(For Departmental Circulation Only)

MANUAL
for
QUALITY ASSURANCE REVIEW
&
AUDIT PERFORMANCE INDEX, 2021

Directorate General of Audit
Central Board of Indirect Taxes & Customs
Department of Revenue
Ministry of Finance
Government of India

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FOREWORD

The system of Quality Assurance Review (QAR) was first introduced in April 2004 to effectively monitor the compliance of EA 2000 methodology by the audit formations at the field level. The Manual for QAR was first introduced in 2007. Subsequently, the same was revised in 2008 and 2016 based on certain amendments in the Central Excise and Service Tax statutes and also after the formation of exclusive Audit Commissionerates during the reorganization of formations in the CBIC in the year 2014.

Presently, quality evaluation of Central Excise and Service Tax audits is done as per the QAR Manual, 2016 by the Zonal units of this Directorate annually.

Pursuant to introduction of Goods and Services Tax (GST), a major tax reform in the country, w.e.f. 01.07.2017, GST Audit Manual, 2019 (GSTAM 2019) was released by this Directorate envisaging the audit process to be followed for conduct of GST audits with certain changes in the norms for selection of taxpayers for conduct of audits, approval of audit plans, conduct of desk-based audits in case of small taxpayers etc.

In view of this sweeping reform, a need has arisen for a comprehensive review of the QAR Manual, 2016 to align it with the guidelines prescribed under GSTAM 2019 and to make it a more transparent and effective tool for performance evaluation with the intended objective of using the evaluation for improving audit efficiency and outcomes.

A committee headed by Shri Sunil Jain, Additional Director General, Hyderabad Zonal Unit constituted for the comprehensive revision of the performance evaluation methodology of Audit Commissionerates has come out with elaborate proposals, which have been approved by the CBIC in its meeting held on 14.10.2020. These proposals are discussed in this manual.

Some of the highlights of the Manual for Quality Assurance Review & Audit Performance Index, 2021 are as under:

- Methodology for grading the Audit Commissionerates, on both, qualitative performance in the form of QAR and quantitative performance in the form of API, and a composite annual grading is provided in this Manual.

- The existing system of assessment by way of marking "yes" or "no" against each standard of the audit process is being replaced with a numerical scoring system which will ensure that the evaluation is based on an objective and rational methodology leaving little scope for subjectivity. A new set of parameters are introduced for QAR grading.

- Scoring based on additional parameters like training needs, timely scheduling of audits, periodical reviews by senior officers etc. to evaluate and improve the general performance of the Audit Commissionerate is also being introduced, in the QAR.

All due care has been taken in drafting this manual. Suggestions from the field formations and other Zonal units also have been suitably incorporated.

I appreciate the personal efforts made by Shri Sunil Jain, Additional Director General, Hyderabad Zonal Unit and his team of officers right from the beginning of making proposals for revamping of the QAR process to bringing out this Manual.

Feedback, inputs and suggestions pertaining to this manual may be provided to the Office of Directorate General of Audit through the jurisdictional Additional Director General (Audit).

Best Wishes,

(SUAKZATHANG NUNTHUK)
DIRECTOR GENERAL

New Delhi,
Dated: 11th March, 2021.

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CHAPTER 1

DIRECTORATE GENERAL OF AUDIT AND INTRODUCTION TO QUALITY ASSURANCE REVIEW & AUDIT PERFORMANCE INDEX PROGRAMME

1.1 INTRODUCTION

1.1.1 The Directorate General of Audit, Indirect Taxes and Customs, New Delhi (headed by the Principal Director General/Director General) with its seven Zonal units at Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Mumbai (each headed by a Principal Additional Director General/Additional Director General) is required to ensure the efficient and effective implementation of the audit system and also to evolve and improve audit techniques and procedures through a periodic review. With the help of its Zonal units, the Directorate General of Audit regularly monitors the audits conducted by the various Audit Commissionerates to ensure that the coverage of the registered persons is adequate in number and is reflective of their risk profile and to ensure that these audits are conducted in accordance with the provisions of law.

1.1.2 As an advisor to the Central Board of Indirect Taxes and Customs (CBIC), the Directorate General of Audit is required to suggest measures for enhanced tax compliance, gauge the level of audit standards while ensuring audit quality assurance and monitoring the performance and pendency related to audit in the Audit Commissionerates. Quality Assurance Review (QAR) is the periodical review to be carried out by the Zonal units of the DG Audit to evaluate the performance of the Audit Commissionerates in terms of their adherence to the process of audit prescribed in the Audit Manual. Audit Performance Index (API) is a method of evaluating the quantitative performance of the Audit Commissionerates on a comparative basis. Development of methodologies for the QAR programme and the determination of API are the responsibilities of the DG (Audit), New Delhi.

1.1.3 Zonal Pr. ADGs/ADGs are responsible for the actual conduct of QARs of the Audit Commissionerates in their respective jurisdiction.

1.2 NEED FOR REVISION/ REVAMPING OF QAR & INTRODUCTION OF API PROCESS

1.2.1 Hitherto, the QAR was conducted as per the QAR manual 2016 which is based on Central Excise & Service Tax Audit Manual, 2015

(CESTAM, 2015). The CESTAM 2015 contained standards and elements of audit meant for conduct of audit of Central Excise and Service Tax assessees. On introduction of GST, the GST Audit Manual 2019 (GSTAM 2019) was released on 05.07.2019, introducing the elements of audit standards and procedure for conduct of audit under the GST Act, 2017. As the existing QAR process cannot be made applicable to GST audits, a new manual is required to align it with the GST audits and make it more transparent and effective tool for quality evaluation in tune with GSTAM 2019.

1.2.2 The audit under GST regime is a very important tool for ensuring compliance by the taxpayer. The methodology of selection of taxpayers for conduct of audit is risk-based and, in some cases, random selection by the system. To ensure that the evaluation of the audits conducted by our auditors are reflective of the risks involved and commensurate with the knowledge and skills of auditors and availability of other audit enablers, a need has been felt for re-introduction of Audit Performance Index (API) which is in the nature of the quantitative outcome of the audits conducted. The API will prompt all auditors to achieve their best and encourage healthy competition among the Audit Commissionerates.

1.2.3 The Directorate General of Audit is mandated with evaluation of the performance of the Audit Commissionerates in terms of both qualitative and quantitative parameters, by way of determination of QAR of individual Audit Commissionerates and API on all India basis. With the introduction of API as a separate performance evaluation index, there is a need to integrate the evaluation of both qualitative and quantitative performances and to issue a composite grading of QAR and API, which will be a complete and comprehensive assessment of the Audit Commissionerates for the entire audit year. This manual introduces the methodology for the same.

1.2.4 After thorough study of GST audit procedures as per GSTAM 2019, a new methodology for the conduct of QAR, and API is detailed in this manual.

This new system is introduced with the following objectives:

i. To provide a fair assessment of the performance of Audit Commissionerates in a scientific manner and to guide them to take necessary steps to improve the quality of audits by following the procedure laid down in the audit manual.
ii. To evolve QAR and API Grading system, which is transparent, with minimum subjectivity and based on quantifiable and measurable quality parameters.

1.2.5 The QAR & API programme is being used by the DG (Audit) for the following purposes:

i. To assess the quality of audits performed by Central Tax officers working in Audit Commissionerates vis-a-vis the quality standards established by the GSTAM 2019.

ii. To report to jurisdictional Principal Commissioner/ Commissioners of audit, Principal Chief Commissioner/Chief Commissioners the outcome of review, so that shortcomings receive immediate attention at the highest level and remedial actions are taken.

iii. To report API Grading (on quarterly/annual basis) to Principal Commissioner/Commissioners, Principal Chief Commissioner/ Chief Commissioners so that the comparative status of the Audit Commissionerates' quantitative performance on all-India basis can be reviewed during the year and after the year and efforts can be made for improvement.

1.3 PURPOSE OF THE MANUAL

After the introduction of GST from 1st July, 2017, GSTAM 2019 was issued by this Directorate envisaging the audit process to be followed for conduct of GST audits. This manual is prepared in order to evaluate the qualitative and quantitative performance of the GST audits conducted by the Audit Commissionerates through QAR and API respectively. Hence, the evaluation of legacy audits related to Central Excise and Service Tax shall not be part of QAR process detailed in this manual.

1.3.1 SCOPE OF THE MANUAL

i. The manual lays down instructions, policies and procedures related to the QAR of GST Audits, carried out by the Audit Commissionerates.

ii. Guidelines provided herein are intended to ensure that QARs of GST audits are carried out in a uniform, comprehensive, transparent and professional manner.

iii. The manual contains the methodology for conducting QARs. The manual defines the composition, functions and responsibilities of the review team and prescribes standard formats for the collection of information and reporting of the outcome of such reviews. The assessment report along with the major observations is presented to the jurisdictional Chief Commissioner and Commissioner to bring to their notice the existing level of audit quality for improvements, if any.

iv. The manual provides guidance to the review officers (QAR team) through a set of published audit quality parameters for uniform assessment.

v. The manual seeks to promote an enhanced understanding, amongst the Audit Commissionerates, of the audit quality framework and standards, against which their performance will be measured. It also promotes adoption of these quality standards for improvement in their performance of the audit.

vi. The manual provides for grading the Commissionerates on the basis of the audit results viz., audit detections, recoveries and productivity per audit carried out on quarterly and annual basis in the form of API.

vii. The manual provides for measuring the qualitative evaluation of audits at the end of the audit year by way of QAR and quantitative evaluation of audits at the end of each quarter through API. The performance of the Audit Commissionerates is assessed on a collective basis through composite grading of QAR and API for the entire audit year.

viii. The manual enables to showcase the achievements of all Audit Commissionerates on the whole, and their relative positions on all-India basis for a particular audit year vis-à-vis other Audit Commissionerates.

1.4 INTENDED USERS

The manual is intended for the use of officers of the Headquarters and the Zonal units of the Directorate General of Audit. It is also useful for the officers of Audit Commissionerate and officers of Principal Chief Commissioner/ Chief Commissioner looking after Audit.

1.5 AMENDMENTS

Changes in the administrative policies, procedures and organizational structure may necessitate a revision of this manual from time to time. Keeping the manual relevant and updated is an important priority of the Directorate General of Audit. It is anticipated that the manual will be reviewed periodically and updates issued, whenever necessary. Suggestions for additions and improvements that can enhance the manual's usefulness may be forwarded by the users to the Directorate General of Audit through the jurisdictional Pr. ADG/ADG (Audit).

CHAPTER 2

QUALITY ASSURANCE REVIEW

2.1 INTRODUCTION

2.1.1 Goods and Services Tax Audit Manual 2019 (GSTAM 2019) laid down the principles and policies of audits conducted under CGST Act, 2017 and the Rules made thereunder. Guidelines provided therein are intended to ensure that the audit of taxpayers is carried out in a uniform, efficient, and comprehensive manner, adhering to stipulated principles and policies and as per the best international practices. The system of audit adopted by the department therein is process-oriented. Audit Commissionerates are required to ensure that the audits of taxpayers are strictly being conducted in adherence to guidelines and procedures prescribed in GSTAM 2019. Quality of Audits can be measured by quantifying the level of adherence to the audit process prescribed in the GSTAM 2019 by the auditors.

2.1.2 The GSTAM 2019 recognizes due importance of other factors such as skill level and knowledge base of auditor, formation of audit teams with an optimum balance of skills, the involvement of senior officers in providing inputs and guiding the audit process particularly in complicated audits etc., which are also crucial to achieve the desired results.

2.1.3 Quality Assurance Review (QAR) is carried out to evaluate the performance of the Audit Commissionerates in terms of their adherence to the process of audit prescribed in GSTAM 2019.

2.2 QAR OBJECTIVES

The objectives of the QAR programme are to assess whether:

i. The Audit Commissionerates have adequately followed the procedures and guidelines stipulated in GSTAM 2019 in various stages of conduct of audit e.g., selection of taxpayers, scheduling of audits, formation of audit groups, conduct of MCMs, follow up of audit objections raised etc.

ii. The audit process is being properly documented by the auditors;

iii. The legal provisions of GST are properly applied in arriving at the audit objections and are adequately supported by analysis, research, and approval of the senior officers;

iv. High standards of professional conduct are being practised by the auditors;

v. The staff deployed is adequate and involvement of the senior officers is commensurate with the prescribed norms;

vi. The audit officers are trained in GST law, audit procedures, comprehending/evaluating financial records and computer skills.

2.3 QAR TEAM

2.3.1 COMPOSITION OF QAR TEAM

The QAR team should ideally consist of:

i. **One senior officer of the rank of Deputy/Assistant Director.** However, wherever Additional/Joint Director is posted in a Zonal unit, he/she is expected to closely monitor the proceedings of the QAR;

ii. **two to three** officers of the rank of Additional Assistant Director (Superintendent);

iii. **two to three officers** of the rank of Inspectors, subject to availability;

iv. The Pr. ADG/ ADG of the Zonal unit or the Additional Director/Joint Director (in case regular Pr. ADG/ADG is not posted to the Zonal unit) shall be present along with the team during the 'opening meeting' with the Commissioner of the respective Audit Commissionerate.

2.3.2 QUALIFICATIONS OF TEAM MEMBERS

Apart from a thorough knowledge of all aspects of GST Law and procedures, the desirable competencies of the QAR team should include:

i. Background and/or experience in Accounting;

ii. Work experience in conducting GST audits;

2.4 FREQUENCY OF QAR

The ideal frequency of QAR is determined by the quality of audits of the Audit Commissionerates, availability of staff for the conduct of the review, and other factors. Review of the Audit Commissionerates shall be carried out once every year with a minimum gap of six months between two consecutive reviews of the same Commissionerate. It shall be ensured that the review of all Audit Commissionerates falling under the jurisdiction of a Zonal Pr. ADG/ADG, for the previous Audit Year, shall be completed by **30th September** of the current year.

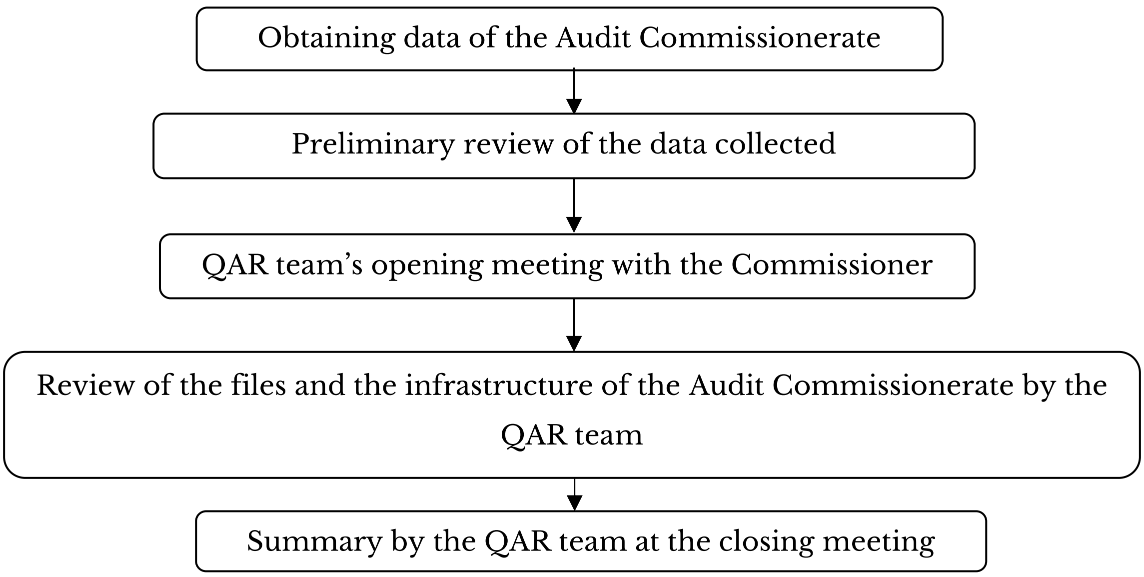
2.5 DURATION OF QAR

Under normal conditions, a review may be completed within five working days. In exceptional circumstances, it may be extended for a further suitable period with the approval of Pr. ADG/ADG. A break during the review, unless due to unavoidable circumstances, is disruptive and undesirable.

2.6 OVERVIEW OF THE QAR PROCESS

The QAR process starts with obtaining general information about the Audit Commissionerate in Part-A of the QAR format (**Annexure-II**) and retrieving information from the relevant Monthly Performance Reports (MPRs) pertaining to the Audit Commissionerate. The QAR team conducts a preliminary review of the said data before proceeding for the review. After proceeding to the Audit Commissionerate, the review begins with an opening meeting of QAR team with the Principal Commissioner/ Commissioner of the Audit Commissionerate. The information contained in the MPR is validated on a selective basis from the records maintained in the Commissionerate. The selected files are reviewed based on the identified elements and standards. The team also reviews the organizational, functional and infrastructure facilities of the Audit Commissionerate. The findings are summarized and presented before the Principal Commissioner/ Commissioner of the Audit Commissionerate at the closing meeting. These are then drafted in the form of QAR report prescribed and forwarded to the Pr. Commissioner/Commissioner of audit concerned, jurisdictional Pr. Chief Commissioner/Chief Commissioner, and the Pr.DG/ DG (Audit). The Pr. Commissioner/Commissioner of audit is required to communicate his/her response, within a month of receipt of the QAR report.

The review process can also be diagrammatically represented as follows:



2.7 GRADING OF THE PERFORMANCE OF THE AUDIT COMMISSIONERATES

2.7.1 In the QAR Manual, 2016, the QAR grading of the Audit Commissionerates was done on the basis of evaluation of 59 parameters in 9 categories. Certain questions contained in the questionnaire adopted for review were subjective in nature.

2.7.2 In this new QAR process, the subjective evaluation is dispensed with and marks are being awarded with different weightages for the standards contained in the questionnaires for QAR grading. Further, in earlier QAR, process enablers, viz. manpower, participation of senior officers in audit process, etc., were not evaluated for the purpose of grading. The revamped QAR also considers these enablers for the evaluation of grading. A total of 73 standards are being evaluated, carrying a maximum of 100 marks. The methodology for verification of the standards and awarding of score is detailed in **Annexure-I** of this manual.

2.8 QAR FORMAT

The new QAR format contains **Part-A** to **Part-E** as detailed in **Annexure-II** of this Manual.

Part-A - General Information: Information about the Audit Commissionerate relating to the period under review including staff position, trainings conducted, infrastructural facilities, rewards sanctioned etc. Information obtained in this part will not be considered for award of grading. However, the information contained in some of the tables will be used for evaluation of quality enablers in **Part B**.

Part-B - Questionnaire for evaluating General Performance of Audit Commissionerate: This part contains queries of general nature like staffing, groups' formation, selection of taxpayers, DAR, MCM, FAR, follow-up action etc. The questionnaire of this part contains 26 Questions carrying 30 Marks.

Part C - Questionnaire for collection of information from individual files: This part contains a questionnaire for individual files on various procedures followed by audit teams as stipulated in GSTAM 2019 viz., maintenance of RPMF, financial documents, desk review, preparation and approval of audit plan, verification of issues, working papers, preparation of DAR, issue of FAR, follow up of audit objections etc. This part contains 47 questions carrying a total of 70 Marks.

Part D - QAR Grading.

Part E - Comments/Suggestions & Recommendations.

CHAPTER 3
AUDIT PERFORMANCE INDEX (API)

3.1 INTRODUCTION TO API GRADING

3.1.1 The Quality Assurance Review of the Audit Commissionerates is conducted with a view to ensure that the prescribed processes of the audit are being observed and documented properly. While QARs would focus on the qualitative aspects of audit performance, there is a need to provide some means of evaluating the quantitative performance of a Commissionerate on a comparative basis as well. With this objective in mind, the Audit Performance Index (API) has been developed. The Audit Performance Index (API) is a means of evaluating the quantitative performance of the Audit Commissionerates on a comparative basis. The publication of API on quarterly basis will encourage all Commissionerates to compare their performance outcome vis-à-vis other Commissionerates and encourage them to fill up the gaps and improve the performance in subsequent quarters.

3.1.2 API grading will be determined and issued on quarterly basis. Ranking of all the Audit Commissionerates will be issued in descending order on quarterly basis, based on a set of parameters. While publication of API would foster healthy competition among the Commissionerates to improve their audit performance quantitatively, it may be emphasized that these rankings are not to convey the message that the final test regarding audit performance is the volume of detection and recovery. In order to give a comprehensive picture of both quality and quantity, a composite grading of QAR and annual API will be issued every year, which would indicate the relative positions of Audit Commissionerates on all-India basis and will be a complete reflection of the performance of the Audit Commissionerates.

3.2. SCOPE

3.2.1 API will be evaluated on seven parameters with different weightages, viz.

i. number of taxpayers scheduled for audit *vs* number of taxpayers audited,
ii. man-days available *vs* man-days utilized,
iii. detection per audit,
iv. recovery per audit,
v. detection *vs* recovery,
vi. output per auditor based on detection, and
vii. paras closed *vs* paras available for closure.

3.2.2 Out of the above performance parameters, i), ii), v) and vii) are ratios, which indicate the relative size of two values and will be expressed as percentage. The other three performance indicators viz., iii), iv) and vi) will be amounts shown in Rupees. API being a relative performance index, percentile score in respect of all these parameters will be calculated. A percentile is a measure, indicating the value below which a given percentage of observations in a group of observations fall. Since, it is only a comparison with the highest value of a particular performance indicator, that highest value will be considered as 100 percentile and all the remaining values will be shown in respective relative percentile which will be less than 100. In view of this, while determining API, i.e., to compare the relative performance amongst various Audit Commissionerates, different performance indicators in ratios and amounts are being shown as percentile.

3.3 IMPORTANCE OF EACH PARAMETER

3.3.1 Importance of each parameter considered for API is discussed hereunder:

I. **Ratio of taxpayers audited to taxpayers scheduled for audit (weightage – 10):**

The taxpayers scheduled for audit should be audited as per schedule to ensure optimum output and performance. This parameter indicates the extent of coverage of all the taxpayers scheduled. When all the taxpayers scheduled are audited by an Audit Commissionerate it shall be considered as reached the goals set. This parameter is considered with a weightage of 10. This parameter will be ratio shown as percentage. It may be noted that the number of taxpayers audited should be taken only from those taxpayers which are scheduled in that particular quarter. Audits of backlog taxpayers will not be counted towards the performance.

II. **Ratio of man-days utilized to man-days available (weightage - 10):**

This parameter indicates as to whether man-days available in Audit Commissionerate for conduct of audits are fully being utilized. Evaluation of this parameter is important because it reflects the efficiency of scheduling audits vis-a-vis availability of manpower and is also a reflection on proper follow up at senior level on whether manpower available is fully utilized. This parameter will be ratio shown as percentage.

III. **Detection per audit (weightage – 20):**

This parameter evaluates as to how much amount was detected per audit. This is an obvious outcome of the audit process and also a reflection of the quality of the audits done. It also reflects on the knowledge & skills of the auditors. This being an important outcome of the audit, this parameter is assigned weightage of 20 marks. This parameter will be shown as amount in Rupees.

In order to ensure that "detection per audit" is a true reflection of the Audit Commissionerate's broad-based performance and is not skewed with some outlier performance,

i) 20% weightage will be given to 'detection per audit' of 5 taxpayers having highest detections during a quarter (weightage 4) and
ii) 80% weightage will be given to the detection per audit of remaining tax payers (weightage 16)

IV. **Recovery per audit (weightage – 20):**

This parameter evaluates how much amount was recovered per audit. When recoveries are more in an Audit Commissionerate, it reflects on the quality of audit objections coupled with the fact that auditors are able to persuade the taxpayer with regard to the objections raised. To evaluate the extent of recoveries this parameter is considered with weightage of 20. This parameter will be shown as amount in Rupees.

In order to ensure that recovery per audit is indeed a true reflection of the Audit Commissionerate's broad based performance and is not skewed with some outlier performance,

i) 20% weightage will be given to 'recovery per audit' of 5 taxpayers yielding highest recovery during a quarter (weightage 4)
ii) 80% weightage will be given to the recovery per audit of remaining tax payers (weightage 16)

V. **Ratio of total recovery to total detection (weightage - 10):**

It indicates the quality of audit objections raised and also the level of Audit Commissionerate's effort to make the taxpayer understand the non-compliance on their part and also to make them understand the benefits they get by making voluntary payments before issue of SCN. To evaluate this, ratio of total recovery to total detection is considered with weightage of 10. This parameter will be ratio shown as percentage.

VI. **Output per auditor (weightage - 20):**

This parameter links the detection amount with the number of officers engaged in conduct of audits to evaluate the productivity in the Audit Commissionerate. This parameter is considered with a weightage of 20. This parameter will be amount in Rupees.

VII. **Ratio of total number of paras closed during the quarter to total paras pending for closure at the beginning of the quarter plus total paras raised during the quarter (weightage - 10):**

This parameter is important because it evaluates the extent of monitoring and active follow up of pending audit paras by taking effective steps. This parameter will be in ratio shown as percentage.

3.3.2 As per GSTAM 2019, findings of audit get finalized when they are approved in the Monthly Monitoring Committee Meeting. Hence, while calculating detection per audit and recovery per audit, only those audits, where DARs are approved in the Monthly Monitoring Committee Meeting during that particular quarter will be considered.

3.4 FURNISHING OF DATA REQUIRED FOR DETERMINING API

3.4.1 The feasibility of capturing the data, required for API, online is being examined. It is also proposed to amend the proforma of MPR to include data required for the calculation of API. Till such time, it is decided to include a format specifically containing the information required for determining API in the format as detailed in **Annexure-III** of this manual.

3.4.2 The Audit Commissionerates are required to submit the data as per Annexure – III by the 15th of the following month of each quarter i.e., by 15th July for quarter ending June, 15th October for quarter ending September, 15th January for quarter ending December and 15th April for quarter ending March. The data is required to be sent in Excel format to DG (Audit) through email with a copy marked to the respective Zonal unit. The Zonal units of DG (Audit) are required to ensure that the data from the Audit Commissionerates reaches DG (Audit), New Delhi by the dates prescribed above.

3.5 ISSUE OF QUARTERLY API BY DG (AUDIT)

After receipt of the information from the Audit Commissionerates, the DG (Audit) will analyse the data and issue quarterly API on all-India basis in the format Annexure-IV of this Manual by 25th of the following month of each quarter i.e., by 25th July for quarter ending June, 25th October for quarter ending September, 25th January for quarter ending December and 25th April for quarter ending March.. This may be possible only when the information in Annexure-III is received from all the Audit Commissionerates before due date as stipulated in para 3.4.

CHAPTER 4

CONDUCTING THE QAR

QAR is conducted once in a year and is a comprehensive review. The steps involved in conducting a QAR are discussed in this chapter.

4.1 SCHEDULING THE REVIEW

This is the first stage in the conduct of a QAR. This involves planning and scheduling the reviews of the Audit Commissionerates, keeping in view, the norms on the frequency of QAR.

4.1.1 ANNUAL PLANNING

The Zonal units of DG (Audit) shall draw the annual plan for the conduct of QARs. The plan shall contain the details of the Audit Commissionerates that are to be taken up for review during the year. The annual plan of conducting QARs is to be done by the Zonal units in such a manner that the process of conduct of QAR in respect of all the Audit Commissionerates is completed by 30th September. After completion of all the QARs by 30th September, a list containing Commissionerate-wise QAR gradings should be sent to the DG (Audit) by the Zonal ADGs, by 15th October for the purpose of calculation of composite grading which will be issued by the DG (Audit) by 31st October.

4.1.2 SCHEDULING

Once the annual plan for conduct of QARs is drawn by the Zonal units, the month-wise schedule of the reviews to be conducted should be finalized. This should take into consideration the minimum gap of six months between two consecutive reviews of the same Audit Commissionerate. On finalization of the schedule, the same should be intimated to the DG (Audit), and the Audit Commissionerates.

4.2 GATHERING OF INFORMATION

The information on audits conducted by the Audit Commissionerate, which is scheduled for review, should be taken from the Monthly Performance Reports (MPR). The Audit Commissionerate should be requested to provide the data in the proforma of **Part-A** (General Information) of the QAR format given in **Annexure-II** of this Manual and also category-wise list of the taxpayers audited during the review period, at least one month before the QAR is scheduled.

4.3 PRELIMINARY REVIEW OF AVAILABLE INFORMATION

This is basically a desk review that involves a general review of the data gathered as discussed in Para 4.2. It gives an idea of the working of the Audit Commissionerate such as manpower, infrastructure and delivery of audit programme. The completed preliminary review report should find a place in the QAR file available with the Zonal unit.

4.4 OPENING MEETING WITH THE AUDIT COMMISSIONER

The review of the Audit Commissionerate begins with the opening meeting of the QAR team with the Audit Commissioner so that the Audit Commissioner is aware of the QAR team's arrival, the scope of the review, and the expected timeframe. It is essential that the Zonal ADG or the Additional Director/Joint Director (in case regular ADG is not posted to the Zonal unit) should also attend this opening meeting with the jurisdictional Audit Commissioner.

4.5 SELECTION OF FILES FOR REVIEW

This is one of the most important steps that determines the efficacy of the review. The review team should select at least 60 files consisting of 20 files of each category i.e., large, medium and small taxpayers. The files should be selected in such a way that the following parameters are fulfilled.

S. No.	Parameter
(i)	Different sectors/commodities/services.
(ii)	Different types of business compositions e.g., Public Limited companies, Private Limited companies, Partnership firms, LLPs, PSUs, JVs, Sole proprietorship, NGOs, Clubs etc.,
(iii)	High/Low/Nil detections & recovery.

4.6 VERIFICATION OF INFORMATION PROVIDED IN MPR

The veracity of the information provided in MPR needs to be ascertained and verified with the records and registers maintained by the Audit Commissionerate. Proper maintenance of the prescribed registers is an essential part of good audit management and aids in providing accurate information at every stage of audit and thereafter. In order to examine the maintenance and updating of registers, a few files should be randomly selected and relevant entries be cross-checked with the corresponding registers.

4.7 REVIEW OF GENERAL INFORMATION PROVIDED BY THE AUDIT COMMISSIONERATE

A review of the general information provided by the Audit Commissionerate in **Part-A** of the QAR format **(Annexure-II)** provides an insight into the working conditions prevailing in the Audit Commissionerate, such as:

i. Adequate strength of officers;
ii. Vacancy positions and training details;
iii. Details of the Monthly Monitoring Committee Meetings.
iv. Availability of sufficient infrastructure.
v. Posting of officers with required skills like Commerce/Accounts background/Audit experience and review of the performance of Audit Commissionerates by the Chief Commissioner.
vi. The practice of review of approved audit plans by the Commissioner/Additional or Joint Commissioner, as applicable.
vii. Optimum utilization of services of Deputy/Assistant Director (Cost), wherever available.
viii. Mechanism for feedback from major taxpayers/trade organizations about the audit process
ix. Theme based audits conducted.

4.8 REVIEW OF THE GENERAL PERFORMANCE OF THE AUDIT COMMISSIONERATE

A review of the general performance of the Audit Commissionerate is to be conducted on the basis of parameters enumerated in **Part-B** of the QAR format given in **Annexure-II** of this manual, which focuses on key functional enablers such as training to the officers freshly posted and refresher courses to other officers, planning and scheduling of the audits within the stipulated time period, selection of taxpayers, regular conduct of MCMs, review/approval of audit plans by higher officers etc. Information in respect of this part shall be obtained and reviewed by the QAR team on visiting the Commissionerate.

4.9 REVIEW OF SELECTED FILES

The review of individual audit files should cover the following quality elements (discussed in Chapter 4) and should be conducted in the proforma as prescribed in **Part-C** of QAR format given in **Annexure-II** of this manual.

1. Preliminary desk review;
2. Audit plan;
3. Audit verification (consisting of Evaluation of Internal

controls, Audit verification & Technical issues)

4. Working papers;
5. Professional conduct;
6. Timeliness.

4.10 CLOSING MEETING WITH THE COMMISSIONER

The review team should hold a closing meeting with the Audit Commissioner at the end of the review. During this meeting, the team should discuss the major observations made during the review and any other observation which may need immediate attention of the Audit Commissioner. Specific recommendations should be discussed taking into account the feasibility factor.

4.11 FINALIZATION OF THE REVIEW REPORT

On return to their office, the review team shall analyse the data collected in Part-B and Part-C of the QAR format during the review.

4.11.1 Part-B contains total of 26 questions which carry 30 marks. Out of these 26 questions, 2 questions i.e., Q. No. 8 & Q. No. 16 having score of 1 mark each have a possibility of being *'not applicable'*.

For example, (i) in a Commissionerate Q. No. 8 is not applicable since no tweaking took place. In such a case, scoring from Part-B for QAR Grading will be determined based on actual score awarded for 25 questions which will have a maximum of 29 marks. If actual score awarded for these 25 questions is 19, then scoring from Part-B for the purpose of QAR Grading = (30) * (19 (i.e., marks secured) /29 (maximum marks for 25 questions) = 19.65.

(ii) If in another Commissionerate tweaking of taxpayers took place and the reasons for tweaking were not recorded, then all the 30 questions shall be considered as applicable and scoring for that question will be 0. If the Commissionerate scored 19 marks, then scoring from Part-B will be 19 only since all are applicable cases.

4.11.2 Part-C contains total of 47 questions carrying 70 marks. The information in Part-C will be collected in respect of each individual audit file selected for review. The information so collected in respect of all the audit files will be tabulated in a single worksheet as illustrated in the table in para 4.11.3. The sum of scores obtained for each question in respect of all the files reviewed will be determined and the average marks will be calculated for each question. The aggregate of all such average marks will be 'Total marks obtained by Audit Commissionerate from individual audits files' as indicated in the table in para 4.11.3.

4.11.3 Out of 47 questions contained in Part C, 15 questions having total score of 19 marks have a possibility of being *'not applicable'*. Since, the evaluation of score for each query is to be analysed for 60 sample files selected for review, *'not applicable'* instances identified during the review in respect of each question shall neither be considered under denominator nor numerator. Accordingly, Scoring shall be finalised. For example, Question No. 38 in Part – C (max. score of 1 mark) has possibility of being 'Not applicable' in case of NIL audit report files. If this parameter is not applicable in respect of 10 files and the score from the remaining 50 files is 45, the total score for that question will be 45/50 = 0.9. A few illustrations of calculating average marks in different situations are also explained in the table below.

S. No.	Parameter	Marks*	Scores from each file (file no.)						Total marks for 60 files	Average Marks for each question
			1	2	3	57	58	60		
1	Whether Registered Person's Master File (RPMF) in format Annexure GSTAM-1 along with all other relevant documents is maintained and whether such documents are updated regularly?	5/3/0	3	5	0	5	3	3	204	=204/60 = 3.4
2	Whether the RPMF was reviewed by Auditor at the time of Desk review?	2/0	0	2	2	0	2	2	84	=84/60 = 1.4
3	Whether the information furnished in GSTR-9 returns is reconciled with financial records and other statutory returns?	2/0/NA	2	0	2	0	2	NA	100 (5 NA cases)	=100/55 = 1.82
38	Whether the follow up action was carried out wherever applicable?	1/0/NA	1	0	1	1	0	NA	45 (10 NA cases)	=45/50 = 0.9
46	Whether FAR was uploaded using Audit Report Utility?	1/0	1	0	1	0	1	0	57	=57/60 = 0.95
47	Whether the audit was completed within 3 months from the date of commencement or within such period as extended by the Commissioner?	1/0	1	1	1	1	1	1	60	= 60/60 = 1
	Total Marks/ score obtained (sum of scores for all 47 questions)									Sum of the column

*The methodology for awarding score on each parameter is detailed in Annexure-I.

4.11.4 The scores arrived at Part-B and Part-C as detailed in the above paras will be consolidated for arriving at the overall QAR score and grading of the Audit Commissionerate, in **Part-D** of QAR format.

4.11.5 The Zonal ADG shall communicate the QAR report to the Principal Commissioner/ Commissioner of Audit, jurisdictional Principal Chief Commissioner/ Chief Commissioner and the Director General (Audit) within a month of conduct of the review.

4.11.6 The QAR report shall contain the following:

i. A D.O. letter from the Zonal ADG addressed to the Principal Commissioner/ Commissioner of Audit.
ii. Information in Part-A of Annexure-II.
iii. Evaluation of General performance of the Audit Commissionerate in Part-B of Annexure-II.
iv. Evaluation of information from individual audit files in Part-C of Annexure-II containing average score of each parameter.
v. Overall score and QAR grading in Part-D of Annexure-II.
vi. Comments/Suggestions and Recommendations in Part-E of Annexure-II.

4.11.7 This QAR report is presented to the jurisdictional Chief Commissioner and Commissioner in order to apprise them of the existing level of audit quality and to help them to take up remedial measures, if any, on a priority basis.

4.12 RESPONSE FROM THE COMMISSIONERATE

4.12.1 On receipt of the QAR report from the Zonal unit, the Audit Commissioner should send a written response to the ADG of the Zonal unit with a copy to the Director General (Audit). The Audit Commissioner may state the remedial actions that have been initiated. The Audit Commissionerate may ensure that response on this reach the Zonal ADG of DG (Audit) within one month of receipt of the said report positively. On receipt of the response from the Audit Commissionerate, the QAR team conducting the next QAR may review the status of remedial actions initiated by the Audit Commissionerate.

4.12.2 If any Audit Commissionerate obtains 'very poor' grading (i.e., below 60) in an audit year, measures should be taken to rectify the deficiencies/shortcomings pointed out in the QAR report. The Zonal Chief Commissioner of the Audit Commissionerate concerned is required to submit a report, within one month of receipt of the said report, with respect to the action taken to rectify the deficiencies/shortcomings pointed out in QAR report to the Pr. DG/DG, Headquarters with a copy to the ADG of the Zonal unit concerned.

CHAPTER 5
METHODOLOGY FOR DETERMINING API

5.1 Audit Commissionerates are required to furnish data in the Format **Annexure-III** of this manual till such time Monthly Performance Report (MPR) is revised to include this data required. Based on the data furnished by the Commissionerates, Quarterly/Annual Grading of API will be calculated by the office of the Director General of Audit and will be issued in the Format **Annexure-IV** of this manual.

5.2 The methodology for determination of grading is described in the Table below.

5.3 Annual grading will be calculated as per the methodology given in the Table below by combining the data of all quarters available in respect of each parameter.

S. No. in the API format (Annexure-IV)	API Parameter	Methodology
2	Ratio of number of taxpayers audited to number of taxpayers scheduled for audit (Marks in percentile on a scale of 0-10)	The ratio (shown in percentage) of number of taxpayers audited in a quarter to the number of taxpayers scheduled for audit in that quarter is calculated. Comparative performance of all the Audit Commissionerates will be determined on percentile system for score from 0-10. For example, if one of the Audit Commissionerates attained the highest percentage, say 95%, during a quarter, that Audit Commissionerate will be awarded the highest percentile of 100 and score of 10; and if another Audit Commissionerate attained the lowest percentage, say 65%, during that quarter, it will be awarded score of 6.84 (i.e., 65*10/95). Scores of all other Audit Commissionerates will be awarded between 10 and 6.84.
3	Ratio of man-days utilized to man-days available	The ratio (shown in percentage) of man-days utilized in a

S. No. in the API format (Annexure-IV)	API Parameter		Methodology
	(Marks in percentile on a scale of 0-10)		quarter/year to the man-days available during that quarter is calculated. For arriving at the man-days utilized, if the audit period covered is more than one year, the required man-days considered for that audit is increased by 25% for each year. Comparative performance of all the Audit Commissionerates will be determined on percentile system score from 0-10. For example, if one of the Audit Commissionerates attained the highest percentage, say 95%, during a quarter, that Audit Commissionerate will be awarded highest percentile of 100 and score of 10 and if another Audit Commissionerate attained the lowest percentage, say 65%, during that quarter, it will be awarded score of 6.84 (i.e., 65*10/95). Scores of all other Audit Commissionerates will be awarded in between 10 and 6.84.
4A	Detection per audit (Marks in scale of 0-20)	20% weightage to the five taxpayers having highest detections (i.e., 0-4)	Detection per audit of the 5 taxpayers having highest detections during a quarter is calculated. Comparative performance of all the Audit Commissionerates will be determined on percentile system score from 0-4. For example, if the above parameter ranges between 153 lakhs and 45 lakhs for all the Audit Commissionerates, the Audit Commissionerate with detection per audit of 153 lakhs is awarded highest percentile of 100 with a score of 4 and the Audit Commissionerate with

S. No. in the API format (Annexure-IV)	API Parameter		Methodology
			detection per audit of 45 lakhs is awarded score of 1.18 (i.e., 4*45/153). Scores of all other Audit Commissionerates will be awarded in between 4 and 1.18.
4B		80% weightage to remaining taxpayers (i.e., 0-16)	Detection per audit for the remaining taxpayers is calculated for a quarter. Comparative performance of all the Audit Commissionerates will be determined on percentile system score from 0-16. For example, if the above parameter ranges between 30 lakhs and 2.5 lakhs for all the Audit Commissionerates, the Audit Commissionerate with detection per audit of 30 lakhs is awarded highest percentile of 100 and score of 16 and the Audit Commissionerate with detection per audit of 2.5 lakhs is awarded score of 1.33 (i.e., 16*2.5/30). Scores of all other Audit Commissionerates will be awarded in between 16 and 1.33.
5A	Recovery per audit (Marks in scale of 0-20)	20% weightage to the five taxpayers yielding highest recoveries (i.e., 0-4)	Recovery per audit of 5 tax-payers yielding highest recoveries is calculated for a quarter. Comparative performance of all the Audit Commissionerates will be determined on percentile system for score from 0-4. For example, if the above parameter ranges between 153 lakhs and 45 lakhs for all the Audit Commissionerates, the Audit Commissionerate with recovery per audit of 153 lakhs is awarded highest percentile of 100 with a score of 4 and the Audit Commissionerate with

<table>
<tr><th>S. No. in the API format (Annexure-IV)</th><th colspan="2">API Parameter</th><th>Methodology</th></tr>
<tr><td></td><td rowspan="2"></td><td></td><td>recovery per audit of 45 lakhs is awarded score of 1.18 (i.e., 4*45/153).
Scores of all other Audit Commissionerates will be awarded in between 4 and 1.18.</td></tr>
<tr><td>5B</td><td>80% weightage to remaining taxpayers (i.e., 0-16)</td><td>Recovery per audit for the remaining taxpayers is calculated for a quarter.
Comparative performance of all the Audit Commissionerates will be determined on percentile system from 0-16.
For example, if the above parameter ranges between 30 lakhs and 2.5 lakhs for all the Audit Commissionerates, the Audit Commissionerate with recovery per audit of 30 lakhs is awarded highest percentile of 100 and score of 16 and the Audit Commissionerate with recovery per audit of 2.5 lakhs is awarded score of 1.33 (i.e., 16*2.5/30).
Scores of all other Audit Commissionerates will be awarded in between 16 and 1.33.</td></tr>
<tr><td>6</td><td colspan="2">Ratio of total recovery to total detection (Marks in percentile on a scale of 0-10)</td><td>The ratio (shown in percentage) of total recovery in a quarter to the total detections in that quarter is calculated.
Comparative performance of all the Audit Commissionerates will be determined on percentile system for score from 0-10.
For example, if the highest percentage during a quarter, say 65%, is attained by one of the Audit Commissionerates, that Audit Commissionerate will be awarded highest percentile of 100 and score of 10 and if another Audit Commissionerate attained the least percentage, say 15%, it</td></tr>
</table>

S. No. in the API format (Annexure-IV)	API Parameter	Methodology
		will be awarded score of 2.31 (i.e., 15*10/65). Scores of remaining all other Audit Commissionerates will be awarded in between 10 and 2.31.
7	Output per auditor based on detection, i.e., Total amount detected/Number of auditors during the period. (Marks in percentile on a scale of 0-20)	The Output per auditor based on detection i.e., Total detections during a quarter divided by number of auditors working in audit groups (Superintendents + Inspectors) during the quarter is calculated. Comparative performance of all the Audit Commissionerates will be determined on percentile system for score from 0-20. For example, if the highest output during a quarter, say 25 lakhs per auditor, is attained by one of the Audit Commissionerates, that Audit Commissionerate will be awarded the highest percentile of 100 and score of 20 and if another Audit Commissionerate attained the lowest output per auditor, say 3.5 lakhs, during that quarter, it will be awarded score of 2.80 (i.e., 3.5*20/25). Scores of remaining all other Audit Commissionerates will be awarded in between 20 and 2.80.
8	Ratio of total no. of paras closed during the quarter/year to (total no. of paras pending for closure at the beginning of the quarter/year + total no. of paras raised during the quarter/year) (Marks in percentile on a scale of 0-10)	After finding the ratio, the comparative performance of all the Audit Commissionerates will be determined on percentile system for score from 0-10. For example, if one of the Audit Commissionerates attained the highest percentage, say 60%, that Audit Commissionerate will be awarded highest percentile of 100 and score of 10 and if another Audit Commissionerate attained the lowest percentage, say 35%, during that quarter, it will be

S. No. in the API format (Annexure-IV)	API Parameter	Methodology
		awarded score of 5.83 (i.e., 35*10/60). Scores of remaining all other Audit Commissionerates will be awarded accordingly in between 10 and 5.83.
9	Final Marks	Final marks/score will be the aggregate of scores obtained by each Audit Commissionerate against Col. Nos 2 to 8 of **Annexure-IV**.
10	Rank	The Audit Commissionerate with highest score in Col. No. 9 of **Annexure-IV** will be given 1st rank. In a situation where two or more Audit Commissionerates attain equal score against Col. No. 9, then the ranking is to be awarded based on higher score in Col. Nos. 4B, 5B, 2,3,6,7 & 8 of **Annexure-IV**, in that order of preference.

CHAPTER 6

COMPOSITE GRADING OF QAR & API

In order to give a comprehensive picture of the performance of an Audit Commissionerate in terms of both quality and quantity for the same period of evaluation, it is decided to issue a composite Grading of QAR and API, which indicates the relative position of Audit Commissionerates on all-India basis.

6.1 ROUTE MAP FOR ISSUE OF COMPOSITE GRADING

For the issue of composite grading, the following procedure is to be followed:

i. **QUANTITATIVE PARAMETERS:** Annual grading of API for the last audit year is to be determined as described in Chapter 5 of this manual.

ii. **QUALITATIVE PARAMETERS:** The Zonal units may complete the process of conduct of QAR in respect of each audit Commissionerate for the last audit year by 30th September, and communicate the results of such QAR to D.G. Audit by 15th October.

iii. Based on the annual API grading and QAR grading for the same audit year, DG (Audit) will analyze the all-India data of all the Audit Commissionerates and issue a composite grading by 31st October of the current year. While determining the composite grading 60% weightage to QAR grading and 40% weightage to API grading will be adopted. Composite grading will be issued in the format **Annexure-V** of this manual.

ANNEXURE–I

METHODOLOGY FOR VERIFICATION AND AWARDING SCORES FOR PART-B & PART-C OF QAR
(para 2.7.2 of Chapter 2 of the Manual)

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
1. STANDARDS FOR GENERAL PERFORMNACE OF THE AUDIT COMMISSIONERATE				
1	Maintenance of database of officers' profiles[1]. GSTAM Ref: Para 3.7	This aspect is to be verified by QAR team on scrutinizing the concerned auditors' profile file in Planning & Coordination section	1	One mark shall be awarded if database of all the officers is maintained. No mark shall be awarded if no such database is maintained.
2	Formation of audit groups by equally distributing officers of skill and experience amongst the groups. GSTAM Ref: Para 3.7.2	This aspect is to be verified by QAR team on scrutinizing concerned file in Planning & Coordination section in which the allotment of officers to groups was done, as to whether their skill and experience were taken into account.	1	One mark shall be awarded if the respective files/records indicate that the groups' formation is done as per GSTAM provisions. Otherwise, no mark shall be awarded.
3	Training of officers posted to the Audit Commissionerate for the first time in GST audit process[2]. GSTAM Ref: Para 3.7.3	This aspect is to be verified by scrutinizing the file in which the officers were nominated to the GST Audit trainings. In the first year of GST audit all the officers shall be trained. In subsequent years	2	Two marks shall be awarded if 100% of the officers posted for first time are trained in GST audit. Otherwise, no marks shall be awarded.

[1] Availability of the database of profiles of auditors facilitates allotment of taxpayers to auditors based on their skill levels, training, educational background etc.

[2] This is essential to familiarize the auditors with the audit process and to impart basic skills to handle audit work.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		this aspect may be checked only in respect of officers newly posted.		
4	Organizing training programmes/refresher courses on latest techniques for the benefit of officers posted after the annual transfers (other than officers posted for the first time) GSTAM Ref: Para 3.7.3	This aspect is to be verified by scrutinizing the relevant file in which correspondence on conduct of in-house trainings was dealt with.	2	Two marks shall be awarded if such training programmes/refresher courses are conducted. Otherwise, no marks shall be awarded.
5	Calibration of annual scheduling of audits based on the available working strength. GSTAM Ref: Para 4.3.1	This aspect is to be verified on scrutinizing the concerned file of the Planning & Coordination section in which the annual plan was prepared and examining whether the plan was calibrated based on working strength.	1	One mark shall be awarded if such calibration was done. No mark shall be awarded if no such calibration done.
6	Maintenance of database of registered persons to be audited[3]. GSTAM Ref: Para 3.3 (iv)	This aspect is to be verified from the concerned file maintained or data in electronic form maintained by the RMQA (Risk Management and Quality Assurance) Section of the Audit Commissionerate, which contains the list of taxpayers in their jurisdiction.	1	One mark shall be awarded if such database is maintained. Otherwise, no mark shall be awarded.
7	Selection of 70% of taxpayers to be audited based on risk scores communicated by DG (Audit) and uploaded in Audit	This aspect is to be verified from the concerned file of the Planning & Coordination section. Examine	1	One mark shall be awarded if the selection and uploading/forwarding of 70% of the taxpayers is

[3] This is essential for the selection of taxpayers for audit on local risk parameters.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
	Module/forwarded to Circles before 15th March. GSTAM Ref: Paras 4.2.1 & 4.3.1	whether the 70% of the taxpayers were selected from the list sent by DG (Audit), and uploaded/ forwarded before 15th March.		completed by 15th March. Otherwise, no mark shall be awarded.
8	Recording of reasons/justification for tweaking the lists received from DGARM/DG (Audit) while carrying out selection of taxpayers (70%) for audit. GSTAM Ref: Para 3.4.2 (viii)	This aspect is to be verified from the concerned file of the Planning & Coordination section. Examine whether there are any instances of tweaking of taxpayers selected from list received from DG (Audit) and if so whether reasons for such tweaking were recorded.	1	One mark shall be awarded if reasons are recorded in respect of all tweaking cases. Otherwise, no mark shall be awarded. If no such tweaking takes place, the parameter shall be considered as *'not applicable'*.
9	Selection of 20% of the taxpayers to be audited based on local risk parameters and uploaded in Audit Module/forwarded to Circles before 15th March. GSTAM Ref: Para 4.3.1	This aspect is to be verified from the concerned file of the Risk Management & Quality Assurance section. Examine whether 20% of the taxpayers are selected for audit based on local risk parameters and uploaded/ forwarded before 15th March.	1	One mark shall be awarded if 20% of the taxpayers were selected based on local risk parameters and uploaded/forwarded before 15th March. Otherwise, no mark shall be awarded.
10	Obtaining the approval of the Chief Commissioner in respect of 20% taxpayers selected based on local risk parameters. GSTAM Ref: Para 3.4.1 (i)	This aspect is to be verified from the concerned file of Risk Management & Quality Assurance section. Examine whether Chief Commissioner's approval was obtained for the 20% taxpayers selected based on local risk parameters.	1	One mark shall be awarded if the approval of Chief Commissioner was obtained. Otherwise, no mark shall be awarded.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
11	Selection of 10% of the remaining taxpayers randomly and uploaded in Audit Module/forwarded to Circles before 15th March. GSTAM Ref: Para 4.2.3 & 4.3.1	This aspect is to be verified from the concerned file of the Audit Commissionerate. Examine whether 10% of the taxpayers were selected randomly and uploaded/ forwarded before 15th March.	1	One mark shall be awarded when 10% of the taxpayers were selected at random and uploaded/forwarded before 15th March. Otherwise, no mark shall be awarded.
12	Issuing of quarterly schedules by Circle AC/DC after release of annual schedule by Audit Commissionerate[4]. GSTAM Ref: Para 4.3.1 (i)	This aspect is to be verified by scrutinising concerned file of each circle as to whether quarterly schedules were released.	1	One mark shall be awarded if all the circles issued quarterly schedules. No mark shall be awarded if any one of the Circle did not issue quarterly schedule.
13	Approval of the desk reviews and audit plans of top 5 taxpayers of each audit circle by the Audit Commissioner[5]. GSTAM Ref: Paras 3.4.1 (ii) & 5.6.6	This aspect is to be verified by scrutinising at least two audit files of each circle selected at random out of the list of top 5 taxpayers furnished under Sl. No. 13 of Part-A QAR Format.	2	Two marks shall be awarded if such randomly selected audit plans of top five taxpayers of each circle are found to be approved by Commissioner. Otherwise, no marks shall be awarded.
14	Review of a few audit plans approved by ADC/JC by Commissioner to ensure quality of audit. GSTAM Ref: Para 3.4.1(ii)	This aspect is to be verified by scrutinising files of such reviews taken up by Commissioner selected at random from the information furnished under Sl. No. 14 of Part-A QAR Format.	1	One mark shall be awarded after scrutiny of such files reviewed by Commissioner. If details of such files are furnished as NIL in Part-A, no mark shall be awarded.
15	Review of audit plans of small taxpayers	This aspect is to be verified by randomly	1	One mark shall be awarded if all the randomly selected

[4] This is useful for constant monitoring of audits conducted and for ensuring completion of audits of all taxpayers allotted to the Circle by the end of the year.

[5] This will ensure the quality of the audit plan in identifying issues for detailed verification during the conduct of the audit.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
	approved by DC/AC by ADC. GSTAM Ref: Paras 3.4.2, 3.4.4 & 5.6.7	scrutinising two or three audit files of small taxpayers from each circle. Examine whether ADC/JC reviewed the audit plans.		files were reviewed by ADC/JC. Otherwise, no mark shall be awarded.
16	Review of the NIL DARs by concerned ADC/JC. GSTAM Ref: Para 6.1.3	This aspect is to be verified by randomly scrutinising two or three audit files of taxpayers with NIL DARs from each circle as furnished under Sl. No. 16 of Part-A QAR Format.	1	One mark shall be awarded if ADC/JC reviewed the NIL DAR in the randomly selected files. Otherwise, no mark shall be awarded. If there are no NIL DARs during the Audit Year, this parameter shall become *'not applicable'*.
17	Communication of DARs to the Executive Commissioners seven days in advance of MCM. GSTAM Ref: Para 3.3	This aspect is to be verified by scrutinising the concerned file in the Planning & Coordination section containing the correspondence relating to conduct of MCMs during the period under review.	1	One mark shall be awarded if such communication was made seven days in advance in respect of all MCMs conducted during the Audit Year. Otherwise, no mark shall be awarded.
18	Conduct of MCMs at monthly intervals. GSTAM Ref: Para 6.2.4	This aspect is to be verified by scrutinising the MCM file in the Planning & Coordination section.	2	Two marks shall be awarded if MCMs of all Circles were conducted every month. Otherwise, no mark shall be awarded.
19	Communication of the minutes of MCM to the Executive Commissionerates immediately for conveying their agreement/ disagreement within 15 days from the date of receipt of MCM minutes. GSTAM Ref: Para 6.2.2	This aspect is to be verified by scrutinising the MCM file in the Planning & Coordination section.	1	One mark shall be awarded if the minutes of MCM were communicated in each case to the jurisdictional Executive Commissionerates immediately after completion of MCM. Otherwise, no mark shall be awarded.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
20	Obtaining GSTAM Annexure-X from the taxpayers wherever the issue of SCN was proposed to be waived. GSTAM Ref: Para 6.2.4	This aspect is to be verified on scrutiny of 10 files selected at random, where MCM takes a decision to waive the SCN i.e., on payment of amounts as per Section 73 (5) or 74 (5) of CGST Act, as the case may be.	1	One mark shall be awarded if Annexure-X was obtained in all the cases selected for review, otherwise no mark shall be awarded.
21	Communication of the list containing details of SCNs issued by the Audit Commissionerate to the Executive Commissionerates on monthly basis. GSTAM Ref: Paras 3.4.1 & 6.4.1	This aspect is to be verified from the concerned file of the Audit Commissionerate. Examine whether the details of SCNs issued were communicated to the Executive Commissionerates on monthly basis.	1	One mark shall be awarded if SCN details are forwarded on monthly basis. Otherwise, no mark shall be awarded.
22	System for obtaining feedback on audit process from the major taxpayers/trade associations. GSTAM Ref: Para 3.4.1(x)	This aspect is to be verified on scrutiny of the relevant files pertaining to the data furnished under Sl. No. 17 of Part-A QAR Format.	1	One mark shall be awarded on scrutiny of the relevant information. No mark shall be awarded if such feedback was not obtained.
23	Review of audit performance by Audit Commissioner for taking suitable steps for improvement. GSTAM Ref: Para 3.4.1(vii)	This aspect is to be verified by scrutinising the relevant files relating to information furnished under Sl. No. 18 of Part-A QAR Format	1	One mark shall be awarded if any such review(s) were conducted. Otherwise, no mark shall be awarded.
24	Maintenance and updation of audit planning and follow-up registers both at Headquarters and Circle level. GSTAM Ref: Paras 3.3 & 6.2.5	This aspect is to be verified by scrutinising the audit planning and follow-up registers maintained in Planning and Coordination section and each Circle as to whether the same	1	One mark shall be awarded on observing that both Planning & follow-up registers at both Headquarters and Circle level are maintained and updated. Otherwise, no mark shall be awarded.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		are maintained and updated.		
25	Completion of audit of all the taxpayers allocated by 31st March. GSTAM Ref: Para 4.3.1 (i) of GSTAM 2019	This aspect is to be verified by scrutinising the annual plan and the details of audits conducted by the Audit Commissionerate before 31st March.	1	One mark shall be awarded on observing that all the taxpayers scheduled were audited. Otherwise, no mark shall be awarded.
26	Preparation of monthly returns based on the records/registers maintained in MIS section/Circles. GSTAM Ref: Para 6.2.5 & 3.3 (i) of GSTAM 2019	This aspect is to be verified by comparing/correlating sample data contained in one of the monthly reports uploaded with the records/registers maintained in the Audit Commissionerate and one of the Circles. For this QAR team has to take up sample check of at least 5 fields furnished in one of the monthly returns.	1	One mark shall be awarded on observing that the data furnished in returns tally with records maintained in Audit Commissionerate/ Circle. Otherwise, no mark shall be awarded.
2. STANDARDS FOR INDIVIDUAL AUDIT FILE – PRELIMINARY DESK REVIEW				
1	Maintenance and updating of Registered Person's Master File (RPMF) (in format Annexure GSTAM-1) along with all other relevant documents. GSTAM Ref: 3.3; 5.2.2, 5.2.3, 5.5.3, 6.4.4 & GSTAM-I; Sl. No. III(1)-Part A of Working papers	Verify whether RPMF is available (in the format Annexure GSTAM-I) in the file. Also verify whether important documents like Annual Report including Balance Sheet, P & L Account and notes to fin. accounts, Income Tax Return & Tax Audit Report, Cost audit report, wherever applicable, FARs, CAG Audit report,	5	**I.** Three marks shall be awarded if the documents viz., i) Taxpayers profile in GSTAM-I, ii) Annual Report including Balance Sheet, P & L Account and notes to financial accounts, iii) Income Tax Return & Tax Audit Report, iv) Cost audit report, wherever applicable and v) FARs & CAG Audit report are available for Audited period. **II.** Another two marks shall be awarded if, in addition to the above documents, all the

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		working papers, MCM copies for audited period are placed in file and whether such documents are updated as mentioned in Sl. No. III (1)-Part A of Working papers		working papers, copies of minutes of MCMs and any other documents relevant for conducting audit are placed in file. In case documents mentioned at point I. above are not available, no marks shall be awarded.
2	Review of RPMF by auditor at the time of Desk review. GSTAM Ref: 5.2.1, 5.5.3; Sl. No. III (1)-Part A of Working papers	Verify whether observations were recorded under Sl. No. III (1) of Working papers based on review of information available in RPMF.	2	Two marks shall be awarded on scrutiny of relevant remarks made at Sl. No. III (1) of Annexure GSTAM - VIII, i.e., Working papers as to whether information in RPMF was also scrutinized during desk review and the results recorded. Otherwise, no marks shall be awarded.
3	Reconciliation of information furnished in GSTR-9 returns with financial records and other statutory returns. GSTAM Ref: 5.5.7 and Annexure GSTAM-V	Verify whether information furnished in GSTR-9 return is reconciled with the financial records/ documents as in Annexure GSTAM-V and available in file	2	Two marks shall be awarded, if reconciliation is done as per GSTAM-V in respect of all applicable documents and same is available in file. Otherwise, no mark shall be awarded. This parameter will be *'not applicable'* in cases of audits of ISD, a person paying tax under Sec. 51 or 52 of CGST Act, a casual taxable person, a non-resident taxable person, and taxpayers under composition scheme
4	Revenue Risk Analysis and summarization of results[6].	Verify whether the results of Revenue risk analysis were summarized	2	Two marks shall be awarded on observing that the revenue risk analysis was

[6] Revenue risk analysis is a method of identifying potential revenue risk areas by carrying out reconciliation of various specific financial data, comparing with different business accounts/documents.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
	GSTAM Ref: 5.5.8 and Sl. No. III (7)-Part A of WPs for goods and Sl. No. XII- Part B for services	under Sl. No. III (7) of Part-A of Working papers for goods and Sl. No. XII of Part-B for services indicating possible problem areas to be included in the Audit Plan		conducted and conclusions were arrived at after analysing the data and same is recorded in Sl. No. III (7) of Part-A of Working papers for goods and Sl. No. XII of Part-B for services. Otherwise, no mark shall be awarded.
5	Trend Analysis and summarization of results[7]. GSTAM Ref: 5.5.9; Sl. No. III (8)-Part-A of Working Papers for Goods, Sl. No. III Part-B for services	Verify whether the results of Trend Analysis were summarized under Sl. No. III (8)- Part-A of Working papers for goods and Sl. No. III Part-B for services indicating possible problem areas to be included in the Audit Plan	2	Two marks shall be awarded on observing that any conclusions were arrived at after analysing the data and recorded in Sl. No. III (8) of working papers for Goods and Sl. No. III for services. Otherwise, no mark shall be awarded.
6	Ratio Analysis and summarization of results[8]. GSTAM Ref: 5.5.6; Annexure GSTAM-IV; Sl. No. III (3)-Part A of WPs for Goods, Sl. No. II of Part B for services	Verify whether the findings of Ratio Analysis were recorded at Sl. No. III (3) for Goods and Sl. No. II for services of Working papers after performing Ratio Analysis as illustrated in Annexure GSTAM IV.	2	Two marks shall be awarded on observing that Ratio Analysis was performed as illustrated in GSTAM - IV and results recorded at Sl. No. III (3) of Part-A for goods and Sl. No. II of Part-B of GSTAM-VIII for services and specific mention was made w.r.t. adverse ratios. Otherwise, no mark shall be awarded.
7	Scrutiny of documents mentioned in Annexure GSTAM-III, as applicable, for the audit period during desk review and also	Verify whether the findings of scrutiny of the documents (mentioned in Annexure GSTAM-III) are recorded under Sl.	2	Two marks shall be awarded if all the applicable documents as mentioned in GSTAM-III have been scrutinized and findings were recorded at Sl. No. III

[7] Trend analysis reveals abnormal trends/patterns/relations, if any, that may have bearing on the tax paid

[8] Ratio analysis helps in identifying significant variations, if any, in any areas for detailed audit verification by inclusion in the audit plan.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
	reconciliation with GST returns[9]. GSTAM Ref: 5.5.3; GSTAM Annexure-III, Sl. No. III (2) & III (9) of Part-A of Working Papers for goods and Sl. No. I, V, VI&VII of Part-B for services	No. III (2) & (9) - Part-A of working papers for goods and Sl. No. I, V, VI & VII of Part-B for services.		(2) & III (9) of Part-A of Working Papers for goods and Sl. No. I, V, VI & VII of Part-B for services in GSTAM-VIII. Otherwise, no mark shall be awarded.
8	The following areas have to be considered during desk review[10]: (i) rate of tax applicable (ii) exemption notifications availed, if any (iii) zero-rated/ exempted/non-taxable supplies, if any. GSTAM Ref: Para 5.5.4	Verify whether the areas are analysed in Sl. No. III (4) & III (6) Part-A of Working papers (GSTAM-VIII) for goods and Sl. No VIII & XI of Part-B for services	2	Two marks shall be awarded, if all the applicable areas are considered during desk review and relevant Sl. No. of Working Papers (GSTAM-VIII) (i.e., Sl. No. III (4) & III (6) in Part-A for Goods and Sl. No. VIII & XI of Part-B for Services) are filled; otherwise, no mark shall be awarded. If a field is not applicable to the taxpayer, the same shall be mentioned in the relevant Sl. No. of Working Papers.
9	ITC availment (including ISD, if any) considered during desk review GSTAM Ref: Sl. No. III (6) Part-A of Working papers (GSTAM-VIII) for goods and Sl. No IV of Part-B for services	Verify whether the areas are analysed in Sl. No. III (6) Part-A of Working papers for goods and Sl. No IV of Part-B for services	2	Two marks shall be awarded if ITC availment is considered during desk review and corresponding Sl. No. of Working Papers (GSTAM-VIII) (i.e., Sl. No. III (6) in Part-A for Goods and Sl. No. IV of Part-B for Services) are filled: otherwise, no marks shall be awarded. The standard is *'not applicable'* in case the taxpayer has not availed any ITC. However, the same

[9] This will throw up certain issues for detailed verification by inclusion in the audit plan.

[10] This analysis helps in identifying certain specific vulnerable areas for inclusion in the audit plan.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
				shall be mentioned in the corresponding Sl. No. of the Working Papers.
10	Reconciliation of ITC availed in GSTR 3B and GSTR 2A to identify gaps in the ITC availment. GSTAM Ref: 5.5.4	Verify whether the results of such reconciliation were recorded in the file.	1	One mark shall be awarded if reconciliation is done and the details recorded in file/ Working papers; otherwise, no mark shall be awarded. This parameter is *'not applicable'* in cases of Composition scheme, casual taxable persons, non-resident taxable persons, Sec. 51/52 CGST Act, 2017
3. STANDARDS FOR INDIVIDUAL AUDIT FILE - AUDIT PLAN				
11	Preparation of audit plan and submission to AC/DC/JC/ADC/ Commissioner as the case may be, for approval. GSTAM Ref: 5.6.3, 5.6.4, 5.6.6	This aspect is to be verified by QAR team on scrutiny of Working papers portion up to desk review stage. And to examine whether audit plan is prepared basing on scrutiny of important documents, viz., Annual reports, ITRs, Trial Balances pertaining to relevant audit period.	3	Three marks shall be awarded if audit plan is prepared basing on scrutiny of such important documents. Otherwise, 1 mark shall be awarded if audit plan contains only routine issues.
12	In case of unit selected for audit on the basis of risk methodology/local risk parameters, the same shall be taken into account while finalizing the audit plan, wherever applicable. GSTAM Ref: 4.2.1 & 4.2.2	This aspect is to be verified by QAR team on scrutiny of audit file as to whether the important risk indicators/risk parameters were actually considered while preparing the audit plan.	1	One mark shall be awarded if clear notings are made in the file to the effect that risk indicators/ local risk parameters as the case may be are taken into account while preparing/ finalising the audit plan. No mark shall be awarded in the absence of such notings. This parameter is *'not*

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
				applicable' in case of randomly selected taxpayers.
13	Identification of abnormal trends and unusual occurrences, if any, at the time of desk review and considering for preparation of audit plan. GSTAM Ref: 5.6.2	This aspect is to be examined basing on observations made in Annexure-VIII of GSTAM - i) in case of supply of goods - under III, Part-A - Supply of goods, under S.No.8 - Trend analysis and ii) in case of Services in Part-B: Supply of services under S. No. III- Trend Analysis. In the relevant portions of Working papers, if any specific observations are made based on such abnormal trends, it will be verified whether such issues were included in audit plan.	1	One mark shall be awarded if such issues, so identified, are included in audit plan. Otherwise, no mark shall be awarded. This aspect will be *'not applicable'* when there are no such abnormal trends.
14	Approval of audit plan by appropriate authority. GSTAM Ref: 5.6.5	This aspect will be checked on perusing the note sheet portion of the audit file as well as the audit plan.	1	One mark shall be awarded if the audit plan is approved by the proper officer. Otherwise, no mark shall be awarded.
15	Modifications/ additions by senior officers in the draft audit plan either at the time of approval or during review of audit plan[11]. GSTAM Ref: 3.4.1(ii) or 3.4.2 (iii), 5.6.6	This aspect will be checked on perusing the note sheet portion of the audit file.	2	Two marks shall be awarded if audit plan is considered for any modification or addition by any of the senior officers. Otherwise, no mark shall be awarded.
4. STANDARDS FOR INDIVIDUAL AUDIT FILE - AUDIT VERIFICATION				

[11] Suggestions for modifications to the audit plan by senior officers, while approving the draft audit plan or while reviewing the audit plans approved by officers of lower rank improves the quality of audit.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
16	Conduct of tour of the premises for Large/Medium taxpayers. GSTAM Ref: Para 5.7.5.	This aspect will be verified by the QAR team on going through the relevant entries made in Working papers (Annexure -GSTAM-VIII).	1	In case of Large and Medium taxpayers, one mark shall be awarded if the tour of the premises was carried out. Otherwise, no mark shall be awarded. In case the audit file selected relates to small taxpayer, this parameter will be *'not applicable'*.
17	Interview of the registered person or his authorised representative. GSTAM Ref: Annexure-VIII	This aspect will be verified by the QAR team on examining whether the relevant portions of Working papers (Annexure GSTAM-VIII) were properly filled (against S.No. i) to vi) under gathering of information)	1	One mark shall be awarded if the results of interviews carried out are properly filled in Annexure GSTAM-VIII. No mark shall be awarded if such information/data was not filled.
18	Filling of the questionnaire in Annexure GSTAM - VI meant for evaluation of internal controls. GSTAM Ref: Para 5.7.4	This aspect will be verified by the QAR team on examining whether relevant portions of Annexure GSTAM-VI and Working papers (Annexure GSTAM-VIII) relating to internal controls are properly filled.	2	Two marks shall be awarded if the relevant portions are properly filled. Otherwise, no mark shall be awarded.
	Performance of Walkthrough for the following areas GSTAM Ref: Para 5.7.5 and Questionnaire at Annexure-VI & Annexure-VIII.			
19	Account adjustment systems	This aspect will be verified by the QAR team on examining whether relevant portion of	1	One mark shall be awarded for each area where walkthrough has been carried out as per entries made in Annexure GSTAM-VI

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		Annexures GSTAM-VI and GSTAM-VIII was properly filled.		and Annexure GSTAM-VIII. Otherwise, no mark shall be awarded.
20	Outward Supplies	This aspect will be verified by the QAR team on examining whether relevant portion of Annexures GSTAM-VI and GSTAM-VIII was properly filled.	1	One mark shall be awarded for each area where walkthrough has been carried out as per entries made in Annexure GSTAM-VI and Annexure GSTAM-VIII. Otherwise, no mark shall be awarded.
21	Purchases /Stores	This aspect will be verified by the QAR team on examining whether relevant portion of Annexures GSTAM-VI and GSTAM-VIII was properly filled.	1	One mark shall be awarded for each area where walkthrough has been carried out as per entries made in Annexure GSTAM-VI and Annexure GSTAM-VIII. Otherwise, no mark shall be awarded.
22	Classification of Goods/ Services	This aspect will be verified by the QAR team on examining whether relevant portion of Annexure GSTAM-VI was properly followed and documented.	1	One mark shall be awarded where walkthrough has been carried out as per procedure laid out in Annexure GSTAM-VI and documented. Otherwise, no mark shall be awarded.
23	Price determination (Transaction Value)	This aspect will be verified by the QAR team on examining whether relevant portion of Annexure GSTAM-VI was properly followed and documented.	1	One mark shall be awarded where walkthrough has been carried out as per procedure laid out in Annexure GSTAM-VI and documented. Otherwise, no mark shall be awarded.
24	Process of compiling GST returns	This aspect will be verified by the QAR team on examining whether relevant portion of Annexures GSTAM-VI and	1	One mark shall be awarded for each area where walkthrough has been carried out as per entries made in Annexure GSTAM-VI and Annexure GSTAM-VIII.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		GSTAM-VIII was properly filled.		Otherwise, no mark shall be awarded.
25	ITC	This aspect will be verified by the QAR team on examining whether relevant portion of Annexures GSTAM-VI and GSTAM-VIII was properly filled.	1	One mark shall be awarded where walkthrough has been carried out as per entries made in Annexure GSTAM-VI and Annexure GSTAM-VIII. Otherwise, no mark shall be awarded. '*Not applicable'* in cases of taxpayers not availing ITC.
26	Non-Taxable Item/Service	This aspect will be verified by the QAR team on examining whether relevant portion of Annexure GSTAM-VI was properly followed.	1	One mark shall be awarded where walkthrough has been carried out as per procedure laid out in Annexure GSTAM-VI. Otherwise, no mark shall be awarded. '*Not applicable'* in case no non-taxable items/services were produced/supplied in the period of audit.
27	Grading of soundness of internal control levels as good/ acceptable/poor (application of ABC analysis in case of quantum of data to be analysed is voluminous) and placement of relevant documents in the file. GSTAM Ref: Para 5.7.5. (b). Table in Point No.9 of GSTAM Annexure-VIII	The file will be examined to see whether the auditor graded the internal controls in the relevant table along with supporting documents (Table in Point No.9 of GSTAM Annexure-VIII).	1	If all the areas in the Table are graded along with backup documents one mark will be awarded (i.e., Table in Point No.9 of GSTAM Annexure-VIII), otherwise no mark shall be awarded.
28	Identification of any fresh issue which was not included in audit plan by the auditor and obtaining approval of DC/AC's for verification, wherever applicable. GSTAM Ref: 5.7.9	This will be verified by the QAR team on examining the Audit file as to whether any fresh issues i.e., other than those mentioned in Audit plan, were identified during	2	One mark shall be awarded for identifying a new issue and verifying it after obtaining approval of AC/DC. Another mark shall be awarded for recovery from the said point. If no such issues are

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		the actual verification and also as to whether AC/DC's approval was obtained to verify such issue.		identified, no mark shall be awarded.
29	Verification of all points mentioned in the audit plan. GSTAM Ref: 5.7.7	The QAR team will check the file for availability of verification reports for all the issues mentioned in the audit plan.	2	Two marks shall be awarded if all issues were verified. If any issue was left without any reason/further course of action, no mark shall be awarded.
30	Recording of the findings /observations in Working papers after verification of issues by the auditor. GSTAM Ref: Para 2.7-vii; Para V of Working Papers & GSTAM-VIII	This will be examined by the QAR team as to whether the auditor's observations/ findings in all the verification reports are properly and clearly filled.	2	Two marks shall be awarded if all the verification reports are properly filled. Otherwise, no mark shall be awarded.
31	Taking on the record of the explanation furnished by the registered person (if party furnished reply) GSTAM Ref: Para 5.14	The QAR team will examine whether the file contains the taxpayer's reply (replies), if any, in response to the spot memos issued.	1	One mark shall be awarded if such taxpayer's reply (replies) is taken on record and considered while finalising the audit para. Otherwise, no mark shall be awarded. If no reply is received from the taxpayer it is treated as accepted and one mark shall be given. *'Not applicable'* in case of Nil detection.
32	Verification of Sales information as prescribed at Point IV of GSTAM VIII GSTAM Ref: Point IV of GSTAM VIII	The file will be checked to see whether the auditor mentioned his observations in the proformas A, B and C of Point IV-GSTAM Annexure-VIII of GSTAM.	1	One mark shall be awarded if A, B and C proformas of Point IV - GSTAM Annexure VIII are properly filled. Otherwise, no mark shall be awarded.
33	Intimation of extension of time granted for conduct of audit by	The file will be verified whether communication to	1	If such communication exists, one mark shall

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
	Commissioner to the taxpayer GSTAM Ref: 5.12	the taxpayer in this regard was sent to the taxpayer or not.		be awarded; otherwise, no mark shall be awarded. This parameter is *'not applicable'* in case no such extension was required.
34	Obtaining of Approval of circle DC/AC for revising preliminary findings in spot memo/ Audit Enquiry, which ultimately culminates in to DAR (wherever applicable) and intimation to the taxpayer. GSTAM Ref: 5.14	The file will be examined to see whether approval of DC/AC for revision of preliminary findings is available.	1	If approval of DC/AC is available in the file one mark shall be awarded. Otherwise, no mark shall be awarded. This parameter is *'not applicable'* if no such revision was made
35	Citing of the details like relevant acts, rules, circulars, case laws etc. in all the audit paras raised. GSTAM Ref: 6.1.4	QAR team will examine whether relevant provisions of Act, rules are quoted in each objection.	3	If the audit objections raised contain relevant Acts & rules three marks shall be awarded. Otherwise, no mark shall be awarded. This parameter is *'not applicable'* in case of Nil detection.
36	Scrutiny & finalisation of Draft Audit Reports by the Monitoring Committee GSTAM Ref: Para 6.2.4	File will be checked for the availability of MCM minutes for all the Paras in DAR and whether all the objections raised were discussed and finalised in MCM	1	One mark shall be awarded if all the paras were discussed. Otherwise, no mark shall be awarded. This parameter is *'not applicable'* in case of Nil detection.
37	Disclosure of all material and relevant information in the Audit report. GSTAM Ref: Para 5.10	FAR is to be checked whether it contains i. taxpayer's information, i.e., business, location and type of business; ii. outcome of the audit, compliance problems, i.e., short/non-payments identified;	2	Two marks shall be awarded if the audit report contains the entire information as detailed in methodology for verification. Otherwise, no mark shall be awarded.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		iii. Indications on whether the taxpayer is in agreement with the objections or not and spot recoveries if any. If the taxpayer disagrees, whether the taxpayer has provided any reasons for disagreement.		
38	Carrying out of follow up action for the audit objections wherever applicable GSTAM Ref: Para 6.4	The file will be verified whether any follow-up action for recovery/issue of SCN was initiated in respect of all paras.	1	One mark shall be awarded if follow up action was taken by way of recovery or issue of notice. Otherwise, no mark shall be awarded. In case of NIL reports this parameter will be *'not applicable'*.
39	Indexing & Cross-referencing of Working papers with relevant entries in audit plan. GSTAM Ref: Para 5.9 & 5.10	It will be verified as to whether working papers are indexed & cross- referenced with each point of audit plan and whether any objections are identified during verification.	1	One mark shall be awarded if such cross-referencing and indexing done. Otherwise, no mark shall be awarded.
6. STANDARDS FOR INDIVIDUAL AUDIT FILE - PROFESSIONAL CONDUCT				
40	Information to taxpayer about the audit process. GSTAM Ref: 6.1.1, 6.1.2, 5.13, 5.14, 5.16.1	This parameter can be verified on scrutiny of the following in the relevant audit file: (I) ADT -01 (intimation letter to the taxpayer). (II) Spot memos explaining about the short levies identified if any. iii) Whether the auditor explained the benefit available under Section 73(6)/74(6) of CGST Act, 2017	1	One mark shall be awarded only if all of the points mentioned in the methodology for verification are available in the file. Otherwise, no mark shall be awarded. In case of a NIL Audit report only ADT-01 to be checked since other two parameters are not relevant.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		as a measure of recovery of dues to the registered person as per para 6.1.2 of GSTAM.		
41	Intimation to Registered person about actual audit dates well in advance as stipulated in para 5.4 of GSTAM. GSTAM Ref: 5.4	This parameter is to be examined from the date of issue of ADT-01 and actual date(s) of conduct of audit.	2	Two marks shall be awarded if the time gap between ADT-01 issued date and actual date(s) of audit is more than 20 days. This is to incentivize the audit group for providing sufficient time to the taxpayer over and above the minimum time (15 days). If ADT-01 issued date is between 15-20 days, one mark shall be awarded. If the time gap is less than 15 days, no mark shall be awarded.
42	Informing the discrepancies/non-payment and procedural infractions noticed during Audit to the registered person in writing, as applicable. GSTAM Ref: 5.14, 6.1.1	This parameter will be verified on examining whether the spot memos issued contain all the details of discrepancies relating to non-payments and procedural infractions noticed and the same are clearly explained.	1	One mark shall be awarded if the spot memos are issued as explained in the methodology for verification. Otherwise, no mark shall be awarded. This parameter will be *'not applicable'* in case of Nil detection.
7. STANDARDS FOR INDIVIDUAL AUDIT FILE – TIMELINESS				
43	The time taken for the audit is commensurate with the complexity of the audit GSTAM Ref: 2.6.1	Para 2.6.1 of GSTAM-2019 prescribes duration/number of working days based on the size of the unit (Large/ Medium/Small) for proper conduct of audit. Depending on the type of taxpayer i.e., L/M/S, check the number of	1	One mark shall be awarded if prescribed time stipulation is followed based on the size and complexity of the taxpayer; otherwise, no mark shall be awarded.

S. No.	Audit Standard	Methodology for verification	Max. Score	Methodology for awarding score
		days taken to complete audit.		
44	Finalization of the draft audit report within 10-15 days of commencement of audit GSTAM Ref: 6.1.5	Verify the date of issue of DAR	1	One mark shall be awarded if DAR is finalised within stipulated time; otherwise, no mark shall be awarded.
45	Issuance of the final audit report and sending a copy to registered person within 30 days from the date of MCM. Ref: Para 6.3 of GSTAM, 2019 read with Sec 65(6) of CGST Act and Rule 101(5) of CGST Rules	Verify the date of MCM and the date on which FAR was sent to the registered person.	1	One mark shall be awarded if FAR sent to registered person within 30 days of MCM. Otherwise, no mark shall be awarded.
46	Uploading FAR using Audit Report Utility. GSTAM Ref: 6.3	This aspect is to be verified from the audit file.	1	One mark shall be awarded if the FAR was uploaded. Otherwise, no mark shall be awarded.
47	Completion of audit within 3 months from the date of commencement or within such period as extended by Commissioner. Ref: Sec 65 (4) of CGST Act, 2017	Audit team to examine the difference between commencement & completion dates (Audit report finalization in MCM) and whether it is within the stipulated time.	1	One mark shall be awarded if the audit is completed within stipulated time of three months or such extended period. Otherwise, no mark shall be awarded. .

ANNEXURE–II

PROFORMA FOR QAR OF GST AUDIT COMMISSIONERATE
(para 2.8 of Chapter 2 of the Manual)

VISIT NOTE No. / QAR GST/AZ or BZ or CZ or DZ or KZ or MZ or HZ

PART A - GENERAL INFORMATION

1. Name of the Audit Commissionerate:
2. Name(s) of the visiting officers:
3. Date(s) of Visit:
4. Period under review
5. Date(s) of Last review

   (1 to 5 to be filled by zonal unit)

6. Details of audit officers/groups in Audit Commissionerate (As on 1st July of previous year or date of AGT whichever is later):

No. of Circles	No. of audit Parties	Sanctioned strength		No. of officers posted in Hqrs. Office	No. of officers posted in Circles/ Groups	Total working strength	Vacancy
1	2	3		4	5	6	7
		ADC/JC					
		AC/DC					
		DD/AD (Cost)					
		Superintendents					
		Inspectors					

7. (i) Details of training

Total working strength	No. of officers trained in GST Audit (out of Col. 6 of Table 6 above)	No. of officers posted to GST Audit Commissionerate for the first time	No. of officers trained in GST audit (out of col. 3)
1	2	3	4
ADC/JC			
DC/AC			
Superintendents			
Inspectors			

7. (ii) Details of trainings conducted by NACIN to officers and in-house trainings conducted by Audit Commissionerate during the period under review:

S. No.	Trainings by NACIN/ In-house Trainings (specify)	Name of the Course	No. of officers trained

8. Details of Rewards sanctioned to Auditors:

Total no. of audits conducted	No. of audit files examined for grant of rewards	No. of files found fit for grant of rewards	Criteria / ground for grant of rewards	Rewards sanctioned	
				No. of officers	Amount sanctioned
1	2	3	4	5	6

9. Details of Monitoring Committee Meetings held during the year of review (Circle-wise/Commissionerate-wise as the case may be):

i) Total No. of MCMs conducted during the year under review
ii) Dates of MCMs conducted:

MCM for the Month	Date of MCM			
	Circle 1	Circle 2	Circle 3	
April				
May				
June				
July				
August				
September				
October				
November				
December				
January				
February				
March				

10. Details of Infrastructural facilities:

(a) No. of vehicles: Sanctioned -
Hired/available -

(b) No. of AIOs installed: Sanctioned -
Installed -

(c) No. of computers (Desktops) available:

(d) Laptops provided to Audit Teams: No. of laptops / Year of procurement

(e) Office space: As per HRD guidelines -
Actual availability -

(f) Other facilities available

	Facilities	Yes/No	Remarks
a	Table for each auditor		
b	Library facility		
c	Audit manuals		
d	Case Law Journals (electronic or otherwise)		
e	Internet facilities		

11. Manpower availability and extent of utilization for Audit work:

a) Man-days available in Audit Commissionerate:

No. of officers	Sanctioned strength	Working strength	Working strength in Groups
Superintendent			
Inspector			
Total	X	Y	Z

b) Man-days calculations (Para 3.6 of GSTAM, 2019):

Total man-days available (Total working strength to be considered)	(Y *249)	**A**
Man-days available for Large taxpayers	40% of A	**B**
Man-days available for Medium taxpayers	30% of A	**C**
Man-days available for Small taxpayers	20% of A	**D**
Man-days for planning, follow up etc.	10% of A	**E**

c) Man-days required per each Audit (Category-wise)
(As per GSTAM, 2019 (On average basis))

Category of taxpayer	Average no. of officers required as per GSTAM, 2019 (Para 3.6)	Average no. of days required for audit as per GSTAM, 2019 (Para 2.6)	Average Man-days required per Audit
1	2	3	4
Large	7	7	49
Medium	4	5	20
Small	2	3	6

d) Man-days required for audits originally scheduled vis-à-vis man-days utilised for completion of audits actually taken up in the year:

Category	Man-days required per audit as per GSTAM, 2019	Man-days available for audit based on working strength	No. of taxpayers scheduled for audit	Man-days required for audits scheduled (Col 2 x 4)	No. of taxpayers actually audited	Total man-days utilised for actual audits conducted (Col 2 x 6)	% of man-days scheduled to man-days available (Col.5) *100/ (B+C+D in Table 11(b))	% of total man-days utilised to man-days available (Col.7) *100/ (B+C+D in Table 11(b))
1	2	3	4	5	6	7	8	9
Large	49	B						
Medium	20	C						
Small	6	D						
TOTAL								

12. Other general information relating to activities to be taken up by Zonal Chief Commissioner's Office:

a. Whether postings/allocation of officers to Audit Commissionerates was based on requisite experience and expertise in conduct of audits/analysing of financial statements? (Para 3.2.1 of GSTAM, 2019)?

Designation	Sanctioned strength	Working strength	No. of officers with Commerce/Accounts background/Audit experience (based on auditors' profile and HOPs)	Vacancy
DC/AC				
Superintendents				
Inspectors				

b. Whether trainings in techniques of GST audit and accountancy to auditors were monitored by CCO? (Para 3.2.1 of GSTAM,2019)

c. Whether periodical review of performance of the GST Audit Commissionerate was taken up by the Chief Commissioner? (Para 3.2.1 of GSTAM,2019)

No. of review meetings conducted by PCC/CC (indicate dates of meeting) -

d. Whether the CCO disseminated the information pertaining to audit to Audit Commissionerates? (Para 3.2.1(iii) of GSTAM, 2019)

e. Details of issues resolved by CCO, (i) in implementation of audit system at local level and (ii) any issues (other than finalization of audit objection) where there is difference of opinion between Audit Commissionerate and Executive Commissionerate. (Note: Observations of Zonal Unit to be given on all points)

13. Details of the Audit Plans of Top 5 taxpayers of each audit circle based on turnover, approved by the Commissioner as per Paras 3.4.1 (ii) & 5.6.6 of GSTAM, 2019:

S. No.	Name of the Circle	Name of the group	Name of the Registered Person	GSTIN	Turnover

14. Details of cases where the audit plans approved by ADC/JC were reviewed by Commissioner in terms of Para 3.4.1 (ii) of GSTAM, 2019:

S. No.	Name of the Circle	Name of the group	Name of the Registered Person	GSTIN

15. Details of cases where the services of Deputy/Assistant Director (Cost) were utilised effectively as per Para 5.5.2 of GSTAM, 2019.

S. No.	Name of the Circle	Name of the group	Name of the Registered Person	GSTIN

16. Details of Nil DARs pertaining to audits conducted during the audit period.

S. No.	Name of the Circle	Name of the group	Name of the Registered Person	GSTIN

17. Details of interactions made with major taxpayers/trade associations for obtaining feedback on the audit system as per Para 3.4.1(x) of GSTAM, 2019.

S. No.	Date of interaction with major taxpayers/ trade associations	Details of feedback obtained

18. Details of audit performance reviews conducted by the Commissioner to take steps for improvement (as per Para 3.4.1 (vii) of GSTAM, 2019).

S. No.	Date of review	Details of steps suggested for improvement

19. Details of Theme audits conducted based on themes selected at National/ Zonal level (Para 4.4.1 & 4.4.2 of GSTAM, 2019).

i) Themes selected at all-India level

Theme received from DG (Audit)	No. of Registered persons covered in the audit	Detection (in Lakhs)	Recovery (in Lakhs)

ii) Themes selected at Zonal level

Theme received from PCC/CC	No. of Registered persons covered in the audit	Detection (in Lakhs)	Recovery (in Lakhs)

20. Whether any persons registered under Section 51 (TDS) & 52 (TCS) of CGST Act were selected for audit in terms of Para 4.2.3 of GSTAM, 2019 during the audit period under review? If so, please furnish details.

S. No.	Name of the Circle	Name of the Group	Name of the Registered person under Section 51/52 of CGST Act.	GSTIN

PART – B
QUESTIONNAIRE FOR EVALUATION OF GENERAL PERFORMANCE OF THE AUDIT COMMISSIONERATE

i)	Name of the ADG Audit Zone	<Delhi/Mumbai/Ahmedabad/ Hyderabad/Chennai/ Bangalore/Kolkata>
ii)	Name of CC Zone	
iii)	Name of the Audit Commissionerate	
iv)	Audit Year	
v)	QAR Year	

S. No.	Audit Parameter	Max. Marks	Marks Awarded
1	Whether Database of officers' profile was maintained?	1	
2	Whether audit groups are formed by equally distributing officers of skill and experience amongst the groups?	1	
3	Whether officers posted to the GST Audit Commissionerate for the first time, were sent for training in GST Audit process?	2	
4	Whether training programme/refresher course on latest techniques were organized for the benefit of officers posted after the annual transfers (other than officers posted for the first time)?	2	
5	Whether annual scheduling of audits was calibrated based on the available working strength?	1	
6	Whether database of registered persons to be audited is maintained in Audit Commissionerate?	1	
7	Whether selection of 70% of taxpayers to be audited was carried out, based on risk scores communicated by DG (Audit) and uploaded in audit module or forwarded to audit circles before 15th March?	1	
8	Whether reasons/justification for tweaking the lists received from DGARM/DG (Audit) are recorded while carrying out selection of 70% taxpayers for audit?	1	
9	Whether 20% of the taxpayers were selected based on local risk factors and uploaded in audit module or forwarded to audit circles before 15th March?	1	
10	Whether the Chief Commissioner's approval was obtained in respect of 20% taxpayers selected based on local risk parameters?	1	
11	Whether selection of 10% of the remaining taxpayers was made randomly and uploaded in audit module or forwarded to audit circles before 15th March?	1	
12	Whether quarterly schedules were issued by Circle AC/DC after release of annual schedule by Audit Commissionerate?	1	

S. No.	Audit Parameter	Max. Marks	Marks Awarded
13	Whether the Desk Reviews and Audit Plans of the top 5 taxpayers of each audit circle were approved by the Commissioner?	2	
14	Whether a few audit plans approved by ADC/JC were reviewed by Commissioner to ensure quality of audit?	1	
15	Whether audit plans of small taxpayers approved by DC/AC were reviewed by Additional Commissioner? (Test check of about two to three files from each circle)	1	
16	Whether the NIL DARs were brought to the notice of ADC/JC concerned for review?	1	
17	Whether the DARs were communicated to the Executive Commissioners seven days in advance of MCM?	1	
18	Whether MCMs are held at monthly intervals?	2	
19	Whether the minutes of MCM were communicated to the Executive Commissionerates immediately for conveying their agreement/disagreement within 15 days from the date of MCM?	1	
20	Whether GSTAM Annexure-X was obtained from the taxpayer wherever the waiver of issue of SCN was proposed?	1	
21	Whether a list of SCNs issued by the Audit Commissionerate was communicated to the Executive Commissionerates, on monthly basis?	1	
22	Whether effective system of obtaining feedback on audit process from the major taxpayers/trade associations is in place?	1	
23	Whether audit performance was reviewed by Commissioner for taking suitable steps for improvement?	1	
24	Whether Audit Planning and Follow-up Registers are maintained and updated, both at Headquarters and Circle level?	1	
25	Whether audit of all the taxpayers allocated was completed by 31st March?	1	
26	Whether Monthly returns are being prepared basing on the records/registers maintained in MIS section/Circles?	1	
	Total Marks	30	

PART-C
QUESTIONNAIRE FOR EVALUATION OF INDIVIDUAL AUDIT FILE

Name of the ADG Audit Zone	<Delhi/Mumbai/Ahmedabad/Hyderabad/ Chennai/Bangalore/Kolkata>
Name of CC Zone	
Name of the Audit Commissionerate	
Audit Year	
QAR Year	
GSTIN	
Name of the Registered person	
Audit Case No.	
Category of the registered person	<Large/Medium/Small>
Date of audit	
No. of Revenue paras raised	
Amount Detected (in Rs.)	
Recovery if any (in Rs.)	

1. Preliminary Desk Review

S. No.	Audit Parameter	Max. Marks	Marks Awarded
1	Whether Registered Person's Master File (RPMF) in format Annexure GSTAM-1 along with all other relevant documents is maintained and whether such documents are updated regularly?	5	
2	Whether the RPMF was reviewed by Auditor at the time of desk review?	2	
3	Whether the information furnished in GSTR-9 returns is reconciled with financial records and other statutory returns?	2	
4	Whether Revenue Risk Analysis was carried out and results summarised?	2	
5	Whether Trend Analysis was carried out and results were summarised?	2	
6	Whether Ratio Analysis was carried out during Desk Review and results summarised?	2	
7	Whether the documents mentioned in Annexure GSTAM-III, as applicable, were obtained and scrutinized for the audit period during desk review and also reconciled with GST returns?	2	
8	Whether the following areas were considered during desk review (i) rate of tax applicable (ii) exemption notifications availed, if any (iii) zero-rated/exempted/non-taxable supplies, if any	2	

S. No.	Audit Parameter	Max. Marks	Marks Awarded
9	Whether ITC availment (including ISD, if any) was analysed during desk review?	2	
10	Whether the ITC shown in GSTR-3B return was reconciled with GSTR-2A to identify gaps?	1	

2. Preparation of Audit Plan

S. No.	Audit Parameter	Max. Marks	Marks Awarded
11	Whether the audit plan was prepared based on summary results of desk review and submitted for approval to AC/DC/JC/ADC/Commissioner as the case may be, along with completed working papers?	3	
12	Whether the risk indicators or local risk parameters were taken into account while finalising the audit plan, wherever applicable?	1	
13	Whether the audit plan considered abnormal trends and unusual occurrences that were identified during desk review if any?	1	
14	Whether the audit plan is approved by appropriate authority, viz., Commissioner/ADC/JC/DC/AC as the case may be?	1	
15	Whether any modifications/ additions were suggested by senior officers in the draft Audit plan either at the time of approval or during review of audit plan?	2	

3. Audit Verification

S. No.	Audit Parameter	Max. Marks	Marks Awarded
16	Whether tour of the premises has been carried out, wherever necessary (Large/Medium taxpayers)?	1	
17	Whether registered person/auditee or his authorised representative was interviewed?	1	
18	Whether the questionnaire in Annexure GSTAM - VI meant for evaluation of internal controls was completely filled?	2	
	Whether walkthrough was performed in the following areas:		
19	Account adjustment systems	1	
20	Outward Supplies	1	

S. No.	Audit Parameter	Max. Marks	Marks Awarded
21	Purchases /Stores	1	
22	Classification of Goods/ Services	1	
23	Price determination (Transaction Value)	1	
24	Process of compiling GST returns	1	
25	ITC	1	
26	Non-Taxable Item/Service	1	
27	Whether soundness of internal control levels has been graded as good/acceptable/poor and relevant documents placed in file, wherever applicable?	1	
28	Whether any fresh issue was identified during audit and DC/AC's approval was obtained for verification in such cases?	2	
29	Whether verification of all points mentioned in the audit plan has been carried out?	2	
30	Whether auditor has properly and clearly recorded the findings/observations in Working papers after verification of issues?	2	
31	Whether the explanation furnished by the Registered person is taken on record. (if party furnished reply)?	1	
32	Whether sales information as prescribed at Point IV of GSTAM Annexure-VIII has been verified?	1	
33	Whether extension of time granted by the Audit Commissioner for conduct of audit, was informed to the taxpayer?	1	
34	Whether approval of circle AC/DC was obtained for revising preliminary findings in spot memo/ Audit Enquiry, which ultimately culminates into DAR (wherever applicable) and informed to the taxpayer?	1	
35	Whether the details like relevant acts, rules, circulars, case laws etc., are properly quoted in all the audit paras raised?	3	

4. Working Papers

S. No.	Audit Parameter	Max. Marks	Marks Awarded
36	Whether DAR was scrutinized and finalized by the Monitoring Committee?	1	
37	Whether the Audit report discloses all material and relevant information?	2	
38	Whether the follow up action was carried out wherever applicable?	1	
39	Whether Working papers are indexed & cross-referenced to relevant entry in Audit plan?	1	

5. Professional Conduct

S. No.	Audit Parameter	Max. Marks	Marks Awarded
40	Whether the taxpayer was fully informed about the audit process?	1	
41	Whether the Registered person was informed about actual audit dates well in advance, than time stipulated in para 5.4 of GSTAM, 2019?	2	
42	Whether discrepancies relating to Audit observations, non-payment and procedural infractions noticed were informed to the registered person in writing in applicable cases?	1	

6. Timeliness

S. No.	Audit Parameter	Max. Marks	Marks Awarded
43	Whether the time taken for the audit was commensurate with the complexity of the audit?	1	
44	Whether the DAR was finalized within 10- 15 days of commencement of audit?	1	
45	Whether the FAR was issued and copy sent to Registered person by email within 30 days from the date of MCM?	1	
46	Whether FAR was uploaded using Audit Report Utility?	1	
47	Whether the audit was completed within 3 months from the date of commencement or within such period as extended by the Commissioner?	1	
	Total Marks	70	

PART - D
QAR GRADING

Name of the ADG Audit Zone	<Delhi/Mumbai/Ahmedabad/Hyderabad /Chennai/Bangalore/Kolkata>
Name of CC Zone	
Name of the Audit Commissionerate	
Audit Year	
QAR Year	

OVERALL SCORING AND GRADING OF QAR

S. No.	Subject	Maximum Score	Score awarded
1	Scoring from Part B (in percentage) (contains 26 parameters with 30 marks)	30	
2	Scoring percentage from Part C (contains 47 parameters with 70 marks)	70	
	OVERALL SCORING (1+2)	100	
	QAR GRADING FOR THE AUDIT YEAR		

P.S.: (i) Scores will be given up to two nearest decimals.

(ii) Key to grading based on overall scoring: **A = EXCELLENT (>90), B= VERY GOOD (80.01-90), C = GOOD (70.01-80), D= AVERAGE (60.01-70), E = VERY POOR (<=60)**

(iii) While adopting scoring percentage in **Part B** and **Part C**, wherever certain queries are not applicable, e.g., in case of Nil audit reports, no follow-up action is required, sum of scores for applicable cases only will be considered as denominator value and score will be determined accordingly.

PART – E
COMMENTS/SUGGESTIONS AND RECOMMENDATIONS

Name of the ADG Audit Zone	<Delhi/Mumbai/Ahmedabad/Hyderabad /Chennai/Bangalore/Kolkata>
Name of CC Zone	
Name of the Audit Commissionerate	
Audit Year	
QAR Year	
(I) General	
(i) General level of quality and sustainability of audit objections raised (objection dropped in MCM vis-à-vis objections raised)	
(ii) Pendency of audit paras	
(iii) Others	
(II) Compliance to previous QAR	
(III) Performance of the Audit Commissionerate with reference to present QAR	

ANNEXURE–III

FORMAT OF REPORT REQUIRED FOR DETERMINING API
(para 3.4.1 of Chapter 3 of the Manual)

Name of Audit Commissionerate	Name of CC Zone	Name of the ADG Audit Zone	Audit Year	API for Quarter (1st quarter/ 2nd quarter/3rd quarter/ 4th quarter)	No. of taxpayers scheduled during the period	No. of Officers working during the period (Superintendents + Inspectors) in all Groups	No. of taxpayers actually audited during the quarter									Detections during the quarter			Recoveries during the quarter			Total no of paras pending at the beginning of the quarter	Total no. of paras raised during the quarter	Total no. of paras closed during the quarter
							Large (period of coverage)			Medium (period of coverage)			Small (period of coverage)											
							1 Year, i.e. 2017-18	2 years, i.e., 2017-18 & 2018-19	Total	1 Year, i.e. 2017-18	2 years, i.e., 2017-18 & 2018-19	Total	1 Year, i.e., 2017-18	2 years, i.e., 2017-18 & 2018-19	Total	Amount from the five taxpayers having highest detections	Detections from remaining taxpayers	Total detections from all taxpayers (Col.17+ Col. 18)	Amounts from the five taxpayers yielding highest recoveries	Amounts from remaining taxpayers	Total Recoveries from all taxpayers (Col. 20 + Col. 21)			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25

ANNEXURE-IV

AUDIT PERFORMANCE INDEX: AWARD OF API GRADING
(para 3.5 of Chapter 3 of the Manual)

Name of Audit Commissionerate	Name of CC Zone	Name of the ADG Audit Zone (Delhi/Mumbai/Ahmedabad/ Hyderabad/Chennai/Bangalore/Kolkata)	Audit Year	API for quarter (1st quarter/ 2nd quarter/ 3rd quarter/ 4th quarter)	Ratio of taxpayers Audited to taxpayers scheduled for audit (Marks in percentile on a scale of 0-10)	Ratio of Man-days utilized to Man-days available (Marks in percentile on a scale of 0-10)	Detection/Audit (total marks in percentile on a scale of 0-20)		Recovery/Audit (total marks in percentile on a scale of 0-20)		Ratio of total recovery to total detection (Marks in percentile on a scale of 0-10)	Output per Auditor, i.e., Total amount detected/No. of Auditors during the period. (Marks in percentile on a scale of 0-20)	Ratio of {(Total no. of paras closed during the period) to (Total no. of paras pending for closure at the beginning + Total no. of paras raised during the quarter)} (Marks in percentile on a scale of 0-10)	Total Marks	**API Rank**
							20% weightage to the five taxpayers having highest detections (i.e., 0-4)	80% weightage to remaining taxpayers' figures (Marks in percentile on a scale of 0-16)	20% weightage to the five taxpayers yielding highest recoveries (i.e., 0-4)	80% weightage to remaining taxpayers' figures (Marks in percentile on a scale of 0-16)					
1	1A	1B	1C	1D	2	3	4A	4B	5A	5B	6	7	8	9	10

ANNEXURE–V

AWARD OF COMPOSITE GRADING OF QAR & API
(para 6.2 (iii) of Chapter 6 of the Manual)

Name of Audit Commissionerate	Name of CC Zone	Name of the ADG Audit Zone (Delhi/Mumbai/Ahmedabad/ Hyderabad/Chennai/ Bangalore/Kolkata)	Audit Year	Scoring/Marks from QAR (in percentage)	Scoring/Marks from API	Weightage for QAR scoring for Composite Grading (60% * Col.5)	Weightage for API scoring for Composite Grading (40% * Col.6)	Overall scoring for Composite Grading (Col. 7 + Col. 8)	**Composite Grading Score of QAR and API**
1	2	3	4	5	6	7	8	9	10

ILLUSTRATION:

If an Audit Commissionerate gets a scoring of 85 in the QAR for the Audit Year, then scoring for composite grading is calculated as 60/100*85 = 51. Similarly, if an Audit Commissionerate gets scoring of 90 in the API for the Audit Year, scoring for composite grading is calculated as 40/100*90 = 36. The composite grading in this case will be 51+36 = 87. The above data may be arranged in the descending order of composite grading score mentioned in column 10.

QUALITY ASSURANCE