



GOVERNMENT OF INDIA
OFFICE OF THE COMMISSIONER OF CENTRAL EXCISE
COCHIN COMM'RTE
INTERNAL AUDIT, C.R.BLDG,
I.S. PRESS ROAD : COCHIN – 682 018
Phone- 2390404 - Ext 413, Fax : 0484 2398017

F. No. III/10/348/09-10

Cochin, the 23rd July, 2009.

To
M/s. _____

Gentlemen,

Subject : Central Excise: EA-2000: Computer Assisted Audit - reg

You are aware that the Central Excise Department conducts periodical audits of assessee's records in order to ensure proper tax compliance.

- In order to expedite the audit process, it is proposed to undertake such audits using **Computer Assisted Audit Techniques (CAAT)** in respect of records which are maintained in electronic environment / format.
- If you use a computer to record your business transactions and activities and maintain this data electronically, you are a candidate for the Computer Assisted Audit.
- Please find attached a brochure explaining our CAA program. As detailed therein, use of CAA techniques in an audit is expected to save time, both for the assessee and the Department and significantly reduce auditor's requests for paper records. We would be pleased to answer any further questions you might have.
- In order to facilitate the CAA and to reduce the time spent by the departmental auditors at your premises, we would like to obtain information about your accounting and computer systems as well as names of people we could contact to obtain additional information and assistance about your computer and accounting systems.
- Please find attached herewith a form pertaining to "[Information of Computer Installation and Accounting Systems used by the Assessee](#)". It is requested that this form may be duly filled up and submitted to this office by 31st August, 2009. The information requested in the above form is normally available with your computer systems department / accounts department.
- Should you have questions, please feel free to contact any of the officers mentioned below or the undersigned or over mail at caapkochi@gmail.com.

<u>Name of the officer</u>	<u>Designation</u>	<u>Contact No.</u>
Shri. P. Satheesan	Superintendent	9447745176
Shri. Revi. K. S	Superintendent	9895851531
Shri. Joffee Jose	Inspector	9446364541

Expecting your kind co-operation,

Sincerely yours,

JOINT COMMISSIONER
COCHIN CENTRAL EXCISE COMMISSIONERATE

CAAP - Computer Assisted Audit Program

(Auditing in an Electronic Environment)

What is a Computer Assisted Audit (CAA)?

Computer-assisted audits involve examination and analysis of business (private) records that are maintained electronically. Instead of the usual examination of paper records, the audit involves examination of electronic records. All or a part of an audit could be completed using electronic records.

Under the Computer Assisted Audit Program (CAAP), the Excise Department has **auditors specially trained in CAA**. They are experienced auditors who have received additional training in auditing of electronic records. They use commercial and custom software on secure departmental computers for this purpose.

In many circles, CAA is also referred to as CAAT or Computer Assisted Audit Techniques.

What are the benefits of CAA?

The most important benefit is that it saves time – both for the assessee and for the CAAP Auditor. Computer Assisted Audits may take much shorter time than manual audits. Both assessee's staff and CAAP Auditors spend less time in identifying, locating, retrieving, examining and putting back paper documents. Most of the records are made available to the auditor in an electronic format. The auditor examines them using a secure departmental computer. From start to finish, the audit takes less time.

- It saves paper,
- It is more efficient
- CAAP Auditors spend less time at assessee premises.

How does CAA Work?

Computer assisted audit works by analysing a **copy** of your electronically stored records that you provide to the CAAP Auditor on a disk or CD. Your original records are not "touched" or "altered" in any way. (In fact the commercial software used by the CAAP auditor is designed specifically to never alter any assessee records). The auditor will transfer these copied records from the disk or the CD to a secure departmental computer.

What happens during a CAA?

A CAA starts with a meeting between the CAAP Auditor and your accounting/systems staff. During the meeting, the CAAP Auditors would request some information to determine the feasibility of a CAA. The questions are part of a CAA feasibility survey and include information about:

- Hardware and Peripherals
- Operating System used by your computer system
- Accounting Software you use
- Accounting Information – like chart of accounts
- Details of information in your electronic records
- Backup and Data retention methods you use
- Data export options supported by your system
- Conversion of your data to a format readable by departmental computers

The CAAP Auditor would identify specific computer files and records he/she requires for the audit and ask you to provide a copy of those records on a disk or a CD. He might also have to ask you to convert the data to a format that is non-proprietary and readable by departmental computers. If you wish, you may make a second copy of the same records you provide to the CAAP Auditor, for your reference.

The auditor would next copy these records to a secure departmental computer and analyse/verify them using a combination of commercial and custom software. Your data is not altered during the examination. Rather, the auditor reviews these, validates that all of the records are included in the data, summarises them, and extracts a copies of selected records of interest to a number of reports.

Data Security

Your records are handled with extreme care and are accessible by only the authorized Excise officers. There are no risks to your computer or your electronic records. We just ask you to make a copy of your records.

What is the authority for CAAP?

Part III of Chapter VI of CBEC's Central Excise Manual of Supplementary Instructions 2001 provides, among others that:

- 1.7 *It shall be incumbent upon a person (who maintains electronic records, returns, documents etc.) to produce, on demand, the relevant records, returns or documents, in hard copy and/or in the form of tapes or floppies or cartridges or compact disk or any other media in an electronically readable format (duly authenticated by the assessee), documentation including policy and procedure manuals, instructions to record the flow and treatment of transactions through accounting system, from the stage of initiation to closure and storage to the Central Excise Officers, or the Audit parties deputed by the Commissioner or the Comptroller and Auditor General of India. Such records, returns, invoices or other documents will be produced pertaining to such period (subject to the period of preservation) as may be requested including the daily entries in electronic format relating to the current month for which the printouts are not taken out.*
- 1.8 *He shall also provide account of the audit trail and inter-linkages including the source document, whether paper or electronic, and the financial accounts record layout, data dictionary and explanation for codes used and total number of records in each field along with sample copies of documents. Whenever changes are made in the aforesaid systems adopted by the assessee, he shall inform the Central Excise Officers and submit the relevant document.*

Where could I get more information about CAAP?

Further information on Computer Assisted Audit Program is available from your local Excise Commissionerate or from the CBEC website.

[HOME](#)

[FORMAT](#)