

GST audit guidance in filing and reporting

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Coverage

- ❑ Understanding important legal provisions
- ❑ Understanding the fields of Certification
- ❑ Few best practices in GST audit

Meaning of audit

“Audit” means the examination of records, returns and other documents maintained or furnished by the registered person **under this Act** or the rules made thereunder or **under any other law** for the time being in force to verify the correctness of

- **turnover declared,**
- **taxes paid,**
- **refund claimed and**
- **input tax credit availed, and**
- **to assess his compliance**

with the provisions of this Act or the rules made thereunder;

Important terms

“Aggregate turnover” means the aggregate value of

- Taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- Exempt supplies, [Nil rate or exempt by notification, non-taxable]
- Exports of goods or services or both and
- Inter-State supplies of persons having the same PAN,

To be computed on all India basis but excludes CGST, SGST, UTGST, IGST and Cess;

Important terms

Section 35(5) - Every registered person whose turnover during a financial year exceeds the prescribed turnover limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit

- Copy of audited annual accounts,
- Reconciliation statement under 44 (2) and
- *Such other documents in such form and manner as may be prescribed* ?????

Rule 80(3) - Every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish

- A copy of audited annual accounts and
- A reconciliation statement, duly certified, in FORM GSTR-9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner

Important terms

Accounts - Every registered person shall keep, maintain, at his principal place of business, as mentioned in certificate of registration, a true and correct account of—

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed: [Refer Rule 56]

Books required under Rule 56

- Account of goods / services imported or exported
- Supplies liable for RCM with relevant documents
- Invoices / BOS / DC / CN / DN / Self invoices
- Receipt vouchers / payment vouchers / refund vouchers
- Stock details of inward, issue, outward, lost, stolen, destroyed, written off or disposed as gift, free sample, scrap / wastage to be kept
- Name, complete address of suppliers and customers
- Complete details of places including documents where goods are stored. If not maintained, goods in such places are deemed to be supplied
- Entry in registers / accounts / documents - Not to be erased, effaced or overwritten
- Incorrect entries - Score out under attestation

Books required under Rule 56

- Manufacturer to maintain monthly production accounts with quantitative details of production, waste etc.
- Service providers to maintain details of **goods used in services**
- Any manual book to be serially numbered

Electronic record requirements

- If electronic, maintain log of every entry edited / deleted
- If records are electronic, then authentication by digital signature
- Proper back up needed
- On demand, password of files, files, explanation for codes to be provided
- Detailed record of stock to be maintained at godowns / warehouse as well

Failure to file return/report

1. Due date for filing 9 & 9C: Due date to file GSTR 9 along with 9C is 31st December, 2018 (Sec 44 (1) of CGST Act, 2017). Extended to 30th June 2019 for FY 2017-18.

2. Failure to file the returns: Section 47 (2) of CGST Act, 2017 - If returns as per Section 44 are not filed within the due date then the tax payer is liable to pay

- late fee of Rs. 200/- per day (CGST Rs. 100/- and SGST Rs. 100/-)

- Subject to a maximum amount of 0.25% of turnover

3. Failure to file audit report – Section 122 of CGST + SGST Act = Rs.50,000/-

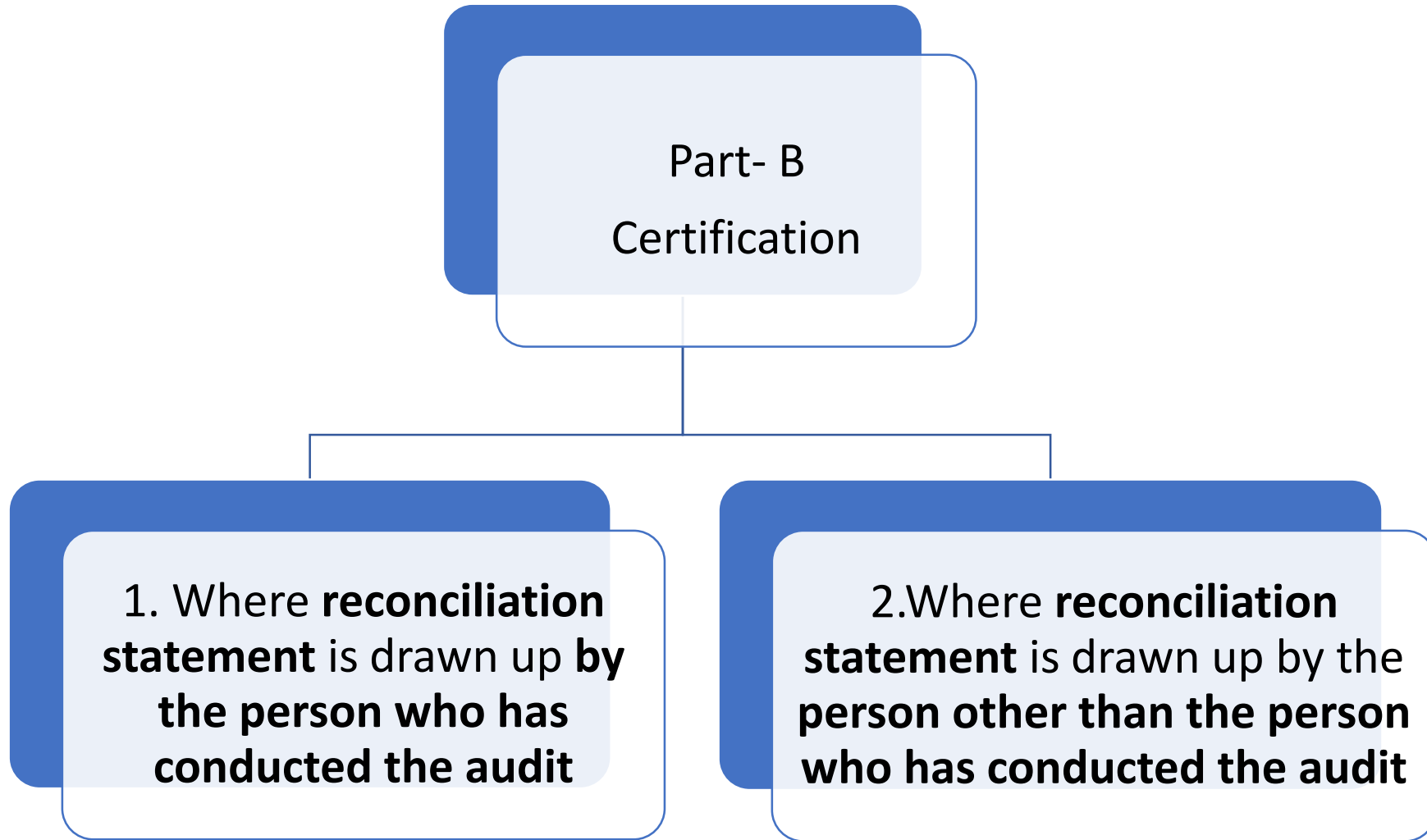
Whose responsibility of filing?

1. Annual return is responsibility of management
2. Audit report in Form GSTR-9C – Includes reconciliation of annual return with financial statement, reporting (Observations, limitations) – Responsibility of management
3. Management to provide all necessary information for audit
4. Before start of audit, ask for reconciliation between books of accounts, returns + preparation of GSTR-9

PARTS OF RECONCILIATION STATEMENT

Part	Table	Details to be furnished
I	1-4	Basic details of the tax payer
II	5	Reconciliation of Gross Turnover
	6	Analysis of un-reconciled items of Table 5
	7	Reconciliation of Taxable Turnover
	8	Analysis of un-reconciled items of Table 7
III	9	Rate-wise reconciliation of taxes payable with the taxes paid and reported in the annual return [Form GSTR-9]
	10	Analysis of the un-reconciled payment amounts
	11	Additional amount payable on account of un-reconciled differences in turnover
IV	12-13	Reconciliation of Net Input Tax Credit
	14-16	Expense wise reconciliation of Input Tax Credit
V		Auditor's recommendation of additional liability due to non-reconciliation

PARTS OF CERTIFICATION



PART – B- CERTIFICATION

I. Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by the person who had conducted the audit:

* I/we have examined the—

(a) balance sheet as on

(b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on, and

(c) the cash flow statement for the period beginning fromto ending on, — attached herewith, of M/s (Name), (Address),(GSTIN).

2. Based on our audit I/we report that the said registered person—

*has maintained the books of accounts, records and documents as required by the IGST/CGST/⟨⟩GST Act, 2017 and the rules/notifications made/issued thereunder

*has not maintained the following accounts/records/documents as required by the IGST/CGST/⟨⟩GST Act, 2017 and the rules/notifications made/issued thereunder:

- 1.
- 2.
- 3.

3. (a) *I/we report the following observations/ comments / discrepancies / inconsistencies; if any:

.....
.....

3. (b) *I/we further report that, -

(A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit/ information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit were not provided/partially provided to us.

(B) In *my/our opinion, proper books of account *have/have not been kept by the registered person so far as appears from*my/ our examination of the books.

(C) I/we certify that the balance sheet, the *profit and loss/income and expenditure account and the cash flow Statement are *in agreement/not in agreement with the books of account maintained at the Principal place of business atand **additional place of business within the State.

4. The documents required to be furnished under section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act is annexed herewith in Form No. GSTR-9C.

5. In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No.GSTR-9C are true and correct subject to following observations/qualifications, if any:

(a)

(b)

(c)

**** (Signature and stamp/Seal of the Auditor)**

Place:

Name of the signatory

Membership No.....

Date:

Full address

II. Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by a person other than the person who had conducted the audit of the accounts:

*I/we report that the audit of the books of accounts and the financial statements of M/s. (Name and address of the assessee with GSTIN) was conducted by M/s. (full name and address of auditor along with status), bearing membership number in pursuance of the provisions of theAct, and *I/we annex hereto a copy of their audit report dated along with a copy of each of :-

(a) balance sheet as on

(b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on,

(c) the cash flow statement for the period beginning fromto ending on, and

(d) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

2. I/we report that the said registered person—

*has maintained the books of accounts, records and documents as required by the IGST/CGST/⟨⟩GST Act, 2017 and the rules/notifications made/issued thereunder

*has not maintained the following accounts/records/documents as required by the IGST/CGST/⟨⟩GST Act, 2017 and the rules/notifications made/issued thereunder:

1.

2.

3.

3. The documents required to be furnished under section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act is annexed herewith in Form No.GSTR-9C.

4. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form No.9C are true and correct subject to the following observations/qualifications, if any:

“FORM GSTR-9C

See rule 80(3)

PART – A - Reconciliation Statement

Pt. I		Basic Details	
1	Financial Year		
2	GSTIN		
3A	Legal Name	< Auto>	
3B	Trade Name (if any)	<Auto>	
4	Are you liable to audit under any Act?		<<Please specify>>
		(Amount in ₹ in all tables)	
Pt. II		Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
5	Reconciliation of Gross Turnover		
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)		
B	Unbilled revenue at the beginning of Financial Year	(+)	
C	Unadjusted advances at the end of the Financial Year	(+)	
D	Deemed Supply under Schedule I	(+)	
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(-)	
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	

Inclusions / Exclusions in Part II

Important to file all GST returns before audit

Table 5A:

- Take total operating plus non operating income
- Foreign branch? Then take it to branch which is concerned to exclude later
- If common financials, then based on books of account bifurcate details. Ledgers, MIS etc. to be bifurcated for each GSTIN
- Turnover of entire FY 2017-18. What is FY for GST?
- If multiple auditors, becomes challenging. Co-ordinate

Table 5B:

- Unbilled revenue which is invoiced with GST should be **added**
- If related to pre-GST, **don't add**
- Segregate for each GSTIN

Inclusions / Exclusions in Part II

Table 5C:

- Unadjusted advances at year end on which GST paid but not recognised as revenue in financials to be **added**
- Presently goods advance not subject to GST but advance for service, subject to GST
- Advance for exempted income, exports, SEZ, **don't add**
- Advance received and invoiced in same year, **don't add**
- Advance for pre-GST regime, but not adjusted, **don't add**

Table 5D:

- Deemed supply under schedule I to be **added**
- If already part of financials, **don't add**
- Verify fixed asset register, e-way bills, tax invoices

Inclusions / Exclusions in Part II

Table 5E:

- Credit notes issued after 31st March for supplies of current FY but taken in annual return, to be reduced

Table 5F:

- Trade discounts accounted in financials but not allowed in GST to be **added**
- Understand Section 15(3) to check fulfilment of conditions
- For accounting, revenue should be net off trade discounts. If accounted as expenses, then this **addition not** needed

G	Turnover from April 2017 to June 2017	(-)	
H	Unbilled revenue at the end of Financial Year	(-)	
I	Unadjusted Advances at the beginning of the Financial Year	(-)	
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	
L	Turnover for the period under composition scheme	(-)	
M	Adjustments in turnover under section 15 and rules thereunder	(+/-)	
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)	
O	Adjustments in turnover due to reasons not listed above	(+/-)	
P	Annual turnover after adjustments as above		<Auto>
Q	Turnover as declared in Annual Return (GSTR9)		
R	Un-Reconciled turnover (Q - P)		AT1
6	Reasons for Un - Reconciled difference in Annual Gross Turnover		
A	Reason 1	<<Text>>	
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	

Inclusions / Exclusions in Part II

Table 5G:

- Turnover for Apr 17 to June 17 to be **deducted**
- Identify sales / services which liable for pre-GST taxes and add

Ex: In Apr 17 goods mfd in BLR and stock transferred to Chennai on payment of ED. Value is 10 lakh. Goods sold from Chennai in Mar 2018.

Should turnover be deducted in this sl.no. when doing audit of Bangalore?

Should it be deducted from Chennai turnover?

Inclusions / Exclusions in Part II

Table 5H:

- Unbilled revenue at end of FY to be **deducted**
- Deduct only if GST not paid and not considered in annual return

Table 5I:

- Unadjusted advances at beginning of FY on which GST not paid to be **deducted**
- **Deduct** only if such advance recognised as revenue in financials

Ex: Advance in Mar 18 considered for payment of GST. In FY 18-19, accounted as revenue. In GSTR-9C of FY 18-19, this amount to be deducted.

Inclusions / Exclusions in Part II

Table 5J:

- Credit note accounted in financials but not allowed in GST to be added
- Consider only if reduced from turnover. If accounted as expenditure, don't add
- If credit note issue only with tax impact, then don't add

Table 5K:

- Supply of goods by SEZ to DTA to be **deducted**
- **Deduct** only those where DTAs have filed BOE
- Supply of services not covered here

Table 5L:

- Turnover of composition scheme to be **deducted**

Inclusions / Exclusions in Part II

Table 5M:

- Adjustment on account of Section 15 to be **added or deducted**
- **Add** those where taxable value for GST is more than accounted
- **Deduct** those where taxable value for GST is less than accounted

Ex: Pure agent expense – Financials not accounted as revenue but GST paid and recorded in annual return

Ex: Municipal tax on rented building. Added in GST but not financials

Ex: Transactions with related parties. Ex: Partial recoveries from employees

Ex: GST on construction paid on 2/3 value. In financials, full accounted

Table 5N: Foreign exchange fluctuation to be **added or deducted**

- Compare GST rate with accounting and realisation rate

Inclusions / Exclusions in Part II

Table 50:

- Adjustment of turnover due to reason not listed to be **added or deducted**
- **Add** items which are treated as income for GST
- **Deduct** items which are not treated as income for GST
- Items of supply not covered in GSTR-9 and financials but found to be supply, to be reported here

Ex: Interest, duty drawback, dividend to be deducted

Ex: Goods sent on approval but not sold in 6 months, goods not received in 1 year after job work to be added

7	Reconciliation of Taxable Turnover	
A	Annual turnover after adjustments (from 5P above)	<Auto>
B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover	
C	Zero rated supplies without payment of tax	
D	Supplies on which tax is to be paid by the recipient on reverse charge basis	
E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>
F	Taxable turnover as per liability declared in Annual Return (GSTR9)	
G	Unreconciled taxable turnover (F-E)	AT 2
8	Reasons for Un - Reconciled difference in taxable turnover	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

7B – Value should be net of debit and credit notes. Check exemption notification, conditions fulfillment

7C – Exports + SEZ supplies. Check if conditions such as supply within 90 days, receipt of consideration, LUT execution are fulfilled. Wrong disclosures made in returns could be a reason for difference. Ex: Exports as exempt turnover

7D – Value of only outward supplies to be declared here

Pt. III	Reconciliation of tax paid					
9	Reconciliation of rate wise liability and amount payable thereon					
				Tax payable		
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6
A	5%					
B	5% (RC)					
C	12%					
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
I	3%					
J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
P	Total amount to be paid as per tables above		<Auto>	<Auto>	<Auto>	<Auto>
Q	Total amount paid as declared in Annual Return (GSTR 9)					
R	Un-reconciled payment of amount				PT 1	

10	Reasons for un-reconciled payment of amount					
A	Reason 1	<<Text>>				
B	Reason 2	<<Text>>				
C	Reason 3	<<Text>>				
11	Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)					
			To be paid through Cash			
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					
	Pt.	Reconciliation of Input Tax Credit (ITC)				

IV			
12	Reconciliation of Net Input Tax Credit (ITC)		
A B C D E F	ITC availed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)		
	ITC booked in earlier Financial Years claimed in current Financial Year	(+)	
	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	
	ITC availed as per audited financial statements or books of account		<Auto>
	ITC claimed in Annual Return (GSTR9)		
	Un-reconciled ITC		ITC 1
13	Reasons for un-reconciled difference in ITC		
A	Reason 1	<<Text>>	
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	

14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account			
	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
	1	2	3	4
A	Purchases			
B	Freight / Carriage			
C	Power and Fuel			
D	Imported goods (Including received from SEZs)			
E	Rent and Insurance			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employees' Cost (Salaries, wages, Bonus etc.)			
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			
N	Other Miscellaneous expenses			

O P Q R S T	Capital goods			
	Any other expense 1			
	Any other expense 2			
	Total amount of eligible ITC availed			<<Auto>>
	ITC claimed in Annual Return (GSTR9)			
	Un-reconciled ITC			ITC 2
15	Reasons for un - reconciled difference in ITC			
A	Reason 1	<<Text>>		
B	Reason 2	<<Text>>		
C	Reason 3	<<Text>>		
16	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)			
	Description	Amount Payable		
	Central Tax			
	State/UT Tax			
	Integrated Tax			
	Cess			
	Interest			
	Penalty			

Auditors recommendation – PART V

This consists of the auditor's recommendation on the

- Additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or
- Non-reconciliation of input tax credit
- Recommend if there is any other amount to be paid for supplies not included in the Annual Return
- Any refund which has been erroneously taken which shall be paid back
- Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
			To be paid through Cash			
	Description	Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Input Tax Credit					
	Interest					
	Late Fee					
	Penalty					
	Any other amount paid for supplies not included in Annual Return					

	(GSTR 9)					
	Erroneous refund to be paid back					
	Outstanding demands to be settled					
	Other (Pl. specify)					

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

**(Signature and stamp/Seal of the Auditor)

Place:

Name of the signatory

Membership No.....

Date:

Full address

Verification by registered person

I hereby solemnly affirm and declare that I am uploading the reconciliation statement in FORM GSTR-9C prepared and duly signed by the Auditor and nothing has been tampered or altered by me in the statement. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet etc”.

BEST PRACTICES

Basic documentation – Best practices

- ❑ Assess risk before offering. More risk involved. Convey the intention clearly to auditee on reporting aspects.
- ❑ Offer letter to take care of aspects such as scope, management responsibility and limitation. Of course fee + GSTIN covered
- ❑ Check and ensure that no conflict in accepting the offer. Ex: Internal auditor/ book keeping not eligible for audit
- ❑ Engagement letter (signed by auditor and auditee) [SA 210 – Terms of Audit engagement]
- ❑ Appointment letter from auditee
- ❑ Management representation letter [SA 580 – Written representation]. Refer Technical guide of ICAI.
- ❑ At times where auditor cannot get the documentation from any other sources – due to inherent limitation of audit – MRL to be relied.
- ❑ MRL alone not conclusive evidence but additional confirmation of completeness, accuracy of information provided to us. Transactions with related parties, goods issued as samples cannot be verified

Other best practices

- ❑ Limit the audit to scope of audit as needed in GST provisions
- ❑ Sample size should increase as we need to certify the correctness. Sample size should cover all different transactions
- ❑ Important to have audit program + audit checklist. Team should be clearly briefed about the audit reporting requirements. [Sample provided in last slide](#)
- ❑ For observations, have evidence. Observations should not be vague or based on just oral explanations of auditee
- ❑ Quantify to the extent possible. Otherwise, should be part of limitation + MRL

Other best practices

- ❑ Important auditing standards to be applied such as SA 620, SA 320, SA 520, SA 530
- ❑ Have a list of common errors in GST including documentation errors.
Industry specific helps a lot
- ❑ Annual return has clause on anti-profiteering. Auditor to check if complied. If not possible, then MRL should be taken to this effect.
- ❑ Check the systems / internal controls to assess the risks involved.
Interaction with person in-charge can help auditor in assessing the compliance level
- ❑ Convert the certification assignments to interim audits including certification

Other best practices

- ❑ Auditor if held grossly negligible, then matter can be referred to ICAI.
Even the qualified assistant could be held responsible. Communicate.
- ❑ Multilocal units – Following to be taken care
 - Take unitwise trial balance
 - Take access to books of accounts
 - Look for support services + movement of goods using delivery challans / way bills
 - Reconciliation of credits, advance money, unbilled revenues etc. for each registrations
 - Verify ISD mechanism + cross charge including valuation mechanism

Checklist should cover above aspects

Other best practices

❑ Challenges in reporting aspects such as

- Non-payment of GST under Section 9(4),
- Rate of interest,
- Payment of interest on gross or net,
- Wrong type of tax payment in forward / reverse charge,
- ITC availed in wrong registrations

❑ Ask auditee to prepare reconciliation between financials and GSTR-3B / 1



Sample audit
program

THANK YOU

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