

CTC PANEL DISCUSSION – GST AUDIT REPORT

1. What is the Scope of GST Audit? Is it a mere Number-Crunching Exercise (Reconciliation) or do auditor needs to certify the correctness of GST liability?

2. The term “Audit” is defined u/s 2(13) of CGST Act, 2017. The scope as per definition includes examination of records, return etc., Verify the correctness of the turnover, taxes, refund, ITC & compliance to provision of Act. In this scenario, what is the role of Auditor & coverage under audit?

3. GST Form 9C contains 2 parts. Part A – Reconciliation Statement & Part B – Certification. Certification contains 2 parts.

Part I – Certification in case where the reconciliation statement (Form GSTR 9C) is drawn up by the person who had conducted the audit

Part II – Certification in case where the reconciliation statement (Form GSTR 9C) is drawn up by person other than the person who has conducted the audit of the accounts:

Which certification will be required by auditor in following circumstance?

Statutory Auditor/ Tax Auditor	GST Auditor	Certification
Mr. A	Mr. B	
Mr. A	Mr. A	
Not Applicable	Mr. B	

4. What is Auditors responsibility as to input credit claimed in TRAN 1?

5. Form GST 9C (Reconciliation statement & Certification) has to be filed State-wise. In case where the company has multiple registrations in various states & the statutory audit report/financial statement contains consolidated data for all state. Whether GST auditor should rely on Management representation Letter for State-wise turnover or should he get certificate from Statutory Auditors?

6. The Part B of Form 9C (Certification) contains 2 part.

-Part I – Certification in case where the reconciliation statement (Form GSTR 9C) is drawn up by the person who had conducted the audit

-Part II – Certification in case where the reconciliation statement (Form GSTR 9C) is drawn up by person other than the person who has conducted the audit of the accounts:

Clause 4 of Part II, states that “In my/our opinion and to best of my/our information & according to **examination of books of accounts** including other relevant documents & explanation given to me/us the particulars given in said form 9C are **True & correct** subject to following observation/qualification, if any”

However, in clause 6(b)(c) of Form 3CB - Tax audit report, Auditor needs to states that “In our opinion & to best of our information & according to the explanation given to us, the said accounts, read with notes thereon, if any give **True & Fair** view in conformity with accounting principles generally accepted in India”

Thus, do GST auditor needs to comment on “True & correctness” of books of accounts as against “True & fair” view in Tax audit report

7. Do Auditor needs to verify personal accounts/financial statements of proprietor while conducting GST audit of his proprietorship concern? There may be possibility of taxable supply such as renting of offices etc. by proprietor in his individual capacity on which he might not have paid GST. Whether auditor’s responsibility is limited to business account only?

8. XYZ Ltd, a registered person has presence in 4 state with following break up of Turnover of FY 2017-18.
- a. Maharashtra – Taxable Turnover Rs. 2 crore
 - b. Gujarat – Exempted Turnover Rs. 0.75crore
 - c. Andhra Pradesh – Registered as ISD – Turnover NIL
 - d. Rajasthan – Total Turnover – Rs. NIL

In which all state will XYZ Ltd require to get accounts audited under GST?

9. Whether turnover criteria of Rs. 2crore for GST audit should be considered for entire Financial Year or for period from 1st July, 2017 to 31st March, 2018?

10. XYZ Ltd is a builder following Percentage completion method of accounting & recognized profit for each of the project based on WIP. How to determine the turnover as per audited statement to be mentioned in clause 5A – Point II?

11. ABC & Co. is a firm of Engineers following cash system of accounting for paying Income Tax. Their gross receipt for F.Y 2017-18 is as under

Fees Received against invoices raised during F.Y 2016-17	3,75,00,000/-
Fees Received against invoices raised during F.Y 2017-18	50,00,000/-
Total	4,25,00,000/-

They have raised invoice of Rs.3,00,00,000/- during F.Y 2017-18 for which payment is not received till end of Financial year. Whether, GST audit is applicable? How to disclose the turnover in Point II of clause 5?

12. What is the auditor responsibility in respect to Clause 5D – Point II (Deemed Supply under Schedule I) of Form GSTR 9C? Do auditor needs to verify the transaction following under Schedule I (e.g. gifts to employee in excess of Rs. 50,000/- or supply of goods/services to related party in the course or furtherance of business without consideration) & report the same in clause 5D?

13. What is difference between “Non GST Supplies” & “No Supply” as stated in column 7B of GST report?

14. XYZ Ltd has following GST Liability for month of January, 2018.

Particulars	Amount
Output Liability	Rs. 8,00,000/-
Input Credit	Rs. 5,00,000/-
Net Output liability	Rs. 3,00,000/-

Due date for filing GSTR 3B for month of February, 2018 was 20th March, 2018. However, due to shortage of funds XYZ Ltd could not file the GSTR 3B till due date. They filed GSTR 3B on 30th March, 2018 & paid late fees & Interest u/s 50 @ 18% on Rs. 3,00,000/-.

However, their GST auditor was of the opinion that Interest U/s 50 would be applicable on Gross amount of Rs. 8,00,000/-.

The auditor wants to reflect the interest Payable U/s 50 in Clause 9L-Point III (Reconciliation of tax paid). Does the action of GST auditor justified?

15. What is different between Clause 12A-Point IV (ITC availed as per audited annual financial Statement) & Clause 14-Column 3 and Clause 14 –Column 4 (Reconciliation of ITC declared in Annual return with ITC availed on expense as per audited Annual Financial Statement or books of accounts).

Does that mean auditor needs to check eligibility of credits availed by the assessee?

16. In Point IV, Clause 14 reconciliation of ITC as per GSTR 9 & Annual financial statement is to be stated. There are various head of expenses for which ITC is neither claimed by assessee nor eligible to assessee. Whether details of such amount of ITC are also required to be mentioned in column 3 of said table?

17. In GSTR 9C there are clause for penalty mentioned at point III, Point IV etc. is auditor required to quantified the amount of penalty? Which all penalties need to be reported?

18. In point V there is table giving auditor recommendation on additional liability. The table contains clause "Erroneous refund to be paid back". Is Auditor needs to verify & responsible for the refund granted/issued by department during the year? What is to be reported by the auditor?

19. XYZ Ltd is having different registration in different states & for each state, turnover is identified by the company & given to GST auditor for audit, however there are few incomes like dividend Income, Interest Income on FD, foreign Exchange fluctuation etc. Though there is no GST liability on such income, whether the said receipt will form part of turnover if yes, under which registration (State) these incomes should be reported?

20. During the GST audit process of M Ltd, GST auditor found that turnover disclosed in GSTR 1 is matching with turnover as per Audited financial statement at Rs. 50

crore whereas Turnover disclosed in GSTR 3B is Rs. 49 crore. All supply of M Ltd is chargeable at single rate of 12%. Presuming that GSTR 1 & GSTR 3B for month of September, 2018 is already filed, can such error be rectified in GST Audit Report?

21. If common Inputs & input Services are used partly for business & partly for Non-business purpose the proportionate ITC is required to be reversed as per Rule 42. If such ITC is not reversed in 3B return of July, 2017 to September, 2018 then where such reversal can be shown by auditor in GSTR 9C?

22. Is it auditor responsible to verify each & every transaction related to Taxability, RCM liability, ITC, valuation etc. or same can be verified on test check or sample basis? The attention is drawn to the verification portion in form GSTR 9C which provides that “ I hereby solemnly affirm & declare that the information given herein above is **True & Correct** to the best of my knowledge & belief & **nothing has been concealed there from**”

23. During the GST audit of Rich Ltd, GST auditor has found that Turnover disclosed in GSTR 1 is matching with Turnover as per GSTR 3B & Audited Financial

Statement, but certain transaction of Intra State of Rs. 5 Crore is shown as Interstate supply. GST auditor is of view that Rich Ltd should pay CGST & SGST first & then claim refund of IGST.

Rich Ltd is of view that though tax is paid under wrong head but has been paid to government kitty & therefore do not want to pay CGST & SGST & wait of IGST refund. Kindly advice?

24. What is the auditor responsibility for reconciliation between GSTR 2A with ITC claimed by dealer?

25. Under Income Tax, Tax audit report in form 3CD contains disclosure of various information certified by auditor. The information in form 3CD is compiled & filled in by assessee himself & affix signature on the said form. On Similar ground Form GSTR 9C needs to be signed by assessee?
