

ANNEXURE – CE – VIII

WORKING PAPERS

Date of Preparation_____

W/P No._____

I. DETAILS OF AUDIT

1. Name of the Unit :
2. Address :
3. CE Registration No.
4. Period covered in Present Audit
5. DATE OF AUDIT :
6. DATE OF SUBMISSION OF AUDIT REPORT :
7. DRAFT AUDIT REPORT NO. :
8. DETAILS OF THE AUDIT GROUP :

S. No.	Name of the officer	Designation

9. Major audit objections in earlier IAD reports :
10. Major CERA Observations in the past :

II. NATURE OF BUSINESS OPERATION OF THE ASSESSEE

1. Brief description of the main products manufactured in the proforma given below:

Sl. No.	Description of goods manufactured	Tariff Sub-heading	Exemption Notification availed	Rate of duty

2. Details of principal inputs and capital goods used by the assessee.

Details of Principal Inputs/Capital Goods				
Sl. No.	Input Materials/ Capital Goods	Tariff Sub Heading	Exemption Notification	Rate of Duty

3. Brief details of the revenue for the last three financial years in the proforma given below:-

Year	Total CENVAT credit availed (in Rs.)			Total duty payment (in Rs.)	
	Inputs	Capital Goods	Inputs (services)	Cash	CENVAT credit

III. DESK REVIEW AND AUDIT PLAN:

Date of Preparation _____

1. Give reasons for selection of the unit for audit.

2. The auditor should check whether the Assessee Master File is available in MIS Section and whether the same is complete. If not the auditor should complete the same as far as possible from the information available in the office.

Go through the information available in Assessee Master File. Identify and mention (with justifications), the areas or issues which merit inclusion in the Audit Plan.

3. Obtain and study other documents mentioned in **Annexure-CE-III** and conduct examinations as illustrated therein. List out the documents studied.

Sl No.	Name of the document/report *	Period *		Remarks
		From	To	

4. RATIO ANALYSIS OF DATA BASE:

Work out some of the important financial ratios as mentioned in **Para 6.6.6** and **Annexure IV**. Mention the important indicators, which require to be included in the Audit Plan.

The results of Ratio analysis may be summarised in the following table.

	RATIO	2012-13	2013-14	2014-15
(a)	Input CENVAT credit : Total Duty payment			
(b)	Raw material cost : sales value as per P & L account			
(c)	CENVAT availed on capital goods purchased during the years : addition to plant & machinery			
(d)	Other income : sales as per P & L account			
(e)	Power consumption /fuel consumption (Qty) : production quantity as per P & L account			
(f)	Gross profit : Gross sales as per P & L account			
(g)	Production of Finished Goods : Scrap			
(h)	Input-output ratio as per ER-5			
(i)	Ratio of Cenvatable purchase to gross value of finished gross value of Finished Goods as per ER-4			
(j)	Trading sales vale to gross sales value of finished goods as per ER-4			
(k)	Sales Tax to Sales			
(l)	Cenvat Credit on inputs to Purchase of raw materials			
(m)	Quantity of Actual production to installed capacity			

IMPORTANT OBSERVATIONS OF THE AUDITOR (LEADING TO INCLUSION IN AUDIT PLAN)

S. No.	Analysis Description	Results of Analysis Performed	Auditor's Remarks

Mention changes in the law and rates of duty pertaining to the products manufactured and inputs since previous audit.

5. _____

6. Mention details of Anti-evasion cases booked in recent past or are in progress and past audit objections, which have not been settled so far, by way of assessee acceptance, adjudication, appeals etc.

7. Give details of important areas (pertaining to the goods manufactured, rate of duty, exemption notification and CENVAT credit availment on inputs/Capital Goods) to be included in the Audit Plan with reasons thereof.

8. REVENUE RISK ANALYSIS:

Date of Preparation _____

a. Perform the Revenue risk analysis, covering a period of at least one year or a minimum of one return, for Excise duties payable and paid. The excise duty payable may be derived from the Income Statement in the Profit and Loss Account by excluding non-manufacturing income and the income from exempted manufactured items and applying the excise duty rate. This may be compared with total excise duty paid as per monthly return. Mention results indicating possible problem areas and mention issues to be included in the Audit Plan.

b. Perform the revenue risk analysis, covering a period of atleast one year for CENVAT Credits utilization and availment and record your conclusions as to the potential revenue loss. Value of input purchased as per the expenditure statement in the Profit and Loss account may be used for working out CENVAT credit available and compare it with CENVAT credit availment given in the CENVAT return. Mention results indicating possible problem areas and mention issues to be included in the Audit Plan.

9. TREND ANALYSIS:

Undertake analysis of trends as illustrated in **Para 6.6.10** or other trends as deemed relevant. Mention issues to be included in the Audit Plan.

The results of Trend analysis may be summarised in the following table.

Year	2012-13	2013-14	2014-15
Cost of production of major finished Goods (as per cost record)	A B C ----	A B C ----	A B C ----
Quantity of inputs consumed in the production of Finished Goods			
Value of inputs consumed in the production of Finished Goods			

	Sale value of Finished Goods			
	Difference in Cenvat taken & Cenvat available on purchase of raw materials			
	Job work income as per P&L Account of Trial balance			
	Inter unit transfers/sales to related party as per Balance Sheet			
	Gross operating profit Vis-a-vis sales			
	Cenvat as a percentage of either cash or total duty paid			
	Production of finished goods			
	Production of scrap			
	Production of dutiable goods vis-a-vis exempted goods			
	Clearance of excisable goods for home consumption vs export goods			
	Value of sales to related person vis-a-vis total sales.			
	Movement of goods on job-work vis-a-vis total production			
	Input output ratio as reflected in ER-5 returns			

IMPORTANT OBSERVATIONS OF THE AUDITOR (LEADING TO INCLUSION IN AUDIT PLAN)

S. No.	Analysis Description	Results of Analysis Performed	Auditor's Remarks

10. FINANCIAL AND TAX ACCOUNTING INFORMATION:

Date of Preparation _____

- a. Obtain audited Balance sheet and Profit and Loss Account and trial balance. Review any notes in the Balance sheet / profit and loss account. If unit is a division of a company, check if internal financial statements are prepared for the unit before consolidation with other related units. Work out purchase of raw materials value to sales value of manufactured goods ratio and compare with CENVAT ratio. Obtain a copy of last two reports. Mention issues to be included in the Audit Plan.
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- b. Identify all business activities like sale of manufactured goods, sale of trading goods, non-manufacturing activity like repair, service activities and major source of 'Other Income'. Mention issues to be included in the Audit Plan.
- _____

- c. Compare total turnover as per profit and loss account with the corresponding figures submitted to the department in the returns for three years. Mention discrepancies to be included in the Audit Plan.
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IV. TOUR OF THE PLANT / PREMISES:

(to be completed during the preparatory visit, if any, made and also during the stage of audit verification at the unit)

Date of Preparation _____

Tour the plant, accompanied by the appropriate officer of the assessee. Include receipt, storage and other relevant areas of the unit in your tour. Observe operations to confirm information received to date and to note areas that may be vulnerable to non-compliance.

Ask about the number of workers in the plant and number of shift worked. Inquire how many electricity meters are used and obtain meter numbers? If electricity is partly or fully self-generated, full particulars including various uses and sale/diversion outside must be ascertained and examined. Ask if unit resells some of the inputs for which CENVAT is availed. Ask about emergence of any intermediate goods/bye-products and storage and disposal of scrap. Ask about goods either sent out for job work or received for job work.

A. Information gathered during the tour of plant

- i. No. of workers employed _____.
 - ii. No. of shifts running _____.
 - iii. No. of places for dispatch of goods outside the factory _____.
 - iv. Whether any input is exclusively used in the manufacture of exempted goods _____.
 - v. Whether any input is used in the manufacture of exempted as well as dutiable goods _____.
 - vi. Whether any Capital Goods on which CENVAT credit was availed, are exclusively used in the manufacture of exempted goods _____.
 - vii. Whether any discrepancy of facts noticed between what was made known to the Audit Group earlier and what was observed during the visit. Details thereof _____.
 - viii. Mention if there are new facts not disclosed earlier, noticed during the tour, which may have relevance to revenue or to the level of assessee tax compliance _____.
 - ix. Observe movement of goods from the stage of raw material to the stage of clearance of finished goods along with movement of accompanying documents. Mention issues to be verified during conduct of audit _____.
 - x. Gather information about the Internal Control System as illustrated in **Annexure VII** by interviewing the section in-charges. Mention issues to be verified during conduct of audit _____.
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- B. Any other relevant information gathered by the auditor during the course of Tour of the premises. Mention issues to be included in the Audit Plan and verified during conduct of audit (in case a preparatory visit is made)
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C. **GATHERING INFORMATION ABOUT ASSESSEE AND THE SYSTEM FOLLOWED BY HIM (Please refer to para 6.7)**

Date of Preparation _____

- i. INTERVIEWS

- i. Person(s) Interviewed, their designation and dates of interview.
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- ii. Give the gist of interviews specially in respect of
 - i. related ventures, business with these ventures and annual volume of such transactions,
 - ii. relationships with the unit and its owners / shareholders,
 - iii. the head office / registered office of the unit, location of its operations and location of its accounting records
 - iv. whether Company is an ancillary unit or independent unit of production:
 - v. internal controls in the unit.
 - vi. any organizational or systemic changes that has occurred since last audit.

Mention issues to be included in the Audit Plan

D. EVALUATION OF INTERNAL CONTROLS
(Please refer Para 6.7.3 and 6.7.6 and Annexure VII).

Date of Preparation _____

- i. Perform a walkthrough for the Sales / Records maintained for Central Excise. Trace a sample of transactions (all types, including those on Credit) from source documents through to Excise Duty account. Mention any new area need to be included in the Audit Plan or whether the extent of verification of the issue already identified in the Audit Plan needs to be modified.
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- ii. Perform a walkthrough of the purchase system (including capital assets). Trace a sample of transactions, of all types, including Credits, from source documents through the Excise duty account. Examine specifically system for purchase, rejection, short supply etc. Mention any new area need to be included in the Audit Plan or whether the extent of verification of the issue already identified in the Audit Plan needs to be modified
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- iii. Perform a walkthrough of any other system (eg. Stores Journal Entries, CENVAT accounting etc.) Trace a sample of transactions of all types from source documents through to the Excise Duty Account. Mention any new area need to be included in the Audit Plan or whether the extent of verification of the issue already identified in the Audit Plan needs to be modified.
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- iv. Perform a walkthrough of the process of compiling Central Excise monthly return for one month, tracing from the tax return amounts backwards through to their sources. Check sales as per Sales Account in ledger with value shown in monthly return. Mention any new area need to be included in the Audit Plan or whether the extent of verification of the issue already identified in the Audit Plan needs to be modified.

V. AUDIT VERIFICATION AT THE UNIT:

A. SALES INFORMATION:

Date of Preparation _____

i. Indicate marketing / clearance pattern in the following proforma: -

Sr. No.	Nature of Sale/Transfer etc	Yes	No	If yes, description of product (s)	*Practice of valuation followed by the assessee.
1.	Sale at the factory gate				
2.	Sale through the depot/distributors / consignment agents / Marketing intermediaries.				
3.	Sale in retail				
4.	Retail Sale Price (Maximum) – Section 4A				
5.	Inter Plant transfer				
6.	Captive consumption				
7.	Clearance to U.N. and other aided projects				
8.	Inputs received and job work done				
9.	Inputs/semi-processed material sent for job work outside.				
10.	Sale from Job-worker's premises directly to the customers				

** Whether provisions of Section 4 or Valuation Rules, 2000 now has been applied by the assessee who has made the self-assessment. The Valuation section or the specific Valuation Rule invoked may be indicated.*

ii. Examine selected debtor account (customer) to find out any recovery other than shown in sales invoice (Check Debit Note and Journal Vouchers also).

iii. Identify any special situations such as sales to related units, trading activities, commissions, volume discounts, exchanges or trade-ins and imposition of MRP based value for duty.

iv. Identify other revenues as reported in the financial statements (Incomes other than from sales). Mention such other revenues which may form part of the assessable value

B. PURCHASE INFORMATION:

Date of Preparation _____

a. Goods

- i. List major suppliers, goods purchased and indicate annual volume in Rupees. Whether there are purchases from related units?

- ii. Examine selected creditor's account (supplier) for each major input to find out any purchase returns, short supply, rejection of goods etc. and its impact on CENVAT credit availment.

- iii. Whether the assessee avails any end use based Customs duty exemptions on imported purchases.

- iv. Study the purchase details of major capital goods acquired and put to use since last audit.

b. Services

- i. List major input services on which credit has been availed

- ii. Examine selected 'credit accounts' for each major input service to verify whether payment has been made prior to availment of credit.

- iii. Examine whether any input service may have been used in the manufacture of exempted final products.

- iv. Examine whether any taxable services have been received from a service provider located outside India and verify whether service tax due on such transactions if any, has been paid.

C. OTHER INFORMATION:

Date of Preparation _____

- i. Study whether any goods are manufactured and captively consumed. Mention issues to be included in the Audit Plan.

- ii. Study whether any manufactured goods are cleared for inter-unit transfer, intermediates sent for job work or received for job work. Study the valuation and CENVAT credit availment in such cases. Mention issues to be included in the Audit Plan.

- iii. Any other relevant information gathered by the auditor during the course of gathering information about the assessee, and systems followed by him and study of financial documents. Mention issues to be included in the Audit Plan.

**VI. VERIFICATION AS PER AUDIT PLAN:
(Please see Chapter 6.11)**

- A. Carry out verification as per Audit Plan. The result of verification of each of the issues should be mentioned in the format below, whether or not there is any detection of discrepancy/audit point. The verification reports in respect of issues verified which was not part of original Audit Plan but verified later should also be mentioned at the end.

Proforma of a Verification Report

V.P. NO DATE

- i. Name of the auditor verifying the issue:
- ii. Issue involved in brief:
- iii. Ref. No. of the Audit Plan:
- iv. Documents verified:
- v. Brief account of the process and extent of verification:
- vi. Auditor's observation and conclusion in brief:
- vii. Quantification of revenue involved, if any (also give the calculation sheet):
- viii. Documents relied upon to support the conclusion:
- ix. Party's agreement : Yes/No
- x. If yes : In writing/Oral
- xi. Amount of recovery, if any :

Supervisor's remarks and signature.

**VII. POST VERIFICATION
(to be filled up before leaving the assessee's unit)**

Date of Preparation_____

- A. Indicate information provided and specific actions suggested to the assessee to improve future compliance. Where the assessee is in agreement with the suggestions, request a commitment in writing and include it in the Audit Report. If the assessee is unwilling to give a written undertaking, obtain a verbal commitment. Mention results.

B. SUMMARY OF AUDIT RESULTS

Provide an outline of all objections, which involve short/non levy of duty, amounts (say under Sec. 11D), irregular availment/utilization of credit and non-payment of interest due. Details of objections of technical/procedural in nature without involving revenue/credit/interests/amounts should also be mentioned. Indicate whether the assessee has agreed to the objections and if so, has made spot payment (if so details thereof). The summarised objections are to be uploaded in the audit utility and a draft audit report is to be generated for discussion during the Monitoring Committee Meeting.

(Auditor)
Name/Designation
Group No:

Place: _____

Date: _____