

# GST Audit Preparation

**ACCGST Session  
Webinar**

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# Agenda Points



● GST Audit Basics - Provisions

● Document/Information Requirements

● Reconciliation and Data Preparation

● Key Considerations

● Wrapping up and Discussion

# Audit under GST

## Brief Introduction to Departmental Audit

### Audit – Sec 2(13) – CGST Act, 2017

“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



Types of Audit



By a CA/CMA  
holding COP –  
Sec 35



By Commissioner  
or any person  
authorized by him –  
Sec 65 and Sec 66



Special Audit –  
Sec 66

# Examination Purpose

Verify the Correctness of below -

<b>Turnover Declared in Returns</b>  <b>A</b>  <b>GSTR 1 and GSTR 3B</b>	<b>Taxes Paid</b>  <b>B</b>  <b>Monthly Returns and DRC 03</b>	<b>Refund Claimed</b>  <b>C</b>  <b>Refund claimed from the Government</b>	<b>ITC Availed</b>  <b>D</b>  <b>ITC Availed in GSTR 3B</b>
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# Document requisition by Department



## Information and Documents to be prepared/ Required -

- Copies of Annual Accounts – Balance Sheet, P&L, Notes to Accounts, Cash Flow Statement Audit Report
- Copy of Annual Return and GST Audit Report with Annexures
- Sales, Purchase Register and Stock Transfer
- Details of tax paid under RCM and ITC availed
- Copies of GSTR 1 and GSTR 3B, Tax Payment Challans
- HSN of Goods – Inward and Outward (Major)
- Top 10 suppliers and Customers

Illustrative list only

## Information and Documents to be prepared/ Required -

- Income Tax Return, Tax Audit Report and Transfer Pricing Report
- Export and Import Details
- Copies of Agreements and Contracts
- Outstanding Report – Pending payments for Creditors
- Memorandum and Articles of Association
- GST Registration Certificate with place of businesses
- Copy of Inward Supply Register matching with ECL

## Information and Documents to be prepared/ Required -

- Details of Refund claims – Filed and Sanctioned
- Trial Balance
- ITC availed in Current Financial Year and Subsequent Financial Year
- ITC of Previous Year availed in Current Year
- ITC reversed – As per Sec 17(5), non payment to suppliers, Rule 42 and 43 Reversal, GSTR 2A mismatch
- ITC Reco. with GSTR 2A
- Reconciliation Statements

# Reconciliations – Outward, Inward & RCM



# Data Preparation for Audit -

## Reconciliation – Outward Supplies

GSTR 1 Vs. GSTR  
3B

Books Vs. GSTR 1  
Vs. GSTR 3B

Reco with ECL –  
Books Vs. Portal

Financial Vs. Returns

Taxes paid – Books  
Vs. Returns

E-Way Bills Vs.  
Books

E-Way Bills Vs.  
Returns

Taxes paid monthly  
Vs. Liability in  
Returns

# Data Preparation for Audit -

## Reconciliation – Input Tax Credit

ITC claimed as per  
Books and Returns

Reconciliation –  
Monthly ITC as per  
Books and GSTR 2A

ITC ineligible as per  
Books and Returns

ITC bifurcation –  
Inputs, Input Service  
and Capital Goods

ITC attributable to  
Taxable and Exempt  
supplies

Reversal of ITC –  
Invoice-wise

ITC Reco – Portal  
Vs. Books

Excess claim of ITC if  
any – Reversal with  
Interest

# Data Preparation for Audit -

## Reconciliation – RCM

RCM as per Books  
and payment as per  
Returns

Pending RCM liability  
to be paid

ITC availed on RCM

ITC on RCM not  
availed

List of Items on which  
RCM is not availed

RCM – Procurement  
from unregistered  
suppliers (till 13<sup>th</sup> Oct  
2017)

Import of Services –  
RCM paid

Overseas Group  
Company Service –  
RCM paid

# Data Preparation for Audit -

## Other Information/Details

Statement of Refund  
Claims filed Vs.  
Sanctioned

Reasons for  
difference in  
Turnover – Books Vs.  
Returns

Return filing MIS –  
GSTR 1, GSTR 3B  
and other Returns

Details of Stock  
Transfer – Same  
State and Outside  
State

Export register –  
Shipping Bill, Port  
Code and Export  
Details

Details of Debit and  
Credit Notes – Issued  
within time/ Outside  
time allowed as per  
GST Law

Returns to Suppliers  
and ITC reversed –  
Match with GSTR 2A

Financial Debit or  
Credit Notes issued

# Data Preparation for Audit -

## Other Information/Details – In-Ineligible ITC

Stock Write Offs –  
Non moving/  
Damaged stock

Insurance Claims  
Lodged

Schemes and  
Samples distributed

Free Supply  
materials

ITC on F&B,  
Construction, Rent a  
Cab

GST paid on  
purchase of Motor  
Vehicles (Car),  
Insurance & Repairs

Employee Insurance

Delayed claim of ITC

# Key Focus Areas



# Key Risk Areas to be taken care of -

## Additional Points for GST Audit -

Nature of  
Supply –  
Taxable and  
Exempt –  
Treatment  
in Returns

Mixed and  
Composite  
Supply

Applicability  
of Rule 42  
and 43

Errors in  
Returns  
and  
subsequent  
rectification  
(interest  
payment)

Salary/  
Reimburse  
ment/  
Payments  
to Directors

RCM on  
Imports as  
well as  
Ocean  
Freight

# Key Risk Areas to be taken care of -

## Additional Points for GST Audit -

Capex and  
Treatment  
of ITC on  
Capex

Transactions  
with group  
companies  
and  
Valuation  
thereof

Documenta  
tion –  
Invoice,  
DN/CN,  
Delivery  
challan  
formats

Time and  
Place of  
Supply  
issues

Treatment  
of Advance  
on Goods  
and  
Services

RCM  
entries in  
ERP and  
Liability  
generation  
for RCM

# Key Risk Areas to be taken care of -

## Additional Points for GST Audit -

Foreign  
Currency  
transactions  
–  
Expenditure  
and Receipts

Receipts for  
Exports of  
Goods and  
Services

Bad Debts  
written off

Liabilities  
Written  
Back – no  
Payment to  
Suppliers –  
Treatment  
of ITC

Remarks in  
Audit  
Report,  
Income tax  
Audit  
Report and  
Transfer  
Pricing  
Audit  
Report

Data  
gathered  
from Audit  
of third  
party  
entities

Thank you

Thanks for your Patience and Time

