

Chapter-III State Excise

3.1 Tax administration

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 EC (Addl. EC), three Deputy Excise Commissioner (DEC) at the headquarter at Gwalior, seven DEC divisional flying squad in divisions, 15 Assistant Excise Commissioners (AEC) and 54 District Excise Officers (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.

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.

3.2 Internal Audit

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 following **Table-3.1**.

Table - 3.1

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
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
2013-14	35	08	27	77.14	41	00	311

The Department stated (September 2014) that the shortfall in conducting internal audit of units with reference to the targeted units as per roster in the year 2013-14 was due to the deployment of staff in Legislative Assembly Election.

3.3 Results of audit

Test check of the records of 37 units, out of 61 units, relating to State Excise receipts during the year 2013-14 revealed short/non realisation, non levy of

penalty and loss of revenue etc. amounting to ₹ 361.90 crore in 66,035 cases which can be categorised in the following **Table-3.2**.

Table - 3.2

			(₹ in crore)
Sl. No.	Categories	No. of cases	Amount
1	2	3	4
1.	Undue benefit given to the retail licensees	2,812	39.83
2.	Non realisation of duty in case of non receipt of verification report	3,940	30.10
3.	Non levy of penalty/duty on excess wastage of spirit/liquor	14,059	20.51
4.	Non/ short realisation of license fee from liquor shops	04	0.13
5.	Irregular issue of country/foreign liquor	102	4.69
6.	Non levy of penalty due to breach of license conditions	3,602	6.97
7.	Other observations	41,516	259.67
Total		66,035	361.90

During the course of the year, the Department accepted short/ non realisation, non levy of penalty and loss of revenue etc. of ₹ 180.99 crore in 38,689 cases, which were pointed out in audit during the year 2013-14. An amount of ₹ 1.49 crore was realised in 406 cases during the year 2013-14.

A few illustrative audit observations involving ₹ 60.43 crore in 28,096 cases are mentioned in the following paragraphs:

3.4 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 similar omissions are pointed out in earlier Audit Reports. The nature of lapses/irregularities are still persisting which shows ineffectiveness of the Internal Control System of the Department to prevent recurring leakage of revenue.

3.5 Undue benefit given to the retail licensees by the Department

The condition for sale of liquor through shops for the year 2012-13 issued by the EC under notification dated 03 February 2012 provides that annual value of a liquor shop shall be the sum of Basic License Fee (BLF) and Annual License Fee (ALF). The BLF shall be fixed between 55 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 while issue of liquor will not be admissible on the amount paid by the licensee as BLF. Further, if a licensee purchases the 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, on deposit of complete BLF prescribed for the year, there is no need to deposit additional BLF for issue of liquor to the concerned shop in the remaining period. The liquor may be issued only against the deposit of duty.

We observed (August 2013) from returns submitted by DECs in the EC office that ALF for 2103 country liquor and 709 foreign liquor shops in 34 districts¹ for the year 2012-13 was ₹ 1,230.04 crore. The licensees had purchased the liquor by depositing duty of ₹ 1,262.98 crore, which was in excess of ALF fixed for the shops by ₹ 32.94 crore. In these cases the duty deposited in excess of amount of ALF was accumulated instead of adjusting the same simultaneously in the ALF of subsequent fortnightly period and the licensees were allowed to lift the liquor against total amount deposited by the licensees as duty and finally adjusted against their ALF from the starting monthly installment. As no such adjustment of duty was provided in the conditions for sale of liquor, the portion of BLF of ₹ 40.26 crore treating the BLF at minimum rate of 55 *per cent* was also to be deposited. We observed that ₹ 43.10 lakh only was deposited by the licensees as BLF. The Department did not take any action to recover the remaining amount of BLF. This resulted in undue benefit to the retail licensees as well as short realisation of BLF of ₹ 39.83 crore.

After we pointed out the cases (August 2013), the EC stated (November 2013), that under the policy prescribed by the Government, there is a 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

¹ Alirajpur, Barwani, Betul, Bhind, Bhopal, Burhanpur, Chhindwara, Damoh, Datia, Dewas, Dhar, Dindori, Gwalior, Indore, Jabalpur, Jhabua, Katni, Khandwa, Khargon, Mandala, Mandasaur, Morena, Narsinghpur, Rajgarh, Ratlam, Sagar, Satna, Seoni, Shajapur, Sheopur, Shivpuri, Tikamgarh, Ujjain and Vidisha

BLF. We do not agree with the reply because the issuance of liquor is allowed only on deposit of complete BLF prescribed for the year. In these cases, licensees were allowed to purchase the liquor against the excess of prescribed amount of ALF for a fortnight without depositing of proportionate BLF from the first fortnightly installment, which was irregular and led to undue benefit to retail licensees of ₹ 39.83 crore.

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

3.6 Non recovery of excise duty on unacknowledged foreign liquor/beer and country liquor

The Excise Act and the Rules made thereunder provide that no intoxicant shall be exported/transported from any distillery, brewery, warehouse or any other place of storage unless the licensee deposits the prescribed duty leviable on the full quantity of the intoxicant to be transported/exported or furnishes a bank guarantee of an equal amount or executes a bond with adequate solvent sureties for the amount mentioned in form FL- 23/CS-10. Besides, the licensee shall obtain an Excise Verification Certificate (EVC) from the Officer-In-Charge (OIC) of the destination unit and furnish to the authority, who issues the transport/export permit, within 40 days of the expiry of validity period of the permit. In case of default, the duty involved shall be recovered from the deposit made, bank guarantee furnished or the security bond executed by the licensee. Further, the Government vide notification dated 29 September 2010, provided that if the EVC is submitted after the stipulated 40 days time period, the recovered duty shall be refunded to the exporter after due verification.

We observed from the export/transport permits registers and EVCs received registers in six bottling units² of foreign liquor (Foreign liquor bottling license FL-9), four breweries³ (Brewery/Winery license B-3), two country liquor bottling units (CS-1B)⁴ and two central godown of outside manufacture⁵ (Outside manufacturer's central godown license FL-10A) of seven districts⁶ between May 2013 and March 2014 that the licensees Exported/ transported 10,83,414.92 PL foreign liquor (spirit), 8,60,755.00 bulk litre (BL) beer and 1,70,144.5 proof litre (PL) of country liquor on 565 permits between December 2011 and January 2014 involving duty of ₹ 14.41 crore. It was noticed that in violation of the provision, the Department issued the Export/transport permits without recovering the prescribed duty or without obtaining sufficient bank guarantee/ executing bond with adequate solvent sureties for the amount of duty involved. It was further noticed that though the EVC from the OICs of the destination units were not submitted by the licensee even after a lapse of three to 877 days beyond the permissible period, the Department did not initiate any

² M/s United Sprit Ltd., Sarver, Bhopal, M/s United Sprit Ltd., Govindpura, Bhopal, M/s Oasis Distillery Ltd., Dhar, M/s Cox India Ltd., Nowgaon, Chhatarpur, M/s Som Distillery Pvt., Ltd., Sehatganj, Raisen and M/s Som Distillery & Breweries Ltd., Rojrachak, Raisen

³ M/s Jagpin Breweries Ltd., Nowgaon, Chhatarpur, M/s MP Beer Products Ltd., Indore, M/s Submiller India Ltd., Banmore, Morena and M/s Som Distillery & Breweries Ltd., Rojrachak, Raisen

⁴ License of country spirit bottling-M/s Cox India Ltd., Nowgaon, Chhatarpur, M/s Som Distillery Pvt., Ltd., Sehatganj, Raisen

⁵ M/s Bhatia Wine Traders Pvt., Ltd., Jabalpur and M/s United Sprit Ltd., Sarver, Bhopal

⁶ Bhopal, Chhatarpur, Dhar, Indore, Jabalpur, Morena and Raisen

action for recovery of duty. This resulted in non-realisation of duty of ₹ 14.41 crore. It was further seen that no action was taken by the Department for imposition of penalty for violation of the Rules.

After we pointed out the cases (between May 2013 and Mar 2014), DEO Distillery, Raisen stated (February 2014) that the records were seized by Damoh Police from Dewas warehouse. The other AECs/ DEO stated that the excise verification certificates would be submitted after their receipt.

We do not agree with the replies as sufficient Bank Guarantee/Bonds with solvent sureties were not obtained before allowing the export/transport of liquor. Besides, the reply do not explain as to why the export/transport was allowed without payment of duty/without executing bond with solvent security/without obtaining bank guarantee and why action to recover the duty was not initiated.

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

3.7 Non recovery of penalty

Excise Act, 1915 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 Tehsildar 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 Tehsildar.

During test check of the records (statement of excise duty due in district) of the EC office in June 2013, we observed that penalty of ₹ 3.75 crore was imposed on six manufacturers⁷ by six DEC⁸, divisional flying squad in 70 cases of excess wastages of liquor and in one case by Collector, Dhar during the period between February 2010 and May 2012. Further, we noticed that the amount of ₹ 62000 only was recovered in one case of Khargone district leaving balance amount of ₹ 3.75 crore unrecovered in 70 cases, till the date of audit (June 2013). We also observed that respective AECs/DECs did not take any action to recover the dues as arrear of land revenue. As such, the penalty of ₹ 3.75 crore has not been imposed.

After we pointed out the cases (June 2013), the EC stated in respect of 56 cases in August 2013, that the respective DEC⁸s have been asked to recover the penalty and in remaining 15 cases, it was stated as pending in court of EC. We do not agree with reply of EC in respect of 15 cases because as per letter of EC vide No./Reader/ EC/12/488 Gwalior dated 22.10.2012, all the stay for recovery were vacated and respective DEC⁸s were directed to recover the penalty. Action to recover the dues was therefore required to be taken.

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

⁷ M/s Associate Alcohol & Breweries Ltd., Khargone, , M/s Som Distillery Pvt., Ltd., Shehatganj, Raisen, M/s Cox India Ltd., Nowgaon, Chhatarpur, M/s Great Galleon Ltd., Sejwaya, Dhar, M/s Gwalior Distillers Ltd., Rairu, Gwalior and M/s Oasis Distillery Ltd., Dhar

⁸ Bhopal, Gwalior, Indore, Jabalpur, Sagar and Ujjain

3.8 Non-realisation of excise duty due to non-disposal of spirit and foreign liquor

The MPFL Rules, 1996 provides that on expiry, non renewal and cancellation of license or labels, the licensee shall place the entire stock of liquor under the control of the DEO. However, he can be permitted to dispose of such stock to any other licensee within 30 days of such expiry, non-renewal and cancellation of license or labels, failing which the EC may ask any other eligible licensee of the State to purchase such stock or may issue orders for the disposal of the stock through destruction etc.

Test check of the stock registers of foreign liquor/spirit of two foreign liquor bottling units⁹ in Jabalpur district and foreign liquor warehouse (FLWH) Indore between December 2013 and January 2014, we observed that stock of 24,221.75 PL of bottled foreign liquor and 50,592.1 PL of Extra Neutral Alcohol (ENA) involving duty of ₹ 71.96 lakh was lying undisposed in the FLWH and the bottling units on expiry of the licenses of manufacturing units/non-renewal of labels of liquor, even after lapse of period up to nine months. The OICs of these units did not initiate any action for disposal of the stock. This resulted in non-realisation of duty of ₹ 71.96 lakh.

After we pointed out the cases, the OIC, FLWH Indore and AEC Jabalpur, stated between December 2013 and January 2014 that the cases would be sent to the EC for necessary action and progress intimated to audit. Further report in the matter has not been received (May 2014).

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

3.9 Non levy of penalty on shortage of spirit and foreign liquor/beer

Excise Act, 1915 and Rules made thereunder do not provide for any allowance on shortage of spirit and bottled foreign liquor/beer stocked with licensed premises of manufacturer and foreign liquor warehouse. On such deficiencies, 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.

During the test check of beer bottling registers of M/S Submiller India Ltd. Banmore in October 2013, we observed that 1,61,204.36 Bulk Liter (BL) beer was bottled in four batches between December 2012 and January 2013 against which only 29,156.4 BL was found accounted for in the stock register. Thus, there was short account of 1,32,047.96 BL or beer. The reasons for the shortage were also not found on records. Penalty of ₹ 37.35 lakh was leviable in these cases. We however, noticed that the Officer In-charge (OIC) did not inform the higher authorities and also did not initiate any action regarding levy of penalty.

Besides, we also observed from the records of three foreign liquor bottling units¹⁰ and foreign liquor warehouse (FLWH) Indore between December 2013 and February 2014 that 1,340.5 PL of ENA, 1,322.17 PL of bottled foreign

⁹ M/s SG Distillery Pvt. Ltd., Jabalpur and M/s Redsan Distillery Pvt. Ltd., Jabalpur

¹⁰ M/s Mahakal Distillery Pvt. Ltd., Ujjain, M/s SG Distillery, Jabalpur and M/s Som Distillery Pvt. Ltd., Shehatganj, Raisen

liquor and 58.01 BL of beer was short in physical verification of stock conducted between November 2012 and January 2014 by the OICs. In Mahakal distillery, Ujjain, 101.7 PL of foreign liquor was short in stock (November 2013). Penalty of ₹ 2.65 lakh was to be imposed on these shortages. We however, noticed that the OICs did not initiate action regarding levy of penalty. This resulted in non-imposition/realisation of penalty of ₹ 40 lakh.

After being pointed out by audit, AEC Jabalpur and Ujjain had forwarded the cases to DEC for imposition of penalty between December 2013 and February 2014 respectively. DEO Distillery, Raisen district stated in February 2014, that the shortage was due to an accident for which the case has been sent to DEC for disposal in January 2014. OIC FLWH, Indore stated, in January 2014, that action for imposition of penalty and recovery was being taken. DEO Brewery stated in October 2013, that audit would be intimated after verification of records.

We do not agree with the replies of AECs and DEOs as neither First Investigation Report (FIR) was lodged by the Department against the shortage of stores nor it initiated action for imposition of penalty. Further reports have not been received (May 2014).

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

3.10 Non levy of penalty on excess wastages/shortage

3.10.1 Non levy of penalty on excess wastages/shortage of spirit/country liquor

Rule 10 and 12 (6) of MPCs Rules, 1995 provides for maximum allowance of 0.1 *per cent* in pet bottle and 0.25 *per cent* in glass bottle on wastages during transport of bottled country liquor. Rules 6(4) and 8(4) of MPD Rules 1995 provides for allowance 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 wastages beyond the permissible limit or shortage, the licensee shall be liable to pay penalty at the rate prescribed by the Government from time to time.

We observed from Excise Verification Certificates (EVC) of country liquor bottling units and warehouses of four AECs' offices¹¹ between October 2013 and March 2014 that minimum penalty of ₹ 31.20 lakh was leviable in 578 cases on wastages of 14,258.95 PL of bottled country liquor beyond permissible limit during transport from three bottling units¹² to seven warehouses¹³ and shortage of 5,976.0 PL in one bottling unit¹⁴ in February 2014. We, however, noticed that no action was initiated by the OICs of these units regarding levy of penalty. This resulted in non-levy/realisation of penalty of ₹ 31.20 lakh. Further, we observed from D-19 registers and EVCs in one distillery¹⁵, one country

¹¹ Chhatarpur, Jabalpur, Morena and Raisen

¹² M/s Cox India Ltd., Nowgaon, Chhatarpur, M/s Gwalior Alcobrew Pvt. Ltd., Gwalior and M/s Som Distillery Pvt. Ltd., Sehaganj, Raisen

¹³ Ambah, Chhatarpur, Jabalpur, Morena, Nowgaon, Sabalgarh, and Vidisha

¹⁴ M/s Som distillery Pvt. Ltd. Sehaganj, Raisen

¹⁵ Som Distillery Pvt. Ltd. Sehaganj, Raisen

liquor bottling unit¹⁶ and one foreign liquor bottling unit¹⁷ of two districts¹⁸ between February and March 2014, that the inadmissible wastages/ shortages of 306.87 PL of Rectified Spirit (RS) and 352.74 PL of Extra Neutral Alcohol (ENA) was found in 27 cases during transport between August 2011 and December 2013. Penalty of ₹ 0.66 lakh was leviable in these cases. We however, noticed that no action was initiated in this regard. Thus, total amount of penalty leviable works out to ₹ 31.86 lakh which was not levied and recovered by the Department. This resulted in non-realisation of penalty of ₹ 31.86 lakh.

After we pointed this out (between October 2013 and March 2014), the AEC Raisen stated that amount would be deposited. The AECs Morena and Chhatarpur stated that the cases have been sent to competent authority for imposition of penalty. The AEC Jabalpur stated that cases are pending in DEC office for necessary action. DEO distillery, Sehatganj, stated in February 2014 that the case has been sent to the competent authority for disposal and in respect of wastages of bottled country liquor he stated that the case of 211.5 PL has been sent to competent authority. We do not agree with the reply because 6,187.5 PL of country liquor was sent from unit of which action was taken on wastages of only 211.5 PL and the remaining 5,976 PL had not been accounted for on which penalty was leviable. Further reports have not been received (May 2014).

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

3.10.2 Non levy of penalty on excess wastage of foreign liquor/beer during export /transport

Rule 16 and 19 of MPFL Rules, 1996 provides that the maximum wastages allowance for all export 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 district. In case of wastage beyond the permissible limit, the licensee shall be liable to pay penalty at the rate prescribed by the Government time to time.

We observed from Excise Verification Certificates (EVC) of one foreign liquor bottling unit¹⁹ (FL-9), three breweries²⁰ (B-3), two foreign liquor warehouses²¹ (FLWH) and one CSD²² (FL-6) licensees of four districts²³ between October 2013 and February 2014 that the wastages of 2,911.77 PL of foreign liquor (Spirit) and 95,728.39 BL of beer was found in excess of the admissible limit during export/transport between October 2013 and February 2014 in 1,860 cases on which penalty of ₹ 27.92 lakh was leviable from licensees but has not

¹⁶ M/s Cox India Ltd. Nowgaon, Chhatarpur

¹⁷ M/s Som Distillery & Breweries Ltd. Rojrachak, Raisen

¹⁸ Chhatarpur and Raisen

¹⁹ M/s Som Distillery & Breweries Ltd. Rojrachak, Raisen

²⁰ M/s Mount Everest Breweries Ltd. Indore, M/s Sub Miller India Ltd. Morena and M/s Som Distillery & Breweries Ltd. Rojrachak, Raisen

²¹ Indore and Jabalpur

²² Canteen Store Department, Jabalpur

²³ Indore, Jabalpur, Morena and Raisen

been imposed and recovered by the Department. This resulted in non realisation of penalty of ₹ 27.92 lakh.

After we pointed out the cases (between December 2013 and April 2014), AEC Raisen stated (February 2014) that penalty on all cases of excess wastages except one case would be recovered and in respect of one case he stated that stock was returned in unit which was accounted for in B-12 (Stock and issue register) register. We do not agree because in the instant case 10,920 BL of beer was exported against which only 4,570.8 BL was accounted. Neither any action was initiated for levy of penalty on shortages/wastages of 6,349.2 BL (10,920-4,570.8) nor any comments offered by the Department regarding short account of beer. OIC, FLWH Indore stated (January 2014) that action of imposition of penalty and recovery is in progress, OIC, FLWH Jabalpur stated (December 2013), that audit would be informed after recovery, AEC, Morena stated (October 2013), that all cases from April 2012 to March 2013 were pending with DEC, Gwalior for imposition of penalty and cases from April 2013 to July 2013 would be sent to competent authority. The AEC, Indore stated (January 2014) that penalty would be recovered after its imposition. Further reports in the matter have not been received (May 2014).

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

3.11 Non recovery of transport/import fee

3.11.1 Non recovery of transport fee on transport of country liquor

The notification dated 01 April 2011 issued by the Madhya Pradesh Government, provides for levy of transport/import fee of ₹ 2.50 per BL on transport/import of Rectified Spirit (RS) to be used for industrial purpose. Further, Government vide notification dated 04 February 2014 prescribed transport fee at the rate of ₹ 2.50 per BL on transport of RS outside the distillery premises within the State for manufacture of country liquor.

We observed from records related to No Objection Certificates (NOCs) and transport/import permits in four AECs²⁴ between May 2013 and February 2014 that 8,59,816.2 BL of RS/ENA were transported on 119 NOCs/transport permits and 37,000 BL of RS was imported on 5 import permits for industrial purpose by the L-2 (Laboratory license for manufacturing against drugs) licensees of three districts²⁵ between April 2011 and February 2014. As per above notification transport/import fee of ₹ 22.42 lakh was leviable on these transport/import. We, however, observed that neither it was deposited by the licensees nor did Department take any action to recover the amount. The NOCs and transport/import permits for transport/import were issued without charging any transport/import fee. Besides, during test check of the records of M/s Som Distillery Pvt. Ltd., Sehatganj, Raisen in February 2014, we observed that 1,52,000 BL of RS was transported on 08 permits to two country liquor bottling units (CS-1B)²⁶ for manufacture of country liquor in February 2014. The transport fee of ₹ 3.80 lakh was chargeable on the transport. We however,

²⁴ Dhar, Khargone, Indore and Raisen

²⁵ Burhanpur, Indore, and Raisen

²⁶ Som Distillery Pvt. Ltd. Sehatganj, Chhindwara and M/s Vindhyachal Distillery, Rajgarh

noticed that neither it was deposited by the licensee nor was it demanded by the Department. This resulted in non realisation of revenue of ₹ 26.22 lakh²⁷.

After we pointed out the cases (between May 2013 and February 2014), The AEC Raisen, stated (February 2014) that an amount of ₹ two lakh has been recovered. The AEC, Dhar, stated (May 2013) in respect of M/s Great Galleon, Ltd. Dhar, that a letter is being issued to AEC Indore for recovery from the related licensees. Further, in respect of M/s Oasis distillery, Dhar, he stated that transport fee was deposited as per Rules. We do not agree as ₹ 50 only were deposited by the licensee out of ₹ 0.50 lakh and in respect of M/s Agrawal Distillery Pvt. Ltd., Khargone, DEO stated in May 2013, that action for recovery would be taken as per rules. DEO distillery, Sehatganj, Raisen stated in February 2014, that notice would be issued to distillery for recovery. Further report in the matter has not been received (May 2014).

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

3.11.2 Non recovery of transport fee on transport of foreign liquor/beer

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 of foreign liquor to a 'Foreign Liquor Warehouse (FLWH)' for storage there at. For this purpose, he shall obtain a No Objection Certificate (NOC) from the OIC, FLWH. Transport permit for the transport shall be issued by the OIC of the bottling units/godowns. Further, according to the instruction issued by the EC dated 18 January 2012 for granting renewal/allotment of liquor shops through tender for the year 2012-13, the 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 prescribed without considering the quantity of foreign liquor to be transported.

During test check of the records of four AECs²⁸ and DEO Shajapur between May 2013 and February 2014, we observed that foreign liquor on 24702 permits was transported by the 26 licensees of five districts²⁹ between April 2012 and January 2014. The transport fee of ₹ 24.70 lakh was, however, not deposited by the licensees. The Department did not take any action to recover the amount and issued the permits for transportation without charging any transport fee. This resulted in non-realisation of transport fee of ₹ 24.70 lakh.

After we pointed out (between May 2013 and February 2014) the cases, the AEC Bhopal and Dhar stated (May 2013 and June 2013 respectively) that transport fee was recovered by the warehouse officer at the time of issue of NOC. DEO, M/s Som Distillery Pvt. Ltd. Sehatganj, stated (February 2014), that as per license the amount of ₹ 100 per NOC was deposited. We do not agree as the transport fee was to be deposited separately for issue of NOC and also for granting of transport permit. AEC, Indore stated (January 2014), that audit would be intimated after recovery of the amount on receipt of direction from higher office. AEC, Raisen stated (February 2014), in respect of M/s Som Distillery & Breweries Ltd. Rojrachak, that action would be taken for recovery

²⁷ Transport/import fee of ₹ 22.42 lakh (on 896816.2 lt RS/ENA@ ₹ 2.5/lt)+ transport fee of ₹ 3.80 lakh (on 152000 lt country liquor@ ₹ 2.5/lt)= ₹ 26.22 lakh

²⁸ Bhopal, Dhar, Indore and Raisen

²⁹ Bhopal, Dhar, Indore, Raisen and Shajapur

and DEO, Shajapur stated (December 2013), that the amount of transport fee would be deposited after examination of records.

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

3.12 Non-levy of penalty for non-maintenance of minimum stock of spirit at distillery

According to MPD Rules, 1995 a distiller is required to maintain the prescribed minimum stock of spirit at the distillery. In the event of failure, the EC may impose a penalty not exceeding one rupee per bulk litre on the quantity found short of the minimum prescribed stock irrespective of the fact whether any loss has actually been caused to the Government or not. The distillery officer is required to submit the cases of shortage of spirit against the prescribed quantity to EC in each quarter for levy of penalty and effective monitoring of such cases.

Test check of the records of M/S Agrawal Distillery Pvt. Ltd. Barwaha, Khargone in May 2013, indicated that the distiller did not maintain the prescribed minimum stock of spirit on 90 occasions between June 2012 and April 2013. The DEO distillery, however, failed to submit the cases to the EC for levy of penalty on spirit found short of the minimum prescribed stock of 1914199 BL. This resulted in non-imposition of penalty of ₹ 19.14 lakh.

After the case was pointed out, the DEO Distillery, stated (May 2013) that the case of non-maintenance of minimum stock would be sent to the EC for necessary action.

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