

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2006-2008)**

NINETEENTH REPORT

(Presented on 10th July, 2007)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007**

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**COMMITTEE
ON
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On

**Action taken by Government on the Recommendations contained
in the Seventy Ninth Report of the Committee
on Public Accounts (2004-06)**

825/2007.

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COMMITTEE ON PUBLIC ACCOUNTS (2006-2008)

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Shri K. Gireesa Kumar, Joint Secretary
Shri K. Ravikumar, Deputy Secretary
Shri J.Ramakrishnan Potti, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf present the Nineteenth Report on Action Taken by Government on the Recommendations contained in the Seventy Ninth Report of the Committee on Public Accounts (2004-06).

The Committee considered and finalised this report at the meeting held on May 30, 2007.

Thiruvananthapuram,
10th July, 2007.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the action taken by Government on the recommendations contained in the 79th Report of the Committee on Public Accounts (2004-2006).

The 79th Report of the Committee on Public Accounts (2004-2006) was presented to the House on 27th July, 2004. The Report contained 4 recommendations relating to Taxes (Excise) Department. Government were addressed to furnish the statement of Action taken on the recommendations contained in the Report on 5th November, 2004 and the final replies were received from Government on July 8, 2005.

The Committee examined the statements of action taken at its meeting held on August 18, 2005.

The Committee was not satisfied with the statement of action taken by Government on recommendation Nos. 2, 3 and 4 (Para Nos. 13, 14 and 26) and decided to pursue it further. Such recommendations, replies and the further recommendations are included in Chapter I of this Report.

The Committee decided not to pursue further action on the recommendation in Para No. 3 in the light of the reply furnished by Government. This recommendation and its reply are incorporated in Chapter II of the Report.

CHAPTER I

**Recommendations in respect of which action taken by Government
is not satisfactory and which require reiteration**

TAXES (EXCISE) DEPARTMENT

Recommendations

(Sl. Nos. 2, 3 and 4 Para Nos. 13, 14 and 26)

1.1 The Committee observes that the average out-turn of spirit from per tonne of molasses, prescribed in the Kerala Excise Manual is 475 proof litres while the rate of out-turn fixed by the Central Molasses Board is 373.5 litres. The

Committee understands that the rate of out turn of spirit from molasses prescribed in the Kerala Excise Manual is one which is very high and not attainable. The Committee is at a loss to understand the logic of fixing such an un-attainable rate even when many distilleries fail to reach as much as the rate of out-turn fixed by Central Molasses Board. The Committee on Public Accounts for the year 1998-2000 and 2001 in their 59th and 120th Reports respectively, had recommended to initiate suitable steps to make necessary amendments in the Kerala Excise Manual in this regard. The Committee finds that the department does not pay enough attention in the matter.

1.2 The Committee, therefore, would like to reiterate the earlier recommendations of the erstwhile Committees in this regard and to urge the department that if even the norms prescribed by the Central Molasses Board cannot be achieved in the existing conditions of the State, the department should take steps to amend the Kerala Excise Manual accordingly. The Committee also desires to be intimated the details of action taken in this regard, within six months.

1.3 The Committee came to know that rules governing the transit and storage of molasses come under the purview of the Government of India. There is no provision in the Kerala Abkari Act and Rules to regulate the movement of molasses as it is not liquor and does not come under the definition of the liquor. The Committee is of the view that the prevailing rules with regard to the movement of molasses is liberal and one which enable easy procurement of the item by any one. The Committee notices that this liberal system leads to illegal production of spirit. The Committee, hence, urges the department to appraise the Government of India of the peculiar situation of the state and for state's control over the transit and storage of molasses and for making appropriate amendments in the relevant rules enabling states to have a control over the transit and storage of molasses. The Committee desires that action taken in this regard be

furnished.

Action taken

1.4 The Department has paid enough attention in the matter of making necessary amendments in the relevant Rules. Since the matter is so important, the Department sought expert opinions from various authorities viz. Prof. & Head of Department of Chemistry, University of Kerala, the Chief Chemical Examiner of Government of Kerala, the Excise Commissioners of Karnataka & Tamil Nadu, Prof. & Head, Sugar Cane Research Centre, Tiruvalla and the Director of Indian Institute of Sugar Cane Research, Lucknow. Similar Rules were collected from neighbouring States. After examining all these data, the Excise Department on 11-11-2003 submitted a draft amendment to Rule 93 (8) and to add a new rule 93 (A) in Kerala Distillery and Warehouse Rules 1968 and the same is now under the consideration of Government.

1.5 A draft amendment to relevant rules in accordance with recommendation of the Committee is already formulated and now under the consideration of Government.

1.6 It is reported that the molasses is not a controlled item. Molasses Control Board controls the transport, possession and storage. Molasses is one of the main raw materials for manufacturing rectified spirit. The proposal is now under consideration to amend the relevant rules of Kerala Distillery & Warehouse Rules, 1968 to bring control of the Department.

Further recommendation

1.7 The Committee reiterates its recommendations in 59th (1998-2000) and 120th (2001) Reports that steps should be initiated to amend the Kerala Excise Manual and recommends that action should be speeded up to amend the Manual and relevant Rules.

CHAPTER II

**Recommendation in respect of which the committee does not desire to
pursue action in the light of the replies received from Government**

TAXES (EXCISE) DEPARTMENT

Recommendation

(Sl. No. 1 Para No. 3)

Non-levy of Excise Duty on Medicinal Preparations

2.1 The Committee desires to know the present position of the disciplinary action initiated.

Action taken

2.2 Disciplinary action was initiated against the officers in charge of the Range Office having jurisdiction over that factory. Charges were framed against them and disciplinary action was finalized and the amount has been recovered from two officers. The remaining one officer Shri. P. R. Govindan, Circle Inspector of Excise has preferred appeal against his disciplinary action. Action was also taken against the licensee to recover the amount under Revenue Recovery action. The same is stayed by the Hon'ble High Court as per WP(C)No.29767/2004.

ARYADAN MUHAMMED,

Thiruvananthapuram,
10th July 2007.

*Chairman,
Committee on Public Accounts.*

APPENDIX I

Summary of Main Conclusions/Recommendations

<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
1.7	Taxes	The Committee reiterates its recommendations in 59th (1998-2000) and 120th (2001) Reports that steps should be initiated to amend the Kerala Excise Manual and recommends that action should be speeded up to amend the Manual and relevant Rules.
