

CHAPTER VI

Management of Narcotic substances (Department of Revenue)

6.1 Introduction

The use of opium in the country could be traced back as far as 1000 AD where it finds mention in ancient texts such as *Dhanvantari Nighantu* as a remedy for variety of ailments. During Emperor Akbar's reign (1543-1605) opium was cultivated extensively in the Malwa (Madhya Pradesh) and Mewar (Rajasthan) regions. During the reign of British East India Company, collection of revenue from opium was made part of fiscal policy and various opium agencies such as the Bengal, Benares, Bihar, Malwa Agencies were formed over time. Prior to 1950, the administration of the Narcotics Laws, namely, the Opium Act of 1857 & 1878 and the Dangerous Drugs Act, 1930 vested with the Provincial Government. The amalgamation of these Agencies laid the foundation of the Opium Department in November, 1950 which is presently known as Central Bureau of Narcotics (CBN). The CBN Headquarters was shifted from Shimla to Gwalior in 1960.

In India, opium poppy cultivation is prohibited, under Section 8 of the Narcotics Drugs and Psychotropic Substances (NDPS) Act, 1985, except under a license issued by the Central Bureau of Narcotics. At present, the licit opium cultivation is permitted by the Government of India in selected tracts in three traditionally opium growing States namely Madhya Pradesh, Uttar Pradesh and Rajasthan. As a signatory to the United Nations Single Convention on Narcotics Drugs, 1961 and as a licit producer of opium, India is required to adhere to the regulations under the said convention. The NDPS Act 1985 was amended twice in 1989 and 2001. The NDPS (Amendment) Act 2011, passed on 21 February 2014, aimed at ensuring availability of essential opioid medicines for medical use and private sector involvement.

6.2 Organizational set-up

Narcotics Commissioner, CBN reports to the Additional Secretary (Revenue), Narcotic Control Division (NCD), Department of Revenue (DoR) for all operational matters (**Appendix 26**). For administrative, personnel and vigilance issues it is under the Central Board of Excise and Customs. The opium collected from the farmers by the CBN is sent to Government Opium and Alkaloid Works (GOAW) Neemuch and Ghazipur which are under the control of the Chief Controller of Factories (CCF) under the NCD (DoR).

6.3 Scope of Audit

The scope of this audit is to scrutinize the records for the period from 2010-11 to 2012-13. It involves scrutiny of records of Narcotics Commissioner, Central Bureau of Narcotics, Gwalior and its field formations along with its linkages with Government Opium and Alkaloid Works (GOAW) and Narcotic Control Division

(DoR) for cultivation, production, possession, storage, sale, consumption, import and export of opium and its derivatives.

6.4 Audit Criteria

The audit was conducted with reference to the criteria derived from the following source documents:

- NDPS Act, 1985; NDPS (Amendment) Acts 1989, 2001, 2011.
- NDPS (Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances) Act, 1988
- National policy on Narcotic drugs and Psychotropic Substances.
- Notifications/Circulars/Instructions issued by the Ministry of Finance for regulation of CBN activities and by CBN for managing its activities.
- Results framework document of CBN (a Responsibility Center of DoR).
- Annual report 2012-13 of Department of Revenue (DoR), Narcotics Control Bureau (Ministry of Home Affairs).

6.5 Sanctioned Strength and Persons-in-position

The sanctioned strength and Persons-in-position of office of the Central Bureau of Narcotics, Gwalior and Chief Controller of Factories (common cadre) is as under:

Sl. No.	Name of post	Sanctioned Strength		Persons-in-Position		Vacancy			
		CBN	CCF	CBN	CCF	CBN	%	CCF	%
1.	Group 'A'	16	3	8	2	8	50	1	33
2.	Group 'B'	57	10	49	7	8	14	3	30
3.	Group 'C'	640	145	280	52	360	56	93	64
4.	Group 'C' earlier Group 'D'	494	77	184	31	310	63	46	60
Total		1207	235	521	92	686		143	

There are huge vacancies both in the CBN and CCF's organization. Government may institute a special drive to fill the vacancy so that the NDPS Act is properly implemented.

6.6 Functions and Responsibilities of Narcotic Control Division (DOR) and CBN

The functions and responsibilities of CBN stretches from control over different stages of opium cultivation to its procurement, quantity and quality control of opium, issuing licenses to drug manufacturers, prevention, enforcement and export-import of psychotropic drugs. The major functions and responsibilities of CBN are given below while the audit findings in paragraphs 7 and 8 summarises the examination of these aspects.

6.7 Opium poppy cultivation and control process

The control mechanism is exercised by the Central Government over opium poppy cultivation which is carried out in terms of the provisions under the NDPS

Act and Rules, 1985 made thereunder. The actual control mechanism adopted by CBN is aimed at strict control over the activities of the cultivation right from the stage of issue of licence till final collection of opium. The following timeline is followed for opium crop cycle:

1.	Finalization of opium policy	August-September
2.	Issue of licenses to cultivate opium poppy	October
3.	Sowing period	October-November
4.	Measurement of fields by range officer	Mid December – Mid January
5.	Test measurement of poppy fields by senior officers	Mid January – 2 nd week of February
6.	Lancing & collection of opium and checking of Preliminary Weighment Register	Mid February – 3 rd week of March
7.	Uprooting of unlanced damaged crop	On receipt of applications
8.	Weighment Operation (collection of opium and 90% payment to cultivators based on provisional analysis)	April 1 st week – April end
9.	Analysis of Opium in Government Factories and updating of records for calculation of Average Yield and balance payment due to cultivators	May to end of 3 rd week of July

6.8 Issue of manufacturing licence of Narcotic Drugs

According to Rule 37 of the NDPS Rules, 1985, the manufacture of drugs notified under sub-clause (b) of clause (xi) of section 2 of the Act is prohibited save under and in accordance with the condition of licence granted by the Narcotics Commissioner or such other officer as may be authorised by the Central Government in this behalf, in Form No. 3 appended to these rules. A fee of Rupees five thousand only (from 13 July 2010) shall be payable in advance to the Central Government for each licence issued under this rule for renewal thereof.

The manufacture of Narcotic drugs is governed by estimate system. While allowing the manufacturing licence, it is ensured that the total quantity of drug allowed to be manufactured during any year does not exceed the annual estimated requirements of India as furnished and subsequently published by the International Narcotics Control Board, Vienna, Austria.

Details of manufacturing licences issued/renewed for synthetic manufactured Narcotics drugs are as under:

Year	No. of manufacturing Licences issued/renewed	Fee realized (in ₹)
2011	25	125000
2012	46	230000
2013	47	285000 ¹⁶
Total	118	590000

6.9 Issue of Export Authorizations and Import Certificate

Being signatory to the three UN Conventions on drugs held in the year 1961, 1971 and 1988, India has made enabling provisions in the NDPS Act, 1985 for control over narcotic drugs and psychotropic substances and precursor

¹⁶ 57 applications were received against which 47 licences were issued and rest were disposed of.

chemicals. The CBN is performing the function of the Competent National Authority for control over international trade of NDPS as provided for in the NDPS Act 1985. These provisions prohibit import and export of these drugs unless an Import Certificate or Export Authorization has been issued by the Narcotics Commissioner.

The CBN issues certificates for Export/ Import of Narcotic Drugs & Psychotropic Substances and issue 'No Objection Certificate' for import/export of precursor chemicals dealing with narcotic drugs, psychotropic substances and chemicals/substances used for manufacture of these drugs.

The import and export of Narcotic Drugs and Psychotropic Substances are governed by estimate system. While allowing Import Certificate/Export Authorisation, it is ensured that the estimated requirement of a particular narcotic drug and psychotropic substance does not exceed the requirement in respect of India. Such import certificates are granted subject to condition that the importer will submit the import details immediately after affecting import and any kind of amendment as well as extension in validity of Export Authorisation would not be allowed.

Any narcotic drugs or psychotropic substances can be imported into/exported out of the country subject to Rule 53 and Rule 53-A of the NDPS Rules, 1985. According to Rule 54 and 58 of the NDPS Rules, 1985 Import certificate/Export Authorisation is issued unless a fee of ₹ 1000 (Rupees One Thousand only) has been paid.

During last three years Export authorizations and Import Certificates had been issued for Export/Import of narcotic drugs and psychotropic substances as under:

Year	Narcotic Drugs		Psychotropic Substances		Fee realized (Lakh ₹.)
	Export Authorization	Import Certificate	Export Authorization	Import Certificate	
2011	142	98	2090	150	24.80
2012	119	122	2182	232	26.55
2013	117	88	2059	281	25.45
Total	378	308	6331	663	76.80

6.10 Issue of No Objection Certificates for export and import of precursor chemical

The exports of Precursor Chemicals are governed by System of Pre-Export Notification (PEN). CBN uses a system of PEN to verify the genuineness of the transaction and to notify the Competent Authority of the importing and transshipping country of the impending export. Such NOCs are allowed by the Central Bureau of Narcotics subject to following conditions:-

- a. Any kind of amendment as well as extension in validity of Export Authorisation would not be allowed.

- b. The shipment should be made in one consignment within the validity of the NOC.
- c. The exporters are required to submit export details immediately after effecting export.

The total number of 'No Objection Certificate' issued for import/export of precursor chemicals during the period 2010-11 to 2012-13 and fee/revenue realized as under:

Year	No. of NOC issued	Fee realized @ ₹ 560/-
2011	1551	8,68,560
2012	1343	7,52,080
2013	1469	2,29,040
Total	4363	18,49,680

6.11 Import of opium seeds

Import of opium seeds is allowed subject to the following conditions:

- i. Import is permitted only from Australia, Austria, France, China, Hungary, the Netherlands, Poland, Slovenia, Spain, Turkey and Czech republic;
- ii. The importer shall produce an appropriate certificate from the competent authority of the exporting country that the Opium Poppy have been grown licitly/legally in that country as per requirement of International Narcotics Control Bureau; and
- iii. All import contracts shall be compulsorily registered with the Narcotics Commissioner, Gwalior prior to import.

During last three years issue of registration for import of poppy seeds are as under:

Years	No. of issue of registration for import of poppy seeds	Import of poppy seed in MT	Purpose of import of poppy seeds
2010-11	313	17074	Trading
2011-12	386	23578	Trading
2012-13	407	10381	Trading
Total	1106	51033	Trading

6.12 Allocation of quota of narcotic drugs to pharmaceutical companies

The CBN has started the work of Quota allocation of narcotic drug to the consuming companies only from the year 2010. Accordingly, the requisite details for the years from 2011 to 2013 are given as under:

Sl. No	Name of Drugs	2011		2012		2013	
		Total No. of Companies	₹ Allotted (In ₹)	Total No. of Companies	₹ Allotted (In ₹)	Total No. of companies	₹ Allotted (In ₹)
1	Codeine	175	68577	139	56004	118	58947.970
2	Dextropropoxyphene	49	176199	45	172125	34	154354.500

Sl. No	Name of Drugs	2011		2012		2013	
		Total No. of Companies	₹ Allotted (In ₹)	Total No. of Companies	₹ Allotted (In ₹)	Total No. of companies	₹ Allotted (In ₹)
3	Diphenoxylate	21	22994	22	23356	18	17410.810
4	Ethylmorphine	6	527	5	436	5	251.100
5	Fentanyl	16	2.5207	15	3.40404	16	2272.433
6	Opium	52	4085.500	43	4579.50	51	4719.500
7	Morphine	20	280	21	310	19	263.670
8	Oxycodone	4	13.520	4	6	2	0.425
9	Pethedine	6	171.390	8	130	6	54.814
10	Pholcodine	10	295	14	387	10	447
11	Sufentanil	0	0	0	0	0	0
12	Thebaine	7	890.650	7	841	8	1345
13	Dihydrocodeine	1	733	1	917	4	1005.696
14	Hydrocodone	2	0.477	2	0.305	5	6.250
15	Methadone	1	4.5	2	6.4	4	111.150
16	Cannabis	-	-	1	44.700	0	0

Every pharmaceutical Company is required to deposit processing fee of ₹ 50 (Rupees Fifty only). Amount of processing fees collected during the period 2011 to 2013 are as under:

Year	No. of DD @ ₹50 each	Total Amount (₹)
2011	552 x 50	27,600
2012	499 x 50	24,950
2013	395 x 50	25,430 ¹⁷

Estimated cost (2007) of poppy cultivation per hectare in India is as follows:

Sl. No.	Expenditure in ₹	Madhya Pradesh	Rajasthan	Uttar Pradesh
1.	Land Revenue & Taxes	10	25	12
2.	Cost of Ploughing the field	500	200	560
3.	Cost of Manure	2000	1200	1000
4.	Cost of Fertilizers	800	250	300
5.	Cost of spreading manure and fertilizers	250	120	60
6.	Preparation of field/water channels	250	70	200
7.	Cost of seed used	260	260	300
8.	Cost of watering	2000	1000	400
9.	Cost of weeding out and loosening	1250	1860	1500
10.	Lancing of the capsules and collection of opium	2500	4500	2500
11.	Cost of harvesting and threshing of crop	200	100	1000
12.	Any other expenditure	1000	700	500
	Total expenditure	11020	10285	8332

Source: Case study on India's experiences in licensing poppy cultivation for the production of essential medicines – 2007 by Romesh Bhattacharji, Ex Narcotics Commissioner.

¹⁷ Three companies have submitted additional fees draft and the same was deposited in the account (₹ 5680/-)

Estimated earnings from licit cultivation of opium in India indicating economic benefits to the farmers are as follows (2007):

Average yield per hectare	61.21 kg
Total production	427 mt
Cost per kg of fresh opium	USD 32
Cost per kg of dried opium	USD 110
Average gross income from opium per family	USD 1060
No. of persons involved in cultivation	72478
GDP	USD 4156 trillion
Gross profit	To Government of India: USD 41.1 million (2000)

Source: Case study on India's experiences in licensing poppy cultivation for the production of essential medicines – 2007 by Romesh Bhattacharji, Ex Narcotics Commissioner.

6.13. Audit Findings

6.13.1 Performance of the Narcotic Substances management in India

Narcotic Control Division (DoR) through CBN and GOA~~W~~ envisions to secure availability of narcotic drugs for medical and scientific purposes and to prevent and combat trafficking and abuse of drug for the health and welfare of mankind by:

- Ensuring adequate availability of narcotic drugs for medical and scientific purposes;
- Enforcing drug laws with fairness to stop trafficking of drugs;
- Regulating, controlling and monitoring; import-export, utilization and manufacture of narcotic drugs, psychotropic substances and notified precursor chemicals;
- Building up of professional and dedicated workforce by continuous upgradation of skills and for improved organizational efficiency by acquiring ISO 9001.

Commensurate financial, human resources and litigation management information system could not be correlated with success indicators of the objectives of NCD (DoR). Though CBN has a results framework document (RFD) as a responsibility center, NCD (DoR) or CCF (GOA~~W~~) did not have any RFD stating their objectives and measuring their success indicators thereon. There are twenty six functions outlined for CBN. CCF (GOA~~W~~) NCD (DoR) and CBEC have a critical linkage to the CBN for performance of the functions and delivering agreed results as per its RFD. There is no mention of any relationship with Narcotics Control Bureau (NCB) an organization under the administrative control of the Ministry of Home Affairs, established in 1986 under the same NDPS Act, for drug law enforcement and NCB also acts as a nodal agency to coordinate between related agencies. Almost all the roles of NCB overlap with that of CBN.

Turkey, India, Australia, France, Spain and Hungary are the major legal cultivators of opium poppy in the world. Neemuch and Ghazipur GOA~~W~~

produce around 250 kg Morphine. Demand of the same is estimated to surge to 30000-40000 kg a year. Similarly around 15 Tons of Codeine phosphate is produced whereas the requirement is 60 Tons of Codeine per annum. Last demand survey was conducted by the Ministry of Social Justice and Empowerment thirteen years back in 2001.

All India custom data (ICES 1.5) for 2012-13 revealed that imports were made of poppy seeds valued at ₹ 283.40 crore, opium valued at ₹ 134.57 (single import for testing purpose) and codeine phosphate valued at ₹ 0.55 lakh.

During 2012-13 exports were made of codeine phosphate valued at ₹ 24.05 crore, opium valued at ₹ 130.71 crore and poppy seeds valued at ₹ 3.72 crore. This was only 55 percent of the value of imports of corresponding items (poppy seeds). This indicates a huge trade deficit. The trading and demand analysis scenario reveals the untapped potential of opium and its derivatives.

Ministry stated (March 2014) that opium cultivation is a centuries old tradition in India. Since India had been manufacturing and exporting opium even prior to UN Convention of 1961 it was at liberty to export its production. As the opium cultivation has been providing livelihood to thousands of cultivators and is also the source of Government revenue beside being the source of several opiate alkaloids used for medicines, therefore its production was continued.

Ministry's reply may be viewed in the context that more than 50 percent of the opium produced in India is exported. In India a 10 mg¹⁸ tablet of opium derived pain killer costs around USD 0.1. In Latin America the same is almost ten times more expensive. Yield of medicinal components from opium is around 10 percent. In 2012-13, ₹ 130.71 crore worth opium was exported which if converted into medicinal derivative could have made an exponentially higher earning. Thus, DoR lost huge revenue which otherwise could have been earned by optimal use of the existing machinery and augmenting production of refined products in the Government Opium and Alkaloid Works (GOAW) through technological advancements and by involving Indian Drug manufacturers.

Regarding import of opium seeds the Ministry stated (March 2014) that its demand exceeds the quantum which is produced through licit opium cultivation in the country. It was further stated that pursuant to the judgement of the Allahabad High Court the department has framed guidelines for import of poppy seeds and passed such instructions to the Narcotics Commissioner. Though 23591 hectares area was licensed, its utilization fell short by 49 percent. It was also observed from the Annual Reports of NCB that 7276.89 hectares of land was involved in illicit cultivation of poppy which indicated the potential of additional opium cultivation in India. Better management of production of opium through

¹⁸ India's experiences in licensing poppy cultivation for the production of essential medicines, June 2007, Romesh Bhattacharji, Ex- Narcotic Commissioner

lancing process and policy framework to incentivize cultivators and manufacturers could have helped save precious foreign exchange to the tune of ₹ 283.40 crore in buying poppy seeds.

Audit maintained that concerted measures to increase production of poppy seeds could be taken in the NDPS Policy management which could be appropriately taken up with the UN authorities, if necessary.

6.13.2 Ambiguity in the Opium policy

Opium poppy is cultivated strictly in accordance with the General conditions finalized by the Government of India, considering the total requirement of opium as well as keeping in view the imperative need to control diversion of opium produce into illicit channels. Accordingly, these General conditions also include a condition providing for a certain Minimum Qualifying Yield (MQY) of opium produce per hectare, which is required to be tendered by the licensed cultivators, to be eligible for licence during the following crop year. At the time of finalizing the MQY per hectare average yield of opium achieved in that area is also taken into consideration.

Audit examination revealed that the state of Uttar Pradesh was not achieving the average Minimum Qualifying Yield (MQY). The details of last 5 years are as under :

Crop Year	2008-09	2009-10	2010-11	2011-12	2012-13 (Prov.)
Average Yield in kg/Ha (in UP)	40.40	42.93	43.61	35.68	41.64
Minimum Qualifying Yield fixed in kg/Ha. (in UP)	49.00	46.00	49.00	52.00	52.00
Shortfall	8.60	3.07	5.39	16.32	10.36
Shortfall (in %)	17.55%	6.67%	11.00%	31.38%	19.92%

As per the above table, the state of Uttar Pradesh is producing less opium ranging from 6.67 per cent to 31.38 per cent of average Minimum Qualifying Yield during the last 5 years.

Further, it is also revealed that the number of cultivators in Uttar Pradesh whose fields were fully/partially uprooted during the year from 2008-09 to 2012-13 are as under:-

Crop Year	Fully uprooted		Partially uprooted		Total uprooted area (in Ha.)	Total area after test measured (in Ha.)	%age of area uprooted vis-à-vis measure area
	No. of Cultivators	Area in Hectare	No. of Cultivators	Area in Hectare			
2008-09	11	3	2	0	3	-	60.00
2009-10	944	231	44	6	237	273	86.81
2010-11	304	105	241	49	154	259	59.57
2011-12	148	55	71	19	74	102	72.08
2012-13	127	14	80	5	19	25	76.00

The reason for low average yield in Uttar Pradesh indicates that the cultivators are not interested in production of Opium but only in production of poppy seeds which could also be seen from the percentage of opium uprooted in Uttar Pradesh.

Though 23591 hectares area was licensed there was a shortfall of 49 percent in utilization. Thus, on the one hand Government is experiencing 49 percent shortfall in licensed area poppy cultivation and there is no government policy to promote popular poppy seed cultivation, the farmers are utilizing a loophole in the opium cultivation policy through which the farmers cultivate opium without fulfilling the intended purpose of providing opium for medical purposes. This was brought to the notice of the Ministry; their reply was awaited (March 2014).

6.13.3 Anomalies in the Opium policy

The Narcotic Drugs and Psychotropic Substances (NDPS) Act, 1985 was framed taking into account India's obligations under the three UN Drug conventions as well as Article 47 of the Constitution of India. India has signed and ratified these three conventions and has made commitment for prevention of drug abuse and to promote their use for medical and scientific purposes. This Act prohibits, except for medical or scientific purposes, the manufacture, production, trade, use, etc. of narcotic drugs and psychotropic substances:

Audit examination revealed the following deficiencies:

- In Uttar Pradesh, the Central Government notifies 49 tracts in 10 Districts every year where opium cultivation is allowed whereas actual cultivation is found in only 13 tracts of Barabanki District.
- The 'Minimum Qualifying Yield (MQY)' of opium for the next crop year in the state of Uttar Pradesh is proposed on the basis of demand in international market, and not on the basis of soil-testing.
- No provision has ever been made for inclusion of new cultivators or updation/upgradation of new tracts in the NDPS Act and opium policy.
- No soil testing was carried out before issue of licenses to cultivators.

The District Opium Officer accepted the audit observation that no soil testing was carried out before issue of licenses to cultivators.

Though MQY is a diversion-prevention measure, the extent of diversion it prevented in the last 10 years is not clearly measured. This is best expressed through the country wise Global production, trading and consumption trends of opium and Drug demand survey method of fixing country quotas by INCB.

6.13.4 Excess ineligible licences issued to cultivator due to violation of License Policy

Clause 4 (i)- Maximum Area' of Notifications issued by the Ministry of Finance (Department of Revenue) regarding issue of licenses to cultivators for cultivation of opium poppy for the years from 2010-11 to 2012-13 provides as under:

Crop Year	Clause 4(i) of notification for maximum area.
2010-11	Cultivators who tendered average yield of 60kg/ha and above under clause 2(i) category will be issued license for 50 ares.
2011-12	Cultivators who tendered average yield of 60kg/ha and above under clause 2(i) category will be issued license for 50 ares.
2012-13	Cultivator who tendered average yield of 65kg/ha and above under clause 2(i) category will be issued license for 15 ares.

In Madhya Pradesh state, the audit noticed that contrary to the provision of above notifications, the department had issued licenses to cultivators whose average yield was less than the prescribed limit for getting license of 50 ares¹⁹ in 2010-11, 2011-12 and 15 ares in 2012-13 as under:

Crop Year	No. of cultivators whose average yield in last crop year was 60 kg/ha or above	No. of cultivators whose average yield in last crop year was 65 kg/ha or above	Licenses issued	Excess ineligible licenses issued
2010-11	19059	---	20968 for 50 ares	1909
2011-12	22755	---	24575 for 50 ares	1820
2012-13	---	10273	11616 for 15 ares	1343

From the above, it is clear that 1909, 1820 and 1343 licenses were issued in excess against eligible cultivators during the year 2010-11, 2011-12 and 2012-13 respectively.

On being pointed out by Audit, DoR replied that the information has been taken from Annual Narcotics Conference (ANC) Data, which is provisional. The licenses are issued on the basis of final analysis report received from Government Opium and Alkaloid Works (GOAW) Neemuch and not on the basis of ANC Data. Hence, no incorrect license was issued.

Department's reply is to be viewed in the context that the GOAW had issued only cultivator-wise analysis report for quality and consistency of opium. The yield of cultivators had been calculated on the basis of consistency report received from GOAW by the concerned Divisional Opium Officer. Hence, such data could not be treated as provisional. In addition, reasons and justification for ex-gratia payment of ₹ 75 lakh (2009-11) was also not provided to audit.

6.13.5 Continuous downfall in number of Cultivators, harvested area, harvested villages and commensurate Non Tax Revenue

The NDPS Act, 1985 sets out the statutory framework for drug law enforcement in India. The main elements of the control regime mandated by the Act are as follows:

(A) The cultivation, production, manufacture, possession, sale, purchase, transportation, warehousing, consumption, inter-State movement, transshipment and import and export of narcotic drugs and psychotropic substances is prohibited, except for medical or scientific purposes and in accordance with the

¹⁹ 100 Ares = 1 Hectare

terms and conditions of any license, permit or authorization given by the Government (Section 8).

(B) The Central Government is empowered to regulate the cultivation production, manufacture, import, export, sale, consumption, use, etc. of narcotic drugs and psychotropic substances (Section 9).

For this purpose, an Annual Narcotics conference on poppy cultivation is held every year to discuss various aspects before finalizing the policy for the next year.

The amount of license fee has been prescribed by Rule-6 of NDPS Rules, 1985, which has been fixed as Rs.25.00 per license, applicable with effect from 5th November 1994.

In Madhya Pradesh state, the number of villages, cultivators licensed/harvested and license fee received during 2010-11 to 2012-13 is given below:

Year	No. of cultivators Licensed	No. of cultivators Harvested	Area Licensed (in Ha)	Area harvested (in Ha)	No. of villages licensed/harvested	License fee realised @ ₹25/-
2010-11	28743	28259	13205.25	8414.06	907/906	718575
2011-12	27380	22965	13269.10	6521.73	873/872	684500
2012-13	26115	25678	3192.31	3084.05	844/842	652875

In Rajasthan state, the number of villages, cultivators licensed/harvested and license fee received during 2010-11 to 2012-13 is given below:

Year	No. of cultivators Licensed	No. of cultivators Harvested	Area Licensed (in Ha)	Area harvested (in Ha)	No. of villages licensed/harvested	License fee realised @ Rs.25/-
2010-11	24280	23925	11069.45	7998.895	903/903	607000
2011-12	21204	17521	10214.70	5541.64	744/729	530100
2012-13	20464	19954	2641.66	2529.60	711/710	511600

The audit noticed that:-

- i. The harvested area was less by 36.29 per cent, 50.86 per cent and 3.40 per cent during the year 2010-11, 2011-12 and 2012-13 respectively in Madhya Pradesh and the harvested area was less by 27.74 per cent, 45.74 per cent and 4.24 per cent during the year 2010-11, 2011-12 and 2012-13 respectively in Rajasthan state with respect to the area licensed for cultivation of opium poppy.
- ii. No. of cultivators licensed also reduced each year which resulted in downfall in Non-Tax Revenue, which was reduced by 9.15 per cent in three years in Madhya Pradesh state and was reduced by 15.72 per cent in three years in Rajasthan state.
- iii. Number of villages reduced by 65 villages in Madhya Pradesh state and 193 villages in Rajasthan state in three years i.e. 2010-11 to 2012-13, where cultivators cultivate opium poppy.

- iv. There is no provision for inclusion of new tracts and new cultivators in the NDPS Act and Opium Policy.
- v. The amount of license fee had been fixed at ₹ 25 per license, applicable with effect from 5 November 1994, which was neither reviewed nor upgraded.

In Rajasthan state, the above matter was brought to the notice of the Dy. Narcotics Commissioner, Kota (February 2014). The department stated that it is a policy related matter and is decided by the Ministry.

In Uttar Pradesh state, the audit noticed that there is persistent decrease in license fee realisation during the period covered (April, 2010 to March, 2013), as detailed below:

Crop Year	Number of Licenses issued	Amount of License Fee ₹
2010-11	607	15175
2011-12	276	6900
2012-13	246	6150

The persistent decrease in license fee was attributed to the following reasons:

- There is no provision for inclusion of new tracts and new cultivators in the NDPS act and Opium Policy.
- The amount of license fee has neither been reviewed nor upgraded since 1994.

The department also admitted the fact that the licence fee had been neither reviewed nor upgraded since 1994.

DoR stated (March 2014) that the procurement price of opium is fixed by the DoR, based on the estimated cultivation cost and the need to incentivize the cultivators.

6.13.6 Non achievement of required opium production

Poppy cultivation without licence is a cognizable offence under the NDPS Act, 1985. Licences are issued by the Opium Divisions headed by the District Opium Officer as per the guidelines/annual policy finalized by the Department of Revenue, Ministry of Finance every year generally in the month of August/September.

The guiding principles for issuing license for cultivation of opium are the following:

- i. Projected annual requirement both for domestic and export purposes
- ii. Domestic licit requirement and need for buffer stocks of opium for medicinal and scientific purposes, and
- iii. International commitments for exports.

In Madhya Pradesh state, the audit noticed that the available stock of opium as well as the expected/estimated requirement (buffer stock of one year) of opium for domestic use and for export for the years 2010-11 to 2012-13 is as under:

Year	(Qty. in MTs at 70° C)				
	For Domestic use	For Export	Net requirement (including buffer stock of one year's)	Production of opium	Shortfall in production
2010-11	219	482	1145	1045	100
2011-12	219	806	1394	794	600
2012-13	193	437	540	371	169

Shortfall in production of opium 100 MTs, 600 MTs and 169 MTs in respect of requirement of opium for the year 2010-11, 2011-12 and 2012-13 respectively clearly shows the failure of department to achieve the estimated requirement/production of opium.

The matter was brought to the notice of the department, the department stated (January 2014) that shortfall in production of opium was due to less harvesting of crop due to damage in crop (plant disease/natural calamity) in year 2010-11, large uprooting/plough back of opium due to heavy damage in year 2011-12 and licenses are given to cultivators for 10 *ares* and 15 *ares* in place of 35 *ares* and 50 *ares* resulting in less harvested area in year 2012-13.

Department's reply is to be viewed in the context of the fact that the licensing policy is prepared after considering various aspects like domestic use of opium, commitment for export, minimum qualifying yield, number of cultivators, number of villages and trend of last year etc. and even after considering all these aspects there was a huge shortfall of 43.04 per cent and 31.29 per cent in production of opium during the year 2011-12 and 2012-13 respectively.

Satellite imagery was used by CBN to locate and identify opium poppy crop however, information pertaining to introduction, usage, management of satellite imageries for opium cultivation, along with the contract agreement with such agencies was not provided to audit.

Response of the Ministry on the steps taken towards involving private players to extract narcotic alkaloids while maintaining the requisite control given the sensitive nature of the product and its use, was awaited (March 2014).

Department of Revenue, Ministry of Finance stated (March 2014) that it has been their attempt to gradually enhance the M₁₀ every year so that the same acts as a deterrent for diversion of opium into illicit channels.

6.13.7 Loss of Opium crop due to exorbitant ploughing back

As per provisions of Part – II, Para-131 of Opium Manual issued by the department and read with annual notifications issued by the Central Government, the opium poppy crop can be ploughed back under following circumstances:

(i) If the cultivator applies for uprooting of opium crop damaged due to natural calamity, rains, plant diseases, etc.

(ii) If the cultivation area exceeds the area licensed for poppy cultivation beyond the 5% 'Condonable Limit'; provided the ploughing back is under supervision of departmental officers (Para 3(iii) of GSR 702 (E) of Govt's Notification No.-1-Narcotics Control).

In Uttar Pradesh state, the audit noticed that the percentage of area uprooted vis-a-vis measured area showed an upward trend and was carried out in disregard of the above said provisions. In Barabanki district, the uprooted area increased from 59.57 per cent in 2011 to 75.32 per cent in 2013, and no reasons like natural calamities such as rains, plant diseases etc. were available on record.

An illustrative case relating to uprooting in contravention of the aforesaid provisions is stated below:

In Bareilly district, a cultivator had an excess cultivation beyond the 5% 'Condonable Limit' during the crop year 2011-12 and the appellate authority vide appeal order No.9/2012 dated 29 March 2012 had ordered the ploughing back of excess portion of crop only. DOO, however, ploughed back the entire crop of the cultivator in disregard of the aforesaid provisions and the order of the appellate authority. Besides, this fact was wilfully not mentioned by the District Opium Officer in his annual report of 2012.

On being pointed out in Audit, it was replied that entire crop of said cultivator had dried up by the time of passing of Appeal Order and ploughing-back was on application of the farmer.

The reply is to be viewed in the context of the fact that as per crop time-schedule, lancing starts by middle of March and ploughing back after start of lancing is strictly prohibited in policy. Besides, Form No.1 (Form of licence for cultivation of the Opium Poppy), Form No.2 (Issue of licences) and the application for uprooting the crop of said cultivator were not provided to Audit.

Thus, the action of District Opium Officer not only contravened the provisions of the aforesaid Appellate Order but also indicated deficient internal control, as no proper documentation regarding details of uprooting of crops was made by the unit.

It is understood that the reminiscent of the Poppy plant i.e. straw, seeds, and Husk, etc are disposed of/sold through State Excise machinery. The process for disposal/sale of these controlled products and its reconciliation to prevent misuse needs to be streamlined for better control.

DoR in reply stated that (March 2014) pursuant to judgement of High Court, guidelines for import of poppy seeds have been issued and instructions passed to the Narcotics Commissioner.

Regarding disposal of by product and the agency involved in the disposal of these by-products, if any, DoR response is awaited (March 2014).

6.13.8 Non-verification of Opium testing reports

As per provisions of NDPS Act and Rules, 1985, the raw opium collected by the DOO is sent to the GOAW (Opium Factory) in samples and in lots. The factory examines the raw opium, awards quality grade (Good/ Inferior/ Adulterated/ Unfit, as the case may be) and forwards the test reports to the Department for each year's crop. These reports play a very important role in issuing cultivation licence for the next crop year.

In Uttar Pradesh state, the audit noticed that Government Opium and Alkaloid Works (GOAW) Ghazipur carried out testing of opium bags sent by the DOOs during the period 2010-11 to 2012-13 as detailed below:

Crop Year	No. of bags sent to factory as 'good' opium	No. of bags declared by factory as 'inferior'	Remarks
2011-11	341	37	No reasons recorded
2011-12	105	14	No reasons recorded
2012-13	105	29	(Provisional figure for 2012-13)

It could be seen from the above that some opium bags were declared inferior, but the basis on which these bags were declared inferior were not furnished to Audit.

It was also noticed that the Department did not have any mechanism to verify or to cross-examine the testing carried out by the factory while enquiring into variation, if any. Ministry's response was awaited (March 2014).

6.13.9 Mechanism in preliminary checks of quality and weight of opium.

At the time of procurement of opium from the cultivators, the opium tendered comes with varied moisture contents. In order to standardize the actual weight, the provisional testing of samples of opium tendered is done at procurement centres in hot-air oven by the Chemists deputed from the Central Revenue Control Laboratory (CRCL). On the basis of moisture contents indicated by these chemists, the opium at 70 degree consistence is derived for making provisional 90% payment. The final testing of the opium, both qualitative and quantitative, is done at Government Opium and Alkaloid Works (GOAW) Neemuch and Ghazipur, on the basis of which final amount to be payable to cultivators is arrived at.

According to Rule 15 of the NDPS Rules, 1985, all opium delivered by the cultivators to the District Opium Officer or any other officer authorised as aforesaid, shall, in the presence of the concerned cultivator or any person authorised by him and the Lambardar of the village, be weighed, examined and classified according to its quality and consistence and forwarded by the District

Opium Officer to the Government Opium Factory in such manner as may be specified by the Narcotics Commissioner.

Further, as per Rule 17 when opium delivered by a cultivator to the District Opium Officer or any other officer authorized on his behalf, is suspected of being adulterated with any foreign substance, it shall be forwarded to the Government Opium Factory separately, after it is properly sealed in the presence of the cultivator and the concerned Lambardar.

Further, Rule 24 (2) of NDPS Rules, 1985, clearly stated that the price payable in respect of any opium which is delivered to the District Opium Officer or any other Officer authorised in this behalf under Rule 14 and is not initially suspected to be adulterated but found to be adulterated on examination in the Government Opium Factory, shall be subject to reduction at such rates as may be specified by the Central Government.

In Madhya Pradesh state, during test check of records for the year 2010-11 to 2012-13 of three District Opium Officer (Neemuch-I, Mandsour-III & Jaora-II), the audit noticed difference between results of preliminary check at weighment centre and final check at GOAW Neemuch.

During the year 2010-11 to 2012-13, out of 25210 samples received at weighment centre, 25185 samples were sent to GOAW Neemuch as good and 25 samples were sent as suspected (**Appendix 27**). According to GOAW Neemuch report, out of 25185 good samples, 662 samples were either not found good or their class/consistency was found different by two or more than two level (444 samples were declared adulterated and in 218 samples the class/consistency level was found different by two or more levels). Similarly out of 25 suspect samples, 19 were found as good by GOAW Neemuch.

When the matter was brought to the notice of the Department, it was stated (January 2014) that the hot-air oven testing is done by chemist deputed from Central Revenue Control Laboratory (CRCL) for analysis of determination of consistence of opium samples at weighment centre for calculation of weight of opium. Purity test has been done by GOAW Neemuch. Purity testing of opium is a complicated process, which takes a long time and it is possible that the results of preliminary and final check may differ.

In Rajasthan state, during test check of records for the year from 2010-11 to 2012-13 of District Opium Officer Bhilwara, Kota & Pratapgarh, the audit noticed difference between results of preliminary check at weighment centre and final check at GOAW Neemuch (**Appendix 28**).

During year 2010-11 to 2012-13, out of 35778 samples received at weighment centre 35438 samples were sent to GOAW Neemuch as good and 340 samples were sent as suspected. According to GOAW Neemuch report out of 35438 samples, 33465 samples were passed, 1181 samples were declared

inferior/adulterated, 237 samples were passed sealed due to more than two class difference in consistency and 555 samples were passed sealed due to two class difference in consistency. Out of 340 suspected samples, factory report states that 93 samples were passed and 246 samples were found inferior/adulterated and in one case result of factory report was awaited.

The matter was brought to the notice of the Department (December 2013); the DOO, Kota did not reply. The DOO Bhilwara & Pratapgarh replied that the testing of Opium at collection center as well as in factory is done by Chemist of Central Revenue Chemical Laboratory (CRCL) staff.

It shows that proper mechanism was not adopted in preliminary level check of opium in regard to consistency and quality of opium at collection centre. There was no reconciliation of the weighments at levels of Lambardar, collection centre and GOAW

Ministry's response was awaited (March 2014).

6.13.10 Non-recovery of outstanding Government dues from Opium Poppy Cultivators

According to Rule 20 of the NDPS Rules, 1985, the District Opium Officer shall, having regard to the weight and consistence of opium delivered by individual cultivators, work out the weight of such opium at the standard consistence and determine provisionally the total price payable to such cultivators. The said officer shall pay to the cultivators, ninety percent of the price so determined which shall be subject to adjustment against the final price payable to cultivators to be determined as provided hereinafter.

As per Rule 24 (2) of the NDPS Rules, 1985 the price payable in respect of any opium which is delivered to the District Opium Officer or any other officer authorized on his behalf under Rule 14 and is not initially suspected to be adulterated but found to be adulterated on examination in the Government Opium Factory, shall be subject to reduction at such rate as may be specified by the Central Government.

Further, according to Rule 25 of the NDPS Rules, 1985, the accounts of the cultivators for a particular crop year shall be adjusted by the District Opium Officer at the time of issuing of licenses for the subsequent crop year and any balance that may remain due from the cultivators shall be recovered and any balance amount due to them be paid.

As per Section 72(1) read with Rule 25 of the NDPS Act, 1985 in respect of any license fee or other sum of any kind payable to the Central Government or to the State Government under any of the provisions of this act or of any rule or order made thereunder, the officer of the Central Government or the State Government, as the case may be, who is empowered to require the payment of such sum, may deduct the amount of such sum from any money owing to the

person from whom such sum may be recoverable or due or may recover such amount or sum by attachment and sale of the goods belonging to such persons and if the amount of the same is not so recovered, the same may be recovered from the person or from his surety (if any) as if it were an arrear of land revenue.

In Madhya Pradesh and Rajasthan states, the audit noticed that the Divisional Opium Officers (DOO) had paid 90 per cent of the price subject to adjustment against the final price payable to cultivators at the time of weightment of opium. On examination by GOAW Neemuch, the received opium was found adulterated and classified as inferior opium which led to reduction of price from the price determined at the time of weightment and the excess amount ₹ 187.31 lakh paid to cultivators was liable to be recovered which was not recovered for 1 to 12 years from the cultivators by six DOOs. Detail are as under: -

Sl. No.	Name of Divisional opium Officer	No. of Cultivators	Amount (₹)
1.	Neemuch-I	96	9,91,293
2.	Mandsour-III	60	7,05,220
3.	Jaora-II	17	1,69,648
4.	Bhilwara	37	5,18,209
5.	᳚ta	745	1,62,42,787
6.	Pratapgarh	06	1,04,305
	Total	961	1,87,31,462

The above amount may be recovered as per section 72(1) of NDPS Act, 1985.

In Madhya Pradesh state, the above matter was brought to the notice of the Department, the DOO, Neemuch-I, Mandsour-III and Joura-II replied (December 2013) that time-to-time notices were issued to cultivators for recovery of dues and best efforts were being made for recovery of outstanding amount.

Reply is not acceptable because outstanding recovery amounting to ₹ 18.66 lakh was pending from the cultivators since 2000-01, despite regular observations taken by internal audit of the Department, which should be adjusted / recovered under the provisions of rules *ibid*.

In Rajasthan state, the matter was brought to the notice of the Department i.e. the DOO, Bhilwara, ᳚ta and Pratapgarh in December 2013. Reply is awaited regarding outstanding recovery of ₹ 168.65 lakh.

Information on non recovery of outstanding dues, number of farmers' involved, total numbers of cultivators to whom licences were issued in that region was awaited from Ministry (March 2014).

With reference to use of Smart Card, the Ministry's response was awaited (March 2014).

6.13.11 Payment made to persons other than cultivators ₹ 208.39 lakh

As per Section 92(d)} read with Rule 20 of NDPS Rules, 1985, the District Opium Officer shall, having regard to the weight and consistence of opium delivered by individual cultivators, work out the weight of such opium at the standard consistence and determine provisionally the total price payable to such cultivators. The said officer shall pay to the cultivators, ninety percent of the price so determined which shall be subject to adjustment against the final price payable to the cultivators to be determined as provided hereinafter.

In Madhya Pradesh state, the test check of Opium Payment Register for the year 2010-11 to 2012-13 of three District Opium Officers (Jaora-II, Mandsour-III and Neemuch-I), the audit noticed that contrary to the above provision the department had paid ₹ 151.94 lakh being 90 percent price of opium and its balance amount to the persons other than cultivators like son, brother, daughter and Mukhiya etc which was against the provisions of aforesaid rules (**Appendix 29**).

When the matter was brought to the notice of the department, it was replied that as per Opium Manual Volume -II If any cultivator is absent, payment for him may be made to the Lambardar or substitute appointed by the cultivators himself on the responsibility of the Lambardar," and that no complaint had been received from cultivators regarding non receiving of cost of opium and from the year 2012-13 opium cost had been paid to the cultivator's individual bank account through e-Payment.

The fact remains that an amount of ₹ 151.94 lakh was paid to persons other than cultivators without obtaining any appointment letter from the cultivators.

In Rajasthan state, during test-check of records (Opium Payment Register) for the year 2010-11 to 2012-13 of District Opium Officer Bhilwara, Kota, & Pratapgarh, the audit noticed that the department had paid 90% payment (**Appendix 30**) during the crop year 2010-11 & 2011-12 for the opium amount of ₹ 56,45,300/- (₹ 18,11,200 & 79,500 & 29,54,600 respectively) to persons other than cultivators which is irregular as per above provisions.

The matter was brought to the notice of the Department (December 2013). The DOO, Kota did not reply. The DOO, Pratapgarh and Bhilwara stated that as per Opium Manual Volume -II If any cultivator is absent, payment for him may be made to the Lambardar or substitute appointed by the cultivator himself on the responsibility of the Lambardar."

The reply may be viewed in the context that the original cultivator had not given authority to whom the payment was to be made; hence, the payment was irregular.

6.13.12 Non-disposal of seized goods Opium & other Psychotropic drugs ripe for disposal

As per Section 52A of the NDPS Act, 1985, the Central Government may, having regard to the hazardous nature of any narcotic drugs or psychotropic substances, their vulnerability to theft, substitution, constraints of proper storage space or any other relevant considerations, by notification published in the Official Gazette, specify such narcotic drugs or psychotropic substances or class of narcotic drugs or class of psychotropic substances which shall, as soon as possible after their seizure, be disposed of by such officer and in such manner as the Government may from time to time, determine after following the procedure hereinafter specified. After the completion of proceedings in the court and ascertaining that no legal proceedings are pending against accused, the seized goods are to be disposed of by the department. In case of Opium, the goods are to be deposited in GOAW Neemuch.

In Rajasthan state, during test-check of records for the year 2010-11 to 2012-13 of DNC Kota, District Opium Officer Bhilwara, Kota, Pratapgarh and P& Cell, Jaipur (Goods Malkhana Register), the audit noticed that various types of psychotropic materials such as Opium (88.385 kg), Heroin (1.420 kg.), Poppy Husk (25089 kg.), Charas (2.250 kg.), Ganja (23.950 kg.), Bhang (32.350 kg.), Brown sugar (0.700 kg.), Poppy straw (19.500 kg.) & Alprozolam (0.220 kg.) were lying in malkhana pending for disposal for a long time, more than 15 to 32 years after being seized by the department, as detailed in **Appendix 31**.

As per record in above cases all the criminal proceedings have been completed and cases were decided by the Court. But the department did not dispose of the psychotropic substances and did not deposit the opium in the GOAW Neemuch.

The matter was brought to the notice of the Department (December 2013). The DOO, Kota and Bhilwara and P& Cell, Kota did not reply. DOO, Pratapgarh and P& Cell, Jaipur stated that after formation of disposal committee these goods would be disposed of.

Reply is not tenable as the department did not constitute a disposal committee and did not take any action for disposal of goods and deposition of opium in GOAW which was required as per Act.

6.13.13 Irregularities in Preliminary Weighment Register

As per Rule 10 of the NDPS Rules, 1985, the District Opium Officer may designate one of the cultivators of opium poppy as Lambardar in each village where opium poppy cultivation is permitted, who shall perform such functions and on such terms and conditions as may be specified from time to time by the Narcotics Commissioner.

Further, as per rule 13 (1) the cultivator shall, during the course of harvesting, produce daily before the Lambardar, each day's collection of opium from his

crop for weightment; (2) the Lambardar shall make arrangements to weigh such opium and make necessary entries in the records to be maintained by him as may be specified by the Narcotics Commissioner in this behalf; (3) the cultivator and the Lambardar shall attest the entries made in such records under their signature/thumb-impression with date, showing the quantity of opium weighed on a particular day; (4) the proper officer shall conduct check weightment of the opium collected by the cultivators with reference to the entries in the Lambardar's record and indicate his finding therein which shall be attested by him and the Lambardar under their signature with date; (5) the variations between the quantity of opium produced by the cultivator indicated in the Lambardar's record and as found by the proper officer during his check, shall be inquired into by the proper officer in order to ascertain the liability of the cultivator for punishment under section 19 of the Act.

In Madhya Pradesh state, the test check of Preliminary Weight Register (PW) and Payment Register for the year 2010-11 to 2012-13 of three District Opium Officers (Jaora-II, Mandsour-III and Neemuch-I), the audit noticed that while checking weightment by proper Officer the quantity of opium was found excess ranging from 150 g to 2.40 kg excess in 154 cases and short ranging from 210 g to 820 g in 24 cases than that entered in PW (Appendix 32). Further, out of 75 PW inspected by DOO, 8 PW were not found closed by Lambardar. However, the cases of variations were not enquired into by the proper officer to ascertain the liability of cultivator for punishment under section 19 of the Act.

In Rajasthan state, during test check of record of Preliminary Weight Register (PW) & Payment weightment register for the year 2010-11 to 2012-13 of District Opium Officer Bhilwara, Kota and Pratapgarh, the audit noticed that there was a difference in quantity of opium ranging from 0.150 to 8.410 kg. excess in 211 cases and in 21 cases shortage ranging from 0.160 to 0.757 kg. entered in PW and quantity delivered by cultivator at weightment center (Appendix 33).

Further, scrutiny records in six cases signature by Lambardar in supporting daily production of opium was not found and in 18 cases PW was not closed by Lambardar at the end of production. In 14 cases during inspection by the inspector, the excess/shortage of quantity found was not included in total the quantity.

The matter was brought to the notice of the Department (December 2013), the DOO Kota did not reply. DOO Bhilwara & Pratapgarh replied that difference in quantity was due to the fact that the Lambardar generally uses old fashioned weighing machines while at the collection centre electronic weighing machines were used. As regards shortages it was stated that by the passage of time (from Lambardar stage to Collection stage) natural moisture in the agricultural produce get reduced which gives weight variance. For excess weight department stated

that cultivators at the collection centres after transferring opium from their own containers in the departmental containers were asked to wash their containers with water and transfer the remnants of their containers into departmental containers so as to avoid misuse of the narcotic substance. This sometimes increases the weight of the opium measured at the collection centre. However, in cases of more than the prescribed variation department interrogates the cultivators and searches of their homes were also carried out, if needed.

6.13.14 Long pendency of Court cases

As per provisions of Results Framework Document (RFD) of CBN, the Department is mandated to book cases against the offenders of NDPS Act, 1985; to file complaint in the designated court and to watch their disposal.

During the scrutiny of Quarterly Information/Report in respect of Pending Cases in District/Subordinate courts for the quarter ending on December 2013" sent by U.P. Unit of CBN to their Headquarters, audit observed that out of 104 cases pending as on date, about 37 cases involved seizures prior to the year 2000; but neither the respective date(s) of filing these 104 cases had been mentioned, nor the Department was aware of the disposal/present status of any of these cases. The matter has been brought to the notice of the Ministry, their reply was awaited (March 2014).

6.13.15 Preventive activities, Illicit Poppy cultivation

As a preventive and enforcement function, CBN while conducting the survey to verify satellite maps for presence of illicit poppy cultivation, destroyed 2785.148 hectares of illicit opium poppy crop during the period 2009-10 to 2011-12 as shown below:

State	Hectares destroyed		
	2010	2011	2012
Arunachal Pradesh	250.000	0.400	-
West Bengal	614.500	1390.600	14.168
Uttarakhand	144.500	320.500	37.230
Himachal Pradesh	13.250	-	
Total	1022.250	1711.500	51.398

Source: Report of Annual narcotics conference-2012 on opium poppy cultivation

Another organization, Narcotics Control Bureau (NCB) under the Ministry of Home Affairs was established in 1986 under the NDPS Act for drug law enforcement and it also acts as a nodal agency to coordinate between related agencies. Almost all the roles of NCB overlap with that of CBN. However, the NCB under Ministry of Home Affairs separately reported identification and destruction of opium poppy spread over 3098.55 acres (1291.06 hectares) in 2012 compared to 14366 acres (5985.83 hectares) in 2011.

Audit is of the opinion that enforcement, management and coordination of NDPS Act 1985 should be with one agency to avoid duplicacy, disonnance and waste of precious resources.

6.14. Internal control audit and Monitoring

The department claimed to conduct 100 per cent internal audit of cultivation of opium records after the completion of settlement operation each year. However, it is believed that 100 per cent internal audit was instructed only in 2009-10 under special circumstances. As per internal audit report no discrepancies/irregularities/ambiguity was found during period from 2010-11 to 2012-13. However, this audit has pointed out, inter-alia, non-adherence to the provisions of licensing policy, smart card identification, satellite based cultivation management and lack of serious efforts for recovery of outstanding dues from the cultivators indicating lack of internal control in the department.

It was not clear as to how the RFD of CBN is being monitored by DoR and the critical performance requirements from other organizations (including NCB) are managed for achievement of DoR's objectives since, DoR did not have a RFD in line with its business rules.

Similarly, there was no reconciliation done with the state excise departments to control the sale/diversion of the by-product of the poppy (poppy straw, poppy husk and poppy seeds).

The action taken by CBN to comply with ISO 9001 requirements was also awaited from the Department (March 2014).

6.15 Conclusion

The controlled exploitation of poppy as a natural resource already brings considerable amount of precious foreign exchange to the country. It also helps producing competitively priced poppy-based medicines for severe pain relief by the Indian pharmaceutical industry and the popular poppy seeds for domestic consumption. Licensed poppy cultivation has also had significant socio-economics benefits for Indian farmers. A well regulated and controlled narcotic policy framework could effectively break the nexus between the illicit flows with its far reaching global ramifications and augment the licit production for pharmaceutical and scientific uses. Though the production of opium is subdued and dwindling over the years, more than 50 percent of the opium stock of India is still exported. Manufacture, sale and export of the narcotic alkaloid extracts higher up in the value chain has the potential to provide exponentially higher economic returns of the poppy plantation, save foreign exchange in procuring poppy seeds in the traditional hinterlands, using modern technology, scientific research, efficient management structures, commercial models and international trade negotiations.

There seemed to be no clear policy framework aimed at the twin objectives of revenue generation through sale of finished opium based pain relief chemicals and foreign exchange savings by indigenous production of opium seeds along with a commensurate incentive structure for the cultivators and drug producers.