



# GST : DEPT. AUDIT

CA SUNIL GABHAWALLA



# Context ....

## Assessment – Chapter XII

Self Assessment (S. 59)  
Provisional Assessment (S. 60)  
Scrutiny of Returns (S. 61)  
Non Filers Assessment (S. 62)  
URD Assessment (S. 63)  
Protective Assessment (S. 64)

S. 71 Access to  
Business  
Premises

## Audit – Chapter XIII

Department Audit (S. 65)  
Special Audit (S. 66)

## Investigation – Chapter XIV

Inspection, Search, Seizure (S. 67)  
Goods in Transit (S. 68)  
Power of Arrest (S. 69)  
Power to Summon (S. 70)

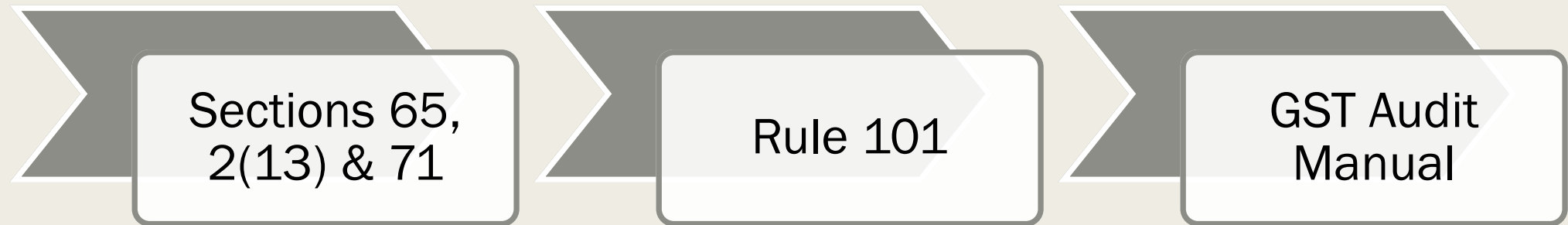
## Demands & Recovery – Chapter XV

Adjudication of Tax – Normal  
Cases (S. 73)

Adjudication of Tax – Cases of  
Fraud/Suppression (S. 74)



# Provisions to Discuss



# Enabling Provision for GST Audit – Section 65(1)

- The Commissioner or any officer authorised by him,
  - *Notification 2/2017-CT dated 19.06.2017*
- 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

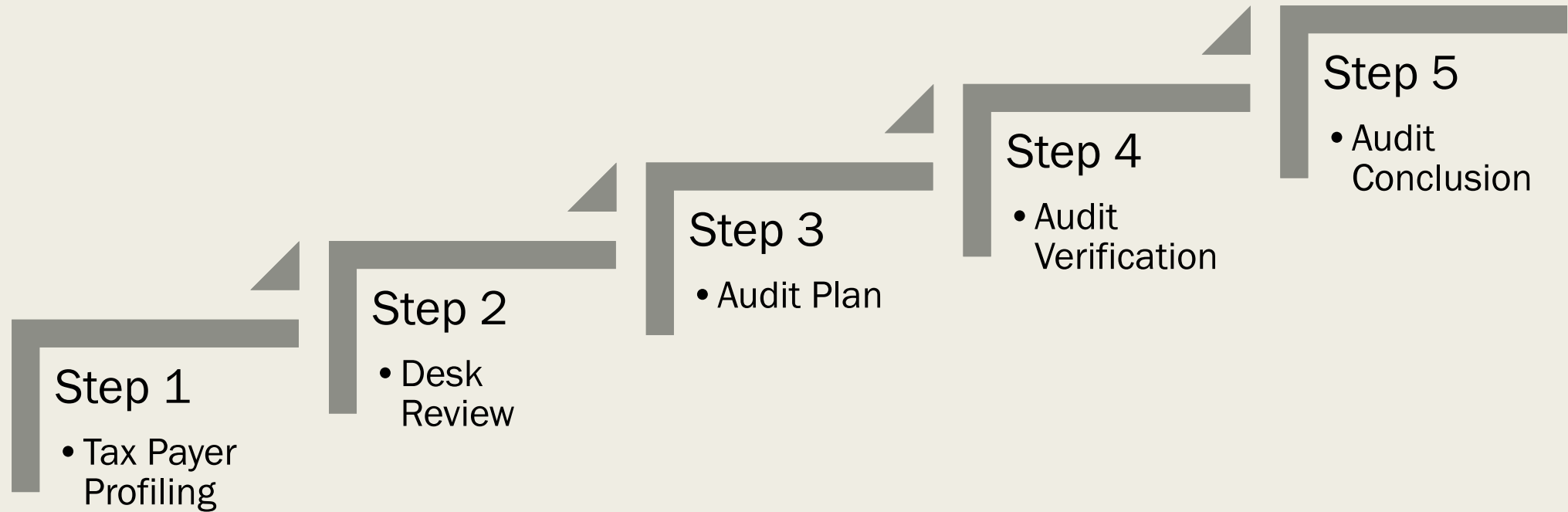
# Statutory Provisions (Contd.)

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
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.

# Who is covered under Department Audit provisions?

- Discretionary
- Selection Criteria
  - *Risk Based Selection*
  - *Theme Based Selection*
  - *Deferment for Accredited Taxpayers*

# Steps involved



# Step 1 : Tax Payer Profiling

- Filing of GSTAM – I
  - *Parts I & II – Basic Taxpayer Information*
  - *Part III – Summary Details of Supplies and Taxes*
- Issuance of Intimation of the Commencement of Audit to Taxpayer in ADT-01



# Step 2 : Desk Review

- Analyse information in GSTAM – I
- Call for documents as per GSTAM – III (Annual Report, P&L, Balance Sheet, Notes to Accounts, Trial Balance, Cost Audit Report, Tax Audit Report, TDS Statement – Form 26AS)
- Testing of Income and Exemptions Claimed
- Reconciliation of Input Tax Credit – Form 3B vs. 2A – Balance to verify at supplier end – Paras 5.5.4 & 5.8.3 of GSTAM)
- Ratio Analysis – GSTAM – IV
- Reconciliation of third party data – GSTAM – V
- Revenue Risk Analysis - Based on industry reports
- Trend Analysis

# Step 3 : Audit Plan

- Based on tax payer profiling and desk review, prepare audit plan
- Indicative Audit Plan suggested as GSTAM – VII
- Get the same internally reviewed and approved
- Proceed with the next step of ‘audit verification’

# Step 4: Audit Verification

- Review of Internal Controls
- Walkthrough of Transactions – GSTAM – VI (Inward Supplies, Outward Supplies, Stores, Tax Accounting, Job Work Transactions)
- Filling the Questionnaire (General, Invoicing Process, Accounts and Records, GST Returns, Place of Supply, Valuation, MIS)
- ABC Analysis
- Transaction and Document Verification
- Interim Communication of Shortcomings – Rule 101(4)

# Step 5 : Audit Conclusion

- Verification Report – GSTAM VIII
- Draft Audit Report to be placed before Monitoring Committee
- Final Audit Report to be issued
- Conclusion of Audit to be communicated in ADT-02
- Show Cause Notice for open ended points

# Department Audit - Issues

- Jurisdiction
- Physical vs. Virtual Interactions
- Physical vs. Electronic Records/Documents
- Extent of Submission of Documentation – GSTIN/Third Party/Taxpayer Centric
- Extent of Preparation of Records and Statements – Auditor or auditee?
- Timelines of Initiation and Completion of Audit
- Frequent Team Realignment & Duplication of Efforts
- Timelines
- Soft Skills

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THANK YOU