Chapter IV: Interface with other IT Applications

The audit objective sought assurance as to whether the technology solutions for interfaces with other applications are functioning effectively and meeting the business requirements adequately as envisaged. The audit checks were devised for all dimensions in terms of documentation, effectiveness of integration and functionalities, security and audit trail.

While visualizing the CBIC ACES-GST Application, it was envisaged that CBIC ACES-GST Application will provide interface with other systems/applications both internally and externally. External interfaces are to be with GSTN, State Systems, RBI, Banks, DGFT, MCA 21, CBDT, UIDAI, ICEGATE, ICES, RMS, ACES, EDW etc. Internally, the interface is to be within different modules of the application.

> It was observed that the CBIC ACES-GST Application interface with GSTN has been established but development of interface mechanisms with other external systems and agencies like State Systems, RBI, Banks, DGFT, MCA 21, CBDT, UIDAI, ICEGATE, ICES, RMS, ACES, EDW etc. has not yet been initiated.
> During the course of Audit, it was observed that there were inadequate validation controls while accepting data from common portal in case of Aadhaar authentication and implementation of amendments in registrations.
>
> There were instances of mismatch of data between GST common portal and CBIC application due to lack of reconciliation.

4.1 Interface related issues which affected key decisions of the Department

The primary interface of CBIC ACES-GST is with the GST System consumed through APIs developed by GSTN. The data/information relating to a taxpayer viz. registration, tax payment, return filed etc., available on GST Common Portal will have to flow back and forth on real time basis.

Based on the substantive testing during Audit using data analysis, interface related issues identified during such audits are detailed below:

4.1.1 Inadequate validation controls resulting in mandatory fields displaying blank values

The SRS Ver.1.0 on 'Physical verification of Aadhaar linked Registration Applications' specifies that the GST Portal, on the basis of Aadhaar verification, will send the registration information to CBIC ACES-GST application for further processing as per the scenarios listed below:

Table 4.1 – Aadhaar Scenarios

Opt for Aadhaar Verification	Aadhaar Verification Status	Mandatory Physical Verification
Yes	Verified	No
Yes	Unsuccessful	Yes
No	Not Applicable	Yes

Further, the SRS also specifies that the REG-01 New Registration applications with failed Aadhaar Verifications/not opted for Aadhaar verification will be marked for "Mandatory Physical Verification" at GST Portal and needs to be processed only after carrying out Physical verification of the premises.

The above changes in rules were implemented by GSTN (21 August 2020). The changes in the API were consumed by CBIC ACES-GST application with immediate effect and the ARNs were shown in the dashboards of the CPC officers with their status as to whether these ARNs were marked for PV or not (DG System Advisory No. 26/2020 dated 12 October 2020).

Audit examined pan-India data extracted from the CBIC database for applications (ARNs) filed between 21 August 2020 and 31 March 2021 for which registrations had been granted. In 25,864 cases out of 6,60,263 such cases, it was noticed that the mandatory 'Aadhaar Verification Status' field and the 'Mandatory Physical Verification' field displayed a blank value. On a test check of 75 cases relating to Chennai for 'Aadhaar Verification Status' from the GSTN portal, it was observed that in 35 cases the verification status was 'Not Authenticated' thereby implying mandatory physical verification in these cases as per the CGST Rules. However, it was observed from the CBIC ACES-GST application that no mandatory physical verification had been carried out for these 35 cases.

The acceptance of blank values by the CBIC ACES-GST application for fields marked as mandatory shows deficiencies in validation controls. This needs to be rectified.

When the observation was pointed out (November 2021) by Audit, the Ministry stated (August 2022) that they have noted the observation for compliance.

4.1.2 Absence of alert to Proper officers on generation of Temporary Registration Number (TRN) under Suo-Moto Registration

As per Rule 16(1), where, pursuant to any survey, enquiry, inspection, search or any other proceedings under the Act, the proper officer finds that a person liable to registration under the Act has failed to apply for such registration, such officer may register the said person on a temporary basis and issue an order in REG-12. The person to whom such temporary registration has been granted should obtain regular registration by submitting REG-01 within a period of 90 days from the grant of temporary registration (Rule 16(3)). The effective date of Registration, in such cases, will be the date of the order granting temporary registration (Rule 16(5)).

Audit review revealed that there was no provision to validate ARN of a new Registration, received pursuant to an order passed under Rule 16 ibid. Also, there was absence of mechanism to link the TRN with the Jurisdiction to enable the tax officer to monitor whether the suo-moto order has been complied with by the taxpayer.

Further, in absence of adequate linkages, sanction of refund, if any, on an appeal against the suo-moto order may not be possible. The effective date of registration in cases of Suo-Moto registration has to be validated since the liability to GST arises from the date of issue of the order.

Data extracted for suo-moto registrations for pan India showed that during the period 01 June 2019 to 31 May 2021 in 61 cases registration were granted on suo-moto basis.

Recommendation 40: The Department should pursue the matter with GSTN and Policy Wing, to devise a suitable mechanism to link the Jurisdiction with the TRN.

When the observation was pointed out (November 2021) by Audit, the Ministry stated (August 2022) that they have noted the recommendation for compliance.

4.1.3 Inadequate validation to implement amendments across registrations with the same PAN

Section 28 of CGST Act, 2017 read with Rule 19(1)(a)(b) of CGST Rules, 2017 prescribes for any change in any of the particulars furnished in the application for all types of registrations either at the time of obtaining registration or as amended from time to time. Proviso specifies that the change relating to Legal name of Business in any State or Union territory shall be applicable for all registrations of the registered person obtained on the same Permanent Account Number (PAN).

A pan India data extraction of 32,152 cases was made for the period from 01 July 2017 to 31 August 2021from the CBIC database involving different Legal Names for the GSTINs under the same PAN. On a random test check of 25 unique PANs, it was observed that in 10 cases an amendment to the Legal Name of Business in one of the registrations obtained under the same PAN had not been made applicable to all other registrations obtained on the same PAN.

Recommendation 41: The Department should initiate action to implement the amendments made in the Legal name of Business to all other registrations under the same PAN.

When the observation was pointed out (November 2021) by Audit, the Ministry stated (August 2022) that they have noted the recommendation for compliance.

4.1.4 Instances of Mismatch of data between GST Common Portal and CBIC Database

The Aadhaar Verification Status field, for 50 randomly selected cases[25] was compared with the Aadhaar verification data available in the GSTN Portal and it was observed that in 21 cases there was mismatch of data. Similarly, a comparison of the data contained in 'Taxpayer Type' field for 25 cases revealed mismatch of data in 15 cases. Also, in Payments Advisory 3 it was stated that the entries in Ledgers are not getting updated and hence there

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[25]Verified through the Audit SSOID credentials of Chennai Zone.

are data gaps in the Ledgers. Mismatch of data between the common portal and the CBIC database raises concern on the reliability of data which further leads to inaccurate MIS Reporting.

Recommendation 42: The Department should implement an End of Day reconciliation mechanism (interface based) for all the modules to ensure that the data in the CBIC database is always in sync with the GSTN database.

When the observation was pointed out (November 2021) by Audit, the Ministry stated (August 2022) that they have noted the recommendation for compliance.

4.1.5 Discrepancies between the Permanent Account Numbers (PANs) available in the CBIC ACES-GST application and GSTN Portal

As per the GSTN SRS V7.00 on Registration, a new applicant applying for registration is required to fill in Part-A of the Registration Form, which consists of Legal Name, Permanent Account Number (PAN), Email Address and Mobile Number along-with State and District. The GST Portal will validate whether PAN and Legal Name mentioned in Part-A matches with CBDT Database. On successful validation of the same, a Temporary Reference Number (TRN) is generated and sent to the applicant. The TRN is used to retrieve the application and to fill Part B of the Registration form for approval and generation of GSTIN.

As per Rule 10 of the CGST Rules 2017, where the application for grant of registration has been approved under Rule 9, a certificate of registration in FORM GST REG-06 showing the principal place of business and additional place or places of business shall be made available to the applicant on the common portal and a Goods and Services Tax Identification Number (GSTIN) shall be assigned subject to the following characters, namely:

- two characters for the State code
- ten characters for the Permanent Account Number or the Tax Deduction
- Collection Account Number
- two characters for the entity code
- one checksum character

A pan-India data extraction was made from the CBIC database involving mismatch of PAN in the GSTINs (3rd character up to the 12th character) with the PAN available in the CBIC database. A total of 57,693 GSTINs involving such mismatches were extracted for the period from 01 July 2017 to 01 October 2021 from the CBIC database. Out of these 57,693 cases, eight cases pertaining to Chennai were cross verified with the CBIC ACES-GST application by using the Audit SSOID and the mismatch between the PANs was confirmed. Further, examination of two out of eight cases with the details available in the GSTN portal, revealed that the Legal names were found to be incorrect and did not pertain to the GSTIN.

The existence of two PANs in the CBIC ACES-GST application for the same GSTIN i.e., mismatch of PAN in the GSTINs (3rd character upto the 12th character) with the PAN number available in the CBIC database and the fact that the RCs (which are non-editable PDF documents populated into the CBIC database from the GSTN system) reflecting incorrect legal names vis-à-vis the GSTINs raises concerns about the reliability of the data available in the CBIC database. In the light of the aforesaid findings, it was not clear to Audit as to which PAN was actually validated in the CBDT database for approval and issuance of Registration Certificates.

Recommendation 43: The Department should take appropriate action to reconcile the cases of mismatch in PAN, existence of incorrect legal names in the RCs and the details of the correct PAN based on which RCs had been issued.

When the observation was pointed out (November 2021) by Audit, the Ministry stated (August 2022) that they have noted the recommendation for compliance.

4.2   Interface with other IT applications

Apart from GSTN, the CBIC ACES-GST Application was intended to interface with various applications within CBIC and external agencies through the Enterprise Service Bus layer by web services. Among the applications that would require integration with CBIC ACES-GST Application, the significant ones are - ICEGATE, ACES, ICES, CPGRAMS, NSDL, RBI, MCA 21, State level applications.

While it was clear at the tendering stage itself that the integration with GSTN would be through APIs published by GSTN, in respect of other applications, it was recognized that depending upon the level of maturity of the interfacing system, there may arise requirements to implement integration through file sharing, file transfer, DB sharing etc. as well. However, it was envisaged that all data exchanges would be done in a secured manner, SSL enabled secure exchange of data and messages will need to be performed.

Audit observed that even though the interface with GSTN has been established, development of interface mechanisms with other external systems and agencies has not yet been initiated.

Recommendation 44: The Department should initiate the development of interface of CBIC ACES-GST application with other applications.

When the observation was pointed out (April 2022) by Audit, the Ministry stated (August 2022) that they have noted the recommendation for compliance.

New Delhi   **(SIDDHARTHA BONDADE)**
Dated: 01 March 2023 **Principal Director (Goods and Services Tax-I)**

Countersigned

New Delhi   **(GIRISH CHANDRA MURMU)**
Dated: 02 March 2023   **Comptroller and Auditor General of India**