

Audit/ Desk Review under GST

ICMAI GST Course

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Special Audit/ Desk Review under GST

GST So far since July 2017

- ❑ A complex indirect tax structure
- ❑ Various unresolved mysteries
- ❑ Continuous updates & amendments in law & procedures
- ❑ Conflicting decisions of AAR
- ❑ Issues in ITC

What is Audit?

❑ Section 2(13): “Audit” means:

- ❑ the examination of records, returns and other documents maintained or furnished by the registered person under this Act or rules made thereunder or under any other law for the time being in force to verify;
- ❑ the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed; and
- ❑ to assess his compliance with the provisions of this Act or the rules made thereunder.

Meaning of Audit

- Examination of:
 - *records,*
 - *returns and*
 - *other documents**maintained or furnished by the registered person*
- To verify the “correctness” of:
 - *turnover declared,*
 - *taxes paid,*
 - *refund claimed and*
 - *input tax credit availed, and*
 - *to assess his compliance*

Kinds of Audits under GST

Audit by tax authorities
(Section 65)

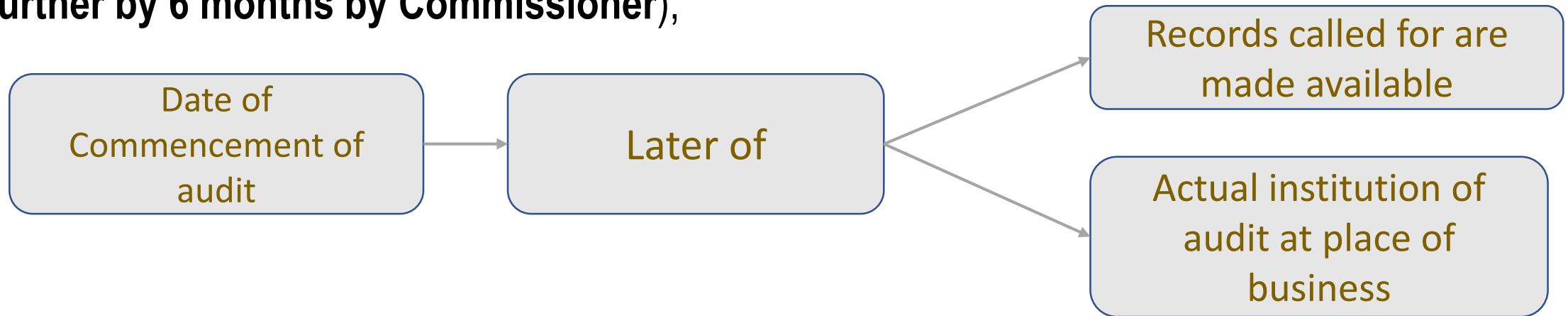
Special Audit
(Section 66)

Reconciliation Statement
certified by CA / CWA
(now abolished)
(Section 35)

CAG Audit (not in GST Laws)

Audit by Tax Authorities- Section 65

- Commissioner of CGST / SGST or any officer authorized;
- Audit of any registered person for a particular period, at particular frequency and in particular manner;
- At the place of business of registered person or in their office;
- Notice to registered person **at least 15 working days** prior to audit [Form GST ADT-01];
- Audit to be completed **within 3 months from the date of commencement** (can be **extended further by 6 months by Commissioner**);



- Result of Audit to be intimated within 30 days [Form GST ADT-02] and further action.

Audit by Tax Authorities- Section 65

- ☐ The registered person should provide the auditors:
 - ☐ The necessary facility to verify the books of account or other documents as he may require.
 - ☐ Such information as he may require and render assistance for timely completion of the audit
- ☐ Result of audit to be intimated within 30 days [Form GST ADT-02] and further action.
- ☐ The proper officer may take action under section 73 or 74 if, he detect
 - ☐ tax not paid or
 - ☐ short paid or
 - ☐ erroneously refunded, or
 - ☐ input tax credit wrongly availed or utilized

GST Audit – Annual T/O > Rs 2/5 Cr. (Till 2018-19)

❑ According to Section 35(5) of the CGST Act:

❑ Every registered person whose turnover during a financial year exceeds the prescribed limit (Two/Five crore rupees) shall get his accounts audited by:

❑ a Chartered Accountant or

❑ a Cost Accountant

❑ and shall submit a copy of the audited annual accounts

❑ along with a reconciliation statement (in FORM GSTR-9C, reconciling the value of supplies declared in return with audited annual financial statements)

❑ Contents of the audit report and other particulars to be prescribed

❑ Audited Report and Audited Annual Accounts to be submitted along with annual return on or before 31st December following the end of financial year.

Special Audit/ Desk Review under GST

Document requisition for Special Audit



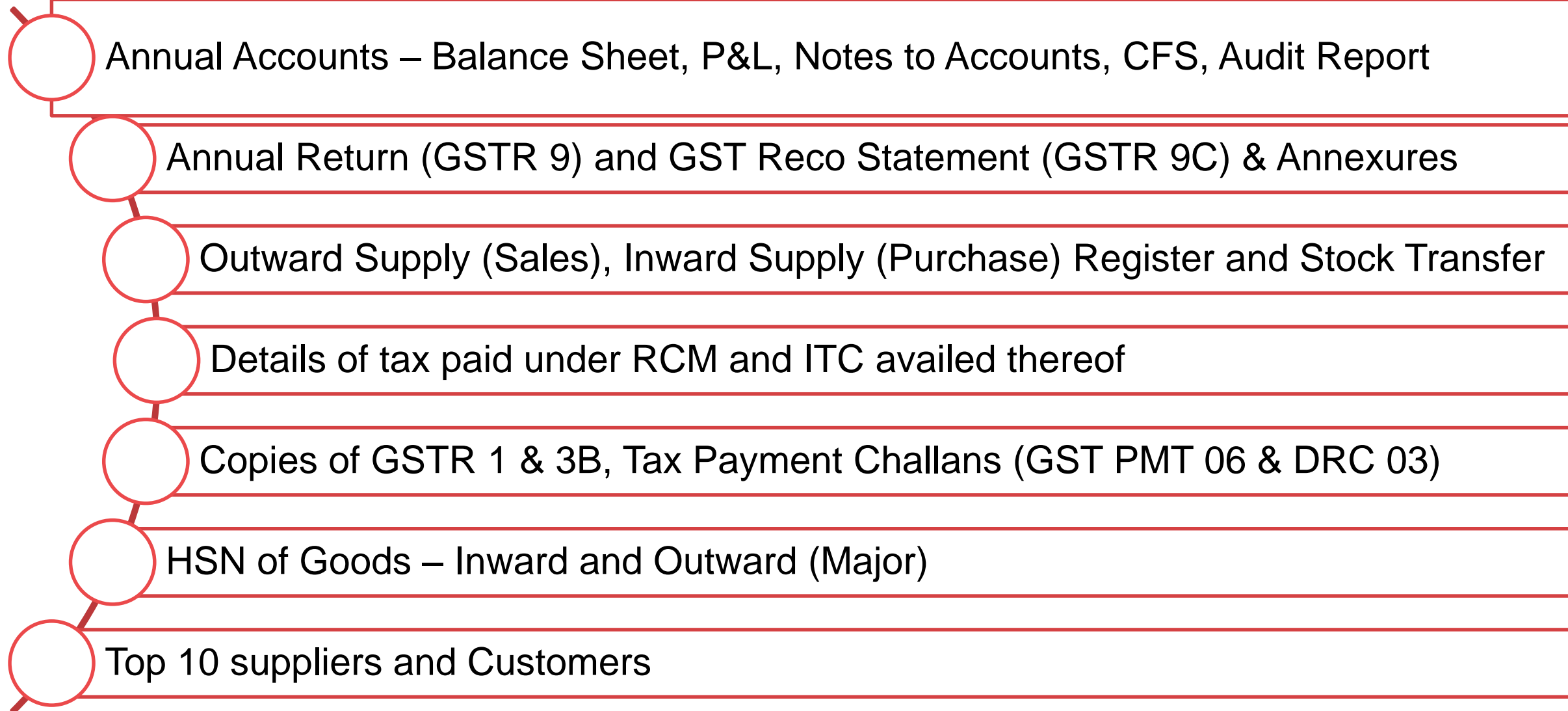
Special Audit- Section 66

- Proceeding must be pending before any officer not below the rank of Assistant Commissioner;
- Nature and complexity of the case and interest of revenue to be considered;
- **Opinion : Correct value not declared or ITC claimed not within normal limits;**
- Prior approval of the Commissioner of CGST / SGST;
- Direct registered person to get his records and books of accounts audited [Form GST ADT-03];
- Audit to be done by CA / Cost Accountant nominated by the Commissioner;
- Audit Report is to be submitted within 90 days (can be extended by further 90 days by Assistant Commissioner);
- Opportunity of hearing is to be given to registered person and further action taken by proper officer;

Special Audit- Section 66

- Expenses of audit including remuneration of such CA/Cost Accountant shall be determined and paid by the Commissioner.
- The proper officer may take action under section 73 or 74 if, he detect
 - tax not paid or
 - short paid or
 - erroneously refunded, or
 - input tax credit wrongly availed or utilized

Information and Documents to be prepared/ Required -

- 
- Annual Accounts – Balance Sheet, P&L, Notes to Accounts, CFS, Audit Report
 - Annual Return (GSTR 9) and GST Reco Statement (GSTR 9C) & Annexures
 - Outward Supply (Sales), Inward Supply (Purchase) Register and Stock Transfer
 - Details of tax paid under RCM and ITC availed thereof
 - Copies of GSTR 1 & 3B, Tax Payment Challans (GST PMT 06 & DRC 03)
 - HSN of Goods – Inward and Outward (Major)
 - Top 10 suppliers and Customers

Illustrative list only

Information and Documents to be prepared/ Required -

- Income Tax Return, Tax Audit Report and Transfer Pricing Report
- Export and Import Details
- Copies of Agreements and Contracts
- Outstanding Report – Pending payments for Creditors
- Memorandum and Articles of Association
- GST Registration Certificate with place of businesses
- Copy of Inward Supply Register matching with ECL

Information and Documents to be prepared/ Required -

- Details of Refund claims – Filed and Sanctioned
- Trial Balance (Opening, Debit, Credit, Closing)
- ITC availed in Current Financial Year and Subsequent Financial Year
- ITC of Previous Year availed in Current Year
- ITC reversed – As per Sec 17(5), non payment to suppliers, Rule 42 and 43 Reversal, GSTR 2B mismatch
- ITC Reco. with GSTR 2A/ GSTR 2B
- Reconciliation Statements

Reconciliations – Outward, Inward & RCM



Data Preparation for Audit -

Reconciliation – Outward Supplies

GSTR 1 Vs. GSTR
3B

E-Invoice in GSTR
1 Vs. Outward
Register

Books Vs. GSTR 1
Vs. GSTR 3B

Reco with ECL –
Books Vs. Portal

Financial Vs.
Returns

Taxes paid – Books
Vs. Returns
(Ratewise)

E-Way Bills Vs.
Books

E-Way Bills Vs.
Returns

Taxes paid monthly
Vs. Liability in
Returns

Data Preparation for Audit -

Reconciliation – Input Tax Credit

ITC claimed as per
Books and Returns

Reconciliation –
Monthly ITC as per
Books and GSTR
2A/GSTR 2B

ITC ineligible as per
Books and Returns

ITC bifurcation –
Inputs, Input Service
and Capital Goods

ITC attributable to
Taxable and Exempt
supplies

Reversal of ITC –
Invoice-wise

ITC Reco – Portal
Vs. Books

Excess claim of ITC
if any – Reversal
with Interest

Data Preparation for Audit -

Reconciliation – RCM

RCM as per Books
and payment as per
Returns

Pending RCM
liability to be paid

ITC availed on RCM

ITC on RCM not
availed

List of Items on
which RCM is not
availed

RCM – Procurement
from unregistered
suppliers (till 13th
Oct 2017)

Import of Services –
RCM paid

Overseas Group
Company Service –
RCM paid

Data Preparation for Audit -

Other Information/Details

Statement of Refund
Claims filed Vs.
Sanctioned

Reasons for
difference in
Turnover – Books
Vs. Returns

Return filing MIS –
GSTR 1, GSTR 3B
and other Returns

Details of Stock
Transfer – Same
State and Outside
State

Export register –
Shipping Bill, Port
Code and Export
Details

Details of Debit and
Credit Notes –
Issued within time/
Outside time allowed
as per GST Law

Returns to Suppliers
and ITC reversed –
Match with GSTR
2A/ GSTR 2B

Financial Debit or
Credit Notes issued

Data Preparation for Audit -

Other Information/Details – In-Ineligible ITC

Stock Write Offs –
Non moving/
Damaged stock

Insurance Claims
Lodged

Schemes and
Samples distributed

Free Supply
materials

ITC on F&B,
Construction, Rent a
Cab

GST paid on
purchase of Motor
Vehicles (Car),
Insurance & Repairs

Employee Insurance

Delayed claim of ITC

Key Focus Areas



Key Risk Areas to be taken care of -

Additional Points for GST Audit -

Nature of Supply – Taxable and Exempt – Treatment in Returns

Mixed and Composite Supply

Applicability of Rule 42 and 43

Errors in Returns and subsequent rectification (interest payment)

Salary/ Reimbursement/ Payments to Directors

RCM on Imports as well as Ocean Freight
(Ocean freight – SC in Mohit Minerals)

Key Risk Areas to be taken care of -

Additional Points for GST Audit -

Capex and
Treatment
of ITC
availed on
Capital
goods

Transaction
s with group
companies
and
Valuation
thereof

Documenta
tion –
Invoice,
DN/CN,
Delivery
challan
formats

Time and
Place of
Supply
issues

Treatment
of Advance
on Goods
and
Services

RCM
entries in
ERP and
Liability
generation
for RCM

Key Risk Areas to be taken care of -

Additional Points for GST Audit -

Foreign
Currency
transactions
–
Expenditure
and
Receipts

Receipts for
Exports of
Goods and
Services

Bad Debts
written off

Liabilities
Written
Back – no
Payment to
Suppliers –
Treatment
of ITC

Remarks in
Audit
Report,
Income tax
Audit
Report and
Transfer
Pricing
Audit
Report

Data
gathered
from Audit
of third
party
entities

Forms – ADT 03 and ADT 04

Form GST ADT 03

Form GST ADT - 03

[See rule 102(1)]

Reference No.:

Date:

To,

GSTIN

Name

Address

Tax period - F.Y.(s) -

Communication to the registered person for conduct of special audit under section 66

Whereas the proceedings of scrutiny of return /enquiry/investigation/..... are going on;

And whereas it is felt necessary to get your books of account and records examined and audited by(name), chartered accountant / cost accountant nominated by the Commissioner;

You are hereby directed to get your books of account and records audited by the said chartered accountant / cost accountant.

Form GST ADT 04

Form GST ADT – 04
[See rule 102(2)]

Reference No.:

Date:

To,

GSTIN

Name

Address

Information of Findings upon Special Audit

Your books of account and records for the F.Y..... has been examined by -----
--- (chartered accountant/cost accountant) and this Audit Report is prepared on the basis of
information available / documents furnished by you and the findings/discrepancies are as
under:

Short payment of	Integrated tax	Central tax	State /UT tax	Cess
Tax				
Interest				
Any other amount				

[Upload pdf file containing audit observation]

You are directed to discharge your statutory liabilities in this regard as per the provisions of
the Act and the rules made thereunder, failing which proceedings as deemed fit may be
initiated against you under the provisions of the Act.

Role of CMA in Special Audit



Discussion and Queries



Thank you

Thanks for your Patience and Time



	<p>केंद्रीय कर एवं सीमा शुल्क आयुक्त का कार्यालय OFFICE OF THE COMMISSIONER OF CENTRAL TAX & CUSTOMS हैदराबाद लेखापरीक्षा -I आयुक्तालय HYDERABAD AUDIT-I COMMISSIONERATE H.NO. 3-4-118/1 NR, 1st मंज़िल, एलीगंट महाराज, रमानाथपुर, हैदराबाद- 500 013 H.NO.3-4-118/1 NR, 1st floor, Elegant Maharaja, Ramanthapur, Hyderabad-500 013</p>	
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C.NO. C.No.V/GST/A-1/C-III/34/2023-24.Gr.32
 DIN-2023-0556YR000000F6G8

Date: 12.05.2023

FORM GST ADT - 01

[See Rule 101(2)]

To,



Audit Period: Jul, 2017 to Mar, 2022

Notice for Conducting Audit

Whereas it has been decided to undertake audit of your books of accounts and records for the financial years 2017-18 (from July to March, 2018), 2018-2019, 2019-2020, 2020-2021 & 2021-2022 in accordance with the provisions of the **Section 65 of the CGST Act, 2017**. I propose to conduct the said audit at my office / at your place of business in the month of May, 2023.

2. And whereas you are required to :-

- (i) afford the undersigned the necessary facility to verify the books of account and records or other documents as may be required in this context, and
- (ii) Furnish such information as may be required and render assistance for timely Completion of the audit.

3. You are hereby directed to attend in person or through an authorised representative on/before **26-05-2023** at Office of The Commissioner of Central Tax & GST, Hyderabad, Audit-I Commissionerate, H. No. 3-4-118/1, 1st Floor, Elegant Maharaja, Ramanthapur, Hyderabad-500013 before the undersigned and to produce the following self-attested documents / your books of accounts and records **for the period 2017-18 (from July, 2017), 2018-19, 2019-20, 2020-2021 & 2021-2022** as required for audit.

1. Copy of GST Registration Certificate
2. Copies of (i) GSTR-1s, GSTR-3Bs returns filed and (ii) GSTR-2As, GSTR3B-Summary and GSTR1-Summary (Auto populated) for the said period.
3. Copies of Tran-1, ITC-01, ITC-03, ITC-04 for the said period.
4. Copies of GSTR 9, GSTR9C for the said period.
5. Copies of Balance Sheet & Profit and Loss account with schedules, Director's Report, Auditors Report, Tax Audit Report (3CA, 3CB, 3CD) for the financial years 2017-18, 2018-2019, 2019-2020 & 2020-2021.
6. Standalone Profit and Loss Statement and Standalone Trail Balance for the state of Telangana in **four step method** (OB, Credit, Debit, CB) for the said period.

7. Sundry Creditors and Sundry Debtors for the state of Telangana in four step method (OF Credit, Debit, CB) for the FY 2017-18 (from July 2017), 2018-2019, 2019-2020 and 2020-2021.
 8. **Gross Trial Balance (for the TS GST registration / Telangana Region)** for the said period (For 2017-18 it is suggested to submit in two parts i.e, April' 2017- June '2017 and July' 2017- March'2018)
 9. Copies of Cost Audit Report, If any, for the said period.
 10. Copies of Reports/ Returns submitted to any other Regulatory Authorities viz., ITR (ITR-3/5/6) & MGT -7/9.
 11. Copies of work orders/contracts etc for the supply of services or goods rendered.
 12. Copy of Annexure-IV submitted to the Department in terms of Notf. No.03/2019-CT(Rate) dated 29.03.2019.
 13. Statement showing the details of project-wise, customer-wise supplies effected.
 14. Input ITC Ledgers for IGST, CGST, SGST as per the ITC claimed in GSTR3B.
 15. Monthly and Consolidated Year wise Ledger for Inward Supplies/Purchase and Outward Supplies/Sales.
 16. Soft copies of Workings / Statements for Inward/Input ITC and Outward/Sales as per the GSTR3B and GSTR1 returns.
 17. Brief description of Business activity with list of goods/ services supplied with exemption notification claimed etc.
 18. Sample invoices of outward & inward supplies one for each commodity & service.
 19. Original Authorisation Certificate/ Vakalat duly signed by the authorised signatory of the firm/tax payer for representing on behalf of the GST authorities before the GST Authorities for GST Audit, if any.
 20. Copies of the correspondence received from the CGST Authorities and reply submitted by the tax payer along with its enclosures.
4. In case of failure to comply with this notice, it would be presumed that you are not in possession of such books of account and proceedings as deemed fit may be initiated as per the provisions of the Act and the rules made there under against you without making any further correspondence in this regard.

5. Soft copies of the said documents may be submitted through email on selectiveauditgp32@gmail.com



Received on. 16/5/23
Despatched on. _____
Despatched by. _____

Yours faithfully,
M. Munikrishaniah
(M. MUNIKRISHANIAH)
ASSISTANT COMMISSIONER

Section - 66, Central Goods And Services Tax Act, 2017

Special audit ²⁹.

³⁰ **66.** (1) If at any stage of scrutiny, inquiry, investigation or any other proceedings before him, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of account examined and audited by a chartered accountant or a cost accountant as may be nominated by the Commissioner.

(2) The chartered accountant or cost accountant so nominated shall, within the period of ninety days, submit a report of such audit duly signed and certified by him to the said Assistant Commissioner mentioning therein such other particulars as may be specified:

Provided that the Assistant Commissioner may, on an application made to him in this behalf by the registered person or the chartered accountant or cost accountant or for any material and sufficient reason, extend the said period by a further period of ninety days.

(3) The provisions of sub-section (1) shall have effect notwithstanding that the accounts of the registered person have been audited under any other provisions of this Act or any other law for the time being in force.

(4) The registered person shall be given an opportunity of being heard in respect of any material gathered on the basis of special audit under sub-section (1) which is proposed to be used in any proceedings against him under this Act or the rules made thereunder.

(5) The expenses of the examination and audit of records under sub-section (1), including the remuneration of such chartered accountant or cost accountant, shall be determined and paid by the Commissioner and such determination shall be final.

(6) Where the special 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](#) ^{30a}[or section 74A].

²⁹. See [rule 102](#) and [Form Nos. ADT-03](#) and [ADT-04](#) of the CGST Rules, 2017.

³⁰. Enforced with effect from 1-7-2017.

^{30a}. Inserted by the Finance (No. 2) Act, 2024, w.e.f. 1-11-2024.

Rule - 102, Central Goods and Services Tax Rules, 2017

⁵²Special Audit

102. (1) Where special audit is required to be conducted in accordance with the provisions of section 66, the officer referred to in the said section shall issue a direction in FORM GST ADT-03 to the registered person to get his records audited by a chartered accountant or a cost accountant specified in the said direction.

(2) On conclusion of the special audit, the registered person shall be informed of the findings of the special audit in FORM GST ADT-04.

⁵². See section 66 of CGST Act, 2017.

Form GST ADT - 03

[See rule 102(1)]

Reference No.:

Date:

To,

GSTIN

Name

Address

Tax period - F.Y.(s) -

Communication to the registered person for conduct of special audit under section 66

Whereas the proceedings of scrutiny of return /enquiry/investigation/..... are going on;

And whereas it is felt necessary to get your books of account and records examined and audited by(name), chartered accountant / cost accountant nominated by the Commissioner;

You are hereby directed to get your books of account and records audited by the said chartered accountant / cost accountant.

Signature

Name

Designation

Form GST ADT – 04*[See rule 102(2)]*

Reference No.:

Date:

To,

GSTIN

Name

Address

Information of Findings upon Special Audit

Your books of account and records for the F.Y..... has been examined by -----
--- (chartered accountant/cost accountant) and this Audit Report is prepared on the basis of
information available / documents furnished by you and the findings/discrepancies are as
under:

Short payment of	Integrated tax	Central tax	State /UT tax	Cess
Tax				
Interest				
Any other amount				

[Upload pdf file containing audit observation]

You are directed to discharge your statutory liabilities in this regard as per the provisions of the Act and the rules made thereunder, failing which proceedings as deemed fit may be initiated against you under the provisions of the Act.

Signature

Name

Designation