

**TRADE NOTICE : 04/2011**

**DATED : 03/05/2011**

**Sub : Computer assisted Audit Programme (CAAP)- Auditing  
in An Electronic Environment - regarding**

1. The Trade is informed that computer assisted audit programme (CAAP For the sake of brevity ) center has been set up in the head quarters audit section for the purpose of conduct of audit in respect of those assessee who use a computer to record their business transactions /activities and keep such data in electronic form. The following information is provided to the trade for creating awareness and facilitating working of CAAP.

(i) The Departmental Audit under CAAP will involve examination and analysis of business (private) records that are maintained electronically. Under CAAP, all or a part of audit could be completed using electronic records. Trained in auditing of electronic record, the Central Excise Officers who shall conduct Computer Assisted Audit shall use commercial and custom software on secure departmental computers for this purpose.

(ii) Computer Assisted Audit saves time both for the assessee and department as it takes much shorter time than manual audits as most of the records are made available to the audition in electronic format which are examined using a secure departmental computer. It also saves paper as an electronic audit reduces the amount of paper normally needed, produced or photocopied during an audit. The auditors spend less time at assessee's premises.

(iii) The procedure followed in the Computer Assisted Audit is that Computer Assisted Audit start with a meeting between the CAAP auditor and assessee's accounting/systems staff. During the meeting, the CAAP auditor would request several information to determine the feasibility of a Computer Assisted Audit. The questions are part of a computer assisted audit feasibility survey and include information on about –

- (a) Hardware and peripherals
- (b) Operating system used by the assessee's computer system
- (c) Accounting Software used by the assessee
- (d) Accounting information – like chart of accounts
- (e) Details of information in the assessee electronic records
- (f) Back-up and data retention methods used by assessee
- (g) Data export options supported by the assessee system
- (h) Conversion of the assessee data to a format readable by departmental computers

(iv) The CAAP Auditor would identify specific computer files and records he/she requires for the audit and ask the assessee to provide a copy of those records on a disk or a Compact Disk (CD). He/she might also have to ask the assessee to convert the data to a format that is not proprietary and readable by departmental computer. The assessee can make a second copy of the same records provided to the CAAP Auditors.

(v) The auditor would next copy these record to a secure departmental computer and analyze/verify them using a combination of commercial and custom software .The assessee's data is not altered during the examination. Rather, the auditor reviews these, validates that all of the records are included in the data, summarizes them, and extracts a copy of selected record is interest to a number of report.

(vi) The assessee's records are handled with extreme care and are encrypted during transfer and storage. Such records obtained from the assessee are accessible by only the authorized Central Excise Officers. Upon completion of an audit or upon conclusion of any appeal or judicial review, the records provided are securely

erased and CDs are destroyed. The assessee may advise the CAAP auditors in case he (the assessee) wishes to have CD returned back. The Computer Assisted Audit in no way causes any risk to the assessee computer or electronic records. The CAAP auditors would only ask the assessee to make a copy of the assessee records.

(vii) In short, Computer Assisted Audit works by analyzing a copy of assessee's electronically stored records that are provided to the CAAP auditor on a disk Compact Disk (CD). The original records of the assessee are not "touched" or altered in any ways. The assessee's original records are not altered in any manner during the Computer Assisted Audit process. In fact, the commercial software used by the CAAP auditor is designed specifically to never alter any audit records. [As informed by the vendor of the Win Idea Audit Software "HTML was not built as a Document format type. It is a language and because it is a language it is not really controlled in any way like a Format would be. Essentially what the Central Excise/Service Tax CAAP Team is receiving from their assessee are web pages and are expected to pull out the pertinent data around an ever evolving language. The CAAP Auditors may locate the data source and ask assessee to save in a different format out of the source database. The format could be MS-Excel, Print, Delimited, PDF, Advance record definition editor, AS-400, dBase, Lotus, Microsoft Access, Microsoft Excel, ODBC, Print Report and Adobe PDF, SAP/AIS, Text (Delimited) and XML. If there is a web interface (where this reporting is coming from) then there is also a database back end which can save data in a different ways like Ms - Excel, Print, Delimited, PDF, Advanced record definition editor, AS 400, dBase, Lotus, Microsoft access, Microsoft Excel, ODBC, Print Report and Adobe PDF, SAP/AIS, Text (Delimited) and XML. In short, as a conclusion - given the nature of HTML files as indicated above, a direct import facility into IDEA Software will not be possible in IDEA. Workaround in terms of an IDEA Script Converter (HTML to Print Reports) could be tried but this is once again not comprehensive and fool-proof with large HTML Files. The assesseees are requested to provide data in MS-Excel, Print, Delimited, PDF formats as available to the CAAP Auditors.]

2. In the regard, the Trade is also advised to refer Part-III of Chapter -VI of Central Board of Excise and Customs (CBEC's) Center Excise Manual detailing Supplementary Instructions on Computer Assisted Audit Programme.

3. For any further details/ information on Computer Assisted Audit Programme, inquiries can be made at the below given address where CAAP Laboratory of your jurisdictional Central Excise Commissionerate is stationed.

**Office of the Commissioner of Central Excise, Pune-III Commissionerate  
Audit wing (CAAP Lab) Head Quarters, Pune- 411 001**

*Av-03/05*  
(B.S.VASUDEV)  
COMMISSIONER

F. No. VGN (30)80/Trade Notice/10-11  
Pune, the April-2011

Copy to:-

- The Secretary, CBEC, New Delhi.
- The Deputy Secretary, GIMFDR, New Delhi.
- D.G.I.C.C.E., New Delhi.
- The Chief Commissioner, Central Excise & Customs, Pune.
- The Commissioner, Pune -I/II/III /Customs/Appeals-I/II/III, Pune.
- A.C.I.O.W.R.U., Mumbai, CERA, Mumbai, Joint Director, D.G.C.E.I.  
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- Deputy Chief Chemist, Mumbai.
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- Central Excise Bar Association, Mumbai.
- All Members of RAC / PGC in the Commissionerate.
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