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| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Liabilities Against Assets | |
| **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 liabilities against assets. 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. Liabilities against assets are completely (entire liability for liabilities against assets is accounted for) and accurately recorded. | CAK |  |  |  |
| 1. All recorded liabilities against assets actually exist. | E |  |  |  |
| 1. Liabilities against assets recorded represent obligations of the entity i.e. amount owed by the client to lessor under finance lease arrangements. | R |  |  |  |
| 1. Liabilities against assets are recorded at appropriate values. | V |  |  |  |
| 1. Interest expense/ operating lease rental expense has been appropriately accounted for and disclosed. | OCATL |  |  |  |
| 1. Liabilities against assets 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 finance lease and operating lease and interest/rentals 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 liabilities against assets’ 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 significant lease and the policies and procedures used to account for them. Determine whether the accounting treatment is correct and applied consistently. |  | |  | |
| 1. Determine that the leased property is still in use. |  | |  | |
| 1. For selected lessors (finance lease) with which the client had debt outstanding at the year end or during the year prepare, or have the client prepare, confirmation requests, and circularize direct confirmations. Match responses with the amounts owed to the lessors. Prepare, or have the client prepare, reconciliations of exceptions and trace reconciling items to supporting documents. |  | |  | |
| 1. Test check lease agreement and legal documents to verify the terms and conditions of debts and determine that each lease is accounted for as a finance or an operating lease, as appropriate. |  | |  | |
| 1. Inquire and consider other available evidence, if any, that unrecorded or under-recorded liabilities exist such as prior year balances, minutes of the board, significant contracts, support for subsequent cash disbursements (when testing trade payables and accrued expenses), property additions and other documents. |  | |  | |
| 1. For selected leases made during the year: 2. Check proper authorization and approval of lease. 3. Review the lease agreements to ascertain its nature as to finance or operating lease. 4. For finance lease, check for addition to fixed assets with fixed assets register. |  | |  | |
| 1. For selected lease payments made during the year: 2. Ensure that date and amount of repayment was accordance with repayment schedule or agreement. Check that payment of finance charges is in accordance with the agreement. 3. Check disbursement of funds with disbursement register and bank statement. |  | |  | |
| 1. Ensure proper allocation of non-current and current balances. |  | |  | |
| 1. Obtain and re-compute the lease amortization schedule. |  | |  | |
| 1. Re-perform calculation of finance charges on test basis: 2. Verify rate of finance charges from lease agreement. 3. Check the number of days for which finance charges are to be applied. 4. Also consider the payment of lease rentals and bifurcation of lease rental into principal portion paid and finance charges paid. |  | |  | |
| 1. Check for subsequent clearance of finance charges accrued at period end. |  | |  | |
| 1. For liabilities against assets balances denominated in foreign currency identify applicable exchange rates and agree them to an independent source. Re-compute foreign currency liabilities against assets amounts in local currency. |  | |  | |
| 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. 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 balances with last year balances and ensure that any significant variation should be properly and logically reasoned. |  | |  | |