

CHAPTER-II
Financial Management and Budgetary Control

2.1 Trend of Revenue

The budget estimates and actual collection of the State Excise duty during the period 2005-06 to 2010-11 were as under:

(₹ in crore)

Year	Budget estimates	Actuals receipts	Variations excess (+) shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts of excise duty vis-à-vis total tax receipts
2005-06	1525.00	1568.16	(+) 43.16	(+) 2.83	13525.71	11.59
2006-07	1628.44	1367.79	(-) 260.65	(-) 16.01	16761.74	8.16
2007-08	1726.00	1861.52	(+) 135.52	(+) 7.85	15153.14	12.28
2008-09	1830.01	1809.95	(-) 20.06	(-) 1.10	16934.10	10.69
2009-10	2000.83	2100.92	(+) 100.09	(+) 5.00	17692.18	11.87
2010-11	2520.20	2373.07	(-) 147.13	(-) 5.83	22158.35	10.71

The actual receipts during 2005-06, 2007-08 and 2009-10 were more than the budget estimates, whereas during 2006-07, 2008-09 and 2010-11, they were less than the budgeted receipts. The Receipts during 2006-07 were less by ₹ 200.37 crore as compared to the Receipts of 2005-06 mainly due to the reason that the Department had changed its practice of auctioning the retail vends of liquor to the system of allotment by lottery. As the Excise Policy for the year 2006-07 had been extended by one month upto April 2007, the application money and security deposit of the vends receivable in the month of March 2007 (2006-07) were received in the month of April 2007 (2007-08) and hence the actual receipt of revenue during the year 2007-08 was more than the budget estimates.

We reported the matter regarding variation between budget estimates and actual receipt to the Department (May 2011), the reply is awaited (September 2011).

The incremental revenue earned from the State Excise from time to time was marginal and the proportion of the State Excise duty to the total tax receipts in the State remained stagnant around 11 *per cent* over the years.

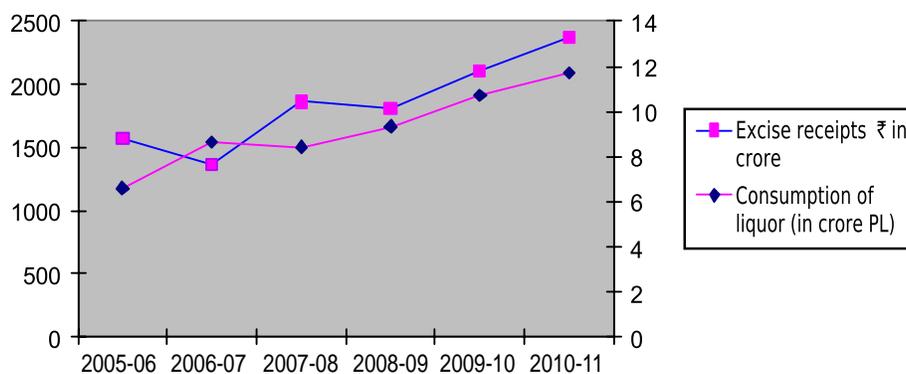
2.1.1 Consumption of liquor

The position of consumption of liquor in the State during the period 2005-06 to 2010-11 is given in the table below. Consumption vis-a-vis revenue from excise duty is depicted in the graph.

Year	Excise receipts ₹ in crore	Consumption of liquor (in lakh PL)	Projected Population (in lakh)	Per capita consumption of liquor (proof litre)
2005-06	1568.16	660.00	262.11	2.518
2006-07	1367.79	862.00	266.95	3.229
2007-08	1861.52	843.00	271.89	3.100
2008-09	1809.95	933.00	276.91	3.369
2009-10	2100.92	1069.00	282.03	3.790
2010-11	2373.07	1173.00	292.56	4.009

It can be seen that whereas the per capita consumption of liquor increased from 2.518 PL in 2005-06 to 3.790 PL in 2009-10, an increase of 59.2 per cent, the Excise receipts increased by 51.3 per cent. As can be seen from the graph below, the earnings from excise duty did not keep pace with the steady increase in consumption of liquor.

Consumption of liquor vis a vis receipts from excise duty



2.2 Trend of Revenue under Minor Heads

The minor headwise details of excise collection under Major head 0039-State Excise are given in table below:

Description of the Minor Head	(₹ in lakh)				
	2005-06	2006-07	2007-08	2008-09	2009-10
101-Country Spirits	134485.06	111911.79	163997.36	159826.28	189640.17
102-Country Fermented Liquors	3363.70	4759.77	8561.13	9624.30	5643.72
103-Malt Liquor	621.80	671.34	254.10	361.98	247.64
104-Liquor	121.53	92.08	74.75	1.04	0.12
105-Foreign Liquor and Spirits	15890.35	11070.93	9648.18	5668.17	9756.10

106-Commercial & Denatured Spirits & Medicated wines	1144.03	7424.74	2080.33	2965.62	2815.98
108-Opium, hemp and other drugs	133.17	122.41	1.59	4.11	0.05
150-Fines and Confiscations	45.88	19.82	20.55	27.89	16.96
800-Other Receipts	709.51	705.40	1514.06	2515.46	1971.02

(Note: Under Minor Head 107-Medical and Toilet Preparations receipts were zero since 2006-07)

Though there was an overall increase in Excise Duty collections especially under Minor Head 101-Country spirits, it was seen that under the four minor heads i.e. 103-Malt Liquor, 104-Liquor, 105-Foreign Liquor and Spirits i.e. on imported on foreign liquor, 108-Opium, hemp and other drugs of the State Excise, the revenue was on a downward trend during the period 2005-06 to 2009-10.

2.3 Cost of collection

The gross collection of the State Excise receipts, expenditure incurred on its collection and the percentage of expenditure to the gross collection during the years 2005-06 to 2010-11 are given below:

(₹ in crore)

Year	Collection	Expenditure on Collection	Percentage of expenditure to gross collection	All-India percentage rate of cost of collection
2005-06	1568.16	11.90	0.76	3.40
2006-07	1367.79	12.26	0.90	3.30
2007-08	1861.52	13.27	0.71	3.27
2008-09	1809.95	14.57	0.80	2.77
2009-10	2100.92	17.23	0.82	3.64
2010-11	2373.07	20.55	0.86	

The Department replied that the very nominal increase in the percentage of expenditure to the gross collection was due to new appointments made in 2008-09 and payment of revised pay scales to the staff.

2.4 Outstanding Arrears of Revenue

The arrears of revenue as on 31 March 2010 was ₹ 11.50 crore, which were outstanding for more than five years. We did not come across any significant progress in their recovery.

2.5 Non-adherence to the prescribed procedure in respect of receipt of Government money

As per the Codal provisions, an acknowledgement on account of receipt of Government money should be issued by the Government official on a proper government receipt book. Further, all money collected on behalf of Government should be recorded and accounted for in the office cash book.

We saw during test check of records in three⁸ offices of AETC that ₹ 13.81 crore was collected during the year 2009-10 against sale of application forms for allotment of the liquor vends, for which locally printed receipt books were used instead of issuing the acknowledgement on proper Government Receipt Books. Though the amount collected was deposited in the Government

Account, it was not recorded in the main Cash Book. Failure to use the prescribed receipt books and non-accountal of the money in the Cash book was not only irregular but is fraught with the risk of misappropriation and discrepancies between the Treasury and Departmental figures of receipts.

The Department replied that the procedure pointed out by Audit had been noted for compliance in future.

2.6 Development Cess

2.6.1 Non-utilisation of the Development Cess

The Government vide its notification dated 10/3/99 authorised levy of Development Cess at the rate of ₹ 0.75 per proof litre with effect from April, 1999 and vide Excise policy 2005-06 it revised the rate to ₹ 1.00 per proof litre of IMFL, imported foreign liquor and PML with effect from April, 2005. The cess was to be deposited under the Major Receipt Head '0039 - State Excise'. The expenditure out of this Fund was to be incurred for improvement of the infrastructure of the Department on appropriation made by the Finance Department under the Major Expenditure Head '2039-State Excise'. As per the notifications dated 8 April 2005 and 11 April 2008, the cess so collected were to be utilised for the purposes such as:

- Improvement of the communication facilities in the Departmental offices;
- Purchase of equipment/machinery including computerisation and other infrastructure facilities of information collection centers;
- Distribution of rewards to the informers and the officials of the Police and Excise & Taxation Department;
- Purchase or hiring of vehicles by the Department;
- Construction/Repair of buildings such as Record Rooms, Front Windows, Kar seva centres etc;
- Renovation of all offices of the Department specifically with regard to I.T. implementation.

⁸ AETC, Barnala, Bathinda & Sangrur.

The year wise position of funds collected, allotted, utilised and balances are tabulated below:

(₹ in lakh)

Closing balance as on 31 st March 2005				₹ 1404.98
Year	Budget provision	Cess collected	Expenditure	Balance
2005-06	200.00	176.04	56.93	119.11
2006-07	200.00	354.71	51.67	303.04
2007-08	200.00	418.06	108.45	309.61
2008-09	200.00	419.36	132.24	287.12
2009-10	300.00	375.37	213.53	161.84
Total	1100.00	1743.54	562.82	1180.72
Closing balance 1404.98+1180.72 = 2585.70				

We saw that funds of ₹ 31.49 crore collected upto 31st March 2010, however the Department had utilised funds of only ₹ 5.63 crore for the purpose as against a budget provision of ₹ 11 crore, leaving an unutilised balance of ₹ 25.86 crore. Non-utilisation of the Development Cess to the extent of ₹ 25.86 crore defeated the purpose of its collection from the general public.

When we pointed (March 2011) out the above, the Department (July 2011) accepted that there was short provisioning of the budget. They informed that under the sub head “04-Improvement of infrastructure of the Department” under the major head “2039-State Excise”, the funds of Excise and Taxation Technical Services Agency (ETTSA) had to be utilised for purchase of land at Mohali to the tune of ₹ 4.35 crore and for construction of the building of the Department at Ludhiana, funds had been raised from Punjab Infrastructure Development Board to the extent of ₹ 6.42 crore. Similarly, building of the Department at Patiala and Jalandhar is being constructed under Optimum Utilisation of Vacant Government Lands (OUVGL) scheme of Government. The reply is silent regarding reasons for non utilization of the collected funds.

2.6.2 Discrepancy in figures of expenditure of Development Cess Fund

The committee formed under the Chairmanship of ETC was responsible for utilisation and maintenance of separate accounts of the Departmental expenditure incurred out of the Cess collected and these accounts were to be audited by the Accountant General, Punjab and the Internal Audit Organisation (Revenue) of the Department of Finance.

The review of records in the office of ETC revealed that the accounts of expenditure incurred out of the Development Cess were not audited by the IAO. The figures of expenditure furnished by the Department differed from that booked in the office of the Accountant General (A&E), Punjab as detailed below:-

(₹ in lakh)

Year	Expenditure as per A.G.(A&E)	Expenditure as furnished by the Department	Difference
2005-06	56.93	59.12	(+) 2.19
2006-07	51.67	57.06	(+) 5.39
2007-08	108.45	102.98	(-) 5.47
2008-09	132.24	109.57	(-) 22.67
2009-10	213.53	134.80	(-) 78.73
Total	562.82	463.53	(-) 99.29

When we pointed out (March 2011), the Department replied (July 2011) that the discrepancy in the figures of expenditure was due to the fact that expenditure shown to have been booked in the Department was based on the sanctions issued by the Department, but the expenditure booked in the office of the A.G. Punjab was the amount actually drawn. Thus it is evident that the Department had not reconciled the actual expenditure with the Accountant General, as required to be done under the Rules.

2.7 Non-transfer of Education Cess to the Education Development Fund

Under Section 6 of the Punjab Education Development Act, 1998, a cess at a rate not exceeding ten rupees per proof litre (P.L) to be notified by the Government from time to time on the sale of Punjab Medium Liquor, Indian Made Foreign Liquor and beer in the State of Punjab shall be levied and collected by the Department of Excise and Taxation in the prescribed manner. The proceeds of the cess so collected was to be transferred by the Department directly to the Punjab Education Development Fund through bank draft or cheques within a period of first ten days of the month or the quarter of the financial year. Section 8 of the Act provides that the Education Cess credited to the Fund shall be utilised for educational development in the State. As per the Excise policy 2005-06 and 2009-10, additional excise duty (effective from May 2007) now known as additional license fee/additional assessed fee for mobilising additional funds for educational development was leviable at the rates tabulated below:

Type of liquor	With effect from April 2005	With effect from April 2009
1.PML	₹ 3 per P.L.	₹ 5 per P.L.
2.IMFL/Liquor	₹ 4 Per P.L.	₹ 6 per P.L.
3.Beer and ready to drink beverages.	₹ 2 per B.L.	₹ 2 per B.L.

We found (March 2011) from the records that a sum of ₹ 199.78 crore was collected during the period 2005-06 to 2009-10 as education cess, against which, only a sum of ₹ 32.99 crore was transferred during April 2008 to January 2009 to the Education Development Fund and the balance funds of ₹ 166.79 crore, which had been credited to the Consolidated Fund of the State, had not been transferred/spent for the stated objectives.

We reported the matter to the Government (March 2011), their reply has not been received (September 2011).

2.8 Non-maintenance of expenditure control register

As per the Budget Manual, the Controlling officer is responsible for maintaining a minor/sub head-wise register (Form BM-28) for watching the expenditure incurred by all the drawing and disbursing officers under his control in the State against the funds allotted to them.

The review of records for the period 2005-06 to 2009-10 revealed that no such register was being maintained by the Department and the figures received in Form-29 from the field offices remained un-compiled. Even Form-26 and Form-29 were not being prepared in respect of the Head office and the Department failed to furnish

the figures of expenditure in respect of the Head Office as well as field offices for the period 2005-06 to 2009-10.

We reported the matter to the Department (March 2011) to which it was replied that directions to the field offices had been issued for sending the statement of expenditure in the prescribed form and proper record would be maintained at the Head Office level in future.

2.9 Non-reconciliation of withdrawals (expenditure)

Rule 2.31 (a) of the Punjab Financial Rules Volume-I provides that each Drawing and Disbursing Officer (DDO) should reconcile every month all the withdrawals made from the treasury with the figures appearing in the books of DDO.

Non-reconciliation of withdrawals was fraught with the risk of embezzlements and frauds etc. which might remain undetected.

Test check of the records of 13 DDOs⁹ revealed that reconciliation of withdrawals of ₹ 29.92 crore had not been carried out by them with the treasuries during the period 2005-06 to 2009-10.

When we pointed out (March 2011), the Department accepted the issue and replied that directions had been issued for reconciliation of expenditure with the treasury and to submit a certificate

after reconciliation for the period 2005-06 to 2009-10.

⁹ AETC, Barnala, Bathinda, Faridkot, Hoshiarpur, Jalandhar I and II, Kapurthala, Mansa, Nawanshahar, Patiala, Sangrur, DETC Jalandhar and Patiala.

2.10 Non-reconciliation of receipts with Treasury Records

Punjab Financial Rules Vol. I provide that Departmental receipts collected and remitted into treasury during the month be reconciled by officer in charge with the figures appearing in the treasury records by 15th of the next month and discrepancy, if any, reconciled.

We found during the Review that the revenue receipts to the extent of ₹ 949.67 crore for the period from April, 2005 to March, 2010 were deposited into the treasury by 10 DDOs¹⁰, but these were not reconciled with the Treasury officers concerned. Non-reconciliation is fraught with the risk of embezzlement, fraud and misappropriation of the Government money.

When we pointed out (March 2011), the Department accepted the issue and replied that directions had been issued for reconciliation of the receipts with the treasury and to submit a certificate for the period 2005-06 to 2009-10.

¹⁰ AETC, Barnala, Hoshiarpur, Mohali, Mansa, Ropar, Sagrur, M/s Mohan Meakin Ltd. Bhankarpur Dera Bassi, M/s Batra Breweries Distillery Dera Bassi, M/s National Industrial Corporation Ltd. Dera Bassi and M/s Punjab Expo (P) Ltd. Dera Bassi