



CMA Ashok Nawal

Founder-Bizsol India Services Pvt. Ltd

ARE YOU PREPARED FOR DEPARTMENTAL AUDIT BY GST OFFICERS?

Section 35 of CGST Act 2017 has been amended and thereby Annual Return to be reconciled with books of accounts in Form GSTR-9C is required to be self-certified even for the year 2020-21. Therefore, State and Central GST Officers have already equipped with conducting GST Audit and started extensive training to their officers including publishing GST Audit Manual by CBIC as well as Karnataka Commercial Department. This audit will be somewhat different than that of EA-2000 Audit in the Central Excise Era or VAT Assessment by the State officers.

Departmental Audit will be carried out systematically audit and procedure thereof has been well clarified in the GST Audit Manual.

This Article provides the details w.r.t. GST Audit in the four segments:

1. Legal Provisions w.r.t. Departmental Audit, Objective & planning thereof & Methodology
2. Analysis / Desk Review prior to the start of Audit
3. Audit on the Field
4. Action Points After Audit

A. Legal Provisions w.r.t. Departmental Audit, Objective & planning thereof & Methodology

• Legal Provisions:

Section 65 of CGST Act 2017 provides for the audit

- (1) The Commissioner or any officer authorised by him, by way of a general or a **specific order**, may undertake audit of any registered person for such period, **at such frequency** and in such manner as may be prescribed.
- (2) The officers referred to in sub-section (1) may **conduct audit at the place of business of the registered person or in their office**.
- (3) The registered person shall be informed **by way of a notice not less than fifteen working days** prior to the conduct of audit in such manner as may be prescribed.
- (4) The audit under sub-section (1) shall be completed **within a period of three months** from the date of commencement of the audit:

Provided that where the Commissioner is satisfied that audit in respect of such registered person cannot be completed within three months, he may, for the reasons to be recorded in writing, **extend the period by a further period not exceeding six months.**

Explanation:

For the purposes of this sub-section, the expression “commencement of audit” shall mean the date on which the records and other documents, called for by the tax authorities, are made available by the registered person or the actual institution of audit at the place of business, whichever is later.

- (5) During the course of audit, the authorised officer may require the registered person,—
 - (i) to **afford him the necessary facility to verify the books of account** or other documents as he may require;
 - (ii) to furnish such information as he may require **and render assistance for timely completion of the audit.**
- (6) On conclusion of audit, the proper officer shall, **within thirty days**, inform the registered person, whose records are audited, about the findings, his rights and obligations and the reasons for such findings.
- (7) Where the audit conducted under sub-section (1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action under section 73 or section 74.

Similarly Rule 101 of CGST Rules 2017 specifies the Rule w.r.t. Departmental Audit

101. Audit.-(1) The period of audit to be conducted under sub-section (1) of section 65 shall be a financial year or multiples thereof.

(2) Where it is decided to undertake the audit of a registered person in accordance with the provisions of section 65, the proper officer shall issue a notice in **FORM GST ADT-01** in accordance with the provisions of sub-section (3) of the said section.

(3) The proper officer authorised to conduct audit of the records and the books of account of the registered person shall, with the assistance of the team of officers and officials accompanying him, verify the documents on the basis of which the books of account are maintained and the returns and statements furnished under the provisions of the Act and the rules made thereunder, the correctness of the turnover, exemptions and deductions claimed, the rate of tax applied in respect of the supply of goods or services or both, the input tax credit availed and utilised, refund claimed, and other relevant issues and record the observations in his audit notes.

(4) The proper officer may inform the registered person of the discrepancies noticed, if any, as observed in the audit and the said person may file his reply and the proper officer shall finalise the findings of the audit after due consideration of the reply furnished.

(5) On conclusion of the audit, the proper officer shall inform the findings of audit to the registered person in accordance with the provisions of sub-section (6) of section 65 in **FORM GST ADT-02.**

- **Objective & planning thereof**

Ensure No Short Payment and Identification of Risk based on the Parameters.

- (a) Detailed examination of
 - (i) records,
 - (ii) returns and
 - (iii) other documents - maintained / furnished by a registered person, under GST law/any other law or rules;

- (b) For verification of correctness of -
- (i) turnover declared;
 - (ii) Taxes paid
 - (iii) refund claimed;
 - (iv) input tax credit availed; and
 - (v) assessment of compliances with provisions of GST law and rules.

• **Duration of Audit**

- i. Large taxpayers – 6 to 8 working days
- ii. Medium taxpayers – 4 to 6 working days.
- iii. Small taxpayers – 2 to 4 working days (including audit of the Deductor, who fall under the provisions of Section 51 of CGST Act, 2017 {who pay TDS} and operators who collect tax at source as per provisions of Section 52 of CGST Act, 2017

• **Methodology**

- Creation of Audit teams.
- Preparation of schedule on the basis of the risk assessment list provided by DG (Audit). The same is divided into annual and quarterly audit schedules.
- Allotment of taxpayers to the audit groups.
- Intimation to the Registered Person (GST ADT-01)
- Reviewing the taxpayer data - Tax Payer at a Glance (TAG), Registration, Returns, Payments, Dispute Resolution, Audit Report Utility, E-way bills & Third Party data if available.
- Conducting desk review in offline / online mode (wherever available) and uploading the result of desk review.
- Preparing the audit plan in offline / online mode (wherever available) and uploading the audit plan.
- Carrying out verification and uploading the verification report, within twenty four hours of completion of audit.
- Creation of Audit teams.
- Preparation of schedule on the basis of the risk assessment list provided by DG (Audit). The same is divided into annual and quarterly audit schedules.
- Allotment of taxpayers to the audit groups.
- Intimation to the Registered Person (GST ADT-01)
- Reviewing the taxpayer data - Tax Payer at a Glance (TAG), Registration, Returns, Payments, Dispute Resolution, Audit Report Utility, E-way bills & Third Party data if available.
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- **Selection of Registered Persons for Audit**

- Method of selection based on risk assessment
- Preparation of audit schedule
- Annual plan for Audit Coverage (Audit year being – 1st April to 31st March)
- Theme based coordinated audits
- Accredited status for deferring frequency of audit

- **Audit of Books & Records.**

- **Records to be maintained by registered persons for each registration separately including principal place of business & additional place of business**
 - Goods or services imported and Exported
 - Supplies attracting payment of tax
 - Supplies attracting payment of tax on reverse charge
 - Stock of goods supplied / received - opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples including raw materials, finished goods, scrap and wastage thereof
 - Monthly production accounts with quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof
 - Quantitative details of goods used in the provision of each service, details of input services utilized and the services supplied
 - Advances received, paid and adjustments made thereto – Refund Vouchers / Payment Vouchers
 - Details of tax payable, tax collected and paid, input tax, input tax credit claimed
 - Register of tax invoice, credit note, debit note, delivery challan issued or received during any tax period
 - Names and complete addresses of suppliers / customers / recipients
 - Complete addresses of the premises where the goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein
 - Relevant documents viz invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers and e-way bills, etc

B. Analysis / Desk Review prior to the start of Audit

(a) Start of the Audit

- Understanding the business of the auditee
- Understanding the software used
- Special attention to transactions not appearing in the financial accounts

- Registration
 - Core Changes
 - Non-Core Changes
 - ISD
- Masters
 - Customer
 - Suppliers
 - Items with HSN
 - Services with SAC
 - Tax Codes
 - ITC Entitlement
- Applicability of GST
 - Aggregate Turnover
 - Threshold Limit
 - Composition Scheme
- Outward Supply & Determination of Tax Liability
- Inward Supply & Eligible ITC & Reversal of ITC

(b) List of Documents to be furnished prior to the audit

Following documents (duly self-attested) may be furnished to department :

1. Annexure – GSTAM-I, Annexure – GSTAM-V and Annexure-GSTAM-VI as per the proforma prescribed in GST Audit Manual 2019
2. Copy of application for GST Registration, Registration Certificate(s)
3. Copies of GSTR-1, GSTR-2A, GSTR-3B and GSTR-9 and GSTR-9C alongwith payment challans
4. Details of E-Way bill for the audit period for inward and outward supply of goods and services
5. List of Show Cause Notice issued, if any and their present status
6. Date of last Departmental Audit and the period covered. (Copy of the findings and correspondence with the department in this regards, if any)
7. Audit Report of the audit conducted by CERA, if any
8. Any other relevant records.

Statutory Documents / Records maintained under other laws for the time being in force:

1. Copies of Annual Reports (with all schedules and notes to Accounts) , Balance Sheet, Profit & Loss Account Statement, Gross Trial Balance

2. Copies of Tax Audit Reports (including all annexures) conducted under Sec 44AB of the Income Tax Act 1961
3. Copies of Form 3CEB and 3CD Reports under Section 92E of the Income Tax Act 1961,
4. Cost Audit Report (If any)
5. Copy of 26AS for the period of audit

GSTAM-I : Registered person's Master file – RPMF to be updated on regular intervals : FOR DESK REVIEW

- Name of the Registered person
- GSTIN
- Address of the Registered person
- Name of Principal place of business
- Name and address of the Corporate/Registered Office of the Registered person
- Permanent Account Number
- Description of the goods/services supplied
- Details of Additional Place of Business
- Constitution of Business
- Details of proprietor / partner / CEO / Chairman / Managing Director (as applicable)
- Details of Proprietor/Partners/CEO/Chairman /Managing Director/Member etc
- Customs registration No (BIN No)
- DGFT's IEC No
- Registrar of Company's CIN No.
- Tour Operators with RTA
- Stock Brokers with SEBI
- Name and designation of the authorized person of the Registered Person

GSTAM-I : Registered person's Master file – RPMF to be updated on regular intervals : FOR DESK REVIEW

- Name of the designated bank where the GST is deposited
- Details of the Bank accounts used for business transaction with name of the bank, its specific branch and account number
- Details of Supplies made and taxes paid
- HSN -wise details of value of goods supplied and ITC paid (for 3 years).
- GST Services code-wise details of value of services supplied and ITC paid (for 3 years).
- Details of Zero rated supplies and Deemed Exports made

GSTAM-V :COMPARATIVE CHART OF ITEMS FROM FINANCIAL STATEMENTS/ RETURNS - FOR DESK REVIEW

Sl. No.	Item	Records/ Registers/ Acco unts maintained U/S 35 CGST Act read with rule 56 of CGST Rules(+)	GSTR-9(++)	Cost Audit Report (Annual) #	Income Tax Audit Report (Annual) ##	Trial Balance (Annual)	Annual Report (Including Balance Sheet & P & L Account) (Annual) @	ITR 6 (Annual) @@
1	Quantity Manufactured	Production/ manufacture account			28 b B (iii)		Schedule to Balance Sheet	Part A-QD (c) (5)
2	Goods Cleared							
	i) Quantity	inward & outward supply account of goods	17(3)+18(3)	Sl. No. 4 (8) of Annexure	28 b B (iv)		Schedule to Balance Sheet	Part A-QD (c) (6)
	ii) Value	Do	17(4)+18(4)	Sl. No.8(1) of Annexure			Schedule to Balance Sheet	
3	GST Paid		9					
	(a) cash		9(3)					
	(b) ITC		9(4+5+6+7)					
	Credit Register			Sl. No. 11 of Annexure	22(a)			
	II) Cash Register			Sl. No. 11 of Annexure				
	Total GST Paid		9(3)+9(4+5+6+7)					
4	Exports (Value & Quantity)		4(C+D+E)+5 (M)	Sl. No. 4 (8) of Annexure				
	a) Under Bond							
	I) Quantity							
	b) Value						Schedule to Balance Sheet “(Earnings in Foreign Exchange-f.o.b of Exports)”	
	On payment of GST							
	(a) quantity							
	(b) value		4(C+D)					
5	Details of ITC taken and utilised							
	a) Opening Balance							

Sl. No.	Item	Records/ Registers/ Acco unts maintained U/S 35 CGST Act read with rule 56 of CGST Rules(+)	GSTR-9(++)	Cost Audit Report (Annual) #	Income Tax Audit Report (Annual) ##	Trial Balance (Annual)	Annual Report (Including Balance Sheet & P & L Account) (Annual) @	ITR 6 (Annual) @@
a)	ITC Taken		6(0)		22(a)			
b)	ITC Utilised		9(4+5+6+7)		22(a)			
c)	I) Payment of duty of goods							
d)	II) Payment of duty on Services							
e)	III) Removal of Inputs & Capital Goods as such							
6	Consumption of major Raw material in manufacture							
	a) Quantity				28(b)(A) (iii)		Schedule to Balance Sheet	Part A - QD (b) (4)
	b) Value						Schedule to Balance Sheet Schedules to P & L Account	
7	Sale of Waste & Scrap							
a)	Quantity							
b)	Value				28(b)(A) VIII 28(b)(B) VI	Under Head "Other Income"		
8	Power & Fuel					Under Expenditure- Power & Fuel	Annexure to Director's Report Schedules to P & L Account	
9	Written off stocks	Account of stock of goods			28(b)(A) VIII 28(b)(B) VI	Expenses for write off	Obsolete	

Following Ratio Analysis will indicate and identified areas where indepth audit to be carried. Certain Ratios and interpretation thereof is given below:

Ratio	Interpretation
<p>Input Tax Credit availed (A):</p> <p>Total tax paid through (Electronic cash ledger + Input Tax Credit) (B) = (A)/(B)</p> <p>Source Document: Annual or Monthly GST returns</p>	<p>i) To identify wrong avallment of input tax credit</p> <p>ii) To identify under valuation of goods as value-addition should involve adequate difference between the two.</p> <p>iii) To identify removal of goods without payment of duty.</p> <p>iv) To identify claiming of input tax credit on inputs used in exempted products.</p>
<p>Use of Ratios (Goods)-2</p> <p>Total Inward Supply Costs ----- Total Outward Supply Value</p> <p>Source: Monthly GSTR</p>	<ul style="list-style-type: none"> • This ratio shows the part of outward supply value represented by inward supply cost. The balance outward supply value represents the value addition on account of non-taxable elements like wages, overheads, depreciation, interest. • Theoretically, this ratio should have a bearing on the ratio of Input tax credit: Total tax payment (Sl.No.1). • If this ratio is lower than ratio at Sl.No.1 or more than previous year's ratio, it may be on account of the following: <ul style="list-style-type: none"> • Wrong availment of credit like cases of availing value of goods as credit or availment of credit of basic custom duties in case of import or double credit on same document. • Fraudulent availment of credit like availment of credit without receipt/actual use of input. • Rejection/return/clearances of inputs without reversal of credit • Receipt of inputs and availment of credit but clearances of finished goods without payment of duty. • Under valuation of finished goods. • Important points to be considered: <ul style="list-style-type: none"> • Only taxable goods sales value should be considered. • Export value to be excluded from sales value, if export is under bond (if export was on payment of duty, in that case, export value should be included). • Exclude the GST from sales value, if details are available.
<p>ITC availed on Capital goods/ Addition to Capital Goods</p>	<p>Addition to the Plant & Machinery is available from the Fixed Assets Schedule enclosed to the Balance sheet</p>
<p>Other income/ Total Sales</p>	<p>If this ratio is higher than previous period, it may be on account of the following</p> <ul style="list-style-type: none"> • Under valuation of finished goods by non-inclusion of other incomes like recovery of Advertisement expenses, Packing and Forwarding Expenses in the assessable value. • Non-payment of duty on scrap/rejects/job work. <p>GST liability on Other Income may also be examined.</p>
<p>Outward supply of Scrap: Total outward supplies made</p>	<p>If ratio in the current year is lower, it may be on account of the following:</p> <ul style="list-style-type: none"> • outward supply of scrap made without payment of duty • Non receipt of scrap from job worker.

Ratio	Interpretation
Value of exempted outward supply: value of total outward supplies	<ul style="list-style-type: none"> • To identify outward supplies made in the guise of exempted supplies. • To identify supply of essential parts of outward supply as exempted supplies. • To identify under valuation of outward supplies by overvaluing exempted outward supply
Input tax credit availed on inputs: Purchase price of inward supplies	i) Non reversal of credit/payment of duty on inputs rejected/short received/cleared to other units/cleared as spare during warranty period
Value of Zero-rated supply : Total supply	i) To identify outward supplies made in the guise of zero-rated supplies. ii) To identify under valuation of outward supplies by overvaluing zero rated supply outward supply
Non-GST Supply : Total supply	i) To identify outward supplies made in the guise of non-GST supplies. ii) To identify supply of essential parts of outward supply as non-GST supplies. iii) To identify under valuation of outward supplies by overvaluing Non-GST outward supply
Total cost of inputs received (both Goods & Services) : Value of Taxable outward supply (say A) Credit availed: Total GST payable (say B) Source Document: 1. Profit & Loss Account; 2. Income & Expenditure Account (in case of non-profit organisations like clubs); and 3. GST return	Compare the ratio over a period of 3-4 years. If the ratio is increasing there is possibility of the following irregularities:- i) Rendering of unaccounted outward supply. ii) Undervaluation of outward supply. iii) Diversion of outward supply income into non- taxable income. Compare this ratio (A) with (B) If ratio B is greater than ratio A, then there is a possibility of wrong avilment of credit either due to calculation mistake or avilment of credit on inward supply being not used properly in outward supply.
Other incomes not charged to GST : Value of taxable outward Supply Source Document: 1. Profit & Loss Account; 2. Income & Expenditure Account (in case of non-profit organisations like clubs); and 3. GST return	Compare the ratio over a period of 3-4 years or with the Taxable person rendering the same services. If the ratio is increasing over a period of time or it is more when compared to other suppliers, then there is a possibility of under valuation by showing outward supply income as non-taxable / exempted income.
Additions to plant and machinery / fixed assets during the year : Total value of assets at the beginning of the Year Source Document: Balance Sheet	A comparison of this ratio with the rate of growth of the value of taxable outward supply during the year may be useful in verifying whether the value of taxable outward supply has been correctly declared. It is particularly to be checked in cases where the additions to plant & machinery / fixed assets directly impact the volume of outward supplies.

Ratio	Interpretation
Amount of input tax credit availed on inward supply : Total tax liability on outward supply Source Document: GST returns	Compare the ratio over a period of 3-4 years. If the ratio is increasing there is the possibility of the following irregularities:- (a) Rendering of unaccounted outward supply; (b) Under valuation of outward supply; (c) Showing outward supply income as non-taxable outward supply income. (d) Inflation of inward supply credit.
Input Tax Credit (A): Total Tax paid through (Electronic cash ledger + Input Tax Credit) (B) = (A)/(B) Source Document: GST returns	i) To identify wrong availment of input tax credit ii) To identify under valuation of outward supply as value-addition should involve adequate difference between the two. iii) To identify outward supplies made without payment of GST. iv) To identify claiming of input tax credit on inward supplies used in exempted outward supplies.
Input tax credit availed on Capital Goods purchased during the year : Addition to Plant & Machinery Source Document: Balance Sheet & GST return	i) Addition to the Plant & Machinery is available from the Fixed Assets Schedule enclosed to the Balance sheet.
Other Income: Outward supplies Source Document: Profit & Loss Account.	If this ratio is higher than previous period, it may be on account of the following: a) Under valuation of outward supply by non-inclusion of other incomes b) GST liability on Other Income

Based on the above ratios and illustrative interpretation as mentioned above, probable risk areas will be identified and indepth audit will be done to find out whether there is excess availment of ITC of short payment of tax.

Further, Department have issued the detailed questionnaire so as to understand the process flow of taking the various decisions w.r.t. inward supply & outward supply, stores, job work, manufacturing process, distribution process, marketing plans and strategies and overall management of the company.

It is advisable to prepare the note on system flow and related questions mentioned in GST Audit Manual, departmental officer will go through the same and identify the risk parameter and prepare Risk Control Matrix before the start of the audit.

C. Audit on the Field

Department will focus audit and carry out the indepth audit in the following areas:

- | | |
|---------------------------------------|--------------------------------------|
| 1 Registration (Regular) | 7 Supply (Services) |
| 2 Composition scheme | 8 Supply (goods treated as services) |
| 3 Composition Scheme for Services | 9 Supply (Immovable property) |
| 4 Suspended or Cancelled registration | 10 Supply (Intellectual property) |
| 5 Unregistered Persons | 11 Supply (Agricultural) |
| 6 Supply (Goods) | 12 Supply (cess attracting articles) |

13 Supply (Non-monetary consideration)	51 Returns (GSTR1)
14 Supply (Barter - exchange)	52 Returns (GSTR3B)
15 Supply (No consideration)	53 Returns (GSTR9)
16 Exit from Composition	54 Returns (GSTR9A)
17 No Supply	55 Transitional activities
18 Money Transactions	56 Financial records
19 Digital Currency Transactions	57 Stock records
20 Classification (Goods)	58 TDS
21 Classification (Services)	59 TCS
22 Exemption (Goods)	60 Job-work
23 Exemption (Services)	61 Deemed Exports
24 Reverse Charge (Goods)	62 EOU-STP-EPZ
25 Reverse Charge (Services)	63 SEZ Developer
26 Electronic Commerce Operator (ECO)	64 SEZ Unit
27 Electronic Commerce Supplier	65 SEZ Unit (supplies in DTA)
28 Input Tax Credit (taken)	66 Exporters
29 Input Tax Credit (utilized)	67 UIN-holders
30 Input Tax Credit (reversed)	68 Single-GSTIN-holders
31 Input Tax Credit (blocked)	69 Multi-GSTIN-holders
32 Input Tax Credit (cess)	76 Interest (on output tax)
33 Input Service Distributor	77 Interest (on input tax credit)
34 Valuation (monetary consideration)	78 Refund (beneficial schemes)
35 Valuation (non-monetary consideration)	79 Refund (deemed export)
36 Valuation (related party transactions)	80 Refund (goods export)
37 Valuation (deemed value notified)	81 Refund (services export)
38 Time of Supply	82 Refund (EOU-EPZ-STP)
39 Place of Supply (goods domestic)	83 Refund (SEZ)
40 Place of Supply (services domestic)	84 Refund (Tax wrongly paid)
41 Place of Supply (goods exports-imports)	85 Refund (excess tax paid)
42 Place of Supply (services exports-imports)	86 Refund (cash balance)
43 Place of Supply (SEZ)	87 Output tax interchange
44 High-Sea sales	88 Cessation or succession of business
45 Merchant trade	89 Verification of 'outward supply'
46 In-bond sales	90 Verification of 'inward supply'
47 Import of Goods	91 Verification of 'non-monetary transactions'
48 Import of Services	92 Verification of 'deemed supply'
49 Export of Goods	93 Verification of 'other income'
50 Export of Services	

94 Verification of 'no supply'	117 Refund due to supply to SEZ (goods) with payment of tax
95 Verification of 'input tax credit'	118 Refund due to supply to SEZ (services) with payment of tax
96 Verification of 'apportioned credits'	119 Refund of unutilized credit (export of goods) without payment of tax
97 Verification of 'blocked credits'	120 Refund of unutilized credit (export of services) without payment of tax
98 Verification of 'records matching'	121 Refund of unutilized credit (goods to SEZ) without payment of tax
99 Verification of 'returns'	122 Refund of unutilized credit (services to SEZ) without payment of tax
100 Verification of 'place of supply'	123 NO REFUND of unutilized credit (SEZ developer to SEZ unit)
101 Verification of 'exports'	124 Refund of deemed exports (to Supplier)
102 Verification of 'imports'	125 Refund of deemed exports (to Recipient)
103 Transition credit	126 Refund of inverted tax
114 Cash balance refund	127 Errors Master, for verification exercise
115 Refund due to export (goods) with payment of tax	
116 Refund due to export (services) with payment of tax	

They will seek the explanation on any deviation w.r.t. following reconciliations:

- GSTR-1 & GSTR-3B and Trend Analysis thereof
- Critical analysis of GSTR-9C and reasons of provided in the reconciliation of outward supply, ITC, tax payment and other information
- Outward Supply as per GSTR-9C vis-à-vis TDS Return
- Inward Supply and TCS Return
- Submission to the Banks – CMA Report & Stock & Debtors Statement & Reconciliation with books of accounts
- Reconciliation with Cost Audit Report & Cost Sheets for outward supply, inward supply and valuation
- Material reconciliation
- Inward Supply with E-Way Bills
- Outward Supply with E-Way Bills
- Job Work with E-Way Bills

Specific Attention

They will also go through inventory records and quantitative reconciliation and also establish input output norms and will check the industry standards. Therefore, wherever quantity is adjusted on account of wrong bill of material, excess consumption, shortage and excess found during physical inventory checking etc etc. will have to be properly studied and proper explanation needs to be given.

It is also important to note, in terms of explanation provided in the Section 65 of CGST Act 2017, during the course of audit, the authorised officer may require the registered person have to

- (i) to **afford him the necessary facility to verify the books of account** or other documents as he may require;
- (ii) to furnish such information as he may require **and render assistance for timely completion of the audit.**

Therefore, it is advisable to prepare much in advance for departmental audit even before notice in the Form ADT-01 is received.

D. Action Points After Audit

After the audit, audit findings are placed in the Monitoring Committee Meetings (MCM) and based on the decision of MCM, audit findings will be notified in the Form ADT-02 within 30 days after the completion of GST Audit and clarification of the registered person will be sought and the same will be incorporated in the final Audit Report and the same will be placed before MCM.

Final decision will be taken by the Monitoring Committee w.r.t. issuance of notice in accordance with Section 73 & Section 74 Of CGST Act 2017 and SCN will be issued,thereby adjudication process will commence.

E. Conclusion

Department is well prepared and departmental officers are also getting trained. The points mentioned above in “**Analysis / Desk Review prior to the start of Audit**” will be the input for query-based system designed for assessment and desk review developed by GSTN will be used and output therefrom will be derived.

Similarly, department have devised the format for seeking data based on the verification carried out by departmental officers as a audit process will also be input for the query-based system designed for assessment and desk review developed by GSTN will be used and output therefrom will be derived.

In view of the above, it is advisable to carry out such audit by experts,prepare the working in the formats required by the department and take the preventive measures before departmenthighlights. Once department highlights excess availment of ITC or short payment of tax or excess refund granted, then provision of mandatory penalty and interest will be the additional burden on the registered person.