WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

GST AUDIT

By- CA Dhara Gandhi

GST Audit: Important Aspects

- Audit Planning
- Details & Documentation
- Maintenance of Accounting Records
- Execution of Audit Assignment & Verifications
- Reporting and Sign off

Legal Provisions – Sec 35(5) of CGST Act, 2017

- Every **Registered person**
- whose **turnover** during a FY exceeds the prescribed
- limit **(INR 2 Crores)**
- shall get his accounts audited
- by a CA or ICWA and shall submit;
- a copy of the audited annual accounts,
- the reconciliation statement under Sec 44(2) in **GSTR-9C** and
- such other documents in such form and manner as may be prescribed

Aggregate Turnover

- "aggregate turnover" means the aggregate value of
- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis)
- Exempt supplies [**Includes Non Taxable, Nil Rated and Wholly Exempted Supplies**]
- Exports of goods or services or both and
- Inter-State supplies [**Inter-State Stock Transfers**]
- of persons having the same Permanent Account Number **to be computed on all India basis** but excludes central tax, State tax, Union territory tax, integrated tax and cess

What is the turnover that should be reckoned to determine the applicability of audit under GST?

Section 35(5) commences with the expression "every registered person whose **turnover** during a financial year exceeds the prescribed limit" whereas the relevant Rule 80(3) uses the expression "every registered person whose **aggregate turnover** during a financial year **exceeds two crore rupees**".

For the financial year 2017-18, the GST period comprises of 9 months whereas the relevant section 35(5) uses the expression financial year; Therefore, in the absence of clarification from Government and to avoid any cases of default, it is reasonable to reckon the turnover limits prescribed for audit i.e., Rs. 2 crores for the **whole of the financial year** which would also include the first quarter of the financial year 2017-18.

Issue 1:

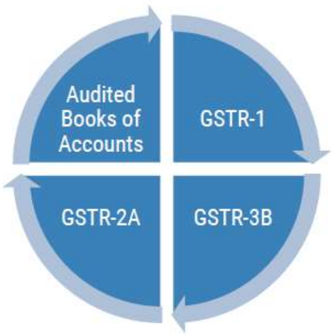
XYZ Ltd. has presence in 3 states with break-down of turnover as under:

Maharashtra-	Rs. 75 lacs
Gujarat-	Rs. 1 Crore
Delhi-	Rs. 3 Crores

XYZ Ltd. needs to get his books audited only in Delhi or in all the 3 states?

Auditor to affirm that auditee has:

- Determined taxability of Goods and / or services correctly
- Done correct classification of goods and / or services
- Determined time of supply correctly
- Determined place of supply properly
- Done proper valuation of goods and / or services
- Availed and utilized Input tax credit correctly
- Claimed exemptions and refunds correctly



- **Reconciliation Statements;**
  - Between Monthly Return Vs Annual Return
  - Annual Return Vs Audited Financials
  - Monthly Returns Vs Audited Financials

Miscellaneous

- Taxes
  Tax Payable, Tax Paid, Interest, Late penalty etc
- Refunds
  Claimed, Sanctioned, Rejected , Under Process
- Ineligible ITC
- Calculation of ITC Reversal
  On account of Exempted/ Non Business Transactions with Related entities/ Distinct person

Clause by clause analysis of GSTR 9C

GSTR 9C-Overview

Part A- Reconciliation Statement

Part B- Certification

Part	Description
I	Basic Details
II	Reconciliation of T/o declared in audited Annual Financial Statement with T/o declared in Annual Return (GSTR 9)
III	Reconciliation of Tax Paid
IV	Reconciliation of Input Tax Credit
V	Auditor's recommendation on additional tax liability due to non-reconciliation

Over-view of GSTR 9C (Part A)

PART – A - Reconciliation Statement

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>>
		(Amount in ₹ in all tables)

Part I - Sl. No. 4: Are you liable to audit under any Act?

- The Sl. No. "Are you liable to audit under any Act?" mentioned in GSTR 9C needs elaboration.
- It is possible that an entity could be subjected to audit under several statutes. For instance, a Proprietary Concern could be subject to audit under the Income tax Act, 1961 and a Private Limited Company could be subject to the statutory audit under the Companies Act, 2013 as well as under the Income tax Act. Similarly, a society registered under the Societies Registration Act may be subject to audit under that Act as well as under the Income tax Act. This fact must be specified in Sl. No. 4.

Pt. II- 5A- Turnover

Clause 5A:

- 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)

Instructions:

- Sl. No. 5A is intended to report the turnover as per the audited Annual Financial Statement for a GSTIN. There may be cases where multiple GSTINs (State-wise) registrations exist for the same PAN. This is common for persons / entities with presence over multiple States or in respect of multiple registration in a single State/UT. The Government vide it is instructions has indicated that such persons / entities would have to internally derive their GSTIN wise turnover and provide to the Auditor to verify and declare in this Sl. No.
- The Auditor must bear in mind that in a real business environment several entities may not be in a position to provide such derived turnovers. In such a situation, the Auditor has to be involved in carryout or supervising this exercise directly.

Precautions:

While declaring the turnover details, the following precautions could be adopted

- It is possible that different Auditors are appointed for certifying GSTR 9C for different registrations of the entity. As multiple Auditors are involved in certifying the GSTR 9C, the Registered Person and every Auditor must ensure that the turnovers declared by different Auditors must reconcile and add up to the total turnover of the entity as per the audited financial statements. Drawing analogy from SA 299 on "*Responsibility of Joint Auditors*", an Auditor must communicate with the other Auditors to obtain details of turnover declared by them. Alternatively, a suitable management representation may be obtained from the entity that such turnovers declared by different Registered Persons aggregate to the audited financial statements
- Care must be taken not to include the inward supplies received by the Registered Person on which tax has been paid under reverse charge (RCM).

Disclosure

- Notes to reconciliation may contain disclosure regarding certain limitations inherent in this exercise:

 In line with the ICAI Regulations, the Auditor must suitably disclose the fact that he has relied upon audited financial statements attested by another Auditor

 In case where the Registered Person is not required to get the accounts audited under any other law, the reasons for the same may be mentioned.

Issue 3: (Clause 5A)

Facts of the Case:

Turnover of A Ltd. is Rs. 250 crores PAN India. You are appointed GST Auditor only for the state of Maharashtra and as per the State PL of Maharashtra, the turnover of Maharashtra is Rs. 30 crores

Issues to discuss:

1. Whether the auditor should insist on audited/certified State PL from Statutory Auditor for the 9 months period or MRL will do?
2. What is the responsibility of the auditor to ensure that the balance Rs. 220 crores is reported in other States?

ICAI- Technical Guide

It is possible that different Auditors are appointed for certifying GSTR 9C for different registrations of the entity. As multiple Auditors are involved in certification of the GSTR 9C, the Registered Person and every Auditor must ensure that the turnovers' declared by different Auditors must reconcile and add- up to the total turnover of the entity as per the audited financial statements.

Drawing analogy from SA 299 on "*Responsibility of Joint Auditors*", an Auditor must communicate with the other Auditors to obtain details of turnover declared by him to ensure that the various turnovers declared by them. Alternatively, a suitable management representation may be obtained from the entity that such turnovers declared by different Registered Persons aggregate to the audited financial statements. Such an exercise would also be required where multiple registrations are obtained within the same State / UT for different business verticals.

Unbilled revenue at the beginning of the year (Table 5B)

- Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here.
- For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores rupees shall be declared here.
- **5H. Unbilled revenue at the end of Financial Year**

Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here.

Disclosure :

- As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, unbilled revenue which was recorded in books of accounts on basis of accrual system of accounting in the previous financial year (i.e. 201_-1_) and billed in current financial year (201_-1_) has been declared in Table 5B.
- However 201_-1_ figures are audited by other statutory auditor and same is considered by us. We have conducted our audit in accordance with SA 600.
- Reliance has been placed on the audited financial statements for determining the unbilled revenue and no separate exercise is conducted to validate the same.

Sl. No. 5C: Unadjusted advances at the end of the Financial Year

- The Government issued Notification No. 40/2017-CT dated 13th October 2017 in terms of Section 148 of CGST Act to permit Registered Persons having aggregate turnover less than Rs. 1.5 crores from paying tax on such advances. This facility was extended to all Registered Persons without threshold limit vide Notification No 66/2017-Central tax, dated 15th Nov 2017 **but only in the case of supply of goods**.
- In terms of the above notifications, an Auditor has to examine whether the Registered Person has paid tax on advances till 15th Nov 2017.
- **5I: Unadjusted Advances at the beginning of the Financial Year**
- Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.

- **Includes in adjustments:**

	Particulars	Reason
1.	Advance received for services as on 31^{st} March 2018	Revenue not recognized in books, but offered to tax for GST
2	Advance received for Goods before 15th Nov 2017 and the supply of goods not complete as on 31st March 2018	Revenue not recognized in books, but offered to tax for GST

Disclosure:

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, reliance has been placed on the audited financial statements for determining the unadjusted advances and no separate exercise is conducted to validate the same.

Deemed Supply

- The term "deemed supply" is not defined under GST Law. Section 7(1)(c) of the CGST Act provides that the activities specified in Schedule I is to be treated as a supply, when it is made without consideration.
- In cases of deemed supply transactions, it would be relevant to include suitable disclosures even in the management representation letter.

Sl. No.5E. Credit notes issued after the end of the financial year but reflected in the annual return

- 1. Value of credit notes which were issued after Mar 31, 2018 ; ***for supply accounted in 18-19(not 17-18)*** ; but such credit notes were reflected in the annual return GSTR –9 for the financial year 2017-18.
- i.e. credit notes issued after 01.04.2018 — reported in books in FY 2018-19 – but reflected in GSTR-9 of 2017-18.
- 2. Above amount would get added with Turnover as per Audited Books to reconcile it with Turnover of GSTR-9.

5J. Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST

- Eg: **Illustration**
- (i) M/s ABC and Co. supplies goods on credit to the customer Mr. A for Rs.100,000 [applicable GST 18%]. Mr. A pays the supply value much before the credit period and in turn requests the supplier to extend a cash discount of 2%. Cash discount extended at 2% shall be a Non-GST Credit note which should be considered for disclosure in Part II at Table 5J.

5F: Trade Discounts accounted for in the Audited Annual Financial Statement but are not permissible under GST

- Clause 5F requires disclosure of trade discounts which have been given effect to, in the audited financial statements but which are not permissible as part of deductions from the value of supply under the GST Laws.

Disclosure:

- As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the trade discounts provided in Clause 5F are not permissible as part of deductions from the value of supply under the GST Laws.
- The amount of trade discount has been obtained by checking the nature of discounts from Profit and Loss account, agreements, debit notes and credit notes. The trade discount of Rs.___ is reduced from sales but the same is not reduced from value of supply as per GST being it's not a pre-agreed discount/ tax is not separately shown in debit/ credit notes as per Sec 15 of CGST Act.

5G: Turnover from April 2017 to June 2017

- Following tests could be used as checks and balances to verify and validate the correctness and completeness of data entered under this head:
- For matching returns with the turnover.
- (i) Amounts declared in Excise Returns/ State Level VAT returns need to be reconciled with turnovers declared for the period April 2017 to June 2017.
- In case of services, the relevant ST3 return for the period April 2017 to June 2017 has to be reconciled
- The effect of transition provisions must be checked

CA DHARA GANDHI

5O. Adjustments in turnover due to reasons not listed above

- CBIC has vide Notification 56/2019-Cerntral Tax Dated 14.11.2019 made the amendment in GSTR 9C.
- For FY 2017-18 & 2018-19, taxpayers have an **option to not fill** this table 5B to 5N.
- Report all such adjustment in Table 5O, namely adjustment in turnover not listed above.

CA DHARA GANDHI

Sl. No. 6- Reasons for Un - Reconciled difference in Annual Gross turnover

- This portion of GSTR 9C identifies the turnover differences to be placed on record for explaining the differences between the GST Returns and the Audited Financials. All the information filled up in the GST returns has to be flown from the Books of Accounts. However, the un-reconciled turnover on account of disclosure norms as per the Accounting Standard issued by the ICAI or other statutory provisions or practices adopted by the Registered Person a on special approval basis, which are not reconciled at turnover level should be disclosed in this Sl.No.

Auditors duty:

- (a) Note

The Auditor shall make a reference to the basis for reconciliation of the turnover related adjustments called for on the basis of the information available in the Notes to Accounts and any special adjustments caused by reference to other statutory requirements

- (b) Qualification

The Auditor needs to report whether the Books and Returns can be compared and quantify the reasons duly justifiable for the discrepancies reported, if any.

- (c) Disclosure

The Auditor should make a disclosure regarding the reasons that come in the way of the reconciliation process or concluded for sake of clarity on taxable nature.

Sl. No. 7B. Value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover

7	Reconciliation of Taxable Turnover	
7A	Annual turnover after adjustments (from 5P above)	<Auto>
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply Turnover	

Table No.	Instructions
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).
7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

Pt. III	Reconciliation of tax paid					
9	Reconciliation of rate wise liability and amount payable thereon					
			Tax payable			
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
	1	2	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	
10	Reasons for un-reconciled payment of amount					
A	Reason 1	<<Text>>				
B	Reason 2	<<Text>>				
C	Reason 3	<<Text>>				
11	Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)					

Purpose, Interest, Late Fee, Penalty and Other Payables

- The purpose of the given Table is to quantify the un-reconciled tax Payable and other amounts recorded in the books of accounts with amounts disclosed in GSTR 9. It shall help the Auditor to recommend in Part V of the GSTR 9C, the additional tax Liability to be paid by the Registered Person due to Non-Reconciliation of taxable value in the Books of Accounts and GSTR 9.
- ***The amount of adjusted total turnover in Table 7E is the base from which the details of tax Paid on the basis of the reconciliation statement are reported in Table 9P. But the details in Table 9P are auto populated based on the details entered in the rate-wise GST tax Liability and the values of taxable Service there on.***

CA DHARA GANDHI

Notes to consider

- The following are the controls checks that a person should perform for validation of the amounts reported under this head:
- The turnover Ledgers, Tax Liability Ledgers and Expenses Ledgers should either be created GST rate wise or their masters should be mapped with a report which can generate rate-wise classification.
- The reconciliation statement should be prepared monthly and in some cases yearly so that difference in the tax payable and tax paid can be drilled down to the Invoice Level. Only then can the interest be calculated correctly.
- During the FY 2017-18 the rate of tax on the supply of goods and services has changed many times. To keep a track of the same, the updated consolidated rate notification is hosted on the CBIC Website under the Tab GST rates Ready Reckoner. The same tracks down the dates on which the changes were brought in various Sl.No.s of the rate Notification. The same should be referred to for identifying the tax rate changes and their effect given by the registered person in the books of accounts

CA DHARA GANDHI

Additional Notes to Consider

- The details should be entered in the given Table with the following riders or disclosures
- (a) The issues that may arise on account of classification have not been dealt with in detail and only those as noticed during the course of audit have been duly considered and reported.
- (b) In case the rate-wise details of Outward and Inward Supply have not been maintained, and reliance cannot be placed on internal control of organization in relation to recording of transactions, then the Auditor should give a disclaimer that information entered in Table 9 has been provided by the management which has not been disclosed separately and rate-wise in the books of accounts.

CA DHARA GANDHI

35

Sl. No.10: Reasons for un-reconciled payment of amount

- **GSTR 1 and GSTR 3B inter se matching but not with the Audited Financials**
- **Taxable turnover as per the books matching in GSTR 1 and GSTR 3B but tax is not matching.**
- **GSTR 3B shows less/more tax paid.**
- The possible reason for the same can be because of the difference in the classification of supply in GSTR 1 and GSTR 3B. The reporting shall be required in Table 10 only in such cases where an error has occurred in Form GSTR 3B due to reasons of
- classification like the following
- ? HSN Disputes
- ? GST rate disputes
- ? Inter State vs Intra State Supply
- ? Place of Supply
- ? Type of Supply Dispute- taxable, Exempt, Nil rated
- As the amount of tax in Table 9P shall be calculated on the basis of turnover reported and shall be treated as correct. Any deviation from the same shall be disclosed in Table 10.

CA DHARA GANDHI

36

Sl. No. 11: Additional amount payable but not paid (due to reasons specified under Tables 6, 8 and 10 above)

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)					

Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.

Pt. IV	Reconciliation of Input Tax Credit (ITC)		
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	(+)	For FY 2017-18 & 2018-19, taxpayers have an option to not fill this table.
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 (GSTR9)		
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>>	

12A: ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State- wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities would have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.

12B: Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18.

12C: Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here.

12E: Net ITC available for utilization as declared in Table 7J of Annual return (GSTR9) shall be declared here.

Sl. No. 13. Reasons for un-reconciled difference in ITC

Clause 13 seeks reasons from the books of accounts and claims in GSTR 9 for the difference. In case the **difference is positive**, possible reasons of difference should primarily include:

- The amount of ITC for the financial year claimed in point 13 of the Annual return form which is the amount of ITC claimed in returns of the subsequent year for the financial year.
- The amount of ITC available but not availed which can be divided in two further categories:

    Ineligible ITC not availed in the return

    ITC which has lapsed as not availed

Sl. No. 13. Reasons for un-reconciled difference in ITC

- In case the **difference is negative**, the matter is of concern as it is a clear indication of more than available ITC claimed. This could be on account of the following reasons:
- ITC of another GSTIN claimed in returns of GSTIN under audit
- IGST on imported goods used as FOC replacement warranty (customs duty + IGST paid by Exporter of original equipment.
- Duplicate ITC availed
- ITC of subsequent year where goods / services were received later but their invoice was received prior was availed.

Pt. IV- 14- Reconciliation of Eligible ITC For FY 2017-18 & 2018-19, taxpayers have an option to not fill this table.

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			

Pt. IV- 14- Reconciliation of Eligible ITC- For FY 2017-18 & 2018-19, taxpayers have an option to not fill this table.

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**

Sl. No. 16. Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)

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	

Table No.	Instructions
16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here.

Part V : Auditor's recommendation on additional liability due to non-reconciliation

This part of Form 9C is the outcome of the independent review by an Auditor.

The analysis of the definition of the word "Audit" helps us understand the implications of the "Audit" of a Registered Person under the CGST Act and the Rules framed thereunder:

 It is a systematic examination of records, returns and other documents;

 Maintained or furnished by the Registered Person;

 With a view to verifying the correctness of the turnover declared, taxes paid, refund claimed, and input tax credit availed, and also to assess his compliance.

The examination of records, returns and other documents maintained or furnished by the Registered Person could lead to several issues, some of which are listed below:

(a) The turnovers declared in the return filed in GSTR 3B could be at variance with the books, financials or turnovers now arrived;

(b) There could be a shortfall in taxes paid on account of incorrect availment of input taxes (viz., input tax credits may have been availed in respect of inward supplies on which tax credits are not allowed); Shortfall in output taxes may arise on account of incorrect outward supplies declared; incorrect accounting of debit / credit notes and such other reasons;

c) Input taxes availed could be incorrect viz., on account of non-reversal of payments effected to suppliers within a period of 180 days; credit may have been availed without receipt of goods or services etc.,

(d) It is these issues among others that require the conduct of an audit.

An important issue to be borne in mind is that any additional liability recommended by the Auditor is required to be discharged through cash. This fact can be borne out from the very heading to Part V of the relevant GSTR 9C.

Some issues:

(a) Is the additional liability determined by the Auditor binding on the registered person?

 At the outset, it can be inferred from the heading to Part V of GSTR 9C that the Auditor has only a recommendatory power, for recommendations given by the Auditor may or may not be acceptable to the Registered Person. If it is acceptable, there are no further questions. But if it is not acceptable, then the question that arises is how can the Auditor resolves the issue.

 At this juncture, the Auditor needs to exercise his professional diligence, skill, legal knowledge and care in determining any additional tax liability which is payable by the Registered Person. The Registered Person has the option to accept, reject or partially accept the recommended additional tax liability. In line with such recommendations, though not explicitly stated anywhere in the relevant Form or GST laws –

(i) the Registered Person can choose to make the payment of the additional tax liability in full or in part;

(ii) the Registered Person can even choose to reject the complete recommendations of the Auditor and not make the payment at all.

 Before an Auditor makes any recommendation about additional tax liability, due care must be exercised. For instance, in respect of commodity classification based on HSN if an Auditor believes that there are two possibilities then he may choose to place reliance on an expert opinion. In such a situation, a proper disclosure may suffice.

 However, when looked at from the perspective of the government, the recommendation shall form the foundation for an effective show cause notice and enquiry into the affairs of the Registered Person.

Qualification: The word 'qualification' has not been defined under the CGST Act.
As per SA 705 issued by the ICAI, the Auditor shall express a qualified opinion when:

(a) The Auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or

(b) The Auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the Auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. Therefore, while certifying Form GSTR 9C the Chartered Accountant should take utmost care in reporting a matter as an 'observation' or as a 'qualification'.

ICAI- Technical Guide

- A disclaimer can be given in opinion paragraph if Auditor is unable to identify or comment upon each and every classification of outward and inward supplies
- The Auditor should put a qualification in opinion paragraph for interpretation differences between assessee and Auditor
- The Auditor should recommend additional tax liability if any, if dispute (between assessee and Auditor) is due to error but not a conscious interpretation

In which situation is Part I or Part II of the certification required to be certified?

1. Part I certification is to be certified by a Chartered Accountant / firm of Chartered Accountant wherein the audit of books of accounts, financial statements and reconciliation statement in Form GSTR 9C are certified by the same Chartered Accountant / firm of Chartered.

2. Part II certification is to be certified by a Chartered Accountant / firm of Chartered Accountant of a Cost Accountant firm of Cost Accountants if the audit of books of accounts, financial statements and reconciliation statement in Form GSTR 9C are certified by some other Chartered Accountant / firm of Chartered Accountant.

GST Audit Report : Format (Part B)

Format I

- Certification in cases where the reconciliation statement is drawn up by the person who had conducted the audit

Format II

- Certification in cases where the reconciliation statement is drawn up by a person other than the person who had conducted the audit

Issue…

Under following circumstances, which format is ABC & Co, a CA firm suppose to use while conducting GST Audit of XYZ, a proprietary concern?

1. ABC & Co. has conducted Tax Audit of XYZ
2. ABC & Co. has conducted Cost Audit of XYZ
3. ABC & Co. is Internal Auditor of XYZ

Format I

Format II

No Audit

CA DHARA GANDHI

Thank you!

CA Dhara Gandhi

Dhara Gandhi & Associates
Email: cadhara.gandhi2018@gmail.com
Follow Facebook page for Updates:
CA Dhara Gandhi
@cacsupdate

CA DHARA GANDHI