

CHAPTER VIII

FOLLOW-UP AUDIT

8.1 Follow-up Audit on Recommendations pertaining to the Performance Audit on “Functioning of the Prohibition and Excise Department”

8.1.1 Introduction

A Performance Audit on “Functioning of Prohibition and Excise Department” covering the period from 2005-06 to 2009-10 was conducted in 2010-11 and a Stand-alone audit report on the above topic was tabled in the erstwhile Andhra Pradesh State Legislature in December 2011 wherein the following nine recommendations were included to enable the Government to address the deficiencies and irregularities pointed out in the report.

1. Monitor closely the manufacture of rectified spirit (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 licence and frame suitable penal provisions to encourage timely commencement of production.
3. Expedite the process of introducing barcoding 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 licence 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 State-wide review of liquor shops operating near educational / religious institutions and hospitals, ignoring the distance limits prescribed in the Act, and to enforce condition of grant of licence 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 and better communication facilities for the purpose of handling excise offences.

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.

After re-organisation, the State Government of Telangana accepted eight out of nine recommendations.

8.1.2 Audit Objective

Audit was conducted between October 2015 and July 2016 to assess the progress made on the accepted recommendations made in Standalone Audit Report.

8.1.3 Audit Findings

Out of nine recommendations, the Government accepted eight recommendations for taking necessary corrective actions. The status of implementation of the eight audit recommendations accepted by Government has been brought out under three categories i.e., fully implemented, substantially implemented and insignificant or no progress. The Department completed action on four recommendations while in the case of two recommendations, the Department had initiated action but it is yet to be completed. In respect of the remaining two recommendations, the Department had not taken action.

Action taken by the Department and results of verification of the implementation of recommendations are discussed in the following paragraphs.

Fully Implemented

8.1.3.1 It was recommended (No.3) to expedite the process of introducing barcoding system.

Government had introduced (July 2014) Hedonic Path Finder System (HPFS) to track and trace manufacture and sale of Indian Made Foreign Liquor (IMFL). This system included affixture of Holographic Excise Adhesive Labels (HEALs) embedded with barcode on bottles of IMFL in distilleries. HEALs were being affixed on bottles of liquor manufactured at distilleries.

8.1.3.2 It was recommended (No.4) to factor in the sales potential of the sale outlets while determining their upset prices, based on the material lifted by them in the previous cycles or introducing a system of charging additional licence fee for the goods lifted by the outlets beyond specified limits.

Excise Policy, based on auction system, was dispensed with from the year 2012-13. A new Excise Policy, based on fixed licence fee was implemented from the year 2012-13. In the new excise policy, Government levied privilege fee on sale of liquor at the rate of eight per cent and value added tax thereon

when the cumulative value of purchases during the licence year exceeded six times of the annual licence fee.

8.1.3.3 It was recommended (No. 7) to introduce a system of recording the complaints in a register, which may be monitored by a responsible officer for their timely disposal.

After formation of Telangana State, a complaint register was being maintained.

8.1.3.4 It was recommended (No.9) to 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 include sessions on topics like communication and analysis of criminal evidence to equip the enforcement staff in meeting the challenges of changing crime scenario.

Periodic training to enforcement staff was being imparted and topics like communication and analysis of criminal evidence were included in training schedules. A total of 889 personnel were imparted training during the years 2012-13 and 2013-14.

Substantially Implemented

8.1.3.5 It was recommended (No.5) to 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.

The HPFS, introduced (July 2014) to track and trace manufacture and sale of IMFL, included computerisation at three levels i.e. Distilleries, Depots and Retail sale outlets. Computerisation at Distilleries and Depots was completed and computerisation of retail sale outlets is pending.

8.1.3.6 It was recommended (No.8) to strengthen the border check posts in the districts which were vulnerable to illicit distillation, with competent excise staff and better communication facilities for the purpose of handling excise offences.

After formation of Telangana State, Government increased the number of check-posts in Khammam district from one to four and deployed two border mobile patrolling parties. Apart from this, three check-posts in Nalgonda and one check-post in Mahabubnagar were also set up. No check-post was set up in Karimnagar. No posts were sanctioned to new check-posts and no communication facilities were provided to any check-post.

Insignificant or No Progress

8.1.3.7 It was recommended (No.1) to monitor closely the manufacture of RS by the State distilleries commensurate with the licensed capacity.

Audit observed that the actual production ranged between 28 and 47 *per cent* of licensed capacity of the distilleries during the period from 2012-13 to 2014-15 which indicated that this was even lower than the production capacity (between 59 and 69 *per cent*) utilised during the period 2006-07 to 2009-10.

8.1.3.8 It was recommended (No.6) to carry out a State-wide review of the liquor shops operating near educational / religious institutions and hospitals ignoring the distance limits prescribed in the Act and to enforce condition of grant of licence strictly to ensure that outlets were not permitted near educational / religious institutions.

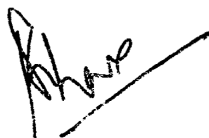
Though the Government had accepted the recommendation, has not conducted a state-wide review of bars and shops.



(Lata Mallikarjuna)
Accountant General
(Economic & Revenue Sector Audit)
Andhra Pradesh and Telangana

Hyderabad
The 13 February 2017

Countersigned



(Shashi Kant Sharma)
Comptroller and Auditor General of India

New Delhi
The 17 February 2017