

## **Foreword**

It gives me immense pleasure to present this new integrated Central Excise and Service Tax Audit Manual (CESTAM, 2015), which has been approved by Board.

2. As you are aware, the existing Central Excise Audit Manual and Service Tax Audit Manual were last updated in 2008 and 2011 respectively. Over the years the Central Excise and Service Tax statutes have undergone many changes and there have been regular feedback from field formation on the shortcomings in the existing audit manuals. Meanwhile, with the implementation of cadre-restructuring in October 2014, Audit Commissionerates have started functioning with powers to conduct integrated audits. Both Central Excise and Service Tax audit manuals are based on EA 2000 audit methodology. Overall principles in these manuals are exactly same, the distinction between the two being the verification steps for compliance verification of each statute.

3. After the Audit Commissionerates started functioning, this Directorate General undertook the task of bringing out a new integrated Audit Manual in order to meet the challenges of audit in the changed scenario. Feedback on the proposed manual was sought from the field formations. During discussions / interaction, a consensus emerged that, since the department was conducting integrated audits, two separate manuals will defeat the concept of such integrated audits. Therefore, it was decided that both the Central Excise and Service Tax Manuals should be merged together and for the purpose of separate statute-wise compliance verification, separate set of Annexures should be provided respectively for Central Excise and Service Tax.

4. Suggestions received from field formations and Zonal units were deliberated upon and have been considered and taken into account. Some of the highlights of CESTAM, 2015 are as under:-

- i. Formation of Audit Commissionerates and Cadre Restructuring has brought new designations and roles of officers. Hence necessary changes have been carried out with regard to the designations like Principal Chief Commissioner and Principal Commissioner. (Circular No. 985/09/2014-CX in F. No. 206/03/2014-CX.6 dated 22/09/2014) and the new roles and responsibilities of the officers of Executive Commissionerate and Audit Commissionerate. These have been suitably incorporated.
- ii. The norms for selection of units for conducting audit were revised (vide Circular No. 995/2/ 2015-CX dated 27/02/2015) effecting a paradigm shift in the existing criterion for selection of units based on amount of duty paid. The new norms include, selection of units based on risk parameters, days for audits and formation of audit parties. These have been incorporated in this manual.
- iii. The audit process beginning from the Assessee Master File, desk review, revenue risk analysis, trend analysis, gathering of information, evaluation of internal controls, scrutiny of annual financial statement, audit plan, audit verification, working papers, apprising the assessee about irregularities noticed and ending with suggestions for future compliance have been streamlined and brought under one chapter. The repetitions in the earlier manuals have been removed.
- iv. Separate Annexures have been prepared containing detailed verification checks for Central Excise and Service Tax. The annexures have been developed in consultation with field formations and also include capturing the results of Desk Review. The annexures containing lengthy information to be filled in by assessees have been discontinued.
- v. Reports/Registers required to be maintained by the Audit Commissionerates have been prescribed in Part - III.

5. As you are aware, the Department is at the threshold of implementing the most revolutionary reform in the history of taxation since independence i.e. GST. In the current regime of self-assessment of taxable value by the assesseees and increased reliance on the taxpayers, the importance of audit can hardly be over emphasized.

6. It is, therefore, all the more important and necessary that a robust audit mechanism is put in place by the Department and the officers deployed to conduct audit are well trained. The introduction of CESTAM, 2015 is, therefore, a tiny but significant steps in this direction.

7. Due care has been taken in drafting of CESTAM, 2015 and suggestions and feedbacks received from field formations, Zonal Units of this Directorate General and C & AG were extensively deliberated and suitably incorporated. However, the possibility of minor inaccuracies and errors creeping in the Manual cannot be ruled out, especially in view of the fact that a very small team of officers in the Headquarters and Hyderabad zonal unit of this Directorate General under the stewardship of Shri L. Satya Srinivas, then Additional Director General was entrusted with this humungous task. Your pro-active participation, valuable feedback and constructive criticism will, therefore, go a long way in enabling us to undertake improvements wherever required. I earnestly request you for the same as also your continued and whole-hearted support in our endeavour.

**(MAHENDER SINGH)**  
Director General

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