

## ***In-depth Audit Programme & Checklist for conducting GST Audit - GST Audit Series (Part 2)***



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### **Introduction:**

An audit programme can be understood as written guidelines which can also mean an action plan which contains the broad details of work to be done by the auditor and his team. It would contain the evaluation of internal control processes in place and a list of audit procedures to be performed in order to obtain appropriate evidence. An audit programme needs to be prepared considering the nature of the industry, auditing standards, GST provisions, audit risks involved, etc. In the program, the auditor needs to break up various areas to be reviewed such as understanding of business, the extent of reliance one can place on the controls, outward supplies, inward supplies, GST input tax credits, export transactions, valuation, review of important contracts, etc.

The audit programme could also be shared with the auditee which would enable him to understand the scope and coverage of the audit. A sample audit programme after confirming the adequacy of internal control in place for conducting the GST compliance audit and self-certification support could be as under:

### **Audit Programme for conducting GST Audit:**

<b>Sr. No.</b>	<b>Particulars</b>
1.	Detailed understanding of business operations
2.	Detailed understanding of automation /ERP and other reports related to GST
3.	A detailed review of the outward supply of goods/ services including a review of financial statements to ascertain the GST impact
4.	A detailed review of the inward supply of goods/ services including a review of financial statements to ascertain the GST impact
5.	Review of classification and valuation under GST for the goods or services supplied
6.	Review of financial statements to understand the shareholding pattern, related party transactions, etc.

Sr. No.	Particulars
7.	Review of important vendor and customer agreements, and other documentation in GST
8.	Review of input tax credits and documentation
9.	<b>Deriving GSTIN-wise Turnover:</b> Entities having multiple GSTINs must derive their GSTIN-wise turnover as per audited financial statements.
10.	<b>Reconciliation of Differences:</b> Identify the transactions causing differences between turnover as per books of account/audited financial statement and the Annual Return i.e., GSTR-9.
11.	<b>Deriving Taxable turnover:</b> Derive the taxable turnover from the above after adjustments of: <ul style="list-style-type: none"> <li>Exempted/Non-GST/Nil rated/No-supply turnover</li> <li>Zero-rated supply without payment of tax</li> <li>Supplies on which tax is to be paid by the recipient on a reverse charge basis.</li> </ul>
14.	<b>Additional tax payable:</b> Derive the additional amount payable (to be paid in cash) on account of differences obtained in Tables 5 & 6 above.
15.	<b>ITC as per Books:</b> Identify the credits availed in the books of account at an aggregate level (for each GSTIN) as well as separately for each of the expenses
16.	<b>Reconciliation with 3B:</b> Obtain the working papers of GSTR 3B and map the credits as per the entries passed in the Books of accounts with that of GSTR 3B.
17.	<b>Reconciliation differences:</b> Reconcile the difference in credits as per GSTR-9 and books of account. Report the un-reconciled difference in ITC along with reasons.
18.	<b>Tax payable on ITC:</b> Derive the amount of tax payable if any on an un-reconciled difference in ITC as per table 9.
19.	<b>RCM as per Books:</b> Review the expense ledgers and identify various transactions on which tax is payable under reverse charge.
20.	<b>Reconciliation as per 3B:</b> Obtain the working papers of GSTR 3B and map the RCM liability as per the entries passed in the Books of accounts with that of GSTR 3B.
21.	<b>Reconciliation differences:</b> Reconcile the difference in RCM liability as per GSTR-9 and books of account. Report the un-reconciled difference in ITC along with reasons.
22.	<b>Tax payable on RCM:</b> Derive the amount of tax payable if any on the un-reconciled difference in RCM as per table 9.
24.	<b>Impact of reporting in subsequent FY:</b> Identify the tax on outward supplies, RCM & ITC for which impact is given in the GSTR 3B filed in the subsequent FY and reduce the said liability from the total liability.
25.	<b>Any other liability:</b> Identify any other transactions/observations where additional liability may arise which is to be reported as per the recommendation of the auditor.

Sr. No.	Particulars
26.	<b>Interest &amp; late fees:</b> Compute interest on the delay in payment of taxes and late fees, if any due to delay in filing of any monthly returns or GSTR 9.

### Checklist for conducting GST Audit:

The audit checklist covers each component of the audit program in detail. It provides further minute verification steps to be checked by the audit team. The audit checklist should be exhaustive covering all legal aspects to be verified and confirmed in the audit report. The checklist could act as a manual for the audit team to understand what to verify and how to verify. This would reduce the risk of missing out on important aspects to be verified.

Answers to the checklist could be complied (answered as a yes) or not complied (answered as a no). Wherever there is non-compliance, the auditor should examine further, and if non-compliance is observed report them and advise the auditee to comply. Further, the following points can be considered while conducting GST Audit-

Sr. No.	Particulars
<b>A.</b>	<b>UNDERSTANDING OF BUSINESS</b>
1	Peruse the website of an entity and google other information available on the industry as well as the business
2	Physical walk-through in a visit to the principal place of business/head office and branches (on a need basis)
3	Review of audited financial statements, cash flow, and gross trial balance for the audit period
4	Review of product/service including advertisement material and literature
5	Review the organizational structure in India including related parties
6	Ascertaining the associated inherent, control and detection risks
7	Discussion with HODs to get clarity - challenges in business
8	State-wise Registration/Business Verticals/Additional place of business - Understanding
9	Review of GST advance rulings obtained
10	Review of other pending litigations if any to ascertain the impact on audit certification
<b>B.</b>	<b>UNDERSTANDING THE AUTOMATION/ERP</b>
11	Review of automation/computerization in the organization covering hardware, software, physical, and access controls
12	Review of the software/ERP including a link to GSTN has controls/options to take care of all the updated legal provisions of GST.
13	Review if there are any adverse comments in Internal Audit, Earlier GST

Sr. No.	Particulars
	reports, and in IS audit if nay conducted
14	Review if there is a system of updating the masters/ledgers with updated information on customers, vendors, etc.
15	Review of books and records maintained to ascertain if they're in accordance with GST law to provide suggestions on improvements or corrections
<b>C.</b>	<b>REVENUE/SUPPLY - GOODS/SERVICES</b>
16	Review of Profit or Loss account to ascertain
	(a) Exemptions/Concessions opted
	(b) Supply in DTA/Exports/SEZ / Deemed exports
	(c) Transactions with related parties/distinct persons according to Schedule I
	(d) Special transactions such as EOU, UN, etc.
17	Review of nature of supply and implication - Composite supply/Mixed supply
18	Verification of system of advance receipts to study GST impact and treatment
19	Verification of adjustments made for advance receipts with sale invoices
20	Verification of treatment of sales/service returns and tax adjustments
21	Verification of conditions fulfilled for deductions claimed for sale/service return, defects including disclosures
22	Verification of discount policy in organization and impact under GST
23	Verification of conditions fulfilled for deductions against discounts allowed
24	Verification of unbilled revenues, adjustments, and GST impact
25	Verification of Inter unit supplies and GST impact on such supplies - Schedule I
26	Verification of benefits adopted for exports and fulfillment of conditions
27	Verification of terms of agreements entered with customers having an impact on valuation
28	Verification of recoveries from employees and GST impact on such recoveries
29	Verification of the rate of tax adopted for taxable supplies made
30	Verification of rates adopted in case of changes in rates between different rates
31	Verification of sales to SEZ to ascertain if they are zero-rated or on payment of tax
32	Verification of exports made with tax payment or without tax payment
33	Verification of rebate/refunds claimed against exports and fulfillment of conditions
34	Verification of sales made as deemed export
35	Verification of refund claims in respect of deemed exports
36	Verification of sale or disposal of fixed assets and impact under GST

Sr. No.	Particulars
37	Verification of any goods/services liable under RCM are being provided
38	Verification if billings for support services to own branches/units are done - Schedule I
39	Verification of sales made on an approval basis to ascertain GST compliance
40	Verification of sales made from exhibitions to ascertain GST compliance
41	Verification of sales made as a casual taxable person in any state to ascertain GST compliance
42	Verification of different sale schemes and impact on GST
43	Reconciliation of details of supplies as per annual return and books of accounts
<b>D.</b>	<b>PROCUREMENT OF GOODS AND SERVICES</b>
44	Review of procurement policy and system of the organization including imports
45	Review the nature of services and goods procured to ascertain the GST impact
46	Verification of procurements made through different classes such as registered dealer/manufacturer/service provider/unregistered dealer
47	Verification of purchase and expense invoices on a sampling basis to study the impact under GST with respect to taxations and credits
48	Verification of expenses liable for GST under RCM credits in them for reimbursements etc.
49	Verification of financial ledgers where ITC are taken/not taken
50	Verification of treatment of purchase returns to study the possible impact under GST
51	Verification of the foreign currency payments to ascertain RCM liability
52	Verification of goods/services are sourced at respective branches to claim credit benefit- ISD registration
53	Review of classification of goods as inputs or capital goods based on accounting for ITC purpose
54	Review the system of claiming credit and the timing involved in taking credit
55	Verification of payments made within the stipulated time for taking credit and reversals made if any
56	Review of invoices are addressed to goods/services receiving location
57	Verification of reconciliation of all expenses on which ITC availed been prepared and verified along with an annual return
58	Verification of inputs/capital goods removed and ITC impact on such goods removed v/s Schedule I
<b>E.</b>	<b>CLASSIFICATION AND VALUATION</b>
59	Review the system of recognizing sales/services and the system of invoicing customers

<b>Sr. No.</b>	<b>Particulars</b>
60	Verification of classification policy of goods/services
61	Review of schedule II to CGST considered for deemed service/goods only after confirmation of supply involved
62	Review terms of agreement/invoices to ensure description/classification is matching
63	Verification of the rate of tax adopted and adherence to the time of supply
64	Review the present valuation mechanism adopted for regular sales to customers, supplies to related parties, and supplies without monetary consideration
65	Review free supplies if any to study GST impact and compliance
66	Review of reimbursements claimed and impact on GST valuation
67	Review if there are advance receipts and their impact on the valuation
68	Review valuation adopted for supplies to agents, own branches, or godowns
69	Verification of valuation principles followed in case of different sale schemes
70	Verification of valuation adopted in case of recoveries from employees such as cab, canteen, telephone, and taxability of such recoveries after ascertaining the liability
71	Verification of valuation of goods supplied including for gifts purpose to customers to distinct persons / related parties
<b>F.</b>	<b>FINANCIAL STATEMENTS REVIEW</b>
72	Review the shareholding pattern by an investment by group companies/associated enterprises
73	Review of employee/director/partner benefits provided which could be treated as supplies and have an impact under the GST
74	Studying the nature of accounts maintained by the organization
76	Review of notes to accounts to understand the transactions with related parties, accounting principles, etc.
77	Review of debit notes and credit notes which are in line with GST/not in line with GST and the accounting
81	Reconciliation of difference between annual return and financial statements for the differences after understanding reasons from management
82	Ascertaining the taxes payable and paid along with interest implication
83	Review the income and customer ledgers, gross trial balance for credits other than payments
<b>G.</b>	<b>REVIEW OF DOCUMENTATION</b>
84	Verification of tax invoices issued for the time of supply, place of supply, and rate of tax check
85	Verification of tax invoices or bills of supply issued for disclosure compliance in GST



<b>Sr. No.</b>	<b>Particulars</b>
86	Verification of delivery challans issued for the movement of goods for approval, job work, exhibition, etc.
87	Review of various returns filed under GST such as GSTR-1, GSTR-3B, and annual return
88	Review of relevant reconciliation statements prepared
89	Review of litigations and related documents
90	Review of various reports generated for compliance such as sales register, credit register, fixed asset register, stock register
91	Review of registration certificates and places added
92	Review of documentation at branches or additional places for compliance with GST law
93	Review of export and import documents for taxes paid, zero rate claim, credits claim
94	Review of the registration certificate display compliance
95	Taking management representational letters where needed
96	Verification of GST compliance in respect of electronic records - Digital signature, storage of records
<b>H.</b>	<b>REVIEW OF AGREEMENTS/CONTRACTS</b>
97	Review of agreements/contracts/orders to identify important clauses with customers or vendors which could have a major impact under the GST
98	Review of agreements to ascertain the type of supplies being made
99	Review of agreements to understand the discount policy
100	Review of agreements to understand various sale schemes
101	Review of agreements to understand the time of supply and place of supply
102	Review of agreements to understand payment terms
<b>I.</b>	<b>TAX CREDITS</b>
103	Review the nature of expenses incurred to assess GST credits
104	Verification if there are transactions of personal nature where credits disallowed
105	Verification of credit availment mechanism and suggestions on improvement requirement
106	Verification of goods issued free of cost or as samples and GST credit impact
107	Verification of special transactions such as the sale of securities, and sale of MEIS scrips where ITC is restricted
108	Verification of credit apportionment in case of a supply of taxable and exempted supplies
109	Verification of credit availed in case of assets put partially for non-business/non-taxable use

Sr. No.	Particulars
110	Verification of documents based on which credits claimed
111	Verification of credit register and contents
112	Verification of conditions fulfilled for the credit claim
113	Verification of the reconciliation of the ITC prepared, and disclosures made in financials and annual return
<b>J.</b>	<b>REVIEW OF PERIODICAL RETURNS</b>
114	Verification of GSTR-3B and GSTR-1 filed along with Annual return filed
116	Verification of taxes paid at different rates and disclosure
117	Verification of the type of taxes paid and disclosure
118	Verification of procurement details disclosed with classification
119	Verification of interest and penalties paid along with disclosure
120	Verification of ITC-04 register to understand the compliance of job work transactions, and payment of GST in case of non-compliance
121	Verification of additional taxes discharged through the annual return

The professionals must use a checklist for the preparation of the annual return to ensure that the important aspects are not missed out while assisting the taxpayers in filing their annual returns.

Following is the checklist which could be useful for professionals and can be updated or customized based on the need and relaxation provided in the submission of information.

(Reference to FY 2021-22 has been made considering that the present annual return would be due mainly for FY 2021-22 by 31<sup>st</sup> December 2022 unless extended.)

#### Checklist for Preparation of Annual Returns:

Sr. No.	Description
1	Check whether all the outward supplies for the FY 2021-22 have been disclosed in GSTR-1. If not, such supplies are to be listed for disclosure after ascertaining the reasons.
2	Check whether the outward turnover is disclosed separately in GSTR-1 for the following supplies and other details: <ul style="list-style-type: none"> <li>• B2B</li> <li>• B2C</li> <li>• Export</li> <li>• SEZ</li> <li>• Deemed supply</li> <li>• Exempted/nil rated/non-GST supply</li> <li>• HSN Summary</li> </ul>
3	Check whether the turnover of outward supplies disclosed in GSTR-1 is reconciled with the books of accounts. Differences arising are to be verified with a listing of reasons.



Sr. No.	Description
4	Check whether all the debit notes/credit notes raised during the FY 2021-22 are disclosed in the GSTR-1
5	Check whether invoices are raised against advances received and disclosed in GSTR-1 and adjusted against the liability payable in GSTR-3B
6	Check whether the balance advances received on which invoices are not yet raised during the financial year are identified and reconciled
7	Check any changes of outward supplies of FY 2021-22 are made from April 2022 to November 2022. If yes, the reconciliation is to be checked.
8	Check whether any amendments have been done with respect to April 2021 to March 2022 outward supply and adjustment to that extent is done. Further, also see whether the assessee has maintained details of changes/amendments from April 2022 to November 2022
10	Check whether any turnover from April 2021 to March 2022 is not disclosed in the GSTR-1 return. If yes, to be considered for the annual return.
11	Check whether the turnover disclosed in the GSTR-3B or the period April 2021 to March 2022 is matching with the corresponding GSTR-1 return
12	Check whether the client has maintained reconciliation for the difference if any between GSTR-1 and GSTR-3B
13	Check whether the client has maintained reconciliation for the information of April 2021 to March 2022 in April 2022 to November 2022
14	Check whether the credit note/debit note for the supplies made during the period April 2021 to March 2022 by Sept 2022 and disclosed in GSTR-1 & GSTR-3B
15	Check whether the assessee has paid the GST on inward supplies attracting GST under reverse charge [Sec 9(3)]
16	Check whether the client has paid back/ reversed ITC wherever the payment to the supplier is not made within 180 days from the date of invoice. Also check, if the payment is made to the supplier after reversal, and the ITC is reclaimed back.
17	Check whether the reclaimed credit is identified and kept separately
18	Check whether the reversal of ITC under Rules 42 & 43 is done a month on month basis (if applicable)
19	Check whether the reversal of ITC under Rule 42 is recomputed, <ul style="list-style-type: none"> <li>• If recomputed ITC towards exempted supplies is more than the actual reversal – check whether the differential ITC has been reversed by November of the subsequent financial year along with interest. Interest is to be paid beginning from April after the end of the financial year.</li> <li>• If recomputed ITC towards exempted supplies is less than the actual reversal – check whether the excess ITC reversal has been availed back by November of the subsequent financial year, if not ITC would get lapsed</li> </ul>
20	Check whether the reconciliation between GSTR-2A/ GSTR-2B and ITC as per GSTR-3B is reconciled. If not, an assessee can be suggested to undertake and avail any missed out ITC by the due date for filing the return for the month of October of the subsequent year.
21	Check whether the payment made in GSTR-3B is offset with the corresponding liability.

Sr. No.	Description
22	Check whether the interest is paid on the delayed payment made in GSTR-3B.
23	Check whether the Non-GST inward supply, exempt inward supply and composition, and NIL-rated inward supplies are disclosed in GSTR-3B separately.
24	Check whether the turnover disclosed in the GSTR-1 & GSTR-3B is matching with books of accounts.
25	Check whether the ITC availed in the books of accounts is matching with table 4 of GSTR-3B
26	Check whether any reconciliation between books to GSTR-1 & books to GSTR-3B is done. If any difference is identified, check whether it is rectified before filing a return for October in a subsequent year. If it is not rectified, ensure that additional liability if any has been disclosed and discharged through GSTR-9.
27	The credit balance of the profit and loss account is required to be reconciled with the GSTR-1 & 3B and for any difference, a reconciliation statement needs to be prepared.
28	Check whether the advance at the end of the year is identified and matched with the books of accounts
29	Check whether a registered person has considered Schedule I transactions for payment of GST, made any adjustments like netting off expenses, etc.
30	Check whether the transactions of the financial year have been categorized by a registered person.
31	Check whether the details of the turnover which has tax implication has been separately identified.
32	Check whether the details of the turnover (tax implication + no tax implication) are bifurcated as follows: <ul style="list-style-type: none"> <li>• B2C</li> <li>• B2B</li> <li>• Exports with payment of tax</li> <li>• SEZ with payment of tax</li> <li>• Deemed exports</li> <li>• Advances at the end of the year on which invoice is not raised</li> <li>• Inward supplies on which tax is to be paid under RCM</li> </ul>
33	Check whether the turnover on which the recipient is made liable to pay the GST is identified separately
34	Check whether the details of credit notes/debit notes raised from April 2021 to March 2022 details are available.
35	Check whether the amendments made with respect to the outward supplies from April 2021 to March 2022 are identified and summarised.
36	Check whether the ITC register is maintained by the client and wherein ITC is classified as inputs, input services, or capital goods.
37	Check whether the ITC availed in GSTR-3B is matched with books of accounts as well as GSTR-2A/ GSTR-2B. If any ITC is not availed by the due date of filing the return of October 2022, the same would get lapsed.
38	Check wherever the GST is made under reverse charge on import of goods/services, the ITC on it is availed and disclosed in the GST returns

Sr. No.	Description
	wherever eligible.
39	Check whether the ITC on ISD invoices is availed and shown in the GSTR-3B.
40	Check whether a self-invoice or payment voucher is raised in the case of RCM wherever applicable.
41	Check whether the client has reversed the ITC (if any) under Rules 37, 39, 42, 43 & section 17(5).
42	Check whether the client is opted out/opted into the composition scheme, if yes see whether the corresponding availment/ reversal of ITC is done
43	Check if documentation is complete for zero-rated supplies, deemed supplies, and supplies at concessional rates.
44	Check whether any ineligible ITC is availed, if yes inform the client to reverse it at the earliest.
45	Check if the monthly returns have been filed within the due date. If not ascertain if a late fee/ penalty has been paid on such delayed filings.
46	Check whether the client has maintained the details of the refund claimed and status as of March 2022 is prepared
47	Check whether any demand notices are received by the client, if yes details of it are required to be provided
48	Check whether the client has maintained HSN-wise outward supplies/inward supplies along with quantity details.

**Note:** This checklist is only indicative and not comprehensive. For specific industries, it may need to be customized. Further, a lot of checkpoints depend upon the existence & functioning of various preventive, detective & corrective controls in the overall framework of GST compliance of a taxpayer.

### Conclusion:

Every professional or taxpayer needs to undertake the review of the annual returns before being submitted to the department as option of amendment or revision of the said forms is not available till now and whatever information we enter has to be checked and verified before being submitted. So, these points discussed above can be of good value to an organization, however, basis the industry, some additions or deletions can be undertaken to make it more comprehensive and useful for the organization.

**Views expressed are strictly personal and cannot be considered as a legal opinion in case of any query. For feedback or queries email us at [mahadev@hiregange.com](mailto:mahadev@hiregange.com) [ravikumar@hiregange.com](mailto:ravikumar@hiregange.com) or [yash@hiregange.com](mailto:yash@hiregange.com).**