





the auditor may find it necessary to elicit additional information from importer or seek clarifications from him. It needs to be realized that the ease of eliciting such information from the importer will be considerably diluted, during PCA stage as compared to the promptness with which replies to queries raised during live processing of Bills are received. Thus queries during the audit process have to be limited to the minimum and should be resorted only where there is a real information gap. Pending introduction of the feature, queries have to be raised, manually by the auditor, from audit files, after obtaining approval of AC / DC (Audit). The queries have to be despatched by post to the CHA / Importer and may also be sent by email.

- (ii) After receipt of reply from CHA / Importer, if the audit officer decides that there is no audit point apparent in the BE, then he will mark the BE to AC/DC (Audit). If AC/DC (Audit) concurs then the BE will be sent to history after generation of an EOD message to the RMS. If the AC/DC (Audit) finds it necessary to revisit the bill of entry, he may send it back to Audit Officer with his comments.
- (iii) On the contrary if the Audit Officer detects an audit point he will be in a position to alter the parameters like value, quantity, notification claimed, item description etc., (in very much the same manner as is currently done by the appraiser during assessment of a live BE) by himself, or mark the BE to the AC/DC (Audit) for confirmation and issue of a consultative letter or demand note. The CL or a demand note will be issued only if the same is further approved by ADC/ JC (Audit). In the abridged version , the facility of changing the parameters is restricted to duty linked parameters like notifications, rates of duty etc., Value linked parameters like loading (item level/invoice level), quantity, enhancement of unit price, are not currently available . These will be provided in the full version. Thus if the consultative letter/ SCN requires a change in the parameters that are currently not available on the system, then the duty computation has to be done offline in the file. However such details should be entered in the departmental comments field in the ICES. It is reiterated that issue of a consultative letter / SCN will happen only with the prior approval of Additional/Joint Commissioner (Audit). The abridged version also does not currently have the provision for system generated issue of consultative letter / SCN with duty quantification. This will be made available in the full feature version. Pending the roll-out of the full version, the duty

computation and issue of consultative letter/ SCN should be done, manually from the audit files after obtaining the necessary approvals.

(iv) The PCA workflow in the ICES also envisages generation and issue of advisories to the importer. Monitoring and improving the data quality of declarations by the importer is one of the important functions of the Audit in the post-audit regime. ♦ Audit officers can issue advisories to the importer with a view to improving data quality of declarations. ♦ An advisory will work in a manner similar to a query and will be issued only after approval by AC/DC (Audit). ♦ The key difference between a query and an advisory is that while a query is a request for information/ documents from the importer, and holds up the BE from further processing until a reply is received, no reply is envisaged for an advisory. Advisories should be resorted to in cases not involving revenue implications. ♦ The facility for issue of advisories through the ICES will be enabled in the full version. Pending the same, the advisories can be issued manually from the audit files.

(v) If the Audit Officer decides to raise an audit point which has revenue implications he can propose one of the following options to the AC/DC (Audit) for approval : ♦

1. Issue of a consultative letter (Compliance advisory)

2. Issue of a demand note

A consultative letter is a mechanism to promote the culture of voluntary compliance by importers in the audit process. ♦ It is a tool to operationalise the benefits to the importer by paying up the duty/ interest indicated in the consultative letter. The consultative letter has to be approved by AC/DC (Audit) and further by ADC/JC (Audit) before being issued to the importer. ♦ On receipt of the Consultative Letter the importer is expected to comply with the same within 30 days of issue. If he agrees to pay the amount indicated in the consultative letter, then the ICES will generate a challan for the differential duty with interest, and provides for capture of payment details also. ♦ After the payment details are captured, a message will be sent to the RMS and the BE will move to history in the ICES. If the importer does not agree with the consultative letter, or simply refuses to respond within the stipulated period, the Audit Officer can propose issue of a demand note, which may be issued after consideration and approval by AC/DC (Audit) and ADC/JC

(Audit). These activities have to be done manually at present pending the introduction of the full feature module.

The Audit Officer can, instead of proposing issue of a consultative letter upon detection of short levy or non-levy or short payment or non-payment, propose immediate and direct issue of a demand note. This may be necessary in cases where wilful misdeclaration, fraud, suppression clauses have to be invoked and where a consultative letter may not be the right course of action and a demand note could be issued directly. The demand note will have to be issued manually at present. After the introduction of the full module, the ICES will issue the demand note (SCN) after the auditors enter the basic information.

(vii) Upon issue of a demand note, the adjudication takes place offline and the net result of first adjudication will also be captured on the ICES. The details of demand confirmed/dropped, penalties and fines imposed will be captured in the ICES and sent to the RMS. These features will also be available in the full version. After sending the details to the ICES the BE will move into history.

#### 16. Ensuring Availability of dockets for PCA:

As is apparent from the above, effective working of PCA depends critically on availability of dockets with the audit officers. The designated officer in the audit section will generate a report of daily list of BE selected for PCA, using the report made available on the LRM for this purpose. Copies of this report should be sent to AC/DC shed. AC/DC should nominate an officer under his charge and entrust him with the responsibility of segregating dockets as per the list circulated by audit. The dockets (with the checklists) selected for PCA should be aggregated and sent to Audit section with a covering note giving the list of BEs being sent. The receipts of the dockets will be acknowledged by audit section by an officer designated for this purpose by the AC/DC (audit). The rest of the dockets should be sent to the CRA with a forwarding memo listing the BE Nos as per existing practice.

(i) BEs will be pooled before Audit Officer (AO/ Superintendent) who has to pick BEs for audit, from the pool, in the manner dictated inter alia by availability of customs docket for the said BE. During the course of audit, the auditor may find it necessary to elicit additional information from importer or seek clarifications from him. It needs to be realized that the ease of eliciting such information from the importer will be considerably diluted, during PCA stage as compared to the promptness with which replies to

queries raised during live processing of Bills are received. Thus queries during the audit process have to be limited to the minimum and should be resorted only where there is a real information gap. Pending introduction of the feature, queries have to be raised, manually by the auditor, from audit files, after obtaining approval of AC / DC (Audit). The queries have to be despatched by post to the CHA / Importer and may also be sent by email.

- (ii) After receipt of reply from CHA / Importer, if the audit officer decides that there is no audit point apparent in the BE, then he will mark the BE to AC/DC (Audit). If AC/DC (Audit) concurs then the BE will be sent to history after generation of an EOD message to the RMS. If the AC/DC (Audit) finds it necessary to revisit the bill of entry, he may send it back to Audit Officer with his comments.
- (iii) On the contrary if the Audit Officer detects an audit point he will be in a position to alter the parameters like value, quantity, notification claimed, item description etc., (in very much the same manner as is currently done by the appraiser during assessment of a live BE) by himself, or mark the BE to the AC/DC (Audit) for confirmation and issue of a consultative letter or demand note. The CL or a demand note will be issued only if the same is further approved by ADC/ JC (Audit). In the abridged version , the facility of changing the parameters is restricted to duty linked parameters like notifications, rates of duty etc., Value linked parameters like loading (item level/invoice level), quantity, enhancement of unit price, are not currently available . These will be provided in the full version. Thus if the consultative letter/ SCN requires a change in the parameters that are currently not available on the system, then the duty computation has to be done offline in the file. However such details should be entered in the departmental comments field in the ICES. It is reiterated that issue of a consultative letter / SCN will happen only with the prior approval of Additional/Joint Commissioner (Audit). The abridged version also does not currently have the provision for system generated issue of consultative letter / SCN with duty quantification. This will be made available in the full feature version. Pending the roll-out of the full version, the duty computation and issue of consultative letter/ SCN should be done, manually from the audit files after obtaining the necessary approvals.
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the Audit in the post-audit regime.❖ Audit officers can issue advisories to the importer with a view to improving data quality of declarations.❖ An advisory will work in a manner similar to a query and will be issued only after approval by AC/DC (Audit).❖ The key difference between a query and an advisory is that while a query is a request for information/ documents from the importer, and holds up the BE from further processing until a reply is received, no reply is envisaged for an advisory. Advisories should be resorted to in cases not involving revenue implications.❖ The facility for issue of advisories through the ICES will be enabled in the full version. Pending the same, the advisories can be issued manually from the audit files.

(v) If the Audit Officer decides to raise an audit point which has revenue implications he can propose one of the following options to the AC/DC (Audit) for approval :❖

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where wilful misdeclaration, fraud, suppression clauses have to be invoked and where a consultative letter may not be the right course of action and a demand note could be issued directly.◆ The demand note will have to be issued manually at present. After the introduction of the full module, the ICES will issue the demand note (SCN) after the auditors enter the basic information.

(vii) ◆◆◆ Upon issue of a demand note, the adjudication takes place offline and the net result of first adjudication will also be captured on the ICES.◆ The details of demand confirmed/dropped, penalties and fines imposed will be captured in the ICES and sent to the RMS.◆ These features will also be available in the full version. After sending the details to the ICES the BE will move into history.

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