



**Report of the
Comptroller and Auditor General
of India**



**Appreciation of Third Party
(Chartered Accountant)
Reporting in Assessment Proceedings**

**Union Government
Department of Revenue - Direct Taxes
Report No. 32 of 2014**

**Report of the
Comptroller and Auditor General
of India**

for the year ended March 2014

**Performance Audit on
Appreciation of Third Party
(Chartered Accountant)
Reporting in Assessment Proceedings**

**Union Government
Department of Revenue - Direct Taxes
Report No. 32 of 2014**

Laid on the table of Lok Sabha/Rajya Sabha on.....

Table of Contents

Contents	Pages
A. Preface	i
B. Executive Summary	iii-v
C. Summary of Recommendations	vii-x
D. Chapter I: Introduction	1-5
D.1 Introduction	1
D.2 Organizational set up	1-2
D.3 Legal framework	3
D.4 Why we chose the topic	4
D.5 Audit Objectives	4-5
D.6 Audit Scope and Sample	5
E. Chapter II: Appreciation of Accountants' Certifications	7-28
E.1 Introduction	7-8
Section A	9-25
<i>Cases where CAs failed to report full and correct information</i>	
E.2 Allowance of depreciation and amortisation	10-11
E.3 Allowance of brought forward losses/depreciation	12-14
E.4 Allowance of personal/capital expenditure	14-15
E.5 Allowance of exemptions/deductions	15-17
E.6 Incorrect certification of claims	17-18
E.7 Incorrect/incomplete information in Tax Audit Report/Certificate	18-20
E.8 Irregular allowance of provisions	21
E.9 Charging of tax on Book Profit under Section 115JB	21-22
E.10 Adoption of Arm's Length Price	23-24
E.11 Reporting by CAs in Form 3CD on cash payment exceeding ₹ 20,000 per day	24-25
E.12 Special audit under Section 142(2A)	25
Section B	26-28
<i>Cases where AOs failed to utilize the information available in the reports/certificates</i>	
E.13 Utilization of information available in Accountants' reports	26-27
E.14 Recommendations	28
F. Chapter III: Systemic Issues and Controls	29-43
F.1 Declaration of date of payment of distributed profits	29-30
F.2 Declaration of Minimum Alternative Tax credit in Accountant's reports	30-31
F.3 Deficiencies in Form 10B and 10BB	32
F.4 Maintenance of Control Register	33
F.5 Control on number of tax audit assignments	34-36
F.6 Authenticity of the membership of the Accountant	36-37
F.7 Penalty under Section 271B and 271BA	37-38
F.8 Action not taken for furnishing inadequate/inaccurate information in Tax audit Report	38-40
F.9 Recommendations	41-43
G. Appendices	45-48
H. Abbreviations	49