

CHAPTER - III

STATE EXCISE

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	In this Chapter we present few illustrative cases of ₹ 3.85 crore selected from observations noticed during our test-check of records for the year 2011-12 relating to non/short levy, non/short realisation etc., where we found that the provisions of the Acts/Rules/Government notifications were not observed.
Increase in tax collection	The percentage of receipts from State Excise increased consistently in comparison to the total tax receipts of the State from 10.33 <i>per cent</i> to 15.71 <i>per cent</i> during the period from 2007-08 to 2011-12, which required to be maintained in subsequent years.
Very low recovery by the Department in respect of observations pointed out by us in earlier years	During the period from 2006-07 to 2010-11, we had pointed out non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 1,123.49 crore in 3,936 cases in respect of State Excise revenue. Of these, the Department/Government had accepted audit observations in 457 cases involving ₹ 386.03 crore and had recovered ₹ 27 lakh. This negligible recovery of ₹ 27 lakh (0.07 <i>per cent</i>) against accepted cases involving ₹ 386.03 crore indicates lack of promptness on the part of the Government/Department in recovering the Government dues.
Results of audit conducted of the units for the year 2011-12	<p>In the course of audit of records of 24 units relating to State Excise revenue for the year 2011-12, we found non/short realisation, loss of revenue and other irregularities involving ₹ 338.94 crore in 134 cases.</p> <p>The Department accepted non/short levy, non/short realisation, loss of revenue and other deficiencies of ₹ 4.32 lakh in three cases, which were pointed out during earlier years. A sum of ₹ 4.32 lakh in three cases has been recovered. Further, the Department also reported recovery of ₹ 41.30 lakh in one case at the instance of audit.</p>
Our conclusion	<p>The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.</p> <p>It also needs to take appropriate steps to recover the amount involved, at least in the accepted cases.</p>

CHAPTER-III: STATE EXCISE

3.1.1 Tax administration

The assessment, levy and collection of excise revenue in the State is governed by the provisions of Bihar Excise (BE) Act, 1915 and Bihar Excise (Settlement of licences for retail sale of Country/Spiced country liquor, Foreign liquor, Beer and Composite liquor shop) Rules, 2007. It is administered by the Secretary, Department of Registration, Excise and Prohibition (Excise) at the Government level and by the Commissioner of Excise (CE) at the apex level of the Department of Excise and Prohibition. The CE is also the ex-officio Controller of Molasses for the administration and execution of the Bihar Molasses Control Act and Rules. The CE is assisted by one Joint Commissioner of Excise (JCE), one Deputy Commissioner of Excise (DCE) and one Assistant Commissioner of Excise (ACE) at the headquarters level. Further, there is one DCE at each of the four¹ divisional headquarters. At the district level, the Collector of the district is in-charge of the excise administration, assisted by an ACE or by a Superintendent of Excise (SE).

For supply of all types of liquor to retailers of excise shops in the State, the Bihar State Beverage Corporation Limited (BSBCL) headed by a Managing Director was formed in October 2006, to function as an exclusive wholesale depot.

3.1.2 Trend of receipts

The variation between budget estimates and actual receipts from State Excise during the period 2007-08 to 2011-12 along with the total tax receipts during the same period is mentioned below:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts (col.-3) vis-à-vis total tax receipts (col.-6)
1	2	3	4	5	6	7
2007-08	500.00	525.42	25.42	5.08	5,085.53	10.33
2008-09	537.69	679.14	141.45	26.31	6,172.74	11.00
2009-10	850.00	1,081.68	231.68	27.26	8,089.67	13.37
2010-11	1,400.00	1,523.35	123.35	8.81	9,869.85	15.43
2011-12	1,790.00	1,980.98	190.98	10.67	12,612.10	15.71

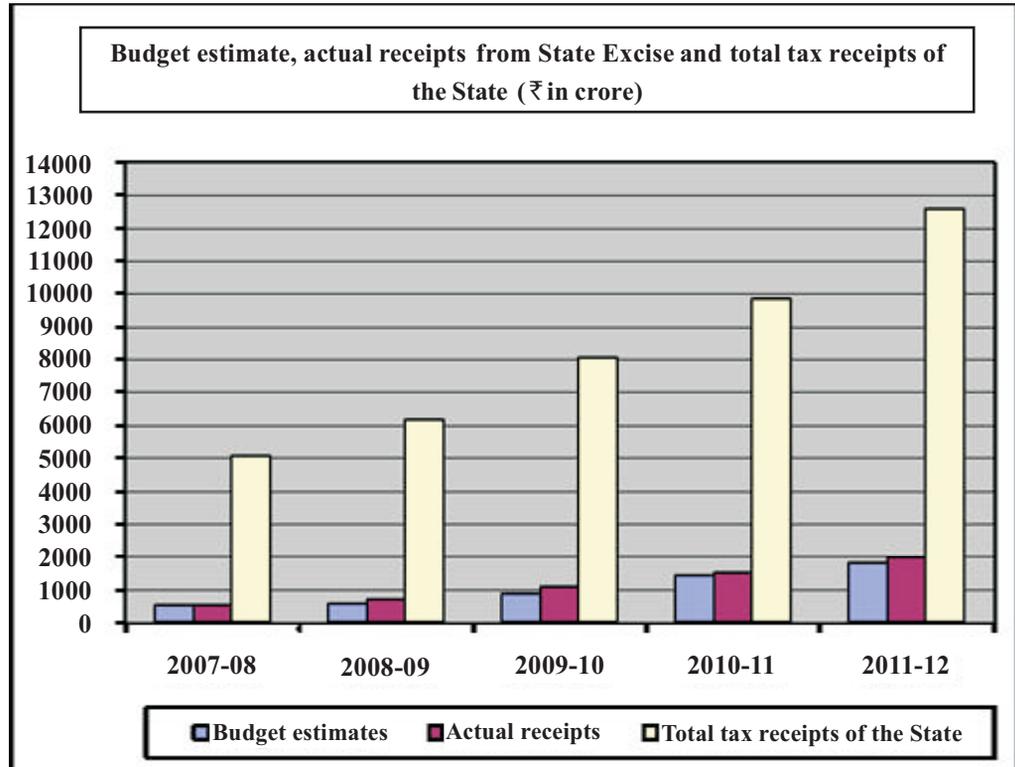
(Source: Revenue and Capital Receipt, (Detail) ; Finance Accounts, Government of Bihar)

The above table indicates that the percentage of receipts from State Excise when compared with the total tax receipts of the State increased consistently

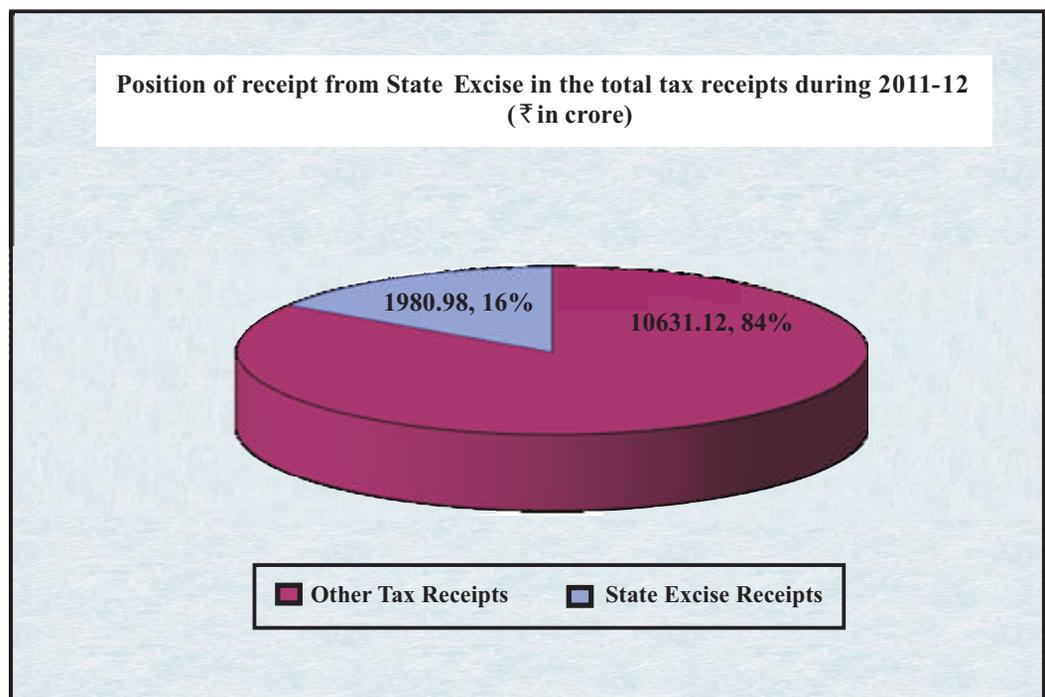
¹ Bhagalpur-cum-Munger, Darbhanga-cum-Kosi-cum-Purnea, Patna-cum-Magadh and Tirhut-cum-Saran.

from 10.33 *per cent* to 15.71 *per cent* during the period from 2007-08 to 2011-12, which is required to be maintained in subsequent years.

The trend of receipts vis-à-vis the estimated receipts of State Excise and total tax receipts are given in the following bar diagram:



The following pie chart depicts the contribution of State Excise receipts to the total tax receipts (₹12,612.10 crore) of the State during 2011-12:



3.1.3 Cost of collection

The gross collection of receipt from State Excise, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the all-India average percentage of expenditure on collection to gross collections for the relevant previous years are mentioned in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All-India average percentage for the previous year
2007-08	525.42	22.14	4.21	3.30
2008-09	679.14	24.15	3.56	3.27
2009-10	1,081.68	44.02	4.07	3.66
2010-11	1,523.35	37.65	2.47	3.64
2011-12	1,980.98	41.24	2.08	3.05

The above table indicates that the percentage of expenditure to gross collection in respect of State Excise revenue during 2010-11 and 2011-12 were below the all-India average percentage for the previous year. The Department should ensure that this trend is maintained in the subsequent years also.

3.1.4 Impact of audit

Revenue impact

During the period from 2006-07 to 2010-11, we have pointed out through our inspection reports, non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 1,123.49 crore in 3,936 cases. Of these, the Department/Government had accepted audit observations in 457 cases involving ₹ 386.03 crore and had since recovered ₹ 27 lakh. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2006-07	30	3,404	167.09	258	48.15	Nil	0.15
2007-08	32	149	149.60	4	0.47	Nil	Nil
2008-09	32	113	223.58	43	31.99	12	0.08
2009-10	39	175	451.60	152	305.42	2	0.04
2010-11	38	95	131.62	Nil	Nil	Nil	Nil
Total	171	3,936	1,123.49	457	386.03	14	0.27

This negligible recovery of ₹ 27 lakh (0.07 per cent) against the accepted cases involving ₹ 386.03 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.

We recommend that the Government may take appropriate steps to recover the amounts involved, at least in the accepted cases.

3.1.5 Results of audit

In course of audit of records of 24 units relating to State Excise revenue for the year 2011-12, we found non/short realisation, loss of revenue and other irregularities involving ₹ 338.94 crore in 134 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non/delayed settlement of excise shops	27	62.40
2.	Non-settlement of excise shops after cancellation	9	8.54
3.	Loss of revenue due to low yield of spirit/country liquor	1	13.69
4.	Loss due to wastage of spirit including Foreign liquor/denatured spirit etc.	1	1.52
5.	Loss/wastage of molasses in storage, transit and working	1	2.04
6.	Other cases	95	250.75
Total		134	338.94

During the year 2011-12, the Department accepted underassessment and other deficiencies *etc.* involving ₹ 4.32 lakh in three cases, which were pointed out during 2009-10 and 2010-11 and has since been recovered.

Further, the Department also reported (July 2012) recovery of ₹ 41.30 lakh in one case at the instance of Audit.

A few illustrative cases involving tax effect of ₹ 3.85 crore are mentioned in the following paragraphs.

3.2 State Excise Revenue

3.2.1 Introduction

State excise revenue is one of the most important sources of revenue and constituted 15.71 *per cent* of total tax revenue raised by the State Government during 2011-12. This includes revenue derived or derivable from any duty, fee, tax, payment (other than a fine imposed by a Criminal Court) or confiscation imposed or ordered under the Bihar Excise (BE) Act, 1915 or any other law for the time being in force relating to liquor or intoxicating drugs.

We conducted test-check of records of the Commissioner of Excise and district excise offices during 2011-12 in order to ascertain the compliance of Act/Rules and instructions of the Government/Department and effectiveness of internal control mechanism to safeguard the interest of revenue.

Our scrutiny of the records revealed several cases of non-compliance of the provisions of the Act/Rules and departmental orders as mentioned in the following paragraphs. These cases are illustrative and are based on test-checks carried out by us.

3.2.2 Finalisation of contract for manufacture and wholesale supply of liquor

The Department of Registration, Excise and Prohibition (Excise) invited (February and May 2009) short term tenders for grant of licence for the period 1 April 2009 to 31 March 2012 and 1 August 2009 to 31 March 2012 for manufacture and wholesale supply of country liquor (CS) and spiced country liquor (SCS) respectively to Bihar State Beverage Corporation Limited (BSBCL). In response, 15 tenderers for supply of CS and five tenderers for supply of SCS submitted the tenders. The Department rejected two tenders (M/s Narang Distillery Ltd. and M/s Lords Distillery Ltd.) for supply of both CS and SCS on the grounds of non-submission of latest income tax return, non-submission of certificate from Registrar of Companies to the effect that the Company was not under liquidation etc. All the remaining 13 tenderers of CS and three tenderers of SCS were granted the licences for supply of CS/SCS in June 2009 and July 2009 respectively in all 38 districts of the State.

In course of test-check of files relating to manufacture and wholesale supply of CS and SCS in the office of the Commissioner of Excise during April-May 2012, we observed the followings:

3.2.2.1 Delay in the tendering process of country liquor

According to the instructions issued by the Board of Revenue in December 1998, new tender shall be invited by the Commissioner of Excise, three months prior to the expiry of the period of the existing contract. On receipt of tenders, the Commissioner of Excise shall submit his recommendations to the Board of Revenue for approval.

We found that though the process to call for tender for supply of CS commenced in November 2007, the Department took long period to finalise the tender and awarded the contracts in June 2009 i.e. much after the expiry of existing contract

period (2005-08) on 31 March 2008. It was observed that the Department granted extensions (three times) to the existing 10 licensees on the grounds mentioned below:

Sl. No.	Period of extension	Ground on which extension was granted by the Department	Audit observation
1	1.4.2008 to 30.9.2008	(i) Whether the tender should be invited for supply of CS in sachets as in the existing contract or in bottles ; (ii) Whether the tender should be for special privilege as in the existing contract or for exclusive privilege; (iii) Whether the number of zones for supply should be increased.	The Department could not take the decision on supply of CS in bottles and invited (February 2009) the tenders to supply liquor in sachets. Thus, the ground, on which the extensions were granted, was either not important enough or was not decided till end.
2	1.10.2008 to 31.3.2009	Pending decision on supply of country liquor in bottles.	
3	1.4.2009 to 30.6.2009	Imposition of model code of conduct for <i>Lok Sabha</i> elections.	No comments.

(Source: File related to manufacture and wholesale supply of CS)

After this was pointed out, the Department stated (September 2012) that issue of supply of CS in bottles in Public Private Partnership Mode was under consideration at the level of the Government. So it was decided to process the new tender after decision at the Government level in this regard.

However, the fact remains that the Department could not take a decision and finally invited (February 2009) the tenders to supply country liquor in sachets only. Thus, the lackadaisical approach of the Department in inviting and finalising tenders before 1 April 2008 necessitated extensions to the existing suppliers for 15 months beyond the period of contract.

3.2.2.2 Undue favour to suppliers of country liquor

According to the Bihar Liquor (Price Fixation and Control) Rules, 1994 the Board of Revenue will fix the rate of spirit for manufacture of Country Liquor/Spiced Country Liquor.

The NIT provided for submission of tenders for different supply zone. Thus, there was possibility of quoting of different rates for different supply zones by the tenderers. However, the

Department did not prescribe any method for determination of uniform rate of supply of CS across the State in that event. The rates of supply of country liquor were fixed at ₹ 2.54 (200 ml) and ₹ 4.49 (400 ml) in April 2009 with the approval of Board of Revenue. Again in June 2009, the rates of supply of CS were revised to ₹ 2.80 (200 ml) and ₹ 5.15 (400 ml) by the Government on

the basis of recommendations of a committee of departmental officers on following grounds:

Sl. No	Ground on which higher price was fixed	Audit observation
1	Future increase in the price of rectified spirit.	At no stage/point of time, the rate of spirit had been increased during the entire period of contract (July 2009 to March 2012). Thus, the apprehension of the Department was wrong and not based on facts.
2	Fall in production of molasses in Bihar.	The production of molasses in nine ² sugar mills of Bihar increased from 14.11 lakh quintals in 2009-10 to 21.29 lakh quintals in 2011-12. Thus, the apprehension of the Department proved wrong.
3	Fall in production of spirit in distilleries of Bihar.	The production of spirit in three ³ distilleries of Bihar increased significantly from 1.70 crore Bulk Litre (BL) in 2009-10 to 4.04 crore BL in 2011-12. Thus, the apprehension of the Department proved wrong.
4	Likelihood of import of 50 per cent rectified spirit from other States in future.	Since out of 13 tenderers, seven tenderers had offered their rate keeping in the fact that they would import spirit from outside the State. Moreover, no evaluation supporting import of 50 per cent rectified spirit was on record.

The approval of Board of Revenue was, however, not obtained. We further noticed that the Department fixed (May 2005) rate of supply of CS for the contract period 2005-08 taking into account only five factors, (cost of spirit, bottle/cap/label/cartoon, transportation, processing charges and profit/margin) whereas 13 factors (cost of spirit, film/carat, diesel/electricity, pay/wages, wastage, loan/interest on credit, house rent/loss on house/machine, depreciation, administrative and other overhead charge, licence fee, transportation from warehouse to BSBCL, transportation of spirit and profit/margin) were considered for fixation of rate in April 2009 and June 2009 (for contract of 2009-12).

Thus, revision of rates in June 2009 without approval of the Board of Revenue led to undue benefit of ₹ 107.94 crore to the wholesale suppliers/BSBCL/retailers of CS in the 38 districts of the State during 2009-12 at the cost of consumers as detailed in **Annexure –X**.

After this was pointed out in audit, the Department stated (September 2012) that L-1 did not agree to supply the CS at their quoted rates in all districts of the State. Thereafter, negotiation was made with L-2 to supply CS in whole

² Bagaha, Hasanpur, Harinagar, Majhauia, Narkatiaganj, Riga, Sasamusa, Sidhwalia and Gopalganj (Vishnu Sugar Mill).

³ Harinagar, Narkatiaganj and Riga.

State at uniform rate and the Government determined the rate of supply of CS as ₹ 2.80 for 200 ml and ₹ 5.15 for 400 ml sachets.

However, the fact remains that there did not exist any mechanism for determination of rates and the Department did not obtain the approval of the Board of Revenue at the time of finalising the new rates in June 2009.

3.2.2.3 Undue favour to suppliers of spiced country liquor

The rates of supply of spiced country liquor were fixed at ₹ 8.28 (300 ml) and ₹ 13.85 (600 ml) in April 2009 with the approval of Board of Revenue. Again in July 2009, the rates of supply were revised to ₹ 6.90 (200 ml), ₹ 10.00 (300 ml) and ₹ 17.60 (600 ml) by the Government on the basis of recommendations of a committee of departmental officers on the grounds mentioned in the preceding paragraph 3.2.2.2, which proved wrong.

Thus, revision of rates in July 2009 without approval of the Board of Revenue led to undue benefit of ₹ 4.21 crore to the wholesale suppliers/BSBCL/retailers of SCS in the 38 districts of the State during 2009-12 at the cost of consumers as detailed in **Annexure –XI**.

After this was pointed out, the Department stated (September 2012) that the Government finalised the tender for SCS on the basis of negotiations with the bidders. However, the Department did not explain the reasons of increasing the rate of supply for manufacture of SCS in July 2009, only three months after fixation of rate in April 2009, without approval of the Board of Revenue.

3.2.2.4 Non-transparency in allotment of supply districts of CS

According to the NIT, in case of acceptance of tender, the Government has right to allot exclusive privilege in any of the supply zones.

The NIT provided for lifting of Minimum Guaranteed Quota (MGQ) for all 38 districts of the State. However, there was no clarity on allotment of number of districts to each successful

tenderer thereby leaving scope of favour to any tenderer by the competent authority. As a result, three⁴ tenderers were not allotted even a single district of their preference, whereas five⁵ tenderers were allotted all the districts of their choice. Further, M/S Saraya Industries was allotted 67.18 per cent of its tendered MGQ, whereas M/S Umeri Distillery was allotted only 8.92 per cent of its tendered MGQ. It is thus clear that the allotment of supply districts and quantity of liquor was not done in transparent manner.

⁴ M/S Ally Food Pvt.Ltd, M/S Trigger Goods Pvt. Ltd and M/S Umeri Distillery Pvt. Ltd.

⁵ M/S Spicy Beverage Pvt Ltd, M/S Nagendra Prasad, M/S Ramji Prasad, M/S Sanjay R.Kumar and M/S Saraya Industries .

3.2.2.5 Supply of sub standard liquor

According to the conditions of licence (Form 27), the country liquor sold should be of good quality and in accordance with the standard prescribed by the Commissioner of Excise. The liquor kept for sale in godown shall be analysed periodically and the licensee is bound to rectify the deficiency found, if any.

In course of scrutiny of sample test reports in the office of the Chemical Examiner, Patna for the period from 2009 -10 to 2011-12, we observed in June 2012 that during 2009-12, out of 491 samples of CS chemically examined, 142 samples were not in accordance with standard strength, 12 contained sediments and in 180 samples, there was shortage in

quantity.

Further, on the basis of reports of samples of CS, we verified the position in four⁶ excise offices and observed that 91,950.86 LPL of CS, which were of sub-standard preparation or unfit for consumption, were issued to BSBCL for sale to retailers, without any rectification of the deficiency of whole lot from which samples were collected. Thus, supply of lot of CS from where samples were collected before receipt of test report from laboratory not only defeated the purpose of testing but also involve human risk.

After this was pointed out by audit, the Department stated (September 2012) that samples of water and spirit are examined by the Chemical Examiner in every six months (January and August) before manufacture of liquor. Whenever there is complaint against strength and quantity of liquor in retail shops or warehouse or BSBCL, the samples were sent by excise officers to the Chemical Examiner and the related samples were destroyed besides initiation of penal proceedings.

We do not agree as the lot under chemical examination should not have been issued till receipt of test report and the whole lot of CS from where the samples were collected should have been destroyed in case of adverse reports.

3.2.3 Defalcation of excise revenue due to absence of internal control mechanism

The Bihar Excise Rules, 2007 and the conditions of sale notification provides that the monthly installment of licence fee specified in the licence and determined by the Government shall be deposited by the licensee in the Government treasury of the district by the 1st day of the month, which in any event must be deposited by the 20th day of the month and if the day is a holiday, on the next working day, failing which the licence shall be cancelled and all deposited security amount shall be forfeited and the shop shall be settled to the next applicant.

As per Rule 7 read with Rule 37 of the Bihar Financial Rules, Volume-I, it is the responsibility of the departmental authority to see that all sums due to the Government are regularly and promptly assessed, realised and duly credited in the Government account under proper head without any delay.

Further, as per Rule 104 of the Bihar Treasury Code, 1937 (Vol. -I), in case of Excise Department, one copy of challan should be sent to District Excise Officer (DEO) by the treasury concerned. Under provisions of Excise Laws of Bihar Vol. -II, every excise office will maintain a Challan Register in Form-106 and every challan for excise payments presented should be entered in the register after being satisfied of the correctness of the entries therein. The register will be sent to treasury at the end of each day for the signature of the Treasurer. The entries of payments made in other registers should be on production of challan of payments, be also duly compared with the entries made in the challan register, and discrepancies reconciled.

3.2.3.1 During test-check of the Demand and Collection Register of the District Excise Office, Muzaffarpur between April and June 2012, we observed that licence fee of ₹ 41.30 lakh deposited by two⁷ licensees during the period April 2010 to November 2011 was not found deposited in the treasury schedule under head '0039 – State Excise'. The concerned branch of State Bank of India also certified (5 June 2012) that the aforesaid sums were not found deposited into the bank and the permits were issued against fake and fictitious payments. As the challan register was not maintained in the office, the District Excise Officer failed to verify the genuineness of the challans submitted by the licensees with the treasury records

as provided in the Bihar Financial Rules.

After this was pointed out by us, the Collector, Muzaffarpur accepted the fact and stated (16 June 2012) that the treasury did not furnish the treasury scroll and month-wise copies of challans despite being requested repeatedly and thus

⁷ Shri Vidya Sagar : Group No. 28 and 39 (2010-11) and Shri Randhir Kumar : Group No. 19 (2011-12).

challan register could not be maintained and verified by the excise office. However, FIRs had been lodged against the concerned licensees and certificate cases have been instituted. The show-cause notice had also been served to the erring officials. He further reported (3 July 2012) that the entire money had since been recovered (27 June 2012) from the defaulter licensees.

The action taken report against the erring officials has not been intimated to audit.

3.2.3.2 During test-check of demand collection register for the period 2010-11 and 2011-12 (upto July 2011) of the District Excise Office, Patna and verification of remittances from the schedule of the District treasury, we observed in November 2011 that three⁸ licensees had deposited ₹ 16,12,460 but shown deposit of ₹ 96,64,460 for the period from June to November 2011 by manipulating the challans for issue of permits. After audit pointed out, two licensees (Sri Chandan Kumar and Sri Kamalesh Kumar) had deposited (August to November 2011) their entire balance licence fees but Sri Rakesh Patel had deposited (November 2011) ₹ 12,95,600 only against the balance payable licence fees of ₹ 27,62,600. This resulted in short deposit of ₹ 14,67,000.

Assistant Commissioner of Excise (ACE) Patna accepted (June 2012) the facts and stated that after verification, FIR had been lodged against the defaulters for submission of fake challans. In case of Rakesh Patel, a certificate case had been instituted for ₹ 13,74,480 only after adjusting security deposit. Further development is awaited (January 2013).

Non-maintenance of challan register and verification of the amount deposited by licensee from the records of treasury as well as non-observance of condition of sale notification as provided in Bihar Excise Rules, 2007 by the Excise officers resulted in defalcation of Government Revenue. Excise Department failed in checking areas of malfunctioning in system and could not take appropriate remedial measures which showed non-existence of internal control mechanism.

The matter was reported to the Government in July 2012; we are yet to receive their reply (January 2013).

⁸ Sri Rakesh Patel :Group No. 241; Sri Chandan Kumar :Group No. 12 and 70; Sri Kamalesh Kumar : Group No. 117.

3.2.4 Non-settlement of excise shops after cancellation

Under the provisions of the Bihar Excise (Settlement of licences for retail sale of country/spiced country liquor/foreign liquor/beer and composite liquor shops) Rules, 2007 (effective from 1st July 2007) framed under the Bihar Excise (BE) Act, 1915, the settlement of licence for retail sale of country liquor/spiced country liquor, foreign liquor/beer, wine and composite liquor shops shall be made through lottery system. According to the New Excise Policy, 2007 and conditions of the sale notification, the excise shops were required to be settled before the commencement of the excise year (beginning from 1st April and ending on 31st March of next year). The Rules *ibid*, further provide for the licensees to deposit one twelfth part of the annual licence fee in each month in advance, failing which the licence shall be cancelled and the security deposit forfeited and the shop shall be re-settled for the remaining period with other willing applicants, as prescribed. Further, Section 42 of the Bihar Excise Act, 1915 provides for imposition of penalty equivalent to the total amount of loss of revenue to the State.

During scrutiny of the settlement files/ registers and demand and collection registers in six⁹ District Excise Offices between June 2011 and September 2012, we observed that the licences for nine country/spiced country liquor, four India made foreign liquor and 14 composite liquor shops settled during the excise year 2009-10 to 2011-12 were cancelled between August 2009 and September 2011 due to non-payment of the licence fees. The cancelled shops remained unsettled for remaining period of the excise year. Since these shops were settled for the whole excise year and licences were cancelled due to non-

payment of licence fees, action should have been taken for realisation of Government dues from the defaulter as per the provisions of the BE Act, which was not done. This resulted in loss of Government revenue of ₹ 1.87 crore. Besides, penalty of ₹ 1.42 crore is also leviable.

After this was pointed out, ACE/SE stated between June 2011 and July 2012 that the efforts were made to settle the cancelled shops but in absence of willing applicants these shops could not be settled. They further stated that the advance licence fee and security deposits were forfeited as penalty and they were black listed (except Gaya). The reply (July 2012) of the ACE Gaya that section 42 of BE Act relates to cancellation of shops and not for imposition of penalty is not in consonance with the provisions of the Section 42.

The matter was reported to the Government between November 2011 and June 2012; we are yet to receive their reply (January 2013).

⁹ Bhabhua, Gaya, Katihar, Lakhisarai, Purnea and Saharsa.

3.2.5 Conclusion

The audit of the Department revealed a number of system and compliance deficiencies in its functioning like irregular finalisation of contract for manufacture and wholesale supply of liquor leading to undue favour to suppliers and retail licensees at the cost of customers and supply of sub standard liquor. There was also lack of monitoring and supervision in respect of implementation of Act/regulations of the Department leading to failure of internal control mechanism like defalcation of excise revenue through fake and fictitious payments.