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| --- | --- | --- |
| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Direct Taxation | |
| **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 direct taxation. 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. Income tax liabilities are completely (entire liability against income taxes is accounted for) and accurately recorded. | CA |  |  |  |
| 1. All recorded income tax liabilities actually exist. | E |  |  |  |
| 1. Income tax liabilities recorded represent obligations of the entity i.e. amount owed by the client to income tax authorities. | R |  |  |  |
| 1. Income tax liabilities are recorded at appropriate values. | V |  |  |  |
| 1. Income tax expense/provision/reversal has been appropriately accounted for and disclosed. | OCATL |  |  |  |
| 1. Income tax 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 income tax liabilities and expense/provision/reversal thereon 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 income tax 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. Review status of last years' returns, and examine related correspondence from tax authorities for indications that the actual liability may differ significantly from the amount provided. |  | |  | |
| 1. Obtain summary of tax assessment and appellate order in respect of prior year’s taxes. Re-examine their current status to ensure that there is no shortfall in the provision. |  | |  | |
| 1. Obtain list of assessments pending finalization and study correspondence in relation to them to determine the need for any further provision/reversal. |  | |  | |
| 1. Update tax position schedule and where tax matters are complex consult with tax department and document understanding obtained. |  | |  | |
| 1. Reconcile the tax payments with the advance tax and corroborate them with the statements filed quarterly. On a test basis, verify tax payments with tax challans, bill of entries etc. Similarly verify deposit of any withholding tax deducted by the client. |  | |  | |
| 1. Where liabilities have been finalized, verify appropriate payment or refund. Determine that adjustments have been made for any difference between the final liability and the amount provided, and consider the effect of any such adjustments on subsequent tax years and taxes imposed by other jurisdictions. |  | |  | |
| 1. Obtain detailed schedules from client for all temporary differences along with expenses which will be disallowed under various sections of the Income Tax Ordinance, 2001, such as for excess perquisites, payments subject to withholding tax deduction but made without deduction of withholding tax etc. |  | |  | |
| 1. Obtain calculation of the tax liability identifying all items constituting the difference between net pretax income and taxable income, and compare calculation to that of the previous year. Review calculation to determine that correct tax rates have been used and that all significant tax matters have been addressed. Agree with tax returns, if prepared. |  | |  | |
| 1. If applicable, ensure that any tax losses have been correctly calculated and appropriately dealt with. |  | |  | |
| 1. Circularize direct confirmation to tax consultants and examine the response. |  | |  | |
| 1. If applicable, ensure that any deferred tax considerations have been dealt with. |  | |  | |
| 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. |  | |  | |