

## CHAPTER VI STATE EXCISE

### 6.1 Results of audit

Test check of records of state excise revenue conducted in audit during the year 2002-03, revealed non/short realisation of excise duty amounting to Rs.98.97 crore in 72 cases, which broadly fall under the following categories:

| <i>(Rupees in crore)</i> |  |              |              |
|--------------------------|--|--------------|--------------|
| Sl. No.                  | Categories   | No. of cases | Amount       |
| 1                        | Non/short levy of excise duty on chargeable wastage of rectified spirit, non/short receipt of IMFL | 11           | 9.45         |
| 2                        | Non/short recovery of privilege fee/additional fee/licence fee/transport pass fee etc.             | 5            | 0.11         |
| 3                        | Blockage/loss of revenue   | 7            | 0.48         |
| 4                        | Others   | 21           | 2.96         |
| 5                        | <b>Review: Uncollected excise revenue</b>  | 28           | 85.97        |
| <b>Total</b>             |  | <b>72</b>    | <b>98.97</b> |

During the course of the year 2002-03, the concerned Department accepted underassessments etc. of Rs.22.17 crore involved in 36 cases of which 30 cases involving Rs.22.06 crore had been pointed out in audit during the year 2002-03 and the rest in earlier years. An amount of Rs.81.84 lakh was realised at the instance of audit.

A few illustrative cases and a review, “**Uncollected Excise Revenue**”, involving Rs.52.27 crore highlighting important observations are given in the following paragraphs :

### 6.2 Review: Uncollected Excise Revenue

#### Highlights

The Department depicted only Rs.11.66 crore as uncollected excise revenue for the whole of West Bengal while audit worked out the same at Rs.85.97 crore in nine excise districts alone.

**(Paragraph 6.2.7)**

Revenue amounting to Rs.1.21 crore remained unrealised due to delayed follow up action for recovery of arrears through certificate proceedings

**(Paragraph 6.2.8)**

Realisation of duty amounting to Rs.2.72 crore remained in arrears due to incorrect entertainment of appeal

**(Paragraph 6.2.13)**

Irregular remission of excise duty not covered by statutory provision of the Act, resulted in loss of revenue of Rs.1.27 crore

**(Paragraph 6.2.16)**

Failure of the Internal Audit Wing to take follow-up action in case of observation by the Statutory Audit, resulted in non-settlement of audit objection to the tune of Rs.381.03 crore

**(Paragraph 6.2.19)**

### **6.2.1 Introduction**

The excise revenue of the state is derived from excise duty and fees levied on various kinds of intoxicants i.e. country spirit, India made foreign liquor (IMFL), pachwai, tari, opium, bhang as well as on medicinal and toilet preparation containing alcohol, opium, hemp etc. under the authority of Bengal Excise Act, 1909 (State Act) as adopted, and also under the Medicinal and Toilet Preparation (Excise Duty) Act, 1955 (Central Act). Excise duty and fees are assessed, levied and collected in advance and the arrears are mainly confined to unpaid demand on chargeable wastage/deficiencies/shortfall in production of liquor as well as during import, export, storage and transportation of spirit/liquors and other excisable articles, and also the cost of establishment on account of excise supervision in private warehouse during pendency of appeal, injunction or stay order issued by the Appellate Authority or the Court of Law. The arrears of excise revenue are recoverable as arrears of land revenue under the Public Demands Recovery Act, 1913.

### **6.2.2 Audit Objectives**

A review on uncollected excise revenue for the period from 1997-98 to 2001-02 was conducted with a view to:

- ascertain extent of compliance to the Act/Rules;
- analyse the reasons for excise revenue remaining uncollected;
- evaluate the extent and correctness of uncollected excise revenue;
- to evaluate effectiveness of the internal control mechanism.

### **6.2.3 Organisational set-up**

The Secretary, Excise Department is in overall charge of the Department. The Commissioner of Excise is the head of Excise Directorate under the Government of West Bengal. He is assisted by an Additional Commissioner of Excise and 15 Deputy Commissioners of Excise and a number of Superintendents of Excise. The Superintendent of Excise is the Excise Authority of a district functioning under the Collector of the concerned district except Kolkata where the designation of the district authority is Collector of Excise. The Law Section under the supervision of a Deputy Commissioner deals with the cases relating to appeal matters and litigation under Court of Law. An Internal Audit Wing also functions to carry out internal audit of excise receipts.

### **6.2.4 Scope of Audit**

Test check of records in nine out of 20 excise districts and the office of the Commissioner of Excise was done between October 2002 and March 2003.

### **6.2.5 Trend of revenue**

The position of collection of excise revenue vis-à-vis budget estimates for the periods 1997-2002, was as follows:

*(Rupees in crore)*

| Year      | Budget estimate | Actual Collection | Excess (+)<br>Short (-) | Percentage of variation |
|-----------|-----------------|-------------------|-------------------------|-------------------------|
| 1997-98   | 324.50          | 358.79            | (+)34.29                | + 11                    |
| 1998-99   | 390.00          | 400.00            | (+)10.00                | + 3                     |
| 1999-2000 | 444.14          | 442.85            | (-)1.29                 | - .30                   |
| 2000-01   | 510.00          | 461.61            | (-)48.39                | - 9                     |
| 2001-02   | 572.00          | 512.43            | (-)59.57                | - 10                    |

### **6.2.6 Arrears of Revenue**

In accordance with departmental orders, each Superintendent of Excise furnishes a return to the Excise Directorate showing the total arrears of revenue pending with them. The Excise Directorate consolidates the position of arrears and furnishes the information to the Secretary, Excise Department. The total amount of uncollected excise revenue during the period 1997-98 to 2001-02 as ascertained from the Excise Directorate was as under:-

| <i>(Rupees in crore)</i> |            |                   |
|--------------------------|------------|-------------------|
| Year                     | Collection | Amount in arrears |
| 1997-98                  | 358.79     | 7.84              |
| 1998-99                  | 400.00     | 8.51              |
| 1999-2000                | 442.85     | 9.62              |
| 2000-01                  | 461.01     | 9.58              |
| 2001-02                  | 512.43     | 11.66             |

The figures of arrears reflect the progressive total at the end of the year. The Directorate, however, could not furnish year-wise break-up of arrears of uncollected excise revenue.

### 6.2.7 Discrepancy in arrears of revenue

As per the information collected by audit from Demand and Collection Register, appeal case/Court case files in respect of nine out of 20 excise districts, Rs.85.97 crore were pending as arrears as on 31 March 2002. No court case register was maintained by the Department. Various stages at which these were pending are given below:

| Stages of action   | Amount of arrears furnished by the Directorate | Amount detected during test check |                    |
|--|--|-----------------------------------|--------------------|
|  |  | No. of cases                      | Amount             |
| ➤ Demand covered by recovery certificates                          | 0.08   | 1                                 | 1.21               |
| ➤ Recovery stayed by:<br>High Court and other Judicial Authorities | 5.17   | 11                                | 29.60              |
| ➤ Recovery stayed by:<br>Government                                | 0.23   | 4                                 | 26.13              |
| ➤ Recovery held up due to:<br>Rectification/Review of Application  | 0.90   | 1                                 | 0.03               |
| ➤ Recovery held up due to:<br>Dealers becoming insolvent           | 0.02   | -                                 | -                  |
| ➤ Other stages   | 1.90   | 10                                | 25.59 <sup>1</sup> |
| ➤ Frauds and Evasions  | 3.36   | 1                                 | 3.41               |
| <b>Total:</b>  | <b>11.66</b>                                   | <b>28</b>                         | <b>85.97</b>       |

Thus, it would be seen that there is a wide variation between the departmental figures and those collected by audit. Figures furnished by the Department required immediate reconciliation. The Department should ensure that a proper internal control system is instituted, reviewed and updated to maintain correctness of figures of arrears of revenue.

<sup>1</sup> Rs.2.52 crore (upto 1996-97), Rs.12.41 crore (1997-98), Rs.9.60 crore (1998-99), Rs.0.16 crore (1999-2000), Rs.0.76 crore (2000-01), Rs.0.14 crore (2001-02)

### **6.2.8 Delay in initiation of certificate proceedings**

Under the Excise Laws for default in payment of assessed dues, the Excise Officer is required to send requisition to Certificate Officer for realisation of arrear dues under the Public Demand Recovery Act, 1913. However, no time limit has been prescribed within which the Excise Officer should initiate the certificate proceedings against the defaulter. The Public Demand Recovery Act provides for charge of interest at the rate of 6.25 per cent from the date of initiation of certificate proceedings although the Excise Laws do not provide for interest on arrears of revenue.

A test check of records of two excise districts revealed that there was a delay ranging from 12 months to 22 years in initiating certificate proceedings against 80 defaulter licensees resulting in non-realisation of excise revenue of Rs.1.21 crore as detailed below:

| <i>(Rupees in crore)</i> |                         |  |                           |  |                              |                 |
|--------------------------|-------------------------|--|---------------------------|--|------------------------------|-----------------|
| Sl. No                   | Name of Excise District | No. of defaulters  | Period of assessment      | Period during which case sent to Certificate Officer | Delay in initiating the case | Amount involved |
| 1.                       | Malda                   | 79   | 1978-79 and 2000-01       | Between 1998-99 and 2001-02                          | 18 months to 22 years        | 0.07            |
| <b>Remarks:</b>          |                         | Arrears pertained to license fee payable by the tari shop retailers.   |                           |  |                              |                 |
| 2.                       | South 24 Parganas       | 1  | April 1980 and March 2001 | September 2002                                       | 1 year to 22 years           | 1.14            |
| <b>Remarks:</b>          |                         | Demand comprises duty for non receipt of 122 excise verification certificates between 1994-95 and 1998-99 of Rs.0.71 crore, arrear establishment cost between April 1988 and March 2001 of Rs.0.33 crore, arrear literage fee in 32 cases on transit wastage of beer between April 1996 and August 1998 of Rs.0.05 crore, arrear duty and literage fee in one case on beer between August 1998 and March 2001 of Rs.0.04 crore not debonded after expiry of time and excess credit in one case in September 1996 of Rs.0.01 crore. |                           |  |                              |                 |
| <b>Total:</b>            |                         |  |                           |  |                              | <b>1.21</b>     |

The Department does not have any system to monitor the transmission of cases to Certificate Officer in a time bound manner. The Department during this period had not taken any further action to realise the arrears.

Had timely action been taken to send the case to the Certificate Officer, the Department could have earned an interest of Rs.10 lakh under the Public Demand Recovery Act, 1913.

### 6.2.9 Non-initiation of certificate proceedings

Scrutiny of records of two excise districts revealed that in seven cases excise duty amounting to Rs.3.48 crore had not been paid by the licensees for various periods between 1979 and November 1999. No certificate case was initiated for recovery of revenue as per provisions under the Act of 1913 which resulted in non-realisation of revenue to the extent of Rs.3.48 crore as shown below:-

*(Rupees in crore)*

| Sl. No. | Name of excise district | No. of defaulters | Period of assessment            | Date of demand | Amount involved |
|---------|-------------------------|-------------------|---------------------------------|----------------|-----------------|
| 1       | Hooghly                 | 1                 | September 1995 to February 1997 | July 2001      | 1.25            |
|         |                         | 1                 | June 1993 to September 1994     | August 1997    | 0.83            |
|         |                         | 1                 | February 1996                   | December 1998  | 0.21            |
|         |                         | 1                 | 1995-98                         | May 2001       | 0.24            |
|         |                         | 1                 | 1995-98                         | January 1999   | 0.11            |
| 2       | Darjeeling              | 1                 | November 1999                   | November 1999  | 0.64            |
|         |                         | 1                 | 1979-80                         | July 1992      | 0.20            |
|         |                         |                   |                                 |                | <b>3.48</b>     |

### 6.2.10 Laxity on the part of the Department in non-vacating of stay order

As on 31 March 2002, 11 cases involving Rs.29.60 crore were pending in High Court of which recovery in five cases were stayed by the order of the Court. A test check of the case records revealed that no action was taken by the Department to vacate stay orders granted by the Court even after a lapse of 26 years. This could not also be monitored in the absence of any Court case Register. A few such cases are given below:

Audit Report (Revenue Receipts) for the year ended 31 March 2003

| <i>(Rupees in crore)</i>   |   |                        |   |   |
|--|---|------------------------|---|---|
| <u>Case No.</u><br><u>Name of the licensee</u>   | <u>Date of initiation</u><br><u>Grounds</u>   | <u>Amount involved</u> | <u>Order of the court</u>   | <u>Remarks</u>  |
| <u>2257(W)/1974</u><br>M/s Carew & Co.   | <u>1974</u><br>Appeal was preferred against the demand for realisation of export pass fee.  | 0.42                   | Operation of demand was stayed for four weeks by Court injunction in December 1977.   | There was nothing on record to indicate whether stay order was extended or not. However, the amount remained uncollected Matter is still pending as of July 2003.             |
| <u>2258(W)/1974</u><br>Kalyani Breweries   | <u>1974</u><br>Appeal was preferred against the demand for realisation of export pass fee.  | 1.70                   | Operation of demand was stayed for four weeks by Court injunction in December 1977.   | There was nothing on record to indicate whether stay order was extended or not. However, the amount remained uncollected Matter is still pending as of July 2003.             |
| <u>12721 of 1978</u><br>M/s. Kalyani Breweries vs. State                                 | <u>7 October 1978</u><br>Challenging demand notice of duty on wastage of wort.  | 0.32                   | The Hon'ble High Court, Kolkata issued (11.10.1988) an interim order of injunction staying the operation of the demand issued by the Additional District Magistrate, Nadia and also restraining the Government from demanding and collecting excise duty on account of wastage of wort. It was also ordered that the said matter should come as contested application two weeks after X-mas vacation. | The department stated in July 2003 that they are taking action to vacate the Court's order.   |
| <u>861 of 1984</u><br>M/s. Serampore Distillery & Chemical Co. Ltd. and Others vs. State | <u>25 January 1984</u><br>Challenging notifications no. 974 dt. 23.9.1983 imposing privilege fee of Rs.0.02 per LPL of country spirit issued to retailer. | 19.40                  | Interim order (granting stay till disposal of the petition) was granted on 2 February 1984 with liberty to respondent to apply for vacation of the same.  | The case is still under stay and no reasons for non-vacation of the stay order were produced. Government stated in July 2003 that effort had been taken to settle the matter. |
| <u>10877 of 1987</u><br>M/s. Jupiter Brewery Industries vs. State                        | <u>21 December 1987</u><br>Against the demand for payment of duty on shortfall in production of beer, the brewery went for an appeal.                     | 1.78                   | The Government was restrained from taking any action vide injunction dt. 23.12.1987 till the disposal of the case.  | Government stated in July 2003 that follow-up action is being taken.  |

**6.2.11 Non-realisation of Government revenue in cases not covered by the stay order**

It was noticed that in the following three cases, though, no stay order was granted for collection of Government dues, the Department did not take any action to realise the outstanding due of Rs.3.52 crore.

*(Rupees in crore)*

| Sl. No.       | Case No.<br>Name of the licensee                                    | Date of initiation<br>Grounds  | Amount involved | Remarks   |
|---------------|---|--|-----------------|---|
| 1.            | <u>92 of 1994</u><br>Carew Phipson Ltd. Vs. State                   | <u>1994</u><br>Appeal against the demand for excise duty on export of IMFL out of West Bengal  | 1.50            | The Department stated in July that the matter was subjudice and action for recovery is being pursued                            |
| 2.            | <u>484 of 2001</u><br>Bengal Distillery Vs. State                   | <u>March 2002</u><br>Challenging demand notice raised by collector of Excise in respect of transport pass fee.   | 0.80            | Government stated in July 2003 that follow up action is being taken   |
| 3.            | <u>Money suit no.5 of 1990</u><br>State vs. Shaw Wallace & Co. Ltd. | <u>February 1994</u><br>The case was earlier dismissed by lower court on the basis of the case becoming time barred. Government filed a money suit which has not yet been decided. | 1.22            | Government stated that the money suit before the district court at Chinsurah has been pursued by the District Excise Authority. |
| <b>Total:</b> |   |  | <b>3.52</b>     |   |

**6.2.12 Inordinate delay in finalisation of appeal case by Commissioner, Land and Land Reforms Department**

The Department raised a demand in May 1990 of Rs.53.86 lakh against three licensees. The matter was disposed of by the Board of Revenue in favour of the licensees. A review petition was filed before the Board of Revenue by the Additional District Magistrate (R), South 24 Parganas. With the abolition of Board of Revenue in June 1996, the case was transferred to the Commissioner General, Land and Land Reforms Department. Since then no action has been taken by him to dispose of the case. This has resulted in non-realisation of duty amounting to Rs.53.86 lakh.

On this being pointed out Government stated in July 2003 that the matter was being looked into.



### **6.2.13 Incorrect entertainment of appeal**

Proviso to rule 32 (II) of West Bengal Excise (Foreign Liquor) Rules, 1998 provides that no appeal shall be entertained until the duty and fees payable as per law have been paid by the licensee.

During the course of audit it was noticed that 18 appeal cases in five<sup>2</sup> excise districts were admitted /entertained during 2001-02 without realisation of the excise duty of Rs.2.72 crore which was irregular. This resulted in non-realisation of duty amounting to Rs.2.72 crore. A few illustrative cases are given below:

*(Rupees in lakh)*

| Sl. No. | Name of the Licencee                   | Demand Notice No. & Date                 | By Whom issued                                     | Chargeable wastage ( In LPL ) | Amount realisable |
|---------|--|--|--|-------------------------------|-------------------|
| 1       | Mc Dowell & Co., Asansol               | 1643/1(2)XXVII/40/94-95/E(W) dt.5.9.2001 | Additional District Magistrate/Asansol             | 38,295.98                     | 57.26             |
| 2.      | Mc Dowell & Co., Asansol               | XXVII-57/2001/1229/E(W) dt. 5.7.2001     | Additional District Magistrate/Asansol             | 19,100.00                     | 24.83             |
| 3.      | IFB Agro Industries, Nurpur            | 315/E dt. 31.6.99                        | Additional District Magistrate/24 Parganas (South) | 26,394.75                     | 23.78             |
| 4.      | Bhattacharjee Bottling Plant, Dankuni  | 66/BBMPL dt. 4.10.2002                   | Superintendent of Excise/Hooghly                   | 26,752.00                     | 34.78             |
| 5       | Himalayan Endeavour (P) Ltd., Siliguri | 128/DEC/E dt. 25.9.2000                  | Superintendent of Excise/Darjeeling                | 26,322.00                     | 28.95             |
| 6.      | M/s. E.D.C.L., Kolkata                 | EDCL/MD/78/2000-01 dt. 13.6.2002         | Collector of Excise, Kolkata                       | 10,927.00                     | 12.02             |

On this being pointed out, Government stated in July 2003 that in one case Rs.0.10 lakh was realised out of Rs.3.22 lakh and in the remaining cases efforts were being made for realisation.

### **6.2.14 Spirit intended for manufacture of country spirit imported from outside the State, not reaching destination**

The Bengal Excise Act, 1909 and the Rules made thereunder provide that in the case of import of rectified spirit/potable liquor underbond, a licensee is to execute a bond in the prescribed form which envisages that duty and fees at the prescribed rate are to be paid on the quantity of rectified spirit/potable liquor received

<sup>2</sup> Burdwan (West), Darjeeling, Hooghly, Kolkata and South 24 Parganas.

short/not reaching the destination with reference to the quantity despatched from the exporting end.

In course of audit, it was noticed that one licensee in Malda district was granted eight permits for import of 11 lakh Bulk Litres (BL) of spirit by the Commissioner of Excise during 1997-99 against which only 4.09 lakh BL was received. Thus, balance quantity of spirit of 6.91 lakh BL was received short. The short receipt has been worked out with reference to the licenced quantity as the actual quantity exported was not made available. The licensee was liable to pay duty of Rs.12.16 crore at the prevailing rate. No action was, however, taken by the Department to raise the demand.

On this being pointed out, the Department accepted audit observation in July 2003. However, report of further action taken is awaited (November 2003).

#### **6.2.15 Non realisation of duty and fee on non/short receipt of IMFL/rectified spirit during the course of import underbond**

Scrutiny of records, of the Collector of Excise, Kolkata revealed that two licensees of Kolkata received three import permits between March 1998 and October 2002 for import of 7,242.75 London Proof Litre (LPL) of India-made foreign liquor (IMFL) and 675 LPL of OSBI<sup>3</sup> liquor from Maharashtra and Uttar Pradesh. The consignments under the said permits did not, however, reach the bonded warehouses of the importers in West Bengal. The original permits alongwith 'Non-execution Certificate' issued by the exporting State were not submitted for cancellation. As per terms and conditions of the bond agreement, the importers were liable to pay duty of Rs.10.16 lakh and additional license fee of Rs.1.06 lakh. But, the Collector did not issue demand notices for realisation of the same. This resulted in non-realisation of Excise Duty and Fee of Rs.11.22 lakh.

---

<sup>3</sup> Over-seas bottled in India

On this being pointed out, the Collector of Excise, Kolkata stated that the matter would be looked into. The report on further development has not been received (November 2003).

#### **6.2.16 Remission of excise duty not covered by statutory provisions of the Act**

Consolidated Rules made under Section 86 of the Bengal Excise Act, 1909, provide for allowance of actual loss in transit by leakage and evaporation of spirit transported or imported by land, at different rates depending on the duration of transit. The wastage in excess of allowable limit was chargeable to duty at the highest rate on IMFL. There is no provision in the Act authorising the Commissioner to remit the duties in cases of losses caused by accident.

It was noticed that 56,770.8 LPL of rectified spirit was lost in six cases by accidents between January 1993 and December 2000. The Commissioner of Excise on applications by the licensees, remitted the duty of Rs.1.27 crore on the quantity of rectified spirit lost due to accident. The remission was against the provision of the Act and resulted in loss of revenue of Rs.1.27 crore.

Government stated in July 2003 that the Commissioner of Excise had remitted the duty and fee on lost spirit which was not used for human consumption. The reply is not tenable as the Act/Rules do not provide for the same.

#### **6.2.17 Absence of provisions for levy of interest in the Act**

The Bengal Excise Act 1909 does not have any provision for levy of interest for delayed or non-payment of excise dues. The Public Accounts Committee in its 22<sup>nd</sup> Report submitted to Legislature on 17 April 1995 had recommended that Bengal Excise Act should be suitably amended so that interest could be charged on delay in payment of duties and fees.

A test check of records revealed that the department had realised arrears of revenue of Rs.48.31 lakh between March 1994 and June 2001 after a delay ranging from 24 to 110 months from the due date of payment. But no interest could be charged in the absence of relevant provision. This resulted in loss of

potential revenue of Rs.25.65 lakh calculated at the average borrowing rate of interest of 10 per cent.

On this being pointed out, the Government stated in July 2003 that the matter was under examination.

#### **6.2.18 Delay in rectification of lacunae in excise rules**

Under the Excise Rules as amended in 1978, a privilege fee was payable by a licensee on beer stored in a private warehouse for the purpose of export or for removal to another bonded warehouse without payment of excise duty. Consequently privilege fee could not be levied for storage of beer therein for export out of India, as the definition of export in the Excise Act is export to State out of West Bengal only. This fact was pointed out by audit in 1988-89. Though the matter was in the knowledge of the Government, it took 10 years to rectify the omission and insert the wording “Out of India” in the Rule in July 1998. This late rectification resulted in loss of revenue of Rs.29.69 lakh between 1978-79 and 1998-99.

#### **6.2.19 Internal Audit**

The Internal Audit Wing was set up in the Excise Directorate in September 1983 for carrying out internal audit of receipts under the Bengal Excise Act, 1909. The wing is also responsible for taking follow up action for settlement of audit observation made by statutory audit. The absence of any periodical review of arrears by Internal Audit Wing, resulted in no watch being kept on accumulation of arrears at various stages and also resulted in failure to take remedial action promptly by Excise Authorities.

- The Internal Audit Wing at Excise Directorate functions independently under the Commissioner of Excise. Its staff pattern was as follows:

| Category of staff                     | Sanctioned strength | Men in position |
|---------------------------------------|---------------------|-----------------|
| Deputy Commissioner of Excise (Audit) | 1                   | 1               |
| Junior Audit and Accounts Officer     | 3                   | Nil             |
| Auditor                               | 3                   | 3               |

*Audit Report (Revenue Receipts) for the year ended 31 March 2003*

---

- Observation made by Internal Audit during the period 1997-98 to 2001-02:

| Year      | Total No. of Excise districts | Total No. of Excise districts planned for audit | No of Excise district covered in audit | No. of Excise district left uncovered |
|-----------|-------------------------------|---|--|---------------------------------------|
| 1997-98   | 20                            | NA  | 9                                      | 11                                    |
| 1998-99   | 20                            | NA  | 10                                     | 10                                    |
| 1999-2000 | 20                            | NA  | 8                                      | 12                                    |
| 2000-01   | 20                            | NA  | 3                                      | 12                                    |
| 2001-02   | 20                            | NA  | 7                                      | 13                                    |

- Performance of Internal audit during 1997-98 to 2001-02:

*(Rupees in crore)*

| Year      | No. of district covered | No. of objection raised | Amount involved (Rupees in crore) | Amount realised (Rupees in crore) | No. of objection dropped | No. of objection outstanding |
|-----------|-------------------------|-------------------------|-----------------------------------|-----------------------------------|--------------------------|------------------------------|
| 1997-98   | 9                       | 52                      | 1.81                              | 0.97                              | 27                       | 25                           |
| 1998-99   | 10                      | 67                      | 7.71                              | 1.32                              | 34                       | 33                           |
| 1999-2000 | 8                       | 55                      | 2.62                              | 0.47                              | 15                       | 40                           |
| 2000-01   | 3                       | 21                      | 0.73                              | 0.12                              | 7                        | 14                           |
| 2001-02   | 7                       | 79                      | 2.37                              | 0.04                              | 10                       | 69                           |

Internal Audit Wing had not taken follow up action for the settlement of 95 observations made by statutory audit during the period between 1991-92 and 2001-02 involving Rs.381.03 crore as on June 2002. No record/register for watching settlement of outstanding paragraphs was maintained.

### **6.2.20 Conclusion and Recommendations**

It emerges from the above facts that neither Government nor the Department was in the know of the correct position of arrears of excise revenue. The recovery of excise arrears was also not satisfactory. The Department not only lacked in promptness in disposal of appeal cases but also lacked in follow up action of cases pending with Courts.

For better administration of the Bengal Excise Act 1909 and recovery of uncollected excise revenue, the Government may consider the desirability of making suitable provision for the following:

- The Department should develop a system for correct accounting of arrears and should have strong internal control to monitor the recovery thereof.
- Provision for levy of interest in cases of delay in payment of excise duty and fees should be made.

- A time limit for expeditious disposal of appeals by Appellate Authorities may be fixed for departmental Appellate Authorities.
- Monitoring the disposal of appeals/court cases should be done through submission of periodical reports and returns.

All the points mentioned in the foregoing paragraphs were reported to Government in May 2003. Their replies received in July 2003 have been incorporated in the respective paragraphs. Report on further development was awaited (November 2003).

### **6.3 Non-realisation of registration fee of label/brands of liquor**

The West Bengal Excise (Foreign Liquor) Rules, 1998 provide for registration of brand name and label of different brands of IMFL. Registration fee is chargeable for one year, thereafter it can be renewed on payment of prescribed fee.

It was noticed in audit that seven licensees of five<sup>4</sup> excise districts sold IMFL in bottles without registration of the labels/brands or renewal thereof during 1997-98 to 2001-02. This resulted in non-realisation of fee to the extent of Rs.32.30 lakh.

On this being pointed out the Department raised demand for Rs.27.70 lakh between July and November 2002 and stated that the cases for the balance amount of Rs.4.60 lakh were under scrutiny.

### **6.4 Non-raising of demand of duty and fee on chargeable bottling wastage of potable foreign liquor**

The West Bengal Excise (Foreign Liquor) Rules 1998 provide that if the wastage of potable foreign liquor exceeds two percent of the total quantity removed for bottling in a quarter, the licensee, shall be required to pay duty and fee in respect of such deficiency at the highest rate of duty and fee applicable to potable foreign liquor within seven days of demand. A stock taking report indicating the wastage at different stages of manufacture is to be sent quarterly by the Deputy Excise Collector to the Superintendent of Excise.

---

<sup>4</sup> Burdwan (West) - Rs.7.80 lakh; Darjeeling – Rs.1.90 lakh; Hooghly – Rs.18.20 lakh; Jalpaiguri – Rs.3.00 lakh and Kolkata – Rs.1.60 lakh

*Audit Report (Revenue Receipts) for the year ended 31 March 2003*

---

Scrutiny of records of the Superintendent of Excise, Burdwan (West), revealed that a licensee had produced 29,13,946.00 London Proof Litres (LPL) in bottles of potable foreign liquor out of total quantity of 29,94,825.60 LPL removed for bottling during 2000-01. Although the excess wastage of 20,983.18 LPL was mentioned in the stock taking report, no demand was raised by the Superintendent of Excise. This resulted in non-realisation of excise duty of Rs.27.28 lakh and fee of Rs.2.95 lakh.

The case was reported to the Department and to Government in November 2001; their reply has not been received (November 2003).