



## **Documentation under GST audit**

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### ***Introduction:***

Audit documentation is the written record (including electronic record) prepared during the course of audit which forms foundation for auditor's in preserving the various observations identified during the audit, acts as a proof of performance of audit and safeguard the auditor at the time of dispute. Besides, documents are keys to determine the trail of any transaction, it plays pivotal role in all the audits under GST law and in general. Further, the audit documentation and working papers are the primary record of the work done, conclusions made and the opinion drawn. From GST's perspective, audit documentation or working papers are documents obtained as evidences during the conduct of GST compliance audit.

Number can't speak but properly documented working papers can speak for the numbers which is how an auditor proves to others including a court of law that the audit was conducted effectively and methodically.

### **Objective and Purposes of Audit Documentation:**

The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit to understand

- i. Nature, timing and extent of audit procedures performed to comply with SAs (wherever relevant) and legal requirements.
- ii. The results of the audit procedures performed, and the audit evidence obtained
- iii. Significant matters arising during the audit, the conclusion reached thereon, and significant professional judgments made in reaching these conclusions.

### **The purpose of GST audit documentation could be any of the following aspects**

- Evidence for the auditors to ascertain if overall objectives set by the auditor are met



- Evidence to prove that audit was planned and performed in accordance with the Standards of Auditing
- Assist the engagement team to plan and perform the GST audit effectively
- Enabling the engagement team to be responsible & accountable for their work
- Enable reporting partner to ensure all planned work has been completed adequately
- Assist in planning and control of future audits
- Encourage a methodical approach
- To preserve the records of matters which are significant for continuance of future audits
- Enabling the conduct of external inspections, peer reviews in accordance with pertinent legal, regulatory or other requirements.

***Coverage of GST Audit Documentation:***

- Offer letter that covers the scope and objectives of Auditor and management and acceptance of the same by management (SA 210).
- Engagement and appointment letter.
- Audit plan and Audit programme. (SA 300).
- Detailed audit checklist for GSTR 9C / GST audit.
- Sample copies of agreements, invoices etc.
- Written representation letters obtained from management (SA 580).
- The impact of affect of non compliance of a particular law and communicating the same to TCWG. (SA 250)
- The important matters that are identified during the audit and deficiencies in internal controls which are communicated to management. (SA 260 and 265)
- The risk assessment procedure applied for areas of high risk and areas of low risk are to be noted.



- Sufficient and appropriate audit evidence obtained during the audit.
- Explanations given, GST return copies, details of taxes paid & credit availed, sales made etc.
- In CIS Environment all the working papers are in electronic form. These could be CSV, Excel, PDF, JPEG, JSON etc. The GST Auditor shall have a summary of the list of files as an Index and result of those files and cross link with various points in Part A and Part B of GSTR 9C

The above is not inclusive list and any other document or letters which are necessary or required to be necessary can also be documented.

#### ***Contents of Audit Working Papers***

Audit team should be aware of the importance and contents of audit working paper. Having necessary and source of information would be key for successful completion of audit. Any observation without documentary support could decrease the importance of it. Important contents of GST audit working papers includes as follows;

- 1) Name of the client, Period covered by the audit, Audit methodology and tools used, Sources of data
- 2) Detailed observations with important aspects such as date, amount, document references and remarks
- 3) Signatures of members of staff who prepared the working paper and date prepared
- 4) Signatures of the reviewer, partner and date reviewed etc.

#### ***Common errors by auditors about audit documentation***

There are some misunderstandings / myths that prevent auditors from properly documenting the audit working papers and documents;

- No need to document for what I did as everybody aware of it.



- Work is completed once I sign off on the working paper.
- If I could not find, the reviewer will find and take care of it.
- Don't want to give time on documentation because I want to help the budget.

An auditor should not do the above errors as the audit documentation and working papers are principal record of the work performed, conclusions reached and the opinion expressed as enumerated in detail.

***Types of Audit files to be maintained:***

For recurring audits, the working papers may be split by GST auditor between:

**1. Permanent Audit file**

- a. Engagement letters
- b. Organizational structure of the company
- c. Important documents such as MOA, AOA, minutes etc.,
- d. Previous year Audited Financials & GSTR 9 & 9Cs.
- e. MRL provided by the management & ICQs.
- f. Ratio analysis and trend analysis etc.

**2. Current Audit file**

- a. Offer & Acceptance letters
- b. Audit plan and Audit programme & Checklist
- c. Analytical review procedures performed during the audit
- d. Reconciliation statement between books of accounts and annual returns
- e. Communications made with other auditors, expert and third parties
- f. Review notes & representations etc.

***Ownership:***

Audit documentation is the property of the auditor. The auditor may make available to the entity at the auditor's discretion copies of the audit documentation, provided such disclosure does not undermine the independence or the validity of the audit process.



The auditor should adopt reasonable procedures to retain and access audit documentation for a period of time sufficient to meet the needs of his or her practice and to satisfy any applicable legal or regulatory requirements for records retention both physically and electronically. Further, the auditor has an ethical and, in some situations, a legal obligation to maintain the confidentiality of client information.

***Conclusion:***

Though it is not provided for in the GST laws that the above audit documentation is mandatory for the GST audit, it is suggestible to adopt the audit documentation specified in the generally accepted auditing standards and principals applicable to the any other statutory auditors. Further, the audit documentation and working papers are the primary record of the work done, conclusions made and the opinion expressed. From GST's perspective, audit documentation or working papers are documents obtained as evidences during the conduct of GST compliance audit.

Special thanks to CA Subba Reddy for penning this article. For any further queries/comments please write to [subbareddy@hiregnage.com](mailto:subbareddy@hiregnage.com).

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