetings. It shall also review the total number/percentage of transactions selected for TBA. The RMCC/DG ARM may also be made part of these meetings.

3.1.3. *TBA in exports:* As of now the PCA on exports has not yet started. In this regard, DG (Audit) may take necessary steps to start Export PCA from 1st April 2021. For the purpose, DG (Audit) may in consultation with DG ARM draw an action plan for the same and may furnish an Action Taken Report by 15.3.2021.

3.2. Premise Based Audit (PBA)

3.2.1. *The scope and Coverage:* As per the Audit Manual, AEO T1, T2 and T3 categories are to be audited once in every two/three/five years. Therefore, the audit planning is required to be done in such a way that 50% of the AEO T1, 33.33% of the AEO T2 and 20% of the AEO T3 shall be audited every year. As the AEOs-LO such as Customs Brokers, warehouses, etc. can be taken up under ThBA, or inspected by the formations, the PBA shall be restricted to importers and exporters only and other entities won't be covered under PBA hereafter. It is clarified further that, for the year 2020-21, if any such entity has been selected for PBA, the Audit shall be completed as planned.

3.2.2. *Selection of Premises:* The DG Audit shall prepare the list of auditees for PBA in consultation with the DGARM. For this purpose, a committee consisting of all the Commissioners of Customs (Audit), representative from DRI HQ and the ADG, National Customs Targeting Centre (previously RMCC) shall meet in February every year to finalise the list of auditees for PBA for the next financial year. The final list shall be communicated to the Audit Commissionerates before 31st March. The Audit Commissionerate shall plan the PBA for the year in such a way that the number of auditees is evenly spread in all the months and all selected entities are audited. It must be ensured that every entity selected should be subjected to the full audit cycle starting from Desk Review, Audit Plan, Audit Verification and preparation of audit report.

3.2.3. *Role of Audit Commissionerates:* The present practice of sending questionnaire to the other Commissionerate under whose jurisdiction the entity operates shall be stopped forthwith. Rather only the audit reports with the details of detections shall be forwarded to the respective formations for further necessary action. Accordingly, the pendency of follow up must be reflected in the monthly report of the respective Commissionerate.

3.2.4. *Visiting premises:* The visit to premises shall be kept as minimum as possible and all the communications if any required shall be done through electronic modes and meetings if necessary shall be done through Video Conference. If a visit is necessary, only then the field Commissionerate under which the entity/premises falls shall be asked to conduct the visit and submit their report. The Audit Commissionerates in such cases shall give specific mandate to the jurisdictional Commissionerates on the scope and objective of the visit and the areas to be focussed during such visits. Generalised terms of reference shall be avoided.

3.3. Theme Based Audit (ThBA)

3.3.1. *Selection of themes:* The DG Audit shall convene half yearly meetings of the committee consisting of all the Principal Chief Commissioners/Chief Commissioners in charge of Customs (Audit) Commissionerates. The committee shall meet in January and July to select the themes for ThBA for the first and second halves respectively for each financial year.

3.3.2. *Timelines for ThBA:* the timelines of the various activities in ThBA are given below:

Sl. No.	Event	Timeline
1.	Meeting for the finalization of the themes	January/July
2.	Preparation for the ThBA by the lead Commissionerate	31 st March/ 30 th September
3.	Completion of ThBA	31 st July/31 st January
4.	Report to DG(Audit)	20 th August/20 th February

3.4. MIS reports

3.4.1. *New formats:* Three new formats namely, CUS PCA-1 (**Annexure-1**), CUS PCA-2 (**Annexure-2**), and CUS PCA-3 (**Annexure-3**) are prescribed for the reporting of the PCA performance of TBA, PBA and ThBA respectively. A new format CUS PCA-4 (**Annexure-4**) is prescribed for the reporting of the status of audit detections and it is given as Annexure-4 of this instruction.

3.4.2. *MIS reports in DDM Portal:* DDM to make these new formats available in the MPR section of the portal before 31.03.2021. DG Systems shall submit an Action Taken Report in this regard before 20.03.2021.

3.4.3. *Uploading data in the new formats:* While the reports relating to PBA and ThBA (i.e CUS PCA-2 and CUS PCA-3) shall be submitted online by the respective zones having Audit Commissionerates, the reports in respect of TBA (CUS PCA-1) and status of detections (CUS PCA-4) shall be submitted online by all the Zones including the Zones having Audit Commissionerates. All the Commissionerates shall upload the details in these formats in the DDM portal before 10th of every month from 01.04.2021 onwards.

3.5. Post Audit Compliance Cell (PACC)

3.5.1. All the Customs (Audit and jurisdictional) Commissionerates shall have PACC to ensure effective monitoring of Customs PCA. The PACC of Customs (Audit) Commissionerates shall monitor TBA, PBA and ThBA, as the case may be. The PACC of jurisdictional Commissionerates shall monitor TBA and will also coordinate with the audit Commissionerates on PBA and ThBA. The ADC/JC rank officer shall supervise the proper functioning of PACC.

3.5.2. Principal Commissioner/Commissioner of Customs (in charge of audit or jurisdictional Commissionerate) shall convene monthly meeting of PACC and shall send a consolidated monthly report to the ADG Audit of the concerned Zone within seven days of the meeting. The monthly PACC meeting shall be completed at least seven days before the MCM meeting, so that there will be enough time to prepare for the MCM.

3.6. Monitoring Committee Meeting (MCM)

3.6.1. The Principal Commissioner/Commissioner of Customs (in charge of audit or jurisdictional Commissionerate as the case may be) shall convene monthly meeting of MCM preferably in the third week of the succeeding month to monitor the audit performance. The ADC/JC in charge of the PACC of all the concerned jurisdictional Commissionerates shall attend this meeting.

3.6.2. The MCM shall discuss about performance of TBA, PBA and ThBA, as the case may be, and decide on the objections raised during the month. Besides, the MCM shall also take stock of the status on the decisions taken previously, progress on the pending audit objections; and any other relevant issue which has a bearing on conducting PCA.

3.6.3. The principal Commissioner/Commissioner shall send a monthly report to the DG (Audit) within seven days of the MCM.

3.7. Supervision by Principal Chief Commissioner/Chief Commissioner

3.7.1. All the Zonal Customs heads (in charge of Customs Audit Commissionerates and jurisdictional Commissionerates) shall examine 5% of the audit reports on a selective basis.

3.7.2. The Pr. CCs/CCs shall send a report to the DG Audit at the end of every six months (first report by 30th October and the second report by 30th March) on such scrutiny done by them.

3.8. Quarterly Bulletin

3.8.1. The quarterly bulletin shall be published by DG (Audit) for every quarter by the end of the succeeding month of the relevant quarter.

3.8.2. In addition to the existing contents the quarterly bulletin shall also contain the following:

- i. details of detections of Customs PCA (All India and Zone wise data);
- ii. details of the pendency in TBA;
- iii. details of pendency in the settlement of audit paras;
- iv. details and outcomes of the following meetings:
 - a) committee headed by DG Audit, consisting of Chief Commissioners in charge of Audit Commissionerates meets in January and July every year to decide the themes for ThBA,
 - b) committee headed by the DG Audit, consisting of Commissioners of Customs (Audit), representatives from DRI HQ and ADG in charge of Customs in DG ARM; meets in February every year to finalize the list for PBA,
 - c) committee headed by DG Audit, consisting of all Zonal Chief Commissioners to review TBA meets on a half yearly basis, and
 - d) committee of Commissionerates of Customs (Audit and jurisdictional) headed by Zonal ADGs of DG (Audit) to review TBA on a half yearly basis.
- v. activities done in terms of different timelines for ThBA;
- vi. details of MCM held during the quarter, and
- vii. half yearly reports from the Zonal Chief Commissioners on their review of 5% of audit reports on a random basis.

4. In the Customs PCA Manual, 2018, any aspect which is inconsistent with the above instructions shall be brought to notice for suitable modification of the manual. In case of a conflict the provisions of this Instruction will prevail.

5. The difficulties, if any, faced in implementation of these instructions may be brought to the notice of the Board.

Encl.: Annexure-1, 2, 3 and 4.

शरद शिवस्तवा
(Sharad Srivastava)
Director (Anti-Smuggling) 16.2.21

PCA - 1 Transaction Based Audit (TBA)

Commissionerate:

Month:
Date of Last MCM :

(Amount Rs in Lacs)

Category	Total no. of BEs / Sbs given OOC/ LEO during the month	Opening Balance of pending TBA	No. of BEs/Sbs selected for TBA		% BEs /Sbs Selected during the month	No. of B/Es or S/B audited		Closing Balance of pending TBA (Col. No. 3+4-7)	Period-Wise Break-Up				No. of Consultative Letters issued		No. of Detections Made During the Month (including cases where Consultative Letters are not issued)		Amount of Detections Made Up to the Month (including Consultative Letters not issue)		No. of Recoveries Made During the Month (including Consultative Letters not issued)		Amount of Recoveries Made Up to the Month (including Consultative Letters not issued)	
			During the Month	Upto the Month		During the Month	Upto the Month		< 1 Year	1-2 Year	2-3 Years	> 3 Years	During the Month	Upto the Month	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
IMPORT																						
EXPORT																						
Total																						

Note: 1. Captured all the information given in the formats in Audit Manual and as suggested by Commissioner (R&I)

2. Opening Balance should reflect total number of pending TBA as on 1st April 2020

3. During the month Figures should reflect figures for the reporting month only but in the first report for the current Financial Year During the month figures should be from 1 April 2020 to the reporting month

4. Upto the month figures should reflect cumulative figures for the reporting Financial Year

Annexure - 2

PCA - 2 Premises Based Audit (PBA)

Commissionerate :
Month :
Date of Last MCM :

(Amount Rs. in Lacs)

Category	Total number of Premises selected for Audit During the Year	Opening Balance of pending PBA	No. of Premises selected for Audit		No. of premises audited		Closing Balance of pending PBA (Col. No. 3+4-6)	Detections Made During the month		Detections Made Upto the month		Amount of Spot Recovery Made		Total Recoveries Made During the month (including Spot Recovery)		Total Recoveries Made Upto the month (including Spot Recovery)	
			During the Month	Upto the Month	During the Month	Upto the Month		No	Duty Amount	No	Duty Amount	No.	Amount	No	Duty Amount	No	Duty Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
IMPORT																	
AEO T3																	
AEO T2																	
AEO T1																	
Imports Total																	
EXPORT																	
AEO T3																	
AEO T2																	
AEO T1																	
Export Total																	
Grand Total																	
Note: 1. Captured all the information given in the formats in Audit Manual and as suggested by Commissioner (R&I) 2. Opening Balance should reflect total number of pending PBA as on 1st April 2020 3. During the month Figures should reflect figures for the reporting month only but in the first report for the current Financial Year During the month figures should be from 1 April 2020 to the reporting month 4. Upto the month figures should reflect cumulative figures for the reporting Financial Year																	

