Practical understanding of GST Audit & Certification

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“The Auditor is a Watchdog and Not a Bloodhound”

- Lord Justice Topes

Meaning of Audit

Auditing and Assurance	Section 2(13) of the CGST Act
"Audit is an independent examination of financial information of an entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon."	"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.

Audit-Requirement

Who is liable for audit?

Section 35(5):

"Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered Accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed."

Audit-Requirement

Relevant Statutory Provisions & Analysis:

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."

Audit-Requirement

Relevant Statutory Provisions & Analysis:

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."

Audit-Requirement

Aggregate Turnover:

Sec 2(6) ““aggregate turnover” 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 the same Permanent Account Number,
- to be computed on all India basis
- but excludes central tax, State tax, Union territory tax, integrated tax and cess;”

Audit-Requirement

Aggregate Turnover to be computed on all India basis;

Term "Aggregate Turnover" is being used in

- Sec 10 : Composition levy
- Sec 22 : Registration
- Rule 80(3) : Annual Return/Audit
- GSTR 1
- GSTR 4

"Turnover in State" separately defined in Sec 2(112)

[used in Sec 10-Composition levy & Sec 47(2)-Levy of late fee]

Audit-Requirement

Taxable Supply:

Sec 2(108) "taxable supply" means a supply of goods or services or both which is leviable to tax under this Act;

Exempt Supply:

Sec 2(47) "exempt supply" means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply;

Examples: Sale of live animals, live fish, fresh milk, lassi, curd, vegetables, electrical energy, renting of residential dwelling for use as residence, charitable activities.

Audit-Requirement

Non-Taxable Supply:

Sec (78) “non-taxable supply” means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

Examples: Sale of petroleum products, sale of alcohol for human consumption.

☞ Sale of land, Sale of building (Sch. III items) – Not a supply.

Audit-Requirement

Aggregate turnover for the Year 2017-18?

The GST has been implemented wef 01.07.2017. Therefore, for the financial year 2017-18, for the full year GST was not applicable. If the aggregate turnover exceeds Rs. 2 crores Audit is applicable.

Audit-Requirement

ABC Ltd (Registered Person)

Karnataka
- Selling exempt goods
- T.O. 1.5 Cr

Goa
- Selling Taxable goods
- T.O. 3.0 Cr

Maharashtra
- ISD
- T.O. NIL

Kerala
- Only Exports
- T.O. 1.2 Cr

Who can do Audit?

Audit by a Chartered Accountant or a Cost Accountant.

The Chartered Accountants Act, 1949

Sec 2(1)(b) - a “chartered accountant” means a person who is a member of the Institute.

Sec 2(2) - a member shall be deemed to be in practice if he engages himself, for a consideration, in the specified activities, which includes *interalia* audit.

Sec 6 provides that a member cannot practice without obtaining Certificate of Practice (COP).

Thus, only a member of ICAI having COP or firm of CAs can take up the GST Audit.

Who can do Audit?

Audit by a Chartered Accountant :

Any member in part time practice is not entitled to perform attest function. (242nd Council Meeting Resolution). For example, an employee of the CA firm can have COP, but he cannot perform attestation function. Only partners can perform attestation function.

In case of joint audits, all the auditors will have to sign the audit report. If the auditors have different opinion, then they should issue separate audit reports. (Ref SA 299).

Who can do Audit?

Audit by a Chartered Accountant :

- A chartered accountant having substantial interest (for meaning of substantial interest, refer Appendix 9 of CA Regulations 1988) in the assessee cannot take up the audit. (Clause 4 of Part I of the Second Schedule the Chartered Accountants Act, 1949)
- A chartered accountant who is responsible for writing or the maintenance of books of account of the assessee should not audit such assessee (Clause (4) of Part I of the Second Schedule to the Act).
- Internal auditor of an assessee cannot be appointed as his tax auditor (281st Council Meeting Resolution).

Who can do Audit?

Audit by a Chartered Accountant :

- A chartered accountant should not accept the GST audit of a person to whom he is indebted for more than Rs. 10,000/-. (Chapter X of ICAI Guidelines).
- The restrictions applicable for appointment of statutory auditor where fee for other services are more than the statutory audit fee, in case of specified entities, is not applicable GST auditors. (Chapter IX of ICAI Guidelines).
- A chartered accountant cannot charge professional fees based on a percentage of profit or which are contingent upon the finding or the result of the professional employment. (Clause 10 of part I of the First Schedule to the CA Act, 1949).

Who can do Audit?

Audit by a Chartered Accountant :

In many cases, an assessee may be having his GST registrations in many States. The assessee may appoint single auditor for all his registered establishments. Accounts and records might have been kept in the local language of the State. It is suggested that in the normal course, the auditor should not accept the audit of accounts written in a language which he/his staff does not understand.

Who can do Audit?

Audit by a Cost Accountant:

With regard to appointment of a Cost Accountant as auditor also similar provisions may be applicable as per the regulations framed by Institute of Cost Accountants of India.

Audit-Engagement

How to appoint an auditor?

Through Board Resolution:

In case of a company the appointment of the GST auditor should be made through a resolution of the Board of Director or by an officer of the company, if so authorized by the Board in this behalf. In case of a partnership firm or proprietary concern, the appointment can be made by a partner or the proprietor or a person authorized by the assessee.

The acceptance of appointment should also be communicated in writing to the assessee.

Audit-Submission

Section 35(5) read with section 44(2) of the CGST Act provides that following documents shall be furnished electronically by the assessee upon conclusion of the audit;

- Annual Return
- Copy of the audited annual accounts.
- Reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement in FORM GSTR 9C.

Submission

Certificate Vs. Report

Para 2.2 of the Guidance Note on Audit Report and certificates for Special Purpose issued by the Institute (in 1984) states the difference between the term ‘certificate’ and ‘report’ as under;

“A **Certificate** is a written confirmation of the accuracy of facts stated therein and does not involve any estimate or the opinion.”

“A **Report**, on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting auditors opinion thereon”.

Audit-Submission

Certificate Vs. Report

Thus, where a certificate is issued, the chartered accountant shall be responsible for factual accuracy of what is stated therein. In case of report, he is responsible for ensuring that the report is based on the factual data, true and fair to the best of his knowledge and information given.

“FORM GSTR-9C”
See Rule 80(3)
PART – A – Reconciliation Statement

Pt. I	**Basic Details**	
1	Financial Year	2017-18
2	GSTIN	
3A	Legal Name	< Auto>
3B	Trade Name (if any)	<Auto>
4	Are you liable to audit under any Act?	<<Please specify>>

<table>
<tr><th>Pt. II</th><th colspan="2">Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)</th></tr>
<tr><td>5</td><td colspan="2">Reconciliation of Gross Turnover</td></tr>
<tr><td>A</td><td>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)</td><td>• Turnover as per audited financials / books of accounts (for the registration)
• Turnover for April 17 to March 18</td></tr>
</table>

5A – Turnover as per FS

- Reliance to be placed on the computer generated reports;
- Turnover + Direct incomes & Indirect incomes;
- In case of multi-state GSTIN's – It is possible that the turnover is declared in the other GSTIN. It is more complex when two different auditors are appointed for two different registrations.
- Declaration of the Invoice for Jul 17 to Mar 18 in FY 18-19 in main return and not as an amendment;
- Cash system of accounting – Reconciliation..?
- Different periodicity of audit of financial statements..?
- Inclusion of the turnover of the foreign branch/ operations;
- MRL may be relied upon for Turnovers taken from TB representing the financial statements;

5B	Unbilled revenue at the beginning of Financial Year	**(+)**	**<u>E.g.,</u>** • Rental of Commercial Premises for 16th March, 2017 to 15th April, 2017 – Rs. 1.50 Lac • For the F.Y 2016-17, rent income is accounted is Rs. 75,000/- on accrual basis • On 16th April, 2017, Tax Invoice issued for 1.50 lac • Un billed revenue for at the beginning of the year is Rs. 75000. **However for FY 17-18 this is not applicable.**
5C	Unadjusted advances at the end of the Financial Year	**(+)**	• The advance on which GST paid, but tax invoice not issued is to be disclosed here.

5B & 5H – Unbilled Revenue

- In case of entities with multiple registration, a separate statement to be obtained for each GSTIN reconciling the total of the unbilled revenue for each state with the amount disclosed in financials.

- Coordination with other auditors as to the values considered for this purpose.

- Representation service provided on 25th of March for which invoice is raised on 5th of April will be recognized as unbilled revenue. However, this will not be part of Clause 5B as it is transaction during the period April 2017 to June 2017.

- IT/ITES services provided for the month of March 2017 for which invoice is raised on 1st of July 2017 as per the terms of contract will be recognized as unbilled revenue.

5C & 5I – Unadjusted Advances

- The Government issued NN 40/2017-CT dated 13th October 2017 to relax Registered Persons having aggregate turnover less than Rs 1.5 crores from paying tax on such advances.

- Facility later was extended to all Registered Persons without threshold limit vide NN 66/2017-Central tax, dated 15th Nov 2017 but only in case of supply of goods.

- Advances to be computed on cum-tax or ex-tax as the case may be.

5C & 5I – Unadjusted Advances

- Situation 1: Advance received and invoice issued in the same FY
- Situation 2: Advance received in FY and Invoice issued in the subsequent FY
- Situation 3: Partial adjustment of advance in the same FY and partial in the subsequent FY
- Situation 4: Advance received on goods after 14.11.2018 & Invoice issued in the subsequent FY

5C & 5I – Unadjusted Advances

- Situation 5: Advance on services is received in Pre-GST Regime and invoice issued in the GST regime and ST paid – Open reco item in 5O

- Situation 6: Advance on goods is received in Pre-GST Regime and invoice issued in the GST regime and VAT not paid

- Situation 7: Advances received on exempted/ non-taxable supplies

- Situation 8: Advances received on export supplies

5C & 5I – Unadjusted Advances

- Details of unadjusted advances to be disclosed at each GSTIN level – Details to be obtained accordingly;
- Impact of change in tax rate on advances – Increase/ decrease;
- PoS in case of advances;
- Advances which are in the nature of Financial Transactions (loan/ Deposits) to be ignored.

5D	Deemed Supply under Schedule I	**(+)**	• Schedule I transactions: ➢ Permanent transfer or disposal of business asset on which ITC is taken. ➢ Supplies between related/distinct person made in the course or furtherance of business. ➢ Supply of goods by principal to agent. ➢ Import of service by a taxable person from a related person/ his other establishments outside India in the course or furtherance of business. • Not available in the financials, ascertain from other records • Not to be added if already included in the financials

5D – Deemed Supplies

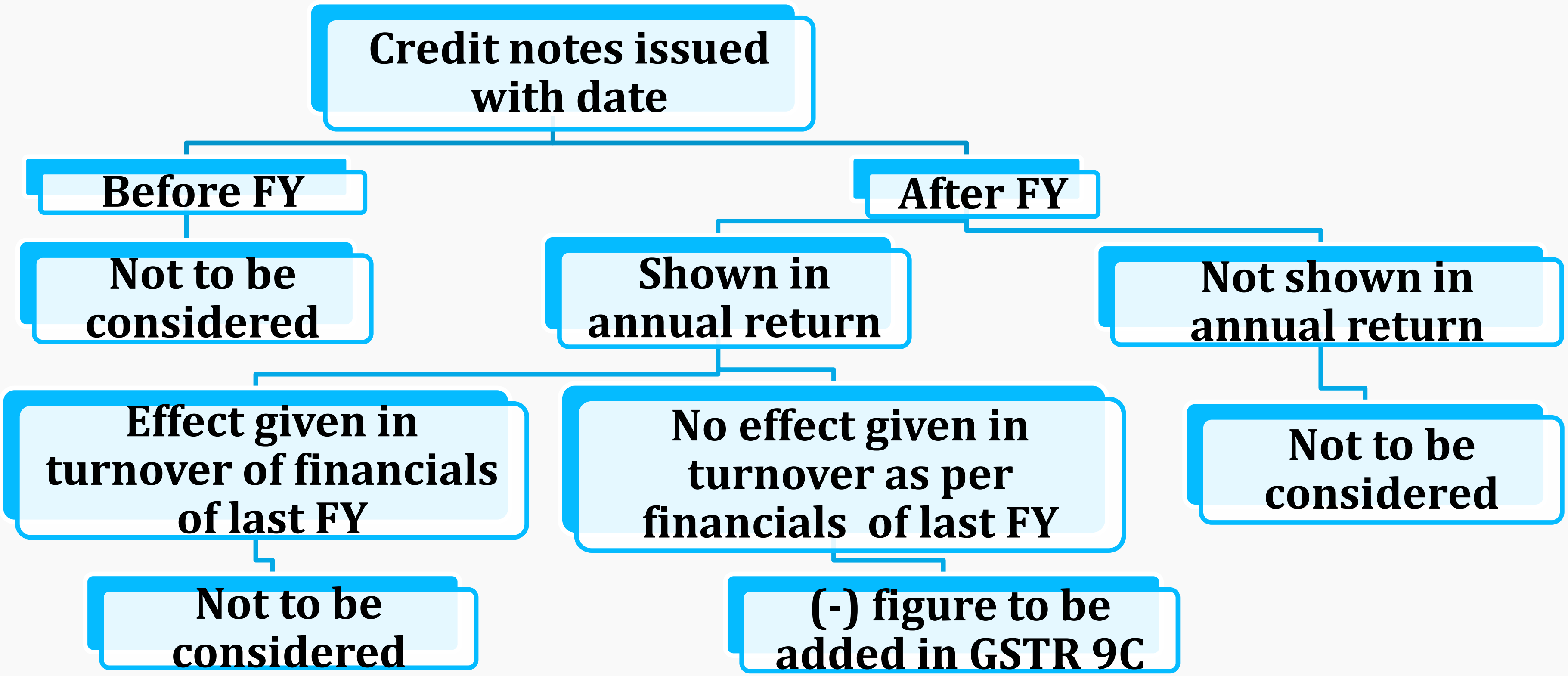
- Inter-branch accounts maintained
- GSTR 1 contains details of all B2B transactions with GSTIN of parties
- A comparison of same PAN number with GSTIN from GSTR 1 shall give details of deemed supplies between the same entities
- HR Policy/ employee pay-sheets
- Once something is already recorded in the books i.e. In such a case to the extent of the valuation impact has to come in the valuation field.

5D – Deemed Supplies

- Not recorded in financials but taxable value and taxes given in GST returns;
- No direct source from financials
  - Goods - available from other records like ewaybill/delivery challans
  - Services – Understanding of the business of the client/purpose of expenditure
- Suggested to take proper MRL for ensuring the documentation of the procedures followed by management
- Audit program to contain specified procedures for identification, valuation and verification of such transactions

5E	Credit Notes issued after the end of the financial year but reflected in the annual return	**(-)**	Such case is unlikely since annual return is prepared as per books
5F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	**(+)**	Trade discount accounted in books but not eligible under section 15(3) of CGST Act for deduction is to be added here
5G	Turnover from April 2017 to June 2017	**(-)**	As per books

5E - Credit Notes issued after FY but shown in Annual Return



5E Credit Notes issued after FY but shown in Annual Return

- Step 1: Prepare a list credit notes dated after Apr 1, 2018
- Step 2: Prepare another list of credit notes adjusted in Table 9A, 9B and 9C of GSTR 1 ‘for’ 2017-18 file (on-time or belatedly)
- Step 3: Validate that these credit notes have not been ‘given effect to’ in the turnover derived in 5A
- Turnover derived from audited annual financial statements does not contain the ‘effect’ of these credit notes but GSTR 9 already contains its ‘effect’ due to inclusion in GSTR 1 ‘for’ 2017-18.

5F - Trade Discount in financials but not permissible in GST

- Only Trade discounts to be considered which are not by way of a credit note

- Shown in credit side of PL / netted off against outward supplies

- Trade discounts reported as expenses in the financial statements

- Check the principles followed by the entity if GST deducted in case of discount

- Audit procedure to check allowance of discount in GST based on the documents/agreement

5F - Trade Discount in financials but not permissible in GST

Before or at the time of supply

- Allowed only if duly recorded in the invoice

After the supply has been effected

- Discount to be established as per the agreement at/before time of supply
- Specifically linked to relevant invoice
- ITC attributable to discount reversed by the recipient (confirmation letter from customers)

5G - Turnover from Apr 17 to Jun 17

- Turnover to be reduced based on requirement of payment of tax under earlier laws (excise/VAT/service tax) and not as per accounting in books.

- T/o till June 2017 on which Time of supply arises during GST not to be considered.

- Unbilled revenue of FY 16-17 recorded in the FY 16-17 but billed in April 2017 – To be reduced here.

5G - Turnover from Apr 17 to Jun 17

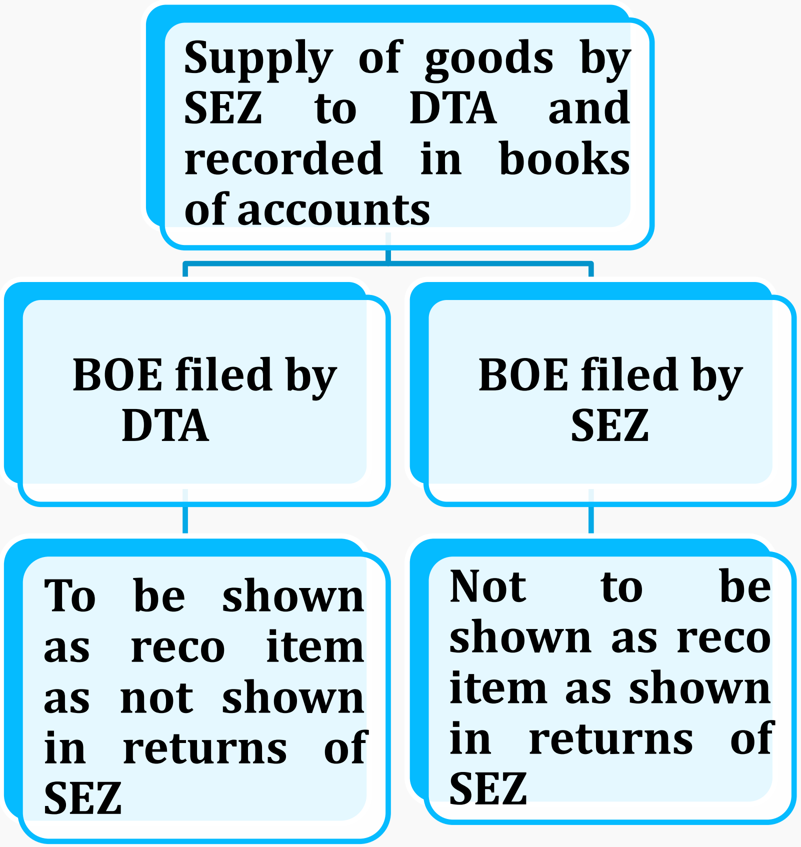
- Advances on which tax paid under earlier law to be added to the turnover even if supplies made during the GST regime.

- As per 142(11)(c), if tax paid under both VAT and Service Tax and supply made under GST, credit of VAT and ST allowed to pay tax in **GST (added here and to be reduced in 5O)**

5H	Unbilled revenue at the end of Financial Year	**(-)**	Reduce the Unbilled revenue at end of Financial year Un billed revenue accounted in the books as per accounting method, but tax invoice not issued is to be mentioned here.
5I	Unadjusted Advances at the beginning of the Financial Year	**(-)**	Advance received till 30th June, 2017 on which service Tax/VAT was paid, as applicable whereas corresponding supply is made during July 17 to Mar 18 without payment of GST is to be mentioned here. In other words, tax paid on advance prior to 1st July, but invoice issued post July???? Such cases unlikely.. Issues of POT and ITC..

5J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	• Commercial credit notes etc
5K	Adjustments on account of supply of goods by SEZ units to DTA Units	**(-)**	• This is applicable for 9C of SEZ unit • Supply of by SEZ unit to DTA for which DTA files BOE is to be mentioned here.
5L	Turnover for the period under composition scheme	**(-)**	Composition turnover during the year.

5K - Supplies by SEZ to DTA



Auditor's responsibility

- Check documents as to who files the BOE when goods are cleared by SEZ
- Auditor to check records of the goods admitted into SEZ and their disposal
- Fixed Asset register to be verified for disposal of capital goods
- Check if tax paid when goods cleared from SEZ unit to non-SEZ unit of the distinct person

5J – Credit Notes in FS but not permissible in GST

- Financial Credit note issued against inward supply not to be considered;

- Not to consider credit notes issued and subsequently cancelled;

- Credit notes not allowed under GST if invoice was not issued.

5J – Credit Notes in FS but not permissible in GST

Credit notes in

- Financials: Yes
  Annual Return: Yes
  - Already matching.
    No reco required
- Financials: Yes
  Annual Return: No
  - To be reported as a reconciliation item in this clause
- Financials: No
  Annual Return: Yes
  - To be reported as a reconciliation item in residuary clause
- Financials: No
  Annual Return: No
  - Not to be reported as reco not affected and no escapement of tax

5M	Adjustments in turnover under section 15 and rules thereunder	**(+ /-)**	The difference between book value and transaction value as per Valuation Rules is to be reported here. E.g, • 1/3rd value of land deduction in case of construction service. • Related party transactions
5N	Adjustments in turnover due to foreign exchange fluctuations	**(+ /-)**	• Forex gain/loss where not considered in Annual Return
5O	Adjustments in turnover due to reasons not listed above	**(+ /-)**	E.g. Turnover between 1st July 17 till the date of GST registration whereregn is taken in 17-18…. etc

5M – Valuation effect

- Valuation by the ticketing agent for air travel;
- Valuation difference on account of sale of car;
- Sale of assets @ TV or Depreciated value (whichever is higher)
- Impact on account of Pure agent deductions;
- Tooling amortization;
- Cross charge on other branches etc.

5M – Exchange Difference

- **<u>Goods</u>**

  The rate of exchange for determination of value of taxable goods shall be the applicable rate of exchange as notified by the Board under section 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of section 12 of the Act.

- **<u>Services</u>**

  The rate of exchange for determination of value of taxable services shall be the applicable rate of exchange determined as per the generally accepted accounting principles for the date of time of supply of such services in terms of section 13 of the Act.

5N – Other Disclosures

- Taxes paid on recoveries not disclosed as turnover in BOA;
- Sale of capital goods, only the profit / loss arising on the sale of such capital goods is disclosed in the Profit and Loss account.
- Notice pay recovered from employees
- Incentives / Rebate received from supplier and considered as supply under GST

5P	Annual turnover after adjustments as above		<AUTO>
5Q	Turnover as declared in Annual Return (GSTR 9)		As per 5N (of part II) and 10-11 of Part V of GSRT 9
5R	Un-Reconciled turnover (Q – P)		It means turnover in the books but not included in the Annual Return Transactions not accounted but disclosed in 9C

6	Reasons for Un – Reconciled difference in Annual Gross Turnover	
A	Reason 1	<<TEXT>>
B	Reason 2	<<TEXT>>
C	Reason 3	<<TEXT>>

7	**Reconciliation of Taxable Turnover**	
7A	Annual turnover after adjustments (from 5P above)	<<AUTO>>
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover	E.g. • Petrol/Diesel etc • Sale of land, Building and other Sch III transactions • sale of shares
7C	Zero rated supplies without payment of tax	• Supply to SEZ • Export of Goods /Service

7D	Supplies on which tax is to be paid by the recipient on reverse charge basis	Supplies specified under Sec 9(3) and 9(4)
7E	Taxable turnover as per adjustments above (A-B-C-D)	*<<Auto>>*
7F	Taxable turnover as per liability declared in Annual Return (GSTR9)	(4N - 4G)+10-11 of GSTR9 [Total taxable TO-Inward supplies liable for RCM+ Supplies/Cr Note not declared in 3B of 17-18 but accounted in books]
G	Unreconciled taxable turnover (F-E)	*AT2*

8	**Reasons for Un - Reconciled difference in taxable turnover**	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

PT III	Reconciliation of tax paid				
9	Reconciliation of rate wise liability and amount payable thereon				
Description	Taxable Value	Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
5%					
5% (RC)					
12%					
12% (RC)					
18%					
18% (RC)					
28%					
28% (RC)					
3%					
0.25%					
0.1%					

Rate wise reconciliation

- Reverse charge details needs to be disclosed only here;
- Taxes needs to be manually entered;
- Care to be given while disclosing the details of Cess;
- Mapping from the Turnover as arrived at in 7E of the above table either by way of a Top Down approach or a Bottom Up approach;
- Mechanism of disclosure of RCM details;
- Rate wise bifurcation of the taxable values/ taxes in the Books of accounts

Rate wise reconciliation

- Auditor does not take the position of the assessment officer – variation to be reported in the Audit report;
- CGST/ SGST paid as IGST and vice-versa – If assessee agree and there is same view then the correct type of tax to be reported;
- Interest, late fee, penalty etc. to be computed as per records and not merely the interest paid by the assessee;
- Breaking up of the interest, penalties in CGST/ SGST and IGST;
- Impact in case assessee has made excess tax payment.

Description	Taxable Value	Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
Interest	For delayed payment of tax, ITC reversal etc				
Late Fees	Late fee for filing GSTR1 and 3B				
Penalty	Penalty, if any paid				
Others	May be payment made during appeal etc				
Total amount to be paid as per tables above		<Auto>	<Auto>	<Auto>	<Auto>
Total amount paid as declared in Annual Return (GSTR 9)		*Table 9 of Annual Return*			

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 and10 above)				
Description	**Taxable Value**	**Central tax**	**State tax / UT tax**	**Integrated Tax**	**Cess, if applicable**
5%					
12%					
18%					
28%					
3%					
0.25%					
0.10%					
Interest					
Late Fees					
Penalty					
Others (Specify)					

Pt. IV	**Reconciliation of Input Tax Credit (ITC)**		
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)		ITC as per Books
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)	Transitional Credit
C.	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	ITC booked in 17-18 but taken in 18-19 3B [Table 13 of GSTR 9]
D	ITC availed as per audited financial statements or books of account	<<AUTO>>	
E	ITC claimed in Annual Return (GSTR9)	Table 7J of GSTR 9	
F	Un-reconciled ITC	ITC 1	

12A Disclosure of ITC Availed

- Net ITC to be disclosed after adjustments, reversals, DN/ CN;
- ITC availed from July 17 to Mar 18 to be considered for the FY 2017-18;
- ITC availed in the ISD registration;
- Disclosure of ITC claimed as refund;
- Disclosure of Compensation Cess;
- Details to be taken based on ITC ledgers maintained in BOA.

12B ITC Booked in Earlier FY

- Closing balance in service tax, excise, VAT returns transferred to GST u/s 140(1);
- 50% credit of capital goods availed by the assessee through Form TRAN 1;
- Credit on stocks availed by the assessee in Form TRAN 1;
- Credit on stocks availed by the assessee in Form TRAN 2;
- Credit is availed by the assessee under section 142(11)(C) in Form TRAN 1

13	Reasons for un-reconciled payment of amount	
A	Reason 1	<<TEXT>>
B	Reason 2	<<TEXT>>
C	Reason 3	<<TEXT>>

14	**Reconciliation of ITC declared in Annual Return (GSTR 9) 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
A	Purchases			
B	Freight/Carriage			
C	Power/Fuel			
D	Imported Goods (incl. received from SEZs)			
E	Rent & Insurance			

	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
O	Capital goods			
P	Any other expense 1			
Q	Any other expense 2			
R	Total amount of eligible ITC availed			<<Auto>>
S	ITC claimed in Annual Return (GSTR9)			
T	Un-reconciled ITC			
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	

PT V	Auditor’s recommendation on additional Liability due to non-reconciliation					
	Description	Value	CGST	SGST/UGST	IGST	CESS
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.1%					
	Input Tax credit					
	Interest					
	Late fees					

	Description	Value	CGST	SGST/UGST	IGST	CESS
	Penalty					
	Any other amount paid for supplies not included in Annual Return					
	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 ………………………

PART B -CERTIFICATION

I. Certification in case the 9C is drawn up by the person who had conducted the audit.

1. Examined (a) Balance Sheet (b) P& L Account (c) Cashflow Statement
2. Report that books or accounts, records and documents specified under GST law has been maintained. If not maintained, specify those mandatory records not mainted.
3. (a) Observations/comments/discrepancies to be reported.

   (b) (A) Report whether all the necessary information etc has been provided. If not provided, specify the same.

   (B) Report whether proper books of accounts have been maintained or not.

   (C) Report whether BS, P&L and CFS are in agreement with the books of account or not.

PART B -CERTIFICATION

I. Certification in case the 9C is drawn up by the person who had conducted the audit…..

4. Copy of the audited annual accounts and reconciliation statement is annexed
5. Statement as to particulars given in 9C are true and correct subject to following observations/qualifications.

PART B -CERTIFICATION

II. Certification in case the 9C is drawn up by the person other than the person who had conducted the audit.

1. Report that the audit of books of account is conducted by …….. Under the provisions of ……Act. Copy of audit report alongwith BS, P&L, CFS and other documents part thereof are annexed here.
2. Report that books of account, records and documents as required under GST law has been maintained. If not maintained specify what has not been maintained.
3. Copy of the audited annual accounts and reconciliation statement is annexed
4. Statement as to particulars given in 9C are true and correct subject to following observations/qualifications.

Penal Provision

What happens if 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/UT

Challenges for the year 2017-18

What are the challenges in Audit for 2017-18?

- Computation of turnover limit for eligibility for audit.
- First quarter of the year – VAT Audit, wherever applicable. For next 3 quarters GST audit. Assessee will have to undergo multiple audits.
- Lack of clarity in the GST law.
- Frequent changes in the law, issuance of more than 500 notifications.
- Failure of the matching concept. For example, 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 as per Sec 16(2). How can an auditor give his opinion on correctness of ITC claim?

Challenges for the year 2017-18

- Complex procedural compliance under GST.
- Reliability of the audit software is not tested.
- Absence of mandatory records in most cases.
- High volume of procedural lapses and non-compliances by the assessees, incorrect documents.
- Transitional issues, law not covering all types of transactions

Safeguards

- Documentation as to verification aspects;
- Take Management Representation Letter;
- Whether doubt, whether experts view / precedents are referred;
- Difference in view to be reported.

Thank You!

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