GST – Data Analytics

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Registration Sec 22, 23,24
Check Definitions of "aggregate turnover" aggregate value of all taxable supplies
"taxable supply" supply leviable
"non-taxable supply" supply not leviable to tax
Sec 9(1)(2) excludes levy on the supply of alcoholic liquor for human consumption, the supply of petroleum crude, high speed diesel, petrol, natural gas and ATF
"exempt supply" Nil Rate

Is Transaction a Supply to attract GST, Verify Section 7 of CGST & Schedule III Supply (8 forms of supply, consideration, furtherance of business)

Exception to Supply - Sch III No GST (Ex, immovable property, Salary)

Exception: Consideration NIL, transaction not in Sch I no GST (Ex : Intra state Branch Transfer)

Refer Sch II for Classification of Goods or Services

Refer Sec 9 of CGST / Sec 5 of IGST for Levy

Rate (HSN/SAC) 0,5,12,18,28	Valuation Section 15 Valuation Rules	RCM – Supply RCM - URP

PoPs

Goods Sec 10, 11 IGST	Services Sec 12, 13 IGST

Time of supply (ToS)

Goods Sec 12 CGST	Services Sec 13 CGST

Nature of Supply (NoS)
(Inter/Intra State)

Sec 7 of IGST,
Sec 9 of CGST

ITC
Sec 16,17,18,19, 20,21

Transitional Provisions Chapter XX

Compliances
Chpt VII – Tax invoice
VIII – Accounts & Records
IX – Returns
X – Payment of Tax
XI – Refund

Month	GSTIN	Liability (A)			ITC (B)			Payment/Refund		
		CGST	SGST	IGST	CGST	SGST	IGST	CGST	SGST	IGST
TOS	Registration	Levy, PoPs & NoS			Levy, PoPs & NoS			Chapter X, XI		

Department Work
Chpt XII Assessments
Chpt XIII Audit
Chpt XIV Inspection, search, seizure and arrest

Chpt XV Demands & Recovery
Chpt XVII Advance Ruling
Chpt XVIII Appeals and Revision
Chpt XIX Offences and Penalties

IN THIS SESSION

- Accounting process

- Traditional audit Vs Computerized audit

- Data Analytics - Spreadsheet

Objective of this session:

"To understand the IT tools & use it in order to render Effective & Efficient assessments, which leads to success & satisfaction"

Elon Musk

In aerospace in order to create SpaceX
In automotive in order to create Tesla with self-driving features
In trains in order to envision the Hyperloop
In aviation in order to envision electric aircraft that take off and land vertically
In technology in order to envision a neural lace that interfaces your brain
In technology in order to help build PayPal
In technology in order to co-found OpenAI, a non-profit that limits the probability of negative artificial intelligence futures

Can Audit Become Agile?
Seven Keys To Thinking The Unthinkable

- 1st , active and broader involvement in disruption:
- 2nd , being prepared and adaptive
- 3rd , assessing the risk of future disruption
- 4th , proactive involvement in disruptive events
- 5th , flexible talent management
- 6th , flexible planning
- 7th , put new technologies to work.

New & Emerging Technology – Impact on AUDITOR

- **Mobility**
- **Cloud**
- **Digital Service Delivery**
- **Big Data**
- **Social Collaboration**
- **Block Chain Technology**
- **Artificial Intelligence**
- **Machine Learning**
- **IOT**
- **Payment Systems**
- **Cyber Security**
- **Robotic**

Embrace and leverage new technologies in performing audit work. Auditors need to be at the forefront of adopting artificial intelligence, cognitive computing, and smart robots. Auditors need to understand how technologies such as blockchain work and how they can be used in their organizations. They must take advantage of machine learning and data analytics in their audit processes — real-time auditing should be a requirement as organizations implement new business processes.

Audit under Computerization

- Automatic Markup Calculations
- Automatic reconciliations
- Easy examination of annual accounts
- Easy ledger scrutiny
- Comparison of periodical balances
- Reduction of cost and time.
- Decision on detailed search

Why IT to Officers

Officers Functions	IT Functions
Collection of information	Input – Process – Output
Summarizing & Classification	Thru Arithmetic & Logical Operations
Analyzing	Uses Hardware and Software
Interpretation & Decision Making	For Interpretation & Decision Making
Reporting	Reporting

## Let us do what systems cannot do

Relevant Tools to Officers

IT Functions thru following tools

Software	Hardware
Word Processing	Computers
Spreadsheets	Printers
Database	Networking
ERPs & Accounting software	Communication devices
OS & Utilities	

Let us integrate Officer's functions with IT Tools

Accounting for Software

- **Credit**   - **Debit**

Income   Expenditure

- **Liability**   - **Asset**
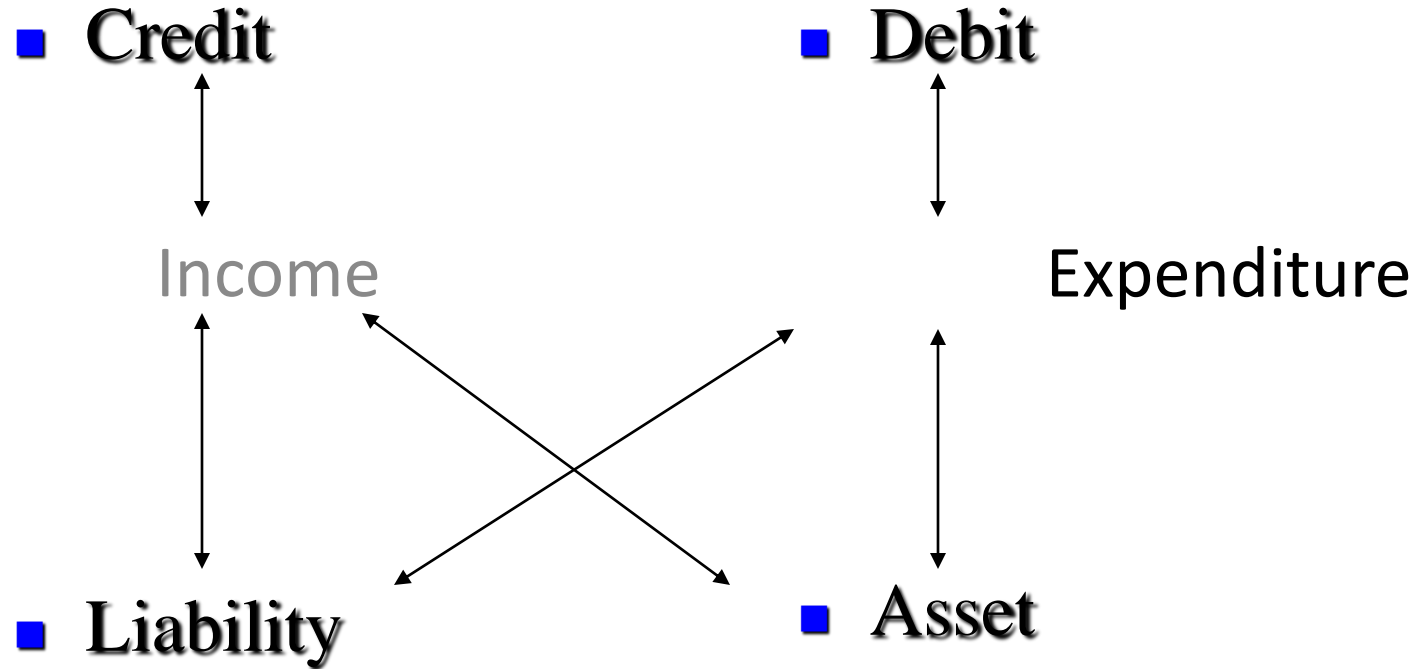
Rules of Accounting

Type of Account	Debit	Credit
Personal	The Receiver	The Giver
Real	What Comes In	What goes out
Nominal	All Expenses & Losses	All Incomes & Gains

Flow of Accounting

Understanding the Transaction
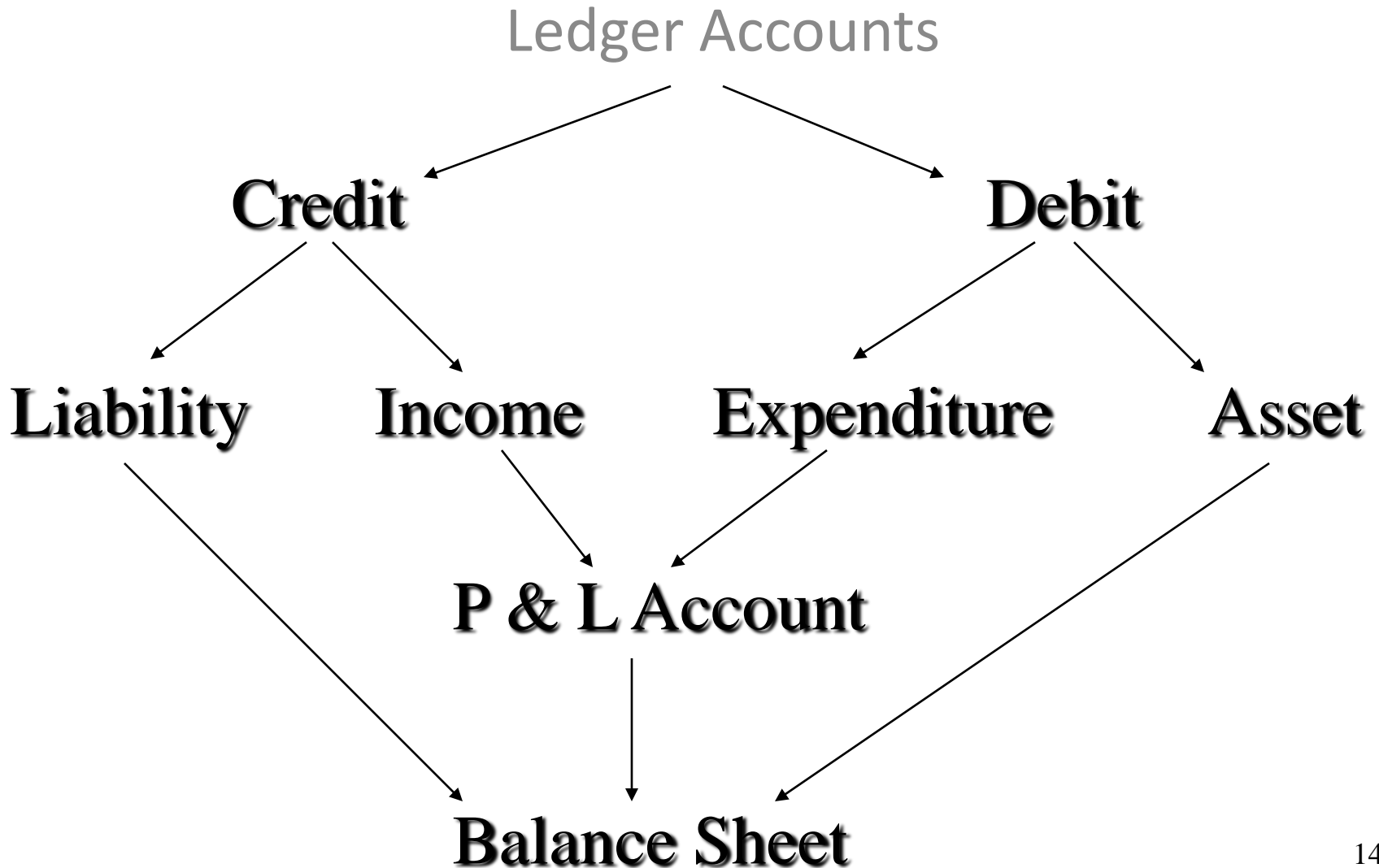
↓

Voucher Entry

↓

Posting

↓

Balancing

↓

Trial Balance

P & L Account ⟶ **Balance Sheet**

Ledger Accounts

Credit → **Debit**

Liability **Income** **Expenditure** **Asset**

P & L Account

Balance Sheet

Ledger Grouping

Income Groups

- Expenditure Groups

Liability Group

- Asset Group

Profit & Loss Account Group

Income :

Direct Income

Indirect Income

Sales Accounts

- **Expenditure :**
  - Direct Expenses
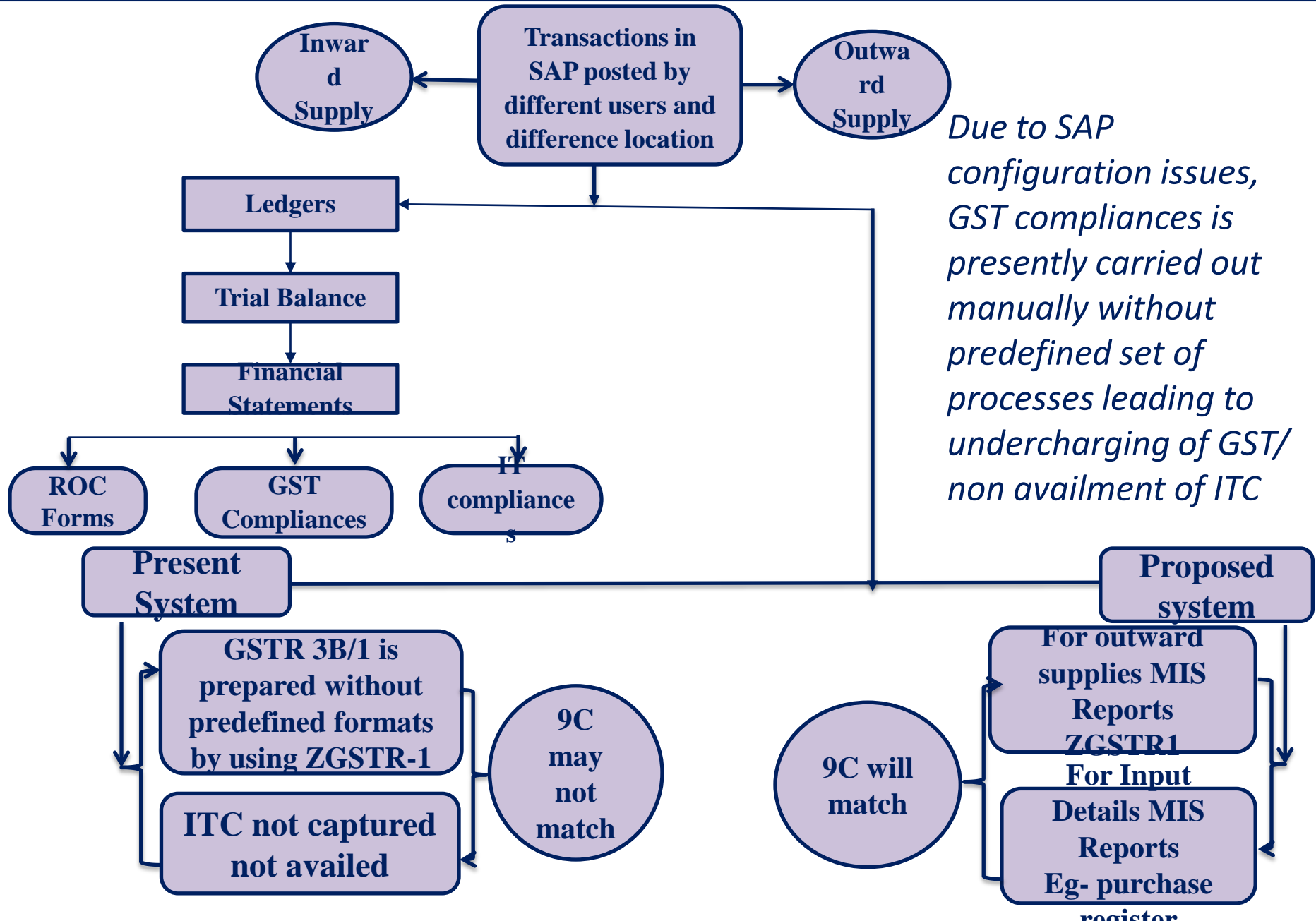 - Indirect Expenses
  - Purchase Accounts

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Balance Sheet Group

Liabilities :
Capital
Bank OCC/Bank OD
Current Liabilities
Duties & Taxes
Loans (Liability)
Provisions
Reserves & Surplus
Retained Earnings
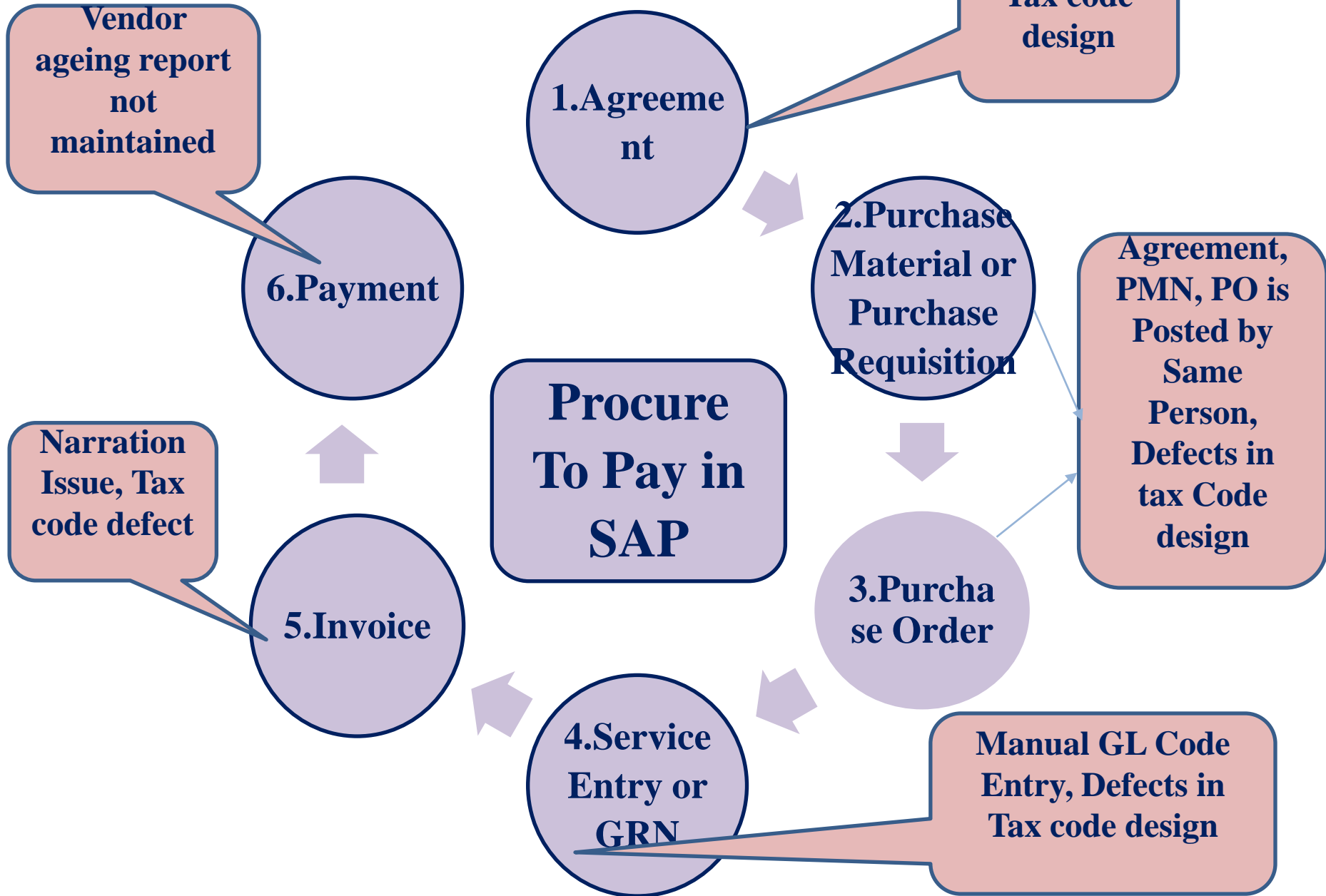Secured Loans
Sundry Creditors
Suspense
Unsecured Loans

- **Assets :**
  – Bank Accounts
  – Cash in Hand
  – Current Assets
  – Deposit (Assets)
  – Fixed Assets
  – Investments
  – Loans & Advances (Asset)
  – Misc. Expenses (Asset)
  – Sundry Debtors

Accounting System At XYZ COMPANY - Transaction Flow

Inward Supply

Transactions in SAP posted by different users and difference location

Outward Supply

Due to SAP configuration issues, GST compliances is presently carried out manually without predefined set of processes leading to undercharging of GST/ non availment of ITC

Ledgers

Trial Balance

Financial Statements

ROC Forms

GST Compliances

IT compliances

Present System

Proposed system

GSTR 3B/1 is prepared without predefined formats by using ZGSTR-1

ITC not captured not availed

9C may not match

9C will match

For outward supplies MIS Reports ZGSTR1

For Input Details MIS Reports Eg- purchase register

Accounting System At XYZ COMPANY

Defects in Tax code design

1.Agreement

Vendor ageing report not maintained

6.Payment

Procure To Pay in SAP

2.Purchase Material or Purchase Requisition

Agreement, PMN, PO is Posted by Same Person, Defects in tax Code design

Narration Issue, Tax code defect

5.Invoice

3.Purchase Order

4.Service Entry or GRN

Manual GL Code Entry, Defects in Tax code design

Accounting System At XYZ COMPANY – Procure To Pay -

Stage	Present System	Process	Accounting Entry	Impact
1.Agreement		Agreement Number, Service Description, Tax code, Amount, Vendor details from agreement are captured into SAP	-	1. Cannot identify the eligible ITC & results in excess or short claiming of ITC.
2.Purchase Material & Requisition		Nature of expenditure with the Material/Service codes and Quantity of the Goods will be posted in system and Purchase Material Number (PMN) is generated.	-	2. There is No Maker Checker Concept, Involves skilled manpower and duplication of work.
3.Purchase Order		In ME21N, PMN will be entered and Purchase Order Number (PO) will be generated.	-	3. Nature of transaction cannot be identified properly.
4.Service Entry/GRN		In ML81N, PO number, other general details are entered and GL code will be assigned manually Concerned AO will release the order and GRN is generated	Expenditure Account Dr To Service/Goods *Clrg A/c (Clrg: Clearing)	4. Since Service Code & Relevant GL
5.Invoice		In MIR7, enter invoice data, Narration, Payment terms, Business	Goods/Service Clrg A/c Dr	

Present System

The particulars in agreement will be entered in SAP by using the code ME31K. first, they will enter agreement number other particulars including service description, amount, tax code etc...

Display Contract : Item 00001

▶ 👤 🎩 🔍 🔢 📝 🚚 📊 📇 Account Assignments 🔲

Agreement Item	5300002593	1		
Material				Ma
Short Text	SERVICES			

Quantity and Price

Target Quantity	1		AU	
Net Order Price	147,120.00		INR	/ 1
Qty Conversion	1	AU <-> 1	AU	

Other Data

	ConfContr.	
	Ackn. No.	
	TrackingNo	57/17-18

GR/IR Control

Underdel. Tol.	0.0	%
Overdeliv. Tol.	0.0	
Tax code	R2	

i. Defects in Tax code/HSN

ii. Withholding Tax not assigned

भारतीय गैर न्यायिक
एक सौ रुपये **Rs. 100**
रु. 100 **ONE HUNDRED RUPEES**
भारत INDIA
INDIA NON JUDICIAL

N 715209

తెలంగాణ TELANGANA

S.No. 623 Date 06/06/2018 Rs. 100/-
Sold To : Sri. S. Maheshwara Raju
S/o. D/o. W/o. Ramakrishna Raju R/o. Kompally
For Whom HOCS Fire & Security Systems
Pvt. Ltd.

Md. Gulam Ahmed Aziz
LICENCED STAMP VENDOR
L.No.17-02-009/1996 R.No.17-02-05/2017
Gajwel, Siddipet-502 278. Cell:9440085172

LUMPSUM AGREEMENT NO. 06 OF 2018 – 19

This agreement made the 11th day of June' 2018 between the Superintending Engineer/ Civil/Corporate Office/TSSPDCL, Mint Compound, Hyderabad (herein after called "the employer") M/s HOCS Fire & Security Systems Pvt. Ltd., Plot No.8, Survey No.22, Sai Nagar Colony, Picket, Secunderabad (herein after called "the contractor" of the other part.

Whereas the employer to desirous that the contractor executes Annual Servicing and Maintenance Non Comprehensive Fire Protection System available at Corporate Office, A-Block & B-Block buildings, TSSPDCL located at Mint Compound, Hyderabad for the period from 01.04.2018 to 31.03.2019 (herein after called "the works") and the employer has accepted the contract by the contractor for the execution and completion of such works and the remedying of any defects therein at a cost of **Rs.1,35,522/-** (Rupees One Lakh Thirty Five Thousand Five Hundred and Twenty Two only) (Including of GST)

Superintending Engineer/Civil,
Corporate Office, TSSPDCL,
Mint Compound, Hyderabad

1/8/2018

Accounting System At XYZ COMPANY - Issues

- **Issue**

  Tax Codes in case of Inward Supply

- **Present System & defects**

  Tax codes are designed only on consideration of Rate & Type of Tax (Without taking into consideration of Blocked /Ineligible or Eligible Input Tax Credit).

- **Implication**

  There is no Specific way to identify the eligible Input Tax Credit. Results in excess or short claiming of ITC

- **Proposed System & Advantages**

  Tax codes are to be designed in such a way that it shall specify whether the supply is Blocked, eligible, ineligible so that we can

Present

Tax Code	Description
F1	FI-5% Input Tax SG,CG
G1	5% State GST for Services
GA	5% State GST for RCM Services
H1	FI - Input Tax IGST 5%
I1	5% Inter State GST for Services
IA	5% Inter State GST for RCM Services
OA	Advance on Output Tax SG,CG 5%
ON	5% Output Tax SG,CG
PA	Advance on Output Tax IGST 5%
PN	Output Tax IGST 5%
U1	5% UT GST for Services
UA	5% UT GST for RCM Services
V0	nil tax

Proposed

Tax codes	Description
7A	IMP-IGST - 2...
7E	IMP-IGST - 28...
8A	SGST 14% + CGST 14% - C...
8E	IGST - 28% - Cr
8J	IGST - 28% + Cess - Cr
8K	SGST 14% + CGST 14% - Ncr
8P	IGST - 28% - Ncr - RCM
9U	IGST Import @ 7.5% Cr
9W	IGST 5% + CESS INR/MT
9Y	SGST 2.5% + CGST 2.5% - Cr+Cess-Ncr

refers credit availa

Ncr refers credit unavailable

Accounting System At XYZ COMPANY -Issues

- ## Issue
  With Holding Tax

- ## Present System & defects
  There is no Control regarding the with holding tax to be **No Withholding Tax Code** deducted

- ## Implication
  Mismatch of with holding deducted with actual amount has to be deducted as per law

- ## Proposed System & Advantages
  Specific codes has to designed in the SAP for deduction of with holding tax for specific Expenditure.

Park Incoming Invoice: Company Code 1000

Present

No Withholding Tax Code

Proposed

Here C2 is Withholding Tax Code

Present System

- Company will post the nature of expenditure in conjunction with Material/Service codes and Quantity of the Goods etc…. In this process SAP will generate Purchase Material Number (PMN), this PMN and Agreement Number will be given to the another person for Approval.

- The Authorised person will cross check all the details and saves the data SAP will generate Purchase requisition Number (PRN)

Issue : Agreement, Purchase Material/ Purchase requisition Number & Purchase order is posted by same person in the SAP

Display Man Power Order 932000006923: Central Header

HeaderData | Operations | Components | Costs | Partner | Objects | Additional Data

Person responsible
PlannerGrp 901 / 1000 CGM/FINANCE
Mn.wk.ctr 19300000 / 1000 CGM Finance
Person res.. 0
Notifctn
Costs 0.00 INR
PMActType
SystCond.
Address

Dates
Bsc start 01.07.2018
Basic fin. 31.03.2019
Priority
Revision

Reference object
Func. Loc. 25
Equipment CLB2500000
CGM/Finance/Corporate Office
Contract Labour @ CGM /Finance Wing

First operation
Operation Allotment of Departmental Staff/Retired CcKey
WkCtr/Plnt 19300000 / 1000 Ctrl key PM03 Acty Type PRT
Work durtn 9 MON Number 0 Oprtn dur. 0.0 Comp.
Person. no 0

Accounting System At XYZ COMPANY - Issues

- ## Issue
  Agreement, Purchase Material Number, Purchase Requisition Number

- ## Present System & defects
  Agreement, Purchase Material/ Purchase requisition Number & Purchase order is posted by same person in the SAP. GST related fields not filled
  .

- ## Implication
  There is No Maker Checker Concept, Results in short/excess claim of ITC, Involves skilled manpower and duplication of work

- ## Proposed System & Advantages
  Agreement, Purchase material / Purchase requisition Number & Purchase order is to be entered by different persons to identify the errors. Results in effective processing of GST returns

3. Accounting System At XYZ COMPANY – Purchase Order Level

- In this level the concerned person who generates the purchase order in ME21N will enter agreement number, PMN, PRN, saves the data and then purchase order number will be generated by the SAP.

- If any thing goes wrong PO will not accept the data.

4.Accounting System At XYZ COMPANY - Service Entry or Goods receipt Level

Present System

Steps Followed in GRN or SE Level	Implication
Go to T code ML81N	_____
Fill the Purchase order number	To get PO details
Enter Basic details like area/ location, period etc…..	To Know the Place where the supply from
Give the agreement number as reference number	Additional Data
Type of Bill (Part or Final Bill)	To Know the whether Agreement period completed or not.
Go to ---> service/goods--→ account assignment---→ GL code for the expenditure manually.	To Select the GL code for Expenditure.
The concerned AO will issue Release order then GRN will generate.	Accounting Entry

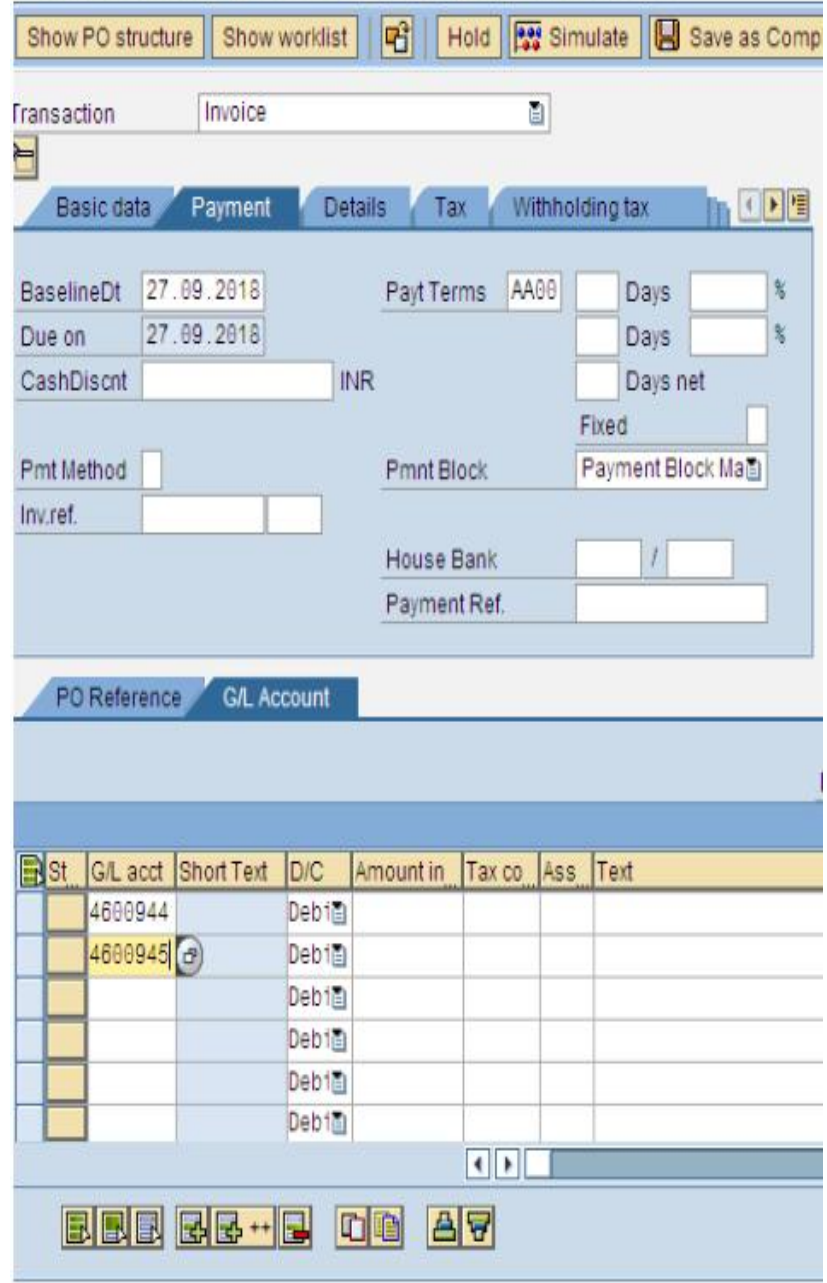**The Accounting Entry will be**

Expenditure Account Dr

To Service/Goods A/c Cr

Issue : Manual posting of the GL code at Service entry/ Goods receipt note Level

Accounting System At XYZ COMPANY – Issues

▪ Issue

Manual posting in GL Account

▪ Present System & defects

Manual posting of the GL code at Service entry/ Goods receipt note Level

List of Service codes annexed separately

▪ Implication

There may be possibility that Similar Expenditure will go to Different GL Accounts Results in short/excess claim of ITC, Involves skilled manpower and duplication of work

▪ Proposed System & Advantages

Control has to be inserted in SAP that Specific Expenditure will be accounted to Specific GL Account Automatically.

For Example : We can link the service codes of Hire Charges being (SWR11215,16,17) entered at agreement stage with the GL for vehicle hire charges(Gl code :7600308) such that the

5.Accounting System At XYZ COMPANY - Invoice Level

Steps Followed in GRN or SE Level	Implication
Go to MIR7	_____
Enter Invoice Date	To Know date of Issue of Invoice
Enter Invoice Number in Ref.	Additional Data
Enter Narration	To get easy reference
Enter Payment Terms	To Know Credit period details
Enter Business Area/ GSTN	To Know whether Supply from Registered or Unregistered

The Accounting Entry will be

Goods/Service Account Dr

To Vendor A/c

Issue : Narrations are not properly entered while entering transactions.

Accounting System At XYZ COMPANY - Issues

- ## Issue

  Narrations are not properly entered while entering transactions.
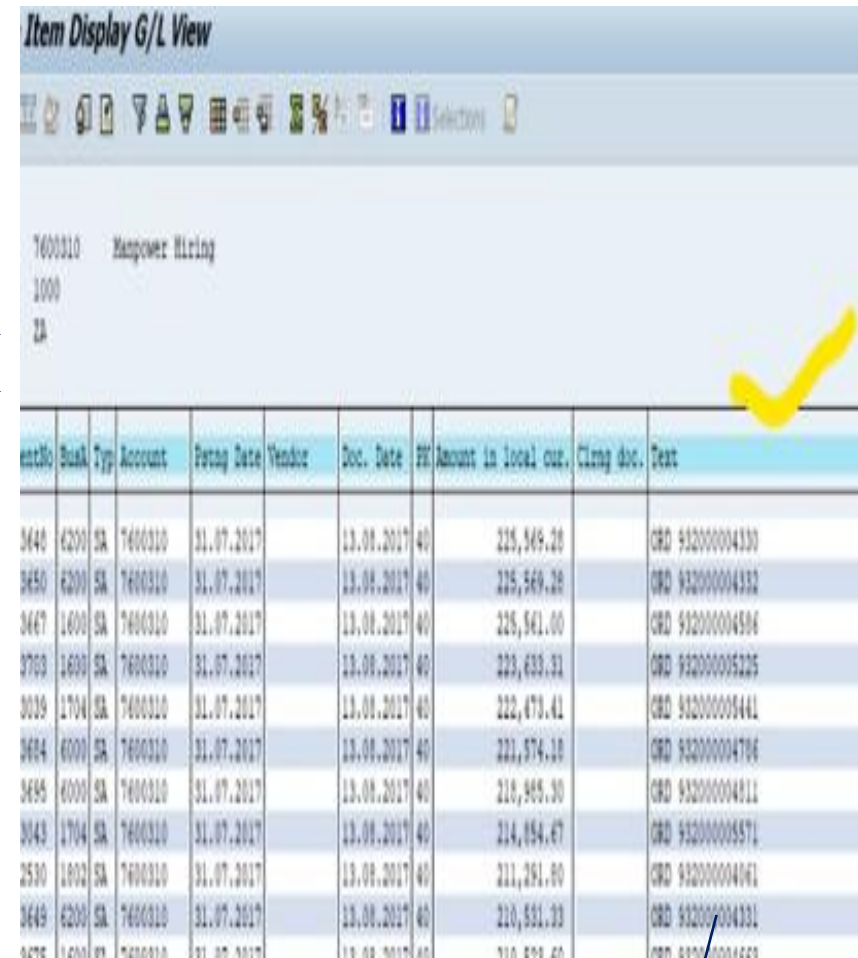
- ## Present System & defects

  Tax code Narrations are not mentioned properly on the face of ledger. compliance for return filing is manually extracted from ledgers with out predefined formats.

- ## Implication

  Nature of transaction cannot be identified properly. Results in short/excess claim of ITC, Involves skilled manpower and duplication of work

- ## Proposed System & Advantages

  Narration shall be mentioned in such a way that it shall specify all the details like Vendor Code, Material description etc.,

Narrations given are improper

Accounting System At XYZ COMPANY - Issues

Issue

Non-Payment to Vendors within 180 days

Present System & defects

There is no control regarding the identification of Vendors for whom the credit period has been exceeded by 180 days

Implication

Non-Reversal of Input GST Claimed after the expiry of 180 days, Results in short/excess claim of ITC, Involves Waste of skilled manpower and duplication of work

Proposed System & Advantages

On Periodical basis Vendors ageing report has to be Cross verified to identify the vendors for whom credit period exceeded

Present

NO Report is maintained in the SAP

Company directly check the Vendor balances from Vendor Balances Account(FBL1N)

Present

FI : Report On Vendors Ageing

Penna Cement Industriies Ltd.

Report: Creditors Ageing Analysis as on Baseline Date 02.01.2019
Report Type: Vendor Ageing
Report Date & Time: 02.01.2019 - 14:22:22
Segments : All

Vendor's list more than 180 days

Vendor	Vendor Name	Region	Description	Acnt Group	Account Group Name Σ	Closing Σ	From 0 To 90 Σ	From 91 To 180 Σ	From 181 To 360 Σ
0050000009	A K TRANSPORT	01	Andhra Pradesh	Z005	VENDOR SERVICES	9,649,367.90-	9,599,744.70-	1,840.00-	35,898.20-
0050000016	A RAMESH			Z005	VENDOR SERVICES	58,400.00	58,400.00		
0050000017	A RANGANATH			Z005	VENDOR SERVICES	31,010.00			
0050000034	A.KARUPPAIAH			Z005	VENDOR SERVICES	275,000.00	275,000.00		
0050000037	A.MUTHUPALANIAPPAN			Z005	VENDOR SERVICES	275,000.00	275,000.00		
0050000044	A.P. TRANSCO			Z005	VENDOR SERVICES	157,579,498.00-	143,917,977.00-	13,661,521.00-	
0050000046	A.P.DIESEL SPARES & SERVICES	36	Telangana	Z005	VENDOR SERVICES	374,394.15-	150,699.15-	51,868.00-	171,827.00-
0050000056	A.SURYANARAYANAN	22	Tamil Nadu	Z005	VENDOR SERVICES	19,711,644.25-	13,937,775.57-	5,285,981.68-	
0050000065	AARVEE ASSOCIATES ARCHITECTS ENGINE	01	Andhra Pradesh	Z005	VENDOR SERVICES	72,095.00	72,095.00		
0050000067	AARVEE PNEUMATIC SERVICES	36	Telangana	Z005	VENDOR SERVICES	14,582.02-		14,582.02-	
0050000100	ALAVALA RAMA RAO			Z005	VENDOR SERVICES	9,003.00	9,003.00		
0050000122	AMMAYAPPER ROADWAYS			Z005	VENDOR SERVICES	34,622,247.09-	34,502,204.13-	120,042.96-	
0050000134	ANANTHA KRISHNA			Z005	VENDOR SERVICES	26,690.00	26,690.00		
0050000141	ANDHRA ROAD CARRIER	36	Telangana	Z005	VENDOR SERVICES	23,199,734.78-	23,049,639.78-		
0050000163	APPGCL			Z005	VENDOR SERVICES	26,000.00	26,000.00		
0050000171	ARDEL CARS			Z005	VENDOR SERVICES	9,655.00	9,655.00		
						746,374,754.58	1,474,289,702.28	687,647,290.80-	34,678,858.77-

Accounting System At XYZ COMPANY - Issues

- ## Issue
  Tax Codes in case of Outward Supply

- ## Present System & defects
  Tax codes are not defined for Revenue and present compliance for return filing is manually extracted from ledgers with out predefined formats.

- ## Implication
  There is no Specific way to identify the Applicable rate on Outward Supply, Results in short collection and payment of applicable GST. Involves skilled manpower and duplication of work

- ## Proposed System & Advantages
  Tax codes are to be designed in such a way that it shall specify the applicable rates. Return filing can be automated. Manpower can be used effectively

Accounting System At XYZ COMPANY – Summary

S. N o.	Issue On	Present System & defects	Implication	Proposed System & Advantages
1	Tax Codes in case of Inward Supply.	Tax codes are designed only on consideration of Rate & Type of Tax (Without taking into consideration of Blocked / Ineligible or Eligible Input Tax Credit).	There is no Specific way to identify the eligible Input Tax Credit. Results in excess or short claiming of ITC	Tax codes are to be designed in such a way that it shall specify whether the supply is Blocked, eligible, ineligible so that we can easily identify the eligible ITC.
2	Tax Codes in case of Outward Supply.	Tax code are not defined for Revenue and present compliance for return filing is manually extracted from ledgers with out predefined formats.	There is no Specific way to identify the Applicable rate on Outward Supply, Results in short collection and payment of applicable GST. Involves skilled manpower and duplication of work leads to penalty as per Section 122(2) of CGST Act, 2017.	Tax codes are to be designed in such a way that it shall specify the applicable rates. Return filing can be automated. Manpower can be used effectively
3	Narrations	Narrations are not mentioned properly on the face of ledger. compliance for return filing is manually extracted from ledgers with out predefined formats.	Nature of transaction cannot be identified properly. Results in short/excess claim of ITC, Involves skilled manpower and duplication of work	Narration shall be mentioned in such a way that it shall specify all the details like Vendor Code, Material description etc.…
4	Non-Payment to Vendors	There is no control regarding the identification of Vendors for	Non-Reversal of GST, Results in short/excess claim of ITC,	On Periodical basis Vendors ageing report has to be Cross

Accounting System At XYZ COMPANY – Summary

S. No.	Issue On	Present System & defects	Implication	Proposed System & Advantages
5	GL Account	Manual posting of the GL code at Service entry/ Goods receipt note Level	There may be possibility that Similar Expenditure will go to Different GL Accounts Results in short/excess claim of ITC, Involves skilled manpower and duplication of work	One control has to be inserted in SAP that Specific Expenditure will to Specific GL Account Automatically.
6	Agreement, PMN, PRN	Agreement, Purchase Material/ Purchase requisition Number & Purchase order is posted by same person in the SAP. GST related fields not filled	No Maker Checker Concept, Results in short/excess claim of ITC, Involves skilled manpower and duplication of work	Agreement, Purchase material / Purchase requisition Number & Purchase order is to be entered by different persons to identify the errors. Results in effective processing of GST returns
7	With Holding Tax	There is no Control regarding the with holding tax to be deducted	Fails to deduct the tax in accordance with the provisions of sub-section (1) of section 51, or deducts an amount which is less than the amount required to be deducted under the said sub-section leads to Penalty as per section 122(1) of CGST Act. 2017.	Specific codes has to designed in the SAP for deduction of with holding tax for specific Expenditure.

Accounting System At XYZ COMPANY – Issues in ZGSTR -1

ZGSTR-1

G/L Account	6200902	Rental from Contractors
Company Code	1000	
Ledger	ZA	

Year/month	St	DocumentNo	BusA	Typ	Account	Pstng Date	Vendor	Doc. Date	PK	Amount in local cur.
2017/07	✓	5100021939	1800	RE	6200902	22.10.2017		21.10.2017	50	26,764.00-
2017/09	✓	5100030120	2300	RE	6200902	13.12.2017		11.12.2017	50	27,950.00-
2017/12	✓	5100049052	2300	RE	6200902	16.03.2018		16.03.2018	50	28,986.00-
2017/11	✓	5100042770	2000	RE	6200902	17.02.2018		14.02.2018	50	30,100.00-
2017/10	✓	5100035739	1600	RE	6200902	11.01.2018		11.01.2018	50	30,375.00-
2017/11	✓	5100044935	1800	RE	6200902	28.02.2018		28.02.2018	50	31,095.00-
2017/09	✓	5100031040	1800	RE	6200902	17.12.2017		17.12.2017	50	31,600.00-
2017/06	✓	5100018658	1800	RE	6200902	27.09.2017		27.09.2017	50	32,374.00-
2017/10	✓	5100032002	6200	RE	6200902	04.01.2018		02.12.2017	50	32,400.00-
2017/11	✓	5100042654	1200	RE	6200902	16.02.2018		16.02.2018	50	32,445.00-
2017/09	✓	5100033085	1800	RE	6200902	29.12.2017		27.12.2017	50	33,262.00-
2017/11	✓	5100044935	1800	RE	6200902	28.02.2018		28.02.2018	50	35,775.00-
2017/08	✓	5100025288	1700	RE	6200902	09.11.2017		08.11.2017	50	36,000.00-
2017/08	✓	100280662	2800	SA	6200902	06.11.2017		06.11.2017	50	40,935.00-
2017/10	✓	2201250553	2800	FB	6200902	12.01.2018		12.01.2018	50	42,000.00-
2017/08	✓	5100025636	2000	RE	6200902	13.11.2017		13.11.2017	50	54,880.00-
2017/12	✓	5100051419	6100	RE	6200902	21.03.2018		13.03.2018	50	75,000.00-
2017/09	✓	5100030771	2000	RE	6200902	15.12.2017		30.11.2017	50	77,296.00-
2017/09	✓	5100031469	2300	RE	6200902	19.12.2017		19.12.2017	50	82,092.00-
2017/10	✓	5100033183	6200	RE	6200902	04.01.2018		20.11.2017	50	96,750.00-
2017/09	✓	5100030177	6100	RE	6200902	14.12.2017		09.12.2017	50	120,000.00-
2017/10	✓	5100034199	6000	RE	6200902	19.01.2018		19.01.2018	50	207,920.00-
*										2,162,663.80-

We can observe that Values are not matching when we compare values as per GL A/c and the ZGSTR-1 Value

Ledger No	Taxable Value
6100970	600000.00
10	200000.00
11	400000.00
6200902	650479.56
01	39108.33
02	153281.89
03	208083.67
11	64427.78
12	185577.89
6200918	1602555.56
01	516877.78
02	560694.44
03	524983.33
6200923	1120873.44
01	2684.00
02	138453.00
03	925739.00
11	41477.78
12	12519.67

Reconciliation

Accounting Sys	Checks & Process	Audit Procedure	Risks
ERP configuration	Mapping GST to Accounting	O/w supply – Least Reconciliation Except Discounts I/w supply – Supplier data validation	KYC Validation, NOS/TOS/POPS Ex: SAP/Tally files
ERP without Proper Config	Mapping Issues Excel Recon	I/w & O/w supply Rate, HSN, B2B, validation, Recon	Mapping & Config, NOS/POPS/TOS
Partly Computerised Sales in one app Rest in Tally Tally ineffective config	Excel Recon	I/w & O/w supply Rate, HSN, B2B, validation, Recon	Mapping & Config, NOS/POPS/TOS Ex: GSI/Xl
Manual	Excel Recon	I/w & O/w supply Rate, HSN, B2B, validation, Recon	Mapping & Config, NOS/POPS/TOS

NOS; Nature of supply,
POPs; Place of Provision of Supply,
TOS: Time of Supply

IT controls - GST

1. Determination of invoice-wise eligibility;

2. Aging track for:

i. For reversal of ITC after 180 days if Payment is not made

ii. Re-claim of ITC if payment is made subsequently

3. Linkage of advance receipt with invoice

i. For internal control and future reference

4.Tracking & monitoring of Mis-matched ITC;

i. Reversal of provisional ITC availed

ii. Calculation of Interest payable on reversal of ITC

iii. Reclaim of ITC after rectification

IT controls - GST

5. Mapping of

i. DN/CN with original invoice.

ii. Revised DN/CN with original DN/CN

6.HSN Classification:

a) Master Creation

b) Alert for Mis-match of classification (Trading)

7.Determination of Place of supply at invoice level;

IT controls - GST

8.Maintenance of Shipping bill details;

9.Mis-match tracking

10.Aging analysis

11. Adjustment of advance received in earlier tax period;

12. Identifying, Maintaining & Monitoring the supplies(inward & outward) subject to RCM

Accounting Standards

AS No.	AS	What is it about? And its Relevance for GST
1	Disclosure for Accounting Policies Ind AS- 1, 8	Compliance with Ind-AS, Revenue recognition, Assets inclusions, impairment of assets, Employee benefits, investment in subsidiaries, contingencies, related party transactions,
2	Valuation of inventories Ind as 2	Whether GST to be included ? RM, WIP, FG
3	Cash flow statements Ind as 7	Operating activities, Financing activities, investing activities- ITC reversals
5	Prior period items, extra ordinary items	ITC impact considered? E.g. sale of a business, building, etc.
6	Depreciation accounting	Any impact on ITC? u/s 16(3)Depreciation under income tax
7 & 9	Construction contracts, revenue recognition Ind AS 11, 18	Advances, branch transfers, schedule 1 and revenue recognition
11	Forex fluctuation Ind As 21	GST/Customs for goods, for services
15	Employee benefits Ind as 19	Reversal of ITC

Accounting Standards

AS No.	AS	What is it about? And its Relevance for GST
18	Related party disclosures (Ind-AS 24)	Valuation
24	Discontinuing operations	ITC reversal
26	Intangible assets (Ind-AS 38)	Tax impact
27	Joint Venture (Ind-AS 111)	Tax impacts
28	Impairment of assets (Ind-AS 36)	ITC
29	Provisions, contingent liabilities (Ind-AS 37)	RCM

Manufacturing Account – Calculate Total Cost of Production

	Manufacturing A/c			Manufacturing A/c	
1.	**Direct Material Cost**	XX	4	**Factory Overheads**	XX
	Opening Stock of Raw Material			Factory Rents and Rates	
Add	Purchase of Raw Material			Factory Power and Fuel	
Add	Carriage Inwards			Factory Insurance	
Less	Purchase Returns			Factory Maintenance	
Less	Closing Stock of Raw Material			Factory Indirect Wages and Salaries	
2	**Direct Labour Cost**	XX		Depreciation	
3	**Direct Expenses Cost**	XX	5	**Opening WIP Less Closing WIP**	XX

Focus on Financial Statements

- Manufacturing Account

  - It gives you the cost of production.

  - Important guideline while determining the value of stock transfer items from Factory to Warehouse under Rule 27 of the CGST Rules.

  - Important guideline in determining reversal of ITC in case of goods lost, stolen, destroyed, written off or disposed off by way of gift or free samples

  (For the purpose of Reversal of ITC, Average rate of ITC availed on Cost of Production can be worked out and such rate can be applied on above goods lost/stolen/ destroyed etc)

- Purchase/ Expense Side –

  - To determine eligibility of ITC.

  - To determine applicability of RCM

  - Reimbursement of Expenses – Items credit to Expense A/c

Ineligible ITC & RCM

- Renting of motor vehicle – Lease Rental Accounts

- Staff Welfare Expenses – Provision of Food Facilities, Fringe Benefit provided to employee, LTA, Gifts

- Marketing Expenses – Gifts, Sponsorship

- Hotel Accommodation Expenses/ Renting – Place of Supply and Eligibility.

- Import of Services Payments

- Freight Expenses

- Legal Services from Advocates

- Directors Sitting Fees.

- Ocean Freight Paid to Foreign Shipping Line in case of import of goods.

Focus on Financial Statements - Income

- Supply of Goods and Services
    - Taxable
    - Exempt
    - Export
    - SEZ supplies
    - Other Income
    - Reimbursements
- Non-Taxable items
    - Interest income
    - Profit/ Loss on sale of Asset
    - Foreign Exchange Loss/Gain
    - Expenses Written Back.

Balance sheet items impacting GST

- Capital Account
  - Withdrawal of assets
  - Debits/credits in nature of supplies

- Loans
  - Figures in odd amounts
  - Standing for long
  - No interest
  - No movement

- Current liabilities
  - Advances
  - RCM

  - Reversal of ITC
  - Reclaim of ITC
- Branch accounts
- Assets
  - Additions
    - Depreciation- IT
    - ITC disallowance
      - Motor car
      - Immovable property
    - ITC 100%
  - Deletions
    - GST
    - ITC reversal

Balance sheet items impacting GST

- Agents accounts
  - Stock
- Current assets
  - ITC
  - Cash
    - Cash ledger
- Input Tax Credit
  - Transitional credits
    - Subjective
      - Approval

  - Transactions
  - GST paid on RCM
  - Mismatched Credits
  - Other credits in dispute
  - Duty Paid on Exports

Notes to Accounts

- Helps in understanding the business of the entity

- Revenue recognition Policy – Revenue stream and related tax implications can be analysed.

- Leasing Transactions – Capital Lease / Revenue Lease

- Notes relating to Taxes / Contingent Liabilities

- Valuation of Inventory – Cost or Net realisable Value (Assistance in valuation provision under GST)

- Information about related parties & Payments made to Related Party / Key Managerial Personnel.

- Payments made to Foreign subsidiaries/ Associated concerns

- Helps in Identification of extra-ordinary items

- Prior Period Items

Audit of Extra Ordinary Items

- Audit of All Credit Notes issued during the year.

- Provision for Expenses – Eligibility of ITC

- Difference between GSTR-2A and Purchase Register

- Verification of Invoices uploaded by the Service Receiver in GSTR-1A

- Ledger Balance Confirmations

- Audit of Intra-State supplies – Whether Invoices properly indicate the Address and GSTIN of the distinct entity whether the ITC has been claimed.

- Mergers and Acquisitions during the year. (Provisions relating to transfer of ITC)

- Additions under Income Tax Laws due to Bogus Purchases etc.

- Loans Written Off

- Treatment of R&D Expenses.

Year end adjustments

- Closing stock
- Depreciation
- Provisions
  - Bad debts
  - Non moving stocks
  - Demands
  - Unbilled revenue
  - Import of services
    - 60 days
  - Import of goods
    - 30 days
  - RCM
    - Legal fees
    - Sponsorship
    - GTA
    - Recovery agent
    - Arbitral Tribunal

- Directors
- Government services
- Insurance agent
- Author, music composer-copy right
- Write offs
- Write backs
- Interest provisions on Loans
  - Not advances
- GST ITC reversals
  - Exempt supply
  - Goods lost
  - Non business
- Closure of branch accounts
- Principal-agent accounts

Why Excel ?

- It is the most simplest tool that you have on any PC.

- It is extremely versatile

Its good to know many things, but it is always better to make best use of whatever little you know

8 Checks

1	Check Missing
2	Check Duplicates
3	Round Numbers
4	Repetitive Odd – Numbers
5	Classification
6	Stratification
7	Single Transaction
8	Isolated Outliners

Analysis

- Dump Customer Database
- Analyze – Address, Phone, Name etc
- Sales Analysis
- Financial Statement Analysis

Related Party Transactions

Company Database

VAT Database

Customs Database

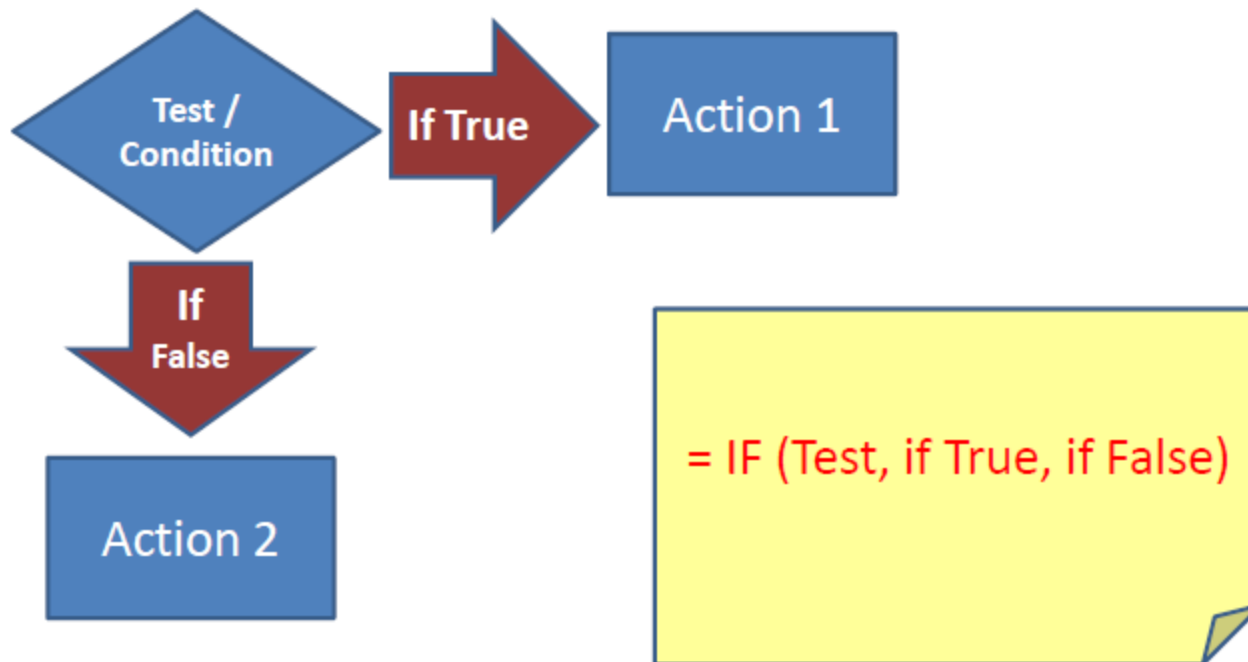Linking of Banks LCs – Company Nature of Business – Customs Import Database

Database Functions

- 'IF'
- 'IF' in Combination with 'AND' & 'OR'
- 'CountIF' and 'SUMIF'
- 'SUMIFS'
- 'VLOOKUP'
- Pivot Table Function
- Setting Filters,
- Conditional Formatting
- Formula Auditing

Missing

Duplicates

Duplicates

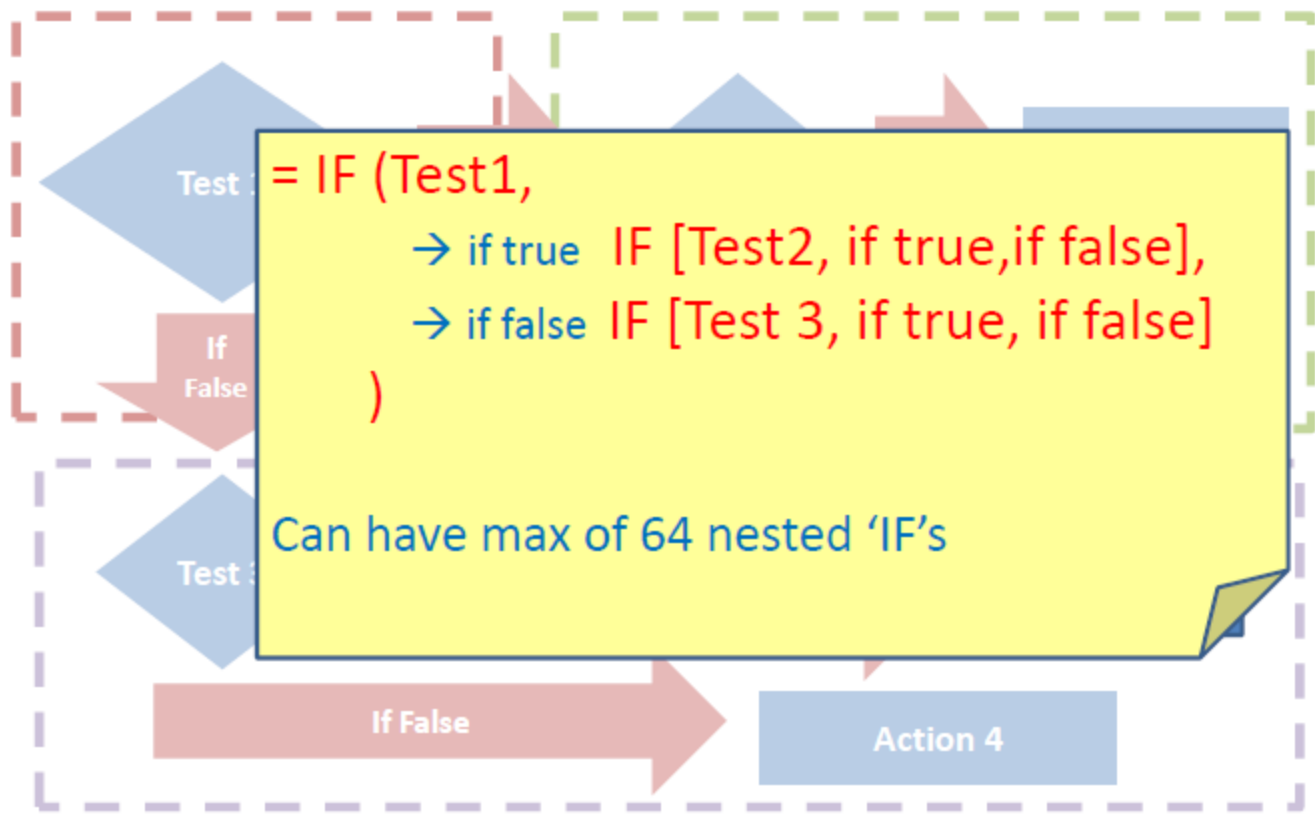1. Duplicated items in serial control mechanism (discussed earlier)

← test of compliance....

If these are generated by a good application system, chances of duplication are very low

E.g. One vendor_bill paid in installments

2. Duplicated Transactions
Combination Fields

Nested 'IF' function

= IF (Test1,
  → if true IF [Test2, if true, if false],
  → if false IF [Test 3, if true, if false]
)

Can have max of 64 nested 'IF's

Applications of 'IF'

- Detecting Gaps

- Finding Duplicate

- Locating Multiple Records

- Flagging Records

- Ageing Analysis or Advance Analysis

- Extracting Records meeting certain criteria (Combination with filter commands or with Pivot Table commands)

Round Numbers

- Are there transactions of round nos.?

- Examples - monthly rentals, professional fees, audit remuneration, repairs & maintenance, hire charges, etc.

- Round Nos. most often used for estimations

- Sometimes Round-No. transactions are symptomatic of casualness / mysterious deals or settlements or frauds.

Repetitive Odd Nos.

- This is converse of Round-numbers.

- Unlike the round numbers, repetition of odd numbers (particularly repetitions at decimals levels) are very rare coincident.

- Unless of course there is apparent reasons say, like for telco having promotional offer of Rs 199/- pre-paid packs – but in that case, the repetitions will be by volumes and not a few stray incidences here and there.

- Repeated odd-number transactions can be filtered for detailed verification and most often these will throw up some irregularities.

Repetitive Odd-Nos.

1. Use 'Count IF' function to take counts of the numeric value field

2. Use the 'Right' Function to get the right most digit

3. Apply Filter On Step 1 : Count > 1

4. Apply Filter On Step 3 : Non-Zero's

'CountIF' Function

- Counts records satisfying given criteria

- Extremely useful in analysis of tel nos / fax nos/ email_ids etc.

= COUNTIF(criteria_ range, criteria,)

Single Transaction

- What is the problem with Single Transaction?
- Generally anyone would be interested to regularly do business with an organisation. Therefore stray transactions could be symptomatic of some errors, disputes, advantages of opportunity or frauds

'VLOOKUP' FUNCTION

- Useful in fetching value from another database

- Useful for linking two databases

=VLOOKUP (lookup_value , table_array , Col_ Index, range_lookup)

'SUMIF' Function

- Aggregates records satisfying given criteria.

- Useful for Summarizing, Grouping, etc.

= SUMIF(criteria_ range, criteria, sum_range)

Pivot Tables

A Kaleidoscopic peek at Data

Classification

The process of arranging data into homogenous group or classes according to some common characteristics present in the data

Classification :

→ Party-wise, account-wise, stock-wise, period-wise…….

→ Attributes : Sum of Values, Counts, Max /Min, Average…….

Stratification

Strata : levels, bands, groups

The process dividing large data and rearranging it into Strata

Isolated Outliers

An Isolated outlier is an observation in a data set which is far extreme in value from the others in the data set. It is an unusually large or an unusually small value compared to the others.

Spotting Techniques :
❑ Very simply by using Charts
❑ Limits Overrun (e.g Financial powers, authority levels, etc.)
❑Mathematical Tools (RSF, Bendford's Law, etc.)

Relative Size Factor

What is RSF ?

- RSF is the ratio of Largest Number to the Second Largest Number of a relevant set.

$$RSF = \frac{\text{Largest Number}}{\text{Second Largest Number}}$$

Relevance Of RSF

- Scrutiny of individual parties account is humanly ineffective/ impracticable.

- Therefore, RSF could be conveniently applied on full database

- It highlights all unusual fluctuations which may be stemming from frauds or errors

How RSF Works ?

bank payments voucher no.	Rs.
SB-211	50,000
SB-642	5,00,000
SB-547	5,00,000
SB-1864	20,000
SB-4755	23,000
SB-8347	8,500

- Any set of transactions take place in certain range. E.g. A vendor XYZ may have normal pattern of bill value range of Rs. 13k to 50k.

- If there is any stray instance of single transaction which is way beyond the normal range than that ought to be looked into. E.g. in above case, if there is bill of Rs. 5 lacs.

- RSF is above case will give a ratio of 10 (I.e. ratio of Rs. 5lac to Rs. 0.50 lacs)

- These single instances could be cases where there is some foul play.

Analytical Tests

Horizontal Analysis   Vertical Analysis

Ratios

Trend analysis

Performance Measures

Stratifications

Aging

Benford's Law

Regression

Data Management/Analysis Reports

Append/Merge

Calculated Fields/Functions

Cross Tabulate

Duplicates

Extract/Filter

Export

Gaps

Index / Sort

Join / Relate

Benefits of audit thru computers

- Chunk Data is placed in comfortable rows and columns

- Usage of tools like, If functions, sort, filter, Pivot, Lookup cut, copy, transpose, mail & merge, strata, statistics, sampling, etc

- Compliance of Tax Laws & Procedures

Save Data

As the Chandokya Upanishad says:

If we apply knowledge with faith, dedication and deep analysis, our actions become stronger. This will lead to success.

Yadaiva Vidyaya Karoti

Shradhaya Upanishada

Tadeva Viryavattaram Bhavati!

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