

Intimation Letter 'B' when audit includes scrutiny of the records of the assessee

Office of the Director General / Principal Director of Audit (Central)

(Complete Address of the Audit Office)

To

Commissioner/Asst. Commissioner/Superintendent

(Office Name)

(Complete Address)

Sub: Audit of Central Excise and Service tax records/accounts by CERA Team

Sir / Madam,

1. In accordance with our Annual Audit Plan 20xx-20xx, as part of audit of O/o _____ (*please mention the name of audited entity i.e. CDR), the records and transactions of _____ (*please mention the details viz. name, address, registration number etc. of the assessee), a registered assessee under the (Name of the Commissionerate) Commissionerate will be taken up by the Audit Team of this office from _____ to _____.

As per section 16 of Comptroller and Auditor-General (C&AG)'s (DPC) Act, 1971 it shall be the duty of the C&AG to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon. As per section 18 of the Act, the C&AG shall in connection with the performance of his duties under this Act, have authority to require that any accounts, books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection. Your attention is also invited to Rule 22(3) of Central Excise Rules, 2002 and Rule 5A (2) of Service tax Rules, 1994. According to these rules, every assessee shall furnish all the records maintained by the assessee stipulated under the Act/Rules for accounting transactions including cost audit reports, financial

records/statements and the income-tax audit reports for the scrutiny by audit party deputed by CAG. You are requested to facilitate production of records/documents/information of the assessee relating to the period from _____ to _____. *A list of important documents/records/information to be kept ready for scrutiny is enclosed as Annexure A.* You are requested to ensure smooth and timely flow of information/records maintained by the assessee to the CERA party as this is a time bound program.

Note: The assessee can produce their records to audit at their own premises or in your office premises as per their convenience under advance intimation to your department and this office. Such intimation letter must be sent within a week of receipt of this letter. *If no option is communicated within a week of receipt of this letter, it will be presumed that the record will be produced at the assessee's own premises.*

2. Broad objectives of audit are as under:

- (i) To ensure that the rules and procedures for Govt. Receipts are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed.
- (ii) To examine the adequacy and efficacy of System of internal control/ internal audit of the department in relation to levy, assessment, collection and accounting of receipts.

3. The period covered under the audit shall be _____ which may also include examination of documents/transactions of the previous years, considered relevant by the audit team.

4. Consistent with contemporary professional practice and provisions in CAG's Regulations on Audit and Accounts 2007 (Regulation 183) our audit team may seek an entry conference with appropriate top/senior management of the Commissionerate / Division / Range / Group (strike off whichever is not applicable), having control and authority over the subjects under the present audit. The entry conference will be an opportunity for the audit team to explain the audit objective, criteria and examination of the internal control systems. On the conclusion of the audit, the audit team may request you for an exit conference (Regulation 191) in which audit findings communicated to the auditee will be discussed.

5. We suggest that you may nominate a liaison officer of sufficiently senior level for day to day coordination in the audit functions.

6. We request you to ensure provision of appropriate and reasonable office accommodation and other amenities, required to carry out the audit, to the audit team and

also to enable those assesseees opting to bring records to your office, to produce records to the audit team in your office.

7. Attention is drawn to regulation 169 under CAG's Regulations on Audit and Accounts, which provides that the Audit Officer would determine the form, type and extent of data, information and documents including information/records to be obtained by the auditee from third party for audit test.

8. While compilation of information from various sources, requested for by audit, may require sometime, furnishing documents/records maintained by the auditee organization should be furnished within the same day since these are readily available.

9. It is requested to provide all requisite records to audit party without delay, so that sufficient time is available to the audit party to scrutinize the records within the stipulated time. In the event of unreasonable delay in supply of information and documents leading to partial, selective or complete withholding of data/information leading to material scope limitation, the audit team may be compelled to suspend the audit after bringing it to the notice of the head of the office in writing. Higher management would be informed accordingly.

10. It may be mentioned here that failure to produce/ arrange for production by assessee the necessary records/documents or to respond to the clarifications sought by the audit team would tantamount to preventing a Government officer from performing his/her statutory duties.

11. Our audit teams have been directed to return the documents as soon as their examination is over. However, copies of the documents if requisitioned by the audit party upon examination of the records may be provided.

12. Request for rescheduling of audit will not be entertained as the schedule is fixed well in advance. However, depending upon the volume of work, supply of information/documents and other circumstances, the period of audit may be extended/rescheduled with due intimation.

13. We expect to issue an inspection report containing the results of audit within 30 days of conclusion of audit for the response of the department.

14. The present audit is being conducted as part of Performance Audit /Compliance Audit (strike out whichever is not applicable). The same unit may again be selected for audit during the year for Compliance /Performance audit.

15. We bring to your kind notice that our team would expect only working environment assistance in their day to day working, documents and information. Should you feel it necessary to contact senior officers in this regard, you are most welcome to contact the Director (or Deputy Director) of Audit at telephone number xxxxxxxx,....., if necessary, even the Director General /Principal Director of Audit (Central), can be contacted at telephone number xxxxx,.....and on e-mail.....XXXXX.....

16. Details of Audit Team are enclosed as Annexure-B. **(To be provided by Audit Office. Please indicate name, designation, employee ID. Please ensure details are sent before actual commencement of audit).**

17. In case you have any doubt in regard to the genuineness of the audit team reporting for audit in your office, please feel free to request them to confirm their identity with reference to valid ID cards issued by this office to its audit inspection staff.

We look forward to a constructive audit engagement.

Kindly acknowledge receipt of this communication.

Yours faithfully,

(SAO/AO)

Copy to: The assessee (M/s _____ with details of the assessee) selected for scrutiny of records with request to keep the requisite records ready at designated departmental office or at its own premises as per the option intimated to designated departmental office and this office within a week of receipt of this letter. **If no option is communicated within a week of receipt of this letter, it will be presumed that the record will be produced in the assessee's own premises.**

I. List of records required to be produced by the Assessee:

1. Annual Financial Statement viz. Profit and Loss Account, Balance Sheet, Trial Balance etc.
2. Tax Audit Reports, Cost Audit Report.
3. Cenvat register containing details of cenvat credit availed and utilized
4. List of MOUs, contracts/agreements signed with other companies to whom services have been provided / received from, which is having its office outside India.
5. Copies of ST/Excise/IT returns and Service Tax/Central Excise duty/IT payment challans during the period covered by Audit.
6. * List of running projects / lease agreements.
7. List of Purchase orders/contracts.
8. Bank statement of all bank accounts.
9. Internal Audit Report, SCN and any other Communication from the department.
10. All ledger accounts in respect of related party transactions.
11. Debit/Credit notes.
12. List of fire cases/theft cases/destroyed goods/records seized by the department along with related correspondences with the department and insurance companies.
13. Job-work register.
14. Cost sheet for goods captively consumed.
15. List of exempted goods/services Option exercised. Value and notification under which exemption claimed (Rule 6 of Cenvat Credit Rules, 2004).

II. Based on the scrutiny of the financial records, following records may also be called for by Audit:

1. Input / Input service invoices on which CENVAT credit has been availed.
2. Ledger account of various items depicted in Annual Financial Statement.
3. Details of transaction recorded in Bank Statement / Annual Financial Statement.
4. Invoices for the selected month/transaction.
5. Goods receipt register, Production register and Stock register, Sales return register, Purchase orders/contracts as per selection.
6. Any other record as mandated by Rule 22 of Central Excise Rules, 2002 and Rule 5A (2) of Service Tax Rules, 1994.

Note:

1. The records including computerized data as maintained by an assessee in accordance with the various laws in force from time to time shall be acceptable.
2. Copies of the documents as required by the Audit Team may please be provided.