



AUDIT UNDER GST

FY 2018-19 PERSPECTIVE

ABHAY DESAI

**B. COM., C.A., L.L.B.,
D.I.S.A.**

Who is not an 'auditor' ?

- The Devil's Financial Dictionary – Jason Zweig
- **AUDITOR**, *n* In Latin, “one who hears”; in English, also one who obeys. All too often, accountants approve a company's financial statements exactly as the company's management wishes them to be presented.
 - *“It's our job as auditors to do whatever we can to ensure that a company's financial statements are presented fairly and accurately,” said Seymour Billings, a partner in the Chicago office of the accounting firm of Tinker Hyde Alter & Berry, on a recent visit to one of his largest clients, a retail chain. “We're not policemen or fraud detectors,” Mr. Billings added, while in the adjacent building, employees of the retailer loaded filing cabinets full of financial records into a garbage truck.”*

Agenda

Legal provisions

Basic structure of the FORM GSTR – 9C

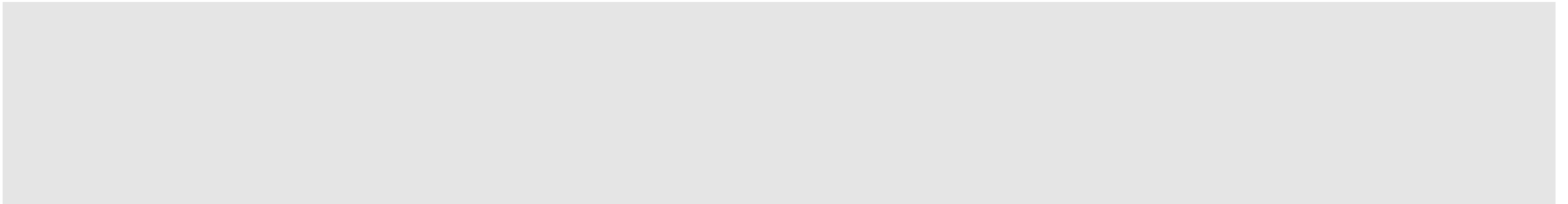
Intricacies of the FORM GSTR – 9C

Work flow

Documentation

Issues

LEGAL PROVISIONS



Self- assessment regime

- Sec. 59 of the CGST Act, 2017
 - Every registered person shall self-assess the taxes payable under this Act and furnish a return for each tax period as specified under section 39.
- Sec. 44 of the CGST Act, 2017
 - (1) Every registered person, other than an 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 :
 - (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.

GSTR – 9C related provisions

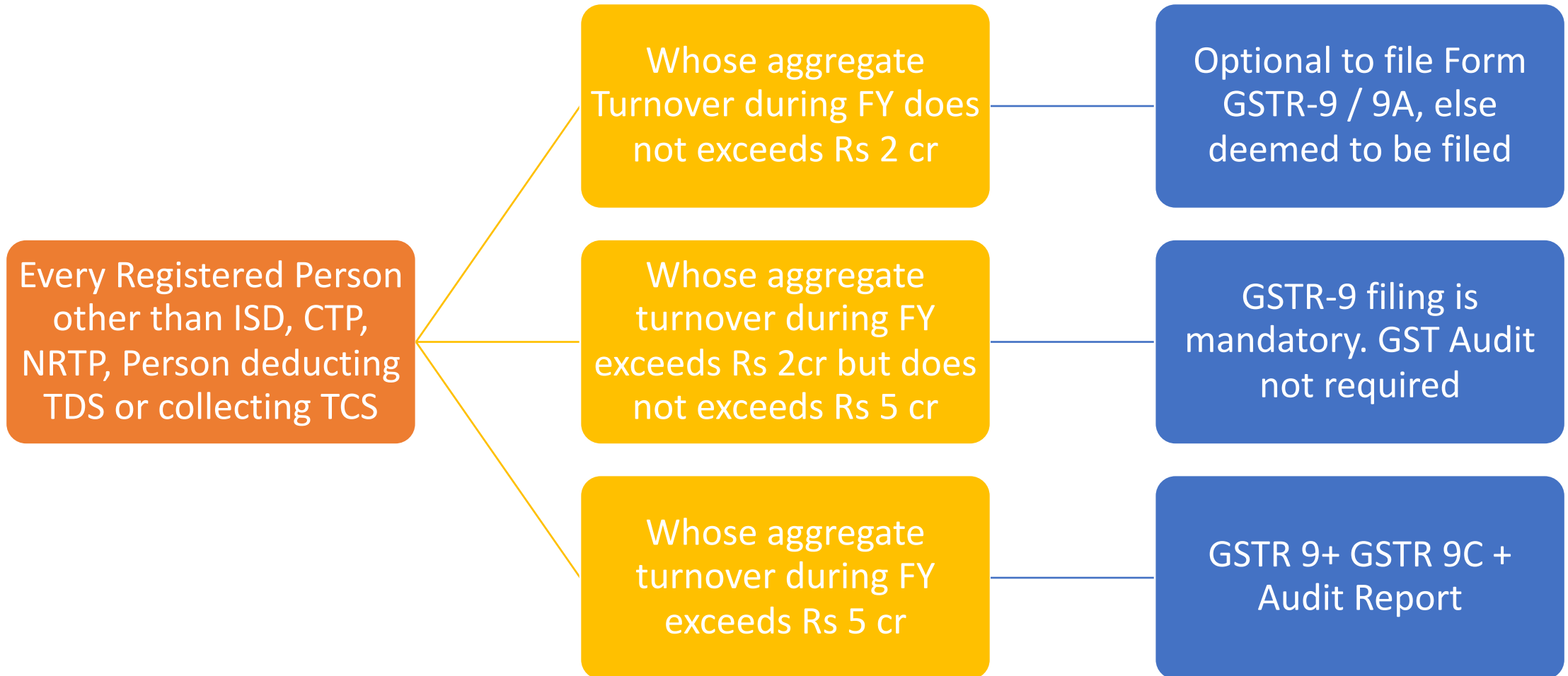
Sec. 35(5)

- 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

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.
- Provided that every registered person whose aggregate turnover during the financial year 2018-2019 exceeds five 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 for the financial year 2018-2019, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner

GSTR – 9 & GSTR – 9C



Scope of GSTR – 9C

- Sec. 2(13)
 - “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;
- Whether the said definition will apply to GSTR-9C ?

Scope as per press release

h) **Role of chartered accountant or a cost accountant in certifying reconciliation statement:** There are apprehensions that the chartered accountant or cost accountant may go beyond the books of account in their recommendations under **FORM GSTR-9C**. The GST Act is clear in this regard. With respect to the reconciliation statement, their role is limited to reconciling the values declared in annual return (**FORM GSTR-9**) with the audited annual accounts of the taxpayer.



Role of GSTR – 9 vis-à-vis GSTR – 9C

- GSTR – 9
 - Outward side – based on actuals
 - Inward side – based on GSTR – 3B
- GSTR – 9C
 - A bridge between the books and GSTR - 9

Importance

Sec. 73(10)

- The proper officer shall issue the order under subsection (9) within three years from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised relates to or within three years from the date of erroneous refund.

Sec. 74(10)

- The proper officer shall issue the order under subsection (9) within a period of five years from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised relates to or within five years from the date of erroneous refund.

Importance

- Explanation 2 to Section 74 —
- For the purposes of this Act, the expression “suppression” shall mean
- non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder,
- or failure to furnish any information on being asked for, in writing, by the proper officer.

Due date

- For FY 2018-19 extended till 30th September, 2020 (ref. Notification No. 41/2020-C.T., dated 5-5-2020)

Exception

- Exemption to foreign airlines from furnishing reconciliation statement in Form GSTR-9C (ref. Notification No. 9/2020-C.T., dated 16-3-2020)
- However a statement of receipts and payments for the financial year in respect of its Indian Business operations, duly authenticated by a practicing Chartered Accountant in India or a firm or a Limited Liability Partnership of practicing Chartered Accountants in India is to be submitted for each GSTIN by the 30th September of the year succeeding the financial year.

Penalty/Late fees for non-filing

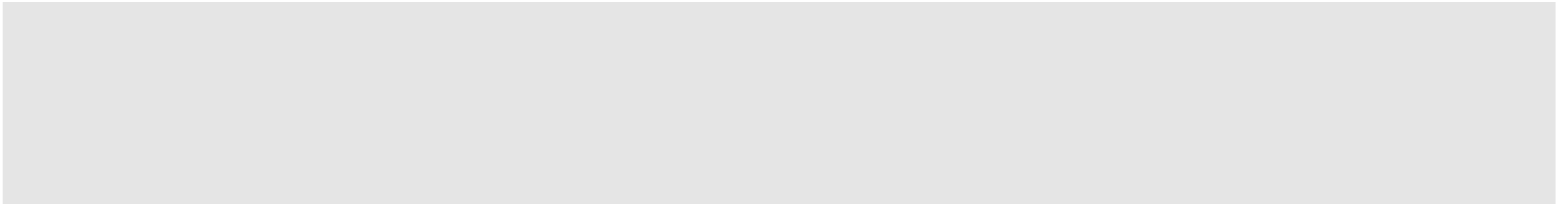
Late fees not separately provided.

Residual penalty u/s 125 (upto INR 25,000).

Issuance of notice ??

What if no additional tax is found payable ?

BASIC STRUCTURE OF GSTA – 9C



Basic structure

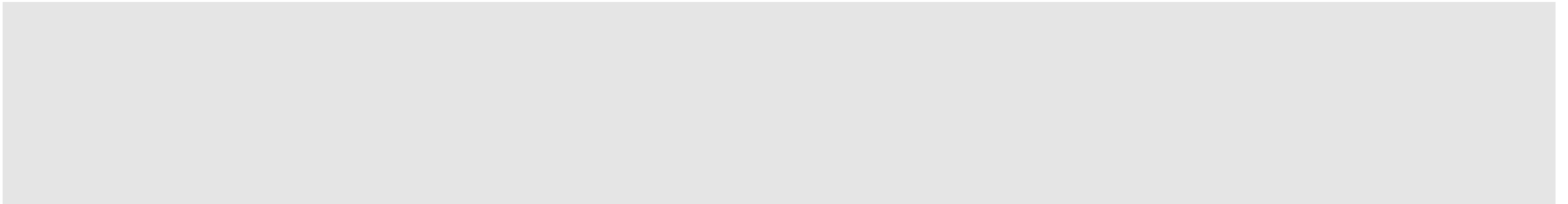
Part A –
Reconciliation
Statement with
recommendation
of additional
liability on
account of non-
reconciliation

Is your total turnover correct ?
Is your taxable turnover correct ?
Is your output tax payable correct ?
Is your input tax credit correct as compared to the ledgers ?
Is your input tax credit correct as compared to heads of expenditure ?

Part B –
Certification sub-
divided into I. &
II.

Record keeping
Particulars in GSTR – 9C are “true and fair” – Scope ??

INTRICACIES OF FORM GST-9C



Relaxations

- Notification No 56/2019- Central Tax dated 14.11.2019
- Reporting about “True and Fair” to be done instead of “True and Correct”
- Cash Flow Statement made Optional
- Consolidated reporting of all adjustments from 5B to 5N can be done in Row 5O
- Reporting in Table 12 (B & C) & 14 made Optional

PART - I

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>>

- To be filed GSTIN-wise.
- What if the taxpayer is not liable for audit under any Act but is still required to file GSTR-9C ??

PART – II TABLE 5

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)		
B	Unbilled revenue at the beginning of Financial Year	(+)	
C	Unadjusted advances at the end of the Financial Year	(+)	
D	Deemed Supply under Schedule I	(+)	
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	(+)	
G	Turnover from April 2017 to June 2017	(-)	
H	Unbilled revenue at the end of Financial Year	(-)	
I	Unadjusted Advances at the beginning of the Financial Year	(-)	
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(-)	

Whether revenue from operations or total income ??

Multi-state entities ??

Unbilled/unadjusted advance whether as on 01.04.17 Or 01.07.17 ??

Schedule – I ??

Is it possible ??

Difference between trade discounts and CN referred in J ??

How to verify ??

Financial credit notes as well as ineligible credit notes ??

PART – II TABLE 5

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	(+/-)	
O	Adjustments in turnover due to reasons not listed above	(+/-)	
P	Annual turnover after adjustments as above		<Auto>
Q	Turnover as declared in Annual Return (GSTR 9)		
R	Un-Reconciled turnover (Q - P)		AT1

Tax payable only by DTA ??

GSTR-9A ??

Sec. 15 read with Rules 27 to 33.

Rule 34

Residual adjustments vs. un-reconciled turnover in R ??

Can be derived from 5N, 10 & 11 of GSTR-9

PART – II TABLE 6

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

PART – II TABLE 7 & 8

7	Reconciliation of Taxable Turnover	
A	Annual turnover after adjustments (from 5P above)	<Auto>
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)	<Auto>
F	Taxable turnover as per liability declared in Annual Return (GSTR 9)	
G	Unreconciled taxable turnover (F-E)	AT 2
8	Reasons for Un - Reconciled difference in taxable turnover	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table (4N – 4G) + (10-11) of GSTR 9 shall be declared here

PART – III TABLE 9

9	Reconciliation of rate wise liability and amount payable thereon					
	Description	Taxable Value	Tax payable			
			Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
			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					
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				PT 1	

What to report here ??

Table 9, 10 & 11

PART – III TABLE 10

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

PART – III TABLE 11

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 TABLE 12 & 13

Pt.	Reconciliation of Input Tax Credit (ITC)		
IV			
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 (GSTR 9)		
F	Un-reconciled ITC		ITC 1
13	Reasons for un-reconciled difference in ITC		
A	Reason 1	<<Text>>	
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	

ITC declared in Table 7J of GSTR-9

PART – IV TABLE 14

14	Reconciliation of ITC declared in Annual Return (GSTR9) 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
	1	2	3	4
A	Purchases			
B	Freight / Carriage			
C	Power and Fuel			
D	Imported goods (Including received from SEZs)			
E	Rent and Insurance			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employees' Cost (Salaries, wages, Bonus etc.)			
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			
N	Other Miscellaneous expenses			
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			ITC 2

Table 7J may be used.

PART – IV TABLE 15 & 16

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	

PART - V

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
	Description	Value	To be paid through Cash			Cess, if applicable
Central tax			State tax / UT tax	Integrated tax		
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 (GSTR 9)						
Erroneous refund to be paid back						
Outstanding demands to be settled						
Other (Pl. specify)						

What is the scope of auditor for the said headings ??

VERIFICATION CLAUSE - 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.



Interplay between GSTR-9 and 9C

VERIFICATION CLAUSE - SUPPLIER

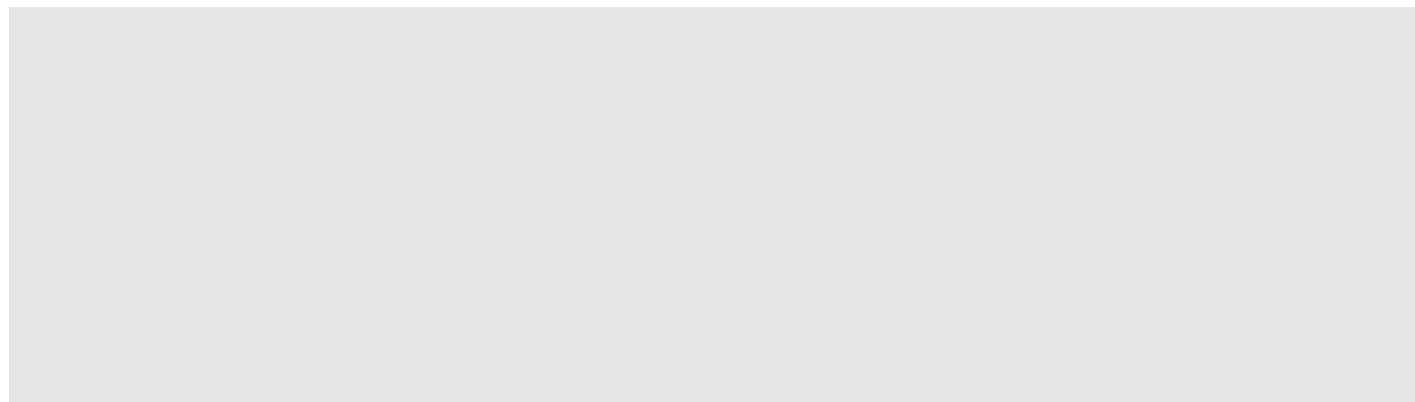
- I hereby solemnly affirm and declare that I am uploading the reconciliation statement in **FORM GSTR-9C** prepared and duly signed by the Auditor and nothing has been tampered or altered by me in the statement. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet etc.



PART-B - CERTIFICATION

- Sub-part – I
 - Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by the person who had conducted the audit.
- Sub-part – II
 - Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by a person other than the person who had conducted the audit of the accounts.

SUB-PART I



PARA - 1

- I/we have examined the—
(a) balance sheet as on
(b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on, and
(c) the cash flow statement for the period beginning fromto ending on, — attached herewith, of M/s (Name),
..... (Address),
.....(GSTIN).

PARA - 2

- Based on our audit I/we report that the said registered person—
 - *has maintained the books of accounts, records and documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder
 - *has not maintained the following accounts/records/documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder:
 - 1.
 - 2.
 - 3.

PARA - 3

- (a) *I/we report the following observations/ comments / discrepancies / inconsistencies; if any:
.....
.....
- (b) *I/we further report that, -
- (A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit/ information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit were not provided/partially provided to us.
- (B) In *my/our opinion, proper books of account *have/have not been kept by the registered person so far as appears from*my/ our examination of the books.
- (C) I/we certify that the balance sheet, the *profit and loss/income and expenditure account and the cash flow Statement are *in agreement/not in agreement with the books of account maintained at the Principal place of business atand **additional place of business within the State.

PARA - 4

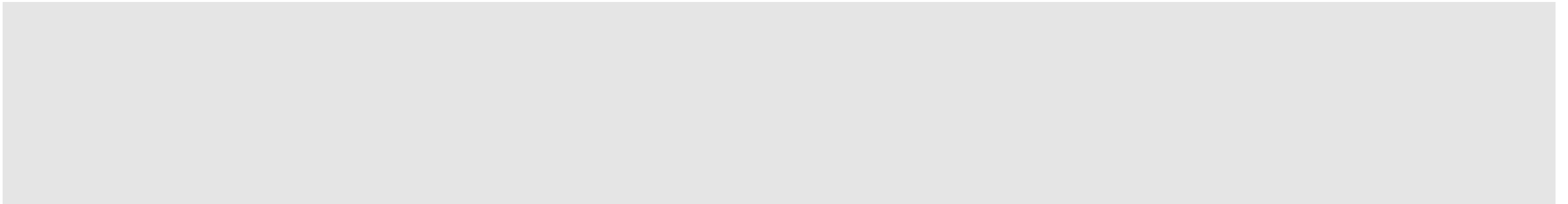
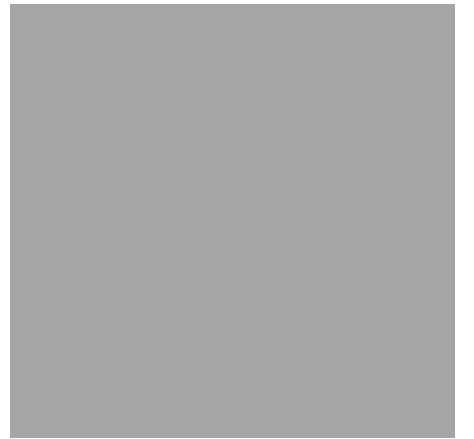
- The documents required to be furnished under section 35 (5) of the CGST Act/SGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act/SGST Act is annexed herewith in Form No. GSTR-9C.

PARA - 5

- In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No.GSTR-9C are true and fair subject to following observations/qualifications, if any:

- (a).....
- (b).....
- (c).....

SUB-PART II



PARA - 1

- *I/we report that the audit of the books of accounts and the financial statements of M/s. (Name and address of the assessee with GSTIN) was conducted by M/s. (full name and address of auditor along with status), bearing membership number in pursuance of the provisions of theAct, and *I/we annex hereto a copy of their audit report dated along with a copy of each of :-
 - (a) balance sheet as on
 - (b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on,
 - (c) the cash flow statement for the period beginning fromto ending on, and (d) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

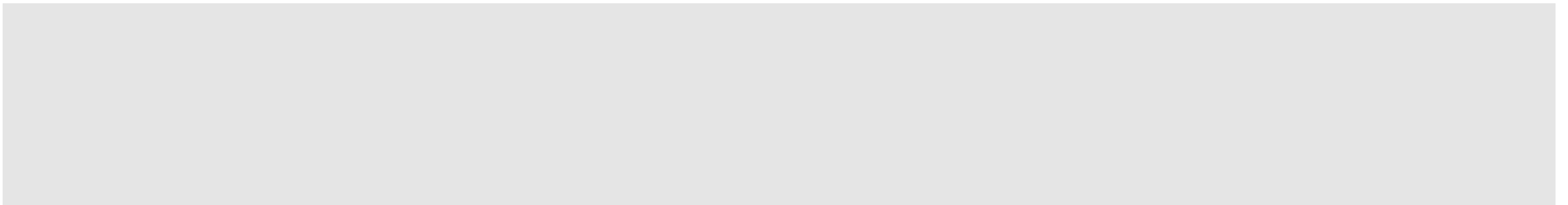
PARA – 2, 4 & 5

Same as sub-part I but referred as para 2, 3 & 4 respectively.

PARA – 3

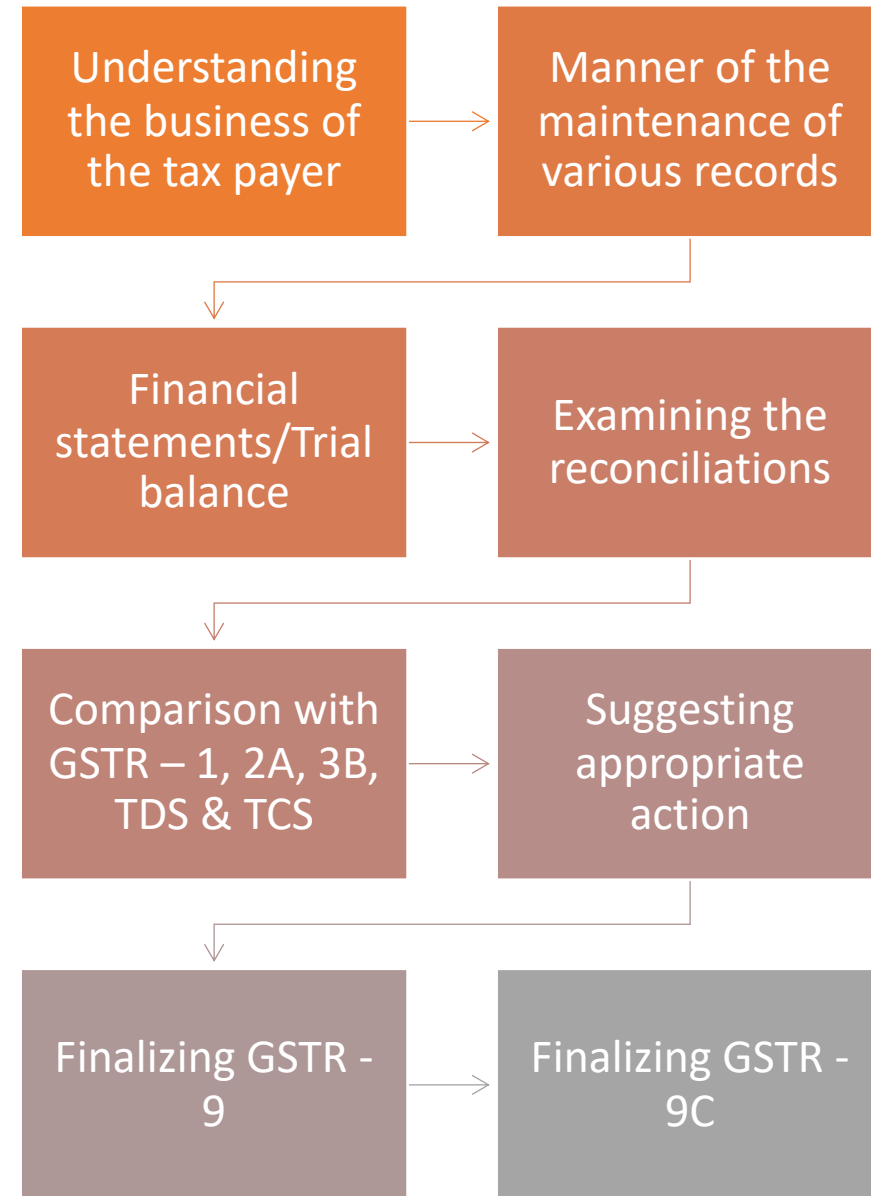
- Not contained in sub-part II.
- It contains an opinion on the books of accounts.
- Since the books of accounts are audited by other person the same to be considered as reliable for drawing GSTR-9C and no opinion to be expressed on the books of accounts.

WORKFLOW

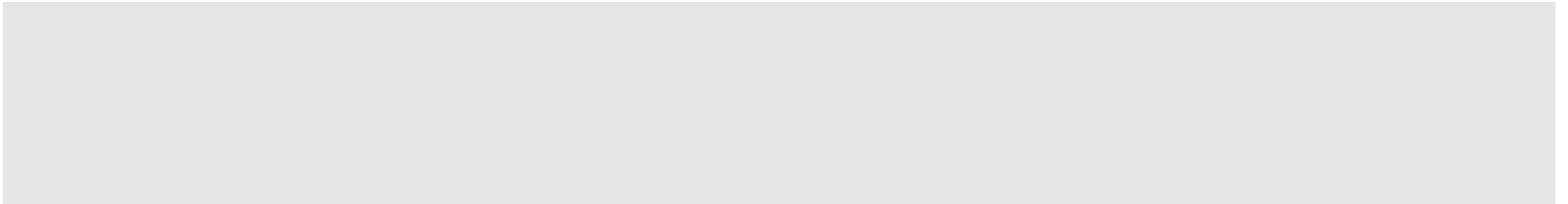




Work Flow



DOCUMENTATION



DOCUMENTATION



Engagement letter



Reconciliation working with all supporting's



Comparison working of GSTR – 9 with GSTR – 1, 2A & 3B



Management representations

ISSUES

E-way bill & GSTR – 9C

E-Way Bill was made applicable with effect from 1-4-2018.

Reconciliation may be sought between E-way bill data and the figures reported in GSTR – 9/9C.

Discrepancies to be examined (outward + inward) which may be on account of:

- Type of Transaction ?
- Monetary Value?

Issue of generating E-way bill reports ? (up to 1 year)



ISSUES

- Interest liability on delayed payment ?
- ITC reflected in GSTR – 3B beyond Sec. 16(4) ?
- Proviso related to ITC on failure to pay within 180 days ?
- ITC claimed in wrong heads ?
- RCM liabilities not paid ?
- Can an auditor revise GSTR – 9C on account of errors/legal developments/books re-casted, etc. ?

Truth Is Always Like Oil In Water; No
Matter How Much Of Water You Add, It
Always Floats On Top..!

THANKS !!

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