



We conducted a performance audit on working of Commissionerates, Divisions and Ranges. Our sample comprised 46 commissionerates, 95 divisions and 204 ranges. We evaluated whether the measures to broaden the service tax base, the monitoring mechanism for registration of assessees, the receipt and scrutiny of returns, the internal audit process, the issue of show cause notices and the review of call book cases were adequate and adhered to by the department.

Our key findings and related recommendations are given below: -

- We were informed by 17 out of 35 test checked commissionerates that they had not carried out the procedures as prescribed by DGST in its action plan for broadening the tax base. We found that different practices were being followed by different commissionerates. We recommended that the Board should issue comprehensive guidelines to remove ambiguities. We also recommended that as a long term measure, the Board may identify sources from where information can be imported electronically into ACES, to form an intelligence gathering system to identify potential taxpayers.

(Paragraph 2.2)

- We had identified 1959 service providers in the last five years Performance Audit Reports, who were unregistered, but prima facie, were liable to register and pay service tax. We found that the department had verified only 337 and consequently, 151 service providers were made to register. We recommended that the verification and follow up action may be ensured in the remaining cases in a time bound manner.

(Paragraph 2.2)

- We observed delays in issuing registration certificates and in acceptance of surrender certificates. We recommended that suitable monitoring mechanisms may be put in place to prevent such delays.

(Paragraph 3.2)

- We found delays in the post facto verifications of registration and recommended that the department may monitor the time taken for post facto verification of registration applications.

(Paragraph 3.3.1)

- The process of preliminary scrutiny has been automated as one of the modules of the ACES system. We recommended some MIS reports that may be generated by the ACES system to monitor the process.

(Paragraph 4.2.2)

- We found that detailed scrutiny of Central Excise and Service Tax Returns were being done only in very few ranges or divisions. We recommended that detailed scrutiny of returns (selected on prescribed risk parameters) by ranges and of high monetary value by AC/DC/JC/ADC be ensured.

(Paragraph 4.3)

- We observed that the work of maintenance of assessee master file had not been completed by the audit wings of most of the commissionerates. We recommend that the preparation of Assessee Master Files for each assessee may be completed in a time bound manner.

(Paragraph 5.2)

- We found that the non-mandatory units were selected, by and large, only on the basis of revenue collected and recommended that the ACES module for internal audit, which is operational, may be implemented in a time bound manner so that multiple parameters can be used for the risk based selection of non-mandatory units.

(Paragraph 5.3)

- We found that in ten commissionerates, non-mandatory units were audited at the cost of mandatory units. We recommended that this practice may be curtailed and reduction in audit coverage due to staff shortages may be distributed across mandatory and non-mandatory units.

(Paragraph 5.5.2)

- On test check of 46 commissionerates for central excise and service tax, we observed that there was no centralised record of all the cases which required issue of SCN and recommended that centralised record of all cases where SCNs are likely to be issued, may be maintained and monitored by the commissionerates to ensure that SCNs are actually issued wherever required.

(Paragraph 6.2)