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Instruction No. 3 /2025 - Kerala SGST (Audit Vertical)

Subject:- KSGST Act - Division of Work and fixing responsibility of team members in the Audit team - Responsibility of Deputy Commissioners in the Audit Division - instructions issued-reg.

1. Audit under GST is the process of examination of records, returns, and other documents maintained by a taxable person. It is an important compliance verification tool that complements anti-evasion action and constructive taxpayer engagement to improve tax compliance.
2. The State GST Department, through restructuring of the Department, had established a dedicated vertical for envisaging an effective tax administration as designed in the GST Act. The performance of the Audit teams for the last year has been reviewed and the following instructions are issued for strict compliance for improving the efficiency of the teams.
 - i. The audit function under Section 65 of the GST Act differs significantly from other tax administration activities, such as intelligence and enforcement action, taxpayer service functions, etc. This section allows taxpayers sufficient time to produce documents for verification by audit officers. Based on their findings, they engage with taxpayers to address issues and to correct any deficiencies in their tax payment behavior. As such, audit work is inherently a team-based activity, involving the preparation of audit plans, desk review, audit visits, verification of

documents, preparation of audit reports, interaction with taxpayers to resolve issues etc.

- ii. The collective effort of each and every individual in the audit team is crucial to attain the purpose of the audit function. To improve tax compliance and plug leakage of revenue, every official in the audit wing shall act as part of the team in dealing with each issue to achieve a common goal, unlike the conventional method of addressing each taxpayer-related issue by a single jurisdictional officer.
- iii. The Deputy Commissioner of Audit was envisaged in the GST restructuring to bear the responsibility for audit cases assigned to the division. They are also responsible for delegating work effectively to the ACs/STOs/DSTOs/ASTOs. Maintaining team spirit is crucial in Audit, therefore daily stand-up meetings is recommended. Further, a thorough understanding of each case file is essential, and this must be ensured by the Deputy Commissioner. Finally, Audit Deputy Commissioners who fail to perform their duties as envisaged above shall be held responsible for improper audits and resultant consequences.
- iv. In the GST Back-office portal, the design of the system is to assign a case for Audit to a particular officer. Even though the system is designed in that manner, the concerned Audit team shall work jointly for the preparation of working papers, preparation of audit plans, conducting audits, preparation of Audit reports etc. The concerned officer, who has been allotted with the case in the BO portal shall be personally responsible for ensuring the timely uploading of details in the BO portal. The responsibility for completing the audit lies with the entire team led by the Deputy Commissioner. Moreover, the preparation of Audit reports and framing of draft Show Cause Notices shall be the responsibility of the DSTO/ASTOs in the team as per Circular No.13/2024-Kerala SGST, even if it is not issued by them as per the pecuniary limit prescribed for the issuance of SCN in Circular No.06/2023.
- v. The Audit headquarters will strive to conduct online Audit Monitoring Committee (AMC) meetings for the Audit paras that do not require detailed discussion/settled paras. To enable such

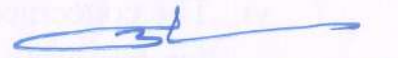
faster closure, a separate sheet is to be attached with the DAR for already discussed or decided paras referring to the AMC number, DAR number and para number. For the Audit paras that require detailed deliberation, discussion can be taken up in a physical AMC meeting. The TPS Vertical should also be physically present with their points on a compulsory basis in such physical AMC meetings. In such cases, the Audit headquarters shall communicate the DAR to the concerned TPS and to other Audit Zones to prepare notes for discussion.

- vi. The concerned audit team shall put their suggestions with reasons for proposing a case to be adjudicated u/s 74 of the Act. The Audit Monitoring Committee shall decide whether a case is to be adjudicated u/s 73 of the Act or u/s 74 of the Act.
- vii. The concerned Joint Commissioners can seek an administrative explanation for the delay in Audit completion from the concerned Audit Deputy Commissioner. The concerned divisional Audit Deputy Commissioners shall prepare a work schedule at the time of file allocation and shall monitor, whether the work is being done as per the schedule, if not, they can also seek explanations from the concerned officers and recommend the officer for suitable action to higher authorities, if the explanation is not found satisfactory.
- viii. All communications and correspondence of the Audit team with other verticals should go through the Audit HQ unless a protocol has been established specifically for communication at the lower level for that matter.
- ix. In some cases, there may be situations where a taxpayer who is allotted for audit does not cooperate with the Audit process by non-submission of documents and records even after continuous communications. In such situations, the concerned zonal Joint Commissioners shall report to the Audit Headquarters for further instruction. The case ID created in the Back Office portal in this regard shall be kept at the concerned Audit team until further directions are received from the headquarters in this regard. No officer under the Audit vertical or any other vertical shall have the power to recommend a case to another vertical without prior

approval of the concerned headquarters that is receiving the case.

- x. All the officers, who conduct Audits shall do a thorough verification of all documents including source documents of the auditee as root-level verification of transactions has prime importance under the Audit. The approach in this regard should never be completed mechanically as an Audit is not a scrutiny of returns and records.

3. Difficulty, if any, in following this instruction may be brought to the notice of the undersigned.



31/1/17

AJIT PATIL I A S

COMMISSIONER

To

All concerned.