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(Internal Audit)

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE : DEPARTMENT OF REVENUE  
OFFICE OF THE COMMISSIONER OF CENTRAL EXCISE & SERVICE TAX  
No.1, WILLIAMS ROAD, TRICHIRAPALLI – 620 001

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TRADE NOTICE NO.5/2009

Dated: 22.06.2009

Sub: Computer Assisted Audit Programme (CAAP) – Auditing In  
An Electronic Environment – Regarding.

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Copy of instruction on Computer Assisted Audit Programme (CAAP)  
Auditing in an Electronic Environment is communicated herewith .

2. The contents of the Trade Notice may be brought to the knowledge of  
all constituent members of Trade Associations /Chambers of Commerce.  
(Issued from file C.NO.IV/16/02/2009-C.Ex.Pol)

Sd./-  
(R. SARAVANAKUMAR)  
JOINT COMMISSIONER(Tech)

To  
As per mailing list II/III.

Sub: Computer Assisted Audit Programme (CAAP) – Auditing In An Electronic Environment – Regarding.
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1. The Trade is informed that Computer Assisted Audit Programme (CAAP  
for the sake of brevity) Centre has been set up in the Head Quarters Audit  
Section for the purpose of conduct of audit in respect of those assesseees 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 electronic records, 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 auditor in an 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 starts with a meeting between the CAAP Auditor and assessee's Accounting / Systems staff. During the meeting, the CAAP Auditor would request for 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 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's electronic records
- (f) Back-up and Data retention methods used by the assessee
- (g) Data export options supported by the assessee's systems
- (h) Conversion of the assessee's 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 Disc (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 computers. The assessee can make a second copy of the same records provided to the CAAP Auditors.

(v) The auditor would next copy these records 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 records of interest to a number of reports.

(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 authorised 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 his CD returned back. The Computer Assisted Audit in no way causes any risk to the assessee's computer or electronic records. The CAAP auditor would only ask the assessee to make a copy of the assessee records.

(vii) In short, Computer Assisted Audit works by analysing a copy of assessee's electronically stored records that are provided to the CAAP auditor on a disk of 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.

2. In this regard, the Trade is also advised to refer to Part-III of Chapter-VI of Central Board of Excise & Customs (CBEC's) Central 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,  
Audit Wing (CAAP Lab), II Floor, Room No.217 (A-Wing),  
No.1, Williams Road, Cantonment, Trichirappalli-620 001