

# WALK THROUGH GST AUDIT

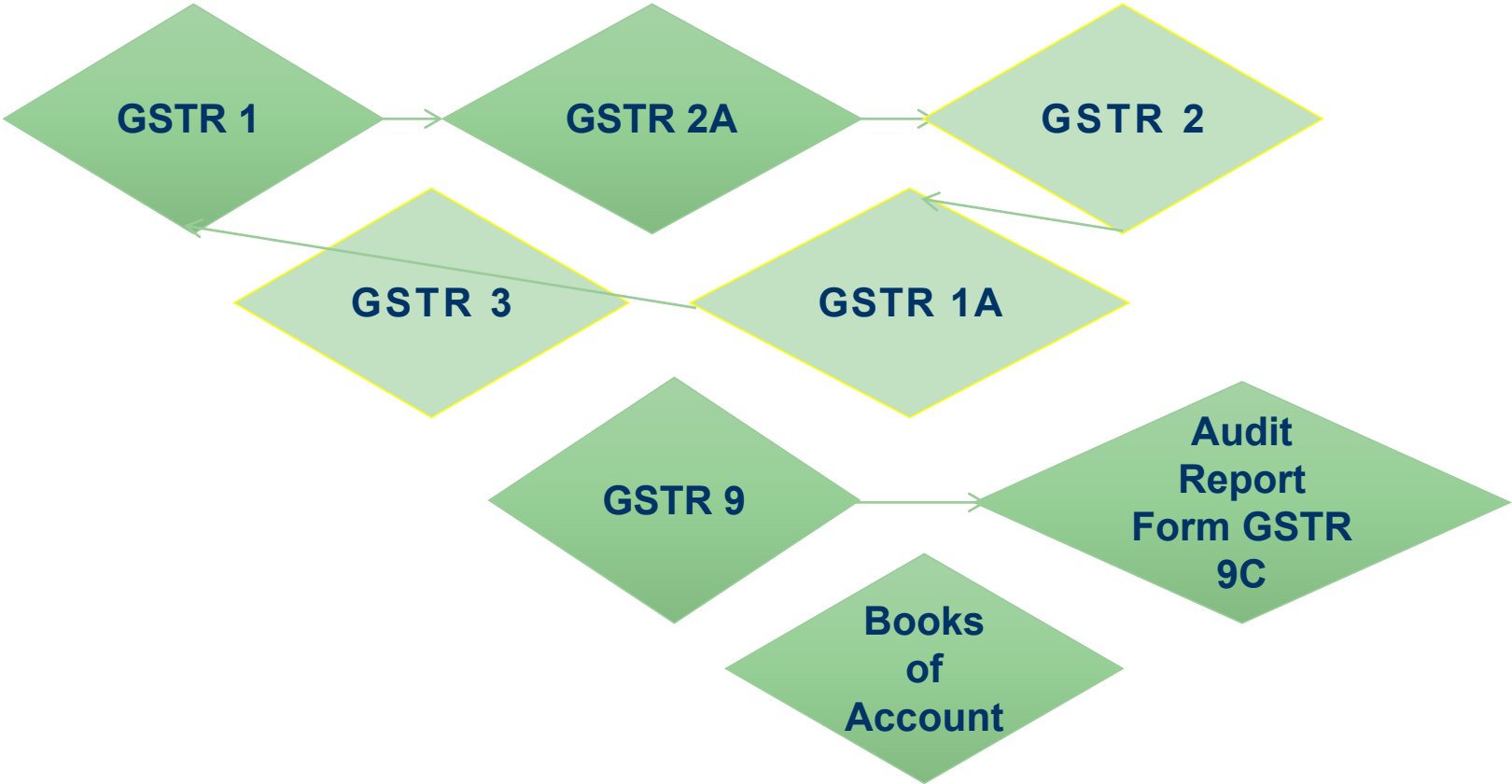
- Organised by  
WIRC of ICAI

4th May 2019

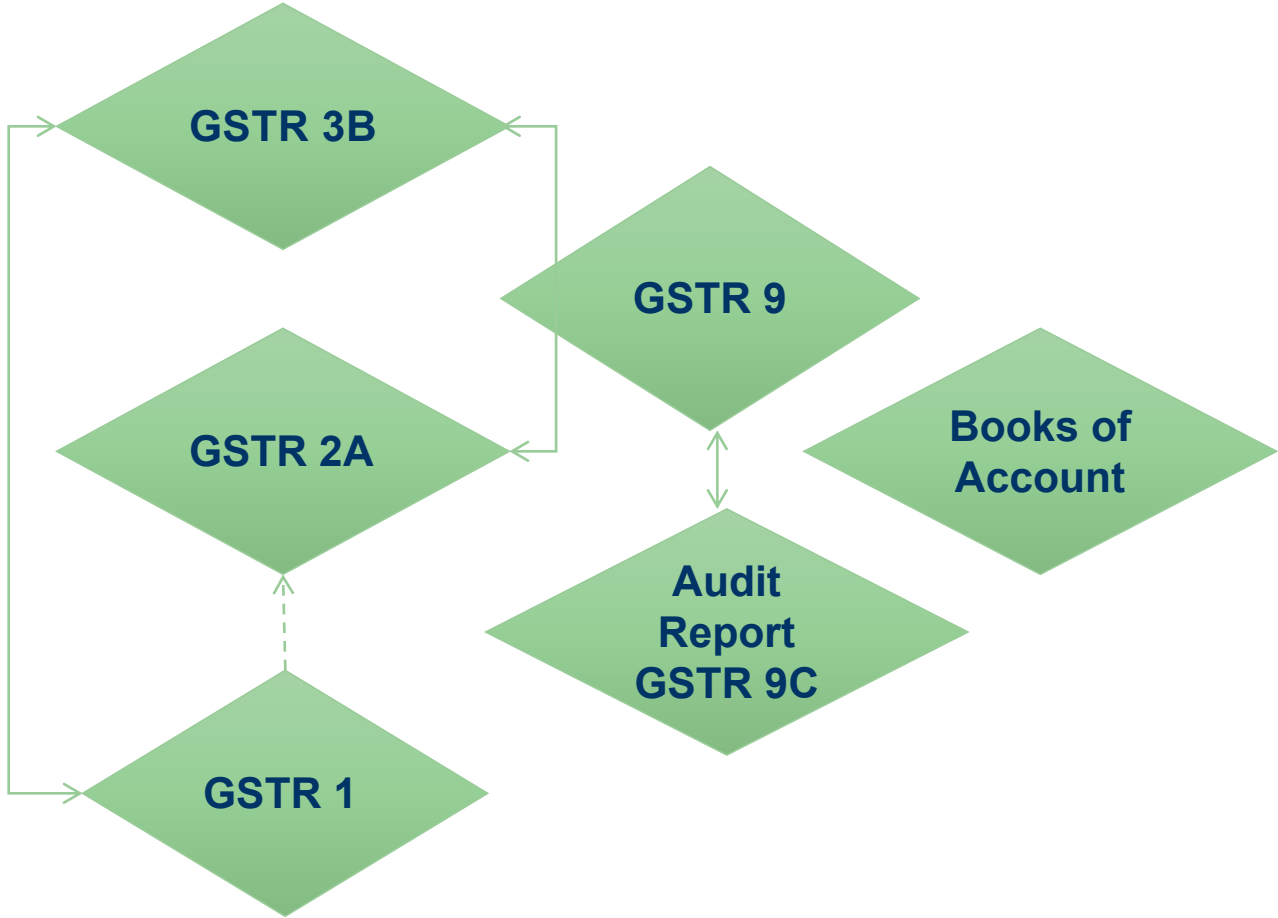
---

- CA Pranav Kapadia

# Original GST Compliance Landscape



# Current GST Compliance Landscape





## Types of Annual Return

GSTR 9 – Annual Return - Registered Persons (Other than those opting for Composition)

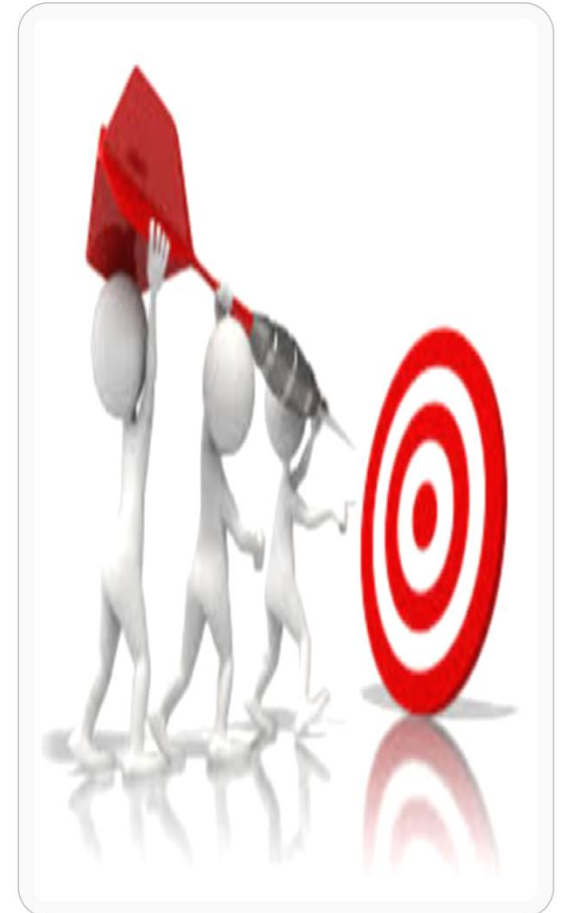
GSTR 9A – Annual Return - Registered Persons opting for Composition

GSTR 9B – Annual Statement - E-commerce operators required to collect tax at source.

GSTR 9C – Reconciliation Statement - Registered Persons whose Aggregate Annual Turnover exceeds Rs. 2 crores

# GST Audit

- ➔ Overview
- ➔ Applicability of GST Audit
- ➔ GST Audit Report Format (Form 9C)
- ➔ Consequences for Late Filing
- ➔ Challenges
- ➔ Approach to Audit
- ➔ Readiness



# Audit - Meaning

**As per Sec. 2(13) of the CGST Act – Audit means -**

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 the correctness of turnover declared
- Taxes paid,
- refund claimed
- and input tax credit availed.



# Types of Audit

## Reconciliation statement u/s 35(5)

- By Chartered Accountant or Cost Accountant

## Audit by Tax Authorities u/s 65(1)

- By Commissioner or any officer authorized by him

## Special Audit u/s 66(1)

- By GST department in specific matters through Chartered Accountant or Cost Accountant



## Applicability of GST Audit

### Sec. 35(5) of CGST Act read with Rule 80(3) of CGST Rules

#### To whom it applies?

- Registered person whose aggregate turnover during a FY exceeds Rs. 2 crore.- Rule 80(3)

#### What is to be filed?

- Audited Annual accounts.
- Reconciliation statement in Form GSTR-9C.
- On or before 31 Dec of following FY.
- For FY 17-18 - Due date shall be extended to 30<sup>th</sup> June, 2019- Press Release dated 22-12-18



## .....Applicability of GST Audit



**Section 44(1)** “Every registered person other than Input service distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, shall furnish an **annual return** for every financial year electronically in such form and manner as may be prescribed on or before the thirty-first day of December following the end of such financial year”.

**Section 44(2)** “Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed”.

“Explanation.- For the purposes of this section, it is hereby declared that the annual return for the period from the 1st July, 2017 to the 31st March, 2018 shall be furnished on or before the 31st March, 2019

## .....Applicability of GST Audit



*“**Aggregate turnover**” as defined in **section 2(6)** of CGST Act, 2017  
“means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-state supplies of persons having same PAN, to be computed on all India basis but excludes CGST/SGST/UT/IGST & cess”.*

***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.*

## ..Turnover - Issues

- Turnover – Not defined in the Act
- Aggregate Turnover - Section 2(6)- PAN India Turnover
- Turnover in State- Section 2(112)- Turnover within the State
- Rule 80(3) mentions 'Aggregate Turnover'
- Whether turnover is to be considered PAN India or state wise GSTIN?
- Two GSTIN in same state. Whether two Audit Reports required?
- Whether separate Audit for ISD / CTP /NRTP GSTIN required?
- Whether turnover of April 2017 to June 2017 to be considered for 2 Cr limit?



## ICAI Technical Guide

- For the financial year 2017-18, the GST period comprises of 9 months whereas the relevant section 35(5) uses the expression financial year;
- Therefore, in the absence of clarification from government, also to avoid any cases of default, it is reasonable to understand that to reckon the turnover limits prescribed for audit i.e., Rs. 2 crores one has to reckon the turnovers for the whole of the financial year which would also include the first quarter of the financial year 2017-18
- Stock transfers/ cross charges/ services provided from a branch located in one state to a branch located in another state would be included in aggregate turnover of the branch supplying the goods/ services



## ...Turnover – Issues

---

Turnover of ABC Ltd is Rs.100 crores.

As per the State PL of Maharashtra, the turnover of Maharashtra is Rs. 40 crores

- Whether the auditor should insist on audited/certified State PL from Statutory Auditor for the 9 months period or MRL will suffice?
- What is the responsibility of the auditor to ensure that the balance Rs. 60 crores is reported in other States?
- What would happen if through genuine error, a turnover of Rs. 1 crore attributable to Maharashtra is wrongly reported in some other State?



## ICAI Technical Guide – Pg.280

- It is possible that different Auditors are appointed for certifying GSTR 9C for different registrations of the entity. As multiple Auditors are involved in certifying of the GSTR 9C, the Registered Person and every Auditor must ensure that the turnovers' declared by different Auditors must reconcile and add-up to the total turnover of the entity as per the audited financial statements. Drawing analogy from SA 299 on "*Responsibility of Joint Auditors*", an Auditor must communicate with the other Auditors to obtain details of turnover declared by him to ensure that the various turnovers declared by them.
- Alternatively, a suitable management representation may be obtained from the entity that such turnovers declared by different Registered Persons aggregate to the audited financial statements. Such an exercise would also be required where multiple registrations are obtained within the same State / UT for different business verticals.



# FAQ and User Manual – Filing of GSTR 9C

## When does the system enable filing of Form GSTR 9C?

- GSTR-9C tile shall be enabled only after successful filing of GSTR-9 for the financial year.
- Form GSTR-9C shall be made available to all taxpayers to whom GSTR-9 is applicable for the financial year.
- System shall not validate whether the turnover of taxpayer exceeds 2 crore rupees or not.



## FAQ and User Manual – Filing of GSTR 9C

---

### **Will there be any system computed fields and data auto-populated in Form GSTR 9C?**

- Taxpayer can download the 'System generated summary based on GSTR-9' in PDF file from the portal by clicking on 'Download GSTR-9C tables derived from GSTR-9(PDF)' button.
- Downloaded PDF can be handed over/passed on to auditor. Auditor can use the same to fill the GSTR-9 related fields in GSTR-9C.
- System generated summary based on GSTR-9' filed shall have the following fields:
  - Turnover as declared in Annual return (GSTR-9)
  - Taxable turnover as per liability declared in Annual Return (GSTR-9)
  - Total amount of Tax paid as declared in Annual Return (GSTR- 9)
  - ITC claimed in Annual Return (GSTR-9)
  - ITC claimed in Annual Return (GSTR-9)



## FAQ and User Manual – Filing of GSTR 9C

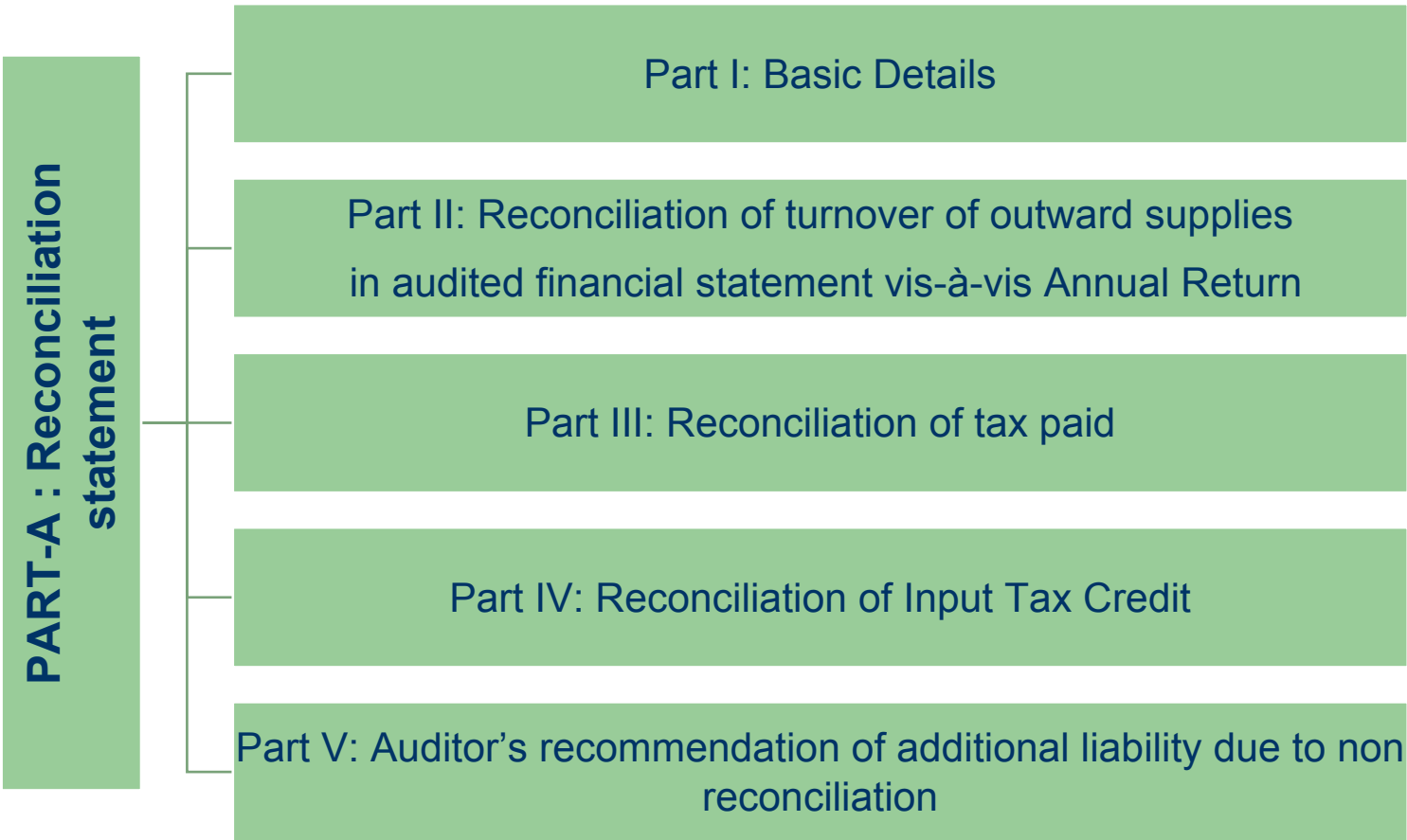
---

**Is there any limit on the size of documents required to be uploaded?**

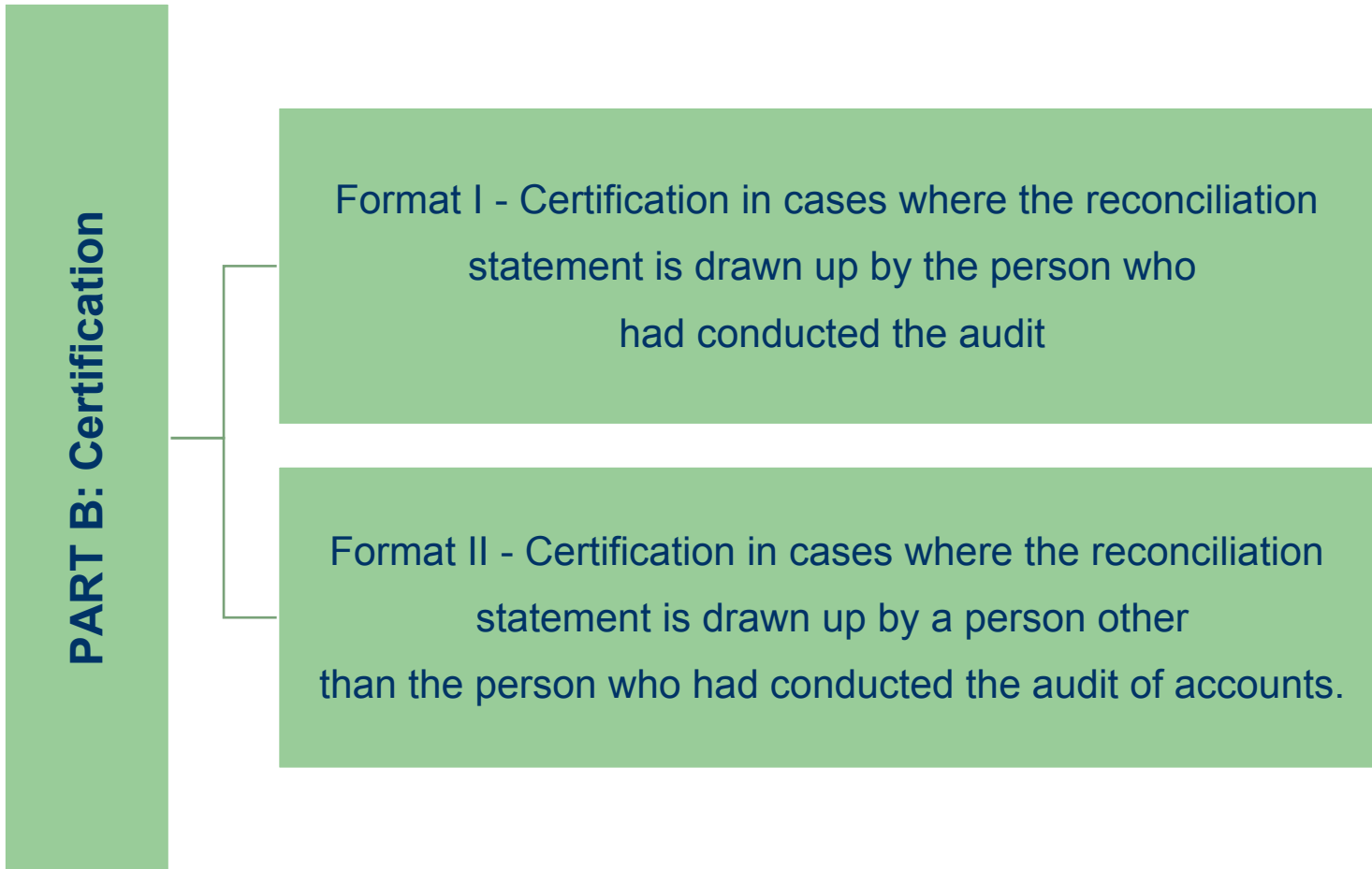
- Limit of upload for following documents under each section shall be 2 files and each file **size should not exceed 5 MB**:
  - Balance Sheet
  - Profit and Loss Account/Income and Expenditure Account
  - Other document 1, if any
  - Other document 2, if any

# Format of GSTR-9C

Notification No. 74/2018-CT dated 31-12-18



## ...Format of GSTR-9C



## Comparison of Format I and Format II

Format I	Format II
1. Examined the balance sheet, P&L and Cash Flow	1. Enclose Audit Report, BS, PL, CF & annexures
2. Maintained books of accounts, records and documents <b>required under the GST Law</b>	2. Maintained books of accounts, records and documents <b>required under the GST Law</b>
3(a) Report observations/comments/discrepancies	
3(b) Report that A. Obtained all information necessary B. Proper Books of Accounts are maintained C. BS PL and CF in agreement with books	
4. Financials and Reconciliation attached	3. Financials and Reconciliation attached
5. Particulars in 9C are <b>true and correct</b> subject to observations	4. Particulars in 9C are <b>true and correct</b> subject to observations

## Comparison with Tax Audit

Format I	Form 3CB
1. Examined the balance sheet, P&L and Cash Flow	1. Examined the balance sheet, P&L
<b>2. Maintained books of accounts, records and documents required under the GST Law</b>	2. BS PL and CF in agreement with books
3(a) Report observations/comments/discrepancies	3(a) Report observations/comments/discrepancies
3(b) Report that A. Obtained all information necessary B. Proper Books of Accounts are maintained C. BS PL and CF in agreement with books	3(b) Report that A. Obtained all information necessary B. Proper Books of Accounts are maintained <b>C. True and Fair View</b>
4. Financials and Reconciliation attached	4. Particulars enclosed
5. Particulars in 9C are <b>true and correct</b> subject to observations	5. Particulars in Form 3-CD are true and correct subject to observations

## Comparison with MVAT Audit

- MVAT Audit – Form 704 Part 1 - Point 2(B) – also was a certification
- *Subject to my/our remarks about non compliance , shortcomings and deficiencies in the returns filed and tax liability computed and presented in respective schedules and para 4 of this part , I/we certify that*
- *Clause a to clause p*



## Format - Issues

---

- Pvt Ltd. Co. having different Statutory Auditor , Tax Auditor and GST Auditor
- Partnership Firm having Different Tax Auditor and GST Auditor
- Partnership Firm – Builder- AS-7- – Turnover as per Books – 1.5 cr – Turnover under GST 2.5 cr – Format 1 will apply
- Company having Branches in Other States. Consolidated Balance Sheet & P& L Account are prepared. - No separate Balance Sheet & P& L of the Branches -



## ...Audit

Entity	Stat. Auditor	Tax Auditor	GST Audit
XYZ LTD.	ABC & Co.	PQR & co.	LMN & Co.
GHI (Partnership)	---	PQR & co.	LMN & Co.





## Form GSTR 9C -Part I - Basic Details

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>>

## Part II - Reconciliation of Turnover of Outward Supplies

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)	

### Whether turnover as per audited financial statements will include the following?

- Other Income reported in credit side of P&L
- Expense Recoveries on which tax is paid (reflected as reduction in debit side of P&L)
- Sale of Assets (partially reflected as reduction in Fixed Asset Schedule and partially as profit in P&L)

### ICAI Technical Guide- pg 279

While considering the turnover from the audited financial statements, the Auditor is also required to include indirect income in the form of dividend, interest, forex fluctuation, profit on sale of asset etc. Any amount of return supplies credited to purchase or expenditure account would not be considered for the purpose of arriving at the turnover under Sl. No. 5A. Such adjustment has been separately dealt with under appropriate Sl. No. in this Part.

## Part II -Table 5 - Reconciliation of Gross Turnover

5	Reconciliation of Gross Turnover		
B	Unbilled revenue at the beginning of Financial Year	(+)	
H	Unbilled revenue at the end of Financial Year	(-)	

### Issue – Unbilled revenue to be considered as at beginning of FY or 1 July 2017 ?

Unbilled revenue as on 31 <sup>st</sup> March 2017	100	
Invoiced before 30th June 2017	50	
Invoiced between 1st July 2017 to 31st March 2018	30	
Invoiced after 1st April 2018	20	
	<b>Option 1</b>	<b>Option 2</b>
5B. Opening unbilled revenue (April/July)	100	50
5G. April to June 2017 (Billing/Turnover)	-50	0
5H. Closing unbilled revenue	-20	-20
5A. Turnover for CY	30	30

## Part II -Table 5 - Reconciliation of Gross Turnover

5	Reconciliation of Gross Turnover		
B	Unbilled revenue at the beginning of Financial Year	(+)	
H	Unbilled revenue at the end of Financial Year	(-)	

### ICAI Technical Guide –pg.283

Unbilled revenue would appear in the profit and loss account of the previous year. In order to get information of unbilled revenue at the beginning of Financial Year, reference may be had to previous year's audited financial statements. However, as GST was introduced from 1st July 2017 one needs to be careful to exclude invoices raised during the period April 2017 to June 2017 from the computation. The expression 'financial year' for 2017-18 has already been explained above to be 9 months period commencing 1 July, 2017, the value under this clause must be reckoned as at 30th June, 2017

(5B Instructions : For example, if Rs.10 Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on Rs. 4 Crores of such revenue, then value of Rs. 4 Crores rupees shall be declared)

## Part II -Table 5 - Reconciliation of Gross Turnover

5	Reconciliation of Gross Turnover		
B	Unbilled revenue at the beginning of Financial Year	(+)	
H	Unbilled revenue at the end of Financial Year	(-)	

### Issue

An amount of Rs.10,00,000/- was recorded and reported as “Unbilled Revenue” by the Statutory Auditor as on 31.03.2018 but as per Time of Supply provisions under GST, invoice should have been raised prior to 31.03.2018.

To what extent the GST Auditor should examine the provisions of ToS? Or should he simply rely on Statutory Auditors judgment?

### ICAI Technical Guide -pg285 - Disclosure

Reliance has been placed on the audited financial statements for determining the unbilled revenue and no separate exercise is conducted to validate the same.

## Part II -Table 5 – Reco. of Gross Turnover

C	Unadjusted advances at the end of the Financial Year	(+)	
I	Unadjusted Advances at the beginning of the Financial Year	(-)	

### Remarks

Advances on which GST is paid but the same has not been recognized as revenue shall be added to the turnover and vice-versa.

### Issue

Interpretation of Deposits vs. Advances – whether required or rely upon Statutory Auditors judgment?

Advances for Goods , whether disclosure required?

Advances for Services, tax not discharged, whether disclosure required?

### ICAI Technical Guide

In case of advance for goods, auditor has to examine whether auditee has discharged tax on advances till 15.11.2017. Advances even if not considered in GSTR 1 and 9 shall be added to turnover here. Advances in the nature of financial transactions (deposits/loans) to be identified and ignored

## Part II -Table 5 – Reco. of Gross Turnover

D	Deemed Supply under Schedule I	(+)
---	--------------------------------	-----

### Remarks

Includes free supplies to related parties.

### Issue

Common Employee cost, Branch Transfer not done by the assessee. Whether Auditor should provide his interpretation and disclose the value in reconciliation with addition in liability or should rely upon assessee's judgment?

**5D Instructions** - Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.

### ICAI Technical Guide

- In absence of any direct availability of records, auditor should design suitable verification process and obtain MRL for correctness and completeness of the same
- Auditor should look beyond the books and look for alternative evidences and information for reporting

## Part II -Table 5 – Reco. of Gross Turnover

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	(+)	
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	

Sr.	Remarks
5E	Aggregate value of credit notes which were issued after 31st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here
5F	Trade discounts recorded in books of accounts but on which GST was leviable i.e. not permissible.
5J	Aggregate value of credit notes which has been accounted for in the audited financial statement but not admissible under section 34 of CGST Act shall be deducted.



## Part II -Table 5 – Reco. of Gross Turnover

G	Turnover from April 2017 to June 2017	(-)	
---	---------------------------------------	-----	--

### Remarks

The Turnovers declared in Excise, VAT and Service Tax returns should match with this, subject to POT differences

### Issue

The assessee being a service provider had obtained centralized registration in the Service Tax regime. It is difficult to provide state-wise turnover details of the pre-GST regime (April 2017 to June 2017). How to disclose pre-GST turnover in such cases?

Will this clause include invoices/CNs of the erstwhile law but issued in post GST regime bearing pre-GST references?

## Part II -Table 5 – Reco. of Gross Turnover

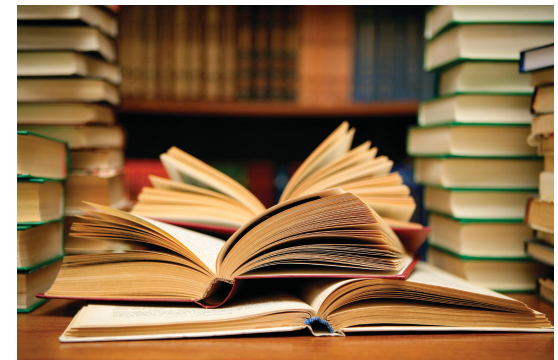
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	
L	Turnover for the period under composition scheme	(-)	
M	Adjustments in turnover under section 15 and rules thereunder	(+/- )	
N	Adjustments in turnover due to foreign exchange fluctuations	(+/- )	

Sr.	Remarks
5K	Aggregate value of all goods supplied by SEZs to DTA units for which DTA units have filed bill of entry shall be deducted.
5L	Applicable in case registered person has opted out from composition scheme
5M	<p>Incase taxable value and invoice value differ due to valuation principles.</p> <ul style="list-style-type: none"> <li>• Margin Scheme for Second Hand Dealers</li> <li>• Presumptive Value for Foreign Exchange Dealers</li> <li>• Reimbursement of Expenses</li> </ul>

## Part II -Table 5 – Reco. of Gross Turnover

### ICAI Technical Guide

- Auditor must obtain and verify vendor contracts
- List of related parties and details of transactions with such related parties should be verified
- Difference between the valuation as per financial records and GST records has to be reported
- RCM implications on recovery of expenses to be verified



## Part II -Table 5 – Reco. of Gross Turnover

Sr.	Particulars	Remarks
0	Adjustments in turnover due to reasons not listed above	
	<p>Comments:-</p> <ul style="list-style-type: none"><li>• Could be many (Residuary clause)</li><li>• Sale of assets</li><li>• Wrong/ Duplicate Entries in GSTR 9</li><li>• Delayed Credit notes / Adjustments</li></ul>	

## Part II -Table 5 – Reco. of Gross Turnover

P	Annual turnover after adjustments as above
Q	Turnover as declared in Annual Return (GSTR9)
R	Un-Reconciled turnover (Q - P)

Sr.	Remarks
5P	<b>Auto sum</b>
5Q	Turnover as declared in Annual Return may be derived from 5N, 10 and 11, 5N is the total turnover including advances, 10 & 11 are the supplies declared through amendments.
5R	<b>Need to specify reasons for unreconciled Turnover. Eg– Additional Tax liability or overpaid taxes</b>

## Part II -Table 7 – Reco. of Taxable Turnover

7	Reconciliation of Taxable Turnover
A	Annual turnover after adjustments (from 5P above)
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)
F	Taxable turnover as per liability declared in Annual Return (GSTR9)
G	Unreconciled taxable turnover (F-E)

Sr.	Remarks
7B 7C and 7D	Should be reported net of credit notes, debit notes and amendments
7F	<b>As per Table (4N – 4G) + (10-11) of GSTR-9</b> Outward Supplies and Advances received on which tax is to be paid

## Part II -Table 7 – Reco. of Taxable Turnover

### Remarks

#### Issue

- Interest Income which is an Exempt Income, ideally should have been reported in exempt section of GSTR 1. The same was not disclosed and not forming part of GSTR 9 as well. Now in GSTR 9C, assuming Clause 5A is only topline number, should this interest income then be added in clause 5O and reduced from clause 7B? or it should be ignored completely? **(Clause 7B)**
- What is the difference between Non-GST and No- Supply Turnover? What all transactions can it include? **(Clause 7B)**
- Export turnover declared in Clause 5A of GSTR 9C but not declared in GSTR 1 and therefore, not a part of GSTR 9 as well. Difference to be reported in Table 6 & 8 both? **(Clause 7)**

## Part II -Table 7 – Reco. of Taxable Turnover

### Remarks

#### Issue

- Whether Place of Supply provisions to be checked for Zero-rated transactions? **(Clause 7C)**
- Wrong classification of transactions (Taxes reported correctly). For eg. Exempt supply reported as Zero-rated supply in GSTR 1 & 9. Should auditor make any comment in GSTR 9C? **(Clause 7)**

#### ICAI Technical Guide

- Examine the existence and validity of LUT obtained for the Zero-rate supplies made.
- Following supplies should be reported as regular supply:
  - Zero- rated supplies, if conditions for exports are not fulfilled.
  - Non-compliance of conditions for claiming exemptions



## Part III – Reco. of Tax paid

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					

## Part III – Reco. of Tax paid

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	<b>PT 1</b>			
10	<b>Reasons for un-reconciled payment of amount</b>				
A	Reason 1	<<Text>>			
B	Reason 2	<<Text>>			
C	Reason 3	<<Text>>			

## Part III – Reco. of Tax paid

### Reconciliation of rate wise liability and amount payable thereon

Instruction 9Q – Total Amount Paid as declared in Annual Return –

The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9)

### ICAI Technical Guide

- It is suggested that details in Table 5A to 5O should be compiled month-wise and rate wise
- Auditor needs to obtain a confirmation form from the assessee that tax liability under RCM has been booked in accounts in compliance with Time of Supply. The Auditor could rely on reports or workings of the dates on which entries of inward supplies are made in the books of accounts for determining tax liability under RCM. Otherwise, Auditor should report that it was not possible to identify Time of Supply.
- A separate working for monthly reconciliation of value of taxable inward supply with books should be prepared and kept as part of working papers by the Auditor so as to deduce the rate wise GST Liability under RCM.

## Part III – Reco. of Tax paid

### Reconciliation of rate wise liability and amount payable thereon

#### Issues :

- Wrong classification of Tax components (Turnover reported correctly) Eg: SEZ supply, CGST & SGST is reported instead of IGST in GSTR-1 (was taking originally) and not amended, similarly IGST supply tax paid as CGST/SGST. Whether this requires reporting? **(Table 9)**
- Rate of Tax incorrectly charged and reported. Is it the auditor's responsibility to verify and vouch for rate of taxes for all the goods & services? **(Table 9)**

#### ICAI Technical Guide

- Monthly reconciliation will help in determining interest liability, if any.
- A disclaimer can be given in opinion paragraph if Auditor is unable to identify or comment upon each and every classification of outward and inward supplies
- The Auditor should put a qualification in opinion paragraph for interpretation differences between the assessee and Auditor
- The Auditor should recommend additional tax liability if any, if dispute (between assessee and Auditor is due to error but not a conscious interpretation

## ...Part III – Additional Tax Payable (Unreconciled as per Table 6,8,10) but not paid

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)					

## Part IV – Reco. of Net Input Tax Credit

12	Reconciliation of Net Input Tax Credit (ITC)	
A	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)	
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)
D	ITC availed as per audited financial statements or books of account	<Auto>
E	ITC claimed in Annual Return (GSTR9)	
F	Un-reconciled ITC	
		<b>ITC 1</b>

Sr.	Particulars	Remarks
12A	ITC Availed after reversals	
12B	ITC includes Transitional Credit.	
12C	ITC booked in the audited annual financial statement of current F.Y but availed in the ITC Ledger of the subsequent financial year shall be reduced.	
12E	ITC as per Table 7J of GSTR-9 . Net ITC available for utilisation	

## Part IV-Table-14 – Reco. of ITC declared in AR with ITC availed on expenses as per Audited Financial Statement.

Sr.	Description	Value	Total ITC	Eligible ITC availed
	Purchases			
(+)	Freight / Carriage			
(+)	Power & Fuel			
(+)	Capital Goods			
(+)	Any other expense*			
<b>Total amount of Eligible ITC Availed (A)</b>				
<b>ITC claimed in Annual Return (B)</b>				
<b>Unreconciled ITC (B-A) – ITC-2</b>				
<b>Tax Payable on unreconciled ITC with Reasons</b>				

\* Imported Goods, Rent and Insurance, Goods lost, stolen or destroyed, Royalties, Employees cost, Conveyance charges, Bank charges, Entertainment charges, Stationery Expenses, Repair & Maintenance, Other Misc. Exp. Etc.....

## Part IV-Table-14 – Reco. of ITC declared in AR with ITC availed on expenses as per Audited Financial Statement

---

### Issues

- Is Table 14 is a sub-set of Table 12 ?
- Whether it requires reconciliation with PL? (**Tables 12 & 14**)
- Whether reconciliation with GSTR 2A is expected from an Auditor?



# Part V - Auditor's Recommendation on Additional Liability

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						

## Part V - Auditor's Recommendation on Additional Liability

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

## Part V - Auditor's Recommendation on Additional Liability

Part V 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.

**The auditor shall also 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 and shall be paid back to the Government shall also be declared in this table.

Any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.

### **ICAI Technical Guide**

- Because of the words “true and correct”, the quantum of assurance required is “absolute” and not “reasonable”.
- The “Engagement risk” sought to be targeted is zero and not even near zero.
- Qualifications alone are not sufficient to be mentioned in the ‘opinion’ but every other aspect to which attention of revenue authorities needs to be drawn to, would be required.

# Verification



- **Verification by Auditor** : 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.
- **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.
- Towards the end of the return, taxpayers shall be given an option to pay any additional liability declared in Form 9C, through **FORM DRC-03**.
- Such liability shall be paid through electronic cash ledger only.

# Consequences

## Delay in filing Annual Return

- Penalty u/s 47(2) of CGST Act, 2017 of Rs. 200 per day (Rs.100 CGST + Rs.100 SGST)
- Maximum of 0.25% of the turnover in the state/Union Territory. **(SGST+CGST)**

## Not getting accounts Audited

- No specific penalty provided for delay in filing GST Audit Report
- General penalty u/s 125 of CGST Act, 2017 up to Rs. 25000.

Delay in filing GST Audit Report or Annual Return may also affect GST Compliance Rating of the Dealer



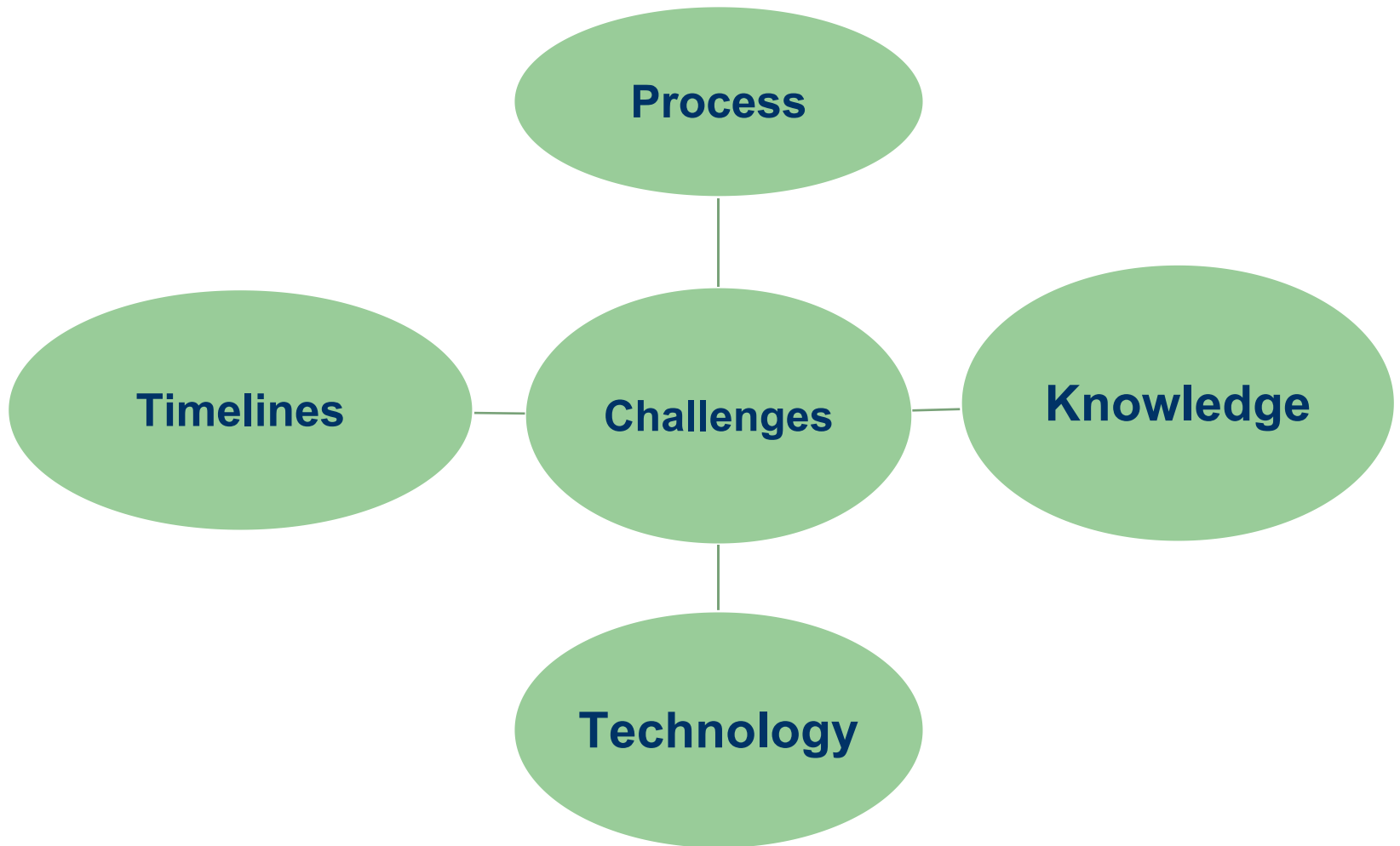
## Benefits of GST Audit:-

- Proper review of accounts and records.
- Proper and timely compliances
- Early detection of unpaid or short paid tax liability
- Early Detection of un-availed Input Tax Credit
- Timely claim of exemption
- Timely claim of benefits such as Refunds, etc.
- Periodic reconciliation of financial statements and GST returns
- Avoiding / Minimizing penalties, late fees, interest and other penal consequences
- Timely corrective actions such as correct recovery of tax from customers.



# Challenges

---



# ....Challenges

## KNOWLEDGE

Lack of clarity in law, it is still evolving

Understanding the business



## PROCESS

Separate audits for distinct registrations

Duplication of invoices.

Errors in transitional credit claims due to mismatch in GSTN.

Maintenance and review of records.

Transactions not appearing in the financial accounts

Discrepancy with the amount of credit / cash being utilized to off-set the liability;





# ....Challenges

## TIMELINES

ITC would lapse if it is not availed till due date of filing return for Mar.'19.(unless date is extended)

Whereas the Annual Return can be furnished by 30th June'19



## TECHNOLOGY

Conversant with various software's for GST Audit.

DSC issues

IT Infrastructure

Untraceable errors are bound to be committed while filing the returns



# Approach to Audit

- Understand the nature and complexity of business / operations, current Processes, Software's, IT Infrastructure of the auditee.
- Collection of data such as registration details, list of accounts and records maintained, details of authorized signatories / persons in charge.
- Analyzing and understanding the contracts, ITC mechanism, blocked credits, transition issues, supplies etc.
- Check the transaction not appearing in financial statement.



# Approach to Audit

- Proper estimation of the timelines for Commencement and closure.
- Create an entity-level checklist with a view to ensure that all the transactions are adequately covered in the process of conduct of an audit
- Discrepancies found shall be corrected / rectified by declaring the correct turnovers in the Annual Returns.
- Standard Auditing Practices are adopted, proper disclosures are made, views / opinions are either noted or expressed



## Readiness

- It is vital to know that auditee maintains all the relevant documents and information that is required to be provided.
- Reconciliation between books and returns needs to be completed.
- Whether system is updated with all the details such as payment date, correct GSTIN of vendors is captured in the system.
- Where a registered person has more than one place of business, the accounts relating to each place of business shall be kept at such places of business.



## Questions ???

---



- E-Mail : [pranav@apmh.in](mailto:pranav@apmh.in)
- Mob : +91 9821332460
- Web : [www.apmh.in](http://www.apmh.in)

---

**THANK YOU !!**

