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| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Contingencies and Commitments | |
| **Ref. no.:** |  | |
| **Prepared by:** | ${user} | **Date:** |
| **Approved by Manager:** | ${manager} | **Date:** |
| **Approved by Partner:** | ${partner} | **Date:** |

The engagement team followed this audit program in the audit of contingencies and commitments. Where applicable, the audit program was tailored and bespoke audit procedures were added.

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| **Audit objectives** | **Assertions** | **Risk assessment** | | |
| **IR** | **CR** | **CRA** |
| 1. The contingent liabilities disclosed by the management includes all contingencies wherein it is not yet confirmed whether the entity has a present obligation that could lead to outflow of economic benefits or the amounts of which cannot be measured with sufficient reliability or the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity and that these are adequately classified and disclosed. | Completeness |  |  |  |
| 1. The commitments disclosed by the management includes all the future commitments embodying outflow of economic benefits against committed transactions. | Completeness |  |  |  |
| 1. Contingencies and commitments are presented and all disclosures have been given in accordance with the Fourth/Fifth Schedules of the Companies Act, 2017 and relevant IAS/IFRS. | Presentation and Disclosure |  |  |  |
| **Audit procedures which satisfy audit objectives** | **Links** | | **Ref. no.** | |
| **Test of Controls** | | | | |
| 1. Document the key elements of understanding of the process, including activities in relation to: 2. Initiation and authorization; 3. Recording and processing of relevant transaction(s) and relevant I.T. applications, if any; and 4. Preparation of relevant disclosures.   Evaluate the design of system of internal control by enquiring relevant client personnel and documenting the same (if documented system manual has not been developed by the client). A walk through test would be necessary to confirm the understanding as documented. Identify the preventive (exercised before occurrence of transactions and event) and detective (exercised after occurrence of transactions and event) controls established by management to support its claims and determine whether they have been implemented. |  | |  | |
| 1. To test their effective operation, check on sample of selected transactions covering the whole period that all preventive controls are exercised on all transactions. |  | |  | |
| 1. To test their effective operation, check on a sample of transactions that detective controls are exercised and in case of any detection of fraud/error, proper steps have been taken to avoid recurrence of the same. |  | |  | |
| 1. Check that proper documentation of contingencies and commitments has been maintained and the same is updated on prompt and consistent basis. |  | |  | |
| 1. Ensure that management does not override the designed controls by: 2. Enquiring from the designated staff person; and 3. Remaining skeptical during performing test of design and test of effective operation. |  | |  | |
| 1. Ensure that reliance on the testing of controls at the interim stage or in earlier years is only relied upon where it is appropriate to do so. |  | |  | |
| 1. Document the conclusion after performing test of controls and required level of assurance from substantive procedures. |  | |  | |
| **Test of Details** | | | | |
| 1. Review contingencies and commitments appearing in last year’s accounts and inquire about the status this year. |  | |  | |
| 1. Inquire of and discuss with management the client’s policies and procedures for identifying, evaluating, and accounting for and disclosing contingencies, including those resulting from litigation and claims. The inquiry should consider addressing oral arrangements, such as an oral guarantee for the debt of others, as well as written arrangements. |  | |  | |
| 1. Inquire of and discuss with management the client’s policies and procedures for identifying, evaluating, and accounting for and disclosing commitments. |  | |  | |
| 1. Circularize direct confirmation to all legal advisers for confirmation and evaluation of the litigation and claims that existed at the balance sheet date and during the period from the balance sheet date to the date the information is provided to the auditors. |  | |  | |
| 1. Review the results of procedures performed in other accounts including 100% vouching of legal expense accounts. |  | |  | |
| 1. Read the minutes of corporate meetings (e.g., shareholders, board of directors, and relevant committees of the board) held during the period being examined and through to the date of the auditor’s report. |  | |  | |
| 1. Review documents, including correspondence and invoices from lawyers, in the client’s possession concerning litigation, claims and unasserted claims. |  | |  | |
| 1. Obtain and evaluate letters from legal advisors. |  | |  | |
| 1. Search for legal cases of the client on website of Sindh High Court, Supreme Court etc. |  | |  | |
| 1. Review significant contracts, loan agreements, leases, service guarantees, insurance policies (or note the lack of insurance), and other applicable to sales, purchases or lease contracts. |  | |  | |
| 1. Determine, through inquiry and review of sales and/or lease agreements, polices in effect with respect to returns, repurchases, and future allowances applicable to sales or leases. |  | |  | |
| 1. Determine, through inquiry and review of minutes, contracts/agreements, and bank confirmations, accounting and operating policies in effect with respect to interest rate and foreign currency futures/hedges. |  | |  | |
| 1. Examine bank confirmations for contingent liabilities, letters of credit, and compensating balance arrangements. |  | |  | |
| 1. Inquire as to material commitments to complete sales contracts at a loss. |  | |  | |
| 1. Inquire as to any commitments to repurchase assets previously sold; purchase quantities in excess of requirements or at prices in excess of prevailing market prices; construct or acquire property, plant, equipment, investments, investments, intangibles, or other non-current assets. |  | |  | |
| 1. Refer capital commitments relating to long-term projects from capital work in progress. |  | |  | |
| 1. Refer minutes of meeting of Board of Directors for potential capital commitments. |  | |  | |
| 1. Refer unfulfilled purchase orders relating to capital expenditure for potential capital commitments. |  | |  | |
| 1. Review cost and progress estimation procedures for long term projects. |  | |  | |
| 1. Where some or all of the expenditure required to settle a contingent liability is expected to be reimbursed by another party, ensure that the reimbursement should be disclosed when, and only when, it is virtually certain that the reimbursement will be received if the enterprise settles the potential obligation. |  | |  | |
| 1. Evaluate the possibility of subsequent events, to ensure that there is no unrecorded contingency. |  | |  | |
| 1. Obtain professional opinion of the tax consultant of the entity so as to assure the degree and extent of exposure. |  | |  | |
| 1. Refer to the tax working papers, particularly tax position schedule in order to identify any potential contingent liability. |  | |  | |
| 1. Obtain from client any reports/details of sales tax audits/income tax audits. |  | |  | |
| 1. Obtain from client any notices of demand/show cause notices served during the period/subsequent to year-end. |  | |  | |
| 1. Prepare summary of bank guarantees/ LCs etc. in accordance with the confirmations received from banks. |  | |  | |
| 1. Review the bank guarantee letters/agreements. |  | |  | |
| 1. Examine returned standard bank confirmations forms and any other returned confirmations of bank credit arrangements for contingent liabilities, letters of credit, and compensating balance arrangements. |  | |  | |
| 1. Ascertain whether any bank guarantee also constitutes/reveals a contingency. |  | |  | |
| 1. Obtain the client’s representation regarding contingencies & commitments as part of the financial statement representation letter. |  | |  | |
| 1. Determine that disclosures have been made in accordance with the requirements of Fourth/Fifth Schedule to the Companies Act, 2017 and the applicable IAS/IFRS. |  | |  | |
| **Substantive Analytical Procedures** | | | | |
| 1. Compare current year disclosures with last year disclosures and ensure that any significant variation should be properly and logically reasoned. |  | |  | |