



CHAPTER

5

**CONCLUSION &
RECOMMENDATIONS**





The Performance Audit of the Functioning of the Prohibition and Excise Department was conducted to examine the effectiveness and efficiency in discharge of the dual functions of revenue generation and control/enforcement of excise/prohibition functions. Conclusions of the audit findings and consequent recommendations are given in the succeeding paragraphs:

5.1 Conclusion

Efficient distillation of molasses to RS and to ENA within permissible losses is a key challenge faced by the distilleries. The Distilleries had yet to achieve the best practices (prescribed by ISS) required to be followed in the industry with regard to fermentable sugar content in molasses (95 *per cent*). Though these results were being communicated to the Commissioner periodically, no further action was taken. The availability of domestically produced RS/ENA is a key factor for production of IMFL which is directly linked to the Excise Revenue. We found that on an average basis the production of RS/ENA was hovering between 59 to 69 *per cent* of the licensed capacity of the Distilleries. Absence of suitable measures to ensure maximum yield coupled with the sub-optimal efficiency of the distilleries adversely affected revenue maximisation. The commencement of production of RS/ENA by distilleries as per terms of conditions of the license had not been strictly monitored by the Department.

System of affixing holograms on the bottles for identification had not been put in place by the Department and absence of this is fraught with the risk of their misuse, besides stifling the Department's ongoing efforts in preventing liquor crimes.

Upset price is a key determinant of license fee for which the outlets are auctioned. Fixing upset price treating all the outlets on equal footing bereft of their sales potential was unscientific as it ignores their revenue potential. Huge profit margins being maintained by certain outlets indicate that they were not priced in line with their sales potential and the likely profits thereof. Further, the practice of fixing upset price based on the revised price fixed in the previous cycle, instead of the pre-revised price is not logical as the circumstances that led to downward revision of upset price could undergo a change.

The sales outlets were given licenses in violation of the prescribed rules, despite their proximity to the Religious/Educational Institutions/National Highways and Hospitals.

The System of Monitoring and Control, saddled with shortages in certain key cadres like Head Constables/Constables and lack of the system of internal audit and target oriented system of inspection of sub-ordinates by superiors, was fraught with the risks of not being able to effectively address the issue of rising crimes related to liquor. The Department's activities were totally manpower driven but precious human resources, in absence of adequate target oriented training, the Department may find it difficult to cope up with the growing day-to-day enforcement related challenges.



5.2 Recommendations

We recommend that the Government may:

1. monitor closely the manufacture of RS by the State distilleries commensurate with the licensed capacity;
2. make it mandatory for the distilleries to commence production within the validity period of application for license and frame suitable penal provisions to encourage timely commencement of production;
3. expedite the process of introducing bar coding system;
4. factor in the sales potential of the sales outlets while determining their upset prices based on the material lifted by them in the previous cycles or introducing a system of charging additional license fee for the goods lifted by the outlets beyond specified limits;
5. computerise the entire process of dispatch of liquor bottles from the distilleries to the marketing depots and to the sales outlets in order to trace and track their movement using their identification numbers so as to prevent and monitor unauthorised sales;
6. carry out a Statewide review of the liquor shops operating near the educational/religious institutes and hospitals ignoring the distance limits prescribed in the Act. Enforce condition of grant of license strictly to ensure that outlets are not permitted near educational/religious institutions;
7. introduce a system of recording the complaints in a register, which may be monitored by a responsible officer for their timely disposal;
8. strengthen the border check posts in the districts which are proven to be vulnerable to illicit distillation, with competent excise staff with better communication facilities for the purpose of handling excise offences; and



9. frame a training policy that makes training a compulsory requirement for all the officers and the Enforcement staff at periodical intervals. Review the curriculum followed at the State Excise Academy to make it contemporary and to include sessions on topics like Communication and Analysis of criminal evidence to equip the Enforcement staff in meeting the challenges of changing crime scenario.

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