

CHAPTER-V: STATE EXCISE

5.1 Tax administration

The Secretary, Finance (Revenue) is the administrative head of the State Excise Department (Department) at Government level. The Department is headed by the Excise Commissioner (EC). The Department has been divided into seven zones each headed by Additional Excise Commissioner (AEC). District Excise Officers (DEOs) and Excise Inspectors working under the AECs of the respective zones are deputed to monitor and regulate levy/collection of excise duty and other levies.

5.2 Results of audit

There are 108 auditable units (including 54 implementing units) in the State Excise Department, out of which, Audit selected 44 units (including 33 implementing units) for audit. The records of these units including 2,663 retail licensees (out of total 3,069 licensees) were analysed along with scrutiny of 7,512 cases. Audit noticed 5,391 cases (72 *per cent*) of non/short realization of excise duty, license fee, differential amount of additional excise duty, additional amount, interest/penalty on delayed payment, loss of excise duty on account of excess wastage of spirit/liquor/beer and other irregularities involving ₹ 195.42 crore. These cases are illustrative only, based on audit of the records of these selected units. Audit had pointed out similar omissions in previous years. However, not only did these irregularities persist but some of the issues also remained undetected till the conduct of the subsequent Audit.

Irregularities noticed broadly fall under the following categories given in Table 5.1.

Table 5.1- Results of Audit

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1	Non/short realization of excise duty and license fees	1,908	100.96
2	Non recovery of differential amount of additional excise duty on IMFL and Beer from retail-on and retail-off licensees	1,954	72.88
2	Non/short realization of additional amount on IMFL/Beer	1,190	15.25
3	Loss of excise duty on account of excess wastage of spirit/liquor/beer	11	0.34
4	Non-recovery of interest/penalty on delayed payment	267	5.98
5	Other irregularities:		
	(i) Revenue	58	0.01
	(ii) Expenditure	03	0.00
Total		5,391	195.42

The Department accepted deficiencies in 5,203 cases involving ₹40.43 crore, of which 1,484 cases involving ₹39.08 crore were pointed out in audit during 2021-22 and the rest in earlier years. The Department recovered ₹1.76 crore in 3,731 cases, of which 12 cases involving ₹0.42 crore related to the year 2021-22 and the rest from earlier years.

The State Government accepted (May 2022) and recovered ₹17.37 lakh out of ₹18.85 lakh in 25 cases¹ of non-recovery of interest on delayed payment of Exclusive Privilege Amount and Composite fees after it was pointed out by Audit. Further, the State Government accepted and completely recovered ₹28.63 lakh in four cases (pertaining to DEO-Production Units, Behror) of non-recovery of excise duty on IMFL and beer short delivered at the export destination (May 2022) and ₹22.50 lakh in six cases of short levy of license fee for wholesale vend of CL and IMFL (July 2022). These paragraphs have not been discussed in the Report.

Few illustrative cases involving ₹ 143 crore observed in the audited units of the Department are discussed in the succeeding paragraphs. It is pertinent to mention that most of these issues have been raised earlier and published in the CAG's Audit Report of previous years wherein the Government accepted the observations and initiated action/recoveries. However, it is seen that the Department took action only in cases which were pointed out by audit and failed to strengthen the internal control system which has led to recurrence of similar issues in subsequent years.

5.3 Compliance Audit on 'Levy and Collection of State Excise Duty'

5.3.1 Introduction

The Excise Department (Department) is a major revenue earning Department of the State Government. The Department is entrusted with the responsibility of regulating the production, storage, transportation and sale of intoxicants along with levy and collection of State Excise Duty and applicable fees in the State. The objective of the Department is to regulate consumption of intoxicants, enhance revenue by way of levying duty and fees and prohibit illegal production and sale of intoxicants in the State.

The State excise revenue mainly comprises license fees levied on the manufacturing, wholesale and retail sale units, export and import permit fees and the excise duty collected on the liquor manufactured/imported and sold in the State. The levy and collection of state excise duty, license fees and other fees are governed by the Rajasthan Excise Act (Act), 1950 and the Rajasthan Excise Rules (Rules), 1956 framed thereunder. The State Government announces Excise and Temperance Policy (Policy) to lay down the principles for granting licenses for operating liquor shops and prescribing the rates of excise duty, fees and related matters.

Audit of efficacy of the systems and procedures in place for levy and collection of excise duty was conducted from June 2021 to February 2022. For this Compliance Audit (CA), seven² DEO offices were selected. Besides this, the office of the EC, as the controller and administrative head of the Department, was also selected. 33 implementing units such as distilleries, bottling plants, breweries, etc. under these DEO offices were also covered during the audit.

1 Pertaining to office of the DEOs, Ajmer, Jaipur-urban, Kota and Sirohi

2 DEOs Ajmer, Alwar, Behror (Production Unit), Jaipur (Urban), Kota, Sikar and Sirohi

5.3.2 Audit Findings

The Department introduced (April 2011) an IT System called Integrated Excise Management System (IEMS) for the departmental officials and the two Government owned companies viz. Rajasthan State Beverages Corporation Limited (RSBCL) and Rajasthan State Ganganagar Sugar Mills Limited (RSGSML) to manage the business of IMFL, Beer, CL and other excisable articles in the State. Various modules are provided in IEMS for the assistance of officials. Login ID based access to IEMS was provided to Audit in December 2021 by the Excise Department.

Audit findings noticed on the basis of scrutiny of cases in the selected units are included in the subsequent paragraphs.

5.3.2.1 Non recovery of excise duty on short lifted monthly guarantee quota of Country Liquor (CL) and Rajasthan Made Liquor (RML)

According to the Policy 2020-21, group/shop wise licenses of CL and RML were allocated on the basis of Exclusive Privilege Amount (EPA)³. The licensee of CL and RML group/shop was liable to pay the EPA prescribed for his licence period in the form of excise duty on CL and RML. Further, as per the conditions of CL and RML retail sale licence, the licensee was required to pay the annual EPA fixed for the prescribed group/shop for the concerned year in 12 equal monthly installments. The monthly installment is to be paid by the last date of that month. If a licensee failed to lift the minimum monthly quota of CL and RML, he was liable to pay the difference of excise duty in cash.

Scrutiny of the records of offices of six DEOs⁴ revealed that during 2020-21, 1157 licensees lifted CL and RML worth ₹ 777.61 crore against the quota of ₹ 828.67 crore fixed for the concerned months due to which there was shortfall of ₹ 51.06 crore in monthly guarantee amount pertaining to 839 licensees. Out of this shortfall, ₹ 27.18 crore was recovered/adjusted from security amount of 375 licensees. However, the concerned DEOs did not recover the remaining amount of ₹ 23.88 crore from 464 licensees. DEOs did not enforce the provisions of the policy which led to short collection of revenue amounting to ₹ 23.88 crore.

This issue has been raised regularly in the CAG's Audit Reports of previous years, wherein the Department accepted the observations and initiated action/recoveries in the cases pointed out by audit. Further, the Government had also stated (December 2020) that suitable provision to facilitate the recovery of shortfall of monthly guarantee amount has been introduced in the Integrated Excise Management System (IEMS). However, audit scrutiny revealed that such a provision had not been introduced in IEMS as of March 2022.

3 EPA: The amount to be charged by the Excise Department from country liquor groups/shops for exclusive right to trade in liquor in the specified area.

4 DEOs Ajmer, Alwar, Jaipur (Urban), Kota, Sikar and Sirohi (no retail licensee under DEO Behror (Production Unit)).

On this being pointed out (February 2022), the Department accepted (March 2022) that the feature in IEMS to allow issuing of next permit for purchase of liquor to a licensee only after the deposition of pending/shortfall amount has not been implemented so far.

The matter was reported to the Department and State Government (March and May 2022). The Government accepted the fact and replied (June 2022) that ₹10.46 crore has been recovered and efforts are being made to recover the remaining amount. However, evidence in support of the recovery has not been provided by the State Government. Further progress was awaited (October 2024).

5.3.2.2 Non recovery of differential amount of excise duty and basic license fees

Para 3.7.6 of the Policy 2020-21, and condition number 2.4 and 2.5 of retail sale licence of CL and RML and direction of EC (February 2020 and February 2021) provided that licensees of CL and RML had to fulfil minimum 30 *per cent* of monthly EPA with lifted quantity of 25 UP⁵ RML and remaining 70 *per cent* with lifted quantity of CL.

If the licensee failed to fulfill the prescribed guarantee ratio of RML and CL in a particular month, he had to ensure lifting of RML and CL in other months of concerned quarter. In case of short lifting of RML and CL in a quarter, the licensee was liable to pay the difference of excise duty and basic license fee payable on required quota and actual lifting of RML and CL, in cash.

Scrutiny of records (during the period June 2021 to February 2022) of offices of six DEOs⁶ revealed that during 2020-21, 1157 licensees lifted RML and CL worth ₹ 454.67 crore against the prescribed quota of ₹ 480.63 crore for the concerned quarters and thus there was shortfall of ₹ 25.96 crore in quarterly guarantee quota against 720 licensees. Out of the shortfall, entire shortfall of ₹ 38.16 lakh was either deposited or adjusted from SD in case of 37 licensees and ₹ 92.94 lakh pertaining to partial shortfall was deposited or adjusted from security deposit in respect of 683 licensees. However, the concerned DEOs did not recover the remaining difference amount of ₹ 24.65 crore from 683 licensees. DEOs could not enforce the provisions of the policy which led to short collection of revenue amounting to ₹ 24.65 crore.

The matter was reported to the Department and State Government (March and May 2022). The Government accepted the facts and replied (June 2022) that ₹ 3.14 crore has been recovered and efforts are being made to recover the remaining amount. However, evidence in support of the recovery has not been provided by the State Government. Further progress was awaited (October 2024).

5 UP refers to 'Under Proof'. It reflects the content of alcohol in an alcoholic beverage. For example, 50 Degree Proof can be denoted as 50 UP and 40 Degree proof can be denoted as 40 UP.

6 DEOs Ajmer, Alwar, Jaipur (Urban), Kota, Sikar and Sirohi.

5.3.2.3 Short recovery of basic license fee on short-lifted quantity

Scrutiny of records of offices of six DEOs⁷ revealed that during 2020-21, 1,157 licensees lifted 173.71 lakh Bulk Liter (BL) RML and 255.19 lakh BL 50/60 UP CL against the prescribed quota of 189.41 lakh BL RML and 265.17 lakh BL 50/60 UP CL for the concerned quarters and thus there was shortfall of 15.70 lakh BL RML and 9.98 lakh BL 50/60 UP CL against 802 licensees on which basic license fees of ₹ 9.96 crore was recoverable.

However, the concerned DEOs, adjusted from security amount or recovered ₹4.40 crore pertaining to 251 licensees, resulting in short recovery of ₹ 5.56 crore from 551 licensees. Therefore, lack of action on part of the DEOs to enforce the provisions of the policy led to loss of revenue amounting to ₹ 5.56 crore.

The matter was reported to the Department and State Government (March and May 2022). The Government accepted the fact and replied (June 2022) that ₹ 1.38 crore has been recovered and efforts are being made to recover the remaining amount. However, evidence in support of the recovery has not been provided by the State Government. Further progress was awaited (October 2024).

5.3.3 Non recovery of differential amount of additional excise duty on IMFL and Beer from retail-on and retail-off licensees

Section 28 of the Act provides the Rates of Excise Duty (ED) and Additional Excise Duty (AED) on IMFL and Beer. Excise duty on IMFL was leviable in various slabs according to price⁸ per carton of quarts, pints, nips or other sizes and in case of Beer, excise duty was leviable on the basis of a fix *per cent* ad-valorem of ex-brewery price. Rate of AED in case of IMFL was 20 *per cent* upto the price of ₹ 900 per carton and 35 *per cent* on the cartoon value of more than ₹ 900 per carton. In case of Beer it was 35 *per cent* leviable on the sum of ex-manufacturing unit price, export fee, excise duty and actual cost reimbursed by Rajasthan State Beverages Corporation Limited (RSBCL) to the manufacturer during the year 2019-20.

The State Government, *vide* notification dated 29 April 2020, increased the rate of AED in case of IMFL to 35 *per cent* upto the price of ₹ 950 per carton and 45 *per cent* above the price of ₹ 950 per carton and 45 *per cent* in case of Beer for the year 2020-21. It was also directed by the Government that the increase in the margin of retail licensees due to the increase in AED on IMFL and beer from the said notification should be deposited in the Government account.

Further, all DEOs were directed (05 May 2020) by EC that due to lockdown from 22 March 2020 onwards, the AED as per the revised new provision on

7 DEOs Ajmer, Alwar, Jaipur (Urban), Kota, Sikar and Sirohi.

8 Price in respect of IMFL and Beer means the price as declared by licensees/manufacturers and accepted by Rajasthan State Beverages Corporation Limited.

IMFL/Beer was to be calculated on the quantity of stock remaining at retail-on⁹ and retail-off licensees¹⁰ on the expiry of the licence period on 31 March 2020 and the difference of due amount of AED was to be deposited in the Government account.

During the audit of the office of EC, Audit collected information regarding closing balance of the stock position of IMFL and beer of all the retail-on and retail-off licensees for the year 2019-20 from the 'Item Ledger Stock RSBCL' report in the Licensee Stock Management module of IEMS. Scrutiny of this information revealed that all the 954 retail-on licensees and 972 out of 1000 retail-off licensees under the jurisdiction of 34 DEOs showed the closing balance of such IMFL and Beer brands as on 31 March 2020 for which rate of AED had been increased from 29 April 2020. Closing stock of these retail-on and retail-off licensees involved the difference of AED amounting to ₹ 2.59 crore and ₹ 70.29 crore respectively.

Thus, difference of AED aggregating to ₹ 72.88 crore was leviable on closing stock of IMFL and beer on these licensees. However, scrutiny of records of the six selected DEOs revealed that difference amount of AED (₹ 22.72 crore in case of the six selected DEOs) was neither deposited by the licensees nor demanded by the concerned DEOs. Thus, non-compliance with the extant directions of EC resulted in non-recovery of difference of AED amounting to ₹ 72.88 crore.

The matter was reported to the Department and State Government (March and May 2022). The Government replied (June 2022) that directions have been given to DEOs to recover the difference amount. Further progress was awaited (October 2024).

5.3.4 Non recovery of the prescribed additional amount on short lifted quantity of IMFL and beer

According to Para 3.18 (i) and 4.6 of the Rajasthan State Excise and Temperance Policy (Policy) 2020-21, an additional amount was to be charged quarterly at the rate of ₹ 20 per bulk litre (BL) on short lifted quantity of Indian Made Foreign Liquor (IMFL) and ₹ 10 per BL on short lifted quantity of Beer during 2020-21 from *retail-off licensees* who did not increase lifting of IMFL and Beer upto minimum 10 *per cent* during each quarter of current year in comparison to the quantity lifted in the corresponding quarter of the previous year. Shop-wise calculation of such short-lifted quantity was to be done at the end of each quarter.

Similarly, according to Para 5.4 of the Policy, this provision was applicable to those *retail-on licensees* who did not increase lifting of IMFL and Beer upto minimum 5 *per cent* during each quarter of current year in comparison to the

9 Retail-on means a licensee holding a license of Hotel/Restaurant/Club Bar for retail sale of foreign liquor for consumption on the premises and to serve liquor and beer to customers and visitors who visit such premises.

10 Retail-off means retail sale of liquor in sealed pack containers and not to be consumed in the premises of the retailer.

quantity lifted in the corresponding quarter of the previous year. Subsequently, Government of Rajasthan revised (July 2020) the above provision in relation to the *retail-on licensees* such that no penalty was prescribed for upto 10 *per cent* less lifting as compared to the corresponding quarter of previous year.

Further, as per the directions issued (February 2020) by the Excise commissioner, recovery of additional amount after the end of each quarter was to be done by all District Excise Officers (DEOs) after giving a notice through the departmental website and subsequent permits should be issued to a group/shop only after deposition of the additional amount due at the end of each quarter. In addition, the IT section of the department was also directed to make necessary provisions on the departmental website to ensure timely collection of the revenue.

Test check (between June 2021 and December 2021) of the records of six¹¹ offices of DEOs, revealed that during 2020-21, 1192 licensees (retail-off and retail-on) did not lift the IMFL and Beer as per the prescribed criteria and were thus liable to pay the additional amount of ₹15.25 crore.

The concerned DEOs, however, could not recover the prescribed additional amount on the short-lifted quantities and issued permits for lifting of liquor without ensuring deposition of additional amount due at the end of previous quarter. Thus, DEOs could not enforce policy provisions and did not ensure compliance with the extant directions of EC which resulted in non-recovery of additional amount of ₹15.25 crore.

Further audit scrutiny also revealed that the feature in IEMS to allow issue of next permit to a licensee only after the deposition of pending additional amount was not implemented as of March 2022.

The matter was reported to the Department and State Government (April and May 2022). The State Government replied (June 2022) that ₹ 5.15 crore had been recovered and directions had been issued to concerned DEOs to recover remaining additional amount. However, evidence in support of the recovery has not been provided by the State Government. Further progress was awaited (October 2024).

5.3.5 Short recovery of the second installment of remaining license fees from Restaurant Bar licensees

According to Rule 3 (3) of the Rajasthan Excise (Grant of Restaurant Bar licenses) Rules, 2004 as amended¹² (April 2020), Initial/basic license fee for restaurant situated in and within urbanisable limit of (a) Jaipur/Jodhpur headquarters was prescribed as ₹9.00 lakh and (b) other divisional headquarters and other District Headquarters as ₹6.50 lakh.

11 DEOs: Ajmer, Alwar, Jaipur (Urban), Kota, Sikar and Sirohi.

12 *vide* notification No. F4(1)FD/Ex/2020-Part-I dated 01 April 2020 issued by the Finance Department, Government of Rajasthan.

Further, the State Government exempted¹³ 25 per cent of the initial license fees or basic license fees, payable by the licensee for renewal of licence of Hotel Bar, Club Bar or Restaurant Bar, whose license had been renewed upto 30 September 2020 for the year 2020-21. Such licensee shall have to pay full amount of initial license fees or basic license fees in two installments upto 31 December 2020 without interest and additional fees and the exempted amount of fees shall be adjusted at the time of renewal of their licenses for the year 2021-22.

Test check of the records of District Excise Officer (DEO), Jaipur (Urban) and Kota, revealed (between July and August 2021) that 17 (out of total 93) restaurant bar licensees under DEO, Jaipur (Urban) and one (out of 45) restaurant bar licensee under DEO, Kota had applied for renewal of their licenses for the period 2020-21 upto 30 September 2020 by depositing first installment of 50 per cent of prescribed license fees aggregating to ₹82.00 lakh against the full amount of initial/basic license fees of ₹159.50 lakh. The concerned DEOs renewed the licenses of these restaurant bars on receipt of the first installment. However, they did not recover the second installment of remaining license fees that was to be deposited by the licensees upto 31 December 2020. Therefore, non-compliance with the extant provisions of the Rule/notification *ibid* by the DEOs resulted in short recovery of license fees amounting to ₹77.50 lakh.¹⁴

The matter was reported to the Department and State Government (April and May 2022). The State Government replied (June 2022) that ₹ 36 lakh pertaining to DEO, Jaipur (Urban) had been recovered and directions had been issued to concerned DEOs to recover the remaining amount. The State Government further stated (January 2024) that the amount of ₹15.75 lakh from seven licensees was not recoverable as benefit of 25 per cent rebate was given in the year 2020-21 instead of in the year 2021-22. The reply of the Government is not acceptable as the rebate of 25 per cent was to be given in the year 2021-22 only after license fees had been fully paid in the year 2020-21. Further progress was awaited (October 2024).

5.3.6 Computerisation in the State Excise Department

Deficiencies noticed in the functioning of IEMS are discussed in the succeeding paragraphs:

5.3.6.1 Lack of a feature in IEMS to red flag licensees who failed to lift CL and RML as per the prescribed quota

Licensee Stock Management Module of IEMS is used for maintaining liquor inventory of the retail-off and retail-on licensees online. Various payment modes like online challan generation through cash/DD/Cheque, Internet Banking, NEFT and RTGS are available to licensees for deposit of funds for purchase of liquor. After deposit of funds, liquor purchased by licensees from RSBCL or RSGSML is automatically added to respective licensee's inventory

13 *vide* notification No. F4(1)FD/Ex/2020-Part-I dated 28 October 2020 issued by the Finance Department, Government of Rajasthan.

14 DEO, Jaipur (Urban): ₹ 74.25 lakh and DEO, Kota: ₹ 3.25 lakh.

ledger. A unique ledger of each licensee is maintained under Liquor Inventory Management Module of IEMS. The licensee ledger contains details of each transaction with the licensee *i.e.* receipts of amount, invoices issued, balance available in the ledger, *etc.*

Audit observed that these modules lacked facility to red flag those CL/RML licensees who failed to lift CL/RML as per the prescribed monthly guarantee quota and as per the prescribed minimum ratio of 50/60 UP CL/RML in quarterly guarantee quota. Besides, feature to calculate remaining monthly guarantee amount and quarterly difference amount of excise duty and basic license fee payable in cash by the licensees on such short-lifted quantity of CL and RML was also not available. Additionally, there was no provision in these modules to compute the interest leviable due to delayed deposit and the cash deposit by the licensee against the short-lifted quantity.

In light of the above, it is evident that the Department could not effectively leverage IEMS for complete and timely realization of the monthly and quarterly guarantee amount and differential amount of excise duty leviable on CL and RML from defaulting licensees on short-lifted quantity of liquor.

The matter was reported to the Department and State Government (March and May 2022). The Government replied (June 2022) that action to introduce facility to red flag those CL/RML licensees who failed to lift CL/RML as per the prescribed guarantee quota has been initiated and would be introduced in the IEMS soon. Further progress was awaited (October 2024).

5.3.6.2 Irregularities in the data of Customer Ledger

A proper database system should necessarily observe the correct procedure for maintenance of accounts. The customer ledger of CL/RML groups under Country Liquor Permit Online Module of IEMS contains the transactions with licensees relating to excise duty of CL such as excise duty deposited, excise duty adjusted, excise duty balance, *etc.*

Scrutiny of IEMS data regarding customer ledger of CL/RML groups of all DEOs for the year 2020-21 revealed that database showed credit in closing balance of excise duty amounting to ₹ 21.40 lakh at the end of year 2020-21 against 2,681 licensees under 15 DEOs. However, analysis of the customer ledger data by audit revealed that instead of credit balance, there should be debit balance of ₹399.98 lakh of excise duty in the closing balance at the end of the year 2020-21. This indicated that the information in IEMS lacked reliability and integrity.

On being pointed out (February 2022), the Department replied (February 2022) that as per para 3.12.2 and 3.12.3 of the Policy, maximum 25 *per cent* amount of composite fee payable for the year regarding composite shops of periphery area could be included in the EPA on the application of the licensee and adjusted against excise duty of CL in monthly guarantee from September 2021 to February 2022. Thus, the difference in data of customer ledger was due to non-inclusion of adjustment amount of concerned licensees in the

customer ledger. However, audit is of the opinion that the adjustment amount should also be reflected in the customer ledger to provide complete and updated information.

The matter was reported to the Department and State Government (March and May 2022). The Government replied (June 2022) that action for improvement in customer ledger report of IEMS is under progress. Further progress was awaited (October 2024).

5.3.6.3 Variation in data of excise duty of CL between EPA report and Customer Ledger report

In the Country Liquor Permit Online Module of IEMS, the Customer Ledger of CL/RML groups contains details of transactions of excise duty of CL pertaining to a licensee such as excise duty deposited, excise duty adjusted, excise duty balance, etc. whereas the EPA report of CL/RML contains the details of transactions of lifted quantity of CL/RML, excise duty and basic license fee adjusted against lifted quantity of CL/RML pertaining to a licensee.

Audit collected information regarding EPA report and customer ledger of CL/RML groups of all DEOs for the year 2020-21 through login ID based access to IEMS. Scrutiny of data revealed that excise duty of CL realised in the EPA report and the excise duty of CL shown adjusted in the Customer Ledger were same only in case of 13 DEOs out of total 34 DEOs. For the remaining DEOs, irregularities observed were as follows:

- In the case of 20 DEOs, the EPA report indicated the realised excise duty amounting to ₹ 1,421.05 crore on the basis of actual lifted quantity of CL. However, the Customer Ledger report indicated the realised excise duty as ₹ 1,425.80 crore. Thus, excise duty in the Customer Ledger report exceeded the actual excise duty realised as reflected in the EPA report by ₹ 4.75 crore.
- In the case of DEO Sirohi, the figure of the realised excise duty in the EPA report was in excess of the figure in the Customer Ledger report by ₹ 0.77 lakh.

This indicates that the information in IEMS lacks consistency and integrity. The matter was reported to the Department and State Government (March and May 2022). The Government replied (June 2022) that report received from server and customer ledger report are the same. The reply of the Government is not acceptable as it was not in accordance with the point of variation in data between EPA and customer ledger report as pointed by audit.

5.3.6.4 Information regarding excise duty and basic license fee of RML not reflected in the Customer Ledger report

The licensee of CL and RML group/shop was liable to pay the EPA prescribed for the licence period in the form of excise duty on CL and RML. Policy 2020-21 introduced a new variety of liquor called "*Rajasthan Made Liquor (RML)*" of strength of 25 UP based on extra neutral alcohol spirit.

Scrutiny of IEMS data regarding EPA report and Customer Ledger of CL/RML groups of all DEOs for the year 2020-21 revealed that the EPA report contained the details of transactions of lifted quantity, excise duty and basic license fee of CL as well as RML. However, the Customer Ledger report contained the details of transactions of excise duty of CL only and lacks information regarding excise duty and basic license fee of RML. Therefore, the information in the Customer Ledger of IEMS was incomplete to the extent of transactions related to RML.

The matter was reported to the Department and State Government (March and May 2022). The Government replied (June 2022) that action for improvement in customer ledger report of IEMS is under progress. Further progress was awaited (October 2024).

5.3.6.5 Other issues in IEMS

Examination of IEMS disclosed some other shortcomings such as:

- There is no provision/mechanism in IEMS for sending SMS in advance regarding shortfall amount or outstanding dues and the related due date to the concerned licensees or such category-wise information to the DEOs. Such a notification would alert the concerned DEOs and licensees before the due date and enable it in the timely collection of revenues. It is pertinent to mention that such notification systems involving SMS/email are utilised quite effectively by companies in diverse sectors such as in insurance, banking, utilities, etc. for collection of dues/recoveries.
- There was no mechanism for a periodical review/audit of the IT system for progressive development/modification of the IT system according to the evolving business and cyber security environment and changing Excise and Temperance policies.

The matter was reported to the Department and State Government (March and May 2022). The Government replied (June 2022) that the provision for facility of SMS to DEOs and licensees would be considered. Further progress was awaited (October 2024).

5.3.7 Conclusion

The Department did not levy and collect the applicable excise duty in several cases, resulting in loss of revenue. There were instances of non-compliance to the provisions of extant Act/Rules/Policy and instructions of Government/EC such as non-recovery of excise duty and difference amount of excise duty on short lifted monthly and quarterly guarantee quota of RML and CL, difference amount of additional excise duty on closing stock of IMFL and Beer available at retail-on and retail-off licensees, non-recovery of additional amount on short lifted quantity of IMFL and beer, short recovery of license fee from bar licensees *etc.*

Further, deficiencies were noticed in the functioning of IEMS such as lack of facility in the system to red flag the CL/RML licensees who failed to lift

CL/RML as per the prescribed monthly/quarterly guarantee quota and the information in IEMS lacking consistency and integrity.

Audit also noticed deficiencies in the internal control mechanism of the Department such as ineffective action in case of defaulter licensees.

5.3.8 Recommendations

- *The Department needs to enforce the provisions of the Excise Policy/ Act/Rules/orders stringently in levying and collecting applicable excise duties and penalties.*
- *Module for recovery of excise duty and basic licence fee on short lifted quantity of CL and RML from licensees may be developed in IEMS which would tag the details of recoveries with the short lifted quantity of CL and RML after each month or quarter as the case may be, so that recovery could be made automatically from the next amount deposited by the licensees and before next issue of liquor stock to them.*
- *The Department may consider to introduce mechanism of automated calculation of interest in late payment cases in IEMS.*
- *The Department may incorporate an SMS based notification system in IEMS to alert the concerned licensees and DEOs regarding shortfall amount or outstanding dues and the related due date.*
- *The Department may ensure the integrity, consistency and timely updating of the information in IEMS.*