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**PUBLIC ACCOUNTS COMMITTEE  
(1988-90)**

**(EIGHT ASSEMBLY)**

**(FIFTY-SEVENTH REPORT)**

**REPORT OF THE COMMITTEE ON PUBLIC  
ACCOUNTS ON THE REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEARS  
1981-82, 1982-83, 1983-84, 1985-86  
AND 1986-87 (REVENUE RECEIPTS) PERTAINING TO  
EXCISE DEPARTMENT, GOVERNMENT OF  
ASSAM.**

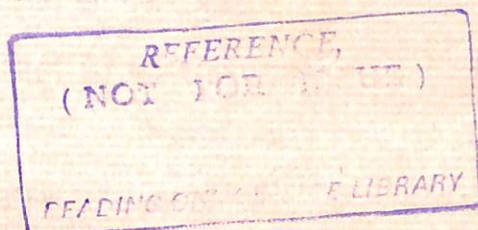


Presented to the House on 5.10.90

**ASSAM LEGISLATIVE ASSEMBLY  
DISPUR, GUWAHATI-6.**

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## COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1988-90)

### Chairman :

1. Shri A. F. Golam Osmani.

### Members :

2. Shri Pradip Hazarika.
3. Shri Joy Prakash Tewari.
4. Shri Silvius Condpan.
5. Shri Sheikh Abdūl Hamid.
6. Shri Ramendra De.
7. Shri Abdul Rob Laskar.
8. Shri Chandra Mohan Patowari.
9. Shri Abhijit Sarma.
10. Shri Pabindra Deka.
11. Shri Kamakhya Charan Choudhury.

### Secretariat :

1. Shri S. N. Deka .. Secretary.
2. Shri S. K. Changmai .. Liaison Officer.
3. Shri A. R. Chetia .. Under Secretary.
4. Shri Dhiren Nath .. Committee Officer.



## PREFATORY REMARKS

1. I, Shri A. F. Golam Osmani, Chairman of the Committee on Public Accounts having been authorised to submit the report on their behalf, present this Fifty Seventh report of the Committee on Public Accounts on the audit paras contained in the Reports of the Comptroller and Auditor General of India for the years 1981-82, 1982-83, 1983-84, 1985-86 and 1986-87 (Revenue Receipt) pertaining to excise department, Government of Assam.

2. The Report of the Comptroller and Auditor General of India (Revenue Receipts) for the years 1981-82, 1982-83, 1983-84, 1985-86 and 1986-87 were presented to the House on 29th February, 1984, 3rd September 1984, 18th July 1985, 6, 16th March, 1988 and 6th March, 1989 respectively.

3. The Reports as mentioned above relating to excise Department were considered by both the out-going Committee of the Eighth Assembly under the Chairmanship of Shri A. M. Choudhury, M. L. A., in their sitting held on 20th November 1986 and 24th June 1987 and by the present Committee on 16th September, 1988 and 10th July, 1989. The out-going Committee could not submit the Report to the House due to expiry of their terms. The present Committee perused all the relevant records and prepared the Report covering 5 years from 1981-82, 1982-83, 1983-84, 1985-86 and 1986-87 respectively.

4. The Committee has considered the draft 57th Report on 22nd September, 1990 and finalised it for presentation before the House.

5. The Committee places on record their appreciations to the strenuous works done by the out-going Committees on Public Accounts for obtaining various records, information and clarification pertaining to the audit paras relating to excise Department. The Committee also wishes thanks to the Departmental witness for their kind Co-operation. The Committee also places on record their appreciation for the valuable assistance rendered by Accountant General, Assam with his staff and Finance Department.

Dispur,  
The 22nd September, 1990.

A. F. GOLAM OSMANI,  
Chairman,  
Public Accounts Committee.



## INTRODUCTORY

1. An analysis of revenue receipt raised by the Excise Department during the years from 1981-82 to 1986-87 are as under :

Year	Amount in crores	+ increase - decrease with refer- ence to preceding year.
1	2	3
1980—81	3.62	—
1981—82	3.16	(—)0.46
1982—83	4.28	(+ )1.12
1983—84	5.70	(+ )1.42
1984—85	6.06	(+ )0.36
1985—86	4.68	(— )1.38
1986—87	5.74	(+ )1.06

From the above table it is seen that the Revenue receipt of the Excise Department remain flexible.

### 2. Cost of collection :

The Committee had also considered the cost of collection of Excise duties. The percentage of expenditure on



collection on the gross collection are given below yearwise :—

Year	Gross collection	Expenditure on collection	Percentage of expenditure on gross collection.
1	2	3	4
1981—82	3.16	0.78	25%.
1982—83	4.28	0.93	22%.
1983—84	5.70	1.23	22%.
1984—85	6.06	1.35	22%.
1985—86	4.68	1.39	30%.
1986—87	5.74	1.84	22%.

3. The extent of under assessment and losses of Revenue as reported in Audit report in respect of State Excise during the year 1985-86 was Rs.209.62 lakhs in 21 cases. Similarly the no. of outstanding inspection report and Audit objection due for settlement by the department was 56 and 97 respectively involving an amount of Rs.750.21 lakhs during 1986-87. Specific cases as brought out by audit have been dealt with in the subsequent chapters.



## CHAPTER—I

## Non Realisation of Excise duty

(Audit para—6.5/CAG Report 1986-87 & 5.2/CAG Report, 1985-86)

1.1. Under the Assam Excise Rules, 1945, actual wastage, not exceeding the prescribed percentage, according to the duration of transit is admissible in case of loss in transit by leakage and evaporation of country spirit. Any wastage in excess of the permissible limit is chargeable to duty. The rules, however, do not provide for transit wastage allowance in case of India-made foreign liquor (I.M.F.L.). The Assam Bonded Warehouse Rules, 1965 also do not provide for transit wastage allowance in respect of IMFL in bottles. The audit has pointed out deviation from Rules as under :

1.2.1. In Guwahati, a dealer of IMFL, in the statements of stock for the quarters ending June, September and December 1986 submitted to the area Superintendent of Excise, had shown 798-349 London proof litres as transit loss. The excise duty payable there on amounting to Rs.39,740 was not charged. On this being pointed out in audit (May 1987), the department stated (October 1987) that the prescribed percentage of transit loss allowable under Rule 141 of the Assam Excise Rules, 1945 is also admissible in the case of IMFL. This contention is not tenable as the aforesaid Rule 141 provides for transit wastage allowance in respect of country spirit transported or exported in wooden and metal vessels and not in respect of IMFL which is transported or exported in packed bottles where the elements of leakage and evaporation do not exist.

1.2.2. In Guwahati, out of 4,387.50 London proof litres (LPL) of India-made foreign liquor despatched by a firm Lucknow (Uttar Pradesh), 305 72 LPL only were received by its bonded warehouse at Guwahati under cover of import permit and were accounted for in their books, the balance quantity (4,081.78 LPL) was shown as transit loss. Although under the Assam Excise Rules, 1945 and the Assam Bonded Warehouse Rules, 1965, excise duty was chargeable on 4,081.78 LPL of IMFL short received it was not charged. The excise duty not charged amounted to Rs. 1,65,802. On this being pointed out in audit (July '85) the Superintendent of Excise,



stated (January 1986) that demand had been raised against the firm for payment of the excise duty. It was further stated that the firm had since filled an appeal for waiver of the recovery of aforesaid duty. Further developments are awaited (March 1987).

1.2.3 In another case of the same firm, wastage to the extent of 337.69 LPL of IMFL occurred in transit of 11,276.61 LPL transferred under bond from a warehouse at Dibrugarh to another warehouse at Guwahati on which excise duty amount to Rs. 13,717 was not charged, on this being pointed out in audit (July 1985), the Superintendent of Excise stated (January 1986) that excise duty amounting to Rs. 11,427 had since been realised. Report on recovery of the balance amount is awaited (March 1987).

1.3.1 The Department in their written Memorandum has stated that the audit para shown in para 1.2.1. relates to the objection on non-realisation of excise duty on transit loss on I.M.F.L. from M/S Nanak Singh and Sujan Singh, Bonded Warehouse licensee of Guwahati. It was pointed out to Audit by the Superintendent of Excise, Kamrup that rule 19 of Assam Bonded Warehouse Rules, 1965 provides for granting allowances for transit loss as provided under rule 141 of the Assam Excise Rules, 1945. It has been pointed out by the Accountant General that rule 141 provides for transit wastage while exporting in wooden or metal vessels and not applicable to I.M.F.L., which is brought in bottles. It has been found that loss in transit is bound to occur due to breakage of bottles in transit and hence the Government of Assam has since amended rule 19 of the Assam Bonded Warehouse Rules, 1965. The amended rule notified under No. Ex. 161/88/7 dated 6th April '89 provides for granting of such allowances while bringing I.M.F.L. in bottles. Loss shown is within the allowable limit of 1./' as provided in sub-rule 2 of Rule 19 of Assam Bonded Warehouse Rules, as amended. As such question of realisation of Excise duty on the transit loss does not arise. The extract of the Rule 141 of the Assam excise Rules, 1945 and Sub-Rule 2 of the Rule 19 of the Assam Bonded Warehouse Rules 1965 is annexed (Annexure-II)



1.3.2. Regarding the audit objection as shown in para 1.2.2 the Department have Stated that the objection concerns a consignment of India made Foreign Liquor meant for M/s. Mohan Meakin Ltd., Guwahati which left Lucknow on 31st October 1984. M/S. Mohan Meakin Ltd. who was asked by Superintendent of Excise, Kamrup to deposit the amounts has filed an appeal for remission of the amounts on the ground that the truck carrying the said quantity of India Made Foreign Liquor was looted at Bangra P. S. area in Bihar on 1st November 1984 on the following day of the assassination of late Indira Gandhi, Prime Minister of India.

It is a fact that there was complete unrest in some parts of Northern India consequent upon the assassination of Late Indira Gandhi. To come to a correct position we are in correspondence with the concerned authorities of U. P. and Bihar on receipt of which the appeal can be finally disposed of.

The matter of realisation of chargeable Excise duty of Rs.1,65,80.200 on transit lost of India made Foreign Liquor from M/s. Mohan Meakin Ltd. Guwahati is under process and a decision on that prayer will be taken as early as possible.

1.3.3. The departmental memorandum regarding the objection in the para 1.2.3. reads that the amount relating to the transit loss has been realised and deposited on 17th September 1985 and the objection settled with the Accountant General, Assam.

1.4.1. In course of oral deposition before the Committee the departmental witness (Shri P. C. Misra, I. A. S., Special Commissioner) explained;

"In the past, while granting licence to Bonded Warehouse, the Government prescribed certain percentage of exemption as transit loss as per Excise Rules depending upon the distance covered, time taken for transportation which were transported in wooden or metal vessels. During Public Accounts Committee meeting last time we have discussed this point and we promised that the statute will be amended, which I am now placing before the Committee. As per that Rule which is also prevailing in



other States, we have prescribed 2 to 3 percent transit loss and while doing so we have neither taken the time nor distance to be covered into account. Now coming to the specific three examples, the loss in those consignments is less than one percent which is within the allowable limits. As it has been stated in the Department's written memorandum, Government of Assam has since amended Rule 19 of the Assam Bonded Warehouse Rules 1965 to cover certain percentage of loss due to breakage of bottles in which I.M.F.D. is brought. In fact, for such breakage which is bound to occur while on transit in of bottles, other State Governments have allowed certain percentage of the loss. You may ask did it not occur prior to 1989 I would say, yes, it did occur prior to 1989 also.

I admit that it is a lapse on the part of Department because we would not realise such a situation. Previously when the rule was framed, the liquor was being exported in wooden or metal vessels. and we could not visualise that country made foreign liquor would be brought in bottles and there would breakage of bottles. Now for our fault, the lesses should not be penalised though it occurred in the past and if needed for regularisation of these cases. I will take the necessary Government orders. In Meghalaya State who follow this Rules, they have granted this allowance for the loss due to breakage in bottles because when liquor is brought in glass vessels some breakage is bound to occur and if it is found to be within the limit of 1 percent the coverage is allowed there. So in case of Assam State also, probably we may allow the coverage from the earlier date, and the Committee may also consider it."

1. 4. 2. The Committee expressed their concern for the lapses on the part of the department in collecting revenue and particularly for the delay caused in settling the defects as pointed out in audit. The witness assured definite improvement on the working of the Department.

#### OBSERVATION/RECOMMENDATIONS

1.5.1. The audit cases were that the excise duties to be collected as per provision of the Assam Excise Rules, 1945 were not realised. The Department in their replies as well as in evidence pointed out anomalies which were subsequently rectified by amending Rule 141 of the Assam



Excise Rules, 1945 read with Rule 19 of the Assam Bonded Warehouse Rules, 1965. Accordingly the Public Accounts Committee is of the view that the audit objections are met in the light of latest provisions of Rules.

## CHAPTER-II

### NON-RECOVERY OF ESTABLISHMENT CHARGES FOR BONDED WAREHOUSE. (AUDIT PARA 5.3/CAG 85-86 and PARA 5.2 CAG 82-83).

2.1. The Assam Bonded Warehouse Rules, 1965, provide that the Commissioner of Excise shall appoint such Excise Officers and other establishment as he thinks fit, to remain incharge of bonded warehouse. The licensee shall pay to the State Government at the end of each calendar month such establishment charges as may be determined from time to time by the Excise Commissioner. The cost of establishment shall include pay and allowances, if any, as well as leave salary and pension contributions. The Audit has brought out the following cases of non-recovery of establishment charges by the Department despite of having specific provision.

2.2.1. In Guwahati establishment charges amounting to Rs. 90,000 for the excise staff posted in a bonded warehouse during the period from 1st June 1983 to 30th June 1985 were not demanded. On this being pointed out in audit (July 1985), the department stated (October 1986) that an amount of Rs. 44,855 had since been recovered (October 1986) and the balance amount was being recovered. Further report is awaited (March 1987).

2.2.2. In Silchar establishment charges amounting to Rs. 13,572/- including leave salary contributions for the excise staff posted to a bounded warehouse at Arunachal, during the period November 1982 to March 1983, were not recovered. In addition, leave salary contributions of Rs. 5,680 for the period March 1978 to October 1982 had remained unrecovered. The amount of pension contributions recoverable was not even worked out by the department.



2.3.1. The Department, vide their written replies, has stated in respect of the objection shown in para 2.2.1 above that the amount of establishment charges for the Excise staff posted to Bonded Warehouse of M/s. Mohan Meakin Ltd., Guwahati for the period from June/83 to June/85 has been calculated as Rs. 94,854.60. The amount has been realised and deposited vide challans noted below:—

Challan No.	Date	Amount
1. 9	19-9-85	Rs. 14,475.30
2. 4	12-6-86	Rs. 20,379.30
3. 1	4-10-86	Rs. 10,000.00
4. 10	25-3-87	Rs. 50,000.00
		Rs. 94,854.60

2.3.2. Regarding the case of Silchar as in Para 2.2.2 of this part, the Department has stated that at the time of Audit it was found, the establishment charges for Excise staff posted at C.S.D. bonded Warehouse Arunachal near Silchar for the period from November, 1982 to March, 1983 and March, 1978 to October, 1982 were not realised. Total amount pointed was Rs. 18,487.70 (Rs. 12,863.70 + 5,684.00). The Superintendent of Excise Silchar had intimated Accountant General, Assam on 24th January 1984 that these two amounts of Rs. 14,202.90 and Rs. 4285.10 had been recovered under the Treasury Challan as per details given below:—

Amount realised	T. C. No. & Date.
Rs. 14,202.90 ... ..	2540 ... 27-2-83
Rs. 4,285.10 ... ..	3433 ... 28-12-83

These facts were subsequently intimated to the Accountant General by Silchar Office on 7th April 1987 has indicated that the matter stands settled.



## OBSERVATIONS/RECOMMENDATIONS

2.4.1 It appears from the departmental replies as well as evidence tendered before the Committee that the audit observations have been met realising the outstanding dues. However, the Public Accounts Committee feels like observing as to why the Department failed to realise the relevant charges which was of a routine nature. It is apprehended that the Government would have lost substantial revenue if audit did not pointed out the non-realisation. Accordingly the Committee recommends that steps should be taken so that such lapses may not occur in future.

## CHAPTER III

Non-realisation of Excise duty and gallonage fee.  
(Audit para 6.5/Comptroller and Auditor  
General of India, 1983-84)

3.1. With effect from 1st April, 1979 Government allowed concessional rate of excise duty and gallonage fee on rum issued for consumption by the defence personnel. In December, 1981, further reductions were allowed in the rates of duty and gallonage fee on rum and other India made foreign liquor issued to the defence personnel.

3.2. The Audit has pointed out that in Nowgong, under 13 Import permits, 10,996.875 London proof litres of rum, 30,374 London proof litres of whisky and 1948 bottles of beer were issued to a canteen officer of the armed forces during the period from May, 1980 to March, 1982. Against the excise duty of Rs. 1,59,693 and gallonage fee of Rs. 27,668 leviable at the concessional rates, excise duty amounting to Rs. 32,400 only was realised from the canteen officer in June and August, 1981, leaving a balance of Rs. 1,54,961, which was not realised till June, 1984.

3.3. The Department in their written replies has stated that 13 Import permit were issued from May, 1980 to March, 1982 to 53 Engineering Regiment Stationed at Misa. These were distributed to Narangi C. S. D. for 7 import permits and to Misamari C. S. D. for 6 import permits. The details of liabilities towards payment of duties/gallonage fees thereon. shown in the following statement :



1.1 Narangi C. S. D.

Sl. No. Permits No. Quantity of liquers issued

Sl. No.	Permits No.	Rum in Bottles @750 ML (3)	IMFL Bottles @750 ML (4)	Beer Bottles @650 ML (5)	Rum B.L. per Bottle (6)	IMFL per B. L (7)	Beer @ Rs. 0.50 p. per Bottle (8)
1	11/9.5.80 (2)	800	06	144	2484	4.5X2.84	144X30
2	17/21.7.80	800	—	240	2484/-	=12.78	100 =43.20
3	21/22.8.80	100	—	240	2484/-	—	72/-
4	34/22.9.80	1800	—	120	2484/-	—	72/-
5	43/21.11.80	1668	—	240	230.84	—	36/-
6	53/23.1.81						72/-
7	67/16.3.81						
					12237.814	+12.78	
							= 295.70
							= 12545.82

C. S. D. Narangi pays the duty for the quantity of liquor taken from the Bonded Warehouse to their wholesale stock. This payment is made in a lot. But it can't issue stock to any field unit unless a permit is issued therefore by the District Excise authority. This authority would only issue such a permit on payment of gallonage fee.



1.2. Misamari C. S. D.

Sl. No.	Permit No.	Quantity/Issued Rum IMFL Beer	Rum @Rs. 9/ per bottle	IMFL @Rs. 20.31 per LPL	Beer @Rs. 0.30 per bottle	Duty in Rs.	Gallonage fee in Rs.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	59/13.2.81	180 30@Rs. 375 ML.	1620/-	144	41.18	171.37	40.31	248.40	40.31	43.20
2	9/11.5.81	1500	13500/-	--	--	--	--	2070/-	--	--
3	18/24.6.81	2100	18900/-	288	82.36	--	--	2498/-	--	86.40
4	40/23.8.81	2100	18900/-	144	41.18	--	--	2898/-	--	43.20
5	75/24.2.82	No quantity has been issued against these two permits	52920/-		171.371+64.72	8114.40+31.95				172.80
6	81/18.3.82		53256.00	=				8319.15		

Unlike Narangi C. S. D. Misamari has only a Bonded warehouse. The Units before receipt of permit pay both the duty and gallonage fee before taking delivery of the Bonded Warehouse. The authority to pay such duties etc., is an internal matter of C. S. D.



1.3. 53 Engineering Regiment has paid duties against supply at 1.2 and gallonage fee against both the deliveries as per following table :-

### DUTY

Challan No.	Date	Amount
33	24-6-81	13,500/-
Challan No.	Date	Amount
1	17th August 1981	18,900.00
2	26th October 1981	18,900.00
35	23rd September 1981	18,900.00
12	18th March 1982	10,228.75
		Rs. 80,428.75

### GALLONAGE FEE

Challan No.	Date	Amount
59	7th May 1981	Rs. 21,842.00
41	26th April 1982	Rs. 15,962.56
		Rs. 37,804.56

From the above it is seen that liability towards payment of duties and gallonage fee was up to the tune of Rupees 53 thousand and Rs. 20.8 thousand respectively. Against these the Regiment had paid Rs. 90 thousand and Rs. 37 thousand respectively. This discrepancy is explained by the fact that against permits they pay duties/gallonage fee although these were not acted upon. Such extra payment is generally adjusted subsequently.

### OBSERVATIONS/RECOMMENDATIONS

3.4 This is a case of excess payment which, according to the Department generally occurs and subsequently adjusted. The Committee fails to understand how such a thing



could happen if the system of calculation to be made or realisation of duties and gallonage fees is done as per norms laid down. Though this is a case of excess payment, there could be cases of underpayment—also if the system of calculation is either defective or done irregularly. Accordingly, the Public Accounts Committee recommends that the Department shall submit a report showing the actual dues since 1981-82 receivable for issue of rum to the defence personnel posted in Assam, amount received and the measures taken to put an end of the recurrences to this type of lapses.

#### CHAPTER IV

Working of the Molasses Control Order, 1961.  
(Audit Para. 5.1/CAG 81-82)

4.1.1. Introductory:—The Audit has brought out that.

(i) The Molasses Control Order, 1961, issued by the Central Government, applicable to molasses produced by means of vacuum pan process was extended to the State of Assam also. The order was extended to units producing molasses by the open pan process from 1st November 1975.

(ii) During the year 1981-82 the Order was applicable to two sugar factories (Assam Co-operative Sugar Mills Ltd. and Cachar Sugar Mills Ltd.) and two Khandsari Units (Khandsari Sugar Mills, Manja and Howaipur Chenikol, Miloo).

(iii) The Commissioner of Excise, Assam is the Molasses Controller for the State. He has not prescribed any procedure for ascertaining annual requirements of molasses of different consumers/industrial undertakings and for allocating supplies to them from sugar factories.

4.1.2. (Non-Submission of prescribed returns)

The Molasses Controller had prescribed that the factories and mills should submit daily and monthly returns of production of molasses in the prescribed forms. Besides, when the crushing season is over, the total quantity of molasses produced in that season is also to be communicated to the Controller of Molasses, Assam. It was, however, noticed in audit (July 1982) that the prescribed returns were not submitted regularly by different units.



action was taken to ensure the submission of the returns. Consequently, the basic objective of the Order to regulate strictly the use of molasses was not achieved.

#### 4.1.3 (Production and distribution of molasses)

(i) Provisional figures of production of molasses by Sugar mills and Khandasari Units and their distribution amongst the distillery and other consumers during the three molasses years, as worked out by Audit in July 1982, were as under :—

Molasses year (1)	Carry over from last year (2)	Production during the year (3)	Total (4)	Wastage (5)	Total quantity available for distribution (6)
(in thousand tonnes)					
1978-79	2.99	6.28	8.68	0.025	8.64
1979-80	4.85	4.20	9.05	.	9.05
1980-81	4.38	2.73	7.11	...	7.11

#### Distribution (actual lifting)

Distillery (7)	Cattle/poultry feed and tobacco curing (8)	Total distribution (9)	Quantity of unfit molasses drained out, released, removed, etc. (10)	Balance (11)
3.25	0.50	3.75	0.04	4.85
2.93	1.30	4.23	0.44	4.38
3.95	1.10	5.05	0.53	1.53

(ii) It may be observed that in 1978-79 and 1979-80 the quantity of molasses available for distribution (including carry over stocks) was more than twice the requirement for distribution. In 1980-81, the production of molasses declined by 35 per cent and carry over stock was utilised to meet distribution needs.



(iii) A major portion of the distribution of molasses was for distillation and manufacture of spirit and alcohol. No system had been introduced to ensure that molasses distributed for tobacco curring and use in production of cattle feed, were actually utilised only for these purposes. Consequently, misuse and illicit distillation of molasses could not be ruled out defeating the basic objective of the Molasses Control Order.

#### 4.1.4 (Wastage of molasses in storage)

(i) The Molasses Control Order, 1961 stipulates provision of covered storage tanks, safeguards against leakage, adequate arrangements to prevent the missing of old and deteriorated molasses with fresh molasses, adequate facilities for handling of molasses including taking out of samples and pumping and loding of molasses into tank wagons, take lorries or other containers.

(ii) In the course of audit it was noticed (July 1982) that 3,549 and 5,311 quintals of molasses were stated to be wasted in storage in the Assam Co-operative Sugar Mills Ltd., during the molasses years 1979-80 respectively. The factory attributed the wastages to the dearth of storage space in steel tanks and to storage of molasses in underground pits exposed to weather, causing deterioration in quality of molasses due to accumulation of water through seepage.

(iii) The wastage in the Khandsari Unit at Manja was of the order of 1,202 quintals during the molasses years 1978-79 and 1979-80. No reasons for wastage were on record.

(iv) The Molasses Controller had not laid down any norms for acceptable wastage. The wastage reported as above by the Sugar Mills was 8 per cent of production including carry over stock. Wastage in Khandsari Unit was 27 per cent of their production. Even after allowing for better storage conditions in the Mills, the wastage of 27th per cent in the Khandsari Unit appears abnormally high. The reasons for this high wastage were not investigated by the department. The total storage loss of 10,062 quintals of molasses during the molasses years 1978-79 to 1980-81 could have yielded 3.22 lakhs London proof litres of spirit (adopting norms of 3.20 litres per tonne). Yielding revenue of Rs.30.77 lakhs by way of excise revenue.



#### 4.1.5. (Creation of adequate storage facilities)

(i) According to the Molasses Control Order, 1961 as amended in October 1975, one third of the price fixed for different grades of molasses shall be accounted for and funded separately by the producers and shall be used for creating storage facilities in accordance with the orders that might be issued by the Government of India for regulation of such Fund.

(ii) It was noticed in the course of audit (June 1982) that none of the Units had created any fund for the purpose. In November 1975, the Commissioner of Excise Assam informed the Government of India that there would be no necessity of creating a fund separately in view of the fact that molasses produced in the Assam Sugar Mills was being utilised in its own distillery and molasses produced in the mills was sufficient to feed the distillery for 6 months. The Cachar Sugar Mills Ltd. informed (June 1979) the Government of India separately that they did not need any additional storage capacity till 1980-81 season for molasses if the seasonal production was cleared in the same seasons without carry over of stocks. Reasons for non-creation of the fund by the Khandasari Units were not on record.

(iii) Under the provisions of the order, creation of the fund for meeting the cost of storage facilities was obligatory even if storage facilities are not required immediately. Besides, the Assam molasses Sugar Mills had attributed wastage of to dearth of storage space as mentioned in the preceding sub-paragraph. Therefore the reasons cited for not creating the fund in contravention of the provisions of the Molasses Control Order are not acceptable.

#### 4.1.6. (Low production of molasses)

The records of all the four units to which the Order was applicable, revealed that in three units the rate of recovery of molasses from sugar-cane varied from 4 to 5 percent. This compares well with the range of 4 to 4.5 percent in Andhra Pradesh and 4 per cent in Maharashtra.



However, in one unit (Howaipur Chenikol Miloo) the rate of recovery was between 0.68 to 2.06 percent which appeared to be abnormally low. The Molasses Controller had not investigated into it to check that low production was due to genuine and acceptable reasons.

4. 2. 1. The Departmental replies against the audit objections in this part are :

4. 2. 1  
Introductory  
(i) & (ii) (iii) No comments.  
He has not prescribed any procedure to ascertain annual requirement of molasses from different consumers/industrial undertaking.

4. 2. 2  
Non-submission  
of prescribed  
returns. It is admitted that submission of daily and monthly returns of production of Molasses were not regular. Instructions have since been issued to all concerned to submit such returns regularly.

4. 2. 3  
Production  
Distribution of  
Molasses  
(i) & (ii) (iii) The facts, as stated being factual are admitted. Major portion of Molasses were utilised for Production of alcohol, while allotments for tobacco cum and cattle feed are rare, necessary directions are given to the officers concerned to see that molasses are used strictly for the purpose for which allotments are made.

4. 2. 4. (i)  
Wastage of  
Molasses in  
storage. This being clause 5 of molasses control order 1961 need no comment.

(ii) The quantum of wastage of molasses and reason therefor had been taken up with Assam Co-operative Sugar Mills Ltd. Their reply is contained in their letters No. Dist. (Audit) 75 (II)/146, dated 3rd November, 1986 and Dist. (Audit) 75 (II)/1437, dated 4th November, 1986. This states that wastage of molasses during 1979-1980, was 3549.271 qtls. and no wastage during 1980-1981. The reasons for wastage are given as follows :—

“In the year 1980 and 1981 the distillery could not be run regularly due to many reasons like shortage of coal, non-lifting



of spirit etc. As a result of which molasses had to be stored in the underground pits which were in very bad condition and even remained without roof. The rain water accumulated directly and through seepage in huge quantity under rains which caused deterioration and subsequent loss to the molasses stored in the kutch pits."

- (iii) It is a fact that 1202 quintals of molasses was lost due to leakage during 1978-1979 and 1979-1980 crushing years. It was also contemplated to purchase M. S. Tanks for storing molasses. But as the cost of M.S. Tank was very high in comparison to cost of molasses, the idea for purchase of M. S. Tanks was abandoned by the Board of Directors. As against this, it was decided to construct some underground tanks made of bricks. But due to corrosive nature of the molasses and high pressure the underground tanks could not retain the molasses and hence the wastage which could not be averted.

- (iv) The higher percentage of wastage of molasses in the Khandsari Sugar Mills over that of molasses produced in the sugar mills is due to the fact that water has to be sprayed in the Centrifugal machines during production of Khandsari Sugar and as a result of which the percentage of water content in molasses there is abnormally high and hence the higher wastages.

4. 2. 5(i ii&iii) The wastage of molasses occurred both in the Khandsari units as well as in the Sugar mills. In the audit report it has been specified that this could have been averted had a storage fund from the sale proceeds of Molasses been created. This aspect has been examined in the Department.

- (a) Following quantities of molasses were disposed of by the Assam Sugar mills from the date of operation of the storage fund.



1975—76	31,325 Qtls.
1976—77	32,020 „
1977—78	32,690 „
1978—79	26,900 „
1979—80	34,290 „
-----	
Total	=1,57,225 Qtls.

for the subsequent years there were no wastage.

In the order it was specified that Rs. 2 per quintals is to be credited to the storage fund. This totals up to Rs. 314,450. But in the actual practice the mill had invested about Rs. 5 lakhs to create storage facility of 31,000 Qtls. Thus the wastage did not occur due to non-creations of fund but to lack of timely disposal which affected the quality of molasses.

(b) For Khandsari unit at Manja following quantities were disposed of till the closure of the mill.

1976-78	Nil.
1978-80	1064.80 Qtls.
1980-81	695.00 „
1981-82	300.00 „
1982-83	1758.00 „
1983-84	745.00 „
1984—Mill closed.	
-----	
	4562.80 Qtls.

The selling price for various grades varies from Rs. 9.00 to Rs. 3.60 per Qtls. Hence an amount varying from Rs. 3.00 to Rs. 1.20 ought to have been credited to the storage



fund. As such the maximum amount for this purpose would have been Rs. 13718.40. The storage space created out of this amount would have been negligible taking into account the existing storage space provided by the mill. This has been indicated as 5 R. C. C. Tanks and M. S. Tanks (to store 780 Quintals). The loss/damage of molasses was due to leakage in the tanks because of long storage, which become necessary due to non-disposal in time.

4.2.6.  
Low  
production  
of Molasses.

The recovery of Sugar in the Howaipur Chenikal was low due to the fact that at the beginning (the Mill was Commissioned during April, 1978) Sugarcan was received from Large Size Mechanised Farm at Kheroni and other adjoining areas, the brix content of which was very low.

### OBSERVATIONS/RECOMMENDATIONS

4.3.1. The defects in implementation of the Molasses, control order, 1961, as pointed out in audit are:

- (a) the Four units in Assam to which the order applies have not regularly submitted the prescribed returns about production of molasses,
- (b) the total quantity of molasses available for distribution in 1978-79, 1979-80 molasses season was more than twice the demand which has however been declined by 35 PC in the subsequent year,
- (c) a major portion of the molasses produced was consumed in the production of spirit and alcohol and there was no system to ensure that the balance distributed for other purposes was actually utilised for such purposes,
- (d) no limit for allowable wastage in storage has been prescribed and the reported losses formed about 8 and 27 per cent of production including carry over stock in the case of Sugar and Khandsari units respectively
- (e) no fund was created to met the cost of storage facilities as envisaged in the Molasses Control order, and
- (f) no investigation was conducted into the abnormal wastage in Khandsari units.



4.3.2. The Commissioner of Excise who is the Molasses Controller has not prescribed any procedure for ascertaining annual requirement of different consumers for reasons not adduced to the Public Accounts Committee. Similarly, the producers of molasses also have not furnished the prescribed daily and monthly returns which infringed the basic objectives to regulate the use of molasses. The Department also could not reply satisfactorily for the loss of Rs. 30.77 lakhs by way of excise revenue, as pointed out in audit, due to high percentage of wastage of molasses in the Sugar Mills and Khandsoni Units.

4.3.3 From the reply it is seen that the Department's contention is that the wastage did not occur due to non-creation of fund but due to lack of timely disposal which affected the quality of molasses. The question nonetheless remains that in the event of non disposal which may occur due to very many reasons, what is to be done with the accumulated quantity. As such for precautionary measure there should also be some storage facilities to face such contingency. Audit also pointed out in the light of the huge quantity of molasses remaining undisposed that there should be a storage fund from the sale proceeds of the molasses so that reasonable storage facilities is available as and when occasion arises. Accordingly it is recommended that the practice of creating fund out of the sale proceeds of the molasses is continued. It is further recommended that strict supervision of the utilisation of the molasses by the beneficiaries is made showing the co-relation between the liquor produced in relation to molasses made available.

## CHAPTER V

### DISTILLERY

#### (AUDIT PARA 5.2/CAG 81-82)

5.1. (Introductory) It has been brought out by Audit that the Assam Co-operative Sugar Mills Ltd. is the only distillery in Assam. As required under the Assam distillery Rules, 1945, framed under the provisions of the Assam Excise Act, 1910, the Management and control for the manufacture, supply, storage and sale of manufactured articles by the distillery is regulated under the supervision of



an Inspector of the Excise Department. Under the provisions of Section 16 of the Assam Excise Act, 1910, the distillery has been issued a licence by the Excise Commissioner. The rate of licence fee is fixed at Rs. 1,000 per annum. In accordance with the provision of Rule 4 of the Assam Distillery Rules, 1945, a sum of Rs. 1,000 has been realised as security deposit.

#### Production of spirit and revenue yield

5.2.1. The distillery produces country spirit, Indian made foreign liquor, rectified spirit and denatured spirit. The total production of various kinds of spirit and revenue derived therefrom on account of excise duty, vend fee and sales-tax during the three years, as worked out in audit, were as follows:-

Year (1)	Total production (in proof litres) (2)	Revenue earned Rs. (3)
1978-79	9,24,157.6	95,97,760
1979-80	9,89,623.5	89,22,097
1980-81	12,95,969.5	1,09,18,097

The entire quantity of spirit produced during these years was consumed in Assam.

#### (Low output of spirit)

5.2.2. (i) The distillery manufactures its products from molasses. The out put of spirit per quintal of molasses during the years 1973-74 to 1977-78 varied from minimum 24.3 proof litres to maximum of 29.8 proof litres of spirit per quintal of molasses. The output for the last three years was as below :-

Year (1)	Out put (in proof litre per quintal of molasses) (2)
1978-79	28.4
1979-80	33.8
1980-81	32.8



The out-put was lower than the norm of 37.35 proof litres of spirit per quintal of molasses prescribed by the Central Molasses Board. No reasons for this continued low out put were furnished to audit. During the period 1st July 1978 to 30th June 1981, the out put of spirit from 1,01,270 quintals of molasses was 32,09,755 London proof litres as against the expected yield of 37,82,434 London proof litres on the basis of the norm; resulting in shortfall of 5,72,679 London proof litres. The revenue loss, attributable to the shortfall in the out put of spirit, by way of excise duty, vend fee and Assam finance tax amounted to Rs. 54.64 lakhs.

#### (Wastage of spirit)

5.2.3. Under the Assam Distillery Rules, 1945, the distillery is liable to pay eduty at the prescribed rate on wastage of spirit in excess of 1.5 per cent of the manufactured spirit.

It was noticed in audit (July 1982) that wastage of 3,696 and 3,530 proof litres of spirit were allowed during the years 1978-79 and 1979-80 as against the permissible limit of 2,168 and 1,359 proof litres on the out put of rectified spirit. The minimum excise duty chargeable on the excess wastages worked out to Rs. 35,217 in these two years. No such duty was, however, levied.

5.3.1. In the written memorandum, the Department has made no comment on Para 5.1 and Para 5.2.1. of this Chapter. The Departmental replies for the rest of the audit Paras (5.2.2. & 5.2.3) are:—

#### Low output of spirit

5.2.2. The output of spirit of 37.35 proof litres of spirit per quintal of molasses as prescribed by the Central Molasses Board is ideal for the country. The output in the Barua-bamungaon distillery was low, i.e. from 24.3 to 29.8 proof litres per quintal of molasses. The low outturn can be explained by the low sugar content and working condition of the distillery among other things. As time advanced this percentage has shown improvement. The average output of spirit for the last 3 years is 36.9 proof litres per quintal of molasses.

#### Wastage of spirit

5.2.3. During the years 1978-79 and 1979-80 the wastage of spirit was mainly in case of spirit meant for produ



ction of foreign liquor. This spirit was stored in wooden vats which were newly installed. The vats developed some Leakage which could not be repaired locally and coppers had to be brought from U.P. In spite of efforts the leakage could not be arrested and hence the wastage was beyond allowable limit.

### OBSERVATIONS/RECOMMENDATIONS

5.3.1 It has been commented upon that (a) the State Excise has sustained loss amounting to Rs. 54.64 lakhs by way of excise duty, vend fee and Assam Finance Tax in view of the short-fall in the output of spirit, and (b) non-levy of excise duties of Rs. 35,217/- only on excess wastage of spirit over permissible limit. The Excise Department does not appear to have investigated the reasons for heavy shortfall in the output of spirit.

5.3.2. It appears from the reply that output in the distillery was low that is from 24.3 to 29.8 liters per quintal of molasses compared to the output of spirit 34.25 liters per quintal of molasses as prescribed by the Central Molasses Board. Department's contention for this low outturn is due to low sugar content and working condition of the distillery among other things. It is also seen from the reply that in the subsequent period average output has increased to 36.0 proof per liter which is more or less near to all India requirement. This needs to be enquired into Committee therefore recommends a thorough enquiry as to the cause of low output in the period under reference.

### CHAPTER—VI

#### NON LEVY AND SHORT LEVY OF EXCISE DUTY (AUDIT PARA 5.4/CAG 81—82)

6.1 The Audit has pointed out that— (i) 'Mritasanjibani Sura' an Ayurvedic product, containing alcohol is subjected to excise duty under the provision of the Medicinal and Toilet Preparations (Excise Duties) Act, 1955. In the course of audit (May 1982) of the records of M/s Assam Ayurvedic Products, Gauhati, it was noticed that excise duty under the Medicinal and Toilet preparations (Excise Duties) Act, 1955 was levied on Mritasanjibani sura, manufactured by the firm only from July 1974. No duty was collected on 8,869



London proof litres of Mritasanjibani sura manufactured during the years 1970-71 to 1974-75 (upto June 1974). This resulted in forgoing of duty of Rs.1,37,465 at the rate of Rs.15.50 per London proof liter.

(ii) The Finance Act, 1976 enhanced the rate of excise duty on 'Mritasanjibani sura' from Rs.15.50 per London proof litre to Rs.30 per London proof litre with effect from 16th March 1976. It was noticed in audit that the excise duty at the pre-revised rate of Rs.15.50 per London proof litre was realised on 1,329 London proof litres of 'Mritasanjibani sura' manufactured during the period 16th March 1976 to 30th September 1976 resulting in short levy of excise duty of Rs.19,269. The Department stated that owing to late receipt of the information revising the rates it had not been possible to realise the excise duty at enhanced rates.

(iii) Similarly, the Finance Act, 1981 enhanced the rates of excise duty on 'Mritasanjibani sura' from Rs.30 per London proof litre to Rs.52.80 per London proof litre with effect from 1st March, 1981. The enhanced rate was communicated to the manufacture in November 1981. Excise duty on 'Mritasanjibani sura' of 1,649 London proof litres manufactured and cleared during March 1981 to November 1981 was realised at the pre-revised rate resulting in short levy of duty of Rs.37,597.

6.2 The Department in their Written replies has stated that M/s Assam Ayurvedic product, a Government of Assam Undertaking are paying less excise duty thus defaulting payment of excise duty to the tune of Rs.1,92,331.00. A Bakijai case has been instituted against them. But subsequently M/s Assam Ayurvedic products, Guwahati have also prayed to Government for exemption of duty which is under consideration.

### OBSERVATIONS/RECOMMENDATIONS

6.3 In view of the facts stated by the Department the Public Accounts Committee would like to know the result of the Bakijai case and the petition praying exemption of duties.



## CHAPTER VII

## SUPPLY OF COUNTRY SPIRIT TO WAREHOUSE

Audit Para 5.3/CAG 81-82.

Audit Para 5.1/CAG 82-83.

Audit Para 6.6/CAG. 83-84,

7.1. The Assam Excise Rules, 1945 provides that for supply of country spirit to a warehouse, the contractor has to maintain such minimum stock of spirit as may be prescribed by the Excise Commissioner and in the event of his failure to maintain the minimum quantity, he is required to compensate Government for the resultant loss, by way of excise duty and vend fee.

7.2. The Audit has pointed out failure of the contractor to maintain supply of country spirit to warehouses in the following cases in the years under report:

- (i) It was seen in audit ( July 1981 ) of the records of the Superintendent of Excise, Silchar that the stock of spirit, during the periods 18th September 1980 to 2nd December 1980, was nil in the warehouse at Silchar as against the prescribed minimum of 15,000 London proof litres. No recovery was effected from the contractor till the date of audit ( July 1981 ). The loss of revenue in the shape of excise duty and vend fee assessed ( November 1981 ) by the Superintendent of Excise at the instance of audit was Rs. 3.63 lakhs.
- (ii) In a warehouse at Silchar, the stock of country spirit during the period from 6th August 1981 to 14th August 1981 was nil as against the prescribed minimum of 15,000 London proof litres. As a result, Government suffered loss of revenue amounting to Rs. 0.43 lakh on account of excise duty and vend fee, but no compensation recovered from the contractor for his failure to keep the minimum stock of spirit. On the failure being pointed out in audit ( August 1982 ), the Superintendent of Excise stated ( January 1984 ) that the matter was being taken up with the Commissioner of Excise, Assam, Report on action taken is awaited ( February 1985 ).



(iii) In audit of the records of the Deputy Superintendent of Excise, Tinsukia it was seen ( March 1982 ) that for supply of country spirit to a warehouse at Tinsukia, the contractor was required to maintain a minimum quantity of 80,000 London proof litres of country spirit. He did not maintain the minimum quantity on 165 days during the period 8th October 1980 to 27th December 1981. As a result, the Government suffered an estimated loss of revenue of Rs.45.96 lakhs on account of excise duty and vend fee but no compensation was recovered from the contractor for his failure to keep the minimum stock of spirit.

(iv) In audit of record of the Superintendent of excise, Jorhat it has seen ( December 1982 ) that during the period May to June 1980, the stock of spirit was nil for 20 days in the warehouse at Jorhat and for 16 days in the warehouse at Nazira as against the prescribed minimum of 75,000 and 30 000 London proof litres respectively. The loss of revenue in the shape of excise duty ( Rs.5.34 lakhs ) and vend fee ( Rs.0.71 lakh ) was Rs 6.05 lakhs for Non-supply of 60,122 proof litres of spirit to both the warehouse during 36 days computed on the basis of average daily issue of spirit during the preceding three calendar years. No recovery was, however, effected from the contractor for the loss sustained by Government. The Government stated ( October 1983 ) that during the alcohol year 1979-80 the Government of India restricted the allocation to 7.50 lakhs litres as against the demand for 17 lakhs litres of these 7.50 lakhs litres, the allocation of 1.00 lakh litres was made only in September 1980. As a result, the contractors could not maintain the minimum stock.

7.3. The Department in their written statement furnished to the Committee has stated as under:

(i) M/s. National Trading Corporation was the spirit contractor for supply of spirit to the Silchar warehouse till 17th August, 1980. Before expiry of this contract tenders were invited for that purpose on



5th July, 1980. In response to that notice there was only a single tender from the existing contractor which was at a Higher rate of Rs. 2.9 per L.P.L. on this the Govt. took a view to go for fresh tender and to extend the existing contract from 18th August, 1980 till 31st October, 1980 at the existing rate of 2.30 per L.P.L. But the contractor declined to supply the spirit at the old rate. As the period of contract was over on 17th August, 1980 the contractor could not be compelled to enforce the extended contract. The second tender was called for on 27th August, 1980. There were two tenders and the tender was finalised on 21st October, 1980 in favour of the earlier contractor. This was made effective on 1st November, 1980 through a contract dated 28th October, 1980. The contractor took about a month time to get spirit from outside the State. This explains the non-availability of stock from September to December, 1980 at Silchar Warehouse.

- (ii) It has been observed by audit that during the period from 6th August, 1981 to 14th August, 1981 the Silchar Warehouse had no stock of spirit. The prescribed minimum fixed by the Excise Commissioner was 15,000 L.P.L. As a result of the said situation the Government sustained revenue loss of Rs.0.43 lakhs. For the year 1980-81 our demand was for 17 lakhs bulk litres against which the Government of India issued an allocation of 5.50 lakhs litre. The Baruabamungaon distillery can hardly meet about 3/4 months demand depending on the quantity produced on availability of sugarcane. M/S National Trading Corporation was the contractor for Silchar Warehouse during the period in question. The Contractor was issued import permit on 11th June, 1981 for 20,000 BL. from Bihar by cancelling the permit issued on 26th December, 1980 for Silchar Warehouse from Bihar with validity upto 31st August, 1981. Even then the contractor could not lift this due to non-issue of export permit by the authorities in Bihar. On 26th June, 1981 a permit for 10,000 LPL was issued from Baruabamungaon distillery with validity upto 31st July, 1981 but the contractor could not lift within the validity period. The contractor could, however lift on 12th August,



1981 within the revalidated period and the same was taken into stock on 17th August, 1981. There was acute scarcity of liquor in the country. The Commissioner of Excise, Bihar did not issue export permit against the quantity of 24,000 B.L. for which an import permit was issued on 1st November, 1980 from Bihar. Another permit for 32,000 BL was issued on 26th December, 1980. The same contractor was given a permit for 24 000 BL on 26th December, 1980 from Uttar Pradesh. But the two exporting states did not issue export permits and the distillery were also not in a position to effect supply. Uttar Pradesh Government, however allowed the lifting of 24,000 BL in March, 1981. In such a situation the Commissioner of Excise, Assam had to regulate issue from the Silchar warehouse. This situation had only arisen due to difficult supply position of liquor during that period. In such cases the Commissioner of Excise should have issued order lowering the minimum limit to be stocked in the Warehouse.

(iii) The Excise Commissioner fixes the limit of minimum stock to be stored in each Warehouse from time to time. This is done under rule 106 of the Assam Excise Rules, 1945. During the period under review a minimum limit of 80,000 L.P.L. was to be maintained at Tinsukia vide an order dated 15th July, 1975. The statement appended (Annexure—II) would indicate the bulk allotted/lifted and reasons for non-lifting during the period involved.

(iv) M/S Assam Trade Agency, Jorhat was the contractor for both the Warehouses. The contractor was issued import permit on 13th May, 1980 for 1,00,000 bulk litre of spirit from Bihar against which they could lift 96,000 bulk litre. The spirit against import permit issued for 1,00,000 bulk litre on 17th May, 1980 could not be lifted by the contractor due to reduction of allotment by Government of India vide letter No. 1502(41) 79-Ch-II Desk dated 20th May, 1980 to curtail about 50% of Assam quota from Bihar.

The following table would indicate the quantity allotted/lifted from Baruabamungaon distillery to Jorhat and Nazira Warehouses during the period in question.



Sl.	Date of allotment	Quantity allotted	Quantity lifted	Remarks
1.	3-5-80	20,000 L.P.L.	20,000 L.P.L.	
2.	17-5-80	15,000 L.P.L.	8,287.6 L.P.L.	Balance of 6712.4 LPL. was lifted for Nazira Warehouse.
3.	10-6-80	15,000 L.P.L.	30,373.1 LPL <u>58,660.7 LPL</u>	Balance of 19626.9LPL. was lifted for Nazira Warehouse.

Thus against Jorhat/Nazira the total receipt from outside Assam was 96,000.0 B. L. and from Barubamungaon distillery 85,000 L. P. L. Curtailment of allotment was responsible for less lifting by the contractor. On this aspect he does not have a job to play. As a result he ought not to be held responsible for this. The only remedy was to reduce the minimum stock to be stored in the Warehouse by an order of the Excise Commissioner under rule of 106 of Assam Excise Rules, 1945.

### OBSERVATIONS/RECOMMENDATIONS

7.4.1 The audit objections related to non-maintenance of minimum stock of spirit as prescribed leading to less of revenue. The Department's defence was that non-availability of spirit was due to delay in giving effect to a new contract in place of old one. In other cases non-availability was due to inability in bringing revised quantity in the light of the increasing demand.

7.4.2. The Committee feels that in the circumstances of the cases, advance action should have been taken so that such gaps did not occur. Further the Committee would like to know that steps have been taken since then by the Department to put an end to such situation as arisen in such cases.



## SUMMERY OF RECOMDATIONS/OBSERVATIONS

Sl. No. (1)	Para No. (2)	Recommendations, Observations (3)
1.	1.5.1.	The audit cases were that the excise duties to be collected as per provision of the Assam Excise Rules, 1945 were not realised. The Department in their replies as well as in evidence pointed out anomalies which were subsequently rectified by amending Rule 141 of the Assam Excise Rulse, 1945 read with Rule 19 of the Assam Bonded Warehouse Rules, 1965. Accordingly the Public Accounts Committee is of the view that the audit objections are met in the light of latest provisions of Rules.
2.	2.4.1.	It appears from the departmental replies as well as evidence tendered before the Committee that the audit observations have been met realising the outstanding dues. However the Public Accounts Committee feels like observing as to why the Department failed to realised the relevant charges which was of a routine nature. It is apprehended that the Government would have lost substantial revenue if audit did not pointed out the non-realisation. Accordingly the Committee recommends that steps should be taken so that such lapses may not occur in future.
3.	3.4.	This is a case of excess payment which, according to the Department generally occurs and subsequently adjusted. The Committee fails to understand how such a thing could happen if the system of calculaiion to be made for realisation of duties and gallonage fees is done as per norms laid down. Though this is a case of excess payment there could be cases of underpayment also if the system of calculation is either defective or done irregularly. Accordingly, the Public Accounts Committee Recommends that the Department shall submit a report showing the actual dues since 1981-82 receivable for issue of rum to the defence personnel posted in Assam, amount received and the measures taken to put an end of the recurrences to this type of lapses.



Sl. No. Para No. Recommendations/Observations

(1) (2) (3)

4. 4.3.1. The defects in implementation of the Molasses, control order, 1961, as pointed out in audit are:

(a) the four units in Assam to which the order applies have not regularly submitted the prescribed returns about production of molasses, (b) the total quantity of molasses available for distribution in 1978-79, 1979-80 molasses season was more than twice the demand which has however been declined by 35 PC in the subsequent year, (c) a major portion of the molasses produced was consumed in the production of spirit and alcohol and there was no system to ensure that the balance distributed for other purposes was actually utilised for such purposes, (d) no limit for allowable wastage in storage has been prescribed and the reported losses formed about 8 and 27 P.C. of production including carry over stock in the case of Sugar and Khandsari units respectively (e) no fund was created to met the cost of storage facilities as envisaged in the Molasses Control order, and (f) no investigation was conducted into the abnormal wastage in Khandsari units.

5. 4.3.2. The Commissioner of Excise who is the Molasses Controller has not prescribed any procedure for ascertaining annual requirement of different consumers for reasons not adduced to the Public Accounts Committee. Similarly, the producers of molasses also have not furnished the prescribed daily and monthly returns which infringed the basic objectives to regulate the use of molasses. The Department also could not reply satisfactorily for the loss of Rs. 30.77 lakhs by way of excise revenue, as pointed out in audit, due to high percentage of wastage of molasses in the Sugar Mills and Khandsari Units.



Sl. No. (1)	Para No. (2)	Recommendations/Observations (3)
6.	4.3.3.	<p>From the reply it is seen that the Department's contention is that the wastage did not occur due to non-creation of fund but due to lack of timely disposal which affected the quality of molasses. The question nonetheless remains that in the event of non disposal which may occur due to very many reasons, what is to be done with the accumulated quantity. As such for precautionary measure there should also be some storage facilities to face such contingency. Audit also pointed out in the light of the huge quantity of molasses remaining undisposed that there should be a storage fund from the sale proceeds of the molasses so that reasonable storage facilities is available as and when occasion arises. Accordingly it is recommended that the practice of creating fund out of the sale proceeds of the molasses is continued. It is further recommended that strict supervision of the utilisation of the molasses by the beneficiaries is made showing the correlation between the liquor produced in relation to molasses made available.</p>
7.	5.3.1.	<p>It has been commented upon that (a) the State Excise has sustained loss amounting to Rs. 54.64 lakhs by way of excise duty, vend fee and Assam Finance Tax in view of the short-fall in the out put of spirit, and (b) non-levy of excise duties of Rs. 35,217 only on excess wastage of spirit over permissible limit. The Excise Department does not appear to have investigated the reasons for heavy shortfall in the out put of spirit.</p>
8.	5.3.2.	<p>It appears from the reply that out-put in the distillery was low that is from 24.3 to 29.8 liters per quintal of molasses compared to the out-put of spirit 34.25 liters per quintal of molasses as prescribed by the Central Molasses Board. Department's contention for this low out turn is due to low sugar content and working condition of the distillery among other things.</p>



Sl. No. (1)	Para No. (2)	Recommendations/Observations (3)
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It is also seen from the reply that in the subsequent period average out put has increased to 36.0 proof per liter which is more or less near to all India requirement. This needs to be enquired into and Committee therefore recommends a thorough enquiry as to the cause of low out-put in the period under reference.

9. 6.3. In view of the facts stated by the Department the Public Accounts Committee would like to know the result of the Bakijai case and the petition praying exemption of duties.

10. 7.4.1 The audit objections related to non-maintenance of minimum stock of spirit as prescribed leading to loss of revenue. The Department's defence was that non-availability of spirit was due to delay in giving effect to a new contract in place of old one. In other cases non-availability was due to inability in bringing revised quantity in the light of the increasing demand.

11. 7.4.2. The Committee feels that in the circumstances of the cases, advance action should have been taken so that such gaps did not occur. Further the Committee would like to know that steps have been taken since then by the Department to put an end to such situation as arisen in such cases.



## ANNEXURE—I

EXTRACT OF RULE 141 OF ASSAM EXCISE  
RULES, 1945.

141. Transit wastage allowance. (1) An allowance shall be made for the loss in transit by leakage and evaporation of transported or exported under bond up to the maximum quantities shown below:

	Maximum quantities of allowances	Wooden vessels	Metal vessel	Per cent
				percent.

(a) For a journey of not greater duration than two days.	2		$\frac{1}{2}$
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(b) For a journey of duration exceeding two but not exceeding nine days.	3		1
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(c) For a journey of duration exceeding nine but not exceeding eighteen days.	4		$1\frac{1}{2}$
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(d) For a journey of duration exceeding eighteen days.	5		2
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Duration of transit is to be reckoned from the date of issue from distillery (or warehouse) to the date of arrival at the receiving warehouse.

Consignment of spirits to be examined and received with promptitude. The officer-in-charge of the warehouse shall examine and take into stock consignments of spirits with as little delay as possible.

(1) Method of calculation of transit wastage. In addition to the above when the temperature of the spirit on receipt is lower than when it was despatched, a further wastage allowance of .05 of a London Proof gallon per cent for every degree Fahrenheit of difference may be made. The allowances to be made under this rule shall be deter-



mined by deducting from the quantity of spirit despatched the quantity received at the place of destination, both quantities being stated in terms of London Proof gallons and shall be calculated on the quantity contained in each cask or other receptacle comprised in a consignment.

Note:—Great care must be taken to insure that the temperature on which the allowance is made is that of the spirit on the cask. The sample jar must not be filled to more than three-fourths of its capacity and should be quite dry on the outside.

(3) Duty on excess deficiency. If the report of the officer by whom a consignment of spirit transported, or exported under bond has been gauged and proved on arrival at its destination should show that wastage to a greater extent than the above has occurred, the contractor shall pay duty at the rate specified in the bond on so much of the deficiency as in excess of the above allowances proved that (a) when the aggregate deficiency calculated on the quantity contained in the whole consignment is not in excess of the above allowances and it is proved to the satisfaction of the District Collector, or (b) when the aggregate deficiency exceeds the above allowances and it is proved to the satisfaction of the Excise Commissioner that the excess deficiency in the case of any one cask or other receptacle has been caused by accident or other reasonable cause, the District Collector or the Excise Commissioner, as the case may be may remit such duty. Such duty on deficiency shall be realised by the Collector of the district in which the distillery or warehouse is situated on receipt of the report from the officer-in-charge of the distillery or warehouse to which the spirit was consigned.

(1) Method of calculation of transit wastage. In addition to the above when the temperature of the spirit on receipt is lower than when it was despatched, a further wastage allowance of 0.2 of a London Proof gallon per cent for every degree Fahrenheit of difference may be made. The allowance to be made under this rule shall be determined as follows:



ANNEXURE—I

EXTRACT OF SUB-RULE (2) OF RULE 19  
OF ASSAM BONDED WAREHOUSE RULES, 1965

2. **Substitution of Rule 19.**—In the principal rules, for Rule 19, the following shall be substituted, namely:—

Rule 19 (1) ... ..

(2) A wastage of allowance not exceeding one percent shall be made for the actual loss in transit by leakage or evaporation or breakage of vessels or bottles containing liquor. The allowance shall be determined by deducting from the quantity despatched, the quantity received at the destination both quantities being stated in terms of London proof Litres of spirit contents or in case of Beer in bulk litres.



ANNEXURE—II

STATEMENT SHOWING THE QUANTUM ALLOTTED/LIFTED FROM BIHAR, U. P. and BARUABAMUNGAON FOR TINSUKIA WAREHOUSE DURING THE PERIOD UNDER REVIEW

BIHAR		Quantity allotted in B. L. (3)	Export permit issued (4)	Quantity lifted (5)	Reasons for non-lifting (6)
Sl. No.	Date of allocation (2)				
1	17-6-80 which was further extended by an order dated 30-9-80.	1,00,000	24,000	13,000	Export permit was issued on New Swadeshi Sugar mill which was closed. After revalidating of the permit & opening of the mill 13000 B. L. was only lifted.
2	19-8-80	24,000	—	—	No export permit was issued.
3	22-12-80	84,000	—	—	do.
4	11-6-81	90,000	—	—	do.
5	22-9-81	58,000	—	—	do.
Total—		3,56,000	24,000	13,000	
UTTAR PRADESH					
1	22-12-80	38,000	38,000	36,000	Lack of capacity in tanker which could only lift @ 12,000 B. L. per tanker.
2	11-6-81	20,000	20,000	20,000	
3	24-3-81	82,000	82,000	82,000	
Total—		1,40,000	1,40,000	1,88,000	



**BARUABAMUNGAON IN L. P. L.**

(1)	(2)	(3)	(4)	(5)	(6)
1	30-9-80	50,000	—	50,000	
2	14-11-80	24,000	—	37,009.40	
3	18-12-80	24,000	—		
4	7-1-81	24,000	—	27,491.30	The balance was
5	20-1-81	24,000	—		1,20,160 L. P. L. Post
6	27-1-81	48,000	—	48,000.00	of it, viz 51,969.6, L.
7	17-2-81	24,000	—	54,925.70	P. L. had been sent to
8	24-2-81	60,000	—		North Lakhimpur Wage
9	24-3-81	50,000	—		house The balance of
10	25-6-81	50,000	—		62,68,190.3 L. P. L. had
11	1-8-81	10,000	—		lapsed
12	28-10-81	20,000	—	21,005.30	
13	5-12-81	24,000	—	19,404.60	
			—	9,065.80	
			—	20,000.00	
			—	24,000.00	
	<b>Total—</b>	<b>4,32,000</b>	<b>—</b>	<b>3,11,840.10</b>	

**OBSERVATION**

Although by and large the lifting from U. P. and Barabamungaon was satisfactory yet the lifting from Bihar was very poor.



Action taken or proposed to be taken by Govt.

Para and page of Comptroller and Auditor General Report

Sl. Year and of Chapter of General Comptroller and Auditor Report

(1) (2) (3) (4)

To be specific against an allocation of 1,00,000 B. L. from Bihar only 13,000 B. L. was obtained. This was due to non-issue of export permits by authorities in Bihar.

CONCLUSION

During the period under review against an allocations of 4.96 lakh the warehouse had got only 1.51 lakh B. L. from outside Assam. Also against allotment of 4.52 lakhs. L. P. L. from Barabamungaen the Tinukia warehouse received 3,11,840.1 L. P. L. only. As a result the less stock in the warehouse was due to less allocation and lesser lifting due to reasons indicated in the table which were beyond the control of the Contractor.

REMARKS

During such difficult days it would have been only proper of the minimum stock to be maintained in the warehouse could have been reduced by an order of the Excise Commissioner.