|  |  |  |
| --- | --- | --- |
| **Client:** | ${client} | |
| **Period end date:** | ${start} - ${end} | |
| **EGA title:** | \*Audit Program – Sales | |
| **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 sales. Where applicable, the audit program was tailored and bespoke audit procedures were added.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Audit objectives** | **Assertions** | **Risk assessment** | | |
| **IR** | **CR** | **CRA** |
| 1. Sales are completely and accurately recorded. | CA |  |  |  |
| 1. All recorded sales actually occurred during the year. | O |  |  |  |
| 1. Sales are recorded in the correct period and there are no cut-off issues. | T |  |  |  |
| 1. Sales revenue has been appropriately classified. | L |  |  |  |
| 1. Sales 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. Check that sales data is input only once and is subject to validation and restricted by user ID and password. |  | |  | |
| 1. Check segregation of duties as to the issuance of sales invoice and book keeping thereof. |  | |  | |
| 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 sales for the year. Check casting and computation of the same. |  | |  | |
| 1. Perform a predictive test of sales by product line, division or other business segment including gross sales, returns and allowances and discounts. Investigate significant variances between the predicted and recorded amounts |  | |  | |
| 1. Scan the sales journal to check whether there is any duplication of sales invoice numbers or gap in the sequence of invoice numbers to identify invoices cancelled, if any. |  | |  | |
| 1. Scan general ledger of sales and investigate large and unusual items and sales recorded. |  | |  | |
| 1. Discuss with appropriate client’s personnel the existence of significant uncertainties at the time of sales, if any, like recoverability, warranty and other obligations, price protection agreement or revenue limitation |  | |  | |
| 1. Determine that the accounting policies and methods of revenue recognition are appropriate and are applied consistently. |  | |  | |
| 1. Review significant sales returns and credit memos issued during the period as well as subsequent to the balance sheet date to determine whether they were properly authorized and approved, evidenced by GRNs and original sales invoices and recorded in the proper period. |  | |  | |
| 1. For selected sales transactions, perform the following: 2. Check that the sales invoices were issued, authorized and approved by appropriate person. 3. Check that the sales have supports attached. 4. Check sales invoices that customer’s name, product description, quantity and price are mentioned and record other details e.g. invoice number, date, amount etc. 5. Check the sales prices are as per approved price lists/agreements and quantity discounts as per approved limits. 6. Review shipping documents and/or delivery accepted by customer. 7. Vouch recovery of amounts from bank statements. 8. Check the calculation of advance tax on amount recovered. 9. Ensure accuracy of the amounts recorded as sales and sales tax charged thereof by tracing it to the sales invoices and the shipping documents. 10. Ensure that sales recorded pertain to the current year end. 11. Ensure that sales revenue has been appropriately classified. |  | |  | |
| 1. Review sales returns subsequent to the year end to ensure that it does not exceed the industry norms and client’s past practice. |  | |  | |
| 1. Ensure that all sales in foreign currencies are translated using exchange rate prevailing at the date of sale (a rate that approximates the actual rate for example, weekly/monthly average is also acceptable). |  | |  | |
| 1. Perform predictive tests based on the average selling prices and number of units. |  | |  | |
| 1. For selected sales, prepare sales reconciliation with respective debtor’s statements. |  | |  | |
| 1. Perform cut-off testing for sales. |  | |  | |
| 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 sales with last year sales (by product line, division or other business segment, including gross sales, returns and discounts) and ensure that any significant variation should be properly and logically reasoned. |  | |  | |