

After CAG rap, CBDT asks its audit wing to plug holes

After reports of deficiencies in assessment orders of top corporate cases, the Central Board of Direct Taxes (CBDT) has asked its internal audit wing to take up top 100 cases under each commissioner to mandatorily audit their assessment orders every year.

The Comptroller and Auditor General had carried out random review of assessment orders of top cases till December 2014 and reported to the CBDT about deficiencies in Income Tax department's own checks through its internal audit wing.

A CAG report on review of I-T's audit mechanism, tabled in Parliament on Tuesday, raised issues of lack of monitoring of internal audit by CBDT. It said in several cases despite the internal audit raising objections, the I-T officials settled cases involving tax effect of more than Rs 500 crore.

The CBDT has now revised the annual target of assessment orders to be audited by each officer in the audit wing raising it from 50 to 150 cases to ensure selection of top 100 cases under each commissioner.

"CAG audit teams found deficiencies in assessment orders which had already passed the checks of the I-T audit wing. We have brought this to the notice of the authorities," a senior CAG official said. The control issues and lack of monitoring mechanism in the I-T's internal audit wings and at regional supervisory level have been pointed out in the CAG report.

The central action plan of the I-T for the first quarter of 2015-16 has already outlined timeframe for annual target of cases to be audited, making sure top 100 cases are picked up for review in each region.

The CAG performance audit was intended to check the effectiveness of I-T's own audit mechanism and how successful it was in enhancing the quality of assessments and to ascertain whether there is efficient follow-up mechanism of internal audit findings and recommendations.

Among other issues raised by the federal auditor, it said there was no action plan drawn by at least 17 commissioners holding audit charges and thus no clarity on which cases to be audited by the internal audit teams or a time frame to do so.

"As database relating to selection of auditable cases based on prescribed norms is not being maintained, the coverage of high risk cases in internal audit could not be ascertained," CAG observed.

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