

PRESENTATION
ON
PRECAUTIONS IN UPLOADING OF
TAX AUDIT REPORT

BY

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Documentations:

- Engagement Letters to Assessee (Client):
 - Auditor should send an Engagement Letter before the commencement of the engagement.
 - This clarifies the objective and scope of Audit and the extent of Auditor's Responsibilities to the Client
 - Contents of Engagement Letters:
 - a) Objective and Scope of the Audit of the Financial Statements. Restricted to the provisions contained in Section 44AB of the Income Tax Act, 1961
 - b) The Responsibilities of Auditor
 - c) The Responsibilities of Management
 - d) Identification of applicable financial reporting framework
 - e) Reference to the expected form and content of any reports to be issued by the auditor

DOCUMENTATIONS:

- NOC from prior Tax Auditor
 - This should be before accepting Audit Assignment.
- Authority Letter:
 - Take Authority Letter from Assessee for using his DSC for filing Tax Audit Report and approving Forms filed by Tax Auditor from his login.
- Signed Balance Sheets, Profit and Loss Accounts and other statements
 - Keep Scan copy of Signed Balance Sheets and Profit and Loss Accounts ready to attach along with Tax Audit Report.
 - Preferably take signatures of All Directors/ all Partners/ all trustees on respective Financial Statements

PREPARATIONS:

- Digital Signature Certificates (DSC) need to be verified for all clients and Chartered Accountants in firm. It will be difficult to get DSC in last moment.
 - Check expiry dates
 - Check whether it is getting attached on Portal
 - Confirm whether you have access to the login of Director's/ Partner's/ Trustee's/ Designated Partner's on Income Tax e-Portal.
 - Confirm whether DSC is updated on portal or not
 - Check Software update of respective Tokens like e-pass, etc..

Preparations

- Create format:
 - Create one format for working and reporting in Form 3CD.
 - Keep this format handy while doing audit itself so that all points of clause wise reporting in Tax Audit Report
 - It will be useful to keep track on all Audit Evidences
- Audit Evidences:
 - While filling data in Tax Audit Report, keep Audit Evidences for every reporting for cross checking

DISQUALIFICATIONS:

- KEEP EYE ON NUMBER OF AUDITS SIGNED (AUDIT U/S 44AD, 44ADA & 44AE NOT INCLUDED)
- Confirm that there is no disqualifications before accepting assignment as Tax Auditor.
 - The tax audit is to be carried out by an “accountant”. The term "accountant" has been defined in sub-clause (i) of Explanation to section 44AB as under:

“For the purposes of this section, -

(i) "accountant" shall have the same meaning as in the Explanation below sub-section (2) of section 288;”.
 - Explanation to Sub-section (2) of Section 288:
 - Section 141 (3) of the Companies Act, 2013 in case of Company
 - In any other case:
 - i. Partner, member of Association or family
 - ii. Sub-section (3) of Section 13 in case of Trust or institution
 - iii. The person who is competent to verify return under section 139 in accordance with Section 140
 - iv. Any relative of Clauses (i), (ii) and (iii)
 - v. Officer or Employee
 - vi. Partner or employee of an Officer or Employee of assessee
 - vii. Is holding security of or interest in Assessee
 - viii. Is indebted to the Assessee
 - ix. Has given guarantee of any third person to the Assessee
 - x. Direct or indirect business relationship with the Assessee
 - xi. A person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from a date of such conviction

GUIDANCE NOTES AND PROVISIONS

- **GUIDANCE NOTES ON TAX AUDIT REPORT ISSUED BY ICAI:**
 - Latest Draft issued by ICAI on 22.07.23 applicable from AY 23-24 (yet to be finalized)
 - Refer Guidance Notes issued by ICAI on Tax Audit Report from time to time.
 - Clause wise instructions will reduce litigations
 - For example, latest litigations due to reporting in clause 16 related to other income or other receipts of the Assessee.
- **PROVISIONS OF INCOME TAX ACT, 1961**
 - All Provisions of Sections considered in Form 3CD should be referred properly before reporting

COMPARISON OF TAX AUDIT REPORT AND COMPUTATION OF TOTAL INCOME (ITR Form)

- Though it is not our duty or responsibility to file Income Tax Return of the Assessee, comparing data feed in Tax Audit Report and Computation of Total Income will avoid many future litigations.
- Nowadays, every software provides this analysis for comparing data. But, still it is advisable to manually check the data before filing of tax audit report to identify clerical mistakes if any.
- Reporting of Clauses and ICDS should get reflected in Computation of Total Income (ITR Form).

REVISION OF TAX AUDIT REPORT

- Report under section 44AB should not normally be revised. However, sometimes an Auditor may be required to revise his tax audit report on grounds such as:
 - revision of accounts of a company after its adoption in annual general meeting.
 - change of law e.g. retrospective amendment.
 - change in interpretation, e.g. CBDT Circular, judgements, etc.