

## Section 5

### AUDIT PROGRAMMES

#### 5.1 Audit Programme – Medium to Large Companies

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### AUDIT PROGRAMMES

A

#### 5.1.1 Audit Completion Memorandum ("ACM") (Cont'd)

#### II. AUDIT REVIEW CHECKLIST (Cont'd)

		Yes	N/A	No	Sch Ref
<b>Audit</b>					
ISA230 240 260	24.	Have problems encountered during the engagement been noted down? And communicated to those charged with governance, where necessary?  State AWP ref where work was performed in relation to the following: 1) discussion among engagement team, if not completed at APM 2) revenue recognition 3) management override 4) business rationale for transactions 5) communication with those charged with governance, where necessary			
230	25.	Have matters which have significance for next year's audit been documented?			

#### III. JUSTIFICATION OF AUDIT REPORT

This form should be used to record any problems encountered during the audit which could have an impact on the audit report.

		Yes	No
1.	Was the audit report modified in the previous financial year / period?  If yes, give details:		
2.	Have there been any problems with the maintenance of books and records?  If yes, specify:		



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#### 5.1.2 Audit Planning Memorandum ("APM") (Cont'd)

#### III. BUDGET AND PERFORMANCE SUMMARY (ISA220 / 300) (Cont'd)

	Budget (unit)	Total	Actual (units) [Update this column in the Audit Completion Memorandum]	Total
Staff scheduling and briefing				
Completion				
Planning				
Extensive analytical review				
Intangible assets				
Property, plant and equipment				
Investments in subsidiaries, associates and joint-ventures				
Other investments – financial assets				
Investment properties				
Inventories and work in progress				
Trade and other receivables				
Cash and cash equivalents (e.g. overdrafts)				
Trade and other payables				
Long-term loans				
Deferred income				
Provisions and contingencies				
Capital and reserves – Review of Statutory Records and Minutes				
Tax				
Profit and loss				
Post balance sheet events and contingent liabilities				
Consolidation				
Letter of comment / meetings				
Management letter				
Typing / production of accounts				
Others, e.g. review of internal audit reports, minutes of meetings of Audit Committee, etc.				
Other related work, e.g. review of BNM, statutory returns, HDA accounts, etc.				

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#### 5.1.2 Audit Planning Memorandum (“APM”) (Cont’d)

#### VII. RISK ASSESSMENT AT FINANCIAL STATEMENTS LEVEL (Cont’d)

##### ii. Detailed Risk Assessment at Financial Statements Level (Cont’d)

	Low risk	High risk
<p>ISA 240</p> <p><b>2. MANAGEMENT OF BUSINESS (cont’d)</b></p> <p><b><i>Existence of Fraud or Error</i></b></p> <ul style="list-style-type: none"> <li>• Have there been any previous experiences or incidents which call into question the integrity or competence of management?</li> <li>• Are there any unusual financial or reporting pressures within the business?</li> <li>• Are there any significant deficiencies in the design and operation of the accounting and internal control system?</li> <li>• Is there a history of unusual and / or complex transactions?</li> <li>• Is there a history of problems in obtaining sufficient appropriate audit evidence?</li> <li>• Are there inadequate controls over data in the information systems?</li> <li>• Is there a high degree of judgment involved in determining account balances?</li> <li>• Is there a large number of assets which may be susceptible to loss or misappropriation?</li> <li>• Is there usually a large number of transactions not subjected to ordinary processing?</li> <li>• Is the accounting staff well trained and capable of performing the tasks allocated to them?</li> <li>• Are there any attitude or morale problems in the accounting department?</li> <li>• Is there a high level of turnover of accounting staff?</li> </ul>	<p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>Yes</p> <p>No</p> <p>No</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p>
<p>315</p> <p><b>3. ACCOUNTING</b></p> <p><b><i>Accounting Systems</i></b></p> <ul style="list-style-type: none"> <li>• Are the accounting records kept up to date?</li> <li>• Has there been any change to the accounting system?</li> <li>• Have accounting records been reliable in the past?</li> <li>• Are meaningful management financial statements prepared during the year?</li> </ul> <p>620</p> <ul style="list-style-type: none"> <li>• Are there any complex situations which may require the use of the work of an expert?</li> </ul>	<p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>No</p>	<p>No</p> <p>Yes</p> <p>No</p> <p>No</p> <p>Yes</p>

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#### 5.1.3 Internal Control Questionnaire ("ICQ") (Cont'd)

Conversion cycle											
		Internal Controls in Place			Effectiveness & Efficiency of Controls					Comments	
		Yes	No	N/A	Low		High				
	<b>Inventory (cont'd)</b>										
4.	Demo or trial inventory is adequately monitored.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5.	Disposal of obsolete, unusable or deteriorated inventories are approved by manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.	Inventory counts are carried out periodically and at each accounting date.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.	All counts are carried out by persons other than the storekeeper.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8.	All count records are authenticated and sequentially numbered and is made available for audit inspection.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9.	There are proper cut-off procedures during the count.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10.	All goods received are checked against purchase orders and suppliers' delivery orders to ensure all goods ordered are received.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11.	There is written evidence of goods received.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
12.	Inventory is adequately protected against physical deterioration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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#### 5.1.3 Internal Control Questionnaire ("ICQ") (Cont'd)

Conversion cycle								
		Internal Controls in Place			Effectiveness & Efficiency of Controls		Comments	
		Yes	No	N/A	Low	High		
<b>Inventory (cont'd)</b>								
13.	All adjustments to the inventories records are approved by the manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	Various classes of inventories are kept under the physical control of designated storekeepers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	Inventories are adequately safeguarded against loss by theft by being kept in locked buildings / rooms, with access granted only to authorised personnel.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Physical security</b>								
1.	Access is restricted to inventory storage and office areas.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Inventory distribution is safeguarded and monitored regularly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Goods are only released from store upon procurements of authorised requisition notes or delivery orders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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#### 5.1.3 Internal Control Questionnaire ("ICQ") (Cont'd)

Revenue cycle								
		Internal Controls in Place			Effectiveness & Efficiency of Controls		Comments	
		Yes	No	N/A	Low	High		
<b>Accounts receivable (cont'd)</b>								
3.	There is access to real-time remittance information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Written customer purchase orders have been obtained prior to revenue recognition.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Monthly statements are prepared and reviewed before sending them to customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Accounts receivable adjustments, e.g. discounts, etc. are properly authorised and recorded in the proper period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Accept customer preferred methods of payment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Use secure lockboxes to control cash collection process and minimise costs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Customer management</b>								
1.	Management is aware of and approves all third-party relations and strategic alliance / partnership arrangements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Contract authorisation levels and limits are established, documented, and distributed among management responsible for the process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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#### 5.1.3 Internal Control Questionnaire ("ICQ") (Cont'd)

Expenditure cycle								
		Internal Controls in Place			Effectiveness & Efficiency of Controls			Comments
		Yes	No	N/A	Low	High		
<b>Purchasing (cont'd)</b>								
5.	All goods and services are procured with a valid purchase order.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Vendor relationships and alliances are maintained.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Payroll</b>								
1.	Changes to employee compensation are properly authorised and documented.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Employees are compensated based on authorised rates.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Cheque stock is safeguarded and sequentially numbered.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Manual cheque disbursements are supported by properly authorised documentation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Accrual for wages and benefits earned but not paid and taxes owed are adequately recorded each period-end and year-end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Managers are provided with adequate information to monitor variances.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Changes (additions / deletions) to payroll registers are approved by management.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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#### 5.1.3 Internal Control Questionnaire ("ICQ") (Cont'd)

Expenditure cycle									
		Internal Controls in Place			Effectiveness & Efficiency of Controls		Comments		
		Yes	No	N/A	Low	High			
<b>Payroll (cont'd)</b>									
8.	Changes (additions / deletions) to Human Resources records are directly linked or reconciled with Payroll Records on a regular basis.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Travel and entertainment</b>									
1.	Policies are adequately communicated in order for employees to obtain a greater degree of understanding.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2.	Corporate credit cards are assigned to authorised personnel and are monitored.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3.	Corporate credit cards statements are reviewed and approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4.	Proper approval and documentation support all expenses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5.	Travel and entertainment expenses are recorded on a timely basis and in the proper accounting period.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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#### 5.1.3 Internal Control Questionnaire ("ICQ") (Cont'd)

Expenditure cycle								
		Internal Controls in Place			Effectiveness & Efficiency of Controls		Comments	
		Yes	No	N/A	Low	High		
<b>Bookkeeping (cont'd)</b>								
4.	All personnel having positions of trust (i.e. responsible for substantial values of cash or negotiable securities) are adequately bonded / bound by agreements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5.	All employees holding positions of trust are required to take annual vacations of uninterrupted duration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.	The work of persons on vacation is performed by someone else during their absence.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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General								
		Internal Controls in Place			Effectiveness & Efficiency of Controls		Comments	
		Yes	No	N/A	Low	High		
<b>Security</b>								
1.	Procedures are in place and functioning to safeguard all forms of company confidential information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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#### 5.1.4 Funding Cycle (Cont'd)

#### II. RELATED PARTY TRANSACTIONS AND BALANCES (ISA550) (Cont'd)

	Obj	WP Ref	Comments	Initials and date
<b>Substantive procedures (cont'd)</b>				
c. Review recoverability of the outstanding balance.				
<b>Related parties transactions</b>				
7. a. Review prior year working papers for names of known related parties. Corroborate the identity of possible related parties from audit work in other areas. Reconfirm with client.	C,E,A, O,P			
b. Enquire as to the affiliation of directors, officers and KMP with other entities.				
c. Peruse shareholder records to determine the names of principal shareholders or, if appropriate, obtain a listing of principal shareholders from the share register.				
d. Review minutes of meeting of shareholders and the board of directors and other relevant statutory records.				
e. Enquire of the directors whether the company has entered into any transaction in which one or more of those related parties have an interest.				
f. Review accounting records for large or unusual transactions or balances, paying particular attention to transactions recognised at or near the end of the reporting period. Inquire the business rationale for the transactions.				
g. Review confirmations of loans receivable and payable and confirmations from banks. Such a review may indicate guarantor relationship and other related party transactions.				
h. Confirm the terms and amounts with the related party.				
i. Obtain written confirmation in the letter of representation from the directors that the information provided regarding related party and disclosures are complete.				
j. Ensure adequate disclosures of related party transactions and balances.				

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#### 5.1.4 Funding Cycle (Cont'd)

#### IV. BANK BALANCES AND CASH (Cont'd)

##### Conclusion:

Based on the work carried out, in my opinion,

- The audit procedures completed are appropriate for the relevant financial statement assertions and their respective risk assessments. The results of the procedures do not require any proposed audit adjustments.
- The audit procedures completed are appropriate for the relevant financial statement assertions and their respective risk assessments. The results of the procedures require the following proposed adjustment(s):
- \_\_\_\_\_
  - \_\_\_\_\_
- The bank balances and cash are fairly stated.
- The bank balances and cash are fairly stated except for \_\_\_\_\_

Please complete the audit of statutory records attached.

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#### 5.1.5 Investing Cycle (Cont'd)

#### I. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Disclosure</b>					
ISA500	16.	Ensure that all necessary information has been collected for the preparation of the notes to the statutory financial statements.	V,P		
	a.	Enquire whether there are any capital commitments at the year end. <i>(Note: identify and cross-reference to the relevant Minutes of Board meetings, etc., where applicable.)</i>			
	b.	Obtain / prepare a schedule of any such commitments which have been contracted but not provided for.			
	c.	Obtain details of all assets acquired during the year under a finance lease and hire-purchase.			
	d.	Ensure that any items in (c) above have been appropriately capitalised and disclosed in accordance with MASB 10 or FRS 117. Calculate the NBV of all assets held under finance leases and hire-purchase.			
	e.	Ensure that any assets of less than 50 days have been correctly classified as short term.			
	f.	Where assets are accounted for at revaluation, ensure that the historical cost information, i.e. original cost and accumulated depreciation is available for disclosure purposes in accordance with MASB 15 or FRS 116.			
	g.	Inquire of management and review minutes, agreements, statutory filings (with SSM) and other documents (e.g., loan confirmations) for evidence of liens, pledges, security interests and restrictions on property, plant and equipment. Determine that such restrictions are disclosed appropriately.			
	h.	Determine that items of property, plant and equipment which otherwise meet the criteria of MASB 28 or FRS 5 are accounted for and disclosed accordingly, where applicable.			
	i.	Others – Review for adequacy of insurance coverage for major items of property, plant and equipment.			

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#### 5.1.5 Investing Cycle (Cont'd)

#### III. OTHER INVESTMENTS – FINANCIAL ASSETS (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Disclosures</b>					
	10.	Ensure that all necessary information has been collected for the preparation of the notes to the statutory financial statements.	P		
	11.	Inquire of management and review minutes, agreements, statutory filings (with SSM) and other documents (e.g., loan confirmations) for evidence of liens, pledges, security interests and restrictions on the investments.  Determine that such restrictions are disclosed appropriately.	P,D		
<b>Income</b>					
ISA500	12.	Refer to available evidence (e.g. dividend slips, bank statements, computations for effective yield basis, etc.) and check that income from investments has been correctly accounted for (e.g. dates of disposal and acquisitions, effective yield basis of interest income recognition, accretion / amortisation of discount / premium etc.).	C,A,O		
520		Perform analytical procedures for reasonableness of the various types of investment income.  <i>(Note: Could be a substantive test for investment income if the level of analytics is sufficiently detailed and disaggregated, where applicable.)</i>			
<b>Others</b>					
580	13.	Consider whether there are any points / matters which need to be included in a letter of representation.			

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#### 5.1.6 Conversion Cycle (Cont'd)

	Obj	WP Ref	Comments	Initials and date
<b>Substantive procedures (cont'd)</b>				
9.	Test the additions and extensions of the final inventory sheet. Basis of selection / scope: _____ Coverage: _____	A,V		
10.	a. Ascertain the method used for valuing inventory and carry out the test below:	V		
	(i) <u>Actual</u> Agree prices used to purchase invoices (If costing method is weighted average, ensure that agreeing to the last invoice price is appropriate or a good approximation to weighted average.) Otherwise, a proper testing on FIFO should be carried out as described under item (iv).			
	(ii) <u>Selling prices less mark-up</u> <ul style="list-style-type: none"> <li>- Agree a selection of items to current price lists and also prices noted at the physical inventory count.</li> <li>- Consider whether the gross margin used to reduce selling price to cost is reasonable and has been correctly applied year on year.</li> </ul>			
	(iii) <u>Standard cost</u> <ul style="list-style-type: none"> <li>- Confirm that standard costs are updated only during an annual review of all standards.</li> <li>- Enquire whether large variances from standards are investigated on a regular basis.</li> <li>- Select a sample of purchase invoices and ensure that details have been entered correctly in the nominal ledger.</li> </ul>			
	(iv) <u>FIFO</u> <ul style="list-style-type: none"> <li>- Check back through purchase invoices for a selection of items until sufficient invoices have been identified to account for the items in inventory at the year end. Ensure that costs have been allocated correctly in accordance with FIFO costing.</li> </ul>			

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#### 5.1.7 Revenue Cycle (Cont'd)

#### II. RECEIVABLES (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Prepaid expenses</b>					
ISA 320	16.	Obtain or prepare a list of items included as prepaid expenses.	C,A,E, O		
	a.	Vouch all material items by reference to the cash book and invoices. Note proprietary and recoverability of the items and balances. Basis of selection / scope: _____ Coverage: _____			
520	b.	Compare the list in detail to last year's list and enquire into any major differences and unusual items.			
<b>Other receivables</b>					
320	17.	Obtain or prepare a list of other receivables.	C,A		
	a.	Vouch material items to supporting documentation. Note proprietary and recoverability of the items and balances. Basis of selection / scope: _____ Coverage: _____			
520	b.	Compare with the previous year's list and enquire into major differences and unusual items.			
505	c.	Obtain confirmation of all staff loans, and ensure that: Basis of selection / scope: _____ Coverage: _____ - payment instalments are being received; - payments are being made in accordance with the agreement.			
320	d.	Review large "other receivables" balances for collectability. Basis of selection / scope: _____ Coverage: _____			
<b>Long-term debts / retentions</b>					
540	18.	Where a debt, or portion thereof is irrecoverable after a pre-defined period, consider:	V,P		
500	a.	whether any allowance is necessary;			
	b.	whether adequate disclosure has been made.			

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#### 5.1.9 Taxation Cycle

Client: \_\_\_\_\_ Prepared By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Year/Period end: \_\_\_\_\_ Reviewed By: \_\_\_\_\_ Date: \_\_\_\_\_  
 \_\_\_\_\_ Reviewed By: \_\_\_\_\_ Date: \_\_\_\_\_

#### LEAD SCHEDULE

	Ref	Management accounts	Audit adjustments	Audited accounts
		Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
1. Taxation				
2. Deferred taxation				

C	O	V	E	R	A	P
Completeness	Occurrence	Valuation	Existence	Rights and Obligations	Accuracy	Presentation and disclosure

#### Audit Objectives

- To ensure that the taxation provision is adequate.
- To ensure that deferred taxation has been properly accounted for.
- To ensure that taxation has been computed properly, consistently and in accordance with MASB 25 or FRS 112.
- To ensure that liabilities for taxes and the related tax expenses are properly classified, described, and disclosed in the financial statements, including notes, in accordance with MASB 25 or FRS 112.

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#### 5.2 Audit Programme – Small Company

Client: \_\_\_\_\_ Prepared By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Year/Period end: \_\_\_\_\_ Reviewed By: \_\_\_\_\_ Date: \_\_\_\_\_  
 \_\_\_\_\_ Reviewed By: \_\_\_\_\_ Date: \_\_\_\_\_

This small company audit programme is designed specifically for small companies where the substantive audit approach is preferred / more effective and efficient. Small companies are characterised by management being mainly in the hands of a single owner and where a good system of internal control is lacking. The audit programme is independent by itself as it includes a section on audit planning and there is no need to use separate audit programmes for different business cycles as for the medium to large companies shown in Section 5.1.

#### I. AUDIT COMPLETION

##### 1. Declaration

Based on the audit work carried out on the Company, in my opinion,

- ISA700  The financial statements are true and fair.
- ISA706  An emphasis of matter paragraph is required on:  
 \_\_\_\_\_
- ISA705  The financial statements are subjected to qualification / qualification(s) on:  
 \_\_\_\_\_
- ISA705  A disclaimer of opinion is required.
- ISA705  An adverse opinion should be given.

\_\_\_\_\_  
 Staff in charge                      Detailed reviewer                      Manager                      Partner  
 Date:                                      Date:                                      Date:                                      Date:

##### 2. Audit Completion Memorandum

		Yes / No	WP Ref	Comments	Initials and date
ISA220	1. Does the file contain adequate justification of the audit report?				
	2. Have all partners' review points been properly cleared?				
220	3. Have conclusions been arrived at for all audit work carried out?				

## Section 5

### AUDIT PROGRAMMES

#### 5.2 Audit Programme – Small Company (Cont'd)

#### III. AUDIT PROCEDURES (Cont'd)

#### 1. Substantive Audit Approach (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Substantive procedures (Cont'd)</b>					
<b>Property, plant and equipment</b> <i>(most procedures apply to Investment Properties also, if applicable) (cont'd)</i>					
	7.	Review and determine whether there is any impairment to the property, plant and equipment.	V		
ISA500 620	8.	For assets stated at revaluation, examine the valuation reports.	P,V		
	9.	Perform cut-off procedures for additions / disposals.	C,E		
500	10.	Inquire of management and review minutes, agreements, statutory filings (with SSM) and other documents (e.g., loan confirmations) for evidence of liens, pledges, security interests and restrictions on property, plant and equipment. Determine that such restrictions are disclosed appropriately.	P		
<b>Investments – Financial Assets</b>					
500	1.	a. Obtain or prepare a list of the company's investments.	C,A		
		b. Check arithmetical accuracy (casting, cross-casting and extensions).			
		c. Test check additions and disposals during the year ensuring that the costs of additions or disposals and gains / losses on disposals have been correctly computed.			
		d. Determine that the transactions are properly authorised.			
540		e. Discuss with client management the processes used to classify investments as either held-for-trading, designated as fair value-through-profit or loss, available-for-sale ("AFS") and for certain debt securities, as held-to-maturity ("HTM") financial assets.			
		f. Determine whether client's investment activities corroborate or conflict with the stated intent.			
		g. Determine if client has the ability to hold certain investments as HTM.			

## Section 5

### AUDIT PROGRAMMES

#### 5.2 Audit Programme – Small Company (Cont'd)

#### III. AUDIT PROCEDURES (Cont'd)

#### 1. Substantive Audit Approach (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Substantive procedures (Cont'd)</b>					
<b>Cash and bank (cont'd)</b>					
ISA530	5.	For bank balances, check bank reconciliations by agreeing the balances to GL, and bank statements. Select a sample of uncleared items, and check for subsequent clearance.  Basis of selection / scope for the following uncleared items: <ul style="list-style-type: none"> <li>• Unpresented cheques: _____</li> <li>• Uncredited lodgements: _____</li> <li>• Unidentified credits: _____</li> <li>• Unidentified debits: _____</li> <li>• Others (specify): _____</li> </ul> Investigate items which are not cleared within a reasonable time frame.	C,A,E, O		
	6.	Test cut-off of cash receipts, cash disbursements, and transfers at the balance sheet date. Basis of selection / scope: _____			
	7.	Inquire of management and review minutes, agreements, statutory filings (with SSM) and other documents (e.g., loan confirmations) for evidence of liens, pledges, security interests and restrictions on the investments.  Determine that such restrictions are disclosed appropriately.	P		
260	8.	Raise management letter for differences that are not reconciled or investigated by client staff.			
<b>Payables and accrued expenses</b>					
500	1.	Obtain a list of trade, non trade and related party payables. Check arithmetical accuracy (casting and cross-casting).	C		
	2.	Agree the total of the trade payables to the payables' control account in the GL. If there is a difference, request the client to investigate and reconcile the difference.	C,A		

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## Section 5

### AUDIT PROGRAMMES

#### 5.2 Audit Programme – Small Company (Cont'd)

#### III. AUDIT PROCEDURES (Cont'd)

#### 1. Substantive Audit Approach (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Substantive procedures (Cont'd)</b>					
<b>Payables and accrued expenses</b>					
ISA505	3.	<p>Agree payables with which the client has a high volume of transactions to suppliers' statements. If the balances are not in agreement, review the reconciliations to determine the propriety of the reconciling items and that they are accounted for accordingly.</p> <p>Basis of selection: _____</p> <p>If there are no statements, perform circularisation.</p> <p>Basis of selection: _____</p> <p>Date of circularisation: _____</p>	C,A		
505 550	4.	<p>Circularise material non-trade payables, and related party payables.</p> <p>Basis of selection: _____</p> <p>Date of circularisation: _____</p> <p>Find out nature and purpose of these payables if they are material by verifying the underlying documentation.</p> <p>Check classification, i.e. current or long term, for presentation and disclosure.</p>	C,A, O,E,R		
	5.	<p>For non-replies to the circularisation, perform alternative procedures by checking subsequent payments, verifying to underlying documentation, etc.</p> <p>For replies with differences in balances, review reconciliations and determine the validity of the reconciling items and that they are accounted for accordingly.</p>	E,R		
560	6.	Obtain cash book and unpaid invoices and bank statements after year end and check subsequent payments for unrecorded liabilities.	C,A		
520	7.	Obtain list of accruals and compare to previous year. Investigate by enquiries and checking to supporting documentation / review basis and computations, if applicable, any large and unusual variations.	C		

## Section 5

### AUDIT PROGRAMMES

#### 5.2 Audit Programme – Small Company (Cont'd)

#### III. AUDIT PROCEDURES (Cont'd)

#### 1. Substantive Audit Approach (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Substantive procedures (Cont'd)</b>					
<b>Loans and hire purchase</b>					
ISA500	1.	Obtain a list of outstanding loans and HP balances. Check casting.	A		
505	2.	Obtain confirmations of year end balances and interest charged during the year as well as interest outstanding.	E,V,R, O		
500	3.	Ensure interest is accrued on the loans. Expenses – see work under Income Statement.	V		
	4.	Obtain and check that classification and presentation of loan and HP balances are in accordance with PERS / FRS requirements. For HP, cross-reference to the related item of property, plant and equipment.	P		
570	5.	Inspect original or authenticated copies of loan agreements or other documents to determine the terms, restrictive covenants, and other pertinent long-term provisions, and consider the implications of any breach of covenants (if any). Also re-visit Going-Concern considerations for unfavourable findings. Identify liens, security interests and assets pledged as collateral for debts for proper disclosures.	P		
560	6.	Review arrangements (refinancing, restructuring, etc.) subsequent to balance sheet date to determine their effects on classification and disclosures in accordance with MASB 1 or FRS 101.			
	7.	Examine cash book for receipts / disbursements related to long-term debt transactions during the year.			

## Section 5

### AUDIT PROGRAMMES

#### 5.2 Audit Programme – Small Company (Cont'd)

#### III. AUDIT PROCEDURES (Cont'd)

#### 1. Substantive Audit Approach (Cont'd)

		Obj	WP Ref	Comments	Initials and date
<b>Substantive procedures (Cont'd)</b>					
<b>Income Statement (Cont'd)</b>					
520	6.	Obtain an analysis of other income (e.g., Investment income) and review for any unusual items.  For large items obtain explanations and test check to supporting documentation.  Basis of selection / scope:  Or perform analytical procedures to a high-level of precision and disaggregation.	C,A,O		
500	7.	Obtain a listing of overhead expenses such as payroll cost, rental, travelling, legal, entertainment, repairs and maintenance and general expenses. Review the expenses for any unusual items and test check large items to supporting documentation and a part of selection.  Basis of selection / scope:	C,A,O		
500 520	8.	For payroll costs, obtain or prepare a month by month analysis of total payroll cost and total number of employees. Review the movement and obtain explanations for any unusual or large variations. Review supporting documentation, as appropriate.	C,A,O		
520	9.	For rental expenses, agree to rental agreement and estimate total rental cost by taking rental rates per month multiply by number of months in occupation (or 12 months if occupied for entire year). Compare this amount with the amount recorded in the GL. If the difference is material, investigate by enquiries.	C,A, R,E		
520	10.	For interest expense, perform analytical procedures by applying the average interest rate to the average principal outstanding and comparing it with the interest amount recorded in the GL. If the difference is large, investigate by enquiries or increase level of precision in the analysis.	C		

## Section 5

### AUDIT PROGRAMMES

#### 5.3 Audit Programme – Dormant Company

Client: \_\_\_\_\_ Prepared By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Year/Period end: \_\_\_\_\_ Reviewed By: \_\_\_\_\_ Date: \_\_\_\_\_  
 \_\_\_\_\_ Reviewed By: \_\_\_\_\_ Date: \_\_\_\_\_

#### Comments on dormant company audits

Dormant company audits should be done very quickly due to the low fee allowed. The major portion of the fee is to cover administrative matters such as typing and calling over of accounts, and handling of accounts signing and distribution. Insofar as audit is concerned, the main area which requires a fair amount of work is the review of secretarial records. The other important area is to assess whether the company could have entered into transactions or conducted operations but had not reflected the same in the accounts. Such cases could be confirmed by a cursory discussion with the director. In addition, a management representation letter should be obtained from him.

All answers with a "No" require remedial action which must be noted in the "comments" section.

		Y/N/NA	My Comments
ISA500	<b>A. Verification of B/S and I/S</b>		
505	1. Dormant companies do not usually have material B/S items. Nevertheless the following have to be done: <ul style="list-style-type: none"> <li>– cursorily verify secretarial fee and audit fee payments to the company secretaries and auditors</li> <li>– obtain confirmations from relevant other payables where material</li> <li>– verify with the relevant director or accountant that the company is dormant and that all assets and liabilities have been taken up in the accounts</li> </ul>		
250	2. Review whether there are any changes in standards, rules and legislation that may affect the current year's audit.		
500	3. Ensure that company incorporation expenses, secretarial fees and audit fees have been taken up in the accounts.		
	4. Ensure that pre-operating and preliminary expenses are expensed off to the I/S and not carried forward in the balance sheet.		
240	5. Review whether there are any unusual, non-recurring journal entries during the year with emphasis on journal entries in the last month of the year and investigate any unusual or large adjustments or postings.		
500	<b>B. Review of secretarial records</b>		
	1. Review the secretarial records and complete audit of statutory records attached. Ensure that all information in the said records (e.g. authorised and issued share capital) have been properly reflected in the statutory accounts including post balance sheet events e.g. issue of shares or commencement of business after the balance sheet date.		