



CHAPTER – III
STATE EXCISE

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	<p>In this Chapter we present a draft paragraph on "Wastage of liquor during export, transport and manufacturing" involving revenue implication of ₹ 16.15 crore and other illustrative cases involving an amount of ₹ 26.32 crore selected from observations noticed during our test check of records relating to assessment and collection of state excise revenue in the office of the District Excise Officers (DEOs)/Assistant Excise Commissioners (AECs), where we found short realisation of basic license fee, irregular export/transport of foreign/ country liquor, Non/short recovery of supervision charges etc., in which the provisions of the Acts/Rules were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action.</p>
Trend of receipts	<p>In 2012-13 the collection of taxes from State excise increased by 17.64 <i>per cent</i> over the previous year which was attributed by the Department to the increase in execution amount.</p>
Status of compliance to Inspection Reports (2007-08 to 2011-12)	<p>During the period from 2007-08 to 2011-12 we had pointed out non/short levy, non/short realisation, underassessment/loss of revenue etc., with revenue implication of ₹ 675.38crore in 53,092 cases. Of these, the Department/Government had accepted audit observations in 38,633 cases involving ₹ 440 crore and had recovered ₹ 2.92 crore in 4,568 cases.</p>
Status of compliance to Inspection Reports 2012-13	<p>In 2012-13 we test checked the records of 36 units relating to State excise receipts and found under assessment, loss of revenue, non-levy of penalty etc. involving ₹ 191.78 crore in 29,979 cases.</p> <p>The Department accepted non/short realisation, non levy of penalty and loss of revenue etc. of ₹ 43.20crore in 19,810 cases, which were pointed out by us during the year 2012-13. An amount of ₹ 2.83crore was recovered in 160 cases during the year 2012-13.</p>
Our conclusion	<p>The Department needs to initiate immediate action to recover duty, penalty and annual fees not recovered/short recovered, more so in those cases where it has accepted our contention.</p>

CHAPTER – III STATE EXCISE

3.1 Tax administration

State Excise revenue comprises receipts from duty, fee, penalty or confiscation imposed or ordered under the provisions of the Madhya Pradesh Excise Act, 1915 and Rules made thereunder. It also includes revenue from manufacture, possession and issue of liquor for sale, *bhang* and poppy straw.

Receipts from State Excise are regulated under the provisions of the following Acts, Rules and notification issued thereunder:

- Madhya Pradesh Excise Act, 1915 (Excise Act)
- Madhya Pradesh Foreign Liquor Rules, 1996 (MPFL Rules)
- Madhya Pradesh Distillery Rules, 1995 (MPD Rules)
- Madhya Pradesh Country Spirit Rules, 1995 (MPCS Rules)
- Madhya Pradesh Breweries and Wine Rules (MPB&W Rules)
- Medicinal and Toilet Preparation (Excise Duties) Act, 1955 (M&TP (ED) Act)

3.2 Trend of receipts

According to para A-15 read with para 6.6.1 of Madhya Pradesh Budget Manual (Manual), 2012, the estimates of revenue receipts should include/project the actual demand including arrears due for the past years and probability of their realisation during the year. According to Rule 192 of Madhya Pradesh Financial Code, the Finance Department is required to prepare the estimates of revenue after obtaining necessary information/data from the respective Department/Government.

Actual receipts from State Excise during the years 2008-09 to 2012-13 along with the total tax receipts during the same period are exhibited in the table no. 3.1:

Table No. 3.1

(₹ in crore)						
Year	Revised budget estimates	Actual receipts	Variation excess (+)/ shortfall (-) Between (3-2)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
1	2	3	4	5	6	7
2008-09	2,150.00	2,301.95	(+) 151.95	(+) 7.06	13,613.50	16.91
2009-10	2,850.00	2,951.94	(+) 101.94	(+) 3.58	17,272.77	17.09
2010-11	3,525.00	3,603.42	(+) 78.42	(+) 2.22	21,419.33	16.82
2011-12	4,200.00	4,316.49	(+) 116.49	(+) 2.77	26,973.44	16.00
2012-13	5,000.00	5,078.06	(+) 78.06	(+) 1.56	30,581.70	16.60

(Source: Budget estimates and Finance Accounts of the Government of Madhya Pradesh.)

As seen from the foregoing table, the revenue collection increased from ₹ 2,301.95 crore in 2008-09 to ₹ 5,078.06 crore in 2012-13 at a Compounded Annual Growth Rate (CAGR) of 17.67 per cent. The collection from State excise increased by 17.64 per cent in 2012-13 over previous year. The Department attributed the growth to increase in execution amount¹ through auction of liquor shops. The percentage of contribution of State Excise receipts to the total tax revenue of the State ranged between 16.00 per cent and 17.09 per cent during the period 2008-09 to 2012-13.

3.3 Cost of collection

The gross collection in respect of state excise, expenditure incurred on collection and the percentage of expenditure to gross collection during the years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 along with the all India average percentage of expenditure on collection to gross collection for the previous year are mentioned in the table no. 3.2:

Table No. 3.2

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the previous year
1	2	3	4	5
2008-09	2,301.95	442.74	19.23	3.27
2009-10	2,951.94	685.12	23.21	3.66
2010-11	3,603.42	819.44	22.74	3.64
2011-12	4,316.49	973.88	22.56	3.05
2012-13	5,078.06	1,187.68	23.39	2.98

(Source: Finance Accounts of the Government of MP)

The percentage of expenditure on collection of state excise is abnormally higher than the all India average. We observed that in the Finance Accounts, there is no separate minor head showing 'collection charges' as is available in case of other taxes like taxes on sales/trade, taxes on vehicles etc., and the cost of foreign liquor paid to the manufacturers had also been booked under the head "2039-State Excise" along with other expenditure.

On being pointed out earlier in audit, the Excise Commissioner stated (May 2012) that the cost on collection after deduction of cost of liquor paid to the manufacturers remained between 1.61 and 1.90 per cent during the last five years which was less than the all India average.

The Government may consider opening a separate sub-head 'collection charges' as is being done for other taxes for effectively monitoring the functioning and the performance of the Department. Although this was pointed out in the Audit Report for the year ended 31 March 2011 and 2012, corrective measures are yet to be taken in this regard.

¹ The annual settlement value of retail liquor shops

3.4 Arrears of revenue

The arrears of Excise revenue was ₹ 58.75 crore as on 1 April 2008. The Department recovered only ₹ 3.70 crore² during the period 2008-09 to 2012-13. Audit observed that the Department did not fix any target for recovery of arrears and arrears increased up to ₹ 71.08 crore as on 31 March 2013 given in the table no. 3.3, of which an amount of ₹ 5.25 crore is pending in courts.

Table No. 3.3

(₹ in crore)

Year	Opening balance	Addition during the year	Total	Recovery during the year	Closing balance
1	2	3	4	5	6
2008-09	58.75	0.57	59.32	0.40	58.92
2009-10	58.92	4.76	63.68	1.18	62.50
2010-11	62.50	3.90	66.40	0.34	66.06
2011-12	66.06	0.98	67.04	0.37	66.67
2012-13	66.67	5.82	72.49	1.41	71.08

We recommend that the Department should take appropriate steps to reduce the arrears by fixing target for recovery.

3.5 Impact of audit

3.5.1 Status of compliance to Audit Reports (2007-08 to 2011-12)

In the Audit Reports 2007-08 to 2011-12, we have pointed out non/short levy, non/short realisation, underassessment/loss of revenue with revenue implication of ₹ 122.77 crore in 48 paragraphs. Of these, the Department/Government had accepted audit observations in 25 paragraphs involving ₹ 13.45 crore and had since recovered only ₹ 80.50 lakh (as on 31 March 2013). The details are shown in the table no. 3.4:

Table No. 3.4

(₹ in crore)

Year of Audit Reports	No. of paragraphs included	Money value of the paragraphs	No. of paragraphs accepted	Money value of the paragraphs accepted	No. of paragraphs against which recovery made	Amount recovered during the year
1	2	3	4	5	6	7
2007-08	11	7.95	6	2.26	3	0.21
2008-09	18	21.68	10	1.71	5	0.23
2009-10	9	5.09	7	0.51	5	0.35
2010-11	8	38.74	1	6.73	1	0.007
2011-12	2	49.31	1	2.24	1	0.008
Total	48	122.77	25	13.45	15	0.805

² Information furnished by the Department.

The amount recovered out of the accepted cases has been extremely low over the last five years.

We recommend that the Government should take appropriate steps to improve the recovery position, at least in the accepted cases.

3.5.2 Status of compliance to Inspection Reports (2007-08 to 2011-12)

During the period from 2007-08 to 2011-12, we have pointed out through Inspection Reports non/short levy, non/short realisation, underassessment/loss of revenue with revenue implication of ₹ 675.38 crore in 53,092 cases. Of these, the Department/Government had accepted audit observations in 38,633 cases involving ₹ 440 crore and had since recovered ₹ 2.92 crore (as on 31 March 2013). The details are shown in the table no. 3.5:

Table No. 3.5

(₹ in crore)

Year of Inspection Reports	No. of units audited	Objected		Accepted		Recovered		Percentage of recovery to amount accepted
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	
1	2	3	4	5	6	7	8	9
2007-08	40	12,185	88.06	9,520	24.73	513	0.41	1.66
2008-09	50	12,489	115.01	10,677	99.14	1,971	0.65	0.66
2009-10	36	10,606	201.88	7,566	167.51	1,280	0.74	0.44
2010-11	20	14,151	155.25	9,079	99.46	665	0.90	0.90
2011-12	26	3,661	115.18	1,791	49.16	139	0.22	0.45
Total		53,092	675.38	38,633	440.00	4,568	2.92	

The amount recovered out of the accepted cases has been extremely low over the last five years.

The Government needs to take necessary steps for prompt recovery of the amounts involved at least in the accepted cases.

3.5.3 Status of compliance to Inspection Reports 2012-13

Test check of the records of 36 units relating to State Excise receipts during the year 2012-13 revealed non/short realisation, non levy of penalty and loss of revenue etc. amounting to ₹ 191.78 crore in 29,979 cases which can be categorised in the table no. 3.6:

Table No. 3.6

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	2	3	4
1.	“Wastage of liquor during export, transport and manufacturing”	1	16.15
2.	Non realisation of duty in case of non receipt of verification report	658	16.03
3.	Non levy of penalty/duty on excess wastage of spirit/liquor	10,977	10.72
4.	Non/ short realisation of licence fee from liquor shops	2,473	35.87
5.	Irregular issue of country/foreign liquor	487	3.07
6.	Non levy of penalty due to breach of licence conditions	4,268	0.57
7.	Other observations	11,115	109.37
Total		29,979	191.78

During the course of the year, the Department accepted short/ non realisation, non levy of penalty and loss of revenue etc. of ₹ 43.20 crore in 19,810 cases, which were pointed out in audit during the year 2012-13. An amount of ₹ 2.83 crore was realised in 160 cases during the year 2012-13.

A paragraph on “**Wastage of liquor during export, transport and manufacturing**” involving an amount of ₹ 16.15 crore and a few illustrative audit observations involving ₹ 26.32 crore are mentioned in the following paragraphs.

3.6 Audit observations

We scrutinised the assessment records of excise duty, fee and other charges in EC, DECs, AECs and DEOs and found cases of non-levy of duty, fee and penalty and found several cases of non observance of the provisions of the ACT/Rules and Circular mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions on the part of the executing authorities have been pointed out in earlier Audit Reports. Reference to paragraphs included in this Report and having similar observations raised earlier is given in **Annexure-I**, but not only do these irregularities continue to persist, these remain undetected till audit is conducted. There is need for the Government to improve the internal control system so that such omissions can be avoided.

3.7 “Wastages of liquor during export, transport and manufacturing”

3.7.1 Introduction

The manufacture, distribution and sale of liquor is controlled by the Excise Commissioner under the provisions of the Madhya Pradesh Excise Act, 1915 (Excise Act) through annual licenses granted by him. Licenses are renewable annually on payment of the prescribed fee under the provisions of the Excise Act and the Rules made thereunder. Levy and collection of various kinds of duties and fees on production, possession, sale, export, import and transport of liquor in the State is governed under the Excise Act and Rules made thereunder. During manufacture, transport and export of liquor, a percentage of wastage of liquor is allowed in the rules. In case of wastages of liquor beyond the admissible wastages, penalty is leviable.

"Liquor" means intoxicating liquor and includes spirits, wine, *tari*, beer, all liquids consisting of or containing alcohol and any substance which the State Government may by notification, declare to be liquor.

The Deputy Excise Commissioner, Divisional Flying Squad at divisional level is empowered to impose the penalty on the wastages beyond permissible limit during export, transport and manufacturing.

We reviewed "Wastages of liquor during export, transport and manufacturing", which revealed a number of system and compliance deficiencies.

3.7.2 Organisational Set up

The Principal Secretary, Commercial Tax Department is the administrative head of the Department at the Government level. The Excise Commissioner (EC) is the Head of the Department and is assisted by one Additional Excise Commissioner (Addl. EC), three Deputy Excise Commissioners (DEC) at the headquarter at Gwalior, seven DEC divisional flying squad in divisions, 15 Assistant Excise Commissioners (AEC) and 54 District Excise Officers³ (DEO) in districts. In the district, the Collector heads the Excise Administration and is empowered to settle shops for retail vending of liquor and other intoxicants and is also responsible for realisation of excise revenue.

The working of distilleries, bottling plants (foreign liquor) and breweries is monitored by the DEOs with the assistance of the Asst. District Excise Officers (ADEOs) and Sub Inspectors posted in the distilleries/breweries and bottling plants.

3.7.3 Audit objectives

We conducted the audit with a view to ascertain whether:

- Excise Verification certificates (EVC) of export/transport of liquor were received from the importing State/State of MP and submitted to

³ Including four DEOs posted in distilleries

the Department by the exporter/transporter and quantity of liquor received and wastages recorded properly.

- The wastages of liquor during export/transport and manufacture were under the prescribed limit and cases of excess over the prescribed limit were sent to competent authority to impose penalty and the penalties have been recovered accordingly.
- Proper compliance of provisions of the Act/Rules and circulars issued by Excise Commissioner in respect of wastage of liquor is made by the Department.
- An internal control mechanism is in existence in the Department and is adequate and effective.

3.7.4 Audit criteria

Audit criteria were derived from the following:

- Madhya Pradesh Excise Act, 1915 (Excise Act);
- Madhya Pradesh Foreign Liquor Rules, 1996 (MPFL Rules);
- Madhya Pradesh Distillery Rules, 1995 (MPD Rules);
- Madhya Pradesh Country Spirit Rules, 1995 (MPCS Rules);
- Madhya Pradesh Breweries and Wine Rules (MPB&W Rules) and
- Notifications and circulars issued by the Government/Excise Commissioner.

3.7.5 Scope of Audit

We test checked the records for the years 2008-09 to 2012-13, in 13⁴ out of 50 Districts Excise offices in the state, four⁵ out of seven DEC offices at divisional level and the E.C. office between October 2012 and June 2013. For the test check, we selected six⁶ out of eight distilleries, five⁷ out of seven breweries, 15⁸ out of 20 foreign liquor bottling units, four⁹ out of 10 foreign

⁴ Balaghat, Betul, Bhind, Bhopal, Dhar, Gwalior, Indore, Khargone, Raisen, Satna, Shajapur, Shivpuri and Vidisha

⁵ Bhopal, Gwalior, Indore and Ujjain

⁶ M/s Gwalior Alcobrew Pvt. Ltd., Gwalior, M/s Associated Alcohol and Breweries Ltd., Khargone, M/s Agrawal Distillery Ltd., Khargone M/s Great Galleon Ltd., Dhar, M/s Oasis Distillery Ltd., Dhar, and M/s Som Distillery Pvt. Ltd., Raisen,

⁷ M/s Lilasons Breweries Ltd., Bhopal, M/s M P Beer Products Pvt., Ltd. Indore, M/s Mount Everest Breweries Ltd., Indore, M/s Som Distillery & Breweries Ltd., Raisen and M/s Regent Beer and Wine Ltd., Shajapur.

⁸ M/s Gwalior Alcobrew Pvt. Ltd., Gwalior, M/s Parnard Record India Pvt Ltd., Gwalior, M/s Vinayak Distillery Pvt. Ltd., Gwalior, M/s Associated Alcohol and Breweries Ltd., Khargone, M/s Silver Oak India Ltd., Dhar M/s Great Galleon Ltd. Dhar, M/s Oasis Distillery Ltd., Dhar, M/s Som Distillery Pvt. Ltd., Raisen, M/s Som Distillery & Breweries Ltd., Raisen, M/s Gwalior Distillery Pvt. Ltd., Bhind, M/s Gold Water Brewverages Pvt. Ltd., Bhind, M/s United Spirit Ltd., Sarvar Bhopal, M/s United Spirit Ltd., Govindpura Bhopal, M/s Jublee Brewverage Ltd., Bhopal, and M/s Narmada Distillery Pvt. Ltd., Satna.

⁹ Bhopal, Gwalior, Indore and Ujjain

liquor warehouses and 33¹⁰ out of 107 country liquor warehouses in the state. Besides, we also included the cases of wastage of liquor during transport, export and manufacturing etc. of other units which came to notice during audit conducted in 2012-13.

3.7.6 Audit Methodology

Audit methodology includes preparing guidelines, conducting field visits for examination of records, collection of data from the Department, issue of audit memos, questionnaires and obtaining replies from audited entities to arrive at the audit conclusions.

An entry and exit conference for the review was held on 14 May and 4 September 2013 respectively with the Principal Secretary/Secretary (Commercial Tax Department), EC and other executives of the Department.

3.7.7 Acknowledgment

The Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Tax Department and its subordinate offices for providing necessary information and records for Audit.

3.7.8 Working of Internal Audit Cell

An Internal Audit Cell (IAC) was established in the EC office in the year 1978 and is headed by a Joint Director, who is assisted by six officers in the conduct of internal audit of the Department.

The details of units planned, audited and number of observations raised, settled and outstanding are given in the table no. 3.7

Table No. 3.7

Year	No. of units as per roster	Number of units audited	Shortfall with reference to roster	Percentage of shortfall	No of paras included	No of paras settled	Out standing paras at the end of year
1	2	3	4	5	6	7	8
2008-09	48	38	10	20.83	50	-	50
2009-10	48	26	22	45.83	14	-	64
2010-11	50	41	09	18.00	60	07	117
2011-12	50	16	34	68.00	64	12	169
2012-13	50	16	34	68.00	111	10	270

(Information furnished by the Department)

Thus, the targets fixed were not achieved by the IAC of the Department in any of the five years between 2008-09 and 2012-13. In addition, the details about the money value involved in the objections raised by the internal audit and amount recovered etc. were not available with the IAC. The Department

¹⁰ Agar, Badnawar, Balaghat, Barwaha, Bareli, Betul, Bhensdehi, Bhind, Bhopal, Dabra, Dhar, Dharampuri, Gairatganj, Ganjbasoda, Gwalior, Indore, Karera, Khargone, Kukshi, Lahar, Mhow, Multai, Obedullahganj, Pichhore, Raisen, Satna, Sardarpur, Shajapur, Shujalpur, Shivpuri, Sironj, Susner and Vidisha.

during the exit conference stated (September 2013) that due to preoccupation with other work, internal audit could not be conducted as planned. We do not agree as the internal audit being the primary work of IAC should not have been overlooked on the pretext of preoccupation with other work.

The Department may strengthen internal control mechanism to ensure better performance of the internal audit cell and ensure that the audit roster is followed.

Audit findings:

System deficiencies:

3.7.9 Lack of control over excess wastages of liquor during export, transport and manufacturing

Failure of the Department and IAC to monitor maintenance of records of wastages.

Under the circular of the EC dated 15 May 2008, all the excise officers in charge (OICs) of distilleries, foreign liquor manufacturing units, breweries, wineries and country/ foreign liquor warehouses were instructed to maintain a register in regard to excess wastages of liquor during export, transport and manufacturing in the prescribed proforma. The OICs were required to send the cases of excess wastages (with all records and information) which came to their notice, to competent authority and also send the monthly information in this regard on the 5th of next month after completion of a month to EC office and concerned divisional DEC office under their signature.

3.7.9.1 We observed from the records of the test checked units¹¹ between October 2012 and June 2013 that 63 OICs of manufacturing units and warehouses neither maintained the prescribed register nor did they send the monthly information of excess wastages in the prescribed proforma to DEC's and EC office during the last five years. Further, no action was initiated by DEC's/EC office also to call for the desired information. We also noticed that there was no mechanism prescribed for

monitoring the receipt of cases from OICs in DEC offices. Therefore, the details of cases received, disposed and balances during last five years could not be verified in audit except in the DEC office Ujjain, which maintained registers to monitor the receipt of cases. **Thus due to the failure of the DEC's offices and EC office along with Internal Audit Cell (IAC) to ensure regular submission of information by the manufacturing units and warehouses, complete information regarding the position of imposition and recovery of penalty on the excess wastages and also overdue amount was not available either with the DEC's and EC offices.** The IAC had also

¹¹ Balaghat, Betul, Bhind, Bhopal, Dhar, Gwalior, Indore, Khargone, Raisen, Satna, Shajapur, Shivpuri and Vidisha district offices, Bhopal, Gwalior, Indore and Ujjain DEC offices and EC office

not checked the records relating to excess wastages and no observation was found in this regard in the reports of the districts test checked by the IAC.

We also observed that there is no mechanism to monitor the prompt disposal of cases of excess wastage received in excise offices and a system to keep a watch over recovery in cases of wastage through monthly returns/ registers in DEC/ EC Offices. In the absence of such mechanism, the Department could not exercise necessary control over wastages during export, transport and manufacturing.

The Department may consider prescribing the time limit for disposal of cases by the DEC and submission of periodical returns to EC. The Department may also consider prescribing a register to be maintained in DEC's and EC office for better monitoring in regard to maintenance of register and submission of monthly returns by the subsidiary units.

3.7.9.2 Delay in sending the cases of excess wastages of liquor for imposition of penalty

Penalty of ₹ 9.56 crore had not been imposed due to delay in sending the cases by the OICs.

We observed from the case files of excess wastage submitted to audit in DEC office Gwalior (April 2013) that 4109 cases of excess wastages for the period up to March 2012 were received by DEC office from the OIC till March 2013, on which penalty of ₹ 9.56 crore was leviable. The cases of excess wastage after March 2012 had not been received in DEC office till March 2013. We further observed that the cases were sent by the OICs of four manufacturing units¹² and two warehouses¹³ to DEC office for imposition of penalty after a lapse of seven to 32 months and show-cause notices were issued to the licensees by DEC office after three to 20 months from the date of receipt of the cases. As such the penalty of ₹ 9.56 crore had not been imposed even after a lapse of 10 to 52 months.

The Department during exit conference stated (September 2013) that out of 4109 cases, the penalty amounting to ₹ 6.78 crore in 3176 cases has been imposed out of which an amount of ₹ 34.93 lakh in 2024 cases has been recovered after being pointed out by audit. The Department further stated that action was under progress in remaining cases.

The Department may prescribe time limit for imposition of penalty from date of receipt of the cases of wastages and also prescribe the maintenance of records/register showing the details of receipt, disposal and recovery of penalty.

¹² OIC of M/s Skoll Breweries Ltd., sub lessee at M/s Trapti Alcobrew Ltd., Morena, OIC M/s Pernod Ricard India Ltd., Gwalior, OIC Foreign Liquor Warehouse Gwalior and OIC M/s Gwalior Alcobrew Pvt., Ltd., Gwalior.

¹³ OIC Country Liquor Warehouse Gwalior and Dabra

Compliance deficiencies:**3.7.10 Non-levy of penalty on excess wastages due to not sending the cases to competent authority**

The Excise Act and Rules made thereunder provide that the maximum wastage allowance for all exports of bottled foreign liquor/beer shall be 0.25 *per cent* irrespective of the distance. For all transports, it shall be 0.1 *per cent* if the selling and purchasing licensees belong to the same district and 0.25 *per cent* if they belong to different districts. In case of transport of bottled country liquor it shall be 0.5 *per cent* irrespective of the distance. Further according to the amendment made by the State Government dated 12 January 2012 it shall be 0.1 *per cent* in case of transport in pet bottle and 0.25 *per cent* in glass bottle with effect from 1 April 2011. In case of RS/ENA, the Rules allow wastage of 0.1 to 0.2 *per cent* on account of leakage or evaporation of spirit/ENA transported or exported in tankers from a distillery/ warehouse to another distillery/warehouse according to their distance. In case of wastage beyond the permissible limit the licensee shall be liable to pay penalty at a rate prescribed by the Government from time to time.

3.7.10.1 Excess wastages of country liquor during transport

The Excise Commissioner vide instructions issued on 28 July 2011 reduced the permissible limits for wastages in transportation of country liquor from 0.5 *per cent* to 0.1 *per cent* for pet and 0.25 *per cent* for glass bottles. Government vide its notification dated 12 January 2012 approved the revised wastage limits with effect from April 1, 2011. We observed from the Excise Verification Certificates of country liquor warehouses of 21 AEC's/ DEO's¹⁴ office between May 2012 and May 2013 that highest of the actual wastages or wastage allowed as per prescribed limits viz. 0.5 *per cent* till 31 July 2011 and 0.1 and 0.25 *per cent* on pet and glass bottle respectively from 01 August 2011, was recorded as the actual wastage. This indicates that the OICs were recording the wastages as per limits prescribed, whenever the actual wastages were less than prescribed limits. This defeated the intent of departmental instructions to record the actual wastages during transportation of country liquor and resulted in loss to Government, where actual wastages were below the limits prescribed by Government.

Non levy/
realisation of
penalty of
₹ 1.24 crore on
excess
wastages of
bottled country
liquor.

¹⁴ Barwani, Blind, Bhopal, Chhindwara, Damoh, Dewas, Guna, Indore, Jabalpur, Jhabua, Narsinghpur, Panna, Raisen. Rajgarh, Sagar, Shajapur, Shivpuri, Sidhi, Tikamgarh, Ujjain and Umaria

We further observed that minimum penalty was leviable in 3,451 cases on wastages of 54,487.14 PL bottled country liquor beyond permissible limit during transport from eight bottling units¹⁵ to 52 country liquor warehouses¹⁶ during the period April 2011 to December 2012. The penalty, however, could not be imposed as the cases were not sent to competent authority for imposition of penalty by the OIC's of country liquor warehouses. This resulted in non-levy/realisation of penalty of ₹ 1.24 crore as mentioned in the table no. 3.8

Table No. 3.8

Nature of Liquor	Quantity Transported PL	Quantity Received at other end PL	Wastages PL	Permissible wastage PL	Excess wastage PL	Penalty leviable (₹)
1	2	3	4	5	6	7
Country Spirit	17331583.25	17255581.59	76001.66	21514.52	54487.14	1.23.88.421

After we pointed this out, the EC stated (September 2013) that out of 3451 cases, the penalty amounting to ₹ 48.89 lakh in 1328 cases had been imposed and in remaining cases, action was under process.

3.7.10.2 Excess wastages of foreign liquor and beer during export/transport

Non levy/realisation of penalty of ₹ 1.03 crore on excess wastages of foreign liquor.

We observed from the Excise Verification Certificates (EVC) of foreign liquor warehouse, Bhopal and Jabalpur, three foreign liquor bottling units¹⁷, two breweries¹⁸ and one FL-6 licensee¹⁹ of four districts²⁰ between October 2012 and June 2013 that the wastages of 57433.005 PL foreign liquor (Spirit) and 36840.12 BL beer was found in excess of the admissible limit during export/transport between October 2011 and May 2013 in 4747 cases on which the penalty of ₹ 1.03 crore was leviable as mentioned in the table no. 3.9

¹⁵ M/s Gwalior Alcobrew Pvt., Ltd., Gwalior, M/s Associated Alcohol and Breweries Ltd., Khargone, M/s Great Galleon Ltd. Dhar, M/s Cox India Ltd., Chhatarpur, M/s Som Distillery Pvt., Ltd., Raisen, M/s Som Distillery Pvt., Ltd., Chhindwara, M/s Vindhyaachal Distillery Pvt., Ltd. Rajgarh and M/s Oasis Distillery Ltd., Dhar.

¹⁶ Agar, Amanganj, Amarwara, Barnagar, Barwani, Bareli, Bhind, Bhopal, Byawara, Damoh, Dewas, Gadarwara, Gairatganj, Guna, Hatta, Indore, Jamai, Jatara, Jhabua, Jirapur, Kannaud, Karera, Khachrod, Khetia, Khurai, Lahar, Mahidpur, Mhow, Narsingharh, Narsinghpur, Niwari, Obedullahganj, Panna, Parasia, Petlawad, Pichhore, Raisen, Rehli, Sagar, Sarangpur, Sendhwa, Shajapur, Shujalpur, Sidhi, Sihora, Sonkachh, Sounsar, Susner, Tarana, Tikamgarh, Ujjain and Umaria.

¹⁷ M/s Pernod Ricord India Pvt., Ltd., Gwalior, M/s Som Distillery & Breweries Ltd., Raisen and M/s United Spirit Ltd., Sarvar Bhopal

¹⁸ M/s Mount Everest Breweries Ltd., Indore and M/s Som Distillery & Breweries Ltd., Raisen

¹⁹ Military Canteen Wholesale Licence Jabalpur

²⁰ Gwalior, Indore, Jabalpur and Raisen

Table No. 3.9

Nature of Liquor	Quantity Exported/ Transported PL/BL	Quantity received at other end PL/BL	Wastages PL/BL	Permissible wastage PL/BL	Excess wastage PL/BL	Penalty leviable (₹)
1	2	3	4	5	6	7
Foreign liquor (Spirit)	13871635.29	13781471.156	90164.134	32727.129	57437.005	95,13,993
Beer	8598223	8541457.86	56765.14	19925.02	36840.12	8,15,357
Total						1,03,29,350

It was, however, seen that the OICs of the units did not send the cases to the competent authority for imposition of penalty even after a lapse of one to 18 months. Further, it was seen that an amount of ₹ 56.17 lakh as penalty was deposited (between January 2011 and June 2013) by the licensees in Bhopal, Gwalior and Jabalpur district. The period for which the amount related was also not known to the OICs of the units.

The Department during the exit conference accepted audit observation and stated (September 2013) that out of 4747 cases, the penalty amounting to ₹ 30.19 lakh in 2956 cases have been imposed, out of which an amount of ₹ 25.73 lakh in 2923 cases had been recovered. The Department further stated that action was in progress in remaining cases.

3.7.10.3 Excess wastages of Extra Neutral Alcohol (ENA) during export/transport

Non levy/
realisation of
penalty of
₹ 16.77 lakh
on excess
wastages of
ENA.

We observed from the EVC's of one distillery²¹ and two foreign liquor bottling units²² of three districts²³ between February and June 2013 that 4603741 PL of ENA was exported from distillery and transported to foreign liquor bottling units between August 2011 and June 2013 in 141 cases, out of which 4576355.64 PL was received. As such, wastage of 27385.36 PL ENA was shown in the EVC's, of which 18258.65 PL was in excess of the admissible limit of 9126.71 PL. Penalty of ₹ 16.77 lakh was leviable on the wastages in excess of admissible limit. It was, however, seen that the OICs of the units did not send the cases to the competent authority for imposition of penalty. This resulted in non realisation of revenue of ₹ 16.77 lakh.

The Department during the exit conference accepted audit observation and stated (September 2013) that out of 141 cases, penalty amounting to ₹ 31,367 in 18 cases had been imposed and recovered. The action in remaining cases is under process.

²¹ M/s Associated Alcohol and Breweries Ltd., Khargone

²² M/s Gwalior Distillery Pvt., Ltd., Bhind and M/s Jublee Brewarege Ltd., Bhopal

²³ Bhind, Bhopal and Khargone.

3.7.11 Excess wastage, shortage of spirit and foreign liquor during storage

MPFL Rule provides that maximum permissible limit of losses of spirit due to racking, storage, evaporation, reduction and others for FL-9 and FL-9A licence shall be 1.5 per cent per quarter which is calculated on actual balance in hand at the end of previous quarter stock taking plus the quantity since manufactured and received and deducting that issued for re-distillation. Further, no wastage allowance on storage of bottled liquor stocked with FL-6, FL-10A, FL-10B and foreign liquor warehouses is permitted. On all deficiencies in excess of the limit allowed under rule, the licensee shall be liable to pay penalty as may be imposed by the EC or any other officer authorised by him at the rates prescribed by the Government from time to time.

3.7.11.1 We observed from the stock and issue of ENA and manufacturing registers of foreign liquor in one foreign liquor bottling unit²⁴ in February 2013 that the physical verification of stock was conducted by the OIC in December 2007 and August 2010 which revealed that there was shortage of 1644.5 PL of ENA/ Foreign liquor in excess of the permissible limit. As per rule, penalty of ₹ 27.82 lakh was to be imposed on these shortages. We, however, noticed that the OIC did not initiate any action

Non levy/realisation of penalty of ₹ 27.82 lakh on excess wastages of ENA/ foreign liquor.

regarding levy of penalty. This resulted in non-levy/realisation of penalty of ₹ 27.82 lakh as mentioned in the table no. 3.10

Table No. 3.10

Date of verification	Kind of liquor	Opening book balance PL	Balance on verification PL	Shortage PL	Permissible limit PL	Shortage in excess of permissible limit (3-4)	Penalty to be imposed	
							@ ₹/ PL	Amount (₹)
1	2	3	4	5	6	7	8	9
1.12.2007	ENA	10718.8	10338.9	379.2	160.8	218.4	25	5,460
	Foreign liquor	3379.5	3293.25	86.25	16.9	69.35	65	4,508
10.8.2010	ENA	10338.9	8799.7	1539.2	458.4	1080.8	681x3	22,08,074
	Foreign liquor	3293.25	2968.1	325.15	49.2	275.95	681x3	5,63,766
Total		14097.6	11767.8	2329.8	685.3	1644.5		27,81,808

The Department during the exit conference stated (September 2013) that question of imposition of penalty did not arise as wastages were under permissible limit. We do not agree as wastages/shortages were beyond permissible limit as reported by OIC after carrying out physical verification. The penalty was therefore leviable on the excess wastage and shortage reported by the OICs.

²⁴ M/s Gold water Brewrages Pvt., Ltd., Bhind

Non levy/
realisation of
penalty of
₹ 10.83 lakh
on shortage of
foreign liquor.

3.7.11.2 We observed from the stock and issue accounts of foreign liquor/beer in foreign liquor warehouse, Gwalior in May 2013 that the physical verification of stock of bottled liquor conducted in September 2012 and March 2013 indicated shortage of 1206.06 boxes of foreign liquor (spirit) and 242 boxes of beer. Of these, the case of shortages noticed in September 2012 was forwarded to the DEC after a lapse of six months in March 2013 and second case has not been forwarded till the date of audit (May 2013). As per rule, though penalty of ₹ 10.83 lakh was leviable on the shortage, it could not be imposed due to delay in submission/non-submission of the cases to the competent authority for levy of penalty. This resulted in non-levy/realisation of penalty as mentioned in the table no. 3.11

Table No. 3.11

SI No.	Date of verification	No. of boxes found short		Penalty to be imposed (₹)
		Foreign liquor (Spirit)	Beer	
1	2	3	4	5
1	30.9.2012	1003.00	184	8,91,146
2	30.3.2013	203.06	58	1,91,534
Total		1206.06	242	10,82,680

The Department during exit conference accepted the audit observation and stated (September 2013) that departmental enquiry had been initiated against the OIC in case of shortage during stock verification at the end of September 2012 and the action would be taken as per result of enquiry. The Department further stated that action was under process in remaining cases.

3.7.12 Non recovery of penalty

An amount of
penalty of
₹ 3.76 crore
was not
recovered after
a lapse of eight
to 64 months.

Excise Act provides that all amounts due to the Government relating to excise revenue in accordance with any provision of the Act and Rules made thereunder, may be recovered from the person primarily liable to pay, as arrears of land revenue. The power of Additional Tahsildar has been given to all the DEOs under their jurisdiction by the State Government under notification issued in July 1968, so that the DEOs may recover the excise dues as arrears of land revenue in the capacity of Tahsildar.

We observed from penalty recovery statements of foreign liquor warehouse Indore, one foreign liquor bottling unit²⁵, one brewery²⁶ and two DEC offices²⁷ of four districts²⁸ between February and June 2013 that an amount of penalty of ₹ 3.79 crore was imposed by the DEC, divisional flying squad of concerned

division in 2699 cases during the period between July 2008 and March 2013.

²⁵ M/s Pernod Record India Pvt. Ltd., Gwalior

²⁶ M/s Mount Everest Breweries Ltd., Indore.

²⁷ Bhopal and Ujjain

²⁸ Bhopal, Gwalior, Indore and Ujjain

Though demand notices were issued by the OICs on time, only an amount of ₹ 3.22 lakh was recovered from the licensees in 56 cases (between March 2010 and February 2013) in case of Indore district, leaving a balance amount of ₹ 3.76 crore unrecovered. The amount was not recovered even after a lapse of eight to 64 months (November 2013). The DEO's of the districts did not take any action to recover the dues as arrear of land revenue.

The Department during exit conference accepted the audit observation and stated (September 2013) that out of 2699 cases, an amount of ₹ 1.58 crore in 1227 cases had been recovered and action for recovery in remaining cases was in progress.

The Department may ensure recovery action after issue of demand notices to the person primarily liable to pay penalty.

3.7.13 Loss of revenue due to irregular waiving of the penalty imposable

MPFL Rule provides that in case of wastages of foreign liquor/ENA beyond the permissible limit, the licensee shall be liable to pay penalty at a rate prescribed by the Government from time to time. Further, if it be proved to the satisfaction of the EC or the authorised officer that such excess deficiency or loss was due to some unavoidable causes like fire or accident and its First Information Report (FIR) was lodged in concerned police station, he may waive the penalty imposable under the rule.

We observed from the records of DEC divisional flying squad, Bhopal in June 2013 that there was excess wastage of 1090.91 PL of bottled foreign liquor during transport from M/s United Spirit Limited, Bhopal in two cases and 8649.8 PL of ENA during transport from M/s

Gwalior Alcobrew Pvt., Ltd., Gwalior to M/s United Spirit Limited, Bhopal in one case between May and November 2010, on which the penalty of ₹ 1.99 crore was leviable. It was, however, seen that the leviable penalty was waived by the DEC treating them as accident cases even though FIR had not been lodged in concerned police station as required under the rule. This resulted in loss of revenue of ₹ 1.99 crore.

The Department during the exit conference stated (September 2013) that the information of accident was given in the concerned police station by the drivers and penalty was waived on the basis of available records and evidence. We do not agree as filing of FIR was a condition that had to be fulfilled for waiver as per MPFL Rules and it was not within the powers of DEC to waive penalty in the absence of FIR.

Loss of ₹ 1.99 crore due to irregular waiving of the penalty.

3.7.14 Conclusion

Pilferage of penalty on excess wastages of liquor during transport, export and manufacturing is to be discouraged. To have effective control over the imposition of penalty on excess wastages, it is essential that the prescribed records are maintained properly by the Department. Audit scrutiny revealed that these were not maintained. Lack of monitoring by the EC/ DEC's offices

led to not sending the cases/delay in sending the cases to competent authority for imposition of penalty. There was no monitoring by the Department of the overdue amount of penalty imposed. Internal Audit, an important component of the internal control mechanism, was also rendered ineffective as the IAC had not checked the records relating to excess wastages and no observation was found in this regard in the reports of the districts test checked by the IAC. It is necessary for the Government to have a detailed look at the system and procedure for prompt recovery of the amount of penalty imposed as well as the action in cases other than those pointed out by audit.

3.8 Short realisation of basic licence fee

The condition for sale of liquor through shops for the year 2011-12 issued by the Excise Commissioner (EC) under notification dated 05 February 2011 provides that annual value of a liquor shop shall be the sum of Basic Licence Fee (BLF) and Annual Licence Fee (ALF). The BLF shall be fixed between 50 and 60 *per cent* of the annual value of the shop according to its location and the remaining amount shall be recovered as ALF. Both the BLF and ALF shall be recoverable in 24 fortnightly installments. The amount of duty deposited by the licensee to purchase the liquor shall be adjustable against the fortnightly demand of ALF of shop, issue of liquor will not be admissible on the amount paid by the licensee as BLF. Further, if a licensee purchases liquor in excess of the amount of ALF prescribed for any fortnight, the same shall be adjustable against the ALF of the subsequent fortnightly period. Further, letter dated 03 March 2005 of the Principal Secretary, Commercial Tax Department provides that DEC and AEC/DEO must conduct detailed inspection of the manufacturing units under their jurisdiction in the interval of every six months and a quarter respectively.

We observed (May 2012) from returns submitted by DEC in the EC office that ALF for 1668 country liquor and 600 foreign liquor shops in 26 districts for the year 2011-12 was ₹ 973.88 crore. The licensees had purchased the liquor by depositing duty of ₹ 994.71 crore, which was in excess of ALF fixed for the shops by ₹ 20.83 crore. Instead of adjusting the excess deposit towards payment of both BLF and ALF, the entire amount was allowed towards payment of duty for purchase of liquor. Reckoning the amount adjusted towards payment of duty against purchase of liquor, the amount of BLF recoverable from the shop owners worked out to ₹ 20.83 crore treating the minimum prescribed

BLF of 50 *per cent*. We noticed that some licensees remitted a portion of BLF amounting to ₹ 40.81 lakh. Thus, the short collection of BLF from the licensees worked out to ₹ 20.42 crore.

After we pointed out the cases, EC stated (May 2012) that under the policy prescribed by the Government, there is provision to issue liquor to the licensee after deposit of the amount of annual value of shop in the form of ALF and BLF on payment of duty only without payment of additional BLF. We do not agree as duty payments for issue of liquor were adjusted from the excess amount deposited by the licensees without recovering the corresponding portion of the BLF and the policy did not provide for issue of excess liquor without realising requisite BLF.

We reported the matter to the Department and the Government in April 2013; their replies have not been received (January 2014).

Short realisation of revenue of ₹ 20.42 crore due to non recovery of BLF.

3.9 Irregular export/transport of foreign liquor/beer and non realisation of excise duty on unacknowledged liquor²⁹

According to Rules 12, 13 and 14 of MPFL Rules, the exported/transport of foreign liquor/beer is permissible on payment of duty or on furnishing a bank guarantee or on executing a bond in form FL-23* with adequate solvent sureties for the amount of duty involved. Besides, the licensee shall obtain an Excise verification certificate (EVC) from the Officer In Charge (OIC) of the destination unit and furnish it to the authority, who issues the transport /export permit, within 40 days of the expiry of the permit. In case of default of licensee, the duty involved shall be recovered from the deposit made, bank guarantee furnished or the security bond executed by the licensee.

We observed from the export/ transport permits register and EVC received register in three bottling units³⁰ of foreign liquor (FL-9), two breweries (B-3)³¹ and two central godowns³² of outside manufacture (FL-10A) of four districts³³ between October 2012 and February 2013 that the licensees exported/transported 50163 boxes of bottled foreign liquor (Spirit) and 55000 boxes of beer on 178 permits out of 9,243 permits issued

between October 2011 and December 2012 involving duty of ₹ 4.58 crore. It was noticed that in violation of the provision, the Department issued the export/transport permits without recovering the prescribed duty or obtaining the bank guarantee or bond with adequate solvent sureties for the amount of duty involved. It was further noticed that though the verification certificate of receipt of quantity of liquor exported/transported were not submitted by the licensee even after a lapse of two to 399 days after the permissible period, the Department did not initiate any action for adjustment of duty against the bank guarantee or bond. This resulted in non-realisation of revenue of ₹ 4.58 crore.

After we pointed out the cases (between October 2012 and February 2013), the AECs/DEOs stated that audit would be intimated after taking action as per rule and all the excise verification certificates would be submitted on their receipt. We do not agree as duty was recoverable in all the cases as EVC were not received within the prescribed period of 40 days and obtaining EVC after being pointed out by audit indicates that the procedure prescribed to safeguard

Non-realisation of revenue of ₹ 4.58 crore due to irregular issued export/ transport permits by the Department and non receipt of EVC.

²⁹ Liquor for which Excise Verification report had not been received from the officer incharge of the destination unit.

³⁰ M/s Gold Water Breweries Pvt. Ltd., Malanpur, Bhind, M/s Som Distillery Pvt. Ltd.,Sehatganj, Raisen and M/s Som Distillery & Breweries Ltd., Rojrachak, Raisen.

³¹ M/s Som Distillery & Breweries Ltd., Rojrachak, Raisen and M/s Regent Beer & Wine Ltd., Makshi, Shajapur.

³² M/s Beam Global Spirit & Wine India Pvt. Ltd, Indore and M/s Ambar Distillery Ltd, Indore.

³³ Bhind, Indore, Raisen and Shajapur.

* Form of bond to be executed on the removal of foreign liquor from the licensed premises of F.L.9/F.L.9A/F.L.10A/F.L.10B/B-3 licence at export/transport in bond.

the revenue interest of State was not being followed and compliance is being left to the will of licensees.

We reported the matter to the Department and the Government in January 2013; their replies have not been received (January 2014).

3.10 Irregular export and shortage of beer

According to Rule 12 of MPB & W Rules read with Rule 9 (6) of MPFL Rules, no label shall be used by any manufacturer unless it has been duly registered or renewed. In case of non-renewal of label/labels, the EC may pass suitable order regarding disposal of the stocks of the un-renewed labels held by any licensee and the State Government shall not be liable to pay any compensation to the licensee for any loss or damage.

We observed from the stock and issue register of beer in M/s Som Distillery and Breweries Ltd., Raisen (B-3 licence³⁴) in October 2012 that the label for "Power 5000 Super Strong" beer was not got renewed for the year 2012-13 by the licensee and as such the export/transport of beer of this label should have been restricted during the year

Loss of revenue of ₹ 79.13 lakh due to stock shortage of beer.

2012-13. However, it was noticed that there was a stock of 64,000 boxes of beer of this label in the month of April 2012 of which the licensee exported 1,200 boxes, which was irregular. The OIC of unit did not check the label of the beer, which was exported by the licensee. Besides, the remaining stock of 62,800 boxes was not accounted for in the stock and issue register of the unit as on 30 September 2012. This resulted in loss of revenue of ₹ 79.13 lakh.

After we pointed out the cases, the AEC, Raisen stated (October 2012) that a letter would be sent to EC for disposal of beer. However, as pointed out by us as the beer was not available in the stock and issue register of the unit and in the absence of the beer in stock, the disposal thereof was not possible. The DEC and AEC/DEO did not also conduct physical verification of stock during their inspection.

We reported the matter to the Department and the Government in January 2013; their replies have not been received (January 2014).

³⁴ Licence for the manufacture of beer/wine

3.11 Short levy of license fee from Hotel Bar Licenses

The State Government vide notification dated 29 December 2010, prescribed the annual license fee for Hotel Bar License (FL-3) for the year 2010-11 on the basis of population of the city/town in which the bar was situated. Further, the notifications issued by the EC for sale of liquor for the years 2011-12 and 2012-13 provide that the annual license fee for FL-3 for the year 2011-12 shall be the same as in 2010-11 and for the year 2012-13, it shall be worked out by increasing 20 per cent off the license fee fixed for the year 2011-12 and rounding it to the next higher ₹ 10,000.

We observed from the license files of FL-3 in the EC Office and AEC Office, Ujjain between February and May 2012 that 25 Hotel Bar licenses were renewed in four cities/towns³⁵ for the years 2011-12 and 2012-13 on which license fees (LF) of ₹ 2.81 crore was levied against the leviable amount of ₹ 3.47 crore in accordance with the population of the cities/towns as per

Short realisation of licence fees of ₹ 66 lakh due to non realisation of the same on the basis of Census of 2011.

Census of 2011. This resulted in short realisation of licence fees of ₹ 66 lakh. The Department did not take any action to recover the differential amount.

After we pointed this out, the EC stated (May 2012) that instruction to recover the license fee short realised was being issued. Further report has not been received (January 2014). The fact that the issue of change in license fee consequent to change in population data of the towns where licenses were issued was not pointed out by DEC and AEC/DEO during inspections shows ineffectiveness of the internal control system of the Department.

We reported the matter to the Department and the Government in April 2013; their replies have not been received (January 2014).

³⁵ Betul – As per Census (2001) LF was ₹ 3.65 lakh and as per Census (2011) ₹ 4.40 lakh for 2011-12 and ₹ 5.30 lakh for 2012-13
Gwalior - As per Census (2001) LF was ₹ 5.85 lakh and as per Census (2011) ₹ 7.30 lakh for 2011-12 and ₹ 8.80 lakh for 2012-13
Nagda - As per Census (2001) LF was ₹ 3.65 lakh and as per Census (2011) ₹ 4.40 lakh for 2011-12
Ujjain - As per Census (2001) LF was ₹ 5.10 lakh and as per Census (2011) ₹ 5.85 lakh for 2011-12

3.12 Non/short recovery of supervision charges

According to Rule 3(17) of MPFL Rules, the licensee shall pay in advance, supervision charges at the rate prescribed by the State Government to defray in full or part the expenditure incurred on the salary and other claims of the excise staff posted to bottling units exclusively for supervision work. Further, the State Government vide notification dated 28 July 2012, prescribed the supervision charges for foreign liquor bottling unit at the rate of ₹ 8.40 lakh per year which shall be recovered in the district where such bottling unit is situated.

We observed from license files in five districts between October 2012 and January 2013 that the licensees of six foreign liquor bottling units³⁶ of four districts³⁷ did not pay the supervision charges of ₹ 50.40 lakh at the rate of ₹ 8.40 lakh each. One licensee³⁸ of Chhindwara district paid an amount of ₹ 4 lakh leaving the balance

Non-realisation of revenue of ₹ 54.80 lakh due to short recovery of supervision charges.

amount of ₹ 4.40 lakh unpaid for the year 2012-13. This resulted in short realisation of revenue of ₹ 54.80 lakh. The DEC and AEC/DEO also did not point out the short realisation in their inspection.

After we pointed out the cases, the AEC, Ujjain stated (April 2013) that an amount of ₹ 8.40 lakh had been recovered whereas AEC, Jabalpur and DEOs Chhindwara and Bhind stated (between December 2012 and January 2013) that the notices/letters to recover the amount of supervision charges have been issued to the licensees and would be intimated to audit after recovery. AEC, Raisen stated (October 2012) that the supervision charges would be recovered from the licensees and intimated to audit. Further report has not been received (January 2014).

We reported the matter to the Department and the Government in April 2013; their replies have not been received (January 2014).

³⁶ M/s Gold Water Breweries Pvt. Ltd., Malanpur, Bhind, M/s S.G. Distillery Jabalpur, M/s Redson Distillery Ltd. Jabalpur, M/s Som Distillery Pvt. Ltd., Seharganj, Raisen, M/s Som Distillery & Breweries Ltd., Rojrachak, Raisen and M/s Mahakal Distillery Pvt. Ltd., Narwar, Ujjain

³⁷ Bhind, Jabalpur, Raisen and Ujjain.

³⁸ M/s Golden Orange Distillers, Borgaon, Chhindwara.

3.13 Loss of excise duty due to short accounting of spirit

According to Rule 4(3) and (37) of MPD Rules, a distiller shall establish his own laboratory within the distillery premises. Samples of every batch of spirit manufactured in the distillery shall be analysed in the laboratory before issue. The samples shall be drawn under the supervision of the Distillery Officer of the distillery. No spirit shall be issued until its quantity and strength have been verified by the Distillery Officer. Further, according to instructions issued by EC (April 1997), the OIC of the distillery shall send the samples of rectified spirit produced once in each quarter for their chemical test to a Department laboratory or a laboratory authorised or approved by the EC.

We observed from the spirit stock register and chemical analysis reports of two distilleries³⁹ of two districts⁴⁰ between March 2012 and March 2013 that 48,65,462.5 Bulk Litre (BL) of spirit was accounted for as 81,03,288.5 Proof Litre (PL) by the licensee. We, however, noticed that the actual quantity of spirit on the basis of chemical analysis report of the Government authorised laboratory as calculated by audit worked out to 81,31,005.59 PL. Thus there was short accountal of spirit of 27,717.15 PL. This resulted in loss of revenue of ₹ 29.60 lakh.

Loss of revenue of ₹ 29.60 lakh due to short accountal of spirit.

After we pointed out the cases, the DEO (Distillery) Rajgarh stated (March 2012) that the difference of strength might have occurred due to having different instruments. We do not agree as accuracy of appliances and the measurement made by distillery were to be checked by the Excise officers. In another case, it was stated (March 2013) that the case would be sent to higher officers for further necessary action. DEO (Distillery) Dhar stated (April 2012) that difference being minor, action would not be taken. We do not agree as EC accepted (August 2013) that chemical analysis report of Government authorised laboratory should be the valid basis for determining the wastages. The DEC and AEC/DEO also did not point out the discrepancy during inspection and thus the internal control mechanism was also rendered ineffective.

We reported the matter to the Department and the Government in April 2013; their replies have not been received (January 2014)

³⁹ M/s Oasis Distillery Ltd., Dhar and M/s Vindhyachal Distillery Pvt., Ltd., Rajgarh.
⁴⁰ Dhar and Rajgarh.

3.14 Non-recovery of transport fee

According to Rule 14 (1) MPFL Rules, the licensee of an F.L.9, FL9A and B-3 (Foreign Liquor/Beer bottling units) and F.L.10A, F.L.10B (Central Godown) may transport foreign liquor to a 'Foreign Liquor Warehouse' for storage there at. For this purpose, he shall obtain a No Objection Certificate (NOC) from the Officer in Charge (OIC) 'Foreign Liquor Warehouse'. Transport permit for the quantity mentioned in the NOC shall be issued by the OIC of the Bottling Units/Godowns. Further, according to the instruction issued by the Excise Commissioner dated 18 January 2012 for granting renewal/allotment of liquor shops through tender for the year 2012-13, transport fee at the rate of ₹ 100 for each NOC and/or transport permit issued shall be charged on transport of foreign liquor other than that where the transport fee has already been prescribed without considering the quantity of foreign liquor to be transported.

We observed from the records related to NOC and transport permits in three AECs⁴¹ and DEO, Shajapur between October 2012 and February 2013 that foreign liquor on 11,162 permits was transported by the licensees of four districts⁴² between April 2012 and February 2013. The transport fee of ₹ 11.16 lakh was, however, not deposited by the licensees. The Department did not take any action to recover the amount and issued the NOC/permits for transportation without

Non-realisation of revenue of ₹ 11.16 lakh due to non recovery of transport fee.

charging any transport fee. The DEC did not see this aspect during their inspection. This resulted in non-realisation of revenue of ₹ 11.16 lakh.

After we pointed out the cases, the AEC Indore in regard to M/s M.P. Beer Products and DEO Shajapur stated (between October 2012 and February 2013) that according to instructions of EC, transport fee was recoverable on NOC or transport permit and the amount was deposited at the time of receipts of NOC. We do not agree as the transport fee was to be deposited separately for issue of NOC and for granting of transport permit. AEC, Indore in regard to M/s Mount Everest Breweries Limited and AEC, Raisen stated (between October 2012 and February 2013) that action for recovery would be taken on receipt of direction from higher offices. AEC, Jabalpur stated that letter had been issued for recovery to the FL-6 licensee and in case of FL-1 and FL-7 licensees, audit would be intimated after recovery of the amount from the concerned licensees at the earliest. AEC, Indore stated (February 2013) in regard to other licensees that the audit would be intimated after recovery from the concerned licensees. Further report has not been received (January 2014).

We reported the matter to the Department and the Government in April 2013; their replies have not been received (January 2014).

⁴¹ AEC Indore, Jabalpur and Raisen.

⁴² Indore, Jabalpur, Raisen and Shajapur.