

GST: Assisted Compliance Assurance Programme (ACAP)
Appendix 1- Annex 4
Sample Control Process Flow for Sales (on supply of goods)

Sample of flow on decision making for identification/ review of new business model)			
Customer	Sales	Finance/Tax	Controls
Places order via email, fax, phone call etc	Does it fall within existing business model with the tax code pre-defined by a designated tax person? Y N A	<pre> graph TD Start([Start]) --> Decision1{Does it fall within existing business model with the tax code pre-defined by a designated tax person?} Decision1 -- Y --> A((A)) Decision1 -- N --> Assign[Assign the relevant tax code] Assign --> Decision2{System logic/control procedure updating required?} Decision2 -- Y --> Update[Update system logic/process flow] Decision2 -- N --> A Update --> Test[Run system test and sample checks] Test --> Decision3{Satisfied with the results?} Decision3 -- Y --> Training[Conduct training to relevant personnel in sales and finance] Decision3 -- N --> Test </pre>	1) Applying incorrect GST treatment to new business model 2) System does not cater to changes in tax code requirement due to certain constraints E.g. the change may require major revamp of the system 3) Staff may override the tax code and update the changes/new transactions

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(2) Processing sales orders					
Customer	Sales	Logistics	Finance	Description of risk	Controls
	A - Create sales order (SO) in system with GST code - Alert Finance SO approved? N Investigate and follow-up with customer/relevant personnel	Retrieve SO and prepare for shipment Generate Delivery order (DO) Delivery to local address? Y Prepare shipping documents Ensure quantities and descriptions on SO matched to DO and physical goods Goods delivered, send endorsed DO to Finance B N Prepare shipping documents Ensure quantities and descriptions on SO matched to DO and physical goods Goods delivered, send endorsed DO to Finance C		1) Incorrect application of GST treatment on transactions 2) Wrong coding applied 3) Time of supply not adhered to 4) Omission of supplies e.g. sales not posted, thus not captured for GST reporting 5) Credit notes issued are not recorded 6) Information like quantities and description do not matched 7) For exports, insufficient documents are available to support zero-rating	4) Tax logic table given to staff to refer to for major category of transaction. 6) Reviewer checks for the following before approving the SO: - Order is made by a genuine customer - GST treatment is applied correctly - Pricing of items ordered is matched with internal pricelist

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(2) Processing sales orders					
Customer	Sales	Logistics	Finance	Description of risk	Controls
		B For goods exported, KIV 60 days for shipping documents to be received Receipt of shipping documents are matched to the guidelines set out in e-Tax guide on Exports? Y File documents	C Match endorsed DO to SO for value accuracy and destination of goods - Confirm GST treatment is correctly applied and issue Tax Invoice - Reviewer checks for value accuracy and appropriate tax treatment applied, approves the invoice and posting of transactions to accounting system Review GST treatment to either (a) absorb GST; or (b) revise Tax Invoice to charge GST to customer Reviewer approves the revised treatment, issue of credit or debit note, posting of revised value and GST value At month end, - Generate sales report and compare with General Ledger report (GL) to investigate any discrepancies - Run an exception report to investigate anomalies/unmatched SO - Perform random check on transactions to trace from source documents to line item in the GL	1) Incorrect application of GST treatment on transactions 2) Wrong coding applied 3) Time of supply not adhered to 4) Omission of supplies e.g. sales not posted, thus not captured for GST reporting 5) Credit notes issued are not recorded 6) Information like quantities and description do not matched 7) For exports, insufficient documents are available to support zero-rating	7) System prompts and alerts the clerk if: - Invoice amount is not equivalent to SO - Items billed for is different from SO - Destination of goods is local but tax code selected is zero-rated - Tax code is entered wrongly/not entered at all 8) Reviewer checks for the following before approval: - GST treatment is correct - Time of supply adhered - Sales order made by genuine customer - SO and Invoice are matched - Supporting documents are maintained for exports 9) Comparing of sales report and GL report are performed on monthly basis and any discrepancies are investigated. 10) An exception report is generated monthly if SO is not matched to an invoice or tax logic is by-passed by the staff. 11) Periodic checks are performed e.g. sample checks to source documents on a random basis from the GST reporting for exceptional or high value items, check for running sequence of invoice numbers.

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Sample Control process flow for purchases (purchases process with no pre-determination of GST tax coding in the system)

Production	Purchasing	Receiving	Finance	Description of risks	Controls
<pre> graph TD Start([Start]) --> Submit[Submit Purchase Requisition (PR) with supporting documents to manager] Submit --> Approved1{Approved} Approved1 -- Y --> Manager[Manager approves PR & routes PR to Purchasing] Approved1 -- N --> RouteBack1[Route back to requestor for necessary action] Manager --> ApprovalSighted{Approval sighted? Within limit?} ApprovalSighted -- Y --> IssuesPO[Issues Purchase Order (PO) and submits to manager for approval] ApprovalSighted -- N --> RouteBack1 IssuesPO --> Approved2{Approved} Approved2 -- Y --> Dispatch[Dispatch PO to supplier and Finance] Approved2 -- N --> RouteBack2[Route back to requestor for necessary action] Dispatch --> C((C)) </pre>				(1) Purchases are not for business or furtherance of business (2) Value of purchase is incorrect	<u>Production</u> 1) Policies are put in place to provide guidance on purchases. Manager reviews PR to ensure the purchase is for business purpose and in accordance with company's purchasing policy. <u>Purchasing</u> 2) Purchasing officer checks PR: • For approval from manager • Whether purchase is within limit/ budget • Whether the vendor exist Purchasing manager checks for details in the PO for accuracy.

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Production	Purchasing	Receiving	Finance	Description of risks	Controls
		Check goods and endorse on DO and DO and send DO to Finance	<pre> graph TD C((C)) --> A[Match PO, DO and invoice and capture transaction in the system Documents are submitted to supervisor for approval of transaction and payment] A --> B[Supervisor reviews the accuracy and correctness of input tax claim] B --> D{Transaction in order?} D -- N --> E[Return to Accounting officer for necessary action] E --> A D -- Y --> F[Supervisor approves transaction for payment and data capturing in the GL] F --> G[At month end, Generate purchase report and compare with GL to investigate any discrepancies Run an exception report to investigate anomalies in purchases and GST treatment Perform random check on transactions to trace from line item in the GL to source documents Review aging for adjustment of unpaid input tax] </pre>	(3) Applying incorrect treatment resulting in incorrect classification of purchases for GST reporting as well as incorrect input tax claims (4) Claiming input tax using in-house exchange on tax invoices denominated in foreign currency instead of S\$ equivalent stated on tax invoices (5) Claiming input tax on purchases without valid tax invoices (6) Duplicate claims (7) Failure to adjust purchases and input tax on credit notes received (8) Data entry errors arising from manual capturing of data (9) Misuse of MES status to import goods that do not belong to trader or overseas principals (10) Lack of documentary evidence to support ownership of goods imported under MES (11) Failure to adjust for unpaid input tax	Receiving 3) Receiving officer: - Confirms the goods received are purchased by the company - Agrees quantity of physical goods to delivery order Finance 4) Accounting officer performs the following procedures: - Agrees invoice to PO and DO to ensure invoice is for company's purchase - Stamps or marks invoices as "captured" or equivalent after capturing the invoice in the system to prevent double capturing - Checks whether supplier is GST registered by searching in IRAS website - Checks and ensures the invoice from GST registered supplier qualifies as a valid tax invoice - Determines whether the input tax is disallowed under regulation 26 and 27 or is attributable to the making of exempt supplies - Checks and ensures the GST amount is correctly charged by the supplier 5) System prompts and rejects transaction if: - The purchase amount is more than PO - The GST does not agree with the GST code - Computed amount does not agree with keyed amount - No GST code is entered - Duplicate invoice number is detected 6) For imports, accounting officer checks and ensures the goods are correctly imported under its MES status and substantiated with import permit, invoice and shipping documents. 7) Supervisor agrees invoice to transaction listing for accuracy in data capturing and classification. In addition, s/he reviews and confirms that the data is correctly captured in the system. 8) On a monthly basis, accounting officer - Compare purchase report and GL report and investigate discrepancy noted - Reviews exception reports generated for e.g. duplicate transactions and invest anomalies noted - Performs random checks e.g. vouching sample purchase transactions in GL to source documents - Reviews aging for adjustment of unpaid input tax

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Sample GST process flow on GST reporting

Finance and Accounting Department	Description of risks	Controls
<pre> graph TD Start([Start]) --> Prep1[Preparer generates the following to facilitate GST reporting: • GST listing • Input tax and Output tax control, account listing • Account details of specific accounts such as interest income, exchange gain/ loss accounts] Prep1 --> Prep2[Preparer: • Reconciles GST listing to control account listing • Perform reasonableness test to ensure correct GST values are keyed into system • Identifies transactions for manual adjustments. For example: Purchases: • Adjust input tax to Singapore dollar equivalent stated in the tax invoices issued by the GST registered suppliers for foreign currency billings Supplies: • Include supplies captured outside invoicing module: buyer-generated invoices, overseas interest income as zero-rated supplies, supplies made in the capacity of section 33 agent] Prep2 --> Prep3[ME report from freight forwarder (FF) Report downloaded from Tradenet] Prep3 --> Prep4[Designated personnel matches reports to ensure all imports under MES belong to entity or overseas principals and ensures all supporting documents are available] Prep4 --> Prep5[Identify discrepancies (if any) and follow-up on findings/ resolutions] Prep5 --> E((E)) Prep2 --> D((D)) </pre>	Data extracted is incomplete Incorrect definition of period parameters, formulas or code due to oversight or inadequate knowledge / experience System bug in generation of GST listing Input tax is wrongly claimed based on incorrect GST rate/ output tax is accounted based on incorrect GST rate Manual adjustments are not performed as required Review for items which require manual adjustments are omitted/ overlooked	Accountant 'locks' access to add/ amend data after month-end closing before preparer generates GST data. Preparer refers to Standard Operating Procedures (SOP) on the types of review and manual adjustments required. Preparer performs the following: • Reconciliation of GST listings to control account listings to detect missing transactions • Reasonableness test to detect transactions with abnormal GST rates Accountant and finance manager review and ensure preparer performs the necessary adjustment.

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Finance and Accounting Department	Description of risks	Controls
<pre> graph TD D((D)) --> A[Review value and categories of exempt supplies to apply partial exempt rules on recovery of input tax when exempt supplies failed the tests prescribed in the GST legislations (e.g. De minimis rule)] A --> B[Prepare working schedule to derive at the values for GST F5 return submission and create draft GST F5 in myTax Portal] B --> C[Reviewer reviews the GST listing, manual adjustments and reasonableness test performed by the preparer for accuracy and agree working schedule to draft GST F5] C --> D1{Errors noted?} D1 -- Y --> E1[Immediate remedial action if errors are due to human errors e.g. education] E1 --> F1[Correction of errors] F1 --> B D1 -- N --> G[Reviewer endorses on schedule and submits GST F5. She agrees acknowledgement to GST schedules] G --> H[Documents sent for filing] E((E)) --> B </pre>	Preparer made computation errors Transpose incorrect values from working schedules to GST F5 Wrongly altered transaction value meant for submission to IRAS No printing of GST return acknowledgement to ensure successful submission	Reviewer re-computes computations of preparer. Reviewer agrees figures in working schedule to GST F5 before submission. Reviewer agrees acknowledgement to schedule to ensure there is no accidental alteration to values meant for GST return submission. Reviewer prints acknowledgement for filing.

Sample Decision tree on GST logic in-built in the accounting system

