

CAPTURE



**ERNAKULAM BRANCH OF SOUTHERN INDIA
CHARTERED ACCOUNTANTS STUDENTS'
ASSOCIATION (SICASA)
OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF INDIA**



Newsletter – July 2018

Photograph By
Shahul Kadavil, SRO0467762

Chairman's Message



Dear Young Friends ,

It gives me immense pleasure to write this message to you. The month of July was a very eventful one. We had the CA Students' Conference which was a phenomenal success and I think it was your whole hearted participation that made it such a big event. Let me also thank you for your whole hearted support for the event. We also had the Plogging event which was jogging while picking trash with a noel idea that the SICASA Ernakulam undertook. We had a lot of enthusiastic SICASA volunteers who joined us for the event and let me thank and congratulate SICASA team for organizing the Plogging event. SICASA team also undertook the planting of saplings as part of the CA week. As we come to the conclusion of July, I'm sure all of you are looking forward to the cultural event, 'ENCORE' that is coming up on the 5th of August. May I wish all the participants a very best of luck and I hope that you all come up in flying colours.

With Warm regards,

CA. Paulose Paul

Chairman, SICASA Ernakulam Branch.



Secretary's Report

Dear Friends, as we progress to another month of busy schedules and hectic work days, We SICASA Ernakulam look back into the departing month with immense pleasure and pride. July was a month which all the office bearers of SICASA faced as a challenge, the biggest event of the calendar year "CA Students Conference". Looking back I feel proud of my team for conquering the challenge with ease through some great team work and coordination. I take this opportunity to thank each and every one who stood behind us whenever there was any chaos and also would like to congratulate the whole team for bringing up such a good show.

Despite being in the pressure of IT returns due date, you guys who came in numbers and made the event a grand success. Words aren't enough to thank you all for your presence. July cannot be summed into Conference only. Despite being in the pressure of conference, the team managed to pull of two events which were related to the social obligations of SICASA. In relation with the CA Day celebrations we conducted "Plogging" an event which I guess most of the people would have never heard of.

The team assembled at the Institute for the Flag Hoisting and conducted a jogging session in which the team had collected the plastic as well as paper waste from the premises where they were jogging. The efforts were well appreciated by the citizens of Kochi and we received lot of positive comments about the same. We were happy that we introduced a new style of cleanliness and fitness to the citizens of Kochi.

On July 5th we had the Blood Donation camp, which was our next step in bringing more people into our mission of creating a large group of Donors across the CA Fraternity. The Donation camp was a big success and it was heart whelming to see the number of youths who turned up for the event. The month also had one study circle on the topic “Sunk Cost” and it was presented by Mr. Jinu Baby, one of the Office Bearers of SICASA. I would like to congratulate him for his efforts.

The photography competition for SICASA E -Newsletter cover page is also rolling smoothly and the theme for the month was “Travel Diaries“. I congratulate the editorial team for bringing up such an enthusiastic topic. The acceptance of the topic is reflected in the number of entries we had and it was a hard task to pick one up. I take this opportunity to congratulate the winner Shahul Kadavil and wish him all the best for his photographic talent.

The coming month is also a very active month for SICASA as well as the students out there. The promos of ENCORE are already out and I know most you are eagerly waiting for the ENCORE DAY. I wish everyone goodluck for the event. Take everything in the right competitive spirit, practice hard and give it your best shot. The results will follow.

Best Wishes,
Sarath M R
Secretary



Editor's Message

Dear Readers,

This month was indeed a very eventful one with so many things going around. To start with, there was the CA Students' Conference which turned out to be a huge success. Lending hands in the making of the souvenir and the event as such was indeed a marvellous experience. Also, we had the Plogging event as well as the Blood Donation Camp this month, which were both such appreciable initiatives by our team.

Well, such events aside, this month also contributed a few more Chartered Accountants to the CA community. Also, wishing success to all those students who are yet to reach there! Hoping the rains are treating you all well!

Tess George
Editor

ANALYSIS OF GST AUDIT: PROVISIONS, OPERATIONS AND FUTURE PROSPECTS

By Achuth Pradeep
SRO0479106

Audit of records of tax payers is the bed rock for the proper functioning of a self-assessment-based tax system. This provision provides for audit of the business transactions of any registered person. It is an important tool in the tax administration to ensure compliance of law and prevent revenue leakage.

Definition of audit under GST

Section 2(14): “Audit” means:

1. the examination of records, returns and other documents maintained or furnished by the registered person under this Act or rules made thereunder or under any other law for the time being in force to verify;
2. the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed; and
3. to assess his compliance with the provisions of this Act or the rules made thereunder.

Hence as per this definition, audit cannot be conducted in case of an unregistered person even if he was required to be registered.

Audits under GST

Types of Audit under GST can be broadly classified into three categories

1. Audit by tax authorities
2. Special Audits
3. Annual Audit by CA/CMA

❖ Audit by tax authorities

Section 65 authorizes conduct of audit by the Commissioner or any other officer authorized by him of the transactions of the registered persons only. The Commissioner may issue a general order or a specific order, to authorize officers to conduct such audit. As per Rule 101(1) the period of audit under sub-section (1) of Section 65 shall be a financial year or multiples thereof. The frequency and manner for conducting such audit are yet to be prescribed.

The audit will be conducted at the place of business of the registered person or office of tax authorities. Intimation of audit is to be issued to the registered person at least 15 working days in advance in accordance with Rule 101(2) in Form GST ADT-01 and the audit is to be completed within 3 months from the date of commencement of audit, which may be extended by the Commissioner, where required, by a further period not exceeding 6 months.

During the course of audit, the authorized officer may require the registered person to afford him the necessary facility to verify the books of account and also to furnish the required information and render assistance for timely completion of the audit.

Some of the best practices to be adopted for GST Audit could be-

The evaluation of the internal control viz-a-viz GST would indicate the area to be focused. This could be done by verifying:

- a) The Statutory Audit report which has specific disclosure needs in regard to maintenance of record, stock and fixed assets.
- b) The Information System Audit report and the internal audit report.
- c) Internal Control questionnaire designed for GST compliance.
- d) The use of generalised audit software to aid the GST audit would ensure modern practice of risk-based audit are adopted
- e) The reconciliation of the books of account or reports from the ERP's to the return is imperative.
- f) The review of the gross trial balance for detecting any incomes being set off with expenses.
- g) Review of purchases/expenses to examine applicability of reverse charge applicable to goods/services. The foreign exchange outgo reconciliation would also be necessary for identifying the liability of import of services.
- h) Quantitative reconciliation of stock transfer within the State or for supplies to job workers under exemption.
- i) Ratio analysis could provide vital clues on areas of non-compliance.

❖ Special Audits

Availing the services of experts is an age-old practice and a due process of law. One such facility extended by the Act is in Section 66 where an officer not below the rank of an Assistant Commissioner, duly approved, may avail the services of a Chartered Accountant or Cost Accountant to conduct a detailed examination of specific areas of operations of a registered person.

An Assistant Commissioner who nurses an opinion that the assessee not declared the value correctly or the credit availed by him is not within the normal limits, after commencement and before completion of any scrutiny, enquiry, investigation or any other proceedings under the Act, may direct a registered person to get his books of accounts audited by an expert. Such direction is to be issued in accordance with the provision of Rule 102 (1) FORM GST ADT-03.

The Chartered Accountant or the Cost Accountant so appointed shall submit the audit report, mentioning the specified particulars therein, within a period of 90 days, to the Assistant Commissioner in accordance with provision of Rule 102(2) FORM GST ADT-04.

❖ Annual Audit by CA/CMA

The concept of audit by a Chartered Accountant in the area of Indirect Taxes was confined to State Value Added Tax and Central Sales Tax laws of certain States. In Central Excise and Service tax only in case of suspicion of undervaluation or excessive credit special audits were prescribed (not much used) which continue in GST. Therefore, Chartered Accountants engaged in rendering professional services in the areas of State taxes would be familiar with those provisions. The GST law has subsumed several Indirect Tax laws – among others, it subsumed Central Excise, Service Tax, Luxury Tax, Entertainment Tax, VAT/CST, Entry tax laws etc.; certain levies under the Customs laws have also been subsumed into the GST laws.

As per section 35 of the CGST Act, every registered person whose turnover exceeds rupees two crores shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audit annual accounts along with a reconciliation statement (reconciling the value of supplies declared in the return with audited annual financial statements). The aforementioned Audit Report and Audited Annual Accounts of the company are to be submitted along with the annual return on or before 31st December following the end of the financial year.

A format for the audit report / certificate is yet to be notified. It is not clear as to whether it will be in the nature of an audit report like the statutory audit report or tax audit report, or a certificate like in case of VAT audits. If it is in the nature of a certificate, the responsibility of the GST auditor would be substantially higher.

Certificate Vs. Report – Para 2.2 of the ‘Guidance Note on Audit Report and certificates for Special Purpose’ issued by the Institute of Chartered Accountants of India notes the difference between the term ‘certificate’ and ‘report’ as under;

- A Certificate is a written confirmation of the accuracy of facts stated there in and does not involve any estimate or the opinion.
- “A Report, on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting auditor’s opinion thereon”.

Thus, where a certificate is issued, the Chartered Accountant shall be responsible for factual accuracy of what is stated therein. In case of a report, he is responsible for ensuring that the report is based on the factual data, true and fair (or in some cases true and correct) to the best of his belief, knowledge and information furnished to him.

During the course of the audit, any discrepancies found shall be corrected / rectified by declaring the correct turnovers in the annual returns. In this regard, it may be noted that the time limit for declaring the details of debit note/ credit note and for taking the input tax credit would lapse in September of the following year, whereas the annual return can be furnished by the end of December of the following year. Where any discrepancies are noted during the course of the GST audit post September, it appears that no recourse would be available to the auditee.

There would be a challenge in the reconciliation process in case of large entities having registration in multiple States/UTs, since many transactions on which GST has an impact may not have direct visibility in the financial statements.

E.g. Stock transfers, free supplies, distribution of free samples, gifts, transactions with related persons, supplies without consideration, goods sent on approval basis, supplies through agents, etc.

Also, it must be noted that the reconciliation statement can be prepared only when the audited financial statements are made available. The law, however, does not explicitly provide that the reconciliation must be prepared between the accounts audited by him and the annual return, in case of registered persons whose books of account have not been audited, say, in the case of non-company assesseees.

The advantages of audit under GST to an assessee is as follows:

- ❑ Normally, the tax department conducts an audit or assessment after the close of a financial year. It is customary to expect that the departmental audit / assessment is conducted after the close of the financial year except in cases where investigations, inspections or special audits are taken up. Naturally, any levy of additional taxes either due to non-compliance or incorrect comprehension of the complex tax laws would result in taxes plus consequential interest and penalty. GST being a tax on supplies, would tend to wipe out the top line in such cases. Given the time lag between the date of committing an error and the date of ascertaining / rectifying such error, the consequence in such situations can be quite alarming in as much as the very liquidity of an entity can be under jeopardy. This would be the scenario, even where there is no mala fide intention the part of the assessee to evade or avoid taxes that are legally due to the Government. Consequences that can arise in respect of issues that arise on account of classification or interpretation or judicial pronouncements can be disastrous.
- ❑ It is a basic fact that no assessee would be in a position to collect such additional tax levies from customers long after the transaction stands closed. On the other hand, there may also be cases where eligible credit may not have been availed, and it cannot be claimed at a later date since it is either time barred or claims have not been preferred through the returns.
- ❑ Therefore, where a review is undertaken periodically, the discrepancies will be noticed at the time of omission / commission and corrective measures can be taken in a timely manner. Thus, it would lead to maximization of credit availment and minimization of tax / other outgoes owing to proper planning and timely compliances.

Challenges for the year 2017-18:

There would be many challenges that an auditor as well as an auditee will have to face while carrying out the GST audit for the financial year 2017-18, being the first year of GST audit. Among others, some of them are listed below:

- a. Multiple audits under indirect tax laws: VAT audits may be required to be carried out for the first quarter and GST audit for the next three quarters;
- b. Lack of clarity in the GST law, frequent changes in the law, issuance of more than 300+ notifications;
- c. Failure of the matching concept – whether it would be possible to identify if the supplier has failed to remit taxes to determine eligibility of credits
- d. Complex procedural compliance under GST;
- e. Reliability of the audit software is not tested;
- f. Absence of / incomplete mandatory records;
- g. High volume of procedural lapses and non-compliances by the assessees, incorrect documents / documentation procedures;
- h. Transitional issues (law does address all types of transactions).

TRAVEL BUCKETLISTS

The spirit of a wanderer is imbibed in some by birth, in others by experiences. But once found I believe it's an urge like no other. To travel, to explore, to feel like you can't wait till your next adventure. Add a bike and a few friends to it, you've got the recipe for an adventure that's nothing short of perfect.

Every time you travel, it's an introspection, understanding more about yourself, more about others around you and so much more about the beautiful country that we live in.

The most amazing thing is that for most others, the terrains they can travel on and the cultures they can get exposed to is limited. But we, as Indians are a fortunate lot in that. We have beautiful beaches, Lush forests and the grandeur of the Himalayas to explore, not to mention the variety of cultures, practices, and my personal favourite, the languages. All those beautiful languages, beautiful people and Memorable experiences, all just only as far away from you, as the choices you make.

So understanding the importance of working hard, I think it's just as important to party harder. Life is already an adventure, and considering that we're CA students we need a break every now and then, so let's make a promise to ourselves to treat ourselves to be more important than our work - life, and travel often, to not be limited to the small world we see around us. Let's make the adventure that life gifts us interesting. Let's take off to the mountains and soar high in life.

-Harikrishnan R

MEMORIES TO LOOK BACK ON



CA Students Conference 2018



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