

## 6.3 Computerisation in 'Rajasthan State Excise Revenue System'

### *Underutilisation of system*

**6.3.1** In June 2002, Rajasthan State Excise Department (department), with a view to computerise its main revenue generating activities, outsourced its IT services, including server administration and management to Tayal Software Consultancy Services, Udaipur (vendor) for implementation of IT Policy 2000 of the State Government. The department incurred an expenditure of Rs.71.02 lakh on its computerisation efforts which including Rs.21.50 lakh towards software development and its implementation.

An IT audit of the system including analysis of data for the period from 1 April 2005 to September 2005 through IDEA<sup>15</sup> was conducted during June 2005 to September 2005. The results of the analysis were verified through test check of three district excise offices (DEOs), viz. Jaipur, Alwar and Sikar. It was found during test check that Jaipur DEO had computerised its operations only in respect of Indian made foreign liquor (IMFL), and continued to rely on manual operations/records keeping for other excisable goods. The other two DEOs had also computerised their operations but were relying on manual operations/records keeping for all their excisable goods. The results of audit revealed the following.

### *Lack of change management*

**6.3.2** The rate of permit fee for country liquor was revised from Rs.6 per BL to Rs.8 per BL vide a notification dated 5 August 2004. Similarly, the rate of permit fee for IMFL was also simultaneously revised from Re. 1 per BL to Rs.4 per BL from the same date.

An analysis of database of the entire State revealed that permit fee in 26 cases of country liquor of six DEOs and 51 cases of IMFL in six DEOs was not charged as per the rate notified during 2004-05 resulting in short levy of Rs.6.36 lakh.

Test check of one computerised unit of DEO Alwar revealed that in eight cases the department had recovered the differential amount manually. The database was, however, not updated in these eight cases.

### *Lack of referential integrity*

**6.3.3** It was found that 63 permits involving Rs.64.54 lakh towards excise duty and 70 permits covering Rs.12.16 lakh towards permit fee were issued by 10 offices<sup>16</sup> without actually charging the said duty/fees. Test check of one unit (DEO Alwar) revealed that the DEO issued 42 permits to licensees by charging manually excise duty amounting to Rs.45.72 lakh and permit fee of Rs.7.62 lakh without updating the database.

<sup>15</sup> Interactive Data Extraction and Analysis

<sup>16</sup> Alwar, Barmer, Bundi, Hanumangarh, Jhalawar, Jhunjhunu, Nagure, Pali, Sikar and Sawai madhopur.

**6.3.4** Three<sup>17</sup> permits of IMFL involving permit fee of Rs.0.63 lakh were issued without charging due permit fee.

After this was pointed out, the department replied in July 2006 that the system had not charged permit fee in case of two permits issued by Jaipur DEO. Hence, the same was deleted from the database. The reply was not tenable as on test check of Jaipur DEO, it was found that these permits were issued and utilised without charging the requisite fee.

**6.3.5** An analysis of database of the state revealed that in 57 cases permits were issued without indicating quantity issued therein. This indicate that there was lack of referential integrity in the database and also absence of adequate control mechanism for error handling.

#### *Irregularities in the database*

**6.3.6** A proper database system should necessarily observe the correct procedure for maintenance of accounts

Data analysis of Jaipur DEO office revealed that in four out of eight cases, permits were issued to the consignee without requisite challans involving revenue of Rs.72.50 lakh. Test check of these cases revealed that the entries for the amount deposited for issue of permits had RCR number in four cases and no RCR number in other four cases although the date an amounts were the same.

It was further found that in two cases permits were issued to the consignee without requisite challans involving revenue of Rs.7.31 lakh though it was entered into database.

After this was pointed out, the department replied in July 2006 that these challans were not available with them.

**6.3.7** Nine transactions of country liquor involving Rs.5.45 lakh towards excise duty were charged less than the prescribed excise duty. Short duty though has been recovered manually but the database has not been updated.

Thus the irregularities indicate that the database lacked integrity.

#### *Lack of reliability of the database*

**6.3.8** There were gaps in challan reference number, permit reference number and permit number (all automatically generated) in respect of data entered at all the DEOs. This indicated that the transactions were being deleted altogether. Since the application permitted such deletion, it was a serious threat to the security of data and enhanced the risk of fraud.

As on 31 March 2005, in two DEOs (Jaipur and Sikar) database of country liquor showed credit balance of excise duty against two consignees whereas

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<sup>17</sup> Two cases of Jaipur and one case of Bikaner.

the manual records of these DEOs depicted NIL balance against these consignees. This indicated that the department, through the system, can issue permits to consignees having NIL balance.

Audit found that in the year 2004-05 there was difference of Rs.76 crore between revenue generated through the system (Rs.1,200.20 crore) and revenue data compiled manually by accounts wing (Rs.1,276.06 crore).

After this was pointed out, the department stated in September 2005 that in 2004-05 the system was in its initial stages. The reply was not tenable as the system was operative since October 2002 and its input and output reports were duly tested and verified by the technical consultant (RAJCOM) as well as by end users.

### ***6.3.9 Conclusion***

The deficiencies observed in the system rendered it unreliable and lacking in referential integrity, data integrity, change management procedure and control mechanism. Thus the DEOs relied mainly on manual operations and record keeping leading to non attainment of objectives of computerisation as per IT Policy of the State Government and underutilisation of expenditure of Rs.71.02 lakh on computerisation.