



OFFICE OF THE COMMISSIONER OF CUSTOMS, NS-V,
JAWAHARLAL NEHRU CUSTOM HOUSE,
NHAVA SHEVA, URAN, RAIGAD, MAHARASHTRA – 400 707

F. No. S/2-MISC-30/2016-17/IAD (I)-JNCH

Date: 27.04.2018

STANDING ORDER NO. 13/2018

Subject: Procedure followed in Internal Audit Department-reg.

Attention of all officers under the jurisdiction of JNCH is invited to the procedure followed in IAD Section and Board's Circular No. 1023/11/2016-CX dated 08.04.2016. IAD Section primarily looks into audit of refunds, manual bills of entry, provisional bills of entry of project import & act as coordinating unit between CRA & groups/sections regarding compliance of Audit Memo (AM), Statement of Facts (SOF), Draft Audit Para (DAP) & Audit Para (AP) till their closure.

IAD is a centralized unit for maintenance of records of replies from the Group/Section concerned. Internal Audit Department deals with the receipt and further dissemination of CRA objections to the group/section concerned & maintenance of statistical records of AM, SOF, DAP and AP at all stages. Keeping in view the importance of prompt action that is required to be taken in respect of CRA objections, it is felt that there is an urgent need to devise standard operating procedure to be adopted by the IAD and other Section under the jurisdiction of JNCH to ensure proper record of the CRA objections and the timely submissions of the replies by the groups/sections concerned to the CRA.

In view of above, it has been decided that the following SOP shall be followed for all matters regarding CRA objection.

Audit Memo (AM)/ Local Audit Report (LAR):

- i. Audit Memo is generally issued by the Sr. Audit Officer, CRA, JNCH, whereas LAR containing audit paragraphs is generally issued by the Headquarters of the local C&AG office to the Assistant/Deputy Commissioner of Customs.
- ii. On receipt of the CRA objection letter along with the Local Audit Report (LAR) or Audit Memo (AM) in IAD, a separate file is opened. Each and every Audit Memo is then forwarded to group/section concerned for compliance report on the objection raised and a copy of same should be also forwarded to PCA Section to bring the issue in their knowledge.
- iii. After the receipt of the audit objection in the group/section concerned it is duty of the AC/DC of the section to monitor the issue so that reply can be sent within 30 days. The reply of the Group/Section should send their Action Taken Report (ATR) along with the recovery to IAD. IAD will forward the replies to CRA after replies

- vetted by the Commissioner. IAD section will also maintain centralized record of all the objections and update status of the cases from time to time.
- iv. It must be ensured that the reply of AM/LAR must be given **within 30 days**.
 - v. Till the reply is not sent by the section concerned, the status of the said objection in the MPR should remain as “Reply not sent” and as soon as the reply is sent the status of the case should be changed to “Reply Sent”. If audit objection is admitted the status of recovery should be sent by the group/section and if not admitted the proper reason for not accepting the objection is required to be given by the group/section to IAD.
 - vi. Accordingly, the CRA will inform whether the same is accepted and considered for closure or otherwise. On receipt of closure letter from the CRA an entry is required to be noted in the register maintained by IAD. IAD will then communicate the same to concerned group/section who will update data in their MTR for the said month.

Statement of facts (SOF):

- i. SOF is issued to jurisdictional Commissioner/Addl. Commissioner on the major audit observation which may feature in Audit Reports.
- ii. It has been decided that SoF shall be **replied within six weeks** where the audit objection is not contested.
- iii. Where the audit objection is contested and :-
 - a.) duty involved in the audit objection is rupees fifty lakhs or less, SoF shall be replied with the approval of the Commissioner of Customs.
 - b.) duty involved is higher than fifty lakhs, SoF shall be replied with the approval of Chief Commissioner of Customs.
 - c.) Detailed reasons for contesting the audit objection should be recorded in the file quoting relevant case-laws and circular.
- iv. After approval from the Commissioner/Addl. Commissioner the replies will be forwarded to IAD, who will keep centralized records of all SoF's.
- v. Final reply to CRA will be forwarded by IAD.
- vi. Accordingly, the CRA will inform whether the same is accepted and considered for closure or otherwise. On receipt of closure letter from the CRA an entry is required to be noted in the register maintained by IAD. IAD will then communicate the same to concerned group/section who will update data in their MTR for the said month.

Draft Audit Para (DAP):

- i. Potential audit Paragraphs considered fit for Audit Report are issued by the C&AG officer to the Ministry (CBIC) as DAP. The same is then forwarded by the CBIC to the concerned Chief Commissioner's Office.
- ii. The reply of the DAP must be given **within 03 days of** its receipt in prescribed format viz. Appendix 3 signed by the jurisdictional commissioner.

- iii. After approval from the Commissioner the replies will be forwarded to IAD, who will keep centralized records of all DAP's and IAD will forward the reply to the Chief Commissioner's Office.
- iv. Final reply of the DAP will be forwarded to the Board by Chief Commissioner Office.
- v. Accordingly, the Board will inform whether the DAP is accepted and considered for closure or otherwise. On receipt of closure letter from the Board an entry is required to be noted in the register maintained by IAD. IAD will then communicate the same to concerned group/section who will update data in their MTR for the said month.

Audit Para (AP):

- i. C& AG office after considering the reply of CBIC may convert a DAP into Audit Paragraph. Audit Paragraphs are periodically compiled and are submitted by the office of C&AG to the Parliament in the form of report called Audit Report.
- ii. Concerned Commissionerate is expected to furnish an Action Taken Note on concerned paragraphs in the Audit Report **within 03 days**. The reply should be forwarded to Board for onward submission to C & AG by IAD, JNCH.
- iii. If admitted the status of recovery should be sent and if not admitted the proper reason should be stated for not accepting the objection. Accordingly the Board will decide and the same will be accepted and considered for closure or otherwise.
- iv. After approval from the Commissioner the replies will be forwarded to IAD, who will keep centralized records of all AP's and IAD will forward the reply to Chief Commissioner Office.
- v. Final reply to Board will be forwarded by Chief Commissioner Office.
- vi. Accordingly, the Board will inform whether the Audit Para is accepted and considered for closure or otherwise. On receipt of closure letter from the Board an entry is required to be noted in the register maintained by IAD. IAD will then communicate the same to concerned group/section who will update data in their MTR for the said month.

Internal Audit Department section should also prepare Monthly Performance Report (Commissionerate wise) with the numbers of AMs, SoFs, DAPs, APs (age wise) pertaining to each group with all the details such as when these cases have been received, whether reply sent or not, how much revenue involved, what are the current status of the cases etc.

As soon as the AM converted into SOF the AM will be considered as closed and a new entry of SOF will be shown in MTR, and similar process on same line is adopted in the case of conversion from SOF to DAP and DAP to AP.

Pre-Audit of refund:

The IAD section also undertakes the work related to Audit of files related to refunds & manual bills of entry. All refund files where amount in application for refund is more than Rs 5 Lacs are required to be sent to IAD (Import) section for audit before sanctioning of Refund. The application of refund of amount below Rs. 50,000/- may be post-audited on the basis of the random selection by Deputy/Assistant Commissioner (Audit). The selection can be made in such a way that 25 per cent of the refund applications are post-audited. The applications of refund between Rs. 50,000/- and Rs. 5,00,000/- should be compulsorily post-audited. Post Audit of the refund claims (claims < Rs. 5 lakhs) has to be completed within one and half months of issuance of Refund Order by the concerned Section. The AC (CRC) I, II-A & II-B shall ensure that all the refund files where amount is less than Rs. 5 lakhs are forwarded to the DOS (Audit) immediately after the issuance of Refund Order for the Post Audit and a record of the same will be maintained in concerned section. All the sections have to ensure that the refund file is complete in accordance with notification no.102/2007 – cus dated 14/09/2007 before sending the file for Pre-Audit. All supporting documents and duty payment challans on which refund is based are also required to be invariably sent with the file.

On receipt of the file in the IAD (Import) Section, the B/Es & TR6 challans are to be verified by the Tax Assistant. Thereafter, the file is required to be scrutinize by Examiners & Appraisers.

The Audit of the refund files should invariably cover the verification of following aspects:

- (i) Whether the claim was filed within the statutory time limit from the relevant date.
- (ii) Whether the claim is admissible on merits.
- (iii) Whether the refund can be sanctioned to the claimant in view of possible unjust enrichment.
- (iv) The arithmetical accuracy of the claim and the existence of all the prescribed original documents.

Thereafter, Pre-audit of all refund claims will be conducted by the Assistant/Deputy Commissioner of the IAD (Import). After that file should be returned to the concerned section for further action.

All manual bills of entry of JNCH are to be sent to IAD (I) section before finalization for pre-audit. All manual bills of entry for Project Import are to be sent to IAD (I) section before finalization and file need to be complete in accordance with Circular No.22/2011-Customs & standing order no. 38/2009 dated 01.09.2009. The essential documents such as B/E, Import invoice, bill of lading, IGM copy & other relevant document required on case to case basis must be placed in the file. IAD (I) will then conduct audit of all their documents before approving the assessment.

All the Officers concerned are hereby directed to follow the above mentioned instructions scrupulously. Difficulties, if any, in this regard may be brought to the notice of the

Deputy/Assistant Commissioner in charge of Internal Audit Department, NS-V (E-mail address: Importiadjnch@gmail.com)

Sd/-

(Vijay Singh Chauhan)

Commissioner of Customs (NS-V)

Copy to:

1. The Chief Commissioner of Customs, Mumbai Zone-II, JNCH.
2. The Commissioner of Customs, Mumbai Zone-II, JNCH.
3. All Additional / Joint Commissioners of Customs, JNCH.
4. All Deputy / Assistant Commissioner of Customs, JNCH.
5. All Sections / Groups of NS-G/ NS-I/ NS-II / NS-III/ NS-IV / NS-V, JNCH.
6. AC/DC, EDI for uploading on JNCH website immediately.