

CHAPTER-VI

Internal Control and Monitoring

Internal control system is a process meant to ensure that the Departmental operations are carried out according to the applicable laws, regulations and approved procedure/manner. Some of the deficiencies in internal control are mentioned below:-

6.1 Inadequate provision of Revenue locks

As per Rule 56 of the Punjab distillery Rules 1932, the charging and discharging pipes of storage vats, all buildings and rooms used for the storage of spirit etc. shall be closed with two locks, of which one shall be a revenue lock controlled by the inspector of the excise and the other a distillery lock controlled by the licensee.

During scrutiny of records in two distilleries (Jagatjit Industries Limited, Hamira and Patiala Distillers & Manufactures Ltd., Patiala), it was noticed that out of 660 locks to be provided in the distilleries at various check points, 478 revenue locks were not installed. In the absence of revenue locks, misuse or leakage of spirit and consequent loss of excise duty can not be ruled out.

When we reported, the Department replied that procurement of revenue lock for supply to different distilleries is under process.

6.2 Shortfall in inspection of the vends

The Excise and Taxation Commissioner, Punjab, had directed (July 2006) the field officers to conduct inspection of the liquor vends in the State in order to check the sale of adulterated/spurious liquor or other irregularities.

It was noticed in seven offices of the AETCs (Nawan Shahar, Jalandhar II, Patiala, Mohali, Sangrur, Barnala & Ropar) test checked that the prescribed number of inspections of vends were not conducted by the Excise officers.

As against 5819 required inspections by the AETCs, only 4494 inspections were conducted. Against 12061 inspections by ETOs 10752 inspections were conducted and against 50213 inspections by the ETIs 41305 inspections were conducted during the years 2005-06 to 2009-10.

When we reported, the Department replied that due to shortage of staff the inspection as prescribed by the ETC could not be completed. The reply of the Department is not acceptable as it needs to strengthen the staff requirement and carry out the required number of inspections, as shortfall is fraught with the risk of non-detection of illicit production of liquor, pilferage and other offences.

6.3 Internal Audit

Internal Audit is a vital component of the internal control mechanism and is generally defined as the control of all controls to enable an organisation to ensure itself that the prescribed systems are functioning reasonably well. An Internal Audit Organisation (IAO) was set up in October 1981 as an independent organisation under the Finance Department and was entrusted, inter alia, with the internal audit of revenue receipts including State excise duty. In 1991, the focus of audit was shifted from revenue to expenditure audit. However, Government in December 2004 again introduced internal audit of excise duty.

During the review of records for the years 2005-06 to 2009-10, we noticed that in seven ¹⁵AETC offices internal audit was not being carried out at all by the Internal Audit Organisation and in four¹⁶ other offices it was not conducted for the last two to three years.

The information regarding units planned for audit and actually audited and number of paras outstanding against Excise offices of the Department was called for from the Internal Audit Organisation, but the same was not furnished.

6.4 Excise Intelligence Bureau (EIB)

The main function of the Excise Intelligence Bureau located at Patiala is to collect intelligence in respect of smuggling and bootlegging of liquor both from within and outside the state and to control illicit distillation and allied crimes. Police force carries raids on the basis of information collected on adulteration at the liquor vends, illicit distillation and smuggling of liquor etc.

When we enquired whether the EIB has any details of the raids carried out on the basis of information or not, the Department intimated that no such record was maintained by the EIB and further stated that the requisite information was available only with the district offices. The information regarding the cases of smuggling of import, export, transport or possession of liquor in contravention of any provision of this act and rules framed there under detected and cases finalised and penalty recovered in respect of sample test check district is as under:-

Name of the divisions	Period	No. of cases detected	No. of cases finalised	Penalty imposed and recovered
Patiala	2008-09 & 2009-10	208	208	26,95,000
Faridkot	2008-09 & 2009-10	66	66	4,65,000
Total				31,60,000

6.5 Investigation and Research Unit (IRU)

The Investigation and Research Unit was functioning in the Head office with one post of Research Officer who was appointed from the cadre of

¹⁵ A.E.T.C., Barnala, Bathinda, Hoshiarpur, Kapurthala, Patiala and Ropar.

¹⁶ A.E.T.C., Jalandhar-II, Mohali, Nawanshahar and Sangrur

Economical and Statistical Organisation, Punjab. Earlier this Unit had a sanctioned strength of two Excise and Taxation Officer, one Senior Assistant and one clerk. At present, only one Excise and Taxation Inspector and one Junior Assistant were working in the Investigation and Research Unit. Since no data had been collected by the Investigation and Research Unit for the years 2005-06 to 2009-10 relating to excise, no ways and means had been suggested by this unit to improve the excise policy in these years. As the primary function of this unit was to collect information from the field offices and other States and use the same for formulating its policies, the inadequacy and ineffectiveness of IRU was a failure of the internal control mechanism.

6.6 Departmental manual not updated

The Departmental manuals contain rules, regulations, procedures and instructions and periodicity of reports/returns to be submitted to the appropriate authorities etc. It is an essential tool for exercising proper internal control over the activities of an organisation.

It was noticed that though the Excise Manual was prepared by the Department, yet it had not been updated since April 1984. With the passage of time and changes in the excise policy/rules/procedures, the Departmental manual needs updating.