

Documents & Records to be maintained for GST Audit

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Agenda

- Legal Provisions
- Scope and Coverage of GST Audit
- Appointment Letter
- Audit Programme
- Documents and Records
- Management Representation
- Points for Consideration
- Conclusion

Legal Provisions

GST Audit – Legal Provisions

- Mandating Provision : Section 35(5)
 - Every registered person
 - Whose turnover in FY exceeds prescribed limit
 - Get accounts audited by CA or Cost Accountant
 - Submit copy of audited accounts, reconciliation statement u/s. 44(2) and other documents
- Relevant Rule : Rule 80(3)
 - Turnover of INR 2 Crore
 - Reco. Statement in GSTR 9C - Electronically

GST Audit – Legal Provisions

- Penal Provision : Auditee
 - Late Fees u/s. 47(2) for GSTR 9
 - No Specific Penalty/Late fee for GSTR 9C
 - Residual Penalty u/s. 125 of the Act
- Penal Provision : Auditor
 - No Specific Penalty related to GSTR 9C
 - Residual Penalty u/s. 122(3) of the Act

Scope & Coverage

Scope & Coverage of GST Audit

- Definition of Audit u/s. 2(13) of the Act

Means the examination of “records, returns and other documents maintained or furnished by the registered person” under this Act or the Rules or any other law 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 there under

Scope & Coverage of GST Audit

- Sec. 35(5) r.w. Rule 80(3) require “Audit of Accounts” and “Submission of Reco. Statement in GSTR 9C”
- No other format/mode of audit report prescribed
- GSTR 9C is majorly a “Reconciliation Statement” with “Auditor’s Certification on True and Correctness”
- Whether GSTR 9C is an Audit Report or a Certification?
- What is the scope of GST Audit and Responsibility of GST Auditor?

Appointment Letter

Appointment Letter

- Prime & Critical Document –Appointment Letter
- Process & Format – Technical Guide r.w. SA 210 (Revised 2018)
- Auditor's Acceptance Letter to Include:
 - Objective of the GST Audit;
 - Scope of GST Audit – No./List of Auditees;
 - Responsibility of the Auditor;
 - Responsibility of the Auditee;
 - Scope Limitations / Restrictions;
 - Professional Fees

Appointment Letter

- Key Points to Document in the Appointment Letter:
 - No. of Person's/GSTIN included in scope;
 - Management Responsibility regarding compliance with law;
 - Management Responsibility of providing requisite data/reports;
 - GST Audit – sample based / test-check nature;
 - Scope not to include GST Health Check or review;
 - Seeking Management Responses and Representation

Audit Programme



Audit Programme

- Audit Plan/Programme – Guiding Light for Audit
- Kick-off discussion – Map client’s business footprint & setup
 - Assessment of GST Impact on the business;
 - Identification of critical areas – business specific/ auditee specific;
 - Assessment of reliance on the ERP/IT systems;
 - Materiality Limits and Sample Size;
 - Time lines and work scheduling
- Preparing & sharing of IRL/Questionnaire with the Client;
- Compilation of Client specific audit checklist;
- Compilation of reconciliation working formats

Documents & Records

Documents & Records - Overview

- Minutes of the kick-off meeting - nature & setup of business;
- Annual Report – Audited financials and other documents;
- Tax Audit Report/ Transfer Pricing Report, etc.
- GST Transition and Implementation Report;
- GST Health-Check/ Internal Audit Report, if any;
- Legal Positions & Stand Taken by the Client;
- Gist of Past Litigations / Assessment Orders/ Audit Reports;
- Client's ERP/ Other Software and list of GST related reports generated;
- Work-flow for GST Compliances, etc.

Documents & Records - Sales

- List and Nature of major Products/Services;
- State-wise Audited Financial Statements / Trial Balance;
- Schedules/Breakup of the Financial Statements;
- GST Returns and their back-up workings;
- Monthly Sales/Credit Note/Debit Note Registers;
- Monthly Reco. of revenue and Output GST as per books with GSTR-1 & GSTR-3B;
- Summary of adjustments/amendments made/pending;
- Details of Other Incomes, Sale of FA/Scrap, etc.
- Sample Documents – Invoices, LR, EWB, SB, LUT, BRCs, Contracts, Customer POs, Stock registers, etc.

Documents & Records - Purchases

- List and nature of major procurements;
- Monthly Input Tax Register (Expense Ledger/ Nature Of Procurement/GSTIN/ Rate/ Eligibility/ HSN/ etc.);
- Monthly Reco. of ITC as per books with GSTR-3B workings;
- Summary of adjustments/amendments made/pending;
- Details of debit notes, credit notes, returns, write-offs, etc.
- URD and RCM procurements, workings and reconciliations;
- Sample Documents – Invoices, LRs, BOE, contracts, Self Invoices, Stock registers, etc.;
- GSTR 2A Reconciliation with ITC register;
- Creditors aging report

Documents & Records - Other

- Transition Credit workings and supporting i.e. tax returns, sample invoices, GST TRANS1, etc.;
- Job work Income/ Expense and related documents;
- GST refund applications, workings and status;
- Mergers, demergers, etc. related documents and GST compliances;
- List of books of accounts, records maintained;
- GST Amendment applications, GST notices, etc.
- Reliance placed on notifications, circulars, judgments/ rulings, etc.

Management Representation

Management Representation

- Management Representation – Critical Audit Evidence
 - Management’s responsibility for compliance of law;
 - Auditor’s reliance on data prepared/provided by Management;
 - Auditor’s reliance on info/clarifications provided by Management;
 - Limited access/ availability of information/audit evidence
 - Auditor’s responsibility to certify truth and correctness
- Draft format for MRL provided in Technical Guide (One may refer SA 580)

Management Representation

- Key Aspects to be included in the MRL
 - State-wise TB/Financials – breakup not audited;
 - Outward Supply – Classification/HSN, TOS, POS, VOS, etc.
 - Exemptions – Compliance with conditions;
 - ITC – Compliance with conditions, usage of procurements, etc.;
 - Maintenance of books and records;
 - Receipt of Notices, Status of litigations, etc.;
 - Critical tax positions taken by the Auditee

Points for Consideration

Points for Consideration

Q1. Whether state-wise financials/trial balance are mandatorily required to be audited for multi-state GSTIN entities?

Q2. What type of documents to be relied upon for deemed supply transactions for e.g. supply of services between GSTINs?

Points for Consideration

Q3. How would one verify receipt of goods/ services in the absence of stock registers/ relevant reports?

Q4. Whether audited financials need to be vouched and verified again? Can the GST Auditor completely rely on the work of the Statutory Auditor?

Points for Consideration

Q5. Whether auditor is required to verify every refund claim (to identify erroneous refund to be paid back)? How would Auditor document the same in his working papers?

Q6. Whether GST Auditor's findings need to be reported in GSTR 9C only or can Client give effect in GSTR 9?

Points for Consideration

Q7. How should the GST Auditor document his responsibility to quantify/ qualify report for interest and late fee liability?

Q8. How would the Auditor document for the absolute Certification on “Truth and Correctness” in the GSTR 9C?

Conclusion



Thank You

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