



# Central Board of Indirect Taxes & Customs

Department of Revenue, Ministry of Finance, Government of India


[About Us](#)
[G S T](#)
[GST Awareness](#)
[GSTP Exam Registration](#)
[Customs](#)
[Central Excise](#)
[Service Tax](#)
[Tenders/Auctions](#)
[News & Media](#)
[Contact us](#)

## News Flash

Nomination For Two-Days' Training Programme for officers of the rank of Commissioner, Principal Commission [View all](#)

### Chairman's Desk

### Taxpayer Assistance

### Departmental Officers

### Swachhata Action Plan

### Indian AEO Programme

### Public Information

### Stakeholder Consultation

### Legal Affairs

### AAR/ D.G. Audit

[Home](#)
[Central Excise](#)
[Circulars/Instructions](#)
[Circulars-1999](#)

Circular No. 491/57/99-CX  
dated 28/10/1999

**F.No.206/10/99-CX 6**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**Central Board of Excise & Customs**

### Subject: Excise Audit - 2000 (EA-2000) - Guidelines - Regarding

I am directed to say that in conformity with the process of economic liberalization, several tax reforms were effected in the field of Central Excise tax administration including simplification of procedures relating to levy and collection of duty. Introduction of "Self Assessment System" in 1996 along with "Selective Audit" was the major initiative in this direction. Such procedures, based on the voluntary tax compliance by the assessee on the one hand and selective, scientific and in-depth audit with professional thrust on the other, are being evolved and introduced continuously. In order to have a more scientific and effective audit system, by professionally trained officers, an initiative called "**Capacity Development of Central Excise Administration**" has been taken by the Board under which introduction of **New Excise Audit System, code named "Excise Audit-2000" (EA-2000)** has been evolved.

2. In regard to introduction of this new system, the Director General of Anti-Evasion, who is a member of the Co-operative Working Group of the Central Excise Projects, has already addressed all Chief Commissioners and Commissioners demi officially vide letter D.O. No. DGAE/CIDA/III/99 dated 6th October 1999 outlining the background and the actions required to be taken by the commissioners and other officers. The same should be followed scrupulously to the extent they are not inconsistent to the decisions and guidelines of the board, contained in this Circular.

3. The following are the instructions and guidelines of the Board regarding introduction of Excise Audit-2000 (EA-2000):-

(1) The EA-2000 will be introduced with effect from 15th November 1999. A minimum of 15 days' notice should be issued to the concerned assessee before commencing any audit. The actual auditing under EA-2000, will therefore, commence from 1st December 1999.

(2) Audit under EA-2000 will be conducted by trained staff/officers using

(3) To start with, the audit of units paying duty of Rs. 5 crores and above from the personal ledger accounts (PLA) in the preceding financial year (except the units covered by the provisions of section 3A of the Central Excise Act, 1944) should be undertaken, provided audits are due in terms of the frequency as already specified by the Board (i.e. once in a financial year). Audit of other units will continue to be made as per the existing Audit Manual.

(4) It has to be ensured that there is smooth transition from the existing Audit System/Manual to the EA-2000. Since it may not be possible to switch over entirely to EA-2000 immediately on or after 15th November, 1999, the audit under the existing system will continue to be made in respect of remaining units paying duty of Rs. 5 crores and above per annum as aforesaid.

(5) It is, however clarified that a unit, which has already been audited in the current financial year under the existing audit system, will not be taken up for a fresh audit under the EA-2000 in this financial year.

(6) Efforts should be made to complete such audit in about 5 to 7 working days. This period may be extended in exceptional cases. To keep the number of days for audit of a unit within a reasonable limit, the Commissioner may enhance the strength of the audit team or depute two audit teams clearly specifying their functions.

(7) Although the Manuals (Audit Manual and the Audit Programme) and the Working Papers relating to EA-2000 are in "draft form", only minor changes are expected. After further review and revision, the final versions thereof will be printed and circulated soon. In the meantime, audit under EA-2000 may be undertaken on the basis of the draft Manuals and the draft Working Papers.

(8) Since it is proposed to audit units paying duty exceeding Rs. 5 crores, it is emphasized that the Additional Commissioner/Joint Commissioner (Audit) should join such audit team (may be not for all the days) and personally supervise the audits. The Deputy/Assistant Commissioner (Audit)/Assistant Director (Cost) may assist the Additional Commissioner/Joint Commissioner (Audit) wherever necessary.

(9) The audit notes/reports relating to the audit of the units supervised by an Additional Commissioner/Joint Commissioner (Audit) should invariably be signed by him.

(10) The Auditors will not issue any summons in cases where the records are not forthcoming/ produced by the assessee for the purpose of audit. They will also not exercise the powers of search, seizure, interrogation and arrest. Where such actions are imperative, they may refer the matter to the Anti-Evasion Wing of the Commissioner and the latter will take immediate necessary action after taking clearance at a higher level.

(11) The Audit Wing will not issue show-cause notices arising out of audit objections. The matter will be referred to the Proper Officer for this purpose.

(12) The creation of database and assessee's profile is the pre-requisites for switching over the EA-2000. It is imperative that this work is undertaken on top priority basis.

(13) For EA-2000 to be really effective, it is imperative that the specialized training are imparted to the concerned officers/staff in adequate numbers in each Commissioner ate. Though efforts are being made to get the auditors trained in the new audit system based on Audit Manual. Working Papers, Instructor's Guide and Participant's Manual with the help and guidance of National Academy of Customs, Excise & Narcotics and the Trainers (officers who have already been trained), there is also an urgent need to hold Workshops, Seminars and inter-active sessions so that the concerned officers are made fully conversant with EA-2000.

(14) It is emphasized that only the officers specially trained for the purpose should undertake audit under EA-2000. Otherwise, schedules can be charted out in such a manner that trained officers become available by then.

(15) A Workshop for trade and industry should also be organized to familiarize them with the EA-2000.

(16) The Commissioners and other senior officers should take personal interest and ensure that the EA-2000 takes off successfully. All the initial irritants and difficulties should be sorted out expeditiously. For this purpose, each Commissioner and other senior officers should go

## Quick Links

[Exchange Rate Notifications](#)
[Notifications of Customs](#)
[Notifications of Central Excise](#)
[Notifications of Service Tax](#)

through and fully familiarize themselves with the Audit Manual, Audit Programmer, Working Papers, Instructor's Guide and Participant's Manual.

(17) After four months of the actual start of audit under EA-2000, say as on 1st April 2000, the evaluation work of EA-2000 should be undertaken by each Commissioner including the performance of the auditors and a Performance Evaluation Report be prepared. Chief Commissioners should further evaluate their report and send his consolidated overall Evaluation Report to Director General of Anti-Evasion and Director (Audit). The idea is to synergies the process and initiate corrective measures wherever necessary.

(18) An "EA-Monitoring Cell" should be constituted of 4 to 5 selected officers, headed by the Commissioner. This Cell shall hold meetings at least once in a fortnight. Broadly, the functions of the Cell would be as below:-

- (i) To examine the overall working of EA-2000 in their jurisdiction and identifying the areas which require special attentions and improvements;
  - (ii) Scrutiny of major audit objection and assist the Commissioner in taking quick decisions about the acceptance or otherwise, of such objections;
  - (iii) Preparation of the Evaluation Report on EA-2000 for furnishing to the Chief Commissioner; and
  - (iv) Dissemination of information relating to major audit objections accepted by Commissioner and ensuring quick action there on.
- (19) Under the provisions of sub-rule (6) read with sub-rule 173G, the Central Excise Officers entrusted with the work of audit under EA-2000 may demand for accounts maintained and records/returns prepared by assessee (whether the same are maintained or prepared in pursuance of the Central Excise Rules, 1944 or not) in regard to the production, manufacture, storage, delivery or disposal of goods, including the raw materials. They may, therefore, accordingly call for any document/return/record including the "source document/records" which may be connected to the details about production, manufacture, storage, delivery or disposal of goods, including-tax returns, Sales-tax returns, inventory records, returns, documents etc. are demanded and scrutinized by the auditors.
- (20) For the first six months, Director General of Anti-Evasion would monitor the new audit system on behalf of the Board, whereafter the Director General of inspection & Audit (Customs and Central Excise) would take over the work.
4. Any difficulties noticed in this regard may be brought to the notice of the Director General of Anti-Evasion immediately, who will examine the issues and send a report to the Board.
  5. The trade and field formations may be suitably informed immediately.
  6. Receipt of this Circular may please be acknowledged.
  7. Hindi version will follow.

(P.K.. Sinha)  
Under Secretary (CX.6)



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