

ANNEXURE – ST - VI

QUESTIONNAIRE FOR REVIEW OF INTERNAL CONTROLS

(Information to be filled in by the Auditor before filling up the information in the working papers)

A. Flow Chart showing manner of verification of transactions and documents during Walk Through and Audit.

1. Verification of Sales of Services and Income:

- File of correspondences with the client/customer
- Quotation/Tender files
- Cost sheet to work out approximate cost of service (eg. cost of A.M.C. , Advertisement cost)
- Price List (in cases where price of services are fixed as in case of Insurance Premiums, Cable Operators, Coaching Centres).
- Booking Register (eg. in case of Mandap keeper, Convention Centre, tour operators)
- Service Agreement/Contract like Agreement for Technical consultancy
- Job cards/work statements (eg. in case of AMC or repair of vehicle, job card may show value of services and material used)
- Advance Receipts (eg. in case Mandap keeper, tour operator, event management services)
- Invoices/Receipts
- Income Register (such as Sales Register)
- Debit Notes
- Customer's ledger Account (to verify total amount billed, by way of invoice, debit note, payment received, credit note issued)
- Returns filed with other Departments (such as returns filed with Commercial Tax department for Works Contract Tax (Installation & Commissioning Services); with State Government for Luxury Tax (in case of Mandap keeper, Convention Centre), SEBI (Stock broker), IRDA (Insurance services)
- S.T.3 Return

2. Purchase of Input services and Availment of Credit

- Vendor/Supplier list
- Correspondence with vendor/supplier
- Tender/Quotation documents
- Purchase Order

- Purchase invoices/bills
- Debit Notes (for return of input services)
- Purchase Register
- Ledger Accounts of suppliers of services (to verify the date of payment of services)
- Bank Account/Cash Account (to verify random cases for payment of services)
- Verify use of input services (eg. use of telephone for output services or for non-taxable work, insurance for property used for output services)
- Input Credit register
- Service Tax Credit Return.

3. Financial Record Scrutiny

- Trial Balance
- Check all Income Accounts (showing credit balances) in Trial Balance.
- Compare value of Income Accounts with value of taxable services shown in Service Tax return
- Verify invoices/bills/other documents of Income Accounts on which Service tax is not paid.
- Verify major expenses accounts to confirm whether any recoveries made from customer/client are adjusted in the expenditure account.
- Check Journal Vouchers/Debit Notes to verify recoveries from Customer/clients on which service tax is not paid.

4. Use of Input Services in Exempted Services:

- Check details of Input Services on which credit was availed, from Service Tax Credit Return.
- Check, if any, record maintained for quantifying input services used for exempted services or non taxable activity.
- Verify use of input services by tour of premises or by verifying documents
- Check costing of output services (prepared for submitting quotation or prepared for calculation of cost of output services)
- Check job card/work statement to find out exact quantum of use of input services.

B. Questionnaire for gathering information:

1. General:

01.	Name & address of Service Provider	
02.	Name and contact number of the 'Authorised person' for Audit.	
03.	Service tax Registration No. & date	
04.	Whether Service Tax Registration is centralized?	
05.	Whether the assessee is also registered as an Input Service Distributor?	
06.	Whether the assessee is a Proprietary, Partnership firm, Limited liability Partnership firm (LLP), Pvt. Ltd Company, Public Limited Company?	
07.	Details of transactions with Associated Enterprise as defined in Section 65(7b) of Chapter V of the Finance Act, 1994.	
08.	Details of Taxable Services provided.	
09.	Details of Taxable Services received for which tax has to be paid under reverse charge.	
10.	Details of exempted Services provided, if any, & Notification No.	
11.	If both Taxable and Exempted Services are provided, whether separate accounts are maintained in terms of Rule 6 of the CENVAT Credit Rules, 2004.	
12.	Details of Taxable Service Exported	
13.	Whether list of records maintained is filed with the S.T. department? [Rule 5(2) of the Service Tax Rules 1994]	
14.	Whether any periodical report/statement is furnished to any State / Central Government / Authority / Regulatory bodies? If yes, details thereof.	
15.	Whether any trading of goods/ materials carried out? If so details thereof.	
16.	Whether Registered with Central Excise? If so, details thereof.	
17.	Whether any offence case is booked in respect of Service Tax, Central Excise, Income Tax, VAT/ Sales Tax. If so, details thereof.	
18.	Whether any service is sub-contracted partially or wholly? If so, details thereof.	
19.	Is there any case where services provided in the State of Jammu & Kashmir?	

20.	Whether CENVAT Credit on input services availed? If so, details of major input services may be indicated.	
21.	Whether CENVAT Credit on inputs availed? If so, details of major inputs may be indicated.	
22.	Whether CENVAT Credit on Capital Goods availed? If so details of such Capital goods, along with their Central Excise Tariff Heading (CETH).	
23.	Whether CENVAT credit is taken after making payment of the invoice amount (including Service Tax) to the input service provider?	
24.	In case the assessee is also registered as an Input service distributor, whether he is having any unit in which only exempted products are manufactured? If yes, whether he is distributing the credit in respect of services related to that unit also?	
25.	Whether any amount payable/ paid to the Client has been adjusted against the receipt/ receivable and net income shown in the P&L Account.	
26.	Whether any advance payment is received towards providing services? If yes, whether Service Tax is paid on such receipts?	
27.	Is there any expenditure to any entity abroad which has been made but on which assessee is not required to pay service tax under reverse charge mechanism? If yes, details thereof.	
28.	Whether service tax is paid on the gross value received including TDS amount deducted by the service recipients?	
29.	Whether PF/ ESI or any other charges of the personnel of the service provider are being directly paid by the service recipients? If so whether service tax is paid on such amount.	
30.	Details of agreements entered into by the assessee for providing / receiving services	
31.	Details of expenditure in foreign currency on which service tax has neither been charged by the assessee nor it is payable under Sec. 66 A i.e. under reverse charge mechanism	

2. Invoicing pattern

01.	Is invoice issued in all transactions? If not, reasons for not issuing invoice.	
02.	How many series of invoices are being used?	
03.	If more than one series is used, give details of each such series.	
04.	If there are more than one series of invoices, is service tax paid	

	on all the series of invoices?	
05.	If not, then the reasons for not paying service tax on such series of invoices (e.g. exempted / exports / trading / non taxable services). Give details	
06.	Whether the invoice contains the STC number?	
07.	Is invoice issued on the date of provision of service or before or later?	
08.	List the different heads under which amounts are billed in invoices and their corresponding heads in the Trial Balance.	
09.	Name the heads in the invoice on which Service Tax is not paid.	
10.	Is there any sale of goods involved?	
11.	Is sales tax or VAT paid on value of goods sold?	
12.	Is the value of sale of goods included in the Gross amount charged declared in ST-3?	
13.	Are there any reimbursements billed in the invoice?	
13.1	Are there any debit/ credit notes issued for claiming reimbursements?	
14.	If yes, is service tax paid on these reimbursements? If not, reasons thereof.	
15.	Whether invoices are generated on Computer. If yes, then whether the Invoice Numbers are generated automatically or is fed manually. What safe guards are provided in the system for data security? Give the name and designation of the person having the authority to cancel an invoice.	
16.	Whether any amount is recovered by issue of debit note and whether it is included in the gross value of services?	
17.	Give a brief on sale pattern of services liable to service tax	
18.	Are any goods or services provided by the service receiver free of cost or at subsidized price?	

3. Accounts and records

01.	Whether accounts are prepared on mercantile basis or cash basis?	
02.	Whether the Accounts are maintained electronically? If yes, the name of accounting packages / computer software installed for maintaining accounts in the units like Tally, FAS etc :	

03.	Whether accounting software was switched over to some other software during the audit coverage period.	
04.	Whether any changes have been made in the accounting policies affecting ST liability relating to reimbursement of expenses, timing of payment of Service Tax and treatment of payments in foreign currency?	
05.	Whether accounts are audited by Statutory Auditor? If so, name and address of the auditor.	
06.	Whether Cost Accounting records as prescribed under Section 148 of the Companies Act, 2013 are required to be maintained?	
07.	Whether Cost Audit Report is conducted and if yes report thereof is prepared?	
08	Whether there is any system of Internal Auditing?	

4. Making of ST-3 return

01	Whether payment of Service Tax is on Billing basis or receipt basis?	
02	List the ledger/ accounts from where the monthly gross amount received is taken for taxable service.	
03	List the ledger/accounts from where the amount received towards gross monthly amount of Exports is taken.	
04	List the ledger/accounts from where the amount received towards gross monthly amount of exempted service is taken.	
05	List the ledger/accounts from where the gross monthly amount of amount received as pure agent is taken.	
06	List the ledger/ accounts from where the gross monthly amount billed is taken.	

5. Exemption

01	Please list the exemptions being claimed.	
02	Please list the conditions prescribed in each of the exemption claimed. Please specify if the conditions of exemption are fulfilled.	
03	If abatement is being claimed, is the CENVAT of capital goods, inputs or input services claimed?	
04	If abatement is being claimed, is the benefit of notification No.12/03-ST, dated 20/6/2003 also claimed?	

6. Place of provision of Service Rules:

1	Value of services exported if any, on which no service tax has been charged. Under which Rule of Place of Provision of Services Rules, 2012, the exported Service(s) fall? Whether any amount of (a) above should be taxed for not following Place of Provision of Services Rules, 2012?	
2	Is the payment for services exported received by the service provider in convertible foreign currency? If not, list those transactions where amounts are not received in foreign currency.	
3	Is the payment for services exported received by the service provider in convertible foreign currency within the time limit prescribed by RBI? If not, give details.	
4	Whether any services has been exported to "Associated Enterprises". If yes, mention the value thereof.	

7. VALUATION OF SERVICES

01	Is there any sale of goods involved in the course of providing service or otherwise?	
02	Is sales tax or VAT paid on value of goods so sold?	
03	Is the value of goods sold as mentioned in Point (a) and (b) above included in the gross amount charged as declared in ST-3?	
04	"Gross Amount Charged" includes reimbursements billed for the purpose of determining tax liability?	
5	Is there any, Value of reimbursements on which service tax is not charged	
6	Whether any service Tax has been paid under works contract service/restaurant service (special value as prescribed under Rule 2A of Determination of value Rules 2006)	
7	If abatement is claimed under Notification No. 26/2012-S.T. dated 20.06.2012 whether CENVAT Credit is claimed	
8	If yes whether permissible under Notification No. 26/2012?	
9	if answer is negative for the above query, then what is the nature of default of amount involved.	

8. ABATEMENT PROVISIONS:

01	In case of valuation of “Works Contract Service”, please quantify the value of ‘goods’, along with differential Service Tax liability on which VAT/Sales Tax has not been paid and which has also been excluded from the value for payment of Service Tax in terms of Rule 2A(i) of Valuation Rules.	
02	Whether the claim of an amount received as reimbursement or pure agent in terms of Rule 5(2), is correct. If not, please quantify differential value and Service Tax.	
03	If abatement under Notification No. 26/2012 has been claimed on any service, whether the condition of non availment of Cenvat credit has been complied with or not. If not, please quantify the differential amount and Service Tax liability.	
04	If any credit of Service Tax has been availed in terms of Rule 6(3) of STR for non-provision/deficient provision of services, etc., whether the conditions given in the Rule have been fulfilled. If not, please mention amount of wrongly availed credit.	
5	If any adjustment has been made for excess paid Service Tax under Rule 6(4A) of the STR, whether it is legally correct. If not, please mention the differential Service Tax amount	

9. AMOUNTS TO BE INCLUDED IN TAXABLE VALUE

01	Whether any Goods / Services provided free of cost by the service recipient	
02	Whether reimbursements received from service recipient	
03	Whether any other expenditure borne by the service recipient	

10. MIS

01	What is the organization structure?	
02	Who is responsible for billing and sales?	
03	What reports are given to his seniors on the daily, weekly, monthly sales? Give sample copies.	

Note: After obtaining the above information, the auditors may physically examine the concerned ledgers/ documents which may be relevant for verification of the issues mentioned in the audit plan as well as any new additional issues that may be identified during the time of gathering of the information.