

## *Chairman's Message*



My Dear Professional Colleagues,

Happy New Year to all of you! May happiness, peace and prosperity never abandon you and your loved ones! May the New Year bring loads of cheers and keep you free from all worries and fears! May your lives be filled with hope, joy and blessings!

The Trichur Branch of Southern India Regional Council of ICAI was set up on 10.6.1981 and inaugurated by CA. V. Rajaraman, the then president of ICAI. In 1988, branch was shifted to its own premises near Sakthan Thampuran Nagra, Thrissur. It is commissioned by CA. Das Guptha, the then president of ICAI. It was in 2003, the Branch premises was expanded by constructing second floor and it is inaugurated by CA. N.D. Guptha, the then president of ICAI. CA. Sukumara Menon was the first chairman of the branch and CA. C.K. Vasudevan, the first secretary. The branch premises is approximately 5000 square feet and have all common facilities.

In the year 2014 the branch was again shifted to new premises at Alum vettu vazhi, Chiyaram near Elite Hospital, Koorkancherry Thrissur. At present we have more than 750 members in our roll. For the members, we are conducting one day seminars and Half day seminars at our branch regularly. Often the faculties are eminent Chartered Accountants and Lawyers from different parts of the country. National seminars are also conducted. Study circle meetings are conducted regularly. We are having a spacious seminar hall, which can hold a capacity of 300 persons and a spacious tile paved parking area in the premises. The participation and attendance by our members in Seminars and other functions conducted at the branch is very high.

We have a building of 15000 Sq feet and almost ninety percentage of space is utilized for conducting classes for students. We have a well-equipped Computer lab with more than 50 computers. Our branch is conducting coaching class for CPT, Foundation, Intermediate, and Final students. Apart from that we are conducting ICITSS Course and ICITSS Orientation Course. We are also conducting AICITSS and AICITSS-MCS Course for those who have completed Article ship. We are also conducting Crash course for both Intermediate and Final students before their exams.

We have Spacious Air conditioned class rooms with individual chairs. All the class rooms are provided with projectors for PowerPoint presentation. Many of the faculties are Chartered Accountants with long years of teaching experience. They have been taking class in various places in Kerala. We have a good Library and Reading room, many of the

students after their course come to the branch for combine study and discussion with faculties. Our branch is conducting career counseling and awareness programs in higher secondary schools for the students undergoing +2 course. Various activities for the development of professional skill and cultural skills are being conducted under SICASA for the student community by our branch.

The day today affairs of the branch are being conducted under the supervision of the Managing committee. The present committee took charge in the year 2016-17. The committee include CA. Vipin K K, CA. Tony M.P, CA. Thomas Mathew, CA. Rajan C V, CA. Santahakumar M P, CA. Sabu Thomas, CA Homey Joseph and .CA. Aryan K.K.

Every year on 26th January, we celebrate the Republic Day of our nation, observing the implementation of our Constitution, which provides us Freedom of speech and expression, and Freedom of conscience and free profession, and hands over a set of rights to each one of us. At the same time, 26th January also reminds us of our responsibilities towards our fellow citizens, our society and our country, which all of us should remember, come what may.

Let us assert our rights, exercise our freedom and behave responsibly so that others around us could also do the same.

Best Wishes

CA Thomas Mathew  
Chairman

## UDIN – A BOON TO USERS AND STAKEHOLDERS



### **Introduction:**

Unique Document Identification Number (UDIN) is a unique number which is to be generated for every document certified /attested by practicing Chartered Accountants and will be registered with UDIN Portal at <https://udin.icai.org>

Unique Document Identification Number is to secure the certificates/documents attested/certified by practicing Chartered Accountants and for tracing forged/wrong documents prepared by any third person misrepresenting himself as a Chartered Accountant.

UDIN aims to address the concern of documents/certificates issued by any other person not being practicing Chartered Accountants.



**CA. Silpa Ramdas,**  
**FCA, DISA, DIRM (ICAI)**

### **The History:**

The Division Bench of Hon'ble Calcutta High Court had passed an order on 21st June 2018 in the matter of ITAT 22/2015 in respect of Binod Kumar Agarwala vs Commissioner of Income Tax, wherein ICAI was directed to initiate appropriate action against the concerned Chartered Accountants firm.

The High Court while passing the orders observed that the firm had prepared Balance Sheet of the assessee i.e. Shri Binod Kumar Agarwala by projecting a rosy picture as to the creditworthiness of the assessee for the purpose of availing credit facilities from the Bank. The ICAI, on the basis of the orders of Hon'ble High Court, issued a show cause notice to the Firm calling upon its explanation in this regard. However, the said Firm of Chartered Accountants has vehemently denied stating that their Firm had not prepared those documents and their signatures and stamp has been forged. The firm had also submitted of having filed an FIR with Kharagpur Police and a sworn affidavit affirming their non-association in this matter. However, Director (Discipline), ICAI is further examining the matter. It may also be further stated of late; an increasing trend to forge the stamp and signature of Chartered Accountants was seen.

ICAI, as the regulator of the accountancy profession, as a proactive step, has introduced Unique Document Identification Number (UDIN) and it will be mandatory for all practicing Chartered Accountants to register all certificates issued by them with UDIN portal which can be verified by users/stakeholders.

### **Current Position:**

ICAI has made it mandatory for all Member Chartered Accountants (CAs) in practice to register all certificates at UDIN portal, which are being issued on or after 1<sup>st</sup> Feb, 2019, vide Press Release dated 24 Jan, 2019.

### **Who can generate UDIN?**

All practising Chartered Accountants can generate a UDIN for certificate/ document attested by him either in individual capacity or as a partner.

### **List of Certificates for which UDIN is required:**

<b>S. No.</b>	<b>Type of Certificates to be registered at UDIN Portal</b>
(i)	Certificates issued on the basis of Financial books of accounts and annual financial statements-Capital Contribution Certificate/net worth certificate
(ii)	Certificates issued on the basis of Financial books of accounts and annual financial statements – Turnover Certificate
(iii)	Certificates issued on the basis of Financial books of accounts and annual financial statements -Working Capital Certificate/Net Working Capital Certificate
(iv)	Certificates issued on the basis of Statutory records being maintained under Indian Companies Act, 2013 and applicable provisions
(v)	Certification of Fair Values of Shares of Company for the scope of merger / de-

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	merger, Buy Back, Allotment of further shares and transfer of shares from resident to non-resident.
(vi)	Certificates for Foreign Remittance outside India in form 15CB.
(vii)	Net worth Certificates for Bank finances
(viii)	Net worth Certificates for Bank Guarantee
(ix)	Net worth Certificates for Student Study Loan
(x)	Net worth Certificates for Issuance of Visa by Foreign Embassy
(xi)	Certificate in respect of Liquid Asset under Section 45-IB of RBI Act, 1945
(xii)	Certification of arms length price u/s 92 of the income Tax Act, 1961.
(xiii)	Certificates for funds/ Grants utilisation for NGO's
(xiv)	Certificates for funds/ Grants utilisation for Statutory Authority
(xv)	Certificates for funds/ Grants utilisation
	Under FERA/FEMA/other Laws
(xvi)	Certificates for funds/ Grants utilisation
	Charitable trust/institution
(xvii)	Certification under the Income-Tax laws for various Deductions, etc.
(xviii)	Certification for claim of refund under GST Act and other Indirect Taxes.
(xix)	Certification under Exchange Control legislation for imports, remittances, ECB,DGFT,EOU, etc
(xx)	Certificates in relation to initial Public Issue/compliances under ICDR and LODR.
(xxi)	Certificate issued by Statutory Auditors of Banks
(xxii)	Certificate issued by Statutory Auditors of Insurance Companies
(xxiii)	Additional Certification by Concurrent Auditors of Banks not forming part of the concurrent audit assignment
(xxiv)	Certificate of Short Sale of securities issued by Concurrent Auditors of Treasury Department of Banks
(xxv)	Certificate of physical verification of securities issued by Concurrent Auditors of Treasury Department of Banks
(xxiv)	Certificate issued for KYC purpose to banks confirming sole proprietorship
(xxv)	Certificate Regarding Sources of Income
(xxvi)	Certificates for Claiming Deductions and Exemptions under various Rules and Regulations
(xxvii)	Certificates issued under LLP Act
(xxviii)	RBI Statutory Auditor Certificate for NBFCs
(xxix)	Certificate issued under RERA
(xxx)	Others



**List of Certificates for which UDIN is NOT required:**

- i) Auditor's Opinion/Reports issued by the Practicing Chartered Accountant under any Statute w.r.t. any entity or any person (e.g.: Tax Audit, Transfer Price Audit, VAT Audit, GST Audit, Company Audit, Trust Audit, Society Audit, etc.,
- ii) Valuation Reports,
- iii) Quarterly Review Reports,
- iv) Limited Review Report
- v) Information System Audit,
- vi) Forensic Audit,
- vii) Revenue / Credit / Stock Audit,
- viii) Borrower Monitoring Assignments,
- ix) Concurrent / Internal Audit and the like,
- x) Any report of what so ever nature issued including Transfer Price Study Report, Viability Study Report, Diligence Report, Due Diligence Report, Management Report, etc.

**Website :**

**<https://udin.icai.org>**

**Step 1:** Enter the homepage **<https://udin.icai.org>**

**Step 2:** Click button "For first time sign up, click here"

**Step 3:** Enter your six-digit Membership No., Date of Birth and Date of Enrolment, and click the "Send OTP".

**Step 4:** Enter OTP received and click "Continue", you will receive username and system generated password at the mobile and email, as registered with the ICAI.

Go to the link <https://udin.icai.org/?mode=login> and enter your Membership No, Password and click "Login"

**Step 5:** After login, click "Generate UDIN"

**Step 6:** Enter details such as your Client Reference Code/Number, Document Issued, Document Description, Date of Document, Keywords/Values (minimum two within the document and click the button "Send OTP". Firm Registration Number (FRN) is Optional.

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**Step 7:** Enter OTP received and click the button "Preview". You will see the details you have entered for generating the UDIN.

**Step 8:** If there is any change in the content, you should click the button "Back" or else click the button "Submit"

A UDIN will be generated and you can use that UDIN on the document for which it has been generated

**Step 9:** Back to home. Click on List UDIN

### **Revoke UDIN:**

The UDIN once generated can be withdrawn or cancelled with narration. Hence if any user searches for this UDIN, appropriate narration indicated by Member with the date of revoke will be displayed for reference. "List UDIN" menu can be used to revoke the UDIN.



- ☞ 30 mts of exercise everyday
- ☞ Start your mornings with warm lemon water
- ☞ Start the day with healthy breakfast
- ☞ Shop pack and stock healthy snacks for work
- ☞ Eat healthy at work and when you travel
- ☞ Stay hydrated
- ☞ Make sure neck isn't bent to the sides for long period of time. Have a healthy positioning
- ☞ Arms length distance to the screen from eyes

## EXPERT'S TALK

### SWOC analysis of Co-operative credit structure in Kerala in the wake of formation of Kerala Bank

Kerala State is planning to create a new model in Co-operative credit structure by converting the existing 3 tire structure into 2 tires. Delaying of District co-operative banks i.e the middle tire is proposed as a strategy for strengthening the existing 3 tire co-operative credit structure. Govt. of Kerala had appointed a committee under the leadership of Dr. Sriram for studying the existing 3 tire structure and to propose structural changes. Dr. Sriram committee submitted their recommendation which was accepted by the State Govt. thereafter the State Govt. on 28<sup>th</sup> April 2017 appointed a Task Force consisting of experts from the domain of banking, co-operation and information technology. The Task force in detail considered the recommendations made by Dr. Sriram committee and prepared a proposal which was submitted by the Govt. to Reserve Bank of India the regulator of banking industry. The RBI issued in principle sanction to the Govt. of Kerala with 19 conditions for compliance. The RBI directed to submit compliance report on the 19 conditions which will be scrutinized meticulously and sanction formation for Kerala Bank by amalgamating 14 DCCBs with KSCB. The preparation for amalgamation is proceeding and is expected that Kerala bank would be a reality by the next financial year. In this context a SWOC analysis is attempted.



**Dr. M . Ramanunni**

#### Strength

1. Open and voluntary membership facilitated participation of almost every citizen in the State in the Co-operative structure either through one or other form of co-operative institution. It is noted that the membership of co-operative institutions is estimated to be approximately 4.2 crores which is more than the population of the state. In other words membership in more than one institution by the same person is reported. For example, an employee of KSRTC can take membership in PACS along with KSRTC employees association and also in Co-operative housing or a hospital society.



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2. The activities of the co-operatives are managed by the elected representatives through paid employees. This ensures democratic structure along with solid organizational formation.
3. Co-operative institutions are seen formed in all sectors of life starting from credit to marketing, housing, health care, education, industrial, milk production, farming co-operatives etc. It is very difficult to find out a spear of activity in Kerala where co-operatives are not represented.
4. The major strength of co-operative credit structure in Kerala is their ability to mobilize Rs. 1.30 lakh crores by way of deposits. Almost 65% – 70% of this deposit is issued by way of advances to various categories of people in the state.
5. Co-operative institutions are networked into various district level and state level apex institutions. Milk societies are federated into Kerala State milk marketing federation, primary co-operatives into KSCB, consumer societies into Consumer federations, rubber marketing societies into Rubber marketing federation. Similarly almost all societies are having a Federated Structure. This structure provides greater strength and unity among similar type of co-operative and the principle of co-operation among co-operatives is thus realized.
6. Co-operatives are considered as the largest employer next to the Govt. in the state. Thereby the co-operative movement facilitate local economic development and distribution of wealth among various segments of the population.

### Weakness

1. The major weakness is control by different agencies namely, each co-operative society is controlled by their elected representatives, administratively controlled by co-operative department functionaries and banking activities controlled by NABARD & RBI. This multiple control has created very many difficulties in the day to day functions.
2. Kerala co-operatives are famous for over politicisation. The political part is with the objective of ensuring people's support grab power which ultimately affects the democratic character.
3. Lack of professionalism is identified as the major lacuna in the development of co-operative movement in Kerala. Most of the staff members are ill-trained and are not exposed to modern management education.
4. Over concentration on fixed deposits that too high rate of interest makes the deposits unattractive. The costs of funds are found to be high which prevents effective commercial utilization in a viable manner.
5. The accounting systems followed by the co-operatives are not latest and up-to-date. Most of the societies are following single entry book keeping system. The audit

performed by the co-operative department is not scientific and reveal a true picture and financial position of the organization.

6. Utilization of IT enabled services including CBS is still in the primitive form. In the absence of IT enabled services, repetitive and non-productive activities are attended by most of the staff members.
7. Lack of up-to-date information prevents the management from taking the informed decisions.

## **Opportunities**

1. A large, well-capitalized bank provides an opportunity for the sector to have a large and sophisticated institution which serves the interest of the co-operatives.
2. The participation, coverage, democratic structure helps co-operatives to function along with local self-government institutions at the grass root levels. This facilitates structural and functional integration in vertical and horizontal lines.
3. This structure provides opportunity for utilizing the resources at local level thereby facilitates local economic development.
4. The federated structure provides opportunity to transfer funds from the State level to the grass root level without much time and effort.
5. The consolidation of various co-operative institutions into the Kerala bank would facilitate the merging and also freedom to cater to the versatile needs of the society.

## **Challenge**

1. Co-operatives in Kerala face greatest challenge from the non-affiliation by the techno savvy youngsters. The participation of youngsters is reported to be roughly 5% - 7%. It is apprehended that within next 10-15 years of time all the existing clientele of the co-operatives would wither away and the youngsters won't prefer this form as it is out dated and obsolete.
2. In the absence of professional approach and comprehensive strategy for development, these organizations might not thrive the competition from the local as well as external market.
3. The high cost of establishment makes this form of organization unviable.

Considering the above factors it is suggested that, a strategy and plan of action is to be developed by the state govt. to develop and revamp co-operative institution in our state. Formation of Kerala bank is identified as a right move for the consolidation. The unification of accounting system, revamping of audit and professionalization of system using Information technology is identified as an opportunity for the Chartered accountant fraternity to associate with the largest people's movement in the country and thereby improve its efficiency as well as effectiveness.

## SICASA CORNER

### AUDIT UNDER GST



#### What is Audit?

- Examination or inspection of various books of accounts by an auditor.
- Physical checking of inventory to assure that all departments are following documented system of recording transactions.
- To ascertain the accuracy of financial statements provided by the organisation.



**SANJAY B MENON**

#### As per Section 2(13) of CGST Act 2017,

Audit means:

- The examination of records, returns and other documents maintained or furnished by the registered person under this Act or rules made thereunder or under any other law for the time being in force to verify;
- To verify the correctness of :
  - (i) Turnover declared,
  - (ii) Taxes paid, refund claimed, and
  - (iii) Input tax credit availed

- To assess his compliance with the provisions of this Act or the rules made thereunder.

Hence as per this definition, audit cannot be conducted in case of an unregistered person even if he was required to be registered.

### **Audit under GST : Broad Classification**

- 1) Audit by Tax authorities
- 2) Special Audits
- 3) Annual Audit by CA/CMA

### **Audit by Tax Authorities (Sec 65)**

Audit by Tax Authorities can be conducted under Section 65 of the CGST Act. GST Commissioner can issue a general order or a specific order, authorising officers to conduct an audit of registered persons. Once an audit is ordered, the audit would be conducted at the place of business of the registered person. Intimation of the audit is provided to the taxpayer atleast 15 days in advance in Form GST ADT-01 and the audit is to be completed within 3 months from the date of commencement of the audit. In rare cases, the GST Commissioner has the power to extend the period by another 6 months, if required.

During the course of audit, the authorised officer may require the registered person to afford him the necessary facility to verify the books of account and also to furnish the required information and render assistance for timely completion of the audit.

On completing the audit, the Officer would submit a report to the Registered Dealer along with a summary of findings during the audit in Form GST ADT-02 within 30 days.

### **Special Audit (Sec 66)**

Special audits are audits ordered by a GST Officer and conducted by a Chartered Accountant or CMA. GST special audit can be ordered by the Assistant Commissioner of the GST, when he/she suspects that the assessee has declared taxable values incorrectly or has inappropriately utilised input tax credit.

A special audit is ordered in Form GST ADT-03 and the taxpayer would normally be required to get the accounts audited before or after the commencement of any scrutiny, enquiry or investigation. The CA or CMA performing the audit will be selected by the GST Officer and the taxpayer would be required to cooperate with the Auditor for completion of the audit.

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Once the audit is complete, the CA or CMA would submit the findings of the audit in Form ADT-04. A special audit must be concluded by an auditor within 90 days. In rare cases, the due date can be extended by another 90 days by the Commissioner, based on an application made by the CA or CMA.

On conclusion of a special audit under GST, the taxpayer is provided an opportunity to be heard in respect of any material gathered in the special audit which is proposed to be used in any proceedings against the taxpayer.

### **Annual Audit by CA /CMA**

Section 35(5) of CGST Act, provide for the audit of accounts for a taxpayer. This audit is to be conducted by a Chartered Accountant or Cost and Management Accountant. This section makes the taxpayers for Mandatory audit under GST by CA/CMA. As per the GST provisions, a copy of the following is to be required to be submitted each year:

- Audited annual Accounts
- The reconciliation statement under sub-section (2) of section 44
- Other Prescribed Documents Under Rule 80

### **Who is Liable for Mandatory audit in GST?**

Every registered person whose turnover during a financial year exceeds Rupees Two crore shall get his accounts audited as specified under Section 35(5).

Under Section 35(5), "Turnover" should be the same as the "Turnover in the State".

The term turnover in a state is defined u/s 2(112) of CGST Act. The definition is reproduced here:

"Turnover in a State" or "Turnover in a Union territory" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on a reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes Central Tax, State Tax, Union territory Tax, Integrated Tax and Cess".

During the course of the audit, any discrepancies found shall be corrected /rectified by declaring the correct turnovers in the Annual Return. In this regard, it may be noted that the time limit for declaring the details of debit note/credit note and for taking the Input



Tax Credit would lapse in September of the following year, whereas the Annual Return can be furnished by the end of December of the following year. Where any discrepancies are noted during the course of the GST Audit, post September, it appears that no recourse would be available to the auditee.

### **Benefits to Businesses from voluntary GST audit for Financial Year 2017-18**

- Correct Time of Supply can be known, so that taxes are never prepaid (i.e. paid before it is due) or post-paid (i.e. paid later than it was due) and thus paid on time. This also results in saving of interest cost (both on pre-payment and post-payment) and penalties (in case of post-payment). For e.g.: tax liability on advance receipts from Customers, etc.
- Correct Place of Supply can be known as the respective taxes are correctly collected and paid (as either IGST, CGST or SGST). Wrong but full payment of taxes is no excuse and the taxes under the respective supplies have to be paid correctly.
- Any tax over-collected has to be paid to the Government since it will result in profiteering, and thus huge penalties. Similarly, any under-collection of tax has to be paid out of pocket of the supplier/seller.
- HSN Codes for the goods and services have been correctly ascertained and filed in the GSTR-1 return.
- Books of Accounts have been maintained as per the manner laid down under the ACT.
- Invoices have been raised correctly (i.e. with complete information as is necessary).
- Matching of GST Returns with the Books of Accounts.
- Matching of GST Electronic Credit & Cash ledger with the Credit reflected in the books.
- Finding out any unclaimed GST Input Tax Credit. E.g.: on bank charges, sundry expenses bills like printing & stationery, etc.
- Recording of Fixed Assets purchased on Taxable Value and availing the required GST Input Tax Credit so that GST-ITC can be availed correctly and fully and also depreciation be calculated on the taxable value.
- Claiming of correct refunds for the Exporters, for the tax paid on inputs.
- Reversing of any ITC that was wrongly claimed or was liable to be reversed.
- Tax to be paid under Reverse Charge for few particular services.

### **Challenges for the year 2017-18**

- 1. Computation of Turnover for eligibility for audit.**
- 2. Multiple audits under indirect tax laws:** VAT audits may be required to be carried out for the first quarter and GST audit for the next three quarters.
- 3. Lack of clarity in the GST law:** Frequent changes in the law, issuance of more than 300+ notifications.
- 4. Complex procedural compliance under GST**
- 5. Failure of the matching concept:-** For e.g., in the absence of GSTR2 and GSTR3 , the recipient cannot come to know that the supplier has paid the tax and filed the return without tax being paid by the supplier, ITC would not be available to the recipient.

### **Penal Provision in cases where audit is not done?**

Section 47(2) provides that in case of failure to submit the Annual Return within the specified time, a late fee of Rs. 100 per day during which such failure continues subject to a maximum of a quarter percent of his turnover in the State /Union territory.

