



M/s. VISTA HOMES

GST Review Report – Jul'17 to Mar'18



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Background of M/s. Vista Homes

- We understand that M/s. Vista Homes (hereinafter referred as the “auditee”) is a partnership firm engaged in the business of construction of residential flats.
- Our audit covers only the GST registration of Telangana.
- The ongoing project of the auditee which is covered in our scope is “Vista Homes” which has 9 blocks A to I.
- Auditee has received OC for the blocks A,B,H,I, C, G in the pre-GST regime
- Following are the revenue sources of the auditee -
 - ❖ Sale of residential flats
 - ❖ Interest on Fixed deposit
 - ❖ Commission from sale of flats
 - ❖ Interest income for delay receipt of consideration from customers.

Scope of service

The scope of the assignment is as per the offer sent to you and confirmation received, which is as follows:

- Test check of books of accounts and other GST records for checking the compliance, reporting the deviation in the system and transactional errors.
- Suggestion on areas of weaknesses; [Verification will be conducted on the sample basis].
- Verification of various streams of income by scrutiny of Books of Accounts and ascertaining the taxability under GST
- Review of documentation and reconciliation etc. Suggesting the modifications required in accounting.
- Review of disclosure in returns.

Acknowledgement

- We acknowledge the support extended by the staff of the auditee:
- Accounting department
 - Customer Relationship Management
 - Purchase department
- for cooperating in providing the data and explanations required by us.

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Segments of report

The points arising out of the review are discussed under the following segments –

1. **List of abbreviations-** This segment covers the list of abbreviations and their extended words used in the report;
2. **Executive summary-** This segment covers a summary of issues, which have high risk and is aimed for the top management of the company.
3. **Return filing status-** This segment gives brief idea about the GST returns filed by the auditee;
4. **Conceptual report-** This segment covers aspects relating to the legal position as prevailing under law that should be noted by the company.
5. **Systems report-** This segment contains the points pertaining to areas where weaknesses were observed in terms of internal control, some of which may have ramifications on legal compliance in future if not complied.
6. **Transactional report-** This segment contains the specific transactions noted by us which may have impact in the long run if not complied with.
7. **Key assumptions and limitations of the review** - This segment list out the assumptions and limitations which are observed during the review.
8. **Annexure to the report** - In this segment, annexure to the points discussed under aforesaid heads are provided. Unless otherwise mentioned, the instances given in the annexure are illustrative only as the audit was based on test check. The same are given in the ***“VH_Annexure_Jul’17 to Mar’18_ESH”*** attached.

1. List of abbreviations

Abbreviation	Meaning
Auditee	Vista Homes
GST	Goods and Services Tax
CGST	Central GST
SGST	State GST
IGST	Integrated GST
RCM	Reverse Charge Mechanism
WDV	Written down value
w.r.t	With respect to
URD	Unregistered dealer

Abbreviation	Meaning
GSTIN	GST Identification Number
ITC	Input Tax Credit
BOA	Books of Accounts
Ref.	Reference
OC	Occupancy Certificate
Approx.	Approximately
AOS	Agreement of sale
TOS	Time of Supply
GSTR	GST Return

2. Executive summary

2.1 Risk Compliance (Based on quantification)

Observation	Risk	Ref.	Amount(in Rs./-)
Earlier of milestone or receipt should be considered for payment of tax	High	4.1	Rs.35,92,368/- (gross amount)
ST shall be paid for the milestone occurred in ST regime and amount received in GST regime	High	4.2	Not quantified as the milestone reco was not available
GST needs to be paid for the commission received from investors	High	4.4	Rs.1,31,425/-
GST needs to be paid on amount received for extra specifications	High	4.6	Rs.1,15,202/-
Credit to the extent of post OC sales needs to be reversed	High	4.12	Rs. 37,85,264/-
Short payment of GST under RCM w.r.t. URD procurements	High	4.11	Rs.12,58,919/-
VAT Collected from the customers need to be paid to the government	High	4.9	Rs. 7,52,364/-

2. Executive summary

2.1 Risk Compliance (Based on quantification)

Observation	Risk	Ref.	Amount(in Rs./-)
Transitional credit on stock was not availed in TRAN-1	Medium	4.13	Not quantified as the stock details were not available

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2. Executive summary

2.2 Value addition

Observation	Ref.	Amount (in Rs./-)
Suggestions for improvements to be made w.r.t accounting and other procedural aspects of system		No quantification

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3. Return status

During the course of our review we observed that the auditee has filed all the returns under GST both GSTR 3B and GSTR 1 within the due dates except for few as given below. We suggest to file returns under due date to avoid payment of interest. Following are the returns which were filed after the due date. *(Refer annexure "Return status" for details)*

Type of return	Month	Due date	Date of Filing	Delay
July'17	GSTR-3B	25-Aug-17	14-Sep-2017	20 days
Aug'17	GSTR-3B	20-Sep-17	20-Oct-2017	30 days
Sep'17	GSTR-3B	20-Oct-17	9-Nov-2017	20 days
Oct'17	GSTR-3B	20-Nov-17	7-Dec-2017	17 days
Nov'17	GSTR-3B	20-Dec-17	22-Dec-2017	2 days



4. CONCEPTUAL REPORT

4.1 GST needs to be paid on earlier of advance received or invoice raised for the construction services

Area	Description
Observation	It was noted that auditee is discharging GST liability on reaching of the milestone by raising an invoice to comply with the time of supply provisions. In few cases auditee is receiving the advances from the customers before raising of the invoices. GST is discharged only at the time of raising of invoice and not at the time of receipt of any advance. The amount received over and above the milestone will be posted in <i>“Creditors-customers”</i> ledger.
Provisions under GST	As per section 13(2) of CGST Act, time of supply of services shall be the earlier of the date of issue of invoice or date of receipt of payment.
Impact	There is a delay in discharging GST liability to the extent of advance received from the customer for which interest @18% p.a will be liable to be paid. Amount of advance received for which invoices are not yet raised as on 31 st March 2018 is Rs.35,92,368/- . <i>(Refer annexure ‘GST on advance’)</i>
Recommendations	Hence, it is suggested to the auditee to discharge the interest @18% p.a for such delay in discharging GST liability and to ensure that in future, earlier of date of receipt of advance or the date of invoice is considered for discharging GST liability.

4.2 ST shall be paid for the milestones occurred in ST regime and amount received in GST regime

Area	Description
Observation	In ST regime, auditee was in practice of discharging ST on receipt basis irrespective of milestone mentioned in the AOS. However, in GST regime auditee started discharging GST liability on completion of milestone. There are few transactions, for which milestone was completed in ST regime but amount was not received in ST regime and hence ST was not discharged on the same. When such amount is received in GST regime, GST also was not discharged, as the amount is paying GST on milestone basis. This resulted in short payment of service tax on such amount.
Provisions under GST	As per Sec. 142(11)(b) of CGST Act, 2017, where tax was leviable on any services under ST regime, then ST only shall be discharged on the same.
Impact	Resulted in short payment of service tax.
Recommendations	It is suggested to do discharge ST after doing proper reconciliation of the milestones falling in ST regime.

4.3 GST needs to be paid on amount collected as interest for delay payment

Area	Description
Observation	During the course of our review, it was observed that auditee has collected interest charges from the customers for delayed payment of consideration.
Provisions under GST	As per Sec.15(2)(d) of CGST Act , 2017, if any interest is collected for any delayed payment of consideration, it needs to be added to the value and GST need to be discharged on the same as and when received.
Impact	Interest charged collected during the period amounts to <i>Rs.31,822/-</i> and GST on the same amounts to <i>Rs.4,854/- (Refer Annexure “ Tax needs to be paid” for details)</i>
Recommendations	We suggest the auditee to pay GST on the interest received along with interest at the earliest.

4.4 GST needs to be paid for the commission received from investors

Area	Description
Observation	It was observed that the auditee is receiving certain amount from the investors as commission for selling their flats and no GST has been discharged on the same.
Provisions under GST	As per Sec.7 of CGST Act,2017, the commission received from the investors will be a supply and GST shall be discharged on the same.
Impact	Total amount received as commission is Rs.8,61,564/- and GST on the same amounts to Rs.1,31,425/-(Refer Annexure “Commission received” for details)
Recommendations	We suggest the auditee to pay GST on the commission received along with interest at the earliest.

4.5 GST needs to be discharged on legal charges collected from the customers

Area	Description
Observation	It was observed that auditee is collecting some amount from the customers towards documentation, stamp paper and GHMC charges which are credited to legal expense a/c.
Provisions under GST	As per Sec. 7 of CGST Act, such amounts debited to the customers will amount to supply and GST shall be discharged on the same.
Impact	Legal charges collected during the audit period amounts to Rs.34,320/- and the amount of GST on the same is Rs.5,235/- . <i>(Refer Annexure 'GST on legal charges' for details).</i>
Recommendations	It is recommended to pay GST on the legal expenses collected from the customers along with interest to avoid department interference.

4.6 GST needs to be paid on amount received for extra specifications

Area	Description
Observation	Auditee is discharging GST on the extra specifications collected from the customers and auditee has missed to pay GST on the amount received for extra specifications provided to the investors.
Provisions under GST	The extra specification charges collected from the customers is a supply in terms of Sec 7 of CGST Act, 2017.
Impact	Total of such amount collected towards extra specifications amounts to Rs.7,55,212/- and GST on the same amounts to Rs.1,15,202/- -(Refer Annexure “ <i>Extra Specifications</i> ” for details)
Recommendations	We suggest the auditee to pay GST on the commission received along with interest at the earliest.

4.7 Refund of service tax can be claimed for cancellation of flats

Area	Description
Observation	Auditee has refunded certain amounts to the customers for the cancelled flats. Few of such flats were booked under Service tax (ST) regime, and ST was paid on the same. The auditee has neither applied for the refund nor the tax amount is withheld while making payment to customer.
Provisions under GST	As per section 83 of Finance Act read with section 142(5) of CGST Act'2017, any taxes paid under earlier laws on consideration received can be claimed as refund if the same is refunded to customers.
Impact	Total amount refunded to the customers during the review period is Rs.2,25,000/- and the approximate amount of service tax involved is Rs.9,788/-. <i>(Refer Annexure "Flats cancelled_ST" for details).</i>
Recommendations	It is suggested to the auditee to go for refund of service tax involved in the amounts refunded to the customers.

4.8 Amount refunded to the customers at the time of cancellation should be in line with the AOS

Area	Description
Observation	It was observed that as per clause 10.5 of AOS entered with the customers, at the time of cancellation of flat auditee will refund the amount excluding taxes. However, at the time of refunding auditee is refunding the amount including taxes in few instances.
Provisions under GST	As per Sec.34(2) of CGST Act, 2017 a registered person cannot adjust the credit note issued for the supplies made in any FY after the September month of the subsequent FY.
Impact	Flats booked in a year and cancelled after Sep'18, then no GST credit note can be issued accordingly the GST paid on the same cannot be adjusted against subsequent liability. Hence, the GST portion on the amount refunded will result in cost to the auditee.
Recommendations	It is recommended to not to refund the GST portion in such cases to the customers if not auditee has to bear the cost.

4.9 VAT collected from the customers needs to be paid to the government

Area	Impact/Recommendation
Observation	Auditee has collected VAT from the customer and the same has not been paid to the department.
Provisions under GST	Any amount collected as taxes from the customers shall be paid to the respective government.
Impact	VAT collected amount to Rs. 7,52,364/- (<i>Refer annexure “VAT Collected” for details</i>)
Recommendations	It is suggested to pay the same to the respective governments.

4.10 Interest needs to be paid for delay in payment of taxes

Area	Description
Observation	Auditee in few cases has not filed the returns within due date and interest is discharged for delay in payment of tax.
Provisions under GST	Interest shall be paid @ 18% on the gross liability for delay in payment of tax.
Impact	(i) The amount of Interest to be discharged by the auditee is amounting to Rs.40,813/- (<i>Refer annexure “Interest payable for delay” for details</i>) (ii) Penalty may also be demanded by the department.
Recommendations	Suggested to discharge the interest.

4.11 Short payment of GST under RCM on URD procurements

Area	Description
Observation	Auditee has discharged GST under RCM on the unregistered inward supplies only for the months of July'17 and Aug'17. For the period 1 st Sep 2017 to 12 th Oct 2017, GST is not discharged on the assumption that GST is not required to be paid on the same.
Provisions under GST	As per Sec 9(4) of the CGST act,2017, up to 12th Oct'17 GST shall be payable under RCM for the supplies received from unregistered persons irrespective of the quantum of transaction. Exemption has been provided only for the cases where total amount of procurements in a day are less than Rs. 5,000/-.
Impact	This lead to short payment of GST under RCM. The probable amount of GST to be discharged is Rs.12,58,919/- <i>(Refer annexure "RCM_URD" for details)</i>
Recommendation	Discharge GST on all the supplies received from the unregistered persons at the earliest along with the interest. As the due date of September'18 return has elapsed, the same cannot be availed as credit.

4.12 Credit to the extent of Post OC sales needs to be reversed

Area	Description
Observation	It was observed that the auditee is not in practice of reversing ITC on goods & services used to the extent used for post OC sales.
Provisions under GST	As per Sec 17(2) of CGST Act, 2017 credit needs to be “availed & utilized only to the extent of taxable supplies including zero rated supplies and reverse to the extent of exempt supplies”. Further, as per sec 17(3) of CGST Act, 2017 such exempt supplies includes sale post OC and thereby credit needs to be reversed in accordance with Rule 42 & 43 of CGST Rules’2017.
Impact	Non reversal of ITC resulted in excess availment of credit. The probable amount of credit to be reversed amounts to Rs. 37,85,264/- (<i>Refer annexure “ proportionate Credit” for details</i>)
Recommendations	Hence, we recommend auditee to reverse the ITC on the supplies used after post OC sales for the FY 1718 before the date of filing Annual return. Further, the management has to make a suitable decision considering the value of the credit and the interest liability.

4.13 Transitional credit wasn't availed for the ongoing project

Area	Description
Observation	It is observed that the auditee has not availed transitional credit of closing stock as on 30 th June'2017 due to some ambiguity with respect to its eligibility and non-availability of proper workings.
Provisions under GST	As per transitional provisions, Section 140 (3) of CGST Act'2017, a registered person can avail input on closing stock or semi finished goods provided such goods are purchased after 30 th June'16.
Impact	Missed to avail eligible credit. Couldn't quantify the same as the details of stock/semi finished goods for the project are not provided.
Recommendations	The auditee can quantify the same and approach the department for availing the credit.



5.SYSTEMS REPORT

5.1 1/3rd value claimed as land deduction shall be disclosed in returns

Area	Description
Observation	It was observed, auditee is charging GST @18% on the 2/3 rd of the milestones receivable from the customers towards the sale of flats.
GST Provision	Notification No. 11/2017-Central Tax (Rate), dated 28 th June'17 provides that whenever construction services are provided along with the transfer of land, then the value of land should be considered as 1/3 rd of the total value. Further, tax needs to be calculated @18% on the 2/3 rd of the total value.
Impact	Though the auditee has calculated 12% on the total value instead of 18% on 2/3 rd there is no impact on the taxes payable.
Recommendations	As the rate applicable for construction services is 18% and not 12%, we suggest auditee to disclose the 2/3 rd amount as B2C supplies and charge GST @18% on the same. The balance 1/3 rd shall be shown as non GST supplies.

5.2 Various reconciliations to be maintained

- As per Sec 35(5) of CGST act, 2017, auditee is liable to get their BOA audited and get the certification done in GSTR-9C.
- It was observed there are differences between, BOA and returns and also among diff. returns of the auditee.
- Hence, we suggest the auditee to reconcile BOA and returns to avoid adverse remarks in GSTR-9C.

Sl.no	Differences
1	Taxable value as per BOA and GSTR-3B, Short disclosure of Rs.14,29,000/- and GST as per BOA and GSTR – 3B of Rs. 3,39,480/- for the period Jul’17-Mar’18. <i>(Refer annexure “BOA vs Returns” for details)</i>
2	ITC as per BOA and GSTR-3B, Short disclosure of Rs.3,88,806/- in GSTR-3B for the period Jul’17-Mar’18. <i>(Refer annexure “BOA vs Returns” for details)</i>
3	ITC availed as per GSTR-2A and GSTR-3B. Net short availment for the review period is Rs. 7,38,702/- . <i>(Refer annexure GSTR-2A and GSTR-3B Comparison for details)</i>

5.3 Discrepancies in filing returns

Sl.No	Observation	Recommendation
1	Documents issued is not disclosed in the returns	We suggest the auditee to disclose the documents issued during the month in the GSTR-1
2	Credit notes issued to customer(unregistered) are not disclosed	We suggest the auditee to disclose the credit notes issued by decreasing the current month liability of B2C in GSTR-1
3	Exempted income like bank interest is not disclosed in the returns	Must be disclosed in (a) Table-3 of GSTR-3B (b) Table- 8 of GSTR-1
4	HSN summary is not disclosed in the returns	We suggest the auditee to update the HSN summary in the GSTR-1

5.3 Discrepancies in filing returns

Sl.No	Observation	Recommendation
5	Non-GST inward supply, exempt inward supply and composition and NIL rated inward are not disclosed in the returns	Must be disclosed in <i>Table 5 of GSTR-3B</i>
6	Interest received from the employee needs to be disclosed in the returns as exempted supply	Must be disclosed in <i>(a) Table-3 of GSTR-3B</i> <i>(b) Table- 8 of GSTR-1</i>

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5.4 Improvements required in documentation

Sl.No	Observation / Suggestion	Impact/Recommendation
(a)	Separate series needs to be maintained for the credit notes issued	We suggest the auditee to maintain a separate series for the credit notes issued.
(b)	Receipt vouchers to be issued for advances received. [Ref. Sec 31(2) read with Rule 50]	We suggest the auditee to raise receipt voucher for advances in accordance with rules specified. <i>(Refer annexure "Receipt Voucher_Format" for details)</i>
(c)	Refund vouchers to be issued for the advance refunded at the time cancellation of flats	Non-compliance of the same would attract penalty <i>(Refer annexure "Refund Voucher_Format" for details)</i>

5.4 Improvements required in documentation

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Sl.No	Observation / Suggestion	Impact/Recommendation
(d)	Separate file needs to be maintained for the output invoices raised	It was observed that the auditee is maintaining any physical copies of the invoices issued to the customers. We suggest the auditee to file the invoices issued in a separate file.
(e)	GST invoice needs to be issued in duplicate	It was observed that the auditee is generating only one invoice for issuing to the customer. We suggest the auditee to generate the invoice in duplicate and issue the original invoice to the customer and the duplicate invoice needs to be filed for our reference

5.5 Vendor compliance must be ensured

Area	Description
Observation	Few of the Vendors of the auditee have not filed their returns <i>(Refer annexure "Vendor compliance" for more details)</i>
Provisions under GST	As per Sec 16 of CGST Act,2017 one of the condition for availing credit by the recipient is that supplier has to pay tax amount and file his returns.
Impact	As the vendors of the auditee have not filed their GST returns, then the credit in the hands of the auditee will not be allowed.
Recommendations	Non compliance by vendors in filing returns may result in denial of credit and interest, penalties may attracts to auditee. Hence, we recommend auditee to take appropriate measure to safeguard the credit.

5.6 Other compliances

Sl. No.	Observation/ Recommendation	Description
(a)	Display of registration certificate at prominent place and GSTIN on the name board.	As per the provisions in this regard, every assessee shall showcase registration certificate and display GSTIN on the name board exhibited at every place of business. Non compliance of the same attracts penalty up to Rs.25,000/-. We suggest to comply the same at the earliest.
(b)	Data required for annual returns must be captured	The auditee is in the practice of capturing all the required data to file GSTR-1 and GSTR-3B. However, to file annual return some additional data is required, which is not captured by the auditee. Suggest the auditee to work on the same immediately for the period and ensure that all the relevant data is compiled. <i>(Refer annexure “Annual returns” for details)</i>

5.7 System should be in place to avoid early availment of ITC

Area	Description
Observation	It was noted that in the month of March'18 auditee has accounted the invoices which are received in May'18. Credit on the same was availed in March'18 itself (the same was noted during the oral communication).
Provisions under GST	As per Section 16 of CGST Act'2017, registered person shall be eligible to avail ITC only after obtaining proper tax paying document.
Impact	This resulted in early availment of credit
Recommendations	We suggest the auditee to account the invoices as and when they are received but not with date on invoice to avoid such early availment.

5.8 Accounting issues – Improper voucher references

Area	Description
Observation	While verification of BOA, it was noted that because of passing back dated entries, the voucher reference as is available in books is not matching with the voucher reference available on JV attached to the invoice.
Provisions under GST	-
Impact	Difficulty in tracing the invoices/documents and also no track to ensure completeness of the documents available.
Recommendations	We strongly suggest auditee to avoid passing back dated transactions to maintain BOA more accurately.

5.9 Suggestions on accounting

Sl.No	Recommendation	Description
(a)	Liability under reverse charge must be accounted transaction wise	It suggested to account for the RCM liability for each transaction, so as to have better control on the transactions considered/ignored for payment of GST under RCM.
(b)	Separate ledger needs to be maintained for the GST input and output	We suggest the auditee to maintain separate accounts for the GST input and GST output which would ease the understanding and work while performing reconciliations
(c)	Sub-group should be created under flat sales for identifying before OC and after OC	There is no bifurcation for the flats sold after OC and flats sold before OC. Sub-group should be created for identifying before OC and after OC and grouping of the each flat's ledger should be updated accordingly. This helps in avoiding the errors of disbursing GST on advances received for after OC sales.

5.9 Suggestions on accounting

Contd.

Sl.No	Recommendation	Description
(d)	Payment of tax should made through bank payments voucher	It was observed that the auditee is using purchase voucher for the payment of taxes which is inappropriate. Suggested to use payment voucher type instead of purchase voucher type. <i>(Refer Annexure “ Improper voucher for details”)</i>
(e)	Proper grouping of ledgers needs to be done	It was observed that the auditee has grouped creditor M/s. Ambe Electricals wrongly as debtor. We suggest the auditee to change the grouping to sundry creditor.
(f)	Proper narrations to be maintained for all the transactions	In few cases, there are no narrations for accounting entries, and in few cases the narrations are not inline with the entry passed.
(g)	Separate ledgers needs to be maintained for the RCM input and output	It was observed that the auditee is maintaining only one ledger for the RCM input and output. We suggest the auditee to maintain separate ledger for both input and output.

Sl.No	Recommendation	Description
(h)	Separate ledgers needs to be maintained for the discounts received and discounts allowed	During the audit, We have observed that the auditee is maintaining only one ledger for discounts received and on the discounts allowed. We suggest the auditee to maintain separate accounts for the same.
(i)	Bill to Bill accounting needs to be done	We suggest the auditee to maintain Bill to Bill accounting which will be helpful for tracking the invoice for which payment will be made after 180 days
(j)	Separate ledger needs to be maintained for the procurements from composition dealers	We suggest the auditee to maintain separate ledger for the procurements from the composition dealers.

Sl.No	Recommendation	Description
(a)	Transactions should be posted in the correct ledgers	It was observed that the auditee has posted transaction of paramount estates in business promotion ledger instead of advertisement expenses. We suggest the auditee to have proper control for posting the transactions.
(b)	Proper computations needs to be maintained	We suggest the auditee to have proper computations before filing the returns which will be helpful for the future references. There are computations which are improper and no clarity on how such amounts are arrived for filing the returns.
(c)	GSTIN of the creditors to be updated in Tally. Also the correctness of the same to be ensured	We have observed that the GSTINs of all the suppliers are not accounted in Tally. Further, few of the GSTINs updated were incorrect. It is pertinent to note that maintaining all these details in the accounting software will lead to the easy generation of GST reports useful for filing returns. Further GSTIN of all the vendors can be updated with a tool. <i>(Refer annexure "Invalid GSTIN's" for details)</i>

Sl.No	Recommendation	Description
(d)	Entries relating to RCM credit should be passed correctly.	It was observed that the RCM credit was availed in the same month when it is paid as per the returns where the same was not accounted accordingly in the BOA
(e)	Utilised credit should not be shown as asset	As the total credit of RCM has been already availed and utilized in the returns and no such RCM credit is left without utilizing it should not be shown in the BOA as asset. We suggest the auditee to pass utilization entry for the same.
(f)	Purchase register needs to be maintained	There is no separate register maintained for recording the procurements. It is advised to maintain such register so as to have a track of details of procurements such as description, HSN, GSTIN, date of invoice ,rate of tax, used for exempt or taxable supplies and to check vendor compliance etc which will help the auditee to file annual returns and to have proper reconciliation. <i>(Please refer the “Inward register” for details).</i>

5.11 Sites to be added as additional place of business

Area	Description
Observation	Auditee is registered only in the state of Telangana. Further, auditee has added its corporate office as principal place of business in the registration certificate but has not added site premises as additional place of business. However, most of the input invoices are addressed to these premises.
Provisions under GST	Sec. 2(85) of CGST Act'2017, defines place of business and which includes the place where business is ordinarily carried on.
Impact	Non compliance of the same may attract a general penalty of Rs. 25,000/-.
Recommendations	We suggest the auditee amend the registration w.r.t place of business and add the site premises under additional place of business.

5.12 Proper output invoices needs to be issued for output supplies made

Area	Description
Observation	It was observed that, invoice issued by the auditee is not in accordance with Rule 46 of CGST Rules, 2017 ie. HSN, POS, address of the customer, signature of authorised signatory has not been mentioned on the invoice.
Provisions under GST	As per Rule 46 of CGST Rules,2017 Tax invoice issued should contain particulars such as GSTIN of auditee and supplier, address of auditee and supplier, HSN and so on <i>(Refer annexure “Invoice contents” for details)</i>
Impact	Non compliance of the same may attract a general penalty of Rs. 25,000/-.
Recommendations	We suggest the auditee to issue the invoice as per the rules.

5.13 Self invoice needs to be raised for the supplies received under RCM

Area	Impact/Recommendation
Observation	There is no self invoice raised for the supplies received from unregistered person on which GST is liable to be paid under RCM.
Provisions under GST	A registered person receiving supplies from an unregistered person in terms of Section 9(3) or 9(4) of CGST Act, shall issue a self invoice in respect of such supplies received.
Impact	Auditee shall be liable to a penalty which may extend to Rs.25,000/- for not raising such self invoice.
Recommendations	It is suggested to the auditee to issue a self invoice for the supplies received by them.

5.14 Declaration needs to be obtained from the suppliers who are registered under GST but did not charged tax on invoice

Area	Impact/Recommendation
Observation	During our audit it was observed that the supplier B. Pochaiah has obtained registration on 18 th august where as the supplier has started issuing GST bill from the month of September, and similarly B.venkatesh on a/c got registered on 1 st august and started issuing GST bill from the month of September. These vendors did not charged GST on the invoices raised in August'18.
Provisions under GST	As per Sec.31(2) of CGST Act,2017 A registered person supplying taxable service shall issue a tax invoice before or after provision of service.
Impact	As IDT should be born by the recipient of supply, the vendors may demand the applicable GST on the same in near future.
Recommendations	We suggest the auditee to obtain a declaration from the supplier stating that “ In case of any future demand of GST by the department the same will not be indemnified by the auditee.”

5.15 ITC utilization entries needs to be passed in the BOA

Area	Description
Observation	It was noted that auditee has utilized the ITC for discharging GST liability however, such utilization entries was not passed in the BOA for the month of July'17 to Mar'18.
GST Provision	-
Impact	Non-passing of utilisation and reversal entries leads to difference in ITC balance as per books and returns.
Recommendations	Therefore, we recommend the auditee to pass the ITC utilization month of July'17 to Mar'18 at the earliest.

5.16 Suggested changes in the system

Sl. No.	Observation/ Recommendation	Description
(b)	Changes required in GST workings	▪ In case of auditee, it is difficult to retrieve the source of GST workings and the adjustments made thereto.GST workings must be self explanatory with proper notes and links to the base file from where they are taken. ▪ A “Reconciliation statement” must be prepared for incomes and expenses at the end of every month.<i>(Refer annexure “Reconciliations” for details)</i> ▪ Expenses register capturing all the expenditure made by the auditee needs to be maintained in the format prescribed <i>(Refer annexure “Inward register” for details)</i>

5.16 Suggested changes in the system

...Contd.

Sl. No.	Observation/ Recommendation	Description
(b)	Proper maintenance of departmental correspondence file.	Auditee is not in practice of maintaining such file, it is suggested to maintain such file with a proper index and also document even the communications made through e-mails in such file.
(c)	MIS must include the information relating to GST	The MIS sent to top management must include the following data relating to GST ▪ GST liability, % of credit availed to total revenue ▪ Credit availed, % of credit availed to total expenses ▪ Tax paid in cash, % of total liability ▪ Date of filing returns, reasons for delay in filing return(if any) ▪ Interest and late fees discharged

5.16 Suggested changes in the system

...Contd.

Sl. No.	Observation/ Recommendation	Description
(d)	Appropriate training to be given to employees in order to comply with law	Upon discussion, we observed that the employees looking after compliance are not being trained at regular intervals. The training empowers the employees to comply with the law in a better manner. We suggest the auditee to take appropriate action in this regard.

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6.TRANSACTIONAL REPORT

6.1 Cross billing needs to be done for the telephone expenses

Area	Description
Observation	It was informed that the telephone expenses will be incurred as a whole for all the companies.
Provisions under GST	As per Sec.7 of CGST Act,2017 Supply includes all forms of goods or services or both such as sale, barter, exchange license, rental etc., made or agreed to be made for a consideration by a person in the course or furtherance of business
Impact	Cross billing needs to be done in a tax invoice so that the credit can be availed by the auditee with respect to the expenditure incurred by them. <i>Probable credit missed amounts to Rs.114/-</i>
Recommendations	It is suggested to the auditee ask the tax invoice in case of cross billing and avail the ITC on the same.

6.2 ITC availed on provision created needs to be reversed

Area	Description
Observation	It was observed that the auditee has availed ITC on the provisional expenditure created for audit fees.
Provisions under GST	As per Sec.16(2) of CGST Act,2017, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both h to him unless,-- (a) he is in possession of a tax invoice (b) he has received the goods or services or both.
Impact	Probable credit taken amounts to Rs.7,656/-
Recommendations	It is suggested to the auditee reverse the ITC availed along with interest.

6.3 Ineligible ITC availed needs to be reversed

Area	Description
Observation	Auditee has availed ITC on cab hire charges paid to maruthi cabs as on 31 st October'17, voucher No. ref - 854 which is restricted.
Provisions under GST	As per sec.17(5) of CGST act,2017, credit on Rent-a-cab, Motor vehicle, and Food expenses are ineligible.
Impact	Amount involved is very nominal.
Recommendations	It is advised to reverse such ineligible ITC along with interest.

6.3 ITC cannot be availed on the purchases made from composition dealer

Area	Description
Observation	It was observed that the auditee has availed ITC on the procurements from the composition delaer.
Provisions under GST	As per Sec.10(4) of CGST Act,2017, A person who registered under section 10 shall not be entitled to collect any tax from the recipient on the supplied made by him.
Impact	Amount involve is nominal.
Recommendations	It is suggested to the auditee reverse the ITC availed along with interest.

6.5 Appropriate rate to be considered for payment of RCM

Area	Impact/Recommendation
Observation	During our audit it was observed that the auditee has paid RCM on all the unregistered procurements at the rate of 12%
Provisions under GST	As per Sec.9 of CGST Act,2017 Tax should be paid on the value determined as per Sec.15 of CGST Act,2017 at such rates as may be notified by the Government on the recommendations of the council
Impact	This is leading to paying GST at the incorrect rate we are unable to quantify as the detailed RCM workings are not given
Recommendations	We suggest the auditee to pay the GST at the proper rates.

6.6 Other compliances

Sl. No.	Observation/ Recommendation	Description
(a)	ITC must be reversed if payment to the supplier is not made within 180days	▪ Auditee is not in the practice of reversing the ITC availed if the payment to the supplier is not made within 180days. ▪ On verification of books, it was observed that the auditee is not accounting for invoice wise payments. However, we have observed on a sample basis that one supplier has not been paid within 180days and the credit was reversed in the month of September which amounts to Rs.5,433/- but interest was not discharged. Suggested to discharge interest and have a proper mechanism to track the same, reverse the ITC along with interest and reclaim after making the payment.

Key assumptions & limitations

GST compliance review has been conducted with following assumptions:

- Our review is based on CGST Act 2017, IGST Act 2017, SGST Act 2017 and CGST and IGST rules,2017 and other notifications, instructions and circulars issued under GST provisions.
- The limited review was carried out using the principles laid down by the Standards on Auditing issued by the Institute of Chartered Accountants of India from time to time
- Our review was carried out on the BOA (Tally) provided to us as on 31st oct'18.
- Our observations are subject to the records furnished, explanations and information given to us and certain limitations as set out in this report.
- As the GSTR-2 and GSTR-3 returns have been temporarily deferred, the audit review is carried out based on the GSTR-1 and GSTR-3B returns
- Input invoices are not provided (***Refer Annexure “Invoices not provided” for details***)



For clarifications
subbareddy@hiregange.com
Asiya@hiregange.com