



AUDIT UNDER GST

WHAT IS AUDIT ?

- ▶ Audit is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following documented system of recording transactions.
- ▶ The purpose of Audit under GST is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST.



AUDIT UNDER GST

Situations for Audit under GST

Audit by Taxable Person

Turnover exceeds prescribed limit

Audit by GST Tax authorities

General Audit

Special Audit

AUDIT BY TAXABLE PERSON

- ▶ As per **Section 35(5)** of CGST Act, every registered dealer whose turnover during Financial Year exceeds **Rs 2 crores** has to get his accounts audited by a **Chartered Accountant** or **Cost Accountant**.
- ▶ He shall electronically file:
 1. Annual return in Form **GSTR9** by 31st December of next financial year (31st March 2019 for FY 2017-18)
 2. Audited copy of annual accounts
 3. Certified Reconciliation Statement in form **GSTR-9C**
 4. Any other particulars as prescribed



AUDIT BY GST TAX AUTHORITIES

General Audit (Sec.65)

- ▶ The Commissioner of CGST/SGST (or any officer authorized by him) by way of a general or specific order, may conduct an audit of any registered person for such period, at such frequency and in such manner as may be prescribed.
- ▶ A **notice** will be sent to the auditee at least **15 days** before in **Form GST ADT-01**
- ▶ The audit will be completed within **3 months** from the date of commencement of the audit.
- ▶ The Commissioner can extend the audit period for a further **six months** with reasons recorded in writing.



AUDIT BY GST TAX AUTHORITIES – GENERAL AUDIT

► Obligations of the Auditee:

The taxable person whose accounts are being audited will be required to:

1. Provide the necessary facility to verify the books of accounts/other documents as required
2. To give information and assistance for timely completion of Audit



AUDIT BY GST TAX AUTHORITIES – GENERAL AUDIT

▶ Findings of Audit:

On Conclusion of an audit, the officer will inform the taxable person, whose records are audited, about:

- The findings,
- Their reasons, and
- The taxable person's rights and obligations

during the audit in Form **GST ADT-02** within **30 days** of conclusion of the audit.

- ▶ If the audit results in detection of unpaid/short paid tax or wrong refund or wrong input tax credit availed, then **demand and recovery** actions will be initiated under **section 73 or 74**

AUDIT BY GST TAX AUTHORITIES

Special Audit (Sec.66)

▶ When can Special Audit be initiated ?

The Assistant Commissioner may initiate the special audit, considering the nature and complexity of the case and interest of revenue. If he is of the opinion during any stage of scrutiny/inquiry/investigation that the value has not been correctly declared or wrong credit has been availed then special audit can be initiated in Form **GST ADT-03**

AUDIT BY GST TAX AUTHORITIES – SPECIAL AUDIT

▶ Who will order and conduct a Special Audit ?

The **Assistant Commissioner** (with prior approval of the Commissioner) can order for Special Audit (in writing). The special audit will be carried out by a **Chartered Accountant** or a **Cost Accountant** nominated by the Commissioner.

▶ Time limit for Special Audit

The auditor appointed will have to submit the report to Assistant Commissioner in Form **GST ADT-04** within **90 days**. This may be further **extended** by the tax officer for **90 days** on an application made by the taxable person or the auditor.

AUDIT BY GST TAX AUTHORITIES – SPECIAL AUDIT

▶ Cost

The expenses for examination and audit including the auditor's remuneration will be determined and paid by the Commissioner.

▶ Findings of Special Audit

The taxable person will be given an opportunity of being heard in findings of the special audit

If the audit results in detection of unpaid/short paid tax or wrong refund or input tax credit wrongly availed then **demand and recovery** actions will be initiated under **section 73 or 74**

DIFFERENCE BETWEEN AUDITS U/S 65 & 66

COMPONENTS	SECTION 65	SECTION 66
Nature of Audit	Departmental Audit	Special Audit
Conducted by	Officers authorized by Commissioner	Chartered Accountant/Cost Accountant nominated by Commissioner
Notice	Prior Notice of 15 days is required	No notice/intimation is required
Time for conclusion	Within 3 months, further extension of 6 months allowed	Within 90 days, further extension of 90 days allowed
Opportunity of being heard	No specific provision	Yes, where information gathered during the audit is to be used in any proceedings against the auditee

Management's Responsibility towards Audit

The management is responsible for the following in relation to GST Audit:

- ▶ compliances with the GST laws, comprising of CGST/SGST/UTGST/IGST acts and rules made thereunder.
- ▶ maintenance of adequate accounting records and internal controls for preventing fraud or other irregularities.
- ▶ providing of written representations as requested by the GST auditor concerning representations made to him in connection with the audit.

Auditor's Responsibility towards Audit

- ▶ GST auditor's responsibility is to audit the particulars included in the **GSTR 9C** to ensure that they are **free of any material mis-statement**.
- ▶ GST auditor will consider the entity's **internal control** for the purpose of planning of audit procedures.
- ▶ The **working papers** prepared in conjunction with the audits are/is **confidential information** of the enterprise and will not be disclosed by him to any third party, except in certain cases, without the consent of the auditee.
- ▶ The auditor must report any tax liability identified through the **reconciliation** exercise of GST audit and he may or may not certify the form GSTR 9C

THANK YOU

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