CEDAR
Centre of Excellence in Digital Audit of Revenue

1. Introduction

Technology is playing a significant role in modern day governance and several e-Governance initiatives and technology-intensive mission-mode projects have been launched to enhance the quality of service delivery. The pace of tax reforms and the rapidly evolving changes in governance such as digitization, integrated Information Technology platforms, unification of diverse taxes, simplification, non-intrusive tax administration and paperless assessments are not only ushering in speed, scale and improved quality of service but importantly leading to a non-discretionary regime of governance.

From the auditor's perspective, therefore, the reforms in tax administration leveraging technology bring in both challenges and opportunities in the discharge of constitutional responsibilities of the Comptroller and Auditor General of India (CAG). The Indian Audit and Accounts Department has, in right earnest, commenced groundwork for preparing the Department for auditing in the digital era of revenue administration. This was one of the themes that was extensively deliberated in the conference of the Accountants General in October 2016. Over the past few months since then, as an ongoing process, we have been reflecting on the following:

- Strategy to effectively execute our audit mandate in the digital regime

- Restructuring our audit methodology and reporting

- Employing non- intrusive techniques of auditing

- Embracing new age technology

After having pondered over various approaches and perspectives, we have considered that developing a knowledge base and a National Centre of Excellence for Revenue Audit, which will act as a nodal agency for conducting research and data analysis for Revenue Audit is the way forward.

2. CEDAR as the National Centre of Excellence

The National Centre of Excellence is designed to facilitate data analytics and digital audit of revenue. The benefits envisaged from this centre are as under:

a) The data repository of centralized data bank of Tax and Non-Tax data bases of both Central and State Governments would enable analysis of

inter-linkages of databases as well as maintenance, back up and security of data easier

b) The capacity and skill sets of limited core domain experts in Revenue Audit would be optimally leveraged

c) The capacity of geographically dispersed field offices would be augmented by services of qualified consultants centrally as well as by using sophisticated data analytic tools ubiquitously in a cost effective way.

The national centre was christened as Centre of Excellence in Digital Audit of Revenue (CEDAR) and was inaugurated by the CAG on August 30, 2017. CEDAR is located in the Regional Training Centre at Bengaluru.

As a part of the inaugural function, the Central Revenue Audit wing of the CAG had released an e-digest of articles on GST and showcased prototypes of a digital audit report, a dashboard of customs related data for audit planning and an online self-assessment testing tool on GST. The important role that CEDAR will play in running and administering the End to End (E2E) IT solution for digital audit of GST was also presented.

A CEDAR webpage http://cedar.gov.in had been launched by CAG which contains an online self-assessment tool on GST to demonstrate the department's intent and capability to achieve the Centre's objectives of Digitisation, data analytics, research and knowledge sharing that will eventually lead to enhanced efficiency, transparency, and accountability in conduct of audit.

3. CEDAR - Mission

The CEDAR was set up with a motto of integrating experience with knowledge in striving towards excellence and with a mission to:

a) guide the revenue audit offices under the Comptroller and Auditor General of India for the effective conduct of audit in an increasingly digitised environment by equipping them with the necessary knowledge and skill including the extensive use data analytics

b) mentor the revenue audit offices under the Comptroller and Auditor General of India to cope with the fast changing scenario of revenue generation, assessment and collection in the country

c) evolve new methodologies and models, especially in the emerging areas relevant to revenue audit

4. CEDAR - Objectives

The objectives set out for CEDAR are to:

a) serve as a Central Repository of data for multiple databases and for development of standard models to cross link and analyse those databases.

b) dovetail the expertise in Revenue audit with IT audit skills by ensuring optimal utilization of such experience.

c) provide a common platform for knowledge sharing among officials who develop micro-specialisation in specific areas of revenue audit.

d) carry out research in specialized areas as well as emerging concepts in Revenue Audit.

e) provide specialized training in digital auditing and use of data analytics in all phases of audit.

5. CEDAR – Growth and implementation strategy

The growth trajectory envisaged is to achieve the objectives set out for CEDAR in a time span of three years with a phased out implementation strategy. The stage wise goals envisaged are as under:

Stage 1 - Initial Setting up – Scope of activities

a. Evolving a standard risk analysis methodology for adaptation by respective field offices

b. Collect, collate and analyse all central revenue related data from Headquarters and all PDACs - to develop insights

c. Collect, collate and analyse data for lead offices for performance audits and Subject Specific compliance audits - with reference to their objectives

d. Assist the field offices in finalising their audit plan by providing outputs from a, b & c above

Stage 2 - Scope of activities

a. Evolving specific revenue area specialization – Income Tax, GST, Customs and provide inputs to field offices on demand

b. Research in emerging areas relevant to revenue audit including international best practices

    c. Comparative study of tax compliance in other countries through review of audit reports of other SAIs

    d. Preparing background materials for planning of performance audits and Subject Specific compliance audits to be undertaken by the field offices

    e. Prepare standard methodology and template for GST audit

Stage 3 - Steady state functioning- Scope of activities

    a. Strengthening and consolidating on the areas initiated in the earlier 2 stages

    b. Publication of high quality journal devoted to different aspects of revenue audit - targeted at Indian as well as international SAIs

    c. Development of web resources for discussion and knowledge sharing

    d. Development of models for conducting audit in emerging areas of revenue audit - especially in the digital environment

    e. Organising regular workshops and seminars for knowledge sharing

    f. Interaction with revenue departments and ministries

    g. Developing expertise in relation to state revenues

6. CEDAR – Present role and initiatives

CEDAR has established the basic infrastructure in terms of hardware, network connectivity and manpower and its domain cedar.gov.in has also been registered. CEDAR is in the process of augmenting requisite infrastructure exclusively for carrying out data analytics of revenue data.

CEDAR is currently featuring the following on its website and has provided secure access credentials to user offices:

- **GST summary data**: provided by GSTN on registration, returns and refunds

- **Database of GST Audit observations**: raised by field audit offices as a knowledge sharing mechanism amongst all GST Audit offices-PD Central Offices and State ERSA Offices.

- **GST online Self Assessment Tool (Go-SAT):** As a means for augmenting and continuously upgrading domain knowledge, technical skills and capacity of staff in the revenue audit stream for auditing in the GST regime, CEDAR hosts a self-assessment tool. The tool features a question bank on various provisions of GST and facilitates registered users either to

take predefined tests or configure topic specific customised tests for self-evaluation. This tool could also be used by Regional Training Institutes within the Department to evaluate participants at the end of the various GST courses. For a start, access to this tool has been provided to the Regional Training Institute, Chennai.

Interactive Digital Audit Report: CEDAR had facilitated the publishing of the first interactive digital audit report- Report of the CAG on Performance Audit of Working of Inland Container Depots and Container Freight Stations. The interactive report both in English and Hindi versions is featured on the CEDAR website.

Data analytics: CEDAR is also presently involved in risk analysis of digitized data on customs provided by the department to feed into the planning and conducting of compliance audit of customs for the ensuing year 2019-20.

Training: Considering the increasing digitization of audited entities both in the Direct and Indirect Taxes and our endeavour to move to digital audit, there is an inherent need to enhance the pool of domain expertise and skill sets for data analytics within the revenue audit stream. CEDAR, established to serve as the data repository of revenue databases, is preparing to provide hands-on training to revenue auditors using revenue data sets and tax data provided by the audited entities.

7. Way forward

Since its inception in August 2017, CEDAR has embarked on achieving the pioneering initiative of a full-fledged digital audit of revenue. CEDAR is in the process of augmenting infrastructure and capacities while harnessing the domain knowledge and existing skill sets. Considering the rapid changes in technology, the IT hardware infrastructure is being augmented by adopting the generic principles of scalability, redundancy and upgradability. Over the next one year, the outcome of many of the CEDAR's initiatives would be more tangible and CEDAR would evolve as a lighthouse in steering the course of revenue audit of the Department in the digital age.