

CHAPTER IV
STATE EXCISE

4.1. Results of Audit

Test check of the records of the offices of the State Excise Department conducted in audit during the year 2002-03 revealed underassessments/non-levy of duty amounting to Rs 115.71 crore in 36 cases which may be categorised as under.

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Short collection of duty on Indian made foreign liquor/spirit	2	0.23
2.	Non-levy of duty on inadmissible wastage	3	0.16
3.	Short/non-levy of duty due to other lapses	30	6.82
4.	Review : Revenue pending collection in Excise Department	1	108.50
	Total	36	115.71

During the year 2002-03 the Department accepted under-assessments, etc., of Rs 22.63 lakh involved in 25 cases of which 16 cases involving Rs 13.25 lakh were pointed out during 2002-03 and the rest in earlier years. At the instance of Audit, the Department collected Rs 14.09 lakh in 12 cases of which three cases involving Rs 4.71 lakh were pointed out during 2002-03 and the rest in earlier years.

A few illustrative cases involving Rs 1.85 crore and the results of a review, '**Revenue pending collection in Excise Department**' involving Rs 108.50 crore are given in the following paragraphs.

4.2. Review : Revenue pending collection in Excise Department

Highlights

- **Abkari arrears pending collection as at the end of March 2002 according to Government, aggregated Rs 220.50 crore.**

(Paragraph 4.2.6)

- **Arrears of Rs 42.57 crore due from distilleries and breweries were not included in the Demand Collection Balance (DCB) statement.**
(Paragraph 4.2.6)
- **In a case of stay of Rs 61.84 crore, the counter-affidavit was filed by the Department only after two years.**
(Paragraph 4.2.8)
- **In two cases involving Rs 67.37 lakh, the stay by courts continued even after seven years for want of prompt action from the Department.**
(Paragraph 4.2.8)
- **Overvalued solvency certificates issued by Revenue Authorities resulted in loss of Rs 1.95 crore.**
(Paragraph 4.2.9)
- **Recovery of Rs 72.96 lakh was held up due to delay in action by Revenue Authorities.**
(Paragraph 4.2.11)

Introduction

4.2.1. The Abkari Revenue includes revenue derived or derivable from any duty, fee, tax, fine or confiscation imposed or ordered under the provisions of Abkari Act or any other laws relating to liquor or intoxicating drugs. In case of default, the dues are recoverable as arrears of land revenue from the persons concerned or from their sureties. Although Deputy Excise Commissioners (DECs) and Assistant Excise Commissioners (AECs) are empowered to function as Collectors under the Kerala Revenue Recovery Act, 1968 (KRR Act), for collection of arrears, revenue recovery action was continued to be taken through the District Collectors. The Department stated in August 2003 that the powers conferred on Excise Officers could not be carried out due to non-availability of ministerial wing conversant with land revenue rules.

Organisational set up

4.2.2. The Commissioner of Excise is the head of the Department and is assisted by a Joint Excise Commissioner. There are three zones (Thiruvananthapuram, Ernakulam and Kozhikode) each under the charge of a DEC. In each district, there is an Excise Division Office headed by an AEC. The divisions are divided into Circles and Circles into Ranges.

Scope of Audit

4.2.3. Mention was made in Paragraph 4.3. of the Report of the Comptroller and Auditor General of India (Revenue Receipts), Government of Kerala, for the year ended 31 March 1993, of the deficiencies and the procedural lapses in the collection of abkari arrears. The Committee on Public Accounts, in their twenty first report presented to the Legislature on 13 June 2002 recommended

maintenance of an exhaustive list of abkari arrears, updating of the Demand Collection Balance (DCB) Register, and the submission of the consolidated arrear statements to Government. The Committee also recommended enunciation of a time bound action plan to recover the arrears held up due to Court stays and prescription of time limit for revenue recovery (RR) action by revenue authority. A further review was conducted with reference to the records in the office of the Commissioner of Excise, two of the three Zonal offices (Thiruvananthapuram and Ernakulam) and 7[^] of the 14 Divisions between October 2002 and March 2003.

Audit objectives

4.2.4. A detailed analysis was made to see whether

- the statement of arrears prepared was correct and complete
- proper and timely action was taken by the Department for realising the arrears
- effective follow up action was taken to vacate stay by courts and
- effective internal control system existed for monitoring the progress of collection of arrears.

Budget estimates and actuals

4.2.5. The budget estimates and actual receipts under the Receipt Head '0039 State Excise' for the year 1997-98 to 2001-02 were as shown below.

(Rupees in crore)

Year	Budget estimate	Actuals	Variation	Percentage of variation
1997-98	418.55	543.41	(+) 124.86	(+) 30
1998-99	614.25	529.62	(-) 84.63	(-) 14
1999-00	675.07	591.10	(-) 83.97	(-)12
2000-01	802.96	688.94	(-) 114.02	(-)14
2001-02	744.22	541.46	(-) 202.76	(-)27

The actual receipts were much lower than those estimated during all these years except for the year 1997-98. The Department attributed in August 2003 the shortfall in the year 1998-99 to decrease in the rental of toddy shops and non-remittance of advance rental of FL 1 shops (ie. whole saler) by Kerala State Beverages Corporation and in the year 2001-02 to adoption of fixed rental system for toddy shops. Reasons for variations in other years were not furnished.

Abkari arrears

4.2.6. • According to the Commissioner of Excise, the abkari arrears pending collection as at the end of March 2002 aggregated Rs 220.50 crore. The various stages of action were as under.

[^] Ernakulam, Idukki, Kollam, Kottayam, Palakkad, Thiruvananthapuram and Thrissur

(Rupees in crore)

Sl. No.	Stage of action	Amount of arrears
1.	Under recovery in RRC	80.98
2.	Recoveries stayed by Courts	138.45
3.	Recovery held up due to RRC return	1.07
	Total	220.50

Year-wise and age-wise details of arrears were not prepared by AECs and as a result, special attention to the collection of old arrear was lacking. For want of information from the AECs, year-wise and age-wise details of arrears were not available with the Commissioner.

- The DEC's (Thiruvananthapuram, Ernakulam and Kozhikode) who were the authorised officers for the realisation of arrears due from distilleries and breweries had not reported to the Excise Commissioner arrears due from 24 distilleries and breweries. Thus, there was understatement of arrears of Rs 42.57 crore due up to 31 March 2002.

Quarterly statement of arrears

4.2.7. As per provisions in the Kerala Excise Manual Vol. II, the AECs and the DEC's are required to send to the Commissioner of Excise a quarterly statement showing the demand, collection and balance of the abkari arrears. The Commissioner of Excise is required to consolidate the statements and send the same to Government every quarter.

Quarterly statements of abkari arrears were not being regularly received from the AECs and the DEC's. As a result, the quarterly statements due from the Commissioner of Excise were not being sent regularly to Government.

Inaction in the disposal of Court cases

4.2.8. As per the DCB statement for the quarter ending March 2002, revenue recovery of Rs 138.45 crore was under stay by various courts. Government has not fixed any time frame for filing counter affidavits/appeals in court cases. Adequate steps were not taken either for early disposal of the cases or for getting the stay vacated. Some illustrative cases are mentioned below.

- In Thrissur Excise Division, on initiating revenue recovery action between February 1998 and January 1999 for recovery of rental arrears of abkari shops (Toddy shops) for the years 1997-98 to 1999-2000 due from contractors of 12 groups, the High Court of Kerala stayed (between April 1998 and April 1999) recovery of arrears of Rs 61.84 crore. The Department filed counter affidavits in November and December 2001 after delay ranging from 29 months to 40 months which eventually resulted in blockage of revenue. Out

of these, seven cases of Rs 31.79 crore were disposed of between January 2002 and September 2002 in favour of Government. However, only Rs 62.36 lakh was collected and RR action was under way for realising the balance amount of Rs 31.17 crore. Delay in filing counter affidavits resulted in delay in getting the stay vacated. The Department stated in February 2003 that delay in the preparation of counter affidavits in the office of the Advocate General and lack of follow-up action by the Department resulted in delay in contesting the cases.

- In the following two cases, stay granted by Courts on collection of Rs 67.37 lakh, had not been got vacated as of date (October 2003).

(Rupees in lakh)				
Sl. No.	Name of division	Name of defaulter	Amount of arrears/ date of RRC	Details of Court cases and its present stage
1.	Thiruvananthapuram	Sri. Kuruvila Ulahannan and Sri. K.L. Saju,	24.22 <u>as on 1 April 94</u> 9 June 94	Stay on RR granted by Sub-Court Thiruvananthapuram on 8 April 94 in OS No. 423/94 was not vacated till now (October 2003).
2.	Ernakulam	Smt. Padmini Amma and Sri. Sekharan Nair	43.15 <u>as on 1 April 94</u> 24 August 94	Defaulter filed OP No. 2180/95 on 13.2.95 before High Court Kerala. Stay of recovery still continues.
		Total	67.37	

The Department stated in August 2003 that the counter affidavits in the second case was filed in March 2003. Reply for the first case has not so far been received (October 2003).

Loss due to acceptance of high value solvency certificates

4.2.9. Under the Abkari Shops (Disposal in Auction) Rules, 1974, auction purchaser should make a minimum deposit of 30 *per cent* of the bid amount in cash or by bank draft. In addition, he shall also make additional security of not less than 30 *per cent* of the bid amount, by way of solvency certificates or cash security or bank guarantee.

It was seen in audit that in three cases, revenue authorities[^] issued solvency certificates for Rs 3.89 crore against the actual value of Rs 31.77 lakh of the properties involved and on accepting the same as additional security, Government sustained loss of Rs 1.95 crore as explained below.

- A contractor bid in March 2000, for the contract year 2000-01, toddy shops in Chadayamangalam Range of Kollam Division for Rs 3.42 crore. He produced as additional security, solvency certificates for Rs 1.10 crore issued by the Tahsildar, Neyyattinkara and by the Tahsildar, Kollam. The Excise Department accepted the same. The contractor defaulted in payment of Rs 1.84 crore as at the end of March 2001. As the solvency properties were

[^] Tahsildars of Chirayinkeezhu, Kollam, Nedumangad and Neyyattinkara

purchased by the bidder for Rs 2.11 lakh, one month prior to the issuance of the certificates, there is potential loss of Rs 1.08 crore (Rs 1.10 crore - Rs 0.02 crore) to the Government.

As at the end of March 2001, the default amounted to Rs 1.84 crore and the entire amount is doubtful of recovery.

- A bidder of Toddy Shops of Amaravila Range of Thiruvananthapuram Division for the year 1999-00 produced in March 1999 as additional security, solvency certificate of Rs 53.88 lakh issued by Tahsildar, Nedumangad in respect of 2.06 acres of dry land in Nedumangad village. The contractor defaulted in payment of Rs 64.52 lakh as at the end of March 2000. The Tahsildar, Nedumangad after attaching the properties in July 2000 assessed the market value through the Village Officer as Rs 6.18 lakh. The Government was thus put to a potential loss of Rs 47.70 lakh (Rs 53.88 lakh - Rs 6.18 lakh) due to acceptance of solvency certificates at the inflated value.

The property was put to auction and bid in favour of Government for the nominal value of Re 1.

- One of the bidders of toddy shops of Chirayinkeezh and Varkala Ranges of Thiruvananthapuram Division for the year 1999-2000, produced in March 1999, as additional security, a solvency certificate of Rs 2.25 crore issued by Tahsildar, Chirayinkeezh in respect of 2.348 hectares of dry land in Mudakkal village. Arrears of Rs 62.33 lakh was payable by him as at the end of March 2000. The Tahsildar, Chirayinkeezh attached the properties and the Village Officer, Mudakkal assessed the market value as Rs 23.48 lakh, which resulted in a potential loss of Rs 38.85 lakh (Rs 62.33 lakh - Rs 23.48 lakh).

The entire property was bid to Government for Re 1.

Revenue Recovery Certificates returned by Revenue Department

4.2.10. When abkari arrears are not paid on demand, AEC issues requisition under Kerala Revenue Recovery Act, 1968, to the Collector of the District for recovery of the same, who in turn issues Revenue Recovery Certificate (RRC) to the Tahsildar of concerned Taluk. In four cases involving arrears of Rs 33.05 lakh such requisitions were returned by the Revenue authorities citing Court directions, death of the contractor and other reasons as under.

(Rupees in lakh)

Sl. No	Name of defaulter/division	Collector to whom RR requisition was sent	Date of requisition	Amount	Remarks
1.	Sri. Krishnankutty, Palakkad	Palakkad	20 May 2000	7.63	RRC was returned by the Tahsildar, Talappilly on 30 December 2000 to District Collector, Thrissur without proper enquiry about the solvency properties.

Sl. No	Name of defaulter/division	Collector to whom RR requisition was sent	Date of requisition	Amount	Remarks
2.	<u>Sri. K.M.Raghavan</u> , Ernakulam	Ernakulam	11 June 1983	2.41	RRC was returned by the Tahsildar, Muvattupuzha on 12 January 1996 to District Collector Ernakulam because of a Court stay against attachment treating a bank loan as first charge against the property.
3.	<u>Sri. B. Prabhakaran</u> , Thiruvananthapuram	Thiruvananthapuram	13 April 1982	18.72	RRC was returned by Tahsildar, Nedumangad on 6 February 1999 to District Collector, Thiruvananthapuram stating that the defaulter had died in 1992. Revised RRC has not been issued in the name of legal heirs and the solvency properties were covered by several attachment orders.
4.	<u>Smt. K.R.Anitha</u> , Thiruvananthapuram	Thiruvananthapuram	1 August 1994	4.29	The defaulter was a resident of Thiruvananthapuram and the solvency property was in Ernakulam district. The property was sold (May and July 1993) by the defaulter before issue of RRC. RRC sent to District Collector, Ernakulam was returned to District Collector, Thiruvananthapuram on 28 November 1995. The RRC is still pending with the District Collector, Thiruvananthapuram.
	Total			33.05	

The Commissioner of Excise stated in August 2003 that in the first three cases the concerned revenue authorities had been addressed to expedite the RR action and Collectors of other districts had been addressed to ascertain the solvency position of the fourth defaulter.

Recovery held up due to delay in action by Revenue Authorities

4.2.11. Recovery of Rs 72.96 lakh was held up due to delay in taking action by the Revenue Authorities as under.

- A contractor of toddy shop in Kottarakkara Range in Kollam Division defaulted in payment of abkari arrears of Rs 14.53 lakh as of 31 March 2001. The AEC Kollam issued RRC in May 2001 to the District Collector, Kollam under whose jurisdiction the solvency property situated. The District Collector, Kollam sent the RRC to the District Collector, Thiruvananthapuram in September 2001 under whose jurisdiction the defaulter was a permanent resident. The District Collector, Thiruvananthapuram returned the RRC in May 2002 stating that the defaulter had no properties in the district. The case was pending with the District Collector, Kollam as of date (October 2003).

- Under the Kerala Abkari Shops (Disposal in Auction) Rules, 1974, auction purchasers of abkari shops, shall not transfer or encumber any of their assets to the detriment of the amount that may become due under the contract

of purchase and such transaction shall be deemed to be void to the extent of the sum due under such contract.

A bidder of arrack shop in Kazhakuttam range in Thiruvananthapuram Excise Division, defaulted on payment of Rs 15.54 lakh during the year 1981-82. The defaulter had sold the solvency properties to her daughter in August and September 1981. As the solvency properties were in Kollam district, the District Collector, Thiruvananthapuram sent the RRC to District Collector, Kollam in April 1982. On action against the solvency properties, the purchaser filed a suit before the Munsiff Court, Kollam against the attachment. The case was disposed off in October 1991 by the Court *ex-parte* in favour of the plaintiff for want of response from the District Collector, Kollam in spite of several adjournments. Revenue authorities neither filed appeal against the above order nor informed the Excise Department of the decision of the Court. Failure of the Revenue Department in pursuing the case properly and filing appeal resulted in non-recovery of arrears even after 21 years (March 2003).

The bidders of three groups of toddy shops of Adimali Range in Idukki Division defaulted Rs 27.21 lakh during the year 1996-97. On revenue recovery certificate in May 1997 from AEC Idukki, the District Collector, Idukki forwarded the RRC in September 1998 to the Tahsildar, Peermade for attaching solvency properties.

The Tahsildar, Peermade returned the RRC in November 2001 stating that the solvency certificates were issued on the basis of bogus patta (title deed). On cross verification of the copy of title deeds available in the Excise Division Office with records in Taluk Office, Peermade, it was seen that the bidders were the actual title deed holders of the properties and the solvency certificates were issued on the basis of genuine title deeds. Failure of the revenue Department in taking action against the solvency properties resulted in non-recovery of arrears as of date (August 2003).

On this being pointed out, the Department has not furnished a reply so far (October 2003).

- A bidder of arrack shops in Chittur Range of Palakkad Division defaulted in payment of abkari revenue of Rs 15.68 lakh during the year 1993-94. On RR requisition in August 1994 from the AEC Palakkad, the District Collector Palakkad issued RRC in October 1994 to the District Collector, Ernakulam under whose jurisdiction the bidder was residing. The District Collector, Ernakulam forwarded the RRC to the Tahsildar, Kanayannur in November 1994 for recovery. On enquiry about the progress of recovery, the Tahsildar informed the AEC, Palakkad in May 1995 that the RRC was not received in his office.

On bringing this to notice by the AEC, Palakkad, the District Collector, Ernakulam issued a fresh RRC in September 1996. In the mean time the

defaulter sold the solvency properties in August 1995 and January 1996 to a firm. On attachment of the properties in January 1997 by the Tahsildar, Kanayanur, the firm obtained in February 1997 stay from the High Court of Kerala against RR action. The case is still pending in the Court. Failure of Revenue Department in taking timely action resulted in the non-recovery of the arrears.

Loss of revenue in the abkari cases where the solvency properties were bid in favour of Government for nominal value

4.2.12. Under the Abkari Act all duties, taxes, fines and fees payable to Government, on default, are recoverable as arrears of land revenue. The Revenue Authorities attach solvency properties as well as other properties owned by the defaulter for realising the arrears. When the attached properties on auction do not fetch the amount equal to the dues outstanding, the properties are bid to Government for a nominal value of Re.1 under the KRR Act and value of such properties are not set off against the arrears.

In two Divisions (Kottayam and Palakkad), recovery of arrears of Rs 2.05 crore in respect of five abkari bidders for the years 1989-90, 1993-94 and 1995-96 was held up due to the bidding of the properties in favour of Government for Re 1 in each case as under. In two cases, the market values of solvency properties was only Rs 24.07 lakh against the arrears of Rs 64.92 lakh resulting in loss of Rs 40.85 lakh. In the remaining cases involving Rs 1.40 crore the market value has not yet been fixed.

(Rupees in lakh)

<u>Name of defaulter</u> <u>Division</u>	<u>Amount of arrears/date of requisition</u>	<u>Market value fixed</u>	<u>Remarks</u>
<u>Sri. George Jacob and Sri. Lenin Varghese,</u> Kottayam	<u>29.47</u> 27 May 1994	8.45	10.56 acres of solvency property of Sri. George Jacob valued at Rs 19 lakh was attached and bid to Government for Re 1 on 2 March 1995 as there was no bidder.
<u>Sri. K.K.Koshy,</u> Kottayam	<u>35.45</u> 1 October 1990	15.62	5.21 hectares of land was bid to Government for Re 1 on 30 March 1991 for want of bidders.
<u>Smt. T.S.Beena,</u> Kottayam	<u>24.46</u> 16 November 1996	Not fixed	3.20 hectares of land in Nattakom Village was bid to Government for Re 1 on 26 August 2000.
<u>Sri. P.J.Chерian and Sri. John Kurien,</u> Kottayam	<u>88.66</u> 9 September 1996	-do-	12.66 acres of land of Sri. John Kurien, in Kodiyathoor Village was bid to Government for Re 1 on 19 August 1998, as there was no bidder. The properties of Sri. P.J.Chерian could not be bid due to court case.
<u>Sri. A.G.Unni,</u> Palakkad	<u>26.51</u> 16 August 1994	-do-	2.46 acres of solvency property was bid to Government for Re 1 on 29 September 2000, as there was no bidder.
Total	204.53	24.07	

Internal control

4.2.13. Internal controls are intended to provide reasonable assurance of orderly, efficient and effective operations, safeguarding resources against irregularities, adhering to laws, regulations and management directives and developing and maintaining reliable financial and management data. Internal audit is expected to provide an assurance regarding the adequacy and effectiveness of internal controls. An Internal Audit Wing (IAW) under the charge of a DEC is functioning in the Excise Commissionerate and its work is confined to the inspection and scrutiny of old arrear files. The IAW conducted no internal audit during the years 1997-98 to 2000-01. However, it conducted inspection in four out of 14 Divisions and three out of 63 Circles during the year 2001-02. The Commissioner of Excise stated that there was no sufficient infrastructure for IAW and that the present IAW was diverted to the work relating to Local Audit Reports, Reports of the Comptroller and Auditor General of India and Report of Public Accounts Committee in addition to work relating to modernisation of Excise Department. The IAW is, therefore, not being utilised systematically to provide assurance on the adequacy and effectiveness of internal controls.

In the Excise Department, the internal control mechanism should normally ensure that abkari revenue is sufficiently guaranteed with auctionable properties valued at not less than the revenue due, that effective and efficient action is taken for the timely realisation of abkari revenue so as to prevent it from becoming arrears, that arrears are correctly worked out and included in the DCB statements, and that time-bound action is taken to realise arrears of revenue and to get stay of courts vacated. However, it is seen from the review that internal control was not in place to achieve the desired results/objectives.

Recommendations

4.2.14. Government may consider the following action in public interest:

- Government may take suitable measures for enforcing accountability for over-valuation of solvency certificates by revenue authorities, as there is inherent risk of fraud on account of collusion of interested parties with revenue officials.
- Strict instructions may be issued by the Government for timely submission of the DCB statements by a stipulated date.
- Government may consider fixing a suitable time limit for filing counter-affidavits with the courts for stay cases.
- Government may consider the desirability of issuing necessary instructions to the Excise Department for taking RR action directly instead of through Revenue Authority.
- The IAW may be made functional and accountable for providing assurance on the adequacy and effectiveness of internal controls.

The above points were brought to the notice of the Government and the Excise Commissioner in March 2003. Replies were received in August 2003 which were examined and incorporated. Further replies are awaited (October 2003).

4.3. Low production of spirit from molasses

As per the Kerala Excise Manual, Volume II, a yield of about 475 proof litres of spirit per tonne of molasses may be taken as a fair average out-turn, whereas the norm fixed by the Central Board of Molasses was 373.5 proof litres. Government on 24 October 2001 amended the Kerala Distillery and Warehouse Rules, 1968, incorporating the provision for adopting continuous fermentation system for manufacture of spirit in addition to batch fermentation system being followed.

- Scrutiny of the records of a distillery at Thiruvalla in Alappuzha District for the year 2000-01 and another distillery at Menonpara in Palakkad District for the year 2001-02 revealed that, while producing spirit from 6,587.67 MT of molasses, the yield of spirit calculated on the basis of norms fixed by Central Board of Molasses was short by 4.62 lakh proof litres involving excise duty of Rs 71.57 lakh.

- Scrutiny of the records of a distillery at Cherthala revealed that during 2001-02, prior to adoption of continuous fermentation system in January 2002, the distillery produced 37.34 lakh proof litres of spirit from 11,367.195 MT of molasses with an average yield of 328.46 proof litres per MT against average yield of 440 proof litres per MT attained after adoption of continuous fermentation system. There was a short production of 5.12 lakh proof litres up to January 2002, even at the norms fixed by Central Board of Molasses with the resultant short levy of Rs 79.35 lakh.

These cases were brought to the notice of the Department between March and September 2002; their reply has not been received (October 2003).

The cases were reported to Government in January and May 2003; their reply has not been received (October 2003).

4.4. Short realisation of excise duty

Under the Medicinal and Toilet Preparations (Excise Duties) Rules, 1956, all homeopathic preparations containing alcohol shall be classified as capable of being consumed as ordinary alcoholic beverage. The erstwhile Board of Revenue (Excise) clarified in July 1990 that excise duty on rectified spirit supplied to the licensees of homeopathic preparations shall be collected at the rate of Rs 80 per proof litre.

A distillery in Palakkad issued 33400 proof litres of extra neutral alcohol/rectified spirit to a manufacturer of homeopathic preparations in Ernakulam between April 2001 and January 2002 on payment of excise duty at the rate of Rs 20 per litre against the correct rate of Rs 80 per proof litre. This resulted in short realisation of excise duty of Rs 22.90 lakh.

This was brought to the notice of the Department in July 2002 and reported to Government in January 2003. Their replies have not been received (October 2003).

4.5. Short collection of cost of establishment

The average cost of pay and allowances, contributions towards leave salary, pension and death cum retirement gratuity of excise supervisory staff deputed for supervision of distilleries, blending units, breweries, pharmaceutical unit and Kerala State Beverages Corporations were recoverable at the rates revised with effect from 1 March 1997 based on the scale of pay of the incumbents working in the institutions.

In eight institutions[⊗], the cost of establishment was recovered on the basis of scale of pay of the sanctioned posts instead of the scale of pay of the incumbents working in the institutions. This resulted in short collection of cost of establishment amounting to Rs 10.86 lakh relating to the period from January 1999 to April 2002.

This matter was pointed out to the Department and reported to Government in January and February 2003. Government stated in October 2003 that balance establishment cost of Rs 7.94 lakh had been collected in six cases. Final report on the remaining cases has not been received (October 2003).

[⊗] Cassanova Distillery Natakam, Kerala Alcoholic Products Meenakshipuram, Mc Dowell Distillery Cherthala, Polson Distillery Chalakudy, Premier Breweries Kanjikode, South Travancore Distilleries and Allied Products Neyyattinkara, Super Star Distillery Pambady and United Breweries Cherthala