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| --- | --- | --- |
| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Expenses | |
| **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 expenses. 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. All expenses are completely and accurately recorded. | CA |  |  |  |
| 1. All recorded expenses actually occurred during the year. | O |  |  |  |
| 1. All expenses are recorded in the correct period and there are no cut-off issues. | T |  |  |  |
| 1. All expenses have been appropriately classified between different expense heads. | L |  |  |  |
| 1. All expenses 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 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 schedule of all expenses for the year. Check casting and computation of the same. |  | |  | |
| 1. Inquire about or review the information in prior year working papers to obtain an understanding of expenses that may incur over the period. |  | |  | |
| 1. Review sequential numbering of the vouchers to ensure none are missing. |  | |  | |
| 1. Scan general ledger of expenses and investigate large and unusual items and expenses incurred including legal and professional expenses for the purposes of the business. |  | |  | |
| 1. For selected expenses, examine proper supporting documents e.g. rent agreements for rent expenses. |  | |  | |
| 1. Review all significant rent agreements and note: 2. The respective expiry/maturity dates; 3. The provisions for renewal of agreement; 4. Amount of deposit; 5. Amount of rent and the period of payment; 6. Rent escalation clauses; and 7. Any other significant clauses. |  | |  | |
| 1. For selected transactions, perform the following: 2. Check that the expenses were authorized and approved by appropriate person. 3. Check that the expenses have supports attached. 4. Check invoices that they were charged in the client’s name and record other details e.g. invoice number, party, date, amount etc. 5. Check whether goods/services were actually received by reviewing signatures on invoices by relevant department, release of payment orders, GRN etc. 6. Check that tax is deducted at source, unless exempted, in accordance with Income Tax Ordinance, 2001. 7. Vouch payments made by reviewing cheques and record other details cheque number, bank, date, amount etc. 8. Ensure accuracy of the amounts recorded as expense by tracing it to the invoices and the payments made. 9. Ensure that expenses recorded pertain to the current year end. 10. Ensure that expenses have been appropriately classified. |  | |  | |
| 1. Obtain a schedule of all legal and professional expenses for the year showing the name of the legal adviser/tax adviser/other consultant, a description of the legal and professional service rendered to the client and the amount of the fee/charges. Trace the total to the general ledger. |  | |  | |
| 1. Perform vouching of 100% of legal and professional expenses including where applicable whether they were verified by the client’s internal audit department. |  | |  | |
| 1. Send confirmation to 100% of legal advisors and lawyers of the client. |  | |  | |
| 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. |  | |  | |
| 1. Inquire and consider available evidence, if any, to identify all related parties. Obtain a schedule of related party balances and determine that all identified related parties with balances at year end are included in the schedule. Trace the amounts in the schedule to the trial balance. |  | |  | |
| 1. Determine that the economic substance of the related party transactions and balances supports their recording. |  | |  | |
| 1. Evaluate the appropriateness of presentation and disclosure of related party transactions and balances. |  | |  | |
| 1. Consider circularizing direct confirmation requests for positive confirmation of material balances with related parties. |  | |  | |
| 1. If significant transactions that are outside the normal course of business or that otherwise appear to be unusual, are identified, inspect the underlying contracts or agreements, if any, and evaluate whether: 2. Whether the business rationale (or the lack thereof) suggests that the transactions may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. 3. The terms of the transactions are consistent with management’s explanations; and 4. The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. |  | |  | |
| 1. Check that such transactions have been appropriately approved and authorized. |  | |  | |
| 1. If management has made an assertion in the financial statements to the effect that the related party transaction was conducted on an arm’s length basis, obtain evidence about the assertion. |  | |  | |
| 1. Consider whether the transactions involve previously unidentified or undisclosed related parties or parties that do not have the substance or the financial strength to support the transaction without assistance from the client. |  | |  | |
| **Substantive Analytical Procedures** | | | | |
| 1. Compare current year expenses with last year expenses and ensure that any significant variation should be properly and logically reasoned. |  | |  | |