

## Summary of Recommendations

### With reference to Internal Audit Planning and Execution

1. CBDT may consider reviewing the monetary norms fixed for IAPs to ensure mandatory scrutiny of top 100 cases in each administrative CIT as present prescribed norms make the 100 cases fall under the purview of Addl. CsIT and SAPs.

*The Ministry stated (June 2015) that targets and monetary norms now have been re-examined and target of auditable cases by Addl. CIT has been enhanced from 50 to 150 to cover internal audit of top 100 cases by experienced officer in May 2015.*

*(Paragraph 2.6)*

2. CBDT may consider revising the scope of functioning of Internal Audit in consonance with changes in scope of assessment in recent years in order to ensure Internal Audit of high risk assessment units such as Large Taxpayers Units, International Taxation Units including Transfer Pricing Offices etc.

*The Ministry stated (June 2015) that high risk assessment units such as Large Taxpayer Unit and International Taxation Unit are subject to Internal Audit. It was further stated that the decision to audit transfer pricing assessment by the C&AG has been taken accordingly and these cases would also be subject to Internal Audit shortly.*

Audit is of the view that Para 1.4 of the Audit Manual 2011 has already prescribed for internal audit of transfer pricing assessments in international taxation cases and the same should be implemented. Besides, the Audit Manual 2011 may be updated to indicate mandatory coverage of Large Taxpayer Units by Internal Audit to avoid instances of non-compliance noticed in audit.

*(Paragraph 2.11)*

### With reference to Internal Audit Communication, Reporting and Follow up

3. CBDT may consider introducing centralised monitoring mechanism to watch timely issue of Internal Audit objections and Internal Audit Reports to ensure effective control.

*The Ministry stated (June 2015) that systems to monitor and effective control are already in place. Pr. CCsIT (CCA) and DIT (Audit) periodically monitor performance at state and central level.*

Audit recommended introducing centralised monitoring mechanism to watch issue of Internal Audit Objections and Internal Audit Reports prescribed to be issued in Audit Manual 2011. Delayed issue of Internal Audit Objections and non-issue of Internal Audit Reports are a matter of concern which affects the effectiveness of Internal Audit.

*(Paragraphs 3.2, 3.3)*

4. CBDT may consider making intra-departmental meeting for settlement of objections and follow up as part of Annual Action Plan and monitor it on regular basis.

*The Ministry stated (June 2015) that the intra-departmental meeting for settlement of objections and follow up has been made part of Central Action Plan of first quarter of 2015-16.*

*(Paragraphs 3.6 to 3.7, 3.11)*

#### **With reference to Performance Assessment of Internal Audit of ITD**

5. 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.*

*(Paragraph 4.9)*

6. 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.*

*(Paragraph 4.10)*

7. 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.*

*(Paragraph 4.14)*

**With reference to Internal Audit by Pr. CCA, CBDT**

8. Pr. CCA, CBDT may consider monitoring the coverage of functional units falling within the scope of Internal Audit on a centralized basis and reporting the results of the same in Annual Review of Performance of Internal Audit.
9. Pr. CCA, CBDT may report zone-wise results of Internal Audit under Pr. CCA in its Annual Review of Performance of Internal Audit (viz. audit coverage of units planned, details of audit objections raised and settled) published every financial year.

*On above recommendations, the Ministry stated (June 2015) that Annual Review is prepared in the prescribed format issued by the Office of Controller General of Accounts.*

Audit is of the view that for better appreciation of work of Internal Audit, Pr. CCA (CBDT) should consider centralised monitoring of audit of functional units and reporting zone-wise results in the Annual Review of Performance of Internal Audit.

*(Paragraphs 5.3, 5.10)*