



CHECK LIST FOR GST AUDIT

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GST Audit Report, GSTR – 9C is required to be filed by all the taxpayers who has crossed the turnover of Rs 200 lacs during the year. Being the first year of GST and the implemented from the middle of the Financial year in 2017-18, there is a confusion for determining the turnover to be considered. Should be it for the complete financial year or from 1st of July 2017, the rollout date of GST. We would recommend to go for the complete year as there is no official communication in this matter.

As it is the first audit under GST, it is new for the Taxpayers, for the professionals and for the Department also, so we need to be extra cautions while doing the audit. The wording used in the GST Audit Certificate are “true and correct” which brings the onus and the responsibility on the GST Auditor who is certifying the same. GST audit is not a mere reconciliation between the books of accounts and the GST Return filed during the said period. If we see the definition given for the Audit in CGST Act, it says that examination of records, documents, returns along with it to verify the correctness of the taxes paid, input tax credit availed etc., So the job is not mere reconciliation but doing an in depth analysis of the implementation of GST at the clients location.

Given below is an indicative list of the check list to be followed while doing the GST Audit, it can vary from audit to audit based on the clients nature of industry.

General

- Make sure on the scope of work for the GST Audit.
- Make sure that you are aware of the total operations and business process of the client, if not understand them before the start of the Audit.
- Take an engagement letter form the client for the GST Audit
- Plan the audit work like which team member will do which work and in which location.
- Maintain all the working papers for the Audit
- Have copies of the Trial Balance, Profit & Loss Account, Balance Sheet and Cash flow statement before the commencement of the Audit Work.
- Read the GST Implementation Report of the client if they had engaged any consultant for the GST rollout and implementation.
- Check if the Anti-profiteering provisions are followed accordingly or not.
- Check if the client has received notices / demands and replies have been filed or not?
- Check if any Advance Ruling are filed by the client and the status of the same.
- Check if any order is issued for the Advance Ruling filed and the same is implemented by the client or not?
- Check if any departmental inspection proceedings for Transaction Credit is in process or completed.
- Check the internal audit report of the client and see if any observations on the GST process and the corrective action taken on those points.
- Check if the Statutory Auditor has passed any comments or given any recommendations on the GST and status of the implementation of the same.
- Check for any unusual transactions and its impact on GST.
- Check for the other incomes or miscellaneous receipts and its implications on GST.

GST Registration

- Check if the client has applied for new registration under GST or migrated from old tax regimes?
- Check how many registrations the client has?
- Check the details provided in the GST Registration Certificate with the actual principal place of business, additional place of business, partners/ directors details are correct, HSN given are relevant one, address mentioned is correct, proper documentation is there for the authorized signatories?
- Check if there are any casual registration taken during the audit period and they are surrendered?
- Check if the GSTIN / Registration Certificate is displayed in all places mentioned in the GST Registration Certificate?
- Check if there is any ISD registration taken by the client?

Supply

- Check if the items are classified as Taxable, Exempted, Nil Rate as per Law?
- Check all the transactions carried out by the client and check if they fall under the scope of supply and tax is levied on them accordingly or not?
- Verify if interstate supply is properly implemented?
- Verify if intra state supply is properly implemented?
- Check the supplies made to SEZ or SEZ Developers are actually Zero Rated supplies or not?
- Check if LUT is applied and in place for the supplier to SEZ or SEZ Developers on without payment of taxes?
- Verify the composite supply is principle of taxability is implemented or not?
- Check the supplies are classified as mixed supplies or not?
- Check the tax rate is levied accordingly or not in case of mixed supplies?
- Check if the tax rate is applied properly in case of advance received for supply of goods or services having different tax rates?
- Check on the receipt voucher is tax is levied correctly if the place of supply is not known at the time of receipt of advance from the customer?
- Check if the classification of supply of goods and services is carried out correctly or not?

Time of supply

- Check if Time of Supply is followed correctly for the inward supply of goods or services from unregistered taxpayers for receiver charge?
- Check if there any transactions for Time of supply where goods are sent on sale or approval? If yes, check if documentation is carried out accordingly.
- Check if the provisions of Time of Supply is followed for the issue of tax invoices for supply of goods or services.
- Check if the provisions related to Time of Supply are followed for the Continuous Supply.
- Check if the provisions are followed correctly for the issue of voucher as per the provisions of Time of Supply.

Documentation

- Check if the tax invoices, bill of supply, Credit / Debit Notes are issued as per the provisions of the GST provisions.
- Check if place of supply is mentioned or not in case of inter-state supplies?
- Check if the credit notes are issued by Sep 2018?
- Check if there are any debit notes to be issued for the period 2017-18?
- Check if the signatory on the tax invoice is same as the authorized signatory mentioned in the registration certificate?
- Check if the tax invoices are issued as per the provisions of the time of supply or not?
- Check if there are any goods sent on sale or approval basis and which are not returned within 6 months and tax invoices are issued or not?
- Check if the inputs sent to job worker for job work on proper delivery challan and separate series is maintained or not?
- Check the taxable value for the GSTR – 1 and e-waybill data are matching or not? Ask the client or prepare a reconciliation statement for the same.

- Check in case of supply of services, the tax invoices are issued within 30 days from the date of completion of service.
- Check if separate series and bill of supply is being issued for the non-gst and exempted supplies?
- Check if there are any cancellation of documents like Tax Invoice, Bill of Supply, Credit / Debit Note, Payment Voucher, Refund Voucher, Receipt Voucher, Delivery Challan? As per provisions cancellation is not allowed.
- Check if any invoices are revised, if yes, are they updated in the GSTR – 1 accordingly?
- Check if receipt voucher is issued for advance receipts for supply of goods till Nov 15th and for services after that also.
- Check if self-invoice is issued for RCM Payments?
- Check if e-waybill register / delivery challan register is being maintained?
- Check the document series is matching with the GST Returns and series maintained in the books of accounts?

Classifications

- Check if the goods are classified correctly as per the Customs Tariff Act?
- Check if the services are classified correctly as per the Notification No 11 of Central Taxes dated 28th Jun 2017.
- Check if the tax rate is applied on the goods or services is followed as per the relevant notifications from time to time.
- Check if the client is first identifying the HSN as per the Customs Tariff Act and then only determining the tax rate or not?
- Check if there are any Advance Rulings filed by the client for the Classification of goods or services for rates or HSN code determination.
- Check if the item master created in the systems is updated with how many digits of HSN code?

Value of Supply

- Check if the provisions of Section 15 are followed for the value of Supply or not?
- Check if any discounts are given post supply and verify the GST implications if the same is not documented in the Sales agreement or contracts or sales orders, etc?
- Check the process followed for the internal consumption for determining the valuation?
- Check the pricing followed for the branch transfers?
- Check if all the taxes are levies other than GST are included in the valuation of Goods or Services?
- Check if there are any agreements for pure agents, if verify all the process is followed for the pure agents as per the provisions of the law.

Place of supply

- Check if the Place of Supply is determined correctly for the Inter and Intra state transactions are per the IGST Act on inward and outward supplies.
- Check if the all the conditions given are fulfilled to qualify the transaction as Export of Goods or Service?
- Check if there are any import of goods / services, verify if all the provisions are met.
- Check if there any Zero rated supplies, if yes all the conditions are full filled or not?
- Check if there are any High Sea Sales and how the place of supply is determined and the provisions are met accordingly.
- Check if the client is having any intermediary supplies under GST and all the conditions are fulfilled?
- Check the place of supply provisions are followed for the purchase and sale returns?
- Check if the conditions for the location of supplier and recipient are met as per the provisions of the law and place of supply is determined accordingly.
- Check if the place of supply is determined correctly for the supplies to SEZ / SEZ Developers.

Input Tax Credit

- Check if input tax credit is availed only on the receipt of goods or services only.
- Check if the input tax credit is availed on receipt of original tax invoice only.
- Check if the input tax credit is availed only in receipt of final lot if goods are being received in lots.

- Check the eligibility of input tax credit claimed?
- Check if there are any transactions on which input tax credit is not availed?
- Check the amount of input tax credit claimed reflected correctly in the GSTR – 3B?
- Check if there are any inputs used for both taxable and exempted supplies?
- Check in the above case the input tax credit is reversed as per the provisions of the law.
- Check if matching is done between the GSTR – 2A and the purchase register.
- Check the input tax credit is accounted under the head inputs, services, capital goods, import of good and services correctly in the books of accounts.
- Check process followed for the reversal of input tax credit in case where the capital goods are sold before the completion of the life of the asset?
- Check if there are any invoices which are not paid within 180 days? If there any, check the reversal of input tax credit is done and interest is paid.
- Check the tax invoices, Debit / Credit notes received from the supplier are as per the provisions of the law?
- Check if the input tax credit is availed, the GSTIN is mentioned correctly on the supplier's tax invoice.
- Check if there is any credit which is availed is falling under the blocked input tax credit.
- Check if there are any transition credit availed in GST TRAN -1, if yes is the assessment is complete.
- Check in case capital goods purchase, on such transactions input tax credit benefit is availed and the same is considered for computation of depreciation.
- Check if there is any input tax credit availed from transition from Composition taxpayer to regular tax payer.

Reverse Charge

- Check if reverse charge tax is paid under 9(4) of the CGST Act 2017 up to 12th October 2017?
- Check if any taxes are paid under reverse charge on notified supplies under Section 9(3) and 9(5) of the CGST Act 2017 is duly paid?
- Check if the payment for reverse charge is made correctly or not?
- Check if input tax credit on reverse charge payment is taken only in cases it is eligible?
- Check all the conditions for the reverse are fulfilled or not?
- Check if the payment voucher is issued for payment of reverse charge.

Refund

- Check the client is eligible to claim a refund under the provisions of the law?
- Check if all the refund applications filed are processed for refund or any applications are still pending.
- Check if the refund is claimed as per the provisions of the GST.
- Check if there are any differences between the refund application claimed and sanctioned.
- Check the reasons for such differences if any?
- Check if the refund amount is credited correctly to the Electronic Credit ledger correctly or not.
- Check all the documents submitted with the refund application.
- Check if any of the refund applications submitted are rejected, if yes check the reasons for the same.
- Check if the client is eligible to claim refund for inverted duty structure or not?
- Check the accounting entries in the books of accounts are passed correctly for the refund claimed and received.
- Check if there is any delay in the processing of refund and if yes, has interest been credited for the delayed refund credited

Goods Sent to Job Work

- Check if all the provisions of Job Work are met? In GST the job worker cannot add any materials to the job.
- Check delivery challan are issued when material is shipped to Job Workers Location.
- Check if the Job Workers location is updated in the GST Registration if the goods are shipped directly from the Job Workers location.
- Check if the goods which are shipped prior to the rollout of GST are returned back within 6 months from the date of rollout of GST.

- Check the Job Worker is endorsing the challans before the material is being returned back to the client.
- Check if the delivery challans are separately numbered for the challans issued for the Job Work.

GST collections and payment verification

- Check the GST Liability is discharged on time or not.
- Check if Interest is paid as per provisions of section 50 for delayed payment of taxes if any?
- Check if the amount of tax collected is not more than the tax payable by the recipient or not?
- Check the tax liability is discharged under the correct heads and not discharged under wrong heads?
- If there are any such cases, check refund is claimed or how it is adjusted?
- Check the Liability register is updated correctly for the tax payable and paid.

Input Tax Service Distributor

- Check if the client has taken Input Service Distributor registration or not?
- If yes, check the returns have been filed on time or not?
- Check the distribution of credit is carried out correctly as per the provisions of the GST Law.
- Check if the tax invoices are issued correctly for the distribution of the input tax credit.
- Check if there is any ineligible input tax credit and the same is distributed or not?

Returns

- Check if the returns are filed as due date for all the registrations.
- Check the amount of late fee paid is correct or not?
- Check if the liability as per the GSTR – 3B is matching with liability as per GSTR – 1 and the sales register or not?
- Check if there is any interest payment on delayed payments is discharged or not?
- Check the liability for GSTR -1 matching with the liability as per GSTR – 9 filed.
- Check all the amendments to the invoices are getting reflected in the GSTR – 1 and GSTR – 3B correspondingly if any.

Maintenance of Books of Accounts

- Check if the books of accounts are maintained at the Principal Place of Business.
- Check if accounts are maintained as per the provisions of the GST Law.
- Check if the client has maintained separate account for advances received, paid.
- Check if the client has maintained complete data of the suppliers from whom he has purchased goods or services or both
- Check if the client has maintained complete data of the customers from whom he had supplied goods or services or both
- Check if the client has maintained Production Register
- Check if the client has maintained the Stock Register, Purchase Register, Sales Register
- Check the client has maintained proper records for Agents appointed by him if any.
- Whether the supplier maintains the Cash/Bank Register for recording the transactions entity wise?
- Whether the books of Accounts maintained are centralized or decentralized?
- Check books of accounts are maintained for each Registration or not?
- Check if the client has maintained Trail Balance and P & L for each registration number.

We should also educate the client on the process of the GST Audit and its implications before taking the GST Audit assignments. As the time involved is also lot, the professional fee should be quoted accordingly.

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