

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 -

Turnover Declared in Returns	Taxes Paid	Refund Claimed	ITC Aailed
A	B	C	D
GSTR 1 and GSTR 3B	Monthly Returns and DRC 03	Refund claimed from the Government	ITC Aailed in GSTR 3B

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 13th 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

