

AUDIT: FREQUENTLY ASKED QUESTIONS

[For general information – not statutory provisions]

Question 1: What is Central Excise/Service Tax Audit?

Ans: Audit is a verification of financial accounts and other records particularly records relating to production, clearance of goods or provision of service by the assesseees to ascertain that duties of Central Excise / Service Tax are correctly paid.

Question 2: Who Conducts the Audit?

Ans: The Central Excise officers posted in Commissionerate of Audit conducts Audit which include Assistant / Deputy Commissioner, Joint / Additional Commissioner or Joint Director (Cost).

Question 3: When I file returns periodically to the department, what is the need of conducting audit?

Ans: The returns filed with the department are based on self assessment. The correctness of the payment and application of statute are verified during the periodical Audits conducted by the department.

Question 4: What is the selection criteria?

Ans: In terms of revised selection methodology prescribed vide Circular No. 995/2/2015-CX dated 27th Feb, 2015, which has come into effect from 01st July, 2015, an annual schedule for audit would be drawn based on the risk evaluation method prescribed by the Directorate General of Audit. The risk assessment function will be jointly handled by National Risk Managers (NRM) situated in the Directorate of Audit and Local Risk Managers (LRM) heading the Risk Management Section of Audit Commissionerates. The Audit Commissionerates could also select few units at random or based on risk perception in each category of large, medium and small tax payers.

Note: Annual Schedule of Hyderabad Audit Commissionerate is placed on website.

Question 5: What is the duration of the Audit?

Ans: It depends upon the quantum of the record to be scrutinized and period covered for audit. In any case it may spread from two days to ten days.

Question 6: Will it be a surprise audit?

Ans: No. A minimum of 15 days prior notice is served on the assesseees regarding proposed audit.

Question 7: If I am registered for both Central Excise and Service Tax, whether two separate audits are conducted?

Ans: Simultaneous Audit for Central Excise, Service Tax and OSPCA would be conducted.

Question 8: If factory is registered in one Commissionerate, Service Tax registration is in another Commissionerate, where registered office is located, what is the criterion for selection of audit?

Ans: If both the registrations i.e., Central Excise and Service Tax are in Hyderabad zone, simultaneous audit would be conducted by Audit Commissionerate.

Question 9: If an assessee is having multi location manufacturing units, who conducts audit?

Ans: Normally audit for Hyderabad Zone registered units is conducted by Hyderabad Audit Commissionerate. Multi locational units' audit in a few cases would be taken up under the Co-ordination of Audit Directorate.

Question 10: Under what authority department conducts audit?

Ans: The statutory provisions relevant for audit is clause (x) of Section 37(2) and Rule 22 of the Central Excise Rules, 2002 for conducting Central Excise Audit and Rule rule 5A (2) of the Service Tax Rules, 1994 for Service Tax audit.

Question 11: Do I need to produce all my business records/documents?

Ans: Since there are no prescribed Central Excise records, records maintained by the assessee are requested for scrutiny. These may include, financial statements, invoices, ledgers, bank statements, cenvat credit documents, accounting policies etc., apart from statutory returns.

Question 12: How much time is given for production of records?

Ans: As an intimation of 15 days is given in advance, all records should be furnished to the audit team on or before their visit to the unit for audit.

Question 13: If records/accounts are maintained on a system using accounting packages like SAP/Tally/Focus etc., what is the procedure for conducting audit?

Ans: In such cases, normally Computer Aided Audit Programme is conducted. You are requested to produce the soft copy of the records and also the records maintained in physical form.

Question 14: Can I ask for postponement of audit due to prior business engagements?

Ans: Yes. In genuine cases on production of proper evidence, the competent authority may consider the request for postponement. Since the audit programme is drafted months in advance, postponements are not encouraged.

Question 15: Will I get to know the objections raised during audit?

Ans: Yes. The auditors discuss each and every objection they are going to raise and issue a spot memo. If assessees voluntarily rectify the error and corrects the same by payment of duty, interest and penalty etc., the para would be settled in MMCM.

Question 16: Can I get a copy of Final audit report?

Ans: Yes.

Question 17: How long does it take to receive Final Audit Report?

Ans: Normally within 15 days from the date of approval of audit report in Monthly Monitoring Committee meeting.

Question 18: Do I have opportunity to contest of the audit objection after receipt of Final Audit Report?

Ans: Yes, you may like to send your detailed reply to the concerned ADC/JC of the circle.

Question 19: What is the next course of action if the Department do not agree with my reply?

Ans: A Show Cause notice is issued by the Audit Commissionerate answerable to respective competent authority in executive Commissionerate. The assessees written reply and submissions made in personal hearing will be considered and the case will be adjudicated.

Question 20: In case of grievance regarding the method of audit or behaviour of auditors, whom should I contact?

Ans: You may contact the concerned circle Additional Commissioner. The assesseees are also provided along with final audit report, a feed-back form regarding quality of audit and suggestions for improvement of audit.

Question 21: Can I get guidance from the auditors regarding record keeping and application of law?

Ans: Yes. The auditors are professionally trained to guide, educate and encourage tax compliance.