

No.1/41(18)/Guidelines-Circulars/AM12/Audit/ 568-603
Government of India
Ministry of Commerce and Industry
Department of Commerce
Directorate General of Foreign Trade
Udyog Bhawan, New Delhi

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Dated: 6th January, 2012

Subject : - Guidelines for the settlement of Audit Objection.

Instructions/guidelines have been issued from time to time urging upon Regional/Zonal offices of DGFT for timely settlement of the audit objections raised by different audit authorities. However, it has been observed from recent communications received from the Audit Authorities that adequate attention has not been paid. This has been considered as a serious matter which needs to be attended with the topmost priority.

2. In supersession of all earlier instructions/guidelines, it has now been decided that following steps must be taken to facilitate speedy settlement of all audit objections/memos in future.

- (i) Responsibility for settlement of audit objections shall lie with the concerned Jt.DG/Zonal Jt.DG who should monitor it constantly. Action Taken Note should be sent strictly within the time frame.
- (ii) The audit team conducting audit should be extended full co-operation, including production of relevant records with all required explanations.
- (iii) Efforts should be made to rectify the deficiencies and settle all audit objections before departure of the audit team. Discussion with the visiting audit team should be held by Head of Office on day to day basis so that the scope for objection is minimized.
- (iv) If required, clarifications/comments of the appropriate Policy Division in DGFT Hqrs should immediately be obtained by e-mail/Fax, and produced for the satisfaction of the audit party/authority.
- (v) Audit objections/memos must be settled at the preliminary stage. The concerned Jt.DG would ensure that sufficient steps for its settlement are taken at this stage. If required, he should also hold discussion with CRA/regional authority of C&AG/CAAA with all supporting documents.

- (vi) All such cases, prima facie considered fit for write-off, must be examined under the relevant provisions of Delegations of Financial Power Rules and specific proposal should be submitted to DGFT for consideration/approval. At present, the power of DGFT for write-off is limited to rupees twenty thousand only under DFPR (Schedule VII of DFPR may be referred).
 - (vii) Before moving the proposal for write-off, defaulter firm should be black-listed under the provisions of FT (D&R) Act and appropriate action should be taken for affecting recovery under FT (D&R) Act and Revenue Recovery Act.
 - (viii) Once the audit objections are converted into Draft Audit Para, it must be reported to the DGFT Hqrs for monitoring on priority and taking up with C&AG.
 - (ix) If audit objections/paras are by way of system/human failures, the steps should be suggested to avoid recurrence of the same.
 - (x) While settling audit objection/DAP/Audit Para, self-contained explanation of delay should be given. ATN must be given in the prescribed format and within the time frame.
 - (xi) Files pertaining to audit paras should be destroyed only after final settlement of audit objection by C&AG/CAAA.
 - (xii) In old cases where RAs are not able to settle audit objections because of non-availability of records, reference can be made to audit authority after satisfaction of the Zonal/Regional Authority for dropping of audit objections on merits of each case/corroborative evidence.
3. This issues with the approval of competent authority.

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To

All RAs / Jt. DGFTs / Zonal Jt. DGFTs.