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| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Loans and Advances | |
| **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 loans and advances. 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. Loans and advances are completely and accurately recorded. | CAK |  | |  | |  |
| 1. All recorded loans and advances actually exist. | E |  | |  | |  |
| 1. Loans and advances recorded are the right of the client. | R |  | |  | |  |
| 1. Loans and advances are recorded at appropriate values and all doubtful and bad balances have been provided for/written off. | V |  | |  | |  |
| 1. Interest income/ impairment/ provision for the year has been appropriately accounted for and disclosed. | OCATL |  | |  | |  |
| 1. Loans and advances to associated undertaking were in accordance with laws and regulations. | Laws and Regulations |  | |  | |  |
| 1. Loans and advances 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 records have been maintained and entries are made in the same on prompt and consistent basis and the same is reconciled with general ledger. |  | |  | | | |
| 1. For selected disbursements made during the year: 2. Check authorization and approval of appropriate level of management. 3. Check that the employee has fulfilled all formalities necessary as per client policy for disbursement of loans and advances. |  | |  | | | |
| 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 employee-wise movement schedule of principal amount of loans and advances and interest thereon. Check casting and cross casting of the schedule. |  | |  | | | |
| 1. Trace opening balances from loans and advances’ 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 loan and advance and the policies and procedures used to account for them. Determine whether the accounting treatment is correct and applied consistently. |  | |  | | | |
| 1. Circularize direct confirmations to selected parties. Match responses with the amounts outstanding against each party. Prepare, or have the client prepare, reconciliations of exceptions and trace reconciling items to supporting documents. |  | |  | | | |
| 1. Test check loan agreement and legal documents to verify the terms and conditions of the loans and advances. |  | |  | | | |
| 1. For selected disbursements made during the year, check disbursements of funds with disbursement register and bank statement. |  | |  | | | |
| 1. For selected repayments made during the year: 2. Ensure that date and amount of repayment was accordance with repayment schedule or agreement. 3. Check that recovery of interest is in accordance with the policy (i.e. along with principal or after recovery of full principal, as the case may be). 4. Check receipt of funds with receipt records and bank statement. |  | |  | | | |
| 1. Verify on a test basis deductions from advances to staff from their respective payroll register. |  | |  | | | |
| 1. Check for subsequent recovery and adjustments of loans and advances. |  | |  | | | |
| 1. Obtain age-analysis of loans and perform the following: 2. Verify that loans have been classified in correct categories. 3. Ensure current maturity has been appropriately calculated and separately disclosed. 4. Consider the value of securities available against each loan for the purpose of calculation of provision for doubtful loans and advances. |  | |  | | | |
| 1. Obtain and re-compute amortization schedule. Ensure that loans and advances should be measured at amortized cost using the effective interest rate method. |  | |  | | | |
| 1. Re-perform calculation of interest income on test basis: 2. Verify rate of interest from agreement/policy. 3. Check the number of days for which interest is to be charged. 4. Also consider the repayment of loans. |  | |  | | | |
| 1. Determine whether interest should be imputed on long term receivables arising during the period. |  | |  | | | |
| 1. Check for subsequent recovery of interest income accrued at period end. |  | |  | | | |
| 1. Ensure that none of the loans and advances are impaired or the recoverable amount of a loan or advance is not less than its carrying amount. If the carrying amount of a loan or advance is more than its recoverable amount, then same should be reduced to recoverable amount recognizing the reduction as impairment loss |  | |  | | | |
| 1. For items stuck-up for considerable period of time, inquire about its status from the management. Compute provisions if required and ask for management representations. |  | |  | | | |
| 1. Ensure that all loans and advances to associated undertakings are granted after due compliance with legal requirements. |  | |  | | | |
| 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. |  | |  | | | |
| 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 and income and expense with last year amounts and ensure that any significant variation should be properly and logically reasoned. |  | |  | | | |