

EXCISE DEPARTMENT OF SRI LANKA

Evaluation of monitoring efficiency of the Department of Excise on Licensed distilleries



PUR/E/EXD/2019/PA/01

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Evaluation of monitoring efficiency of the Department of Excise on Licensed distilleries

1. Executive Summary

The Department of Excise, established in the year 1913 executes the Excise Ordinance No.8 of 1912 which is chapter 52 of the Legislative Enactments of Sri Lanka; in additions to the amended provisions made by various subsequent amendment Acts. Of the entities manage Government tax revenue, the Department of Excise acquired the third place by present. Duties comprising excise duties, late charges on excise duties, duties on transportation of spirits, license fees, License renewal fees etc. are collected by the Department of Excise. Liquor manufactories, warehouses, toddy taverns and vinegar manufactories are operated under the complete supervision of the Department of Excise. By now, 23 bottling manufactories, 14 distilleries and 8 ware houses are operated. Spirits are distributed to manufactories by distilleries. In addition, certain manufactories import spirits as well.

In choosing this topic underlie such matters which include; the introduction of 6 manufactory companies as very relish, which contribute least income to the government revenue out of 23 manufactories in the implementation of change of station transfer policy of the Department, a large number of officers prefer to serve in these manufactories, reporting problematical situation in respect of these distillery companies, non reporting industrial crimes and the sole authority to manufactory of these 6 companies is the Department of Excise.

Spirits are received for manufactories from local distilleries or importation and the details of receipt of spirits are posted to the register of spirit receipts (D-33) maintained by manufactories. A permit needs to be obtained for the transportation of spirits herein as well and a levy of Rs.10 per litre of spirit transported is charged. After being entered these spirits into the relevant registers, they are issued to each Vats. Information in respect of issuing spirits to each Vats and the information in respect of production and spirit inputs is posted to the production register (D-7). The quantity of spirit issued to

each Vat and transfers are posted to the D-8 register. At the end of the month, the total of this D-8 register are posted to the compilation register (D-9). Accordingly, all processes, comprising the production of spirits in the distilleries, transportation, receipts to the manufactory, storing spirits within the manufactory, issue of spirits to production, production of alcohol and the issue of products to the market are carried out under the strict supervision of the Excise officers. Here in, data included in each register needs to be adjusted as well. Since many mismatches were observed in the examination carried out in 6 manufactories, it is observed that no any supervision whatsoever of the Excise officers in this regard had been made. Such mismatches include, books and records of many manufactories being erased, tipexed and excised. Since mismatches, comprising non-reporting the production of arrack as compared with the quantity of spirits used for production, existence of material differences between the quantity transferred from the issuing Vat in transferring and the quantity received by the receiving Vat, existence of irregularities between the quantities stated in the spirit transport permits and the quantities recorded in books etc. Therefore it is problematical whether this process is monitored by Excise Officers.

Since the Liquor consumption in Sri Lanka stands at a very high level, statistics indicate that it considerably contributed to the government revenue but it was established in several research reports that the indirect cost incurs on unpleasant outturns from Liquor consumption is excessively very high.

Before issuing variety of liquor manufactured for consumption by using spirits, to the market various colorings and flavors are mixed up by manufactures. The responsibility for finding whether all these functions are fulfilled by the manufacturers in terms of Excise Orders rests with Excise Officers. It is also the responsibility of the excise officers for verifying whether Liquor is manufactured in accordance with volumes under the approved standards in the production of each variety of Liquor and the correctness of the information stated in the label. In distillation by separate lagers, samples are obtained and send them to the Government Analyst, get analysis report and examine whether they are in accordance with the specific standard.

Deficiencies observed in 8 distilleries/ manufactories subjected to audit include, non-obtaining reports within the prescribed time, samples obtained had referred to the Government Analyst with a delay, existence of differences of the volumes between the volume stated in the Analysis reports and the volume mentioned in the label etc. Therefore it was not observed that the responsibility of the Excise Officers had been fulfilled.

Since several occasions where violation of Excise Notices and Orders were observed, it was not observed that they have been supervised by Excise Officers. Moreover, it was not observed that sufficient supervision had been carried out by Superintends of Excise and Assistant Commissioners of Excise.

In addition the, police investigations and custom investigations carried out during the past period established that liquor, manufactured by using spirits imported without paying excise duties and custom duties and spirits illegally manufactured locally is available in the open market in plenty due to negligence of the responsible officers those engage in monitoring function of excise duties. Even though minimizing the social damage and the deprivation of government revenue cause therefrom is a prime responsibility of the authorized institutions, fulfillment of such responsibility is questionable as per issues observed by this audit.

A sound internal control system needs to be formulated for the attention of the Excise Officers on the process from obtaining permits for transportation, manufacture of spirits, posting receipts of spirits to registers maintain in the manufactory for the production of Liquor and upto the issue them for production process. Similarly, remedies comprising the analysis of correlaion between the usage of raw materials which include, lables, lids and bottles and the production, taking steps to put up a laboratory within the Department to facilitate analytical functions, taking necessary steps to act in accordance with departmental orders, imposition of composition fees, relate to violations, taking stringent legal action having being raided crimes to minimize the adverse effects caused to health due to consumption of illicit drugs, in order to protect the government tax revenue recoverable from manufactories, relevant officers need to take leadership and taking action to get analysis report without delay etc. are recommended from this report.

2. Introduction

The Department of Excise established in the year 1913 acquires the third place out of the entities manage the government tax revenue and executes the Excise Ordinance No.8 of 1912 which is Chapter 52 of the Legislative Enactments of Sri Lanka. In addition, provision in Tobacco Tax Act No.8 of 1999. Poison Opium and Dangerous Drugs Ordinance, National Authority on Tobacco and Alcohol Act No.27 of 2006 are also executed by the Department. The mission of the Department is to collect government revenue through efficient control of Excise and tobacco industries in Sri Lanka contribution to the development of Sri Lanka and to social welfare by the prevention of illegal productions harmful to such industries, provision of social security by the implantation of Poison, Opium and Dangerous Drug Ordinance.

In order to achieve its mission the Department of Excise performs in review of the following objects.

- (a) Protection of revenue generates from alcohol and tobacco.
- (b) Enforcement of Excise Ordinance and Tobacco Tax Act.
- (c) Execution of Poison, Opium and Dangerous Drugs Ordinance.
- (d) Execution of National Authority on Tobacco and Alcohol Act.

In order to achieve the above objects the Department of Excise involves in the following functions.

- (a) Collection of Excise Duties.
- (b) Issuing of Liquor Manufactory Licenses.
- (c) Toddy tapping and issue of transport licenses to obtain toddy required for toddy taverns, distilleries, vinegar manufactories and bottling centres.
- (d) Control and supervision of distilleries, warehouses and liquor manufactories.
- (e) Supervision of licensed stations.

- (f) Giving minimum assessment prices to Divisional Secretaries, enabling them to auction toddy taverns and foreign liquor taverns annually.
- (g) Settlement of offences committed by license holders under the provisions in Excise Ordinance.
- (h) Being apprehended all illegal acts committed without a license under the Excise Ordinance, submit the offenders before courts.
- (i) Being apprehended all illegal acts committed under Poison, Opium and Dangerous Drugs Ordinance and forward the offenders before courts.
- (j) Supervision of approved products manufactured under the Tobacco Tax Act, and collection and protection of Tobacco Tax.

2.1 Background

The Excise Department of Sri Lanka is administered under the control of the Commissioner General of Excise. For the regional administration of the Department it has been divided into Excise Divisions on provincial basis and the Western Province and the North Western Province are divided into 3 and 2 divisions respectively on district basis and these Excise divisions are supervised by Assistant Commissioners of Excise. Offices of the Superintendents of Excise have been established under the Excise Divisions and Excise stations have been established under the offices of the Superintendents of Excise. Those are controlled under the Excise authorized areas delimited by the Department. Officers in the Inspectors grades and other posts are attached to those Excise units and the most senior officer in the Inspectors grade performs the duties of the Officer in Charge (OIC). The Excise Department of Sri Lanka fulfills its mission through a head office, 13 offices of the Assistant Commissioner of Excise established island wide, 30 offices of the Superintendents of Excise and 5 Special Operating Units.

Excise duties, late charges for Excise duties on the purchase of local and foreign spirits, license fees, application fees, renewal of Licenses, License transfer fees, change of

names, and charges on toddy collection centres are collected by the Department of Excise, in addition to the collection of tobacco tax.

Liquor manufactories, warehouses, toddy taverns and vinegar manufactories are operated under total supervision of the Department of Excise. Local Liquor (Arrack) foreign liquor locally manufactured wine, sake, bottled toddy, bear etc. are manufactured in the liquor manufactories. Of these, arrack and foreign liquor is treated as strong liquor whereas toddy wine, sake and bear are treated as soft liquor.

Ethane spirits, rectified spirits, coconut spirits and palmyra spirits are manufactured in the Distilleries. Coconut and palmyra spirits are distilled, taking the element as coconut toddy and palmyra toddy and the rectified spirits are manufactured from molasses which is a by-product of sugar in the Pelawatta and Sewanagala distilleries. Moreover, taking the by-product of sake manufactured by using sorghum starch as the element, rectified spirits are manufactured. In addition, ethane spirits are imported for the manufacture of liquor and industries products.

Currently, 23 Liquor manufactories, 14 distilleries and 8 warehouses are established in Sri Lanka. Under the supervision of the Commissioner General of Excise and the Deputy Commissioner of Excise, (Revenue and Permits) computation of excise duties in the permit division, as well as the operation of related computer data and maintenance of reports, records, data and registers relating to liquor manufactories, warehouses and distilleries are carried out.

2.2 Authority for Audit

This audit was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in conjunction with provisions of the National Audit Act No.19 of 2018.

2.3 Reason for choosing the topic

Excise offices located within the premises of 6 manufacturing companies which contribute the least revenue to the government out of 23 manufactories have been introduced as very pleasant locations in terms of the change of station transfer policy of the Department. Furthermore, in the examination of applications receive for change of station transfers observed that officers highly prefer to serve in those places. In choosing this topic we underlie such matters which include, reporting very much problematic situation in respect of those distillery companies, non-reporting of weaknesses in those manufactories by excise officers as compared with other manufactories and the sole authority to monitor those manufactories is the Department of Excise.

2.4 Audit Approach

Examination of sources recommended by the Department.

- (a) Physical verification of manufactories, distilleries and warehouses.
- (b) Examination of books of accounts maintained in the manufactories/ distilleries.
- (c) Examination of License files and records available in the Head Office.
- (d) Obtaining information in respect of imports from the customs division.
- (e) Obtaining information from the Department of Import and Export Control in respect of import of spirits.
- (f) Obtaining Analyst's reports to ensure whether products have been manufactured in accordance with specific standards.
- (g) Examine whether disposal of waste is carried out by complying with specific methods.

2.5 Audit Objectives and Criteria

In terms of rules made by the Minister under Section 32 of the Excise Ordinance read in conjunction with Section 25 of the Excise Ordinance (Cap.52) and Article 44 (2) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Department needs to perform its functions.

Accordingly, Excise notices No.844 and 902, guidelines and technical orders of the Department need to be applied. Objectives of this audit include to examine whether a proper supervision and monitoring is carried out by the Department in respect of whether the instructions of the above excise orders and the technical orders of the Department relating to manufactories, distilleries and warehouses.

2.6 Audit Criteria

2.6.1 Ancillary Objectives and Criteria

<u>Ancillary Objectives</u>	<u>Criteria</u>
(i) Whether liquor is manufactured, fit for human consumption.	Departmental technical orders and standards.
(ii) Whether monitoring is carried out by the Department.	Excise notices, Acts, Circulars, Department Orders, and Technical Orders.
(iii) Whether instructions of the Excise Order No.844 is followed.	Conditions in relation to the establishment and maintenance of manufactories distilleries.
(iv) Whether Technical orders of the Department is adhered to.	Procedures in the implementation of Technical Orders.
(v) Internal Control	Control systems followed.
(vi) Whether taxes are correctly computed.	Comply with Excise orders.

2.7 Scope of Audit

- 2.7.1 This audit is conducted in terms of guidelines issued by the International Association of Supreme Audit Institutions (INTOSAI), provisions in Article 15 of the Constitution of the Democratic Socialist of Sri Lanka and provisions in the National Audit Act No.19 of 2018. In order to conclude on observations and recommendations of our audit, how far the above objectives are achieved and as a base for the identification of what type of risks involved in connection with achieving such objective, we intend to gain understanding of the Department, its operations and internal control systems.
- 2.7.2 Our audit functions are joined with the pre-determined audit plan. Since the limited time and human resources available, the extent of this audit is limited to sample methods.
- 2.7.3 This investigation is limited only to examine the operations of manufactories, distilleries and warehouses established within the Western Province, existence of an extremely small percentage of Excise revenue generates from companies introduced as very lavish locations in the change of station transfer procedure of the Department, as compared with the total Excise revenue and to examine the reasons affected therefore.

2.8 Limitation of the Scope of Audit

The matters affect the Limitation of the Scope of audit include, we find it difficult to obtain information from the third parties, since all liquor manufactories are registered under the Companies Act, difficult to obtain information specially in respect of internal control systems introduced by companies within their manufactories, storing and marketing details, difficult to obtain customs information in respect of import of spirits etc.

3. Observations

3.1 Institutional Background and Rediness

3.1.1 Legal Provisions relating to the manufacture of Liquor

In terms of rules made by the Minister under Section 32 of the Excise Ordinance read in conjunction with section 25 of the Excise Ordinance (Cap 52) and Article 44 (2) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Department needs to perform its functions. Accordingly, it is pertinent to the Excise notice No.844, distilleries guidelines, Excise notice and the Technical Order No.902 of the Department.

Instances of non-compliance with the above Excise notices and technical orders of the Department in respect of manufactories, distilleries and warehouses subjected to supervise were observed as follows.

3.1.1.1 In terms of technical orders of the Department when corrections are needed in the books of accounts, they should be corrected by drawing a line on the incorrect entry and write the correct entry above that line and every correction needs to be initiated and dated by the officer who corrected it.

Similarly, in respect of D-7, D-8 and D-9 documents, as the officer requests by in written document, the Excise Officer or his authorized agent should also initial it. According to the test check carried out, distilleries and manufactories had breached these Technical Orders. Since the books of accounts and other registers, records maintained by such manufactories have been tipexed, erased, not initialed and dated thereon; there will be a possibility of causing discrepancies and the attention of the supervisory officers in this regard had not been paid.

3.1.1.2 In terms of paragraph 7 of the Excise Notice No.844, suitable and attachment of locks for all stills , spirit receivers and Vats should be supplied and maintained in a manner to satisfy the Commissioner General of Excise for fixing the pad locks. However, it was observed that two Vats rooms in the Hanwella Acme manufactory had not been padlocked and since mixing of alcohol and production is carried out in one Vats room, it

should have been kept open and as such, there would be possibilities of causing discrepancies, since action has not been taken in terms of Excise Notices.

3.1.1.3 In terms of conditions of Excise Notice No.335 (25) D, alcohol to be used for the manufacture of coconut spirit related liquor is limited to a maximum of 74.1 per cent. Nevertheless, it was not observed that the prior approval of the Commissioner General of Excise had not been obtained by the Rockland distillery, in the distillation of spirits exceeding such volume.

3.1.1.4 Any person obtains a license needs to pay taxes and the fee in terms of each type of license, specially stated in accordance with the rules of the Department. In terms of Section 25 and 32 of the Excise Ordinance, the Department of Fiscal Policy had not obtained the recommendations of the Department of Excise. Disregarding the adverse effect on the Government revenue, as a result of Keeping the charges unchanged and reduced by disregarding price fluctuation had been a controversial issue in audit. Particulars of the determination of charges by the Department in the year 2008, 2015 and 2017 by Excise Notice numbers 902, 983 and 1004 respectively appear in Annexure 01.

3.1.1.5 In terms of paragraph 2.3 of Chapter iv of the Department Order No.1 alcohol stored in lagers or receivers without being used for any purpose, needs to be gauged and passed once in 2 weeks and the results thereof should be posted to the register of standard quality and measurement (D-6). However, the Excise Officers in the Royal Kask distillery had not taken action accordingly.

3.1.1.6 In terms of condition in the Excise Notice No.335 (25) D, the alcohol percentage to be used for liquor manufactured related to coconut spirits is limited to 74.1. But the examination of D-33 register relating to DCSL new warehouse, spirits had been distilled, exceeding that volume from 74.9 per cent to 79 per cent.

3.1.1.7 For the determination of alcohol percentage at various stages in ethane liquor obtained from permeation, the existence of a standardized set of equipment is compulsory, but such a set of equipment was not available in the Royal Kask manufactory. Excise revenue is decided on the volume of liquor, but it is controversial in audit whether the Excise revenue is correctly computed and liquor is manufactured with a standard.

3.1.2 National Policy on alcohol

Drugs are illegally produced and transported in plenty within the country.

Growing up crimes in connection with drugs adversely effect on health, destruction of human, natural and financial resources by using drugs, destruction of individuals families and folk due to misuse of drugs and appearing in the increase of the existence of the quantity of drugs at street level can be stated as misconsequenses of illegal drugs. As a result, legal provisions have been made by empowering the Department of Excise to implement the drugs law as a predominant entity. Therefore, the requirement of the formulation of a national policy on liquor is mostly intensified and by means of wide, balanced and coordinated strategies, supply needs to be controlled and demand must be reduced. It is also observed that the attention of the requirement of implementing the specific policies, guidelines under each strategy needs to be paid by the public entities, Non-Governmental Organizations, Private Sector and other organizations engage in the implementation of drugs control strategies.

In issuing permits for marketing all kind of liquor products, it is observed that the existence of a new method with transparency based on such factors as public health and protection and public opinion is needed.

3.1.3 Organization structure of the Department of Excise

Under the Commissioner General of Excise there are 2 Additional Commissioner Generals of Excise, comprising one for Revenue Policy and Administration (Administrative Service) and another Additional Commissioner General for Revenue Operations and Law Enforcement. Under those additional Commissioner Generals, there are 4 Commissioners of Excise and 9 Deputy Commissioner of Excise under those Excise Commissioners. Assistant Commissioners of Excise and the other officers come under the Deputy Commissioners of Excise (particulars appear in Annexure 02)

3.1.4 Human Resources Management

- (a) The approved cadre of the Department as at 30 June 2019 amounted to 1,492 whereas the actual cadre as at that date amounted to 1,299 and the number of vacant posts was 193.
- (b) The post of the Commissioner General of Excise had fallen vacant since 07 March 2019 and acting appointments had been given therefor upto month of August 2020. It is problematic in audit on non filling the post of Accounting Officer of a Department which generates major revenue.
- (c) Of the manufactories subjected to audit examination, the approved number of Excise inspectors, for V.A. manufactory and Akme manufactory is one for each. However, 3 Excise inspectors have been attached to the V.A. Manufactory. However, Excise revenue from those manufactories had been as less value as 1.63 per cent and 3.54 per cent respectively. (As per Excise revenue for 2018)

3.2 Institutional monitoring functions for liquor products

3.2.1 Registration

Every person obtains a permit under the Excise Ordinance, an agreement needs to be signed for covering the period of his permit as determined by the Ordinance and a security, precisely stated for the type of relevant permit he requests needs to be presented.

In the issue of a new permit, the documents to be presented include; a photocopy of the plan of the proposed building certified by the Local Authority, a copy of the certified title deed on the ownership, an affidavit stating that the applicant has not been convicted under penal code during the past 5 years, a survey plan obtained from the Licensed Surveyor stating the distance to the nearest schools and sacred places from the area of authority, a certificate of business registration under the Business Name Registration Ordinance, if it is a company, a photocopy of the Certificate of Registration of Companies certified by a Notary Public etc. Furthermore, a non refundable application fee also needs to be paid.

3.2.2 Assignment of responsibilities, monitoring and follow-up

The officers of the Department are attached to supervise, control and monitoring of all distilleries, warehouses, arrack manufactories, grain liquor manufactories, bottle toddy manufactories and all licensed liquor shops. Those officers need to perform the functions which include, keeping accounts on Excise duty, reporting, collection of Excise duties operations on bonded stock, supervision and monitoring administration in respect of the quality of liquor manufactured under the supervision of the Government etc. They also should be the custodians of goods in all liquor manufactories, subject to Excise duty and they need to supervise all steps relating to the production daily and periodically. Every occasion exists in operational condition of manufactories, the Excise officer who are attached to that manufactory should monitor the following duties.

- (a) Each and every process in the production supply chain from raw-materials to finished goods need to be supervised.
- (b) To conduct specific primary tests of raw materials received to the manufactory, work in progress and finished goods for quality control and calling for analytical reports, supervision of quantitative and qualitative computation.
- (c) Documentation and maintenance of all books of accounts in the manufactories, checking the data therein daily, monthly, quarterly, half yearly and annually and analysis and reporting such data.
- (d) For the maintenance of liquor manufactories with specific standards, testing their quality and reporting.
- (e) Maintenance of physical stock correctly so as to facilitate the collection of government revenue as Excise duties.
- (f) As to cover the entire production process, testing and supervising every occasion in receiving, storing, taking over and issuing of liquor.
- (g) As to cover the whole production process, taking liquor samples at various stages and getting analysis report being sent them to the Government Analyst.

- (h) To take responsibility to ensure whether liquor is manufactured, suitable for human consumption and in accordance with local and international standards on Excise duty.
- (i) Maintenance of registers in respect of payment of relevant taxes in the bonded operations, issue of transport permits for route turns, maintenance of network communication relates to operations and maintenance of records therefore and reporting.

Nevertheless, it was observed that there were abnormal attachments of officers to manufactories and distilleries to perform the above duties. Accordingly, staff had been employed in excess of the approved cadre for manufactories and distilleries which generate revenue as very low level as 0.3 per cent to 3.5 per cent. Certain instances are given below.

Manufactory/ Distillery	Post	Approved Staff	Actual Staff
-----	-----	-----	-----
Achmi Lanka Manufactory	- Inspector of Excise	01	03
	- Excise Sergeant Major	-	02
Royal Kask Distillery	- Chief Inspector of Excise	-	02
Mendis/ Moragalla	- Excise Guard	02	04
Asia Pacific Brewery	- Inspector of Excise	01	02
Nawayalathenna Warehouse	- Inspector of Excise	01	02

3.3 Monitoring Function on Manufacturing institutions

3.3.1 Obtaining Raw-Materials

Rectified spirits are manufactured in the distilleries and they are graded as coconut spirits and palmyra spirits. Coconut and Palmyra spirits are distilled by taking coconut and palmyra toddy as an element and rectified spirits are also manufactured in Sevanagala and Palawaththa distilleries by using molasses which is a by-product of sugar production. Furthermore, rectified spirits are manufactured by taking the byproducts of maize starch and sake production as the element. In addition, Ethel spirits are imported.

Raw-materials use for the manufacture of alcohol needs to be supervised by the Excise Officers at every stage from the elementary steps to the finished product step in the production chain.

Similarly, conducting preliminary tests for quality control of raw materials, semi finished goods and finished goods receive to the manufactories/ distilleries and calling for analysis reports have to be carried out by Excise Officers as well.

Twenty three licensed alcohol manufactories are in operation and several methods are followed for obtaining spirits for the manufacture of liquor viz: import of spirits, purchase locally and manufactured locally.

3.3.2 Importation of Spirits

3.3.2.1 Particulars of import of spirits from 2016 to 2019 appear below

Year	Quantity imported
-----	-----
	(Stock - Liters)
2019	15,295,344.0
2018	13,444,881.0
2017	18,195,430.4
2016	18,431,571.3

3.3.2.2 In the importation of Ethel alcohol, an import license is issued for the quantity of stock stated in the performa invoice on the request of the license holder. After receiving the stock to the Customs, the letter issued by the Customs to the license holder is submitted to the Department of Excise. Thereafter, transport tax is recovered in terms of Excise order No.988 on the quantity of stock stated in the customs documents. After being recovered the tax, the Excise Officers verify the physical stock balance at the time of taking over the stock of spirit at the licensed location and then action will be taken to recover the tax on spirits received in excess of the transport document. Two import companies had imported 3,760,319.53 liters of stock of spirits in excess of the quantity of stock stated in the invoice as at 30 September 2019. According to the data of the Department of Excise relating to 3 companies, and the imported quantity, a material difference of 4,553,811.7 liters was observed as detailed below.

Name of Company	Quantity ordered (As at 30.9.2019)	Quantity imported (As at 30.9.2019)	Imports as per customer data (As at 30.9.2019)
-----	-----	-----	-----
	Stock Leters	Stock Leters	Stock Leters
I.D.L. Company	318,967.00	268,815.00	322,919.30
D.C.S.L. Company	8,485,986.00	11,953,005.00	7,790,171.00
Perisil Company	677,149.47	970,450.00	525,368.00
	<u>9,482,102.47</u>	<u>13,192,270.00</u>	<u>8,638,458.30</u>

Since the existence of material differences as mentioned above, it is seriously contended in audit whether the Department of Excise, Department of Imports and Export Control and the Department of Customs properly monitored such functions in the importation of spirits.

3.3.2.3 The D.C.S.L. Company had imported spirits for the old warehouse from various countries and the following differences were observed between the quantity of imported spirits, transported to the warehouse and the quantity actually received to the warehouse (As per D-33)

Year and Month	Quantity of spirits as per D-28	Quantity of spirits as per D-33	Difference
-----	-----	-----	-----
	Ab. Liter	Ab. Liter	Ab. Liter
Up to July 2020	165,480.2	166,087.2	607.0
2019	1,945,356.7	1,954,611.5	9,254.8
2018	2,329,413.8	2,343,205.2	13,791.4

Evidence to ensure whether prescribed excise duty and customs duty had been recovered relating to the above differences was not made available to audit and therefore it cannot be ruled out in audit the suspicion of making room for collusion by allowing the companies to import more spirits.

3.3.2.4 Rectified spirit of 13,578.7 Liters imported in December 2019 from South Africa for the DCSL old warehouse had not been entered to the D-33 register. Accordingly, the suspicion that the deprivation of government revenue from liquor manufactured by using such imported stock of spirits cannot be ruled out in audit.

3.3.2.5 The quantity of spirit stated in the transport permits (D-28) relating to the import of spirits to the 1.D.L manufactory amounts to 320,474.1 Ab. liters whereas the quantity of spirit stated in the register of actual receipts (D-33) amounts to 323,317.6 Ab. liters, thus observing a difference of 2,843.5 Ab. liters.

3.3.2.6 Rectified spirit stock of 13,054 liters (12,584.1 absolute liters) imported from Australia for the DCSL new warehouse as per transport permit No.D330947 dated 13 January 2020, has been stated as transferred to Vat No. 38 of the D-33 register had not been posted as receipt to the Vat No.38 of the D-8 register. Accordingly it is a questionable issue in audit whether taxes relating to liquor products, manufactured by using such spirits had been recovered.

3.3.2.7 Rectified spirit stock of 6,807 liters (6,542.3 absolute liters) imported from Pakistan for the DCSL new warehouse as per transport permit No.D/286523 dated 13 March 2020, had not been posted to D-33 register stating to which Vat it had been issued.

Accordingly, it is a questionable issue whether the specific taxes had been recovered from liquor manufactured by using such spirit and the accuracy of the books of accounts maintained thereon.

Since the existence of material differences as mentioned above in respect importation and accounting of spirits, it is a controversial issue in audit whether or not the Department of Excise appropriately monitors such functions.

3.3.2.8 The annual requirement of Ethel alcohol quantity had not been exactly identified by the Department and action had not been taken to make legal provisions for the imposition of a penalty in respect of Excess imports. Accordingly it is observed that it had been allowed to import excess quantity, in addition to the applied quantity.

3.3.2.9 The followings are reported in respect of illegal import and use of spirits.

- (a) According to the investigation carried out by the Department of Customs, a fine of Rs.270,000,000 had been recovered from the Director of the Company and 3 others in respect of the use of 518,600 liters of ethanol spirits illegally imported by the Hingurana manufactory in the years 2012, 2013 and 2014. According to the investigation carried out by the Department of Excise in this regard, an Excise duty of Rs.588,900,344 had been recovered.
- (b) According to the inspection carried out by the Excise Officers on 21 May 2015 in the distillery belongs to the Hingurana Distilleries Company an Excise duty of Rs.50,620,739 had been determined to be recovered in respect of illegally using of 19,440 liters of Rectified spirits but this money had not been recovered even by the year 2018. After being issued an audit query in this connection, a sum of Rs. 40,072,443 therefrom had been recovered in the year 2019 and the amount further recovered was Rs.10,548,295 even by July 2020.
- (c) Galagedara Royal Kask Distilleries (Pvt) Ltd had illegally imported 5000 liters stock of molt spirit in the year 2019. A composition fee of Rs.500,000 had been recovered for the stock of spirit imported without a permit and being issued spirit import permit, facilities had been provided to exchange the relevant stock of spirit

to another entity without any enquiry whatsoever, on own requirement of the manufactures. Accordingly, it is problematized in audit whether the monitoring process of an entity which is empowered to execute the Excise Ordinance in respect of Excise duty has been properly fulfilled.

3.3.3 Use of Local Spirits

3.3.3.1 A difference of 7,650 liters was observed between the quantity of spirits received to the Akmi manufactory as per transport permit and the quantity of spirits stated in the compilation register (D-9) during the period from January to 30 September 2019.

3.3.3.2 In receiving or issuing spirits to a distillery/ manufactory, a transport permit needs to be obtained (D-28), and the receipt of such spirit transported with the transport permit needs to be recorded to ensure the receipt of such spirit by the relevant distillery/ manufactory. There were mismatches between the quantity of spirit stated in the transport permit and the quantity of spirit recorded in the D-33 confirmation register. According to the D-33 register in the Hingurama manufactory, 10,267.4 of stock of coconut spirit was received during the period from January to September 2019 and according to the D-28 transport register it was 11,993.5 stock liters. Accordingly, it was observed that the internal control system introduced for the transport of spirits in order to protect the tax revenue is not in operation at a satisfactory level.

3.3.3.3 It was not observed that a supervision in respect of the quantity of bottles, lids, labels, purchased by each manufactory required for the manufacture of liquor and the quantity used for the production had been carried out by the officers in charge of Excise Officers. Accordingly, it is observed that a satisfactory internal control systems is not in operation to verify whether the stages, comprising the quantity of liquor manufactured, quantity of liquor distributed, quantity of liquor sold and the quantity of taxable liquor etc. are pertinent to each other.

3.3.3.4 According to the suppliers register in respect of the supply of toddy to the Dummalasooriya distillery, subjected to audit examination, carried out on the supply of toddy requires for the manufacture of coconut spirit, 3 suppliers had been registered and

the number of coconut trees marked for toddy tapping tolled 12,000. Accordingly, the quantity of toddy to be supplied amounted to stock liters 18,000 (per day). The following matters were observed in this regard.

- (a) Reporting as per the daily toddy receiving register that approximately 98 per cent of the quantity of supply of toddy daily from the maximum quantity to be supplied out of coconut trees approved for the relevant toddy collecting centres is a questionable issue.
- (b) The examination of toddy supply register observed that the supply of toddy had been stopped by 2 suppliers holding 2 permits relating to 5,075 coconut trees. Since March 2019. Accordingly. The marked number of coconut trees according to the Excise D-7 register and the number of trees tapped had been stated as 11,330 and 6,255 respectively, even though the number of approved coconut trees amounted to 6925 since March 2019. Accordingly, it was not observed that attention of the responsible parties had not been paid in respect of the practical importance of internal control procedures applied for the protection of revenue from Excise duty.
- (c) It was not observed that the Excise Office was not made aware about the non-supply of toddy by the contractors during the period 2018 to September 2019 and also not observed that action had been taken to inquire the reason for non-supply of toddy even by the officer in charge of the Excise Office.

Accordingly, it was not observed that a considerable contribution to protect the revenue of Excise duty and to minimize industrial crimes had been carried out by the offices concerned.

3.3.3.5 Certain mismatches of quantities stated in the D-7 register and the information stated in the register of maize starch used were observed in respect of the use of powder for the manufacture of spirits in the Royal Kask distillery as per details below.

Year	Use of flour as per D7 register	Use of flour as per raw-material register	Difference
-----	-----	-----	-----
	MT	MT	MT
2019	1052.82	840.71	212.11
Up to June2020	3341.39	3178.1	163.29

3.3.3.6 Even though the Excise notices have been prepared in respect of the particulars to be included in the labels to get them approved for each product, attention has not been drawn in respect of the number of labels expected to be used by each manufactory number of labels used and destroyed and as such it was observed in audit that a proper supervision for the protection of government revenue had not been done by the Excise Officers.

3.3.4 Production

Eighteen liquor manufactories (23 Licensed manufactories) are operated under the Department of Excise and liquor products, manufactured during the year 2018 by those manufactories and information on revenue contributed therefrom appear in Annexure 03. Accordingly, the examination of total liquor production and the market share of each manufacturing company observed that even though 19 strong liquor manufacturing companies are in operation, only 3 companies had contributed 83.71 per cent of the total revenue. Contribution of 4 manufacturing companies is as low as 2 to 3 per cent and the contribution of other manufacturing companies had been even at the level of less than 22 per cent. Accordingly, it was not observed that steps had been taken to protect the government revenue having being verified such abnormalities by Excise officers being paid attention of the companies, which have lesser production.

3.3.4.1 Particulars of coconut, palmyra, rectified spirit used by the manufactories in the past few years and the quantity of liquor manufactured therefrom and consumption appear below.

Year	Quantity of Spirit used (Local/ imported)	Alcohol production
-----	-----	-----
	Ab. Liters	Ab. Liters
2016	34,550,864.97	31,685,768.5 2
2017	46,211,046.97	28,490,312.1 0
2018	26,761,437.76	25,221,252.7 0

The following observations are made in this regard.

- (a) Since a material fluctuation is seen in the annual production as compared with the use of spirits annually, it was observed that there was no correlation between the use of spirits and the production. It was not observed that these issues had not been looked into in depth either by the top management of the Department or the officers in the regional Excise officers and to protect the revenue on Excise duty. Since Excise duties are levied on the production of liquor, indicating a reduction in the liquor production as compared with the quantity of spirits used is a disputable issue.
- (b) In considering the import of spirits, manufacture of local spirits and the production of liquor, it was observed in audit that unlimited quantity of spirits is circulated within the country.
- (c) Even though decrease in annual production is seen, taking a higher value in liquor consumption as per the data below is a problematic situation. It was not observed that the responsible parties had not taken action to remedy the adverse effects caused therefrom, having being carried out in depth investigation in respect of these abnormalities.

<u>Year</u>	<u>Consumption</u>
	Liters
2016	191,100,412.58
2017	184,879,442.29
2018	224,976,196.65

3.3.4.2 According to the letter of 21 February 2019 of the operation manager of the Welgama, Thithapaththara Rockland Distilleries (pvt) Ltd and the letter No.ED/04/01/09-VII dated 02 May 2019 of the Deputy Commissioner of Excise (Revenue) reported that a stock of 11,884,875 liters of three star black label type arrack manufactured during the period from 07 March to 09 April 2018 had been bottled with precipitate particles. Nevertheless, the audit examination observed that 74,601 liters of arrack had been manufactured during that time range. Accordingly, of the total stock of arrack defectively manufactured, 62,716.125 liters had been issued to the market by now but it had not been collected back to the store and as such that quantity of liquor had been consumed by General Public. The issue of defectively manufactured arrack to the market under the complete supervision and monitoring of the Department of Excise is a serious contentious issue in audit. Accordingly, it was observed that the supervision of the relevant officers in respect of the standard of liquor had been at a very weak level.

3.3.4.3 Since the quantity of spirits issued for the manufacture of arrack of the V.A. manufactory in the year 2017 amounted to 564,406.06 liters of absolute alcohol and the production of bottled arrack amounted to 568,566.87 liters of absolute alcohol, a material difference of 4160 liters of absolute alcohol was observed. It was not observed that attention of the officers had not been paid in respect of the effect caused to government revenue, being looked into the variances.

3.3.4.4 Since the following material differences were observed in the examination of production process register (D-7) in respect of manufacturing spirits by the Hingurana Distillery (Korambe) by using maize flour, the responsible parties had not intervened to remedy, having being inquired such differences.

Year	Flour usage	Spirits and impure spirit production per ton of flour	Quantity of pure spirit and impure spirit to be produced	Quantity of pure and impure spirit produced	Difference
-----	-----	-----	-----	-----	-----
	Ton	Ab.liter	Ab.liter	Ab.liter	Ab.liter
2017	1,711.55	396	677,773.8	800,909.3	123,135.5
2018	2,174.4	396	861,062.4	1,003,174.8	142,112.4
Up to 30 September 2019	1,702.2	396	674,071.2	743,870.6	69,799.6

3.3.4.5 The following mismatches were observed between the quantity of alcohol to be manufactured in terms of recommendations of the Institute of Technology as compared to maize starch utilized by the Royal Kask distillery and the quantity of sake production with the quantity actually manufactured by the distillery. It was not observed in audit that attention of the Excise Officers had been paid in this connection.

Year	Input starch	Quantity to be manufactured as per recommendation of the ITI		Quantity manufactured	
		Sake	Spirit	Sake	Spirit
-----	-----	-----	-----	-----	-----
	M/Ton	Stock liters	Ab. liters	Stock liters	Ab. liters
2019	840.71	2,076,553	294,248	1,438,500	401,675
Up to 30 June 2020	3178.1	7,849,907	1,112,335	140,000	1,888,472

3.3.4.6 According to the information provided by the I.D.L.Manufactory, the following differences were observed between the quantity of spirits used for production and the production of liquor during the period 2015 to 2017. It was not observed in audit that attention of the Excise Officers in this regard had been paid.

Year	Spirits used	Liquor production	Difference
	Proof liters	Proof liters	Proof liters
2015	6,091,157.50	6,063,227.06	27,930.43
2016	5,609,812.98	4,653,049.05	956,763.93
2017	4,691,429.63	4,641,930.18	49,499.45

3.3.4.7 Non compliances with rules stated in the agreements entered into on 12 January 2018 and 16 February 2018 between the company and the Commissioner General of Excise, in addition to the conditions mentioned in the Excise Notices relating to liquor licenses issued to the Royal Kask Distilleries (pvt) Ltd were observed.

- (a) Even though, it was agreed a minimum Stock liters of 150,000 Sake production needs to be completed per month, action had not been taken accordingly as stated below.

Month	Year2018	Year2019	Year2020
	Bulk liters	Bulk liters	Bulk liters
January	-	Completed	40,000
February	-	Completed	40,000
March	50,000	Completed	40,000
April	-	105,000	-
May	46,500	Completed	-
June	52,500	125,000	20,000
July	60,000	63,500	
August	95,300	59,000	
September	35,000	60,000	

October	Completed	60,000
November	100,000	40,000
December	Completed	40,000

If the minimum production target is not achieved, the authority to suspend distillation functions of spirit in the next month is agreed upon by both parties, but the first party had not done so.

- (b) It was agreed as per the agreement to issue the license for bottling at Galagedara, Padukka location having being manufactured Sake in the distillery premises, only for a period of 3 months since 16 February 2018, until the construction work at Pinwattamulla, Bathalawatta address is completed. However, 'Sake' is being bottled in that premises itself, even though 2 years elapsed upto 14 July 2020, the date of audit.

- (c) According to the report No.CS1801414 dated 16 February 2018 of the Institute of Technology, the strength of ethanol receives from fermented wash at the initial stage should equal to the strength of 'Sake' production. However, the strength of alcohol in sake, manufactured by the Company existed at 12.5 per cent (The strength of sake manufactured in the year 2017 stood at 15 per cent). Accordingly, contradiction to the recommendation of the Institute of Technology is in dispute in audit.

3.3.5 Production Standard

Before being issued liquor, manufactured for consumption by using rectified spirits as a substance to the market, the manufactures are used to give colures by using essence for each variety of arrack or foreign liquor and flavored. The responsibility to find whether all these activities are carried out by the producer in compliance with conditions stated in the Excise notices is assigned to the Excise Officers. It is also the responsibility of Excise Officers that in the manufacture of each variety of liquor, it is done under the approved standards and strengths and to look into whether all the information to be included in the labels has been correctly included. Moreover, samples should be obtained at various occasions while being distilled in distillates taken from separate stills exist in distilleries,

send them to the Government Analysis and get an analysis report. In obtaining such analysis report, the following deficiencies were observed.

- 3.3.5.1 Even though the monthly samples should be obtained according to the technical orders of the Department and referred them to the Government analyst, certain instances of not so done were observed in audit. Since, instances where direction of samples obtained to the Government Analyst had been belayed, it is problematic in audit whether arrack with standard is issued to the market (particulars appear in Annexure 04).
- 3.3.5.2 Differences between the vol. stated in the labels of samples obtained and the vol. as per the reports of the Government Analyst were observed as mentioned in Annexure 05. Even though non-containing the acidity level within the approved limit to be existed in toddy was reported, no action had been taken to recover composition fees thereon or suitable action.
- 3.3.5.3 Instances where action had not been taken to barred the sample into layers after receiving the Analysts report or to take any other suitable action were observed. For instance, it was observed that 80 samples obtained by Akmi distillery during the period from 26 December 2018 to 18 September 2019 were available in the office.
- 3.3.5.4 In the introduction of new inventions, officers need to find out whether facilities and requirement are fulfilled within the manufactory relating to the introduction of such new inventions. In addition, samples relate to such new inventions should be referred of the Government Analyst, get the analysis report and check whether they are in conformity with specific standards. If the standard is fulfilled as per analysis report, approval for the relevant labels should be granted. The V.A. Manufactory had presented two samples on 14 July 2017 relating to the introduction of two new varieties of arrack namely V.A. Black Arrack (increase the taste by mixing grain spirit) and White Hourse Arrack to the Department of Excise in the year 2017. However, it was not observed in audit that further action had been taken in this regard. This implied that the required supervision as per instructions had not been carried out by the Excise Officers.

3.3.5.5 Even though samples relating to the production of 892,352.077 Ab. Litres and 690,435.436 Ab. Litres of liquor had been obtained during the period from the year 2018 to 1 January to 30 September 219 in the Hanwella Akmi Manufactory and referred them to the Government Analyst, it was observed in the examination of the relevant file that the related analysis reports were not received to the Excise station situated in the manufactory. Therefore it was not observed in audit that attention of the Excise Officers had been paid in respect of whether the strength contains in the new productions or whether they contain any substance or in approved materials adversely effect on human consumption.

3.3.5.6 Analysis reports relate to 17 samples obtained in the months of March, June and October 2019 by the V.A. Manufactory were not made available for audit.

3.3.5.7 In considering the strength of liquor reported in terms of analysis reports and the strength stated in the labels in terms of analysis reports made available to audit, relating to the D.C.S.L. new manufactory, the taxes recoverable on each product had not been recovered. At an audit test check carried out in 7 occasions, the taxes not so recovered amounted to Rs.531,338.

3.3.5.8 According to the analysis reports relating to the Sake production in the Royal Kask manufactory, the following matters were observed.

(a) Sake Production

- (i) According to the report No.CS1801414 of the Institute of Technology, strength of liquor in sake manufactory should be between 11-11.5 per cent. It is a questionable issue that according to the agreement entered into with the sake manufacturing company in the year 2018 by the Department for the manufacture of sake the strength percentage of liquor in the sake production was stated as 15 per cent.
- (ii) Sending samples to the Government Analyst in respect of sake production had only been limited to two times and the company had taken action to get the analysis reports by sending samples relate to day today products a private to

laboratory. According to such analysis reports, differences were observed between the strength of liquor stated in the label and the strength stated in the samples as per details in Annex 05.

- (iii) According to the label of the Sample obtained on 30 June 2020 from Vat No. B-18, liquor strength is 12.5 (v/v) per cent but according to the laboratory analysis report it was stated in the report as 10.47 (v/v) per cent. Even though it was stated in the report that this should not be bottled, 639.924 clean liters had been bottled and an Excise duty of Rs.593,931.60 had been recovered by the Department. Accordingly, it is observed that the attention of the Excise Officers had not been paid in respect of issuing standard liquor to the market.
 - (iv) Since the analysis report of the samples obtained on 30 June 2020 from Vat No.B-24 liquor strength was 11.80 (v/v) per cent, bottling had been stopped. Future action to be taken in respect of this stock was not made available to audit.
 - (v) Even though, a material variance was observed in respect of standard strength of the products as per the above analysis reports, attention of the Excise Officers in this connection was not drawn. Reporting even technical crimes, relating to the issue of substandard products to market was not observed in audit.
 - (vi) A register in respect of samples obtain for analysis purposes, including the particulars, comprising, date obtained the samples, name of the officer obtained the sample, type and quantity, the signature of the officer brought for analysis, results and the date of return the sample back, should be but such maintained a register had not been maintained.
- (b) In order to determine the alcohol percentage of Ethel alcohol obtained from permeation at various occasions, it is compulsory to be available a set of standard equipment, but there was no such an equipment in the Royal Kask Manufactory. Despite the inspection of alcohol strength is a main function of the Excise Officers, it was not observed in audit that the attention of Higher Officers of the Department in this regard had been paid.

3.3.6 Distribution

In the export or import of spirits in compliance with the provisions of Section 13 of the Excise Ordinance for approved purposes or when spirits are transported from a distillery or a spirit warehouse, an Excise permit needs to be obtained and this permit is demoted as D-28. If it is from a distillery or a warehouse the permit is issued by the officer in charge of the distillery. If it is from a Province or a District the permit is issued by the Superintendent of Excise or the Assistant Commissioner of Excise. The permit for the importation of spirit is issued by the Commissioner General of Excise.

Similarly, in the transportation of arrack and bottled toddy for retail trading from the manufactories operated under the Excise permits C.S.T.(1) permit has to be obtained before being transported. Permits relating to the distribution of liquor to all shops in the entire island are issued by the Head Office.

In the examination of transport permits for the transport of liquor and spirits, the following matters were observed.

- 3.3.6.1 Even though to establish whether spirits stated in the transport license are actually received, they should be entered in the D-33 register, without doing so, after being handed over a portion of spirits to the bond room, only the balance had been documented, resulting that there were mismatches of the quantity of spirits. It was also observed that no attention of the responsible officers in that regard had been paid.

Eg. V.A.Distilleries Company (particulars appear in Annexure 06)

- 3.3.6.2 Particulars stated in the counterfoil books used for the issue of liquor transport licenses by the Head Office during the year 2018 in respect of 6 manufactories and the annual production and transport particulars of each manufactory are given below. According to those particulars it was not served that the Department had paid attention on the production of the manufactory.

Manufactory	Taxed production in the year 2018	No. of CSTs given	Maximum stock to be transported at a time	Number of turns required for the transport of production
	Bulk Liters		Bulk Liters	
Pericil	1,492,113	363	3,403,506	01
Rockland	5,080,856	69	246,486	21
V.A. Manufactory	1,286,289	56	286,680	05
Akmi	2,838,011	65	328,000	09
Hingurana	1,736,308	54	388,500	05
Royal Cast	313,149	06	23,370	14

- (a) The above differences observed that an opportunity is permitted to transport liquor even for which due taxes are unpaid. In addition, in issuing transport licenses, the maximum capacity at a time is stated and also stated that such permission is effective for the whole year and as a result, they have been allowed the opportunity of transporting unlimited quantity of liquor by increasing the number of turns.
- (b) Letting the chance of obtaining transport permits without considering the production capacity of the manufactory, it cannot be ruled out the suspicion that manufactures may have the opportunity to commit frauds and corruption. Likewise, it also cannot be ruled out in audit the suspicion that there is a possibility of depriving government revenue through illegal transport of liquor.

3.3.6.3 In receiving spirits to the manufactory, the quantity of spirits stated in the permit should be entered in the D-33 register to ensure whether the quantity stated in the permit is actually received and the particulars of quantity of stock liters of such spirits quantity of

absolute liters, v/v, (strength) hydrometer recitation have to be entered therein but action had not been taken accordingly. Eg.V.A. Distilleries Co.

3.3.6.4 When transporting spirits and manufactured products for distilleries and manufactories the use of gate passes or keeping gate records by the security section had not been done. This is observed as a weakness in the internal control system.

3.3.6.5 Manufacture of Sake, issue of transport permits (D-28) and the documentation (D-29) in the Royal Kask Distillery observed as follows. Accordingly, mismatches in the recorded balances with the transport permits observed that transport permits had been issued without considering the production.

Year	Sake production	Transportation as per D-28	Recorded as per D-29
-----	-----	-----	-----
	Bulk liters	Bulk liters	Bulk liters
2018	860,800	863,300	855,800
2019	1,438,500	1,495,500	1,438,500

3.3.6.6 Impact of 24967.7 Bulk liters of spirit for the I.D.L.Manufactory by transport permit No.D327420 of 23 April 2019, had not been included in the taking over register of spirit stock (D-33).

3.3.6.7 Import of 24,305 Bulk liters and 24,500 Bulk liters by transport permit No.D-319261 and permit No.D-327396 respectively for the I.D.L.Manufactory had not been posted to the D-8 register as receipts in the lagers.

3.3.6.8 The issue of liquor transport permits for the transportation of production of the I.D.L.Manufactory in the years 2018 and 2019 is as follows.

Year	Production	No.of transport permits issued	Maximum transportation at a time
	Ab.Liters		Ab.Liters
2018	2,462,020	55	444,000
2019	2,367,220	46	325,000

According to the above data, the Department had issued transport permits without comparatively considering the production. Therefore it cannot be ruled out in audit that making collusions therefrom is inevitable.

3.3.7 Maintenance of books and statements of accounts

It is the main responsibility of the Excise Officers attached to distilleries and manufactories to maintain administrative functions of distilleries and manufactories subject to monitoring, regulations and conditions stated in all by laws published in compliance with the provisions of the Excise Ordinance. Such officers should check all accounts, enabling to ensure whether there are no any errors in the books and records maintain for various purposes. However the following matter observed that action has not been taken accordingly.

3.3.7.1 Transactions (receipts and issues) make by a Vats in respect of spirits put into each Vats or spirits issued should be correctly and separately noted in the Vats register (D-8) and at the end of each month, its balance and spirit stored need to be posted to the compilation register. The following deficiencies were observed in such registers.

- (a) The closing balance of the D-9 register at the end of any month should be the opening balance of the next month, but mismatches observed appear in annex 07. Accordingly, it is questionable in audit whether the registers indicate the correct stock balances.

- (b) Even though issues of spirits and receipts of spirits to the Vats should be equal when spirits are transferred from one Vats to another, imbalances of D-9 register were observed as per annex 08. Since the difference observed in this case is material, it could not be treated as wastages and the attention of the supervisory staff had not been paid in this connection as observed in audit.
- (c) The quantity of spirits issued to the manufactory for the production of Arrack and the receipts are included in the D-8 register and its balance at the end of the month is entered in the D-9 register. Even though material differences between the issues of spirits according to that register and the receipts and balance of spirits had existed, (particulars appear in Annex 09) it was observed that no attention in this regard had not been paid by the supervisory officers.
- (d) Differences in quantities of purchase of spirits to the D.C.S.L. new warehouse between the D-33 register D-8 register and D-9 register were observed as follows.

Year and month	As per D-8 register	As per D-9 register	As per D-33 register
-----	-----	-----	-----
	Ab.liters	Ab.liters	Ab.liters
2019			
January	325,515.20	384,999.4	366,054.3
February	285,674.9	322,546.2	323,886.8
March	310,525.2	356,761.0	357,771.6
April	236,500.70	289,952.6	306,688.0

According to the above observations, it was not observed that attention of the Excise Officers was not paid in respect of even the existing internal control systems. Accordingly, the intervention of the Excise Officers to protect and control the Excise revenue was not at a satisfactory level.

- (e) According to the D-8 register relating to the DCSL new warehouse, the balance of absolute liters existed in the Vats No.28, as at 24 January 2019, amounted to

8,497.3 and any transactions whatsoever had not been effected in that Vats even upto 30 November 2019. A new D-8 register had been maintained since 01 December 2019 and 5,326.3 absolute liters had been noted as the balance in the Vats No.28 as at that date. Accordingly a shortage of 3171 absolute liters was observed in audit. It was not observed that the attention of the Excise Officers in respect of a shortage of 3,171 absolute liters had been drawn.

3.3.8 Storing

3.3.8.1 Differences were observed between the balance available after being adjusted the quantity of spirit available in the manufactory and receipt of spirits and the quantity of spirits used for the manufacture of arrack, after being allowed wastages and the balance available as per the compilation register (D-9). This indicates that a proper supervision had not been carried out by the Excise Officers. Particulars appear below.

Manufactory -----	Period -----	Imbalanced value ----- Ab.liters
V.A. Distilleries (pvt) Ltd	From January to 30 September 2019	90,505.7
	2018	7998.3
Higurana Manufactory	2018	997.6
Akmi Manufactory	2018	2,045.7
D.C.S.L. Old Warehouse	From January to 30 December 2019	353,319.0
	February, May 2020	455.0

D.C.S.L. New Warehouse	January to December 2020	48,355.0
	March, June 2020	12,995.8
Royal Kask Distilleries	January to December 2019	30,653.9
	January, June 2020	11,682.8
I.D.L. Manufactory	March, December 2019	8,176.6
	January 2020	562.6

3.3.8.2 Being established the receipts of spirits to the manufactory, the value stated in the transport permits and the actual balance, they enter in the D-33 register. There were differences between the D-33 register in which receipts for the manufactory are noted and the D-9 (compilation) register (Annex 10). Accordingly, it is a problematic issue whether the Excise Officers who are in charge of supervisory functions perform their duties with responsibilities and due care.

3.3.8.3 In obtaining spirits to the V.A. Manufactory 'Drams' have been used. According to the D-33 register which is the confirmation register it was observed that there were instances where spirits are directly obtained to the Vat without going through the bond room, even though, there is a bond room within the manufactory. As a result, the correct data in respect of spirits received to the manufactory does not reflect in the D-33 confirmation register. Accordingly, sufficient supervision as per instructions had not been made by the Excise Officers.

3.3.8.4 Receipts of spirits according to the stock register in the bond room of V.A. Manufactory relating to the period from 2018 to 31 October 2019 and the receipts in accordance with the stock verification register (D-33) the following differences were observed.

Year	Receipt of spirit as per stock register in the bond room	Receipts of spirits as per D-33	Difference
-----	-----	-----	-----
	Ab.liters	Ab.liters	Ab.liters
2018	413,807.02	431,123.3	17,316.28
As at 30 October 2019	367,331.25	445,932.8	78,601.55

Accordingly, the responsible officers attached there to had not paid attention in this regard.

3.3.8.5 The following differences were observed between the stock verification register (D-33) relating to issue of spirits to Vat maintained by the V.A. Manufactory and the bonded stock records. It was not observed that attention of the supervisory staff had been drawn in respect of the existence of material differences as per such records. Accordingly, it was problematic in audit whether revenue on Excise duties have been correctly collected.

Year	As per bonded stock records	As per D-33	Difference
-----	-----	-----	-----
	Ab.liters	Ab.liters	Ab.liters
2018	412,850.08	429,921.02	17,070.94
Up to 30 October 2019	341,838.25	433,991.95	92,153.7

3.3.9 Supervision and Raids

One main function under the functions of the Department of Excise is to control and supervise distilleries warehouses and liquor manufactories. Accordingly, manufactories are under the proper control of the authorized officers. The relevant manufactories are subject to full check, once in a quarter by the Assistant Commissioners of Excise and once in a month by the Superintendents of Excise. In addition, when spirits are brought to the manufactory and the production process is going on, relevant manufactories are subject to check at every possible occasion. Strict attention of them needs to be drawn to ensure whether all conditions stated in the notices had been complied with by officers in charge of manufactories. It was observed that at least the minimum number of inspection

turns to be carried out by the supervisory officers had not been carried out in respect of distilleries and manufactories subjected to audit examination. Places observed as supervised, instances such as mismatches in the books of accounts maintained by manufactories, excisions, changed the numbers by using tipex etc. were observed and as such it is questionable in audit whether proper supervision is carried out and income on Excise duties are correctly collected.

3.3.10 Reporting on illicit drugs (liquor)

Particulars of raids carried out by the Department of Excise and the Sri Lanka Police from 2016 to 2018 relating to the illicit drugs are as follows.

Entity	2016	2017	2018
-----	-----	-----	-----
Excise Department of Sri Lanka	32,782	40,942	36,859
Sri Lanka Police	120,105	120,198	129,813

Provision of Social Security through the prevention of illicit products of tobacco and alcohol is denoted as the mission of the Department of Excise but in considering the above raids, the achievement of such mission is in dispute. In considering the number of raids of illicit drugs conducted island wide by the Sri Lanka Police, an increase is seen from 2016 to 2018 and it is reported that the availability of illicit drugs island wide is increasing but it is a matter of contentious in audit whether the performance of the Department of Excise in this regard, which is the authorized entity, is effectively fulfilled the task.

3.4 Social and economic impact through the production

3.4.1 Health Problems

It was observed in the research conducted by the institutions and organizations viz; National Authority on Tobacco and Alcohol, World Health Organization (Sri Lanka Office) Sri Lanka Medical Association etc.in the year 2015 that the national and social direct cost incurred on tobacco and alcohol in the year 2015 amounted to Rs.119.66

billion and an indirect cost of Rs.90.03 billion needs to be incurred for the treatment of rebounds caused by using alcohol and tobacco. In the computation of this cost, it did not include law enforcement cost, insurance cost, supervision cost and administrative cost of the Ministry of Health.

In the consideration of every type of diseased condition it is seen that the total expenditure to be incurred to the economy from casualties and disorders caused by using alcohol is Rs.33,922.3 million and it severely affects the health security and the economic system of the country. The above research revealed that a combined cost of Rs.209.03 billion or 1.95 per cent of the GDP in the year 2015 had to be incurred by the economy on tobacco and alcohol.

3.4.2 Problems in family lives

According to the above research, it was stated that the attention needs to be drawn for domestic violence and child abuse, identified as adverse outturns of alcohol.

A huge cost needs to be incurred by the government as well as the non-governmental parties, therefore, which include, insurance coverage, law enforcement cost, suppressive cost, administrative cost of the Ministry of Health and the rehabilitation cost etc. The research conducted in the year 2015 in respect of national and social cost incurs on tobacco and alcohol in Sri Lanka by the National Authority on Tobacco and Alcohol, World Health Organization (Sri Lanka Office) Sri Lanka Medical Association disclosed that due to the use of alcohol the performance of jobs is at a very minimum level.

3.4.3 Effect on the Government Revenue

It was not observed that in the computation of taxes by the government, the additional (indirect) cost to be incurred due to uncomely outturns caused by the use of alcohol (eg.Psychosocial costs, impoverishment, diseases and premature motality cost) had been considered. Therefore, the importance of paying attention on the cost to be incurred thereon in the formulation of Health, Social and fiscal policies is observed in audit.

3.4.4 Illegal Environment

Sufficient and proper security needs to be provided to community and regional religious leaders those who provide community leadership for the elimination of illicit liquor production and sales by continuous implementation of laws strictly and the community intervention without any political influence or any other considerations. Similarly, more attention needs to be paid in respect of the prevention of availability of illicit drugs and usage instead of the number of cases filed, for the measurement of the effectiveness of activities being implemented for the elimination of illicit drugs.

3.4.5 Environmental Effect

According to the information made available to audit by 6 distilleries and manufactories subjected to audit out of 23 Licensed manufactories of the Department, the number of bottles purchased by those manufactories for the years 2018 and 2019 totaled 46,254,703 out of which 90 per cent of them had been directly disposed to the environment without being re-used by facing a severe environmental problems.

It would like to pay special attention to make required legal provisions or to formulate an appropriate methodology. Particulars appear below.

Manufactory	Year	Number of Bottles
-----	-----	-----
Rockland	2018	5,959,260
Royal Castle	2019	2,791,379
Randenigala	2019	656,986
Akmi	2018	25,251,530
	2019	
Clasik	2018	923,468
	2019	
Hingurana	2018	10,672,080
	2019	

4. Recommendations

Attention is drawn to implement the following recommendations in respect of the above observations.

- (i) In terms of Excise Order No.4/2019 published by gazette No.2128/30 dated 20 June 2019 of the Democratic Socialist Republic of Sri Lanka, stickers and sticker management system need to be operated. Since the implementation period of this sticker management system had been extended by 3 Excise Notices, it should not be further extended.
- (ii) Take action to implement a computer data system being linked with the Department of Excise, Department of Customs and Department of Inland Revenue each other.
- (iii) Action needs to be taken to establish offices of the Department of Excise in the Port and the Airport and deploy required officers in order to regularize the observation process, since the evidence to ensure whether attention of the Excise Officers is drawn in respect of the import of spirits in excess of the prescribed quantity, was not made available.
- (iv) Information on the receipts of spirits from the transport permit upto put into ledger issues for production and liquor manufacturing process should be operated through a computer system and be subjected to a complete supervision.
- (v) Excise revenue of 70 per cent and 10 per cent had been generated from 2 manufactories in which the system of internal control existed at a higher level and the weak system of internal control had caused to get a lesser contribution as low as 3.54 per cent to 0.36 per cent in the other 4 entities subjected to audit. As such take action to introduce a sound system of internal control for the other manufactories as well.
- (vi) Number of inspections needs to be conducted by the Superintendent of Excise and the Assistance Commissioner of Excise. Conduct sudden raids and paying attention on the books of accounts.

- (vii) Pay attention on the use of spirits for the manufacture of liquor.
- (viii) Obtain monthly statements by the Head Office on the stock of spirits purchased and used by each manufactory, use of spirits for the production, liquor production and the balance stock and take steps to refer the quarterly reports to the Director General of Treasury having being analyzed such data.
- (ix) By drawing attention on the number of standard coconut trees to be available according to the extent of coconut lands in supplying toddy for the manufacture of spirits and the number of coconut trees being tapped, action needs to be taken to issue toddy transport permits and taking action to control the supply of artificial toddy therefrom.
- (x) Obtain analysis report within the due time without delay.
- (xi) In issuing liquor licenses for the sale of all varieties of liquor, a new methodology needs to be formulated with transparently based on such factors as Health and protection of the people and public opinion.
- (xii) Giving instructions to act in accordance with Department orders and recover composition fees when such orders are violated.
- (xiii) Pay attention for giving crime targets.
- (xiv) Pay attention on the use of labels, lids and bottles and analysis of the correlation between the production and the use of labels, lids and bottles.
- (xv) Having being set up a laboratory within the Department and obtain analysis report through it and getting other activities done.

- (xvi) Make arrangement to maintain a file containing Excise Orders, Laws Circulars and Technical orders of the Department in all Excise Offices established in every manufactory/ distillery and make aware of relevant officers in respect of such laws, rules and regulations.
- (xvii) Formulation of a national policy on alcohol.
- (xviii) Consider the direct and indirect cost to be incurred due to unpleasant outturns caused by using alcohol, when making policy decision on revenue from excise duties.
- (xix) Protection of government revenue under the existing laws and rules.

It is obvious in certain observations made in this report that the officers of the Department of Excise and the staff of the Department of Excise and the staff of the relevant entities had disregarded the internal control systems introduced by the existing laws for the minimization of problems arise by alcohol and to secure the government revenue. In addition, it is not observed that the attention of the parties responsible on internal control systems to be introduced in order to formulize such functions better had been drawn. Despite having all, special attention needs to be drawn the unusual desire to serve in these selected institutions by officers and expedition steps needs to be taken therefore.

Sgd./W.P.C. Wickramaratne
Auditor General

W.P.C. Wickramaratne
Auditor General

21 Januray 2021

Determination of Charges by the Department

Nature of Permit	As per Excise Notice No.902 of 2008		As per Excise Notice No.983 of 2015		As per Excise Notice No.1004 of 2017	
	Annual License Fee	Security	Annual License Fee	Security	Annual License Fee	Security
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale and distribution of arrack, grain, liquor and stock of foreign liquor.	75,000	50,000	1,000,000	50,000	1,000,000	50,000
Liquor License for wholesale	375,000	50,000	1,000,000	50,000	1,000,000	50,000
Liquor License for retail trading						
Municipality area	225,000	25,000	600,000	25,000	600,000	25,000
Urban Council area	150,000	25,000	400,000	25,000	400,000	25,000
Other areas	125,000	25,000	300,000	25,000	300,000	25,000
If the turnover of the company exceed 72 million	300,000	25,000	1,000,000	25,000	1,000,000	25,000

Hotel Licenses

200 rooms or more	300,000	5,000	1,000,000	25,000	500,000	25,000
20-199 rooms	-	-	500,000	25,000	250,000	25,000
Less than 20 rooms	100,000	5,000	300,000	25,000	100,000	25,000

Restaurant license with Tourist Board approval

A grade	200,000	5,000	600,000	25,000	250,000	25,000
B grade	150,000	5,000	600,000	25,000	250,000	25,000
C grade	100,000	5,000	600,000	25,000	250,000	25,000
Without Tourist Board approval	100,000	25,000	600,000	25,000	250,000	25,000
Owners clubs	300,000	25,000	800,000	25,000	500,000	25,000

Clubs for members only

Municipality area	75,000	25,000	600,000	25,000	250,000	25,000
Urban Council area	50,000	25,000	600,000	25,000	250,000	25,000
Other areas	25,000	25,000	600,000	25,000	250,000	25,000
Entertainment	75,000	25,000	300,000	25,000	50,000	25,000
Pedic License for cinema						
Estate canteen	10,000	10,000	100,000	25,000	25,000	25,000
Toddy						
Arrack and Toddy	20,000	10,000	100,000	25,000	25,000	25,000
Railway	25,000	25,000	50,000	25,000	25,000	25,000
restaurants						
Instance License	5,000	-	50,000	-	25,000	-

Contribution to the revenue from liquor manufacturing Companies

Manufactory	Year 2018		Percentage from total revenue
	Production	Revenue	
	Proof liters	Rs.million	
DCSL	29,617,060.92	55,737	66.97
Higurana	948,851.17	1,785	2.15
IDL	4,330,790.23	8,150	9.79
Rocland Distilleries	3,103,825.76	5,841	7.02
Nippon Expo	226,159.65	425	0.51
Periceyl Co.	1,700,745.42	3,200	3.85
Acme (PVT) ltd.	1,564,739.37	2,944	3.54
W.M. Mendis	995,905.99	1,874	2.25
V.A. Distilleries	722,488.30	1,359	1.63
Scotland	239,379.71	450	0.54
Uva Glen	221,461.76	416	0.50
Randenigula	123,781.32	232	0.28
Royal Cask	161,079.02	303	0.36
Thikkam	13,686.37	25	0.03
Valikamam	43,973.69	82	0.10
Warani	14,588.03	27	0.03
Manori Lanka	56,418.80	106	0.13
Classic	58,059.25	109	0.13

Samples obtained, referred to the Government Analyst with delay

Distillery/ Manufactory	Date of Samples obtained	Date referred to the Analyst
Rockland manufactory	07 March 2018 to 19 April	2018.04.24
Thiththapaththara	27 June 2019	2018.07.10
	03 July 2019	2019.07.23
	05 July 2019 to 11 August 2019	2019.07.23
		2019.09.06
Akmi Distillery	ML/1694/19	2019.09.17
Dummalasooriya	2019/07/19	
	2019/07/18) 11/2019,	2019.09.17
	12/2019, 13/2019(
	DD/S/27/2019) 2019/05/10(2019.06.07
	2019/05/17 Six samples	2019.06.07
	obtained	
	23 samples obtained, during the period 22.07.2019 to 03.10.2019 had not been sent to the Government Analyst even by 16.10.2019.	

Reporting differences of strengths stated in the label and the strengths stated in the Analyst reports

Distillery/ Manufactory	Sample No.	Vol. stated in the label	Vol. stated in the Analyst report
AkmiDistillery	ML/719/18	74	73.7
	DD/S/03/2018	74	73.7
	DD/S/02/2018	74	73.7
	DD/S/27/2019	74	73.7
	Supplier's License No.	As per daily receipts register	
	24/19	7	7.1
	25/19, 26/19	7	7.3
	01/19	7.2	7.4
	29/19	7	7.3
	24/2019	7.1	6.8
	25/2019	7.1	7.3
	26/2019	7.1	6.8
	19/2018	7.1	6.8
RocklandManufactory	ML/1886/18	33.5	33.1
Thiththapaththara			
Rockland distillery – Marawila	Supplier's Name		
	G.S.W.K. Disanayaka	7.4	7.1
	W.N.J. Rodrigo	7.5	8.1
	K.P.A.A.Pranandu	7.5	8.4
	Wimalasena Marasinghe	7.5	8.3
	W.A.N.Pranandu	7.5	5.9

	W.N.J. Rodrigo	6.6	5.3
	Rockland Distillery Company	6.5	7
	Rockland Distillery Company	6.5	8.1
	W.A.N. Pranandu	7	6.6
Higurana Distillery	Special Arrack	33.5	33.8
Thiththapaththara	Special Arrack	30.5	30.8
	Red Arrack	27.5	27.8
Rockland Distillery Marawila	RD/T/01/2018	Contain 17% water.	
	RD/T/02/2018	Existence of acid exceeding approved limit	
	RD/T/30/2017	Existence of acid exceeding approved limit	
	RD/T/34/2017	Existence of acid exceeding approved limit	
I.D.L.	L/1083/2019	37.7	37.3
	L/1086/2019	40	39.4
	L/1088/2019	40	39.6
	L/1091/2019	40	39.4
	L/6706-6728/19	37.7	37.2
	L/6706-6728/19	37.7	36.9
	L/6516-6534/19	28	28.3
	L/6516-6534/19	37.7	37
	L/6516-6534/19	40	40.3
	L/6516-6534/19	40	39.5
	L/2960-2971/19	40	40.4
	L/2960-2971/19	33.5	33.8
	L/4508-4516/19	40 40.3	
	L/1304/19	37.7	38.1
	L/1306/2019	30	29.7
	L/2321-2341/20	40	40.5

	L/2321-2341/20	40	40.6
	L/2321-2341/20	40	40.4
Royal Kask Distilleries			
	ML 538	12.5	11.4
	ML 537	12.5	11.4
	ML 89	27.5	27.8
	ML/2008	12.5	11.2
	ML 1789	30.5	29.9
	ML 1790	30.5	29.9
	ML 1791	30.5	29.7
	ML 1792	30.5	29.7
	ML 1793	33.5	32.7
	ML /890	12.5	11.3
	ML 887	30.5	30.0
	ML 889	30.5	29.9
	ML 209/19	30.5	30.1
	ML 210/19	30.5	30.1
	ML 2744/18	30.5	30.1
D.C.S.L. new ware house	429	33.5	33.8
	430	33.5	33.8
	431	33.5	33.8
	432	33.5	33.9
	433	33.5	33.9
	1776	33.5	33.8
	1546/18	27.5	28.2
	1548/18	33.5	33.8
	1549/18	33.5	33.8

		1550/18	33.5	33.9
		1551/18	27.5	28.0
		1552/18	33.5	33.8
		1553/18	33.5	33.9
		1554/18	33.5	33.8
		1555/18	33.5	33.8
Royal Distilleries	Kask	ML435	96.1	96.3
		ML436	.962	.948

Incompatibles between the transport license and D-33 register

Transport License No. -----	Information as permit -----			As per D-33 register -----		
	Bulk Liters	Vol.	Absolute alcohol Liters	Bulk Liters	Vol.	Absolute alcohol Liters
D273026 2/25	5000	96.1	4805.0	2502.8	96.2	2407.7
D273026 2/26	5000	96.1	4805.0	2000.0	96.2	1924.0
D273029 2/28	5000	96.1	4805.0	10000.0	96.1	9610.0
D273031 3/05	5000	96.1	4805.0	2498.6	96.1	2401.2
D273042 4/05	3750	96.2	3607.5	4998.0	96.1	4803.1
D273056 5/22	10000	96.1	9610.0	1502.8	96.1	1444.2
D273070 7/31	10000	96.1	9610.0	4999.0	96.1	4804.0
D273071 8/09	10000	96.1	9610.0	3750.4	96.1	3604.1
D273072 8/13	10000	96.1	9610.0	4250.4	96.1	4084.6
D273082 8/18	10000	96.2	9620.0	999.0	96.2	961.0
D273083 9/19	8750	96.2	8417.5	3999.0	96.2	3847.0
D273089 10/04	10000	96.2	9620.0	3996.8	96.2	3844.9
D273090 10/09	10000	96.2	9620.0	2502.9	96.2	2407.8
D273097 10/30	10000	96.2	9620.0	2498.0	96.2	2403.1

Mismatches the closing balance of any month with the opening balance of the next month

Manufactory/ Distillery	Year and Month		Correct opening balance	Balance Noted	Difference
-----	-----	-----	Bulk Liters	Bulk Liters	Stock Liters
Akmi Distillery	2019	May	64,225.7	67,227.7	3002.0
		June	64,365.5	61,365.5	3000.0
Rockland Distilleries Marawila	2018	April	144,801.6	139,763.8	5037.8
		May	164,522.8	130,472.3	34050.5
		June	143,184.0	144,125.0	541.0
		July	146,025.8	130,344.2	15676.0
		August	122,746.4	123,685.8	939.4
Hingurana Distillery.	2018		Ab.liters 268,872.7	Ab.liters 250,538.1	Ab.liters 18334.6
	2019		285,645.2	283,200.3	2444.9
	2019	September	370,764.8	317,127.1	53637.79
V.A. Distillery pvt Ltd.	2017	May	71,069.1	69,286.8	1782.3
	2019	February	132,343.10	129,429.4	2913.7
Royal Kask Distillery	2017	December	2158.4	1197.4	961.0
	2018	January	1850.2	1480.4	369.8
	2018	September	7815.6	7509.0	306.6
	2019	November	19907.9	7555.6	12,352.3

Indifferences in transferring Spirit between lagers

Manufactory	Year and month	Spirits issued for transferring	Quantity of spirit received	Difference
-----	-----	-----	-----	-----
		Ab.liters	Ab.liters	Ab.liters
Akmi	January 2018	122,791.9	102,254.7	20537.2
Manufactory	February	94,323.9	99,327.1	5003.2
	March	133,389.3	127,761.1	5628.2
	April	136,096.2	155,111.6	19015.4
	January 2019	119,111.3	126,955.6	7844.3
	April	121,683.6	140,923.6	19240.0
	August	90,037.6	109,355.3	19317.7
Hingurana	March 2017	55,457.6	59,864.3	4406.7
Manufactory	April	46,613.3	46,655.3	42.0
	November	28,366.9	30,580.1	2213.2
	April 2018	14,412.4	13,992.3	420.1
	June	13,835.6	12,740.6	1095.0
V.A.	January 2019	79,204.4	93,418.2	14213.8
Distillerypvt.	February	26,671.5	25,232.10	1439.4
Company	March	33,291.8	30,080.10	3211.7
	May	29,360.6	27,659.90	1700.7
	June	51,749.10	51,636.20	112.9
	July	42,550.10	39,983.80	2566.3
Royal Kask	January 2018	480.5	580.3	99.8
Distillery	April	12,124.9	21,554.8	9,429.9
	July	12,230.6	11,510.4	720.2
	August	14,883.1	15,189.7	306.6
	November	16,113.6	14,062.3	2,050.7
	December	8,763.9	13,806.2	5,042.3
	July 2019	7,890.3	19,738.9	11,848.6

Indifferences of spirits received to Manufactories and issue of spirits for production between D-8 register and D-9 register

Manufactory	Year and Month		As per D-8 register	As per D-9 register	Difference
-----	-----	-----	-----	-----	-----
			Ab.liters	Ab.liters	Ab.liters
HinguranaManufactory	2018	June	25,400.0	26,495.3	2018
		August	74,741.0	79,551.0	
		September	42,831.5	42,731.5	
	2019	January	38,597.4	35,528.0	2019
	Issues				
	2018	January	42,927.3	817.2	
		April	50,048.3	418.4	
		August	47,095.5	47,895.5	800.0
		September	45,123.4	45,118.3	5.1
		December	49,123.4	48,101.0	1758.4
	2019	January	49,859.4	45,911.5	3069.4
			Proof liters	Proof liters	Proof liters
Akmi Distillery	2019	February	14,051.11	13,051.1	1000.01
V.A. Distillery pvt. Company			Ab.liters	Ab.liters	Ab.liters
	2018	January	56,950.9	57,050.7	99.8
		April	111,354.8	112,303.1	948.3

	2019	January	75,916.4	76,809.6	893.2
		February	131,331.4	129,437.4	1,902.0
		March	142,424.7	136,437.6	5,987.1
		April	120,913.4	116,352.2	4,561.2
		May	110,587.7	111,338.1	750.4
		June	163,355.5	164,147.5	792.0
		August	103,809.2	104,599.3	790.1
		September	103,017.9	103,776.3	758.4
Royal Kask Distillery	2019	July	20,718	37,566	
		December	19,036.3	10,570.9	
I.D.L.	Receipt of Spirit 2019	January	-	193,076.0	193,076.0
		February	-	24,140.0	24,140.0
		March	130,703.6	214,338.7	83,635.1
		April	302,430.3	326,471.3	24,041.0
	Issue of spirit 2019	January	196,340.5	209,000.7	12,660.2
		March	276,090.1	288,476.1	12,386.0
		April	179,514.5	202,290.7	22,776.2
D.C.S.L Old warehouse	Issues 2020	January	227,626.8	271,322.4	43,695.6
		February	217,533.0	260,358.0	42,825.0
		March	107,885.2	116,671.6	8,792.4
		May	155,962.0	164,033.4	8,071.4

Mismatches in spirit receipts according to D-22 and D-9 registers

Manufactory	Year and month		According to D-33	According to D-9	Difference
-----	-----		-----	-----	-----
			Ab.liters	Ab.liters	Ab.liters
Hingurana	2018	January	30,882.2	32,479.5	1599.3
Manufactory		February	41,516.0	43,246.0	1730.0
		April	90,635.50	94,264.5	3629.0
		May	22,828.70	28,588.7	5760.0
		June	25,400.9	26,495.3	1094.4
		August	78,441.0	79,551.0	1110.0
	2017	March	50,579.6	46,128.0	4451.6
		October	42,646.9	44,811.6	2164.7
V.A. Distillery pvt Company	2019	January	92,282.95	78,072.8	14,210.15
		February	34,359.35	34,123.3	236.05
		March	21,612.1	24,834.6	13,222.5
		May	92,300.8	94,016.4	1,715.6
		August	37,222.8	40,842.8	3,620.0
I.D.L	2019	March	214,388.3	214,338.3	50
		June	59935.7	59,952.7	17
		September	118,143.7	118,288.6	1449
		October	297,448.1	298,456.2	1008.1
		December	233,905.6	233,870.6	35

