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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Audit objectives** | **Assertions** | **Risk assessment** | | |
| **IR** | **CR** | **CRA** |
| 1. Trade payables are completely (entire liability against trade payables is accounted for) and accurately recorded. | CAK |  |  |  |
| 1. All recorded trade payables actually exist. | E |  |  |  |
| 1. Trade payables recorded represent obligations of the entity i.e. amount owed by the client for goods and services rendered to the client. | R |  |  |  |
| 1. Trade payables are recorded at appropriate values. | V |  |  |  |
| 1. Trade payables are recorded in the correct period and there are no cut-off issues. | T |  |  |  |
| 1. Trade payables 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 and that suppliers’ statements are obtained and reconciled with on a regular basis. |  | |  | |
| 1. For selected purchase transactions during the year check that: 2. Purchase orders are authorized and approved. 3. All purchase orders are recorded (serially numbered). 4. Trade payables represent goods actually received (entries are made on the basis of GRN). 5. Entries to trade payables are authorized and approved. 6. Trade payables are accurately recorded and at appropriate values (verified from suppliers’ invoices and approved price lists or quotations). 7. Purchase orders, GRNs and suppliers’ invoices are consistent with each other. 8. Purchases were recorded in the correct period.   Repeat the same for purchase return transactions. |  | |  | |
| 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 trade payables 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 trade payables’ 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. Make a selection of cash disbursements from subsequent cash disbursement records during an appropriate period following the date of the payables trial balance (usually at least one trade payables cycle, or, if payables are tested at year end, to the end of field work), and: 2. Trace selected disbursements to receiving documents, purchase invoices, and/or other supporting documents. 3. Determine whether those selected disbursements that indicate a liability as of the trial balance date are recorded in the trial balance or the reconciliation to the general ledger. |  | |  | |
| 1. Make a selection of unpaid suppliers' invoices and unmatched receiving reports. Determine whether those that indicate a liability as of the trial balance date are recorded in the trial balance or the reconciliation to the general ledger. |  | |  | |
| 1. Review the year end trade payables trial balance to determine whether significant debits are included in the account balance. For material debit balances that are included in the year end balance consider whether reclassification is appropriate. |  | |  | |
| 1. Make a selection of significant suppliers to which amounts may be payable as of the date of the payables trial balance (such suppliers may be identified through inquiry and/or review of prior cash disbursements records): 2. Obtain statements or purchase invoices received by the client from selected suppliers. 3. If statements from selected suppliers are not available, prepare, or have the client prepare, confirmation requests and circularize direct confirmations. Match responses with the amounts owed to the suppliers. For non-responses, examine subsequent cash disbursements to the suppliers and/or unpaid supplier invoices and receiving records and determine that any items representing liabilities as of the trial balance date are recorded at that date. 4. Obtain and prepare reconciliations of statements, invoices, or confirmations obtained above to the amounts recorded in the trade payables trial balance. Trace reconciling items to shipping/receiving records, purchase invoices, debit notes, and other supporting documents, as applicable. |  | |  | |
| 1. Inquire and consider other available evidence, if any, that unrecorded or under-recorded liabilities exist such as prior year working papers, current year balances of related expense accounts etc. |  | |  | |
| 1. For selected trade payables with significant balances in the prior year that no longer exist or that have significantly lower balances in the current year, either review cash disbursement records for any indications of unrecorded liabilities to such suppliers or obtain statements or unpaid invoices received by the client from such suppliers. Determine that any liabilities to such suppliers that existed at year end were recorded at year end. |  | |  | |
| 1. For selected entries to trade payables during the year, check purchase invoices and receiving records. |  | |  | |
| 1. For selected clearance of trade payables during the year, check disbursement register and bank statements. |  | |  | |
| 1. Ensure proper allocation of following balances: 2. Debit balances in trade payables. 3. Non-current or non-trade payables. |  | |  | |
| 1. Check subsequent clearance of trade payables and mention clearance in terms of percentage. |  | |  | |
| 1. Obtain aging analysis of trade payables. For trade payables which are outstanding for a considerable period, inquire its reasons for non-clearance, refer them to the working papers and consider them for adjustments, if any. Consider impact of tax laws for old outstanding liabilities. |  | |  | |
| 1. Inquire of any old, disputed or questionable trade payables. |  | |  | |
| 1. For trade payables owed to foreign suppliers, identify applicable exchange rates and agree them to an independent source. Re-compute foreign currency trade payable amounts in local currency. |  | |  | |
| 1. Perform cut-off at year end. Select transactions from purchase invoices and purchase returns notes pertaining to some days prior to and after year end and ensure that they have been recorded in the 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. 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 expenses with last year balances and expenses and ensure that any significant variation should be properly and logically reasoned. |  | |  | |
| 1. Compare monthly movement of trade payables to purchases and payments particularly around the period end and determine whether there are any significant purchases and payments towards the period end. |  | |  | |