GL SCRUTINY – ATO COMPLIANCE TRAINING

Ensuring accurate financial records and tax compliance

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WITH THE HELP OF NOTES IN THIS PPT, THE LIVE GENERAL LEDGER OF A CLIENT WILL BE DEMONSTRATED TO THE TRAINEES AS A PART OF PRACTICAL TRAINING, ALONG WITH EXAMPLES



INTRODUCTION TO GL SCRUTINY UNDER ATO COMPLIANCE

Purpose of GL Scrutiny

GL scrutiny ensures accuracy and compliance of ledger accounts with Australian tax laws and accounting standards.

Process and Objectives

Reviewing transactions and balances confirms correct data flow from accounting to tax returns and detects discrepancies.

Governance and Audit Readiness

GL scrutiny strengthens internal controls, reduces audit risks, and prepares organizations for ATO audits.

Importance in Tax Management

It safeguards against financial misstatements and regulatory breaches, key to effective corporate tax management.



IMPORTANCE OF GL SCRUTINY FOR ATO COMPLIANCE



Ensuring Accurate Tax Disclosures

GL scrutiny ensures businesses maintain complete and accurate tax disclosures as required by the Australian Taxation Office.

Compliance with Managerial Controls

Proper GL review helps organizations meet Managerial Level Controls by documenting procedures and reconciling tax returns to financial statements.

Risk Mitigation and Governance

GL scrutiny strengthens governance by ensuring valid financial transactions and reduces risks of penalties and reputational damage.

Facilitating Smooth Closing Processes

Thorough GL scrutiny supports efficient month-end and year-end closings, minimizing last-minute adjustments and errors.

STEP-BY-STEP GL SCRUTINY PROCESS



Account Identification

Run trial balance to identify and confirm all relevant balance sheet accounts for scrutiny.

Book-to-Tax Reconciliation

Adjust accounting profit or loss for depreciation, provisions, and tax-specific offsets during reconciliation.

Anomaly Detection

Review transactions for unusual entries, large amounts, round figures, and backdated postings.

Compliance Check

Ensure all entries comply with ATO tax laws and internal policies to support audit readiness.

MAIN PURPOSE OF GL SCRUTINY

- 1. Verifying Accurate Balances & Reconciliation of Opening and Closing Balance: To ensure that the balance includes only entries pertaining to the said account and that every amount in the balance is identifiable with the account, it’s necessary to reconcile the opening and closing balance in a particular ledger account.
- 2. Journal Entries in the Account: It’s essential to trace the journal entries in the account, including transfers to and for, and to ascertain the reasons for passing a journal voucher. The transaction flow of the journal entries to the various accounts should be verified for a specific account. It’s also necessary to verify the necessity of passing the journal voucher for a particular transaction.
- 3. Type of Transactions: Transactions can be capital or revenue, recurring or non-recurring. Specific account heads are available for each transaction, and it’s necessary to look into the particular account with the nature of the transaction.
- 4. Arithmetic Calculations: For transactions in the ledger with arithmetic calculations, scrutinizing the calculation is fundamental.
- 5.Identifying Redundancies and Gaps: Looking for duplicate entries or missing transactions that could compromise the ledger's accuracy.
- 6.Correcting Misclassification: Confirming that transactions are correctly classified and categorized, as misclassification can lead to inaccurate financial statements.

COMMON ISSUES IN GL SCRUTINY

Tax Adjustment Misclassification

Misclassifying tax adjustments can distort taxable income and lead to inaccurate tax reporting.

Missing Documentation for Variances

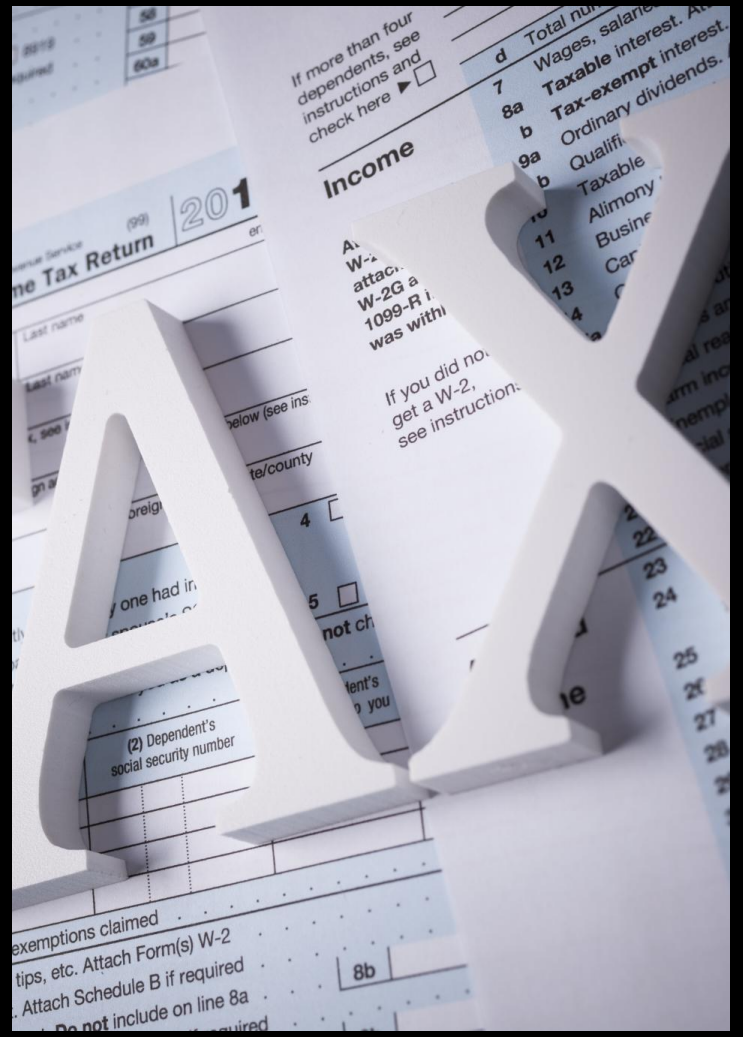
Lack of detailed narratives for variances can result in non-compliance with tax authority requirements.

Unreconciled Intercompany Balances

Discrepancies in intercompany balances affect consolidated statements and tax returns accuracy.

Incorrect GST Treatment

Errors in GST treatment increase risks of non-compliance and potential fraud penalties.



ATO COMPLIANCE CHECKLIST FOR GL SCRUTINY

Book-to-Tax Adjustments Verification

Ensure book-to-tax adjustments are thoroughly documented and supported by valid evidence to meet compliance.

Reconciliation and Variance Explanation

Confirm reconciliations align with financial statements and major variances include clear narrative explanations.

GST Compliance Review

Review GST treatment for compliance with ATO guidelines to avoid audit triggers and errors.

Governance and System Reliability

Document roles, responsibilities and ensure data sourcing systems are secure and reliable for audit trails.



EXAMPLES SHOWN

Some GST Free	
1	basic food, such as fruits, vegetables, meat, fish and eggs
2	medical and other health care services for which a Medicare benefit is payable
3	some educational services provided by schools, universities and TAFE
4	goods and services which are exported from Australia
5	some government charges such as car registration and passport fees
6	Some menstrual products
7	Some medical aids and appliances
8	Some childcare services
9	Some religious services and charitable activities
10	International transport and related matters
ATO Links	
GST for detailed food list	
https://www.ato.gov.au/law/view/document?DocID=GII/GSTIIFL1/NAT/ATO/00001	

Sales

Date	Source	Description	Reference	Debit	Credit	GST	Gross	CT Query
11 Jul 2023	Receive Money	DEPOSIT ONLINE 2104471TFR Westpac Bus Temp transfer		0.00	1,818.18	181.82	2,000.00	
12 Jul 2023	Receive Money	DEPOSIT ONLINE 2236603TFR Westpac Bus Super transfer		0.00	5,454.55	545.45	6,000.00	
14 Jul 2023	Receive Money	DEPOSIT ONLINE 2037477TFR Westpac Bus Temp transfer		0.00	6,363.64	636.36	7,000.00	
30 Aug 2023	Receive Money	DEPOSIT ONLINE 2078405TFR Westpac Bus		0.00	1,818.18	181.82	2,000.00	
30 Aug 2023	Receive Money	DEPOSIT ONLINE 2110533TFR Westpac Bus		0.00	15,454.55	1,545.45	17,000.00	
05 Sep 2023	Receive Money	DEPOSIT ONLINE 2033444TFR Westpac Bus		0.00	9,090.91	909.09	10,000.00	Bank transfers?
19 Jul 2023	Receive Money	DEPOSIT ONLINE 2234985TFR Westpac Bus BAS transfer		0.00	1,818.18	181.82	2,000.00	
21 Sep 2023	Receive Money	DEPOSIT ONLINE 2042265TFR Westpac Bus Temp transfer		0.00	3,636.36	363.64	4,000.00	
13 Oct 2023	Receive Money	DEPOSIT-OSKO PAYMENT2784613 Wolf Vic Pty Ltd return of funds double pa		0.00	450.00	45.00	495.00	
10 May 2024	Receive Money	DEPOSIT-OSKO PAYMENT2072069 HAYLEY VAUGHAN Temp transfer		0.00	5,454.55	545.45	6,000.00	
10 Jun 2024	Receive Money	DEPOSIT-OSKO PAYMENT2361616 HAYLEY VAUGHAN Temp transfer 09 JUN 2024		0.00	3,000.00	300.00	3,300.00	
					54,359.10	**5,435.90**	**59,795.00**	

Client Reply
Yes they are not income, realloate from sales and ammend the Jun BAS

5-3400	Raw material							
Date	Reference number	Transaction type	Transaction description	Debit ($)	Credit ($)	Tax amount ($)		
27/09/2022	3240	Spend money	ANZ INTERNET BANKING PAYMENT 816161 TO Jims test and tag OSKO	240.00		24.00		
22/03/2023	3869	Spend money	EFTPOS DIAMOND WAY AUSTRALI THOMASTOWN AU POS DR	1,916.36		191.64		
05/09/2022	SM003152	Spend money	EFTPOS GRACE AUTO RAVENHALL AU	687.27		68.73	MV Repairs	
20/10/2022	3309	Spend money	EFTPOS GRIPPS GLOBAL PTY LTD TULLAMARINE AU POS DR	1,950.00		195.00		

6-1000	Accounting fees						
Date	Reference number	Transaction type	Transaction description	Debit ($)	Credit ($)	Tax amount ($)	
17/01/2023	3618	Spend money	ACCOUNT SERVICING FEE	20.00		2.00	Bank fee
17/04/2023	3988	Spend money	ACCOUNT SERVICING FEE	20.00		2.00	Bank fee
15/07/2022	SM003003	Spend money	BANK CHARGES - ACCOUNT SERVICING FEE	9.09		0.91	
03/10/2022	3248	Spend money	ANZ INTERNET BANKING PAYMENT 246711 TO Accountantnet Group M	409.09		40.91	
13/07/2022	SM002992	Spend money	AUTO PAYMENT - PAYMENT TO ACCOUNTANTNET 416142445	400.00		40.00	
15/08/2022	SM003076	Spend money	AUTO PAYMENT - PAYMENT TO ACCOUNTANTNET 424997736	400.00		40.00	
13/09/2022	3173	Spend money	PAYMENT TO ACCOUNTANTNET 433161642 PAYMENT	400.00		40.00	
13/10/2022	3276	Spend money	PAYMENT TO ACCOUNTANTNET 441094872 PAYMENT	400.00		40.00	
14/11/2022	3414	Spend money	PAYMENT TO ACCOUNTANTNET 449615025 PAYMENT	400.00		40.00	
13/12/2022	3534	Spend money	PAYMENT TO ACCOUNTANTNET 457640765 PAYMENT	400.00		40.00	
13/01/2023	3585	Spend money	PAYMENT TO ACCOUNTANTNET 464996352 PAYMENT	400.00		40.00	
13/02/2023	3730	Spend money	PAYMENT TO ACCOUNTANTNET 472520457 PAYMENT	400.00		40.00	
13/03/2023	3830	Spend money	PAYMENT TO ACCOUNTANTNET 479864674 PAYMENT	400.00		40.00	
13/04/2023	3937	Spend money	PAYMENT TO ACCOUNTANTNET 487799298 PAYMENT	400.00		40.00	
13/06/2023	4149	Spend money	PAYMENT TO ACCOUNTANTNET 503825311 PAYMENT	400.00		40.00	
Total				4,858.18		485.82	

6-1002	Staff Amenities						
Date	Reference number	Transaction type	Transaction description	Debit ($)	Credit ($)	Tax amount ($)	
16/12/2022	3526	Spend money	ACCOUNT SERVICING FEE	20.00		2.00	Bank Charges
19/10/2022	3311	Spend money	EFTPOS AA DEER PARK 3857 \DEER PARK AU POS DR	99.57		9.96	Fuel
31/10/2022	3332	Spend money	EFTPOS AA DEER PARK 3857 \DEER PARK AU POS DR	75.36		7.54	Fuel
21/12/2022	3560	Spend money	EFTPOS GUMBUYA WORLD TYNONG AU POS DR	61.64		6.16	Amusement park
21/12/2022	3561	Spend money	EFTPOS GUMBUYA WORLD TYNONG AU POS DR	35.45		3.55	
21/12/2022	3562	Spend money	EFTPOS GUMBUYA WORLD TYNONG AU POS DR	191.82		19.18	
22/12/2022	3548	Spend money	VISA DEBIT PURCHASE CARD 2054 GUMBUYA WORLD TYNONG VISA De	390.44		39.04	
22/05/2023	4085	Spend money	EFTPOS GRACE AUTO RAVENHALL AU POS DR	27.27		2.73	Mechanic
09/03/2023	3842	Spend money	EFTPOS AA SUNSHINE 0022 \SUNSHINE AU POS DR	40.61		4.06	
01/05/2023	4029	Spend money	EFTPOS CHIN LAND ENTERPRISE PTY SUNSHINE AU POS DR	41.36		4.14	
18/01/2023	3617	Spend money	EFTPOS CHIN LAND ENTERPRISE SUNSHINE AU POS DR	38.18		3.82	
01/03/2023	3777	Spend money	EFTPOS CHIN LAND ENTERPRISE SUNSHINE AU POS DR	51.36		5.14	
08/03/2023	3846	Spend money	EFTPOS CHIN LAND ENTERPRISE SUNSHINE AU POS DR	10.91		1.09	
20/01/2023	3607	Spend money	VISA DEBIT PURCHASE CARD 6561 YAZY DESIGN PTY LTD SUNSHINE VIS	69.09		6.91	Signage - Printing
27/01/2023	3634	Spend money	EFTPOS MELTON GARDEN MELTON SOUTH AU POS DR	215.91		21.59	
05/06/2023	4130	Spend money	EFTPOS NATURO ME SUNSHINE AU POS DR	77.27		7.73	
24/03/2023	3865	Spend money	EFTPOS OOM ENERGY \DEER PARK AU POS DR	27.45		2.75	
07/03/2023	3848	Spend money	EFTPOS PRISTINE FAMILY PTY ST ALBANS AU POS DR	27.43		2.74	
21/12/2022	3559	Spend money	EFTPOS ROLLER BALDIVIS AU POS DR	60.91		6.09	Software
21/12/2022	3556	Spend money	EFTPOS ROLLER TYNONG AU POS DR	129.45		12.95	Software
21/12/2022	3558	Spend money	EFTPOS ROLLER TYNONG AU POS DR	10.91		1.09	Software

6-2600	Insurance						
Date	Reference number	Transaction type	Transaction description	Debit ($)	Credit ($)	Tax amount ($)	
11/07/2022	SM002977	Spend money	BPAY VWA AUTH ALLIANZ {734193} PAYBILL PAYMENT	2,912.13		291.21	Workcover Ins
27/01/2023	3637	Spend money	EFTPOS BINGLE POS DR	1,585.10		158.51	
Total				**4,497.23**		**449.72**	

6-3600	Office supplies						
Date	Reference number	Transaction type	Transaction description	Debit ($)	Credit ($)	Tax amount ($)	
04/07/2022	SM002961	Spend money	VISA DEBIT PURCHASE CARD 2487 MYOB AUSTRALIA BURWOOD EAST	56.36		5.64	Subscription
29/07/2022	SM003043	Spend money	VISA DEBIT PURCHASE CARD 2487 MICROSOFT*MICROSOFT 365 P MSB	9.09		0.91	
03/08/2022	SM003055	Spend money	VISA DEBIT PURCHASE CARD 2047 JB HI FI MELTON	1,807.23		180.72	Offic eq
03/08/2022	SM003056	Spend money	VISA DEBIT PURCHASE CARD 6561 JB HI FI MELTON 0	1,053.64		105.36	Offic eeq
04/08/2022	SM003066	Spend money	VISA DEBIT PURCHASE CARD 2487 MYOB AUSTRALIA BURWOOD EAST (	56.36		5.64	Subscription
29/08/2022	SM003132	Spend money	VISA DEBIT PURCHASE CARD 2487 MICROSOFT*MICROSOFT 365 P MSB	9.09		0.91	
31/08/2022	SM003141	Spend money	VISA DEBIT PURCHASE CARD 2054 APPLE R504 HIGHPOINT MARIBYRNC	3,850.91		385.09	Offic eq
05/09/2022	SM003156	Spend money	VISA DEBIT PURCHASE CARD 2487 MYOB AUSTRALIA BURWOOD EAST (	56.36		5.64	Subscription
29/09/2022	3237	Spend money	VISA DEBIT PURCHASE CARD 2487 MICROSOFT*MICROSOFT 365 P MSB	9.09		0.91	
05/10/2022	3261	Spend money	VISA DEBIT PURCHASE CARD 2487 MYOB AUSTRALIA BURWOOD EAST (	56.36		5.64	Subscription
31/10/2022	3328	Spend money	VISA DEBIT PURCHASE CARD 2487 MICROSOFT*SUBSCRIPTION MSBILL	9.09		0.91	
11/11/2022	3384	Spend money	VISA DEBIT PURCHASE CARD 2487 MYOB AUSTRALIA BURWOOD EAST V	56.36		5.64	Subscription
14/12/2022	3532	Spend money	VISA DEBIT PURCHASE CARD 2047 R & D JUST FLOORS MELTON VISA De	5,481.82		548.18	
16/12/2022	3524	Spend money	VISA DEBIT PURCHASE CARD 2047 MYOB AUSTRALIA BURWOOD EAST V	56.36		5.64	Subscription
21/12/2022	3557	Spend money	VISA DEBIT PURCHASE CARD 6561 MCDONALDS RIVERDALE TARNEIT V	56.36		5.64	
09/01/2023	3594	Spend money	PAYMENT TO MYOB AUSTRALIA MYOB 2-10004750064 PAYMENT	56.36		5.64	Subscription
08/02/2023	3710	Spend money	PAYMENT TO MYOB AUSTRALIA MYOB 2-10004981968 PAYMENT	56.36		5.64	Subscription
08/03/2023	3847	Spend money	PAYMENT TO MYOB AUSTRALIA MYOB 2-10005219231 PAYMENT	56.36		5.64	Subscription
17/03/2023	3808	Spend money	VISA DEBIT PURCHASE CARD 2047 MYOB AUSTRALIA BURWOOD EAST V	35.21		3.52	Subscription
04/04/2023	3911	Spend money	VISA DEBIT PURCHASE CARD 2047 MYOB AUSTRALIA BURWOOD EAST V	56.36		5.64	Subscription
11/04/2023	3947	Spend money	VISA DEBIT PURCHASE CARD 2047 MYOB AUSTRALIA BURWOOD EAST V	56.36		5.64	Subscription

9-1000	Other expenses					
Date	Reference number	Transaction type	Transaction description	Debit ($)	Credit ($)	Tax amount ($)
20/03/2023	3900	Spend money	ANZ INTERNET BANKING PAYMENT 377062 TO MECAKTP Donation OSH	2,400.00		0.00
05/06/2023	4129	Spend money	ANZ INTERNET BANKING PAYMENT 728031 TO Nai Zaw Fachhai Taiso p	27.27		2.73
03/04/2023	3916	Spend money	ANZ INTERNET BANKING PAYMENT 906274 TO MECA KTP Mo pano KTP	545.45		54.55
04/10/2022	3699	Spend money	BPAY ASIC {249080} PAYBILL PAYMENT INTNETBPAY	263.64		26.36

KEY TAKEAWAYS AND COMPLIANCE IMPERATIVES



Importance of GL Scrutiny

GL scrutiny is essential for maintaining tax governance and ensuring financial integrity through accurate disclosures.

Structured Compliance Processes

Implementing managerial controls and best practices reduces audit risks and enhances transparency in organizations.

Documentation and Audit Readiness

Thorough documentation supports evidence of compliance and prepares businesses for proactive enforcement strategies.

Stakeholder Trust and Sustainability

Effective GL scrutiny builds stakeholder trust and positions organizations for sustained compliance in dynamic regulations.