

Chapter IV: State Excise

4.1 Results of audit

Test check of the records of the State Excise Department during the year 2008-09, revealed irregularities amounting to Rs. 13.28 crore in 22 cases, which fall under the following categories:

(In crore of rupees)

Sr. no.	Category	Number of cases	Amount
1.	Loss of excise duty due to sub normal yield of spirit from molasses	07	10.93
2.	Outstanding recovery of excise duty	07	2.10
3.	Others irregularities	08	0.25
Total		22	13.28

During the year 2008-09, the department accepted audit observations involving Rs. 27.12 lakh in one case and recovered Rs. 43,000 in one case pertaining to the audit findings of previous years.

A few illustrative audit observations involving Rs. 10.70 crore are discussed in the succeeding paragraphs.

4.2 Audit observations

Scrutiny of records of State Excise Department revealed cases of non-observance of the provisions of the Rules resulting in short yield of spirit and non-recovery of cost of the staff as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit repeatedly, but not only the irregularities persist; these remain undetected till an audit is conducted. The Government needs to improve the internal control system to avoid occurrence of such cases in future.

4.3 Non-observance of provisions of the Acts/Rules

The Punjab Distillery Rules, 1932 provide for:-

- (i) yield of spirit at prescribed norms; and*
- (ii) recovery of cost of supervisory excise staff posted at the distillery.*

The department did not observe some of the above provisions in cases as mentioned in the paragraphs 4.3.1 and 4.3.2 which resulted in non-realisation of excise duty and cost of establishment charges of Rs. 10.70 crore.

4.3.1 Sub normal yield of spirit from molasses

The Punjab Distillery Rules 1932, (Distillery Rules) envisage that one quintal of molasses should yield 36.61 proof litres of spirit.

During test check of the records of four distilleries¹, it was noticed between September 2008 and January 2009 that 16.32 crore proof litres of spirit was produced during the year 2006-07 and 2007-08 from 46.52 lakh quintals of molasses as against the envisaged yield of 17.03 crore proof litres of spirit. Had the prescribed norms for yield of spirit been achieved, the Government would have earned excise duty of Rs. 10.59 crore on the additional yield of 71.14 lakh proof litres of spirit.

After the cases were pointed out, the Excise and Taxation Officer (ETO) Patiala stated that matter would be taken up with higher authorities. The ETO, Hamira stated that with advancement of technology, sugar mills were extracting maximum sugar from sugarcane and the sugar contents in the molasses were reduced to a minimum. However, the fact remains that the Government had prescribed the norms of yield of spirit and that should be observed.

The matter was reported to the department and the Government in March 2009; their replies have not been received (September 2009).

4.3.2 Non-realisation of cost of establishment charges

Under the Distillery Rules, the licensee shall pay into the Government treasury such sums as may be demanded by the Commissioner towards the salaries of

¹ M/s AB Sugar Ltd. Randawa-Dasuya (Hoshiarpur), M/s Chandigarh Distillers & Bottlers Ltd. Banur (Patiala), M/s Hamira Distillery Hamira (Kapurthala) and M/s Patiala Distillers and Manufacturers Ltd. Main (Patiala).

the Government excise establishment posted in the distillery for the purpose of ensuring due observance of these rules and watch and ward.

During test check of the records of two distilleries², it was noticed between September 2008 and January 2009 that the demand on account of cost of the establishment charges amounting to Rs. 10.57 lakh for the year 2007-08 was not raised, which resulted in non-realisation of cost of establishment charges of Rs. 10.57 lakh.

The matter was reported to the department and the Government in March 2009; their replies have not been received (September 2009).

² M/s Chandigarh Distillers and Bottlers, Banur (Patiala) and M/s United Breweries Limited, Jamalpur (Ludhiana).