

Chapter IV: Performance Assessment of Internal Audit

4.1 Directorate of Income Tax (Audit)

The Directorate of Income Tax (Audit) administers and monitors the functioning of Internal Audit wing of ITD. This entails monitoring of Internal Audit objections raised and settled and co-ordination with Pr. CCsIT /CCsIT and CsIT (Audit). DIT (Audit) conducts inspection of the functioning of Internal Audit wing under the respective Pr. CCsIT/CCsIT. The issues related to Internal Audit are discussed in the Annual Audit Conference. The results of Internal Audit are published as Annual Report of Internal Audit functions. DIT (Audit) reviews performance of Internal Audit on a quarterly basis, the results of which are communicated to all Pr. CsCIT(CCA)/ CCsIT (CCA) and CsIT (Audit) along with instructions for taking administrative actions in case of poor performance. As per DIT (Audit) the overall targets of coverage of auditable cases by Addl.CIT/JCIT, SAPs and IAPs were met during 2010-11 to 2013-14, as indicated in Table 4.1 given below.

Table 4.1 : All India Manpower Position and Total Number of Cases Audited during 2010-11 to 2013-14

Year	Addl.CIT/ JCIT (Audit)			SAPs			IAPs		
	Working Strength	Target	Actual	Working Strength	Target	Actual	Working Strength	Target	Actual
2010-11	18	900	1,000	21	6,300	6,691	196	1,37,200	1,79,687
2011-12	19	950	1,382	21	6,300	6,720	219	1,53,300	1,72,314
2012-13	19	950	1,302	20	6,000	7,612	204	1,42,800	1,70,958
2013-14	20	1,000	1,171	20.5	6,150	8,595	195	1,36,500	1,56,993

Source: Directorate of Income Tax (Audit)

The information in Table 4.1 shows that DIT (Audit) has computed target for IAPs assigning 700 cases for each IAP. However, as per Audit Manual, 2011 the minimum target for IAPs shall be 600 corporate; & 700 non-corporate cases. It has not been clarified whether the target may be fixed at either 600 corporate cases or 700 non-corporate cases or both specifically in respect of assessment units where both corporate and non-corporate cases are assessed.

The Ministry stated (June 2015) that it has already issued clarification vide Instruction Number 4 of 2005 dated 14 May 2015 vide which the annual target of auditable cases of Addl. CsIT has been increased from 50 cases to 150 cases per annum. CBDT has clarified that the annual target for auditable cases by IAP is 600 corporate or 700 non-corporate cases. Thus CBDT Instruction Number 3 of 2007 has been amended and supplemented to this

effect. It was further stated that in a mixed charge where both corporate and non-corporate cases are assessed it is practically not feasible to set targets separately for corporate and non-corporate cases as the number of auditable cases would depend on actual assessments completed.

The annual target of audit of 50 cases, as prescribed by the CBDT, was not met by Addl. CsIT (Audit) in certain jurisdictions.

4.2 Achievement of targets by Addl. CsIT (Audit)

During the period 2010-11 to 2013-14 the annual target of audit of 50 cases was consistently achieved by Pune, Delhi-I, Mumbai-II, Hyderabad, Bhopal, Guwahati, Ahmedabad (except in 2012-13), Bengaluru (except in 2012-13), Mumbai –I (except in 2011-12), Delhi-II (except in 2010-11). During 2013-14 all charges met the annual internal audit target except Chandigarh, Jaipur, Kanpur, Chennai-II and Kochi charges.

The Ministry stated (June 2015) that the annual target could not be met due to shortage of officers. Most of the time one officer held several additional charges.

The annual target of audit of 300 cases, as prescribed by the CBDT, was not met by Special Audit Parties in certain jurisdictions.

4.3 Achievement of targets by Special Audit Parties

During 2010-11 to 2013-14 the performance in terms of meeting of annual target of 300 cases by SAPs has shown considerable improvement. The SAPs at Kolkata-I and Kolkata-II charges did not meet their target during FYs 2010-11 to 2012-13. The SAPs at Ahmedabad, Bengaluru, Bhopal, Chandigarh, Delhi-I, Delhi-II, Pune and Hyderabad charges consistently met their targets during FYs 2010-11 to 2013-14. During 2013-14 the annual target of audit of 300 cases by SAPs of all CsIT (Audit) charges except Jaipur charge was achieved. There were two SAPs sanctioned each for Delhi-I, Delhi-II, Mumbai-I and Mumbai-II charges. Upto 2013-14 there was no SAP sanctioned at Guwahati, Kochi, Lucknow and Nagpur.

The Ministry stated (June 2015) that the target of audit of 300 cases by the SAP was achieved in financial years 2010-11, 2011-12 and 2012-13. In 2013-14, the achievement of 275 cases was slightly short of the target due to shortage of manpower.

The annual target of audit of 600 (Corporate cases); & 700 (Non-corporate cases), as prescribed by the CBDT, was not met by Internal Audit Parties in certain jurisdictions.

4.4 Achievement of targets by Internal Audit Parties

During 2010-11, 1,87,378 cases were audited by 196 IAPs of different charges of CsIT (Audit) across India. In 2011-12, 1,72,314 cases were audited by 219 IAPs. In 2012-13, 1,70,958 cases were audited by 204 IAPs and in 2013-14, 1,56,993 cases were audited by 195 IAPs. The average number of cases⁹ audited during 2010-11 to 2013-14 was 956, 787, 838 and 805 respectively. The IAPs at Ahmedabad, Bengaluru, Chandigarh, Delhi-II, Hyderabad, Jaipur, Kanpur, Kochi, Mumbai-I, Mumbai-II, Patna and Pune charges consistently met the targets during FYs 2010-11 to 2013-14. The IAPs at Kolkata-I and Kolkata-II charges could not meet the targets during FYs 2010-11 to 2013-14.

The Ministry stated (June 2015) that the annual target could not be met due to shortage of officers. Most of the time one officer held several additional charges.

We noticed mistakes in 437 cases involving tax effect of ₹ 1,632.33 crore that were already checked by Internal Audit Parties.

4.5 Detection of mistakes by Receipt Audit Party in cases checked by Internal Audit

As per para 2.1 of Audit Manual, 2011 one of the objectives for setting up of Internal Audit was to improve the quality of assessments by reducing errors and omissions which are subsequently detected by Revenue Audit. However, during FYs 2010-11 to 2013-14, we noticed mistakes in 437 cases involving tax effect of ₹ 1632.33 crore that were already checked by Internal Audit Parties, as shown in Table 4.2 below.

⁹ Average number of cases audited by IAPs = (Total number of cases audited by IAPs/ Working strength of IAPs)

Table 4.2: Mistakes pointed out by Receipt Audit Party in cases checked by Internal Audit

(₹ in lakh)

Pr. CCIT/CCIT-Region	CIT (Audit)	Cases	Money Value	Category of Mistakes
1. Andhra Pradesh & Telangana	Hyderabad	28	3,554.63	Incorrect allowance of expenditure, deduction; incorrect set-off of losses, non-levy of MAT etc.
2. Gujarat	Ahmedabad	14	71.82	Incorrect computation of business income, non-levy of interest, incorrect set-off of losses etc.
3. Jharkhand	Patna	39	1,167.23	
4. Karnataka & Goa	Bengaluru	100	1,44,418.12	Avoidable mistakes in computation of income and tax, irregular set-off of losses etc.
5. Kerala	Kochi	10	203.49	Incorrect allowance of expenditure, exemption and non levy of interest
6. Madhya Pradesh & Chhattisgarh	Bhopal	24	1,905.31	Mistake in computation of income, Incorrect allowance of expenditure
7. Odisha	Bhubaneswar	23	4,400.61	Short levy of interest under sections 234A, 234B, 234D and 244A; carry forward and set-off of unabsorbed losses.
8. Punjab, Haryana & UT Chandigarh	Chandigarh	16	228.20	Incorrect allowance of deduction, exemption; short levy of interest etc.
9. Rajasthan	Jaipur	94	1,782.35	Mistakes in computation of income
10. Tamil Nadu	Chennai	15	3,786.16	Incorrect computation of business income, incorrect set-off of losses etc.
11. West Bengal	Kolkata-I Kolkata-II	74	1,715.00	Incorrect computation of business income, incorrect set-off of losses etc.
Total		437	1,63,232.92	

Thus, above information shows that there is a need for improvement in quality of assessments by reducing errors and omissions.

The Ministry stated (June 2015) that the issue of quality control of Internal Audit is periodically examined in order to improve quality. It was further stated that recently a review of quality of Internal Audit was taken up and CCIT charges have been asked to take follow up action.

4.6 Monitoring of objections raised in Internal Audit

The Directorate of Income Tax (Audit) monitors CIT (Audit) charge-wise performance with respect to number of objections raised and settlement of objections in respect of internal audit work of Addl. CsIT, SAPs and IAPs on quarterly basis and overall results are brought out in their Annual Report.

Corporate Tax/ Income Tax cases with revenue effect greater than ₹ 2,00,000 will be treated as Major Audit Objections for the purposes of Internal Audit. Other Direct Tax cases with revenue effect greater than ₹ 30,000 will be treated as Major Audit Objections for the purpose of Internal Audit.

During the years 2010-11 to 2013-14, a total of 59,963 major and minor audit objections involving tax effect of ₹ 20,432.87 crore were raised by Internal Audit. During this period 14,17,681 scrutiny assessments were completed by the Assessing Officers. As against which, the Addl. CsIT, SAPs and IAPs checked 7,14,425 cases while raising 19,579 major audit objections and 40,384 minor audit objections. The year-wise status of major and minor internal audit objections raised by the Internal Audit is depicted in Table 4.3 below.

Table 4.3: Status of Internal Audit objections raised during 2010-11 to 2013-14

₹ in crore

Year	Scrutiny assessments completed	Cases checked by Internal Audit	Major objection raised during the year		Minor objection raised during the year		Total objections raised during the year	
	No.	No.	No.	Tax effect	No.	Tax effect	No.	Tax effect
2010-11	4,55,213	1,87,378	4,589	5,248.20	8,905	218.68	13,494	5,466.88
2011-12	3,69,320	1,80,416	4,683	1,804.66	9,088	75.19	13,771	1,879.85
2012-13	3,08,398	1,79,872	6,214	3,970.06	12,061	165.42	18,275	4,135.48
2013-14	2,84,750	1,66,759	4,093	8,592.63	10,330	358.03	14,423	8,950.66
Total	14,17,681	7,14,425	19,579	19,615.55	40,384	817.32	59,963	20,432.87

Source: Directorate General of Income Tax (Logistics, Research & Statistics Wing), New Delhi.

As per Table 4.3, Internal Audit checked 50.39 *per cent* of Scrutiny Assessment completed by AOs during FYs 2010-11 to 2013-14. During the course of Audit, we found that cases checked by Internal Audit also consisted of Summary Assessments as well as e-TDS returns as pointed out in Chapter 2. As per Audit Manual, 2011, Internal Audit is also required to examine Assessment of Search & Seizure cases, Foreign Company cases, non-search and seizure cases besides Scrutiny Assessment with claim of deduction under Section 10A,10B,10C, 10 (23C),11, 32,54 & Chapter VI A of the Act, Assessment of cases of Other Taxes, Refunds and TDS cases. Therefore, the

number of Scrutiny Assessments examined by Internal Audit is even less than 50.39 per cent.

Although the Central Action Plan of CBDT sets target at 100 per cent for settlement of pending audit objections within a timeframe of four months, the internal audit objections were still pending.

4.7 Monitoring of Major Audit Objections by DIT (Audit)

As per data provided by DIT (Audit), there were 10,010 pending paras with tax effect of ₹ 3,812.51 crore of previous years as on 1 April 2010. During FYs 2011-12 to 2013-14, 19,579 major audit objections with tax effect of ₹ 19,615.55 crore were raised, 18,629 major audit objections with tax effect of ₹ 12,851.11 crore were settled. As on 31 March 2014, a total of 10,960 major audit objections with tax effect of ₹ 10,576.95 crore were pending as given in Table 4.4 below:

Table 4.4: Number of Major objections raised and settled as on 31.03.2014

Year	(₹ in crore)							
	OB as on 1 st April		Major audit objection raised during the year		Major audit objection settled during the year		Closing Balance	
	No.	Tax effect	No.	Tax effect	No.	Tax effect	No.	Tax effect
2010-11	10,010	3,812.51	4,589	5,248.20	2,719	884.97	11,880	8,175.74
2011-12	11,880	8,175.74	4,683	1,804.65	4,811	1,073.75	11,752	8,906.64
2012-13	11,752	8,906.64	6,214	3,970.06	5,653	2,626.67	12,313	10,250.03
2013-14	12,313	10,250.03	4,093	8,592.63	5,446	8,265.71	10,960	10,576.95
Total	45,955	31,144.92	19,579	19,615.55	18,629	12,851.11	46,905	37,909.36

Source: Directorate of Income Tax (Audit), New Delhi

The Ministry stated (June 2015) that due to shortage of manpower particularly at the level of Additional/ Joint Commissioner target set by CBDT could not be achieved.

4.8 Monitoring of Minor Audit Objections by DIT (Audit)

During 2011-12 to 2013-14, there were 19,432 arrear pending paras of earlier years with tax effect of ₹ 158.85 crore, 40,384 minor audit objections with tax effect of ₹ 817.31 crore were raised, 46,463 minor audit objections with tax effect of ₹ 535.46 crore were settled and 13,353 paras with tax effect of ₹ 440.70 crore were pending as on 31 March 2014 as given in Table 4.5 below. However, the recovery/collection figures were not provided.

Table 4.5: Total number of Minor audit objections raised and settled

(₹ in crore)

Year	OB as on 1 st April		Minor objection raised during the year		Minor audit objection settled during the year		Closing Balance	
	No.	Tax effect	No.	Tax effect	No.	Tax effect	No.	Tax effect
2010-11	19,432	158.85	8,905	218.67	5,277	36.87	23,060	340.65
2011-12	23,060	340.65	9,088	75.19	9,337	44.73	22,811	371.11
2012-13	22,811	371.11	12,061	165.41	10,973	109.44	23,899	427.08
2013-14	23,899	427.08	10,330	358.02	20,876	344.40	13,353	440.70
	89,202	1,297.69	40,384	817.31	46,463	535.46	83,123	1,579.54

Source: Directorate of Income Tax (Audit), New Delhi

4.9 Settlement of pending Audit Objections

The issues pertaining to Tax Administration including effectiveness of Internal Audit were discussed in the Public Accounts Committee (PAC) meeting held in June 2013 and were detailed in 87th Report of the PAC (2013-14) dated August 2013. The ITD had given an assurance to the PAC viz. (i) to settle the audit objections expeditiously; (ii) to post senior and competent Officers in internal audit and monitor the progress of auditing units on quarterly basis; (iii) to take specific measures to improve capacity of officers and staff by organising workshops and seminars and (iv) to compile and circulate quality audit cases among the field offices to improve capacity of the Officers and Staff.

The ITD had given a time frame of 4 months for disposal of an Internal Audit objection to be settled in the Action Plan for FY 2012-13. The CCIT (CCA) from the entire ITD had given assurance of completing this work expeditiously and this was being monitored by CBDT on a quarterly basis. As per Central Action Plan 2013-14 by CBDT, the Internal Audit Objections have to be disposed off at a rate of 100 *per cent*. As the time frame for settlement is 4 months, audit is of the view that at the end of the year, not more than one third of audit objections raised during the year should be pending.

However, we noticed that as on 31 March 2014, 10,960 major audit objections and 13,353 minor audit objections were still pending.

We examined the efforts made by CIT (Audit) charges to settle pending audit objections, on a test check basis, the results of which are brought out below:

- a. In Chennai charge, no current audit objections were settled during 2010-14.

- b. In Bengaluru charge, 163 cases pertaining to AYs 1995-96, 1996-97 and from AYs 1998-99 to 2007-08 were still pending.
- c. In CIT (Audit)-I Delhi charge, 42 major and 135 minor audit objection arrear cases were pending. Even first replies were pending in 182 Major and 482 minor cases.
- d. In CIT (Audit) Bhopal charge, no information on receipt of replies to the pending internal audit objections, status on pendency, time barred cases, findings acted upon, rectification as on 31 March 2014 was made available.

As per Action Plan 2014-15 issued by CBDT, the target for settlement of pendency of Internal Audit Objection as on 1 April 2014 was up to 30 September 2014. However, as per data given by DIT (Audit) as on 30 September 2014, 6,721 major audit objections and 12,028 minor audit objections were pending for settlement despite of the assurance given by the ITD to the PAC and recommendations of PAC for expeditious settlement.

DIT (Audit) may find out the reasons for delays in settlement and address them expeditiously to clear the outstanding objections.

There were significant shortages in deployment of IAPs for Internal Audit and staff deployed under Addl.CIT, SAPs and IAPs in different charges during 2010-11 to 2013-14.

4.10 Manpower Deployment in Internal Audit

As per para 1.3 of the Audit Manual, the Internal Audit structure is headed by a CIT (Audit) in each CCIT (CCA) charge. There is an Additional CIT under each CIT (Audit) who is *inter alia* responsible for supervision of the Internal Audit Parties (IAPs) and Special Audit Parties (SAPs). Additional CIT is assisted by one ITO with two Income Tax Inspectors (ITIs) and two Sr.Tax Assistants (Sr. TAs)/TAs besides one IAP (HQ). The SAPs are headed by a DCIT/ACIT and will comprise two ITIs and one Sr.TA /TA. Besides, there is one IAP for each administrative CIT stationed at headquarter of that CIT. The IAPs are headed by ITOs and will comprise two ITIs and one Sr.TA /TA. The deployment of Officers and Staff for the IAPs will be made from existing strength of the concerned CIT with administrative control of CIT (Audit). The pan-India status of deployment of parties for Internal Audit during FYs 2010-11 to 2013-14 is indicated in Table 4.6 below.

Table 4.6: All India status of deployment of Addl.CIT, SAPs and IAPs for Internal Audit of ITD

Year	Addl. CIT/JCIT		Special Audit Parties		Internal Audit Parties	
	Sanctioned Strength	Working Strength	Sanctioned Strength	Working Strength	Sanctioned Strength	Working Strength
2010-11	22	18	22	21	272	196
2011-12	22	19	22	21	272	219
2012-13	22	19	22	20	272	204
2013-14	22	20	22	20.5	272	195
Total	88	76	88	82.5	1,088	814

Source: Inputs from Directorate of Income Tax (Audit), New Delhi

During 2013-14, there were shortages in the deployment of Addl. CsIT, SAPs and IAPs to the extent of 13.63 per cent, 6.25 per cent and 28.31 per cent respectively. The DIT (Audit) monitors the status of deployment of Addl. CsIT, SAPs and IAPs under the respective CIT (Audit) charges, which is reported on quarterly basis to all the Pr. CCsIT/CCsIT and CsIT (Audit). CIT (Audit) wise details are given in Appendix 5.

We found that the details of staff positioned under Addl. CsIT, SAPs and IAPs are not depicted in the quarterly reports. Although, there is shortage of manpower in all cadres of ITD as per replies of field formations of ITD, it could not be ascertained whether centralised monitoring of staff positioned under Addl.CIT, SAPs and IAPs is being undertaken.

We noticed shortages in staff deployed under IAPs in Andhra Pradesh, Odisha, Maharashtra, Punjab and UT Chandigarh, Gujarat, Karnataka, Uttar Pradesh and Uttarakhand and West Bengal regions during 2010-11 to 2013-14.

The Ministry stated (June 2015) that the CBDT is actively examining shortage of manpower particularly after increase in number of assessment charges.

The Officers engaged in Internal Audit of ITD were not being posted for a period of two years as prescribed in the Manual and were frequently transferred within a year.

4.11 Frequent transfers of Officers and Staff engaged in Internal Audit

As per para 1.5(ii)(b) of the Audit Manual, 2011, Officers /Staff should be continuously in audit for a tenure of two years. Tenure allowed to Staff posted in the Internal Audit Wing also affects the performance of the Wing. We found there were frequent transfers of Internal Audit personnel in Andhra Pradesh & Telangana, Rajasthan, Kerala, Uttar Pradesh & Uttarakhand and West Bengal regions. ITD has not complied with provisions

of the Manual at the time of posting/ transfer of personnel which adversely affected the working of Internal Audit wing.

The Ministry stated (June 2015) that several charges were held as additional charges due to shortage of manpower.

Specialized training was not provided to Officers and Staff engaged in Internal Audit as per instructions issued by CBDT. Although instructions are issued by DIT (Audit) on quarterly basis efforts made for disseminating training is not being centrally monitored.

4.12 Training of personnel engaged in Internal Audit

As per Para 1.5 of the Audit Manual, 2011 and CBDT's instructions issued in 2007 and 2013 on Internal Audit the CCIT(CCA) has to ensure appropriate training to Officers and Staff posted in the Internal Audit wing every year after the Annual General Transfer in coordination with National Academy of Direct Taxes, Nagpur and Regional Training Institutes and Ministerial Staff Training Units. In Karnataka, Madhya Pradesh, Tamil Nadu, Maharashtra, Delhi and West Bengal charges, no specialized training was given.

Audit of the assessment cases completed under scrutiny requires thorough functional knowledge of rules and regulations and judicial pronouncements and warrants continuous updating of the knowledge. The efforts made to train the internal audit personnel were either minimal or lacking.

The Ministry stated (June 2015) that DTRTIs and Ministerial Staff Training Units are conducting specialized training and DTRTI Kolkata held training programme in last financial year. It was also stated that Central Action Plan of 2015-16 laid down norm for conducting one training per quarter by Pr. CCIT/CCIT.

The practice of circulating common or repeated errors on half-yearly basis is not in place as prescribed by the CBDT.

4.13 Circulation of common or repeated errors

As per Para No. 2.2 (iii) of CBDT Instruction Number 15 of 2013 the CCIT/DGIT shall strategize to use the input in half yearly report submitted by CIT Audit to the CCIT/DGIT in respect of repeated/common errors noticed in the audit in the preceding two quarters to educate and alert the AOs so that such mistakes do not recur. Hence the quality audit objections, as and when raised needs to be circulated among the Internal Audit Parties under the different administrative CIT to prevent their future occurrence.

In West Bengal charge list of common errors were not circulated. In Delhi charge, the common mistakes noticed were being circulated amongst the CCIT for guidance of officers to prevent future occurrence. In Assam charge, the practice of circulating errors was being followed post October 2013.

Therefore, ITD should make an effort to circulate list of repeated/common errors noticed in Internal Audit to educate and alert the AOs so that such mistakes do not recur.

Although the operations and processes of ITD are automated, Information Technology tools are not being utilized for extraction of information related to auditable cases and monitoring of Internal Audit.

4.14 Use of Information Technology tools in Internal Audit Process

The operations and processes of ITD viz. processing of returns, generation of refunds, selection of scrutiny cases using by Computer Assisted Audit Techniques (CAATs) are automated.

During the course of Audit, we found that the Internal Audit Wing of the ITD was not utilizing any IT tools /application in the planning process and for effective monitoring and control of information related to internal audit objections in Assam, Bihar, Delhi, Jharkhand, Karnataka, Tamil Nadu, Uttar Pradesh & Uttarakhand and West Bengal charges.

In Chapter 2, we commented on gaps in the planning and programming of Internal Audit on account of non-furnishing of information by administrative CsIT to CsIT (Audit) thereby hampering the effectiveness of Internal Audit. ITD uses many IT Applications to assist the AOs in the assessment process. On completion of assessment in IT environment, the information pertaining to assessment cases are already captured in IT system. It can be made available to CsIT (Audit) online instead of awaiting information from respective AOs through administrative CsIT. This will equip CsIT (Audit) in effectively planning and programming the Internal Audit.

CBDT issued AST Instruction Number 132 in November 2014 which provided a functionality to the CIT(CO) in the ITD application to generate MIS of auditable cases (under Section 143(3), 144, and 147 of the Act) from the system. CIT (CO) will be able to generate MIS Report of auditable cases falling under their Region and send such list to CIT (Audit). Further, *ITO (HQ), Hyderabad charge stated (March 2015) that facility in AST has been introduced to generate the list of auditable cases and same is being utilised to obtain list of top 100 cases.*

Audit is of the view that MIS reports on auditable cases should be made directly accessible to DIT (Audit) and CsIT (Audit) to enable planning and selection of cases for audit, maintenance of data related to Internal Audit and monitoring on centralised basis at CBDT level.

The Ministry stated (June 2015) that the new functionality to ITD module to generate auditable cases has been made available recently. It was further stated that the Income Tax Business Application (ITBA) software module of the ITD would address the issues related to Internal Audit and would enable generation of MIS Reports as well as monitoring of Internal Audit.

Ledger Cards and Compliance Cards are not being maintained in CsIT (Audit) charges as prescribed by Audit Manual, 2011.

4.15 Maintenance of Ledger Cards and Compliance Cards

Para 6.2 (Chapter 6) of Audit Manual, 2011 envisages that the Ledger Cards, for Internal Audit and Receipt Audit Objections where audit objections are accepted and tax effect is more than ₹ 1 lakh upto 14 November 2013 and ₹ 2 lakh from 15 November 2013, is essential to be maintained for each Assessing Officer regarding mistakes accepted by the ITD. As per Para 5.9 of the Audit Manual, 2011, Compliance Cards are required to be maintained as ready visual record of cases to watch if remedial action is pending to enforce accountability. The entries of the card shall enable the CIT (Audit) to watch the frequency of mistakes and to ensure whether the AOs work is improving. This card will be kept in view while countersigning the Annual Performance Report of the Officers concerned.

We noticed that 18 CsIT (Audit) charges in Andhra Pradesh and Telangana, Bihar & Jharkhand, Delhi, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab & UT Chandigarh, Uttar Pradesh & Uttarakhand and West Bengal regions had not maintained the ledger cards relating to the internal audit objections in the prescribed format for each AO, recording mistakes accepted by the Department, watching remedial action taken and to give his view while countersigning the Annual Report of the officer concerned. Compliance Cards were not maintained in Andhra Pradesh & Telangana, Delhi, Odisha and West Bengal regions.

In absence of Ledger cards, the accountability system to monitor the performance of AO was not in place. Monitoring of the high money value audit objections was not in place. Thus there was control risk of non-initiation of remedial measure in respect of high value internal audit objections. Due to non-maintenance of compliance cards, the monitoring of progress of remedial action could not be achieved.

The Ministry stated (June 2015) that this area of work is being monitored by including it as a key result area in CBDT's Central Action Plan for the first quarter of the FY 2015-16.

4.16 Conclusion

The annual target of audit of minimum number of cases, as prescribed by the CBDT, was not met by Addl. CsIT (Audit), SAPs and IAPs in certain jurisdictions during 2010-11 to 2013-14. Although the Central Action Plan of CBDT sets target at 100 *per cent* for settlement of pending audit objections within a timeframe of four months, the Internal Audit objections pertaining to earlier years were still pending. There were significant shortages in deployment of IAPs for Internal Audit and staff deployed under Addl.CIT, SAPs and IAPs in different charges during 2010-11 to 2013-14. The Officers engaged in Internal Audit of ITD were not being posted for a period of two years as prescribed in the Manual and were frequently transferred within a year. No efforts were made to organize specialized training for Officers and staff engaged in Internal Audit. Information technology tools are not being utilized for extraction of information related to auditable cases and monitoring of Internal Audit.

4.17 Recommendations

We recommend that

- a. CBDT may consider monitoring actual deployment of human resources positioned under Addl. CIT, SAPs and IAPs in order to determine the overall shortages and effective utilisation of available manpower.

The Ministry stated (June 2015) that the issue of additional manpower for internal audit is under consideration of CBDT.

- b. CBDT may consider finding out the reasons for delay in settlement of audit objections and where necessary instruct the AOs to expedite the measures for settlement of audit objection.

The Ministry stated (June 2015) that delay in settlement is due to lack of requisite manpower both in internal audit division and assessment charges.

- c. CBDT may consider utilising the Information Technology to aid functioning of the CsIT (Audit) and DIT (Audit) for effective planning, programming, monitoring and control of Internal Audit.

The Ministry stated (June 2015) that the functionality to the ITD module has been rolled out. Initiatives have already been taken by the DGIT(Systems) in November 2014 to use information technology in the internal audit mechanism followed in the ITD. A functionality has been provided to respective CsIT (CO) across the country to generate MIS of auditable cases (under sections 143(3), 144 and 147) for dissemination to the respective CIT (Audit) / DIT(Audit). Further efforts are being made to fully integrate the internal audit mechanism from the stage of effective planning and programming to monitoring and control into the new forthcoming ITBA project which is slated to be rolled out shortly.