

Excise Audit

Question 1

Write short note on Desk review under Excise Audit, 2000.

Answer

Desk Review is the first step in Excise Audit, 2000. Upon assignment of an audit, the auditor is required to be sufficiently prepared before the visit to the unit. For this purpose, the auditor reviews all the information available about the unit, its operations, and reasons for selection for audit and possible issues that can be identified at desk review stage. Perusal of assessee's profile, annual report, trial balance, cost audit report and income-tax audit report is involved in desk review.

Department has also decided to take help of **practicing chartered/cost accountants in desk review** of Excise Audit 2000

Question 2

Under Excise Audit, 2000, the selection of unit for audit is based on 'risk factors'. Explain in brief the term 'risk factors' giving any two examples.

Answer

Risk factors under Excise Audit, 2000 means that the assessees who have a **bad track record** are taken up for audit on priority as opposed to those who enjoy a clean track record.

For example:

- (i) assessee having past duty evasion cases
- (ii) late payment of duty/late filing returns
- (iii) major audit objections against them
- (iv) no cash payment of duty (all CENVAT adjustment)
- (v) past duty dues, etc

Note : Any two examples may be given.

Question 3

What is the frequency for conducting audit as per Excise Audit 2000 ?

Answer

The frequency for conducting audit as per Excise Audit 2000 is given in the following succinct table:

17.2 Indirect Tax Laws

Amount of annual duty [in cash + CENVAT] paid by assessee	Frequency of Audit
Above ₹ 1 crore	Once in every year
Between ₹ 10 lakh and ₹ 1 crore	Once in every two years
Less than ₹ 10 lakh	Once in five years

Question 4

Explain the validity of the following statement with reference to the Central Excise Laws, as amended:

Special audit under section 14A and 14AA can be done by a cost accountant only.

Answer

No, the statement is not valid. As per amendment made by the Finance (No.2) Act, 2009, **Chartered Accountants, in addition to** cost accountants, are also eligible for special audits under sections 14A and 14AA of the Central Excise Act, 1944.

Question 5

Explain briefly the provisions relating to Special Audit in certain cases under section 14A of the Central Excise Act, 1944.

Answer

Special Audit u/s 14A of CEA:-If at any stage of enquiry, investigation or any other proceedings before him, any Central Excise Officer not below the rank of an Assistant/Deputy Commissioner of Central Excise having regard to the nature and complexity of the case and the interest of revenue, is of the **opinion that the value has not been correctly declared or determined** by a manufacturer or any person, he may, with the previous approval of the Chief Commissioner of Central Excise, direct such manufacturer or such person to get the accounts of his factory, offices, depots, distributors or any other place, as may be specified by the said Central Excise officer, audited by a Cost/Chartered Accountant, nominated by the Chief Commissioner of Central Excise in this behalf.

The Cost/Chartered Accountant shall submit the audit report duly signed and certified to the said Central Excise Officer within the period specified by him or the period further extended on an application made to him. However, in any case the aggregate of the original and extended period cannot exceed 180 days. The expenses of audit and audit fees for special audit shall be paid by excise department.

The manufacturer shall be given **an opportunity of being heard** in respect of any material gathered on the basis of audit and proposed to be utilized in any proceedings under the Central Excise Act or Rules. This special audit can be conducted notwithstanding that the accounts of the manufacturer or the person have been audited under any other law for the time being in force or otherwise.

Selected Self-Examination Questions

Question 1

Briefly explain the procedure of conducting Excise Audit 2000 ?

Question 2

Discuss the provisions of section 14A in respect of valuation audit.

Question 3

Briefly explain the provisions of section 14AA in respect of CENVAT Credit audit.