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| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Deferred Liabilities | |
| **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 deferred liabilities. 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. Deferred liabilities are completely (entire liability against deferred liabilities is accounted for) and accurately recorded. | CAK |  |  |  |
| 1. All recorded deferred liabilities actually exist. | E |  |  |  |
| 1. Deferred liabilities recorded represent obligations of the entity i.e. amount owed by the client to tax authorities, employees and/or other parties. | R |  |  |  |
| 1. Deferred liabilities are recorded at appropriate values. | V |  |  |  |
| 1. Related expense/provision/reversal has been appropriately accounted for and disclosed. | OCATL |  |  |  |
| 1. Deferred liabilities are presented and all disclosures have been given in accordance with the Fourth/Fifth Schedules of the Companies Act, 2017 and relevant IAS/IFRS. | OCALRVU |  |  |  |
| **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 subsidiary ledger has been maintained and entries are made in the same on prompt and consistent basis and the same is reconciled with general ledger. |  | |  | |
| 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. Obtain deferred liabilities trial balance/ movement schedule. Test the summarization and the reconciliation of the total to the general ledger. Trace significant reconciling items, if any, to supporting documents. |  | |  | |
| 1. Trace opening balances from deferred liabilities’ subsidiary records, general ledger and last year’s working papers. |  | |  | |
| 1. In case of initial audit engagements: 2. Read the most recent financial statements, if any, and the predecessor auditor’s report thereon, if any, for information relevant to opening balances, including disclosures. 3. Obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period’s financial statements by: 4. Determining whether the prior period’s closing balances have been correctly brought forward to the current period or, when appropriate, have been restated; 5. Determining whether the opening balances reflect the application of appropriate accounting policies; and 6. Performing one or more of the following: 7. Where the prior year financial statements were audited, reviewing the predecessor auditor’s working papers to obtain evidence regarding the opening balances; 8. Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or 9. Performing specific audit procedures to obtain evidence regarding the opening balances. 10. If the evidenced that the opening balances contain misstatements that could materially affect the current period’s financial statements, then perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period’s financial statements. If concluded that such misstatements exist in the current period’s financial statements, then communicate the misstatements with the appropriate level of management and those charged with governance. 11. Obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period’s financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed. |  | |  | |
| 1. Inquire about or review the information in prior year working papers concerning the nature of each deferred liability and the policies and procedures used to account for them. Determine whether the accounting treatment is correct and applied consistently. |  | |  | |
| 1. For deferred liability regarding gratuity perform the following: 2. Obtain copy of client’s policy regarding staff gratuity. 3. Verify the last salaries drawn by selected employees from payroll or salary sheet. 4. Verify the date of appointment from employee personal files. 5. Check the calculation of number of years completed from date of appointment to date of the balance sheet. 6. Check the calculation of gratuity for the year. 7. Verify the payments of the gratuity to staff retired during the year from the client’s policy and bank statements. 8. For unfunded gratuity schemes, obtain the latest actuarial valuation from the actuary and review whether the assumption and data used in actuarial report are appropriate and reasonable. 9. Check other requirements as per IAS 19. |  | |  | |
| 1. For deferred liability regarding pension perform the following: 2. Obtain copy of client’s policy regarding staff pension. 3. For funded pension plans, check payment of contribution of client towards fund according to the fund’s rules. 4. For unfunded pension plans, verify provisions for deferred liability in light of actuarial valuations. 5. Check other requirements as per IAS 19. |  | |  | |
| 1. Obtain a deferred tax working schedule from the client along with related disclosures for current and prior periods. |  | |  | |
| 1. Obtain schedule of temporary differences at balance sheet date along with working and supporting details. |  | |  | |
| 1. Obtain schedule of tax base of each component of balance sheet along with working and supporting details. |  | |  | |
| 1. Determine and ensure the consistency and adequacy of method used. |  | |  | |
| 1. Review and test the cumulative temporary differences as of the balance sheet date. |  | |  | |
| 1. Review the scheduled reversals of cumulative temporary differences and determine whether all identified temporary differences have been scheduled in a reasonable manner that is consistent with information obtained in other audit areas. |  | |  | |
| 1. Obtain management's representations regarding scheduled reversals, if appropriate. |  | |  | |
| 1. Test the computation of deferred tax liabilities/assets by applying appropriate provisions of enacted tax law to scheduled reversals particularly the tax rates applicable at the time of expected reversals. |  | |  | |
| 1. Review the client's tax-planning strategies that affect the recorded amounts of deferred taxes under the liability method and determine that all valid strategies that could materially affect deferred taxes have been identified and accounted for. |  | |  | |
| 1. If appropriate, obtain management's representations as to their ability and intent to implement the strategy if necessary. |  | |  | |
| 1. Ensure that deferred tax asset recognizing tax saving is not required to be set up if a reasonable estimate of turnover/profits for foreseeable future cannot be made. |  | |  | |
| 1. Deferred tax asset should not be accounted for unless it can be ensured with reasonable surety that future “tax profits” will be available for realization of such assets and the management will be able to plan its tax strategies in a manner to obtain benefit of such assets. [Note: Such future income should be enough to cover the future deferred tax assets (deductible temporary differences) first and any remaining future income should be applied to assess the realisability of deferred tax assets. |  | |  | |
| 1. Calculate taxable and deductible timing differences. |  | |  | |
| 1. Apply appropriate rate of taxation on total of reversible timing differences as per IAS 12, all timing differences whether reversing in the foreseeable future or not, are required to be incorporated into the accounts. |  | |  | |
| 1. Ensure that proper amount has been taken in profit and loss account (or where applicable outside the profit and loss account) by taking difference of opening and closing balance of deferred tax liability. |  | |  | |
| 1. Ensure proper allocation of non-current and current balances based upon work performed in testing the deferred tax provision/credit. |  | |  | |
| 1. Ensure that closing balances as per our working papers are in match with the general ledger. |  | |  | |
| 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. |  | |  | |
| 1. Select significant accounting estimates for testing: 2. Those that are subject to high estimation uncertainty; and 3. Those that are based on methods, assumptions and data and selection of management’s point estimate and related disclosures for inclusion in the financial statements affected by high complexity, subjectivity, or other inherent risk factors. |  | |  | |
| 1. Perform a retrospective review of significant accounting estimates reflected in the financial statements of the prior year to review the outcome of accounting estimates included in prior period financial statements or, their subsequent re-estimation for the purpose of the current period. |  | |  | |
| 1. Consider the results of this retrospective review in evaluating the current year estimates. If we identify a possible bias on the part of management in making prior year accounting estimates, we should evaluate whether circumstances producing such a bias represent a risk of a material misstatement due to fraud. |  | |  | |
| 1. Consider whether differences between estimates best supported by the audit evidence and the estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the management. If so, reconsider estimates taken as a whole. |  | |  | |
| **Substantive Analytical Procedures** | | | | |
| 1. Compare current year balances with last year balances and ensure that any significant variation should be properly and logically reasoned. |  | |  | |
| 1. Compare current year income tax expense with last year and assess whether variance is consistent with change in profits after taking into account any changes in income tax rates. |  | |  | |