|  |  |  |
| --- | --- | --- |
| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Stores, Spares and Stock in Trade | |
| **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 stores, spares and stock in trade. Where applicable, the audit program was tailored and bespoke audit procedures were added.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Audit objectives** | **Assertions** | **Risk assessment** | | | | |
| **IR** | | **CR** | | **CRA** |
| 1. Stores, spares and stock in trade are completely and accurately recorded. | CA |  | |  | |  |
| 1. All recorded stores, spares and stock in trade actually exist. | E |  | |  | |  |
| 1. Recorded stores, spares and stock in trade are owned by the client and title is also in the name of client. | R |  | |  | |  |
| 1. Stores, spares and stock in trade are recorded at appropriate values. | V |  | |  | |  |
| 1. Impairment/ provision for the year has been appropriately accounted for and disclosed. | OCATL |  | |  | |  |
| 1. There are no cut-off issues in the recording of stores, spares and stock in trade. | T |  | |  | |  |
| 1. Stores, spares and stock in trade 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 inventory listing has been maintained and entries are made in the same on prompt and consistent basis and the same is reconciled with general ledger and that inventories are physically verified on periodical basis at least on annual basis. |  | |  | | | |
| 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. Attend physical counting of inventories carried out by the client at year end or (at any other date and perform tests of intervening transactions) to ensure existence and conditions unless impracticable. Test check selected items to ensure reliability. Moreover, check that third party inventories are identified and excluded from physical count. |  | |  | | | |
| 1. For items owned by client but not physically held, obtain independent confirmations from custodians. |  | |  | | | |
| 1. Obtain final inventory compilation schedule and perform the following: 2. Check casting and calculation of schedule. 3. Trace quantities from physical stock take records. 4. Trace balances to the general ledger. 5. Trace prices used to build up the average cost to purchase invoices. |  | |  | | | |
| 1. Trace opening balances from inventory 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. Determine that the basis of valuation of e.g. FIFO or AVCO is appropriate and followed consistently. |  | |  | | | |
| 1. Obtain stock card of some items and ensure that cost formula is correctly applied on receipts and issues and/or obtain invoices in support of valuation. |  | |  | | | |
| 1. Compare cost of closing stock with its NRV by comparing raw material with last invoice from supplier, WIP with expected cost to completion and finished goods with market value less expenses necessary to make the sale. |  | |  | | | |
| 1. Obtain aging of inventories and compute provision for obsolete, damaged, or slow moving stocks, if any. Ensure that raw material of loss making and discontinued products are adequately provided for. |  | |  | | | |
| 1. Ensure that stores and spares related to specific machinery should lie longer than the machine. |  | |  | | | |
| 1. To test check cut-off of inventory, select transactions from purchases, purchase returns and sales (stock outs) of some days before and after the year end and ensure proper recording of transactions in correct period. |  | |  | | | |
| 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. Document logical commercial reasons for purchases and consumption made during the year. |  | |  | | | |
| 1. Assess the appropriateness of purchases and consumptions method and rate in view of the flow of economic benefits. |  | |  | | | |
| 1. Assess the reasonableness of consumption allocated to inventories at different stages. |  | |  | | | |
| 1. Assess the appropriateness of compilation of overheads and reasonableness of allocation basis of the same to different products. |  | |  | | | |
| 1. Compare current year balances and expenses with last year balances and expenses and ensure that any significant variation should be properly and logically reasoned. |  | |  | | | |