

# DEPARTMENT AUDIT

# AGENDA

1

Introduction

2

GST Audit – Departmental View

3

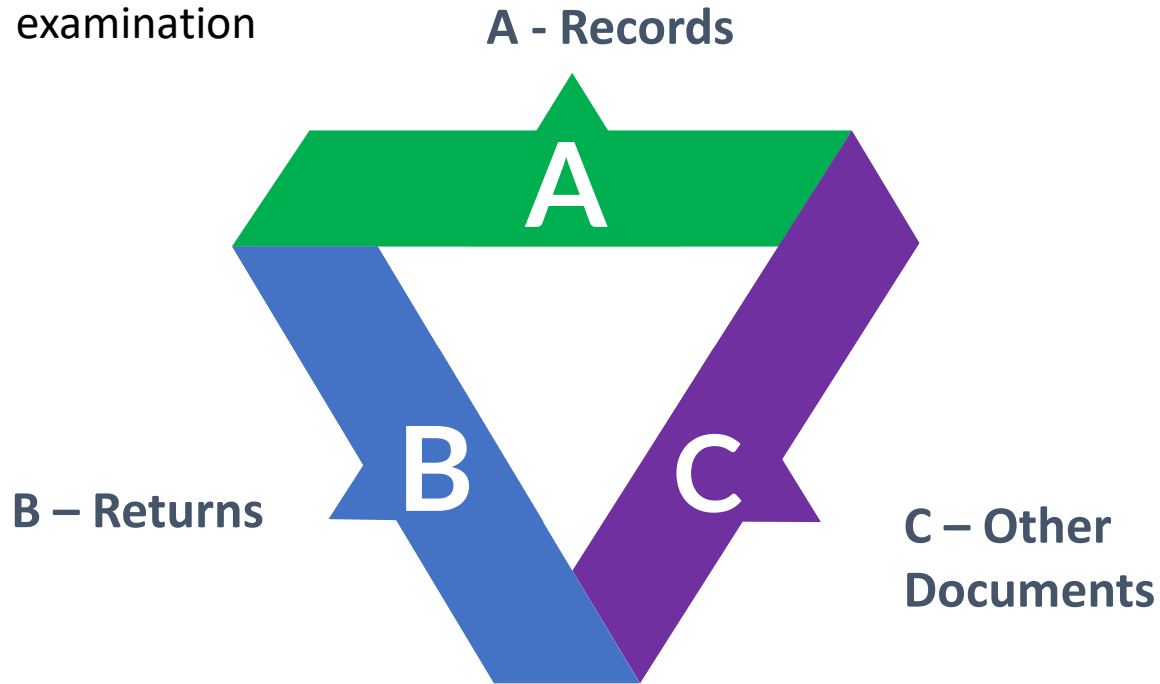
Preparation

4

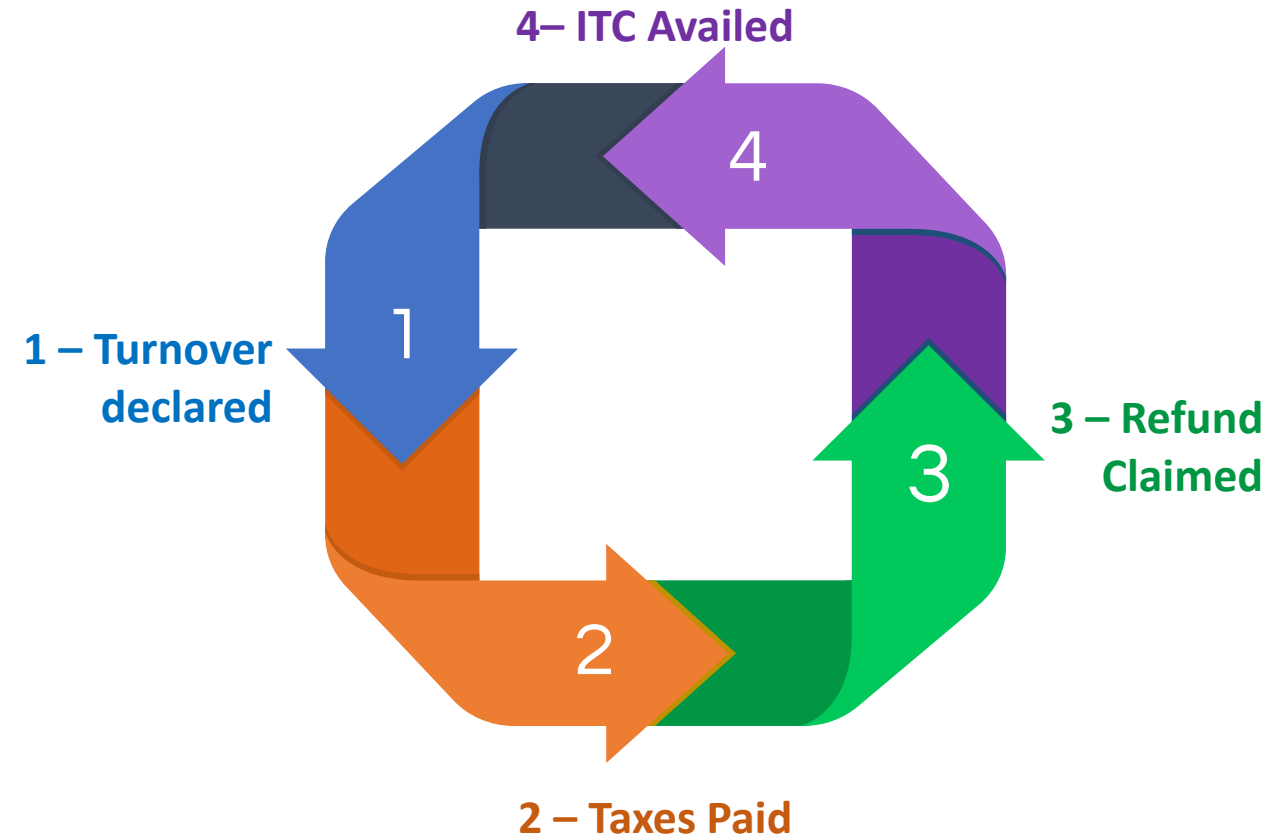
Q & A

# AUDIT – SECTION 2(13)

Audit Means  
examination



by the registered person **under this Act** or **the rules made thereunder** or under any other law for the time being in force to verify the correctness of



To **assess his compliance** with the **provisions of this Act** or the rules made thereunder

# AUDIT

**Audit** - is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. Auditing has become such a ubiquitous phenomenon in the corporate and the public sector that academics started identifying an "Audit Society".

**Audit** - refers to a financial statement audit. A financial audit is an objective examination and evaluation of the financial statements of an organization to make sure that the financial records are a fair and accurate representation of the transactions they claim to represent. The audit can be conducted internally by employees of the organization or externally by an outside professional

## Sec 65

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- **Audit – Audit By the Authorities - Section 65**

## Sec 66

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- **Special Audit – By CMAs / CAs nominated by Department – Section 66**

## Sec 44

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- **GSTR -9C – Audit statement to be filed which is signed by a CMA/CA – Section 44**

# GST DEPARTMENT AUDIT

## Compliance

### Section 37 – 48

Verify if returns are filed within the due dates and interest if paid as per the provisions if not along with late fee .



### Rules 46 – 55

Verify if relevant documents are issued for all the transactions as per the provisions .



### Section 16 & 17

Verify if Input tax credit is claimed as per Provisions – eligibility / blocked / restricted .



### Section 7

Supply – all transaction are classified as supply as per GST



### Section 12, 13 & 14

Verify if the tax invoice is issued as per provisions of Time of Supply



### Section 10 to 14 IGST Act

Verify if the provisions of place of supply are followed or not



## Intimation for Audit

Notice is sent to taxpayer wide GST AD01 (Annexure – 1) before 15 days of the audit

Reasonable time is given for the taxpayer

If the tax payer does not respond then another letter is sent with penal provisions under Section 122, 123 & 125

If the tax payer still does not respond then the details are communicated to the Executive Commissioner for taking necessary action

Details are sent to the Director General of Audit for including his name in the Risk Parameters

GST compliance rating will be reduced once it is implemented

# GST DEPARTMENT AUDIT

## Objective of Audit



### Verify

The data between the returns filed and the accounting data



### Desist

Its should stop the tax payers from doing any frauds in the future



### Detect

The objective is to detect any frauds being committed by the taxpaeyr

The Objective of the Audit is to measure the level of compliance of the taxpayer in the light of the provisions of the CGST Act 2017 and the rules made there under.



## Principles of Audit

**01**

Audit will be conducted in a Comprehensive and in a systematic manner

**02**

Emphasis is on the identified risk areas and scrutinizing the records maintained in the course of business

**03**

Audit techniques based on materiality – degree and nature of risk factors

**04**

Proper recording of all the checks and findings during the audit

**05**

Identifying the unexplored compliance verification process

## Duration of Audit



2 to 4 days including the  
desk work and for taxpayers  
under Section 51 and  
Section 52



4 to 6 working days



6 to 8 working days

## Desk Review

The audit team will do the desk review with the available data with them basis of the TAG – Taxpayer at a Glance. Information available on

- Registration Portal,
- Returns filed, Annual Return & Reconciliation Statement
- e-waybills Issued,
- Returns filed with other departments,
- Cost Audit Report,
- Income Tax Audit Report,
- C&G Report, Audit reports of earlier tax periods &
- contracts with customers

## Cost Audit/Cost Accounting Records

- In respect of Regulated sectors like Telecommunication, Electricity, petroleum and Gas, Drugs and Pharma, fertilizers and Sugar, Cost audit requirement has been made subject to a turnover based threshold of Rs 50 crores for all products and services and Rs 25 crores for individual product and services.
- In respect of Non-Regulated sectors - The threshold is Rs 100 crores and Rs. 35 crores respectively.

# GST DEPARTMENT AUDIT

## Process of Audit

### Third Party Data

Comparing key data with industry averages & previous years data

Reconcile GSTR – 9 Data with Financial Statements & Compare Pricing across customers

### Revenue Risk Analysis

### Trend Analysis

Basis of historical data project the trends and compare with actuals

### Internal Controls

To verify reliable systems are in place and in control. Verify the ERP and its integration with taxes & transactions. ABC Analysis and System Walk through

### Verification of Documents

Physical verification of documents with returns filed

## Registered Person Master File

- It contains all the information of the taxpayers
- Updated at regular intervals

## Desk Review – Goods

Sr.No	Documents	
1	Trial Balance	<ul style="list-style-type: none"><li>• Understand the grouping of ledgers</li><li>• Verify and understand which accounts have direct impact with GST</li><li>• Verify any ledgers having unusual balances – loss, scrap, other income</li><li>• Verify the credit balances and check if they are part of the GST Liability computation</li></ul>
2	Profit & Loss Account	<ul style="list-style-type: none"><li>• Compare major heads with previous years amounts</li><li>• Verify the expenditure accounts potential for reverse charge</li><li>• Scrutiny of supplies – SEZ (LUT)</li></ul>
3	Balance Sheet	<ul style="list-style-type: none"><li>• Verify the Share Capital accounts – subsidiaries etc.,</li><li>• Assets</li></ul>
4	Notes to Accounts	<ul style="list-style-type: none"><li>• Accounting policies – assets worth below Rs 5000 no updated in FA Register</li><li>• Quantitative information – Cross check with GSTR – 9 Data</li><li>• Information Accounting Standard followed and disclosed</li></ul>

## Desk Review – Goods

Sr.No	Documents	
5	Annual Report & Directors Report	<ul style="list-style-type: none"><li>• Verify Audit report for any potential areas impacting the GST</li><li>• Tax Disputes pending or likely to</li><li>• CARO Report – tax liabilities are matching with GST Liability in GSTR – 9</li><li>• C&amp;AG Report in case of public sector undertakings</li></ul>
6	Cost Audit Report	<ul style="list-style-type: none"><li>• Check Serial No 4 for quantitate details will be verified with GSTR – 9 data and any differences should be able to be addressed</li><li>• Check Serial No 5 for costing of each product and if any differences with Rule 30 of CGST Rules</li><li>• Check Serial No 6 for operating rations for over a period of time and see any major differences, understand the reasons for the same</li><li>• Check Serial No 10 for related party transactions and verify if valuation is carried out as per Rule 28 of the CGST Rules</li></ul>



## Desk Review – Goods

Sr.No	Documents	
7	Tax Audit Report	<ul style="list-style-type: none"><li>• Clause 18 for Deprecation and ITC availed on capital goods</li><li>• Clause 27(a) input tax credit availed and carried forward, match with GST Ledgers and prepare reconciliation if required</li><li>• Clause 21(b) prior period items and time of supply as per GST applicability and payment, any differences prepare a statement for the same</li><li>• Clause 38, Cost Audit Report</li><li>• Clause 40, check important accounting ratios</li></ul>

# CMA B Mallikarjuna Gupta

*B. Com, ACMA, MFM, M.IOD, PGDCS*

Qualified Online proficiency exam for Independent Directors

Over two decades of experience in the areas of Taxation, GST, Product Management, Finance, Accounting, Costing, Sales, Operations, Marketing, Project Accounting ERP & BI Implementation. Worked for Oracle, Infor, Logo, Systime & Dempo Group. Designed & implemented a Costing system for a Steel Plant, Biaxially oriented polypropylene (BOPP) & Upholstery plant.

**vCFO, GST, Product Management & Management Consultant**

**Advisor @ COMQUO, a startup in compliance profiling of business partners**

## Member of

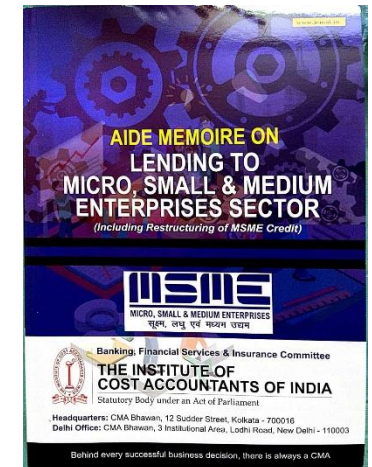
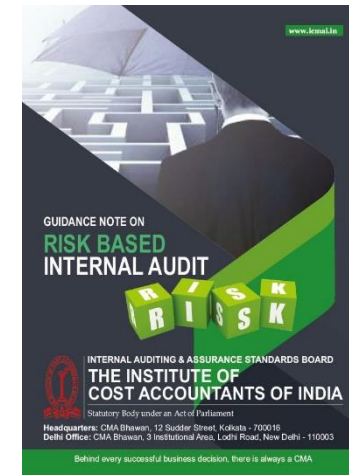
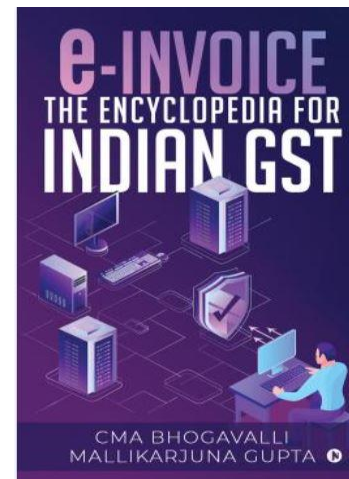
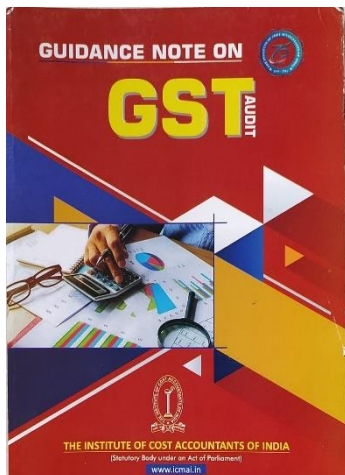
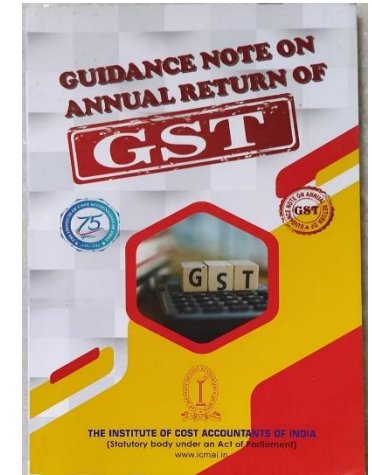
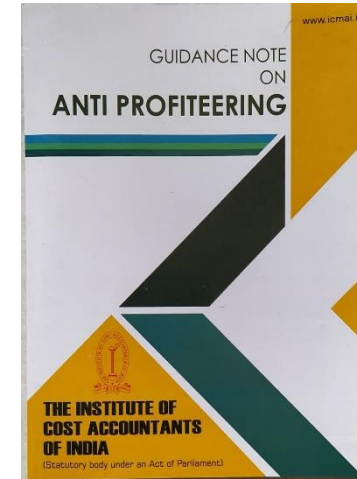
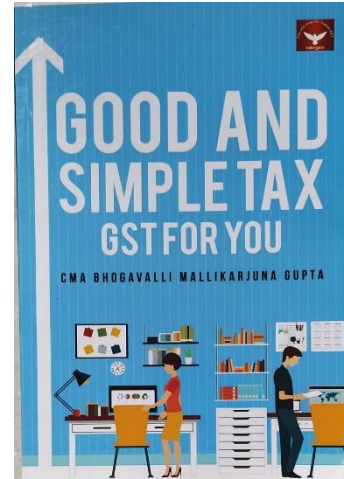
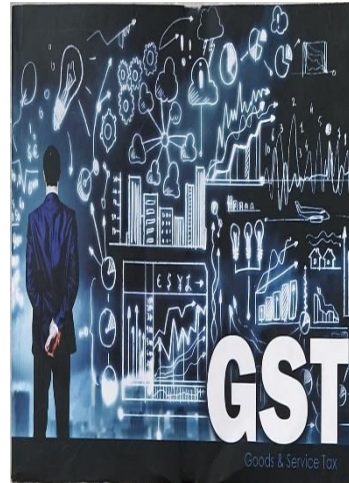
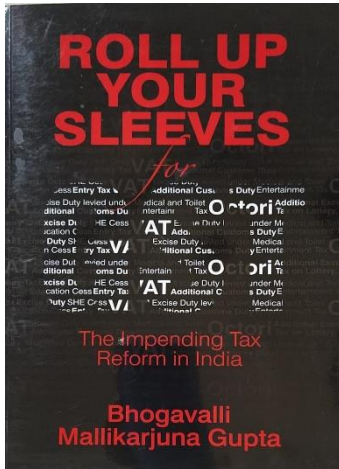
- GST Grievance Redressal Committee – Telangana
- Task Force Member – MSME & Startups @ ICAI for 2021-22
- Expert Member for Technology Development Fund Scheme of DRDO
- GST & Customs Committee, Corporate Laws & IBC Committee at FTCCI Federations of Telangana Chamber of Commerce & Industry)
- Resource Person/Faculty - Institute of Cost Accountants of India, Regional Training Institute (CAG Auditors), National Academy of Customs, Indirect Taxes & Narcotics, Indian Navy and National Institute for Micro Small and Medium Enterprises (NI-MSME)
- Served as Member at various Committees constituted by Institute of Cost Accountants of India from time to time on Indirect Taxes, GST & other committees at Hyderabad Chapter
- Served as a Member at National Council for Indirect Taxes at ASSOCHAM



## AWARDS/RECOGNITIONS

- Conferred the Indian Achievers' Award 2021 - In Recognition of Outstanding Professional Achievement & Contribution in Nation Building
- GUINNESS WORLD RECORDS titleholder as a team member for the “Most people running up a single mountain.”
- Selected one among the 100 Digital Influences for 2020 by [YourStory](#)
- His podcasts find place in the top 10 Taxation podcasts in India for 2021
- Recognized by the Cyberabad Police for Traffic Volunteering for 100 hours & for conducting the drunken drive.

# Books – Authored/Co Authored







presented to

**CMA Bhogavalli Mallikarjuna Gupta**

Founder  
**INDIA-GST.IN**

In Recognition of Outstanding Professional Achievement &  
Contribution in Nation Building

Harish Chandra  
President

S. Ravi Shankar  
Hon. Secretary



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# My Coordinates



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