

Special Audit & Desk Review and Role of CMA in
Special Audit and Desk Review.

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Coverage.....

- Special Audit
- Desk Review
- Role of CMA in Special Audit and Desk Review.
- Role of CMA in Desk Review.

Special Audit Under GST - Section 66

- **Introduction to Special Audit under GST.**
- **Conditions for Initiating a Special Audit.**
- **Appointment of the Auditor.**
- **Scope and Duration of the Audit.**
- **Submission of the Audit Report.**
- **Post-Audit Procedure.**
- **Rights and Responsibilities of the Taxpayer.**
- **Conclusion.**

Introduction to Special Audit under GST.

- **Purpose:** To ensure the accuracy of records, returns, and declarations made by the taxpayer.
- **Trigger:** Initiated by a GST officer when the tax liability declared by the taxpayer appears to be incorrect or insufficient.
- **Legal Basis:** Governed by Section 66 of the Central Goods and Services Tax (CGST) Act, 2017.

Conditions for Initiating a Special Audit.

- **Complexity of the Case:** When the complexity of the case or the nature of the transactions necessitates detailed examination.
- **Inadequate Disclosure:** When the taxpayer's records or returns do not seem to align with the tax liabilities reported.
- **Suspicion of Tax Evasion:** When there is a reason to believe that the taxpayer has suppressed vital information leading to reduced tax liability.

Appointment of the Auditor.

- The Assistant Commissioner or any other authorized officer may direct the taxpayer to undergo a special audit.
- **Appointment:** A Chartered Accountant (CA) or Cost Accountant (CMA) nominated by the Commissioner conducts the audit.
- **Written Directions:** The direction for a special audit must be issued in writing, specifying the reasons for the audit.

Scope and Duration of the Audit.

- **Comprehensive Review:** Covers all aspects of the taxpayer's records, including books of accounts, invoices, returns, and other relevant documents.
- **Timeframe:** The audit should be completed within 90 days from the date of the direction.
 - **Extension:** The Commissioner can extend this period by a further 90 days, if necessary.

Submission of the Audit Report.

- **Report to Officer:** The appointed auditor submits the audit report directly to the GST officer who ordered the audit.
- **Copy to Taxpayer:** The taxpayer also receives a copy of the audit report.
- **Consequences:** The findings in the report can lead to additional tax demands or penalties if discrepancies are found.

Post-Audit Procedure.

- **Opportunity to Respond:** The taxpayer is given a reasonable opportunity to be heard before any decision based on the audit report is taken.
- **Demand Notice:** If the audit report indicates discrepancies, a demand notice under Section 73 or 74 of the CGST Act may be issued.
- **Appeal:** The taxpayer has the right to appeal against the demand or penalty imposed as a result of the special audit findings.

Rights and Responsibilities of the Taxpayer.

- **Cooperation:** The taxpayer must provide all necessary records and documents required for the audit.
- **Representation:** The taxpayer can make representations before the audit report is finalized.
- **Right to Appeal:** The taxpayer can challenge any adverse findings or demands arising from the audit.

Conclusion.

- **Significance of Special Audit:** A critical tool for the GST department to ensure compliance and accuracy in tax reporting.
- **Role of CMAs:** Cost Accountants play a vital role in conducting these audits, bringing expertise in cost and financial analysis.
- **Impact:** Aims to deter tax evasion and promote transparency in the GST ecosystem.
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Desk Review in GST

- **Introduction to Desk Review in GST**
- **Scope of Desk Review**
- **Process of Desk Review**
- **Documents Typically Examined**
- **Post-Review Actions**
- **Rights and Responsibilities of the Taxpayer**
- **Benefits of Desk Review**
- **Limitations of Desk Review**
- **Conclusion**

Introduction to Desk Review in GST

- **Purpose:** A preliminary review process to assess the accuracy of returns, documents, and information filed by the taxpayer without conducting a full-scale audit.
- **Nature:** Less intrusive than field audits; focuses on desk-based examination of records.
- **Objective:** To identify discrepancies, risks, and non-compliance issues based on available data and information from the taxpayer.

Scope of Desk Review

- **Documents Reviewed:**
 - GST returns (GSTR-1, GSTR-3B, GSTR-9, etc.)
 - Financial statements
 - E-way bills
 - Input Tax Credit (ITC) claims and reconciliations
 - Tax payment details and challans
- **Data Sources:** The GST authorities use data available from the taxpayer's filings and other third-party sources, including:
 - Data from suppliers and buyers.
 - Tallying of data from GST returns with income tax returns or financial statements.

Process of Desk Review

- **Identification of Cases:**

- Selection of taxpayers for review is based on risk assessment or data analytics.
- Focus on areas like mismatched returns, abnormal ITC claims, or significant deviations from sectoral norms.

- **Preliminary Scrutiny:**

- Verification of filed returns and documents.
- Checking discrepancies or mismatches between GSTR-1 and GSTR-3B, turnover in financials vs. GST returns, ITC claims, etc.

- **Queries Raised:**

- If discrepancies are noted, queries are raised, and the taxpayer is asked to provide explanations or additional documentation.

- **Communication with Taxpayer:**

- Notices are sent to the taxpayer seeking clarifications or explanations.
- The taxpayer may be required to provide more detailed records for verification.

Documents Typically Examined

- **GST Returns:** Inconsistencies between various returns (e.g., GSTR-1 vs GSTR-3B).
- **Reconciliation Statements:** Matching ITC claims with supplier invoices.
- **Financial Statements:** Comparing turnover reported under GST with the financials.
- **Transaction Records:** Invoices, purchase orders, and e-way bills.

Post-Review Actions

- **Clarifications Sought:** Based on the findings of the desk review, taxpayers may be asked to clarify discrepancies or provide additional information.
- **Corrective Actions:**
 - If minor discrepancies are found, taxpayers may be asked to file revised returns or pay additional taxes.
 - In case of significant discrepancies, the case may be escalated to a full audit or special audit under Section 66.
- **Follow-up:** Authorities may issue demand notices or penalties for non-compliance identified during the desk review.

Rights and Responsibilities of the Taxpayer

- **Cooperation:** Taxpayers are required to provide clarifications and respond to queries raised during the desk review.
- **Right to Explanation:** Taxpayers can explain their position or correct errors identified during the review.
- **Consequences of Non-compliance:** Failure to comply with desk review requirements can lead to further scrutiny, audits, or legal action.

Benefits of Desk Review

- **Time and Cost Efficient:** Focuses on desk-based scrutiny without the need for detailed fieldwork, making it quicker and more efficient for both the tax authority and taxpayer.
- **Early Detection of Errors:** Helps in identifying non-compliance at an early stage, enabling taxpayers to rectify errors voluntarily.
- **Minimal Disruption:** Since it involves examination of documents provided remotely, it does not require physical visits or disrupt business operations.

Limitations of Desk Review

- **Data-Driven:** Relies heavily on available data and may miss out on discrepancies not evident from the submitted documents.
- **Limited Scope:** Cannot fully uncover complex cases of tax evasion that require deeper scrutiny through audits or field inspections.
- **Subject to Interpretation:** Often relies on interpretations and explanations provided by the taxpayer, which may not always give a complete picture.

Conclusion

- **Significance of Desk Review:** A crucial tool for the GST department to ensure compliance, detect discrepancies, and promote voluntary corrections without resorting to full-scale audits.
- **Role of CMAs:** Cost Accountants assist in desk reviews by providing reconciliations, ensuring accurate return filing, and addressing discrepancies in the financial data.
- **Impact:** Helps maintain a streamlined and compliant GST regime by focusing on data accuracy and early error detection.

Role of CMA in Special Audit under GST

- **Introduction to Special Audit under GST.**
- **Legal Framework for Special Audit**
- **Role of CMA in Special Audit.**
- **Expertise of CMA in Special Audit.**
- **CMA's Contribution to Accurate GST Compliance**
- **Case Studies: CMA in Action.**
- **Challenges Faced by CMA in Special Audit.**
- **Conclusion**

Introduction to Special Audit under GST

- **What is Special Audit?**

- Ordered by the GST Officer if discrepancies are noticed.
- Conducted by a Chartered Accountant (CA) or Cost Accountant (CMA).

- **Objective of Special Audit**

- To ensure accurate assessment of GST liabilities.
- To verify compliance with GST laws and regulations.

Legal Framework for Special Audit

- **Section 66 of the CGST Act, 2017**
 - Provision for Special Audit.
 - Appointment of a CMA or CA by the Commissioner.
- **Conditions Leading to Special Audit**
 - Complexity in the accounts.
 - Mismatch in Input Tax Credit (ITC) claims.
- Understatement of taxable turnover.

Role of CMA in Special Audit

- **Detailed Examination of Records**
 - Verification of financial statements.
 - Cross-checking GST returns with the company's books of accounts.
- **Identification of Discrepancies**
 - Spotting mismatches in ITC claims and GST liability.
 - Ensuring correct valuation of goods and services.
- **Recommending Corrective Measures**
 - Suggesting adjustments or rectifications.
 - Providing a detailed audit report to the GST authorities.

Expertise of CMA in Special Audit

- **Cost Control and Costing Techniques**
 - In-depth understanding of cost records and valuation methods.
- **Analysis of Cost Data**
 - Expertise in analyzing and interpreting cost data relevant to GST compliance.
- **Financial Management Skills**
- Assessing the financial health of the business concerning GST obligations

CMA's Contribution to Accurate GST Compliance

- **Ensuring Accuracy in Tax Calculations**

- Proper assessment of GST liabilities.
- Accurate computation of ITC.

- **Providing Transparency**

- Clear documentation of findings and recommendations.
- Aiding in reducing litigation risks for the business.

Case Studies: CMA in Action

- **Case 1: ITC Discrepancy Resolution**
 - Overview of how a CMA identified and resolved ITC discrepancies.
- **Case 2: Valuation Dispute**
 - Role of a CMA in settling valuation disputes under GST.
- **Outcomes**
 - Successful compliance and minimized penalties.

Challenges Faced by CMA in Special Audit

- **Complexity of GST Laws**
 - Navigating through the intricate provisions of GST.
- **Data Management Issues**
 - Handling large volumes of financial data.
- **Timely Completion**
 - Adhering to strict deadlines set by GST authorities.

Conclusion

- **Key Takeaways**

- Importance of CMA in ensuring GST compliance through Special Audit.
- The unique skill set of CMAs in analyzing and interpreting cost data.

- **Final Thoughts**

- CMAs play a crucial role in bridging the gap between the business and GST authorities.

Role of CMA in Desk Review under GST

- **Introduction.**
- **Objectives of Desk Review.**
- **Role of CMA in Desk Review.**
- **Key Responsibilities of CMAs.**
- **Challenges Faced by CMAs.**
- **Case Studies.**
- **Best Practices for CMAs in Desk Review.**
- **Conclusion.**

Introduction

- **Overview of GST**
 - Brief introduction to the Goods and Services Tax (GST) system in India.
 - Importance of GST compliance for businesses.
- **What is a Desk Review?**
 - Definition and purpose of a Desk Review in the GST framework.
- Difference between Desk Review and other forms of audits.

Objectives of Desk Review.

- **Compliance Verification**
 - Ensuring accuracy in tax filings and adherence to GST laws.
- **Detection of Anomalies**
 - Identifying discrepancies or mismatches in reported data.
- **Risk Assessment**
 - Assessing the potential risk of non-compliance or fraud.
- **Facilitating Detailed Audits**
 - Determining the necessity for more comprehensive audits.

Role of CMA in Desk Review

- **Expert Analysis**

- CMAs possess the expertise to analyze financial statements and tax records critically.

- **Data Validation**

- CMAs help validate the correctness of returns filed, ensuring consistency with financial records.

- **Identifying Red Flags**

- CMAs are skilled in spotting irregularities and suggesting corrective measures.

- **Advisory Role**

- Providing recommendations to businesses for improving compliance and minimizing risks.

Key Responsibilities of CMAs

- **Document Verification**

- Checking invoices, returns, and other related documents for accuracy.

- **Reconciliation**

- Ensuring the reconciliation of GST returns with financial statements.

- **Report Preparation**

- Drafting detailed reports on findings, discrepancies, and suggested actions.

- **Follow-up Actions**

- Advising on necessary follow-ups post-review, such as rectifications or further audits.

Challenges Faced by CMAs

- **Complex GST Regulations**
 - Navigating the complexities of ever-evolving GST laws.
- **Data Discrepancies**
 - Dealing with inconsistent or incomplete data from businesses.
- **Time Constraints**
 - Completing desk reviews within stipulated time frames.
- **Client Awareness**
 - Educating businesses on the importance of accurate reporting and compliance.

Case Studies

- **Case Study 1: Successful Identification of Input Tax Credit Mismatch**
 - Brief description of the scenario and the CMA's role in resolving the issue.
- **Case Study 2: Improving Compliance through Desk Review**
- Example of how a CMA's recommendations post-desk review led to better compliance.

Best Practices for CMAs in Desk Review

- **Continuous Learning**
 - Staying updated with the latest GST regulations and compliance requirements.
- **Effective Communication**
 - Clear and transparent communication with clients regarding findings and recommendations.
- **Use of Technology**
 - Leveraging software and tools for efficient data analysis and report generation.
- **Collaborative Approach**
 - Working closely with tax professionals and auditors to ensure a holistic review.

Conclusion

- **Summary of the CMA's Role**

- Recap of the critical functions CMAs perform in the GST Desk Review process.

- **Importance of Desk Review**

- Emphasizing the role of Desk Reviews in ensuring GST compliance and minimizing risks.

- **Future Outlook**

- The evolving role of CMAs with advancements in technology and changes in GST laws.

Q&A