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| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Short Term and Long Term Debt | |
| **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 short term and long term debt. 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. Short term and long term debt are completely (entire liability against short term and long term debt is accounted for) and accurately recorded. | CAK |  |  |  |
| 1. All recorded short term and long term debt actually exist. | E |  |  |  |
| 1. Short term and long term debt recorded represent obligations of the entity i.e. amount owed by the client to banks and/or other third parties. | R |  |  |  |
| 1. Short term and long term debt are recorded at appropriate values. | V |  |  |  |
| 1. Debts are recorded in the correct period and there are no cut-off issues. | T |  |  |  |
| 1. Interest expense has been appropriately accounted for and disclosed. | OCATL |  |  |  |
| 1. Short term and long term debt 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 short term and long term debt and interest 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 short term and long term debt’s 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 short term and long term debt and the policies and procedures used to account for them. Determine whether the accounting treatment is correct and applied consistently. |  | |  | |
| 1. For selected lenders 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 lenders. 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 debts and perform the following: 2. Ensure that the client is in compliance with covenants and other significant provisions of the agreement. 3. In case of any non-compliance, determine whether the debt should be classified as current. If enforcement of the provisions has been waived by the lender, obtain confirmation of the waiver from the lender. |  | |  | |
| 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) and other documents. |  | |  | |
| 1. For selected borrowings made during the year, check receipt of funds from cash and bank registers and bank statements. |  | |  | |
| 1. For selected debt payments made during the year: 2. Ensure that date and amount of repayment was in accordance with repayment schedule or agreement. 3. Check that payment of interest is in accordance with the agreement (i.e. along with principal or after recovery of full principal, as the case may be). 4. 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 debt and accrued interest schedule. |  | |  | |
| 1. Re-perform calculation of interest on test basis: 2. Verify rate of interest from the agreement. 3. Check the number of days for which interest is to be charged. 4. Also consider the payment of lease rentals and bifurcation of lease rental into Also consider the repayment of debt. |  | |  | |
| 1. Check for subsequent clearance of finance charges accrued at period end. |  | |  | |
| 1. For debt balances denominated in foreign currency identify applicable exchange rates and agree them to an independent source. Re-compute foreign currency long term debt amounts in local currency. |  | |  | |
| 1. Perform cut-off at year end. |  | |  | |
| 1. Review refinancing/restructuring agreements subsequent to the balance sheet date to determine their effects on balance sheet classifications or on disclosures. |  | |  | |
| 1. In case of collateral, check for adequate disclosure thereof. |  | |  | |
| 1. When debt is retired, ensure that a discharge is received on assets securing the debt. |  | |  | |
| 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. |  | |  | |