

Appendix 6 - Sample Tests of Details

Appendix 6 - Sample Substantive Testing Procedures		
S/N	Financial statement line	Link
1	Property, plant and equipment	PP&E'
2	Investment	Investment
3	Inventory and work-in-progress (WIP)	Inventory and WIP'
4	Cash and cash equivalents	Cash and Cash equivalents'
5	Equity	Equity
6	Borrowings	Borrowings
7	Receivables	Receivables
8	Payable and accruals	Payable and accruals'
9	Taxation	Taxation
10	Revenue	Revenue
11	Operating expenses	Opex
12	Payroll	Payroll
13	Journal entries testing	Journal entries'!A1
14	Use of experts	Use of expert'!A1
	ISA Guidance	
1	ISA 540 - Auditing Accounting Estimates	ISA 540'!A1
2	ISA 720 - Auditors responsibility relating to other information	IAS 720'!A1
3	ISA 501 - Additional considerations for specific items (Inventory count)	ISA 501'!A1
	ISA Financial Statement Assertions	Abbreviations
	Accuracy	A
	Completeness	C
	Cut off	CO
	Existence	E
	Occurrence	O
	Classification	CI
	Presentation	P
	Rights and obligation	R&O
	Valuation and allocation	V&A

Appendix 6 - Sample Tests of Details

<p>Review and test management assessment for impairment of assets.</p>	<p>Identify whether events occurred or circumstances exist with the entity, it's industry or the economy indicating that the carrying value of PP&E may be impaired. Some factors may include:</p> <ul style="list-style-type: none"> - Decline in value of assets that is greater than expected as a result of passage of time or usage. - Significant adverse change in technology, market, economy or legal environment impacting the entity. - Changes in market interest rate that would significantly affect the discount rate used in the impairment analysis. - Net assets exceed market capitalization - Actual and forecast net cash outflows or operating profit or loss that is significantly higher than expected. 	√								√
5. Other procedures										
<p>Additional procedures for test of property, plant and equipment</p>	<p>Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.</p>						√			
	<p>Test borrowing costs capitalized</p>	√		√						
	<p>Perform physical verification for assets</p>	√		√				√		
	<p>Understand accounting policies for property, plant and equipment and determine that it is in line with IFRS (or applicable framework).</p>						√			

Appendix 6 - Sample Tests of Details

	OBJECTIVES										
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for Investment, through substantives procedures.											
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.											
	PROCEDURES	Assertions									
1. General		A	C	CO	E	O	CI	P	R&O	V&A	
Reconcile the detailed listing of investment to the general ledger	Obtain detailed listing of investments and agree the balance to the general ledger.		√								
	Test the mathematical accuracy of the detailed listing of investments.	√	√								
2. Test individual investments											
Test addition and disposal of property, plant and equipment	Obtain the movement schedule of investment for the year, including additions and disposals, and test mathematical accuracy of the schedule.		√								
	Test investments held as at year end to appropriate supporting documents - Approval to purchase/dispose, investment certificates, Board resolutions among others.	√	√	√	√					√	
	Confirm investments from the 'investee' entities.	√	√	√	√					√	
	Test valuation of investments in line IFRS (or applicable reporting framework)										
3. Other procedures											
Additional procedures for test of investment	Test investments for impairment. (see IAS 36 for impairment indicators)								√		
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.								√		
	Understand accounting policies for investments and determine that it is in line with IFRS (or applicable reporting framework).								√		

Appendix 6 - Sample Tests of Details

OBJECTIVES										
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for inventory, through substantives procedures.										
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.										
PROCEDURES		Assertions								
1. General		A	C	CO	E	O	CI	P	R&O	V&A
Reconcile the detailed listing of inventory to the general ledger	Obtain detailed listing of inventory and work-in-progress and agree the balance to the general ledger.		√							
	Test the mathematical accuracy of the detailed listing of inventory and work-in-progress.	√	√							
2. Plan and execute inventory count										
Plan to attend and observe inventory count	Plan to attend year end inventory count, select locations with material inventory balances to attend the stock taking exercise.		√		√				√	
	Execute the stock count plan; obtain evidence over existence, ownership, valuation and accuracy of inventory balance.		√		√				√	√
	Perform sample count, using appropriate sample size.		√		√				√	√
	Evaluate appropriateness and sufficiency of stock count results.	√	√	√	√		√		√	√
3. Test inventory balance in the general ledger										
Perform other substantive procedures on inventory balance	Test that the count results have been updated in the general ledger.		√		√					
	Test inventory pricing and confirm that it is line with IFRS (or applicable framework).									√
	Test measurement of inventory at lower of cost or net realisable values									√
4. Other procedures										
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.							√		
	Understand accounting policies for inventory and WIP and determine that it is in line with IFRS (or applicable framework).							√		

Appendix 6 - Sample Tests of Details

		OBJECTIVES									
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for cash and cash equivalents, through substantives procedures.											
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.											
		PROCEDURES	Assertions								
1. General			A	C	CO	E	O	CI	P	R&O	V&A
Reconcile the detailed listing of cash and cash equivalents to the general ledger	Obtain detailed listing of cash and cash equivalents and agree the balance to the general ledger.			√							
	Test the mathematical accuracy of the detailed listing of cash and cash equivalents.	√	√								
2. Test bank reconciliation statements											
Test bank reconciliation statements	Obtain bank reconciliation statements for all bank accounts operated by the entity, agree book balances to the general ledger and agree bank balances to the bank statement.			√	√	√				√	
	Test material reconciling items for existence, accuracy and cut off assertions.				√	√				√	
3. Confirm bank balances and other banking relationships											
Send out confirmations directly to banks and other financial institutions where the client has banking relationship.	Confirm bank account balances and other banking relationships with financial institutions. (loans, guarantees, deposits and investments, liens etc.)	√	√	√	√			√		√	√
	Determine the authenticity and reliability of confirmations responses received. Obtain direct hard paper responses directly from banks.					√					
4. Other procedures											
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.								√		
	Understand accounting policies for cash and cash equivalents and determine that it is in line with IFRS (or applicable framework).								√		
	Test translation of cash and cash equivalents in foreign currency.										√
	Test financial condition of financial institutions/depositories for credit risk purposes.								√		

Appendix 6 - Sample Tests of Details

	OBJECTIVES										
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for equity, through substantives procedures.											
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.											
	PROCEDURES	Assertions									
1. General		A	C	CO	E	O	CI	P	R&O	V&A	
Obtain equity reconciliation	Obtain equity reconciliation, and agree beginning balances to the prior year audited closing balance, and agree the closing balance to the general ledger.		√								
	Test the mathematical accuracy of the equity reconciliation	√	√								
2. Test movement in equity											
Test changes in equity accounts	Test additions to share capital		√								
	Test reconciling items from retained earnings reconciliations.		√								
4. Other procedures											
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.								√		
	Understand accounting policies for equity and determine that it is in line with IFRS (or applicable framework).								√		

Appendix 6 - Sample Tests of Details

OBJECTIVES													
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for borrowings, through substantives procedures.													
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.													
PROCEDURES		Assertions											
1. General		A	C	CO	E	O	CI	P	R&O	V&A			
Reconcile the movement schedule of borrowing to the general ledger	Obtain the movement schedule of borrowing and agree the opening balance to prior year working papers and the closing balance to the general ledger.		√										
	Test the mathematical accuracy of the movement schedule of borrowing.	√	√										
2. Test the movement schedule for borrowings.													
Test additions, repayments and other adjustment to borrowings	Test additional borrowing or further drawdowns during the year		√		√								
	Test repayments of capital and interest during the year	√	√		√								
	Test any other adjustments made during the year to borrowings		√										
3. Test borrowings at amortised cost													
Test measurement of borrowings at amortised cost, using the effective interest rate method	Recompute the loan balance and interest for the period based on the effective interest rate (EIR).	√	√		√		√					√	
4. Other procedures													
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.								√				
	Understand accounting policies for borrowings and determine that it is in line with IFRS (or applicable framework).								√				
	Test translation of borrowings in foreign currency.											√	
	Confirm borrowings from banks, other financial institutions and any other counterparty.		√	√	√					√			

Appendix 6 - Sample Tests of Details

		OBJECTIVES									
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for trade and other receivables, through substantives procedures.											
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.											
		PROCEDURES	Assertions								
1. General			A	C	CO	E	O	CI	P	R&O	V&A
Reconcile the detailed listing of trade and other receivables to the general ledger	Obtain detailed listing of trade and other receivables and agree the balance to the general ledger.			✓							
	Obtain schedule of outstanding trade and other receivables and agree balances to the general ledger.			✓							
	Test the mathematical accuracy of the detailed listing of trade and other receivables.	✓	✓								
2. Test material trade and other receivables											
Select material trade and other receivables and test for completeness, existence, accuracy and cut off	Test material trade and other receivables balances to appropriate supporting documents (e.g. customer acknowledged invoices, subsequent payment of invoices).	✓	✓	✓	✓			✓		✓	✓
	Confirm trade and other receivables balances from the debtors.	✓	✓	✓	✓			✓		✓	✓
3. Test for impairment of trade and other receivables											
Access recoverability of trade and other receivables	Review impairment triggers that may be applicable the client	✓									✓
	Test management's impairment schedule for completeness and accuracy.	✓	✓								✓
4. Other procedures											
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.								✓		
	Understand accounting policies for trade and other receivables and determine that it is in line with IFRS (or applicable framework).								✓		

Appendix 6 - Sample Tests of Details

	OBJECTIVES										
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for tax expense and liability, through substantives procedures.											
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.											
	PROCEDURES	Assertions									
1. General		A	C	CO	E	O	CI	P	R&O	V&A	
Reconcile the movement schedule of tax liability and agree the balance to the general ledger	Obtain the movement schedule of tax liability and agree the opening balance to prior year working papers and the closing balance to the general ledger.		√								
	Test the mathematical accuracy of the movement schedule of tax liability.	√	√								
2. Test tax expense for the year											
Test current and deferred tax charge for the year	Obtain tax computation for the year and review the tax computation based on the audit of the financial statements and applicable tax laws		√			√	√				
	Review the deferred tax computation for the year.		√			√	√				
3. Test tax payments and tax credits											
Review payment details for tax paid during the period	Obtain tax payment certificates/receipts for taxes paid during the period.	√	√								
	Obtain support document for any tax credits during the period		√		√						
4. Other procedures											
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.								√		
	Understand accounting policies for current and deferred taxes and determine that it is in line with IFRS (or applicable framework).								√		
	Verify that any deferred assets recognised are recoverable.				√			√		√	

Appendix 6 - Sample Tests of Details

OBJECTIVES		A	C	CO	E	O	CI	P	R&O	V&A
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for revenue earned, through substantives procedures.										
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.										
PROCEDURES		Assertions								
1. General		A	C	CO	E	O	CI	P	R&O	V&A
Reconcile detailed listing of revenue earned to the general ledger	Obtain detailed listing of revenue and agree to the amount per the general ledger		√							
	Agree client detailed analysis to the GL	√	√							
	Where material reconciling items are noted; investigate and determine adjustments were deemed necessary		√							
2. Test revenue earned for the period										
Agree revenue inputs price and quantity and ascertain revenue for the year.	Recompute revenue earned for the period through substantive analytical procedures by determine an independent expectation of quantity and price of items sold.	√	√			√				
	Select samples of revenue transactions during period and test to appropriate supporting documents e.g. customers' acknowledged invoices.	√	√	√		√	√			√
	Test that revenue recognition is in line with applicable framework (e.g. IFRS)	√	√	√		√	√			√
3. Test Cut off										
	Obtain listing of all invoices issued over a defined period prior and post year end *The defined period will be based on the auditor's opinion informed by the entity's invoicing processes and the assessed risk of material misstatement.		√	√		√	√			
	Agree this to bill of lading/ shipping documents and determine if risk and rewards relating to the sale has passed to the buyer		√			√	√			
4. Other procedures										
Consider other variables which may affect revenue and test as deemed appropriate	Agree the basis of any sales discount to agreements/contracts/minutes of meetings etc.					√				
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.							√		
	Understand accounting policies for revenue and determine that it is in line with IFRS (or applicable framework).							√		
	Trace revenue proceeds to the bank statement	√	√			√				√

Appendix 6 - Sample Tests of Details

	OBJECTIVES										
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for operating expenses, through substantives procedures.											
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.											
	PROCEDURES	Assertions									
1. General		A	C	CO	E	O	CI	P	R&O	V&A	
Reconcile detailed listing of operating expenses to the general ledger	Obtain detailed listing of operating expenses and agree the balance to the general ledger.		√								
	Test the mathematical accuracy of the detailed listing of operating expenses.	√	√								
2. Test operating expenses for the period											
Agree operating expenses to supplier invoices	Select samples of operating expenses transactions during period and test to appropriate supporting documents e.g. suppliers' invoices.	√	√	√		√	√				√
	Test approvals and authority to incur expense based on the client's procedures.		√			√					
3. Other procedures											
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.								√		
	Understand accounting policies for operating expenses and determine that it is in line with IFRS (or applicable framework).								√		
	Trace operating expenses to the bank statements		√	√		√					

Appendix 6 - Sample Tests of Details

	OBJECTIVES										
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for payroll costs, through substantives procedures.											
Substantive procedures are planned to obtain audit evidence over the relevant assertions for the financial statements line item or account group.											
	PROCEDURES	Assertions									
1. General		A	C	CO	E	O	CI	P	R&O	V&A	
Agree the payroll schedule to the general ledger	Obtain the payroll schedule and agree the balance to the general ledger.		√								
	Test the mathematical accuracy of the payroll schedule	√	√								
2. Test payroll costs											
Test payroll costs for the period	Agree payroll schedule details to employee emoluments based on employment contracts for selected employees.	√	√				√				
	Test payroll deduction by recomputation, and test timely remittance of payroll deductions.	√	√								
3. Other procedures											
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures.							√			
	Understand accounting policies for operating expenses and determine that it is in line with IFRS (or applicable framework).							√			

Appendix 6 - Sample Tests of Details

		OBJECTIVES									
The objective is to obtain sufficient and appropriate audit evidence over relevant assertions for fraud risk on the engagement.											
Substantive procedures are planned to obtain audit evidence over journal entries, transactions outside the normal cause of business and accounting estimates.											
		PROCEDURES									
		Assertions									
1. General		A	C	CO	E	O	CI	P	R&O	V&A	
Test completeness of journals entries for the period	Obtain record of all journals posted during the period		√								
	Test completeness of journal entries posted during the year		√								
	Test any variances noted from journal entries.		√			√					
2. Select unusual journal entries for testing											
Define a risk based creteria for usual journal entries and test for the risk of fraud.	Extract a sample of usual journal entries and test those journals for the risk of fraud.	√	√			√	√		√	√	
3. Other procedures											
	Review trasanctions outside the normal course of business.					√	√				√

Appendix 6 - Sample Tests of Details

Excerpts of ISA 540: Auditing accounting estimates including fair value accounting estimates and related disclosures.

In responding to the assessed risks of material misstatement, as required by ISA 330,6 the auditor shall undertake one or more of the following, taking account of the nature of the accounting estimate: (Ref: Para. A59–A61) (a) Determine whether events occurring up to the date of the auditor’s report provide audit evidence regarding the accounting estimate. (Ref: Para. A62–A67) (b) Test how management made the accounting estimate and the data on which it is based. In doing so, the auditor shall evaluate whether: (Ref: Para. A68–A70) (i) The method of measurement used is appropriate in the circumstances; and (Ref: Para. A71–A76)

The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework. (Ref: Para. A77–A83)

ISA 540: Auditing accounting estimates including fair value accounting estimates and related disclosures.

In responding to the assessed risks of material misstatement, as required by ISA 330,6 the auditor shall undertake one or more of the following, taking account of the nature of the accounting estimate: (Ref: Para. A59–A61)

(a) Determine whether events occurring up to the date of the auditor’s report provide audit evidence regarding the accounting estimate. (Ref: Para. A62–A67)

(b) Test how management made the accounting estimate and the data on which it is based. In doing so, the auditor shall evaluate whether: (Ref: Para. A68–A70)

(i) The method of measurement used is appropriate in the circumstances; and (Ref: Para. A71–A76)

(ii) The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework. (Ref: Para. A77–A83)

Test the operating effectiveness of the controls over how management made the accounting estimate, together with appropriate substantive procedures. (Ref: Para. A84–A86)

Develop a point estimate or a range to evaluate management’s point estimate. For this purpose: (Ref: Para. A87–A91)

(i) If the auditor uses assumptions or methods that differ from management’s, the auditor shall obtain an understanding of management’s assumptions or methods sufficient to establish that the auditor’s point estimate or range takes into account relevant variables and to evaluate any significant differences from management’s point estimate. (Ref: Para. A92)

(ii) If the auditor concludes that it is appropriate to use a range, the auditor shall narrow the range, based on audit evidence available, until all outcomes within the range are considered reasonable.

In determining the matters identified in paragraph 12 or in responding to the assessed risks of material misstatement in accordance with paragraph 13, the auditor shall consider whether specialized skills or knowledge in relation to one or more aspects of the accounting estimates are required in order to obtain sufficient appropriate audit evidence. (Ref: Para. A96–A101)

Appendix 6 - Sample Tests of Details

Excerpts of ISA 720 - Auditors responsibility relating to other information
The auditor shall read the other information to identify material inconsistencies, if any, with the audited financial statements.
The auditor shall make appropriate arrangements with management or those charged with governance to obtain the other information prior to the date of the auditor's report. If it is not possible to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable. (Ref: Para. A5)
Material inconsistencies
If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial statements or the other information needs to be revised.
If revision of the audited financial statements is necessary and management refuses to make the revision, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705
If revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance, unless all of those charged with governance are involved in managing the entity;and
(a) Include in the auditor's report an Other Matter paragraph describing the material inconsistency in accordance with ISA 706;4
(b) Withhold the auditor's report; or
If revision of the audited financial statements is necessary, the auditor shall follow the relevant requirements in ISA 560.5
If revision of the other information is necessary and management agrees to make the revision, the auditor shall carry out the procedures necessary under the circumstances. (Ref: Para. A8)
If revision of the other information is necessary, but management refuses to make the revision, the auditor shall notify those charged with governance, unless all of those charged with governance are involved in managing the entity, of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A9)
Material misstatements of fact
If, on reading the other information for the purpose of identifying material inconsistencies, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management. (Ref: Para. A10)
If, following such discussions, the auditor still considers that there is an apparent material misstatement of fact, the auditor shall request management to consult with a qualified third party, such as the entity's legal counsel, and the auditor shall consider the advice received.
If the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor shall notify those charged with governance, unless all of those charged with governance are involved in managing the entity, of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A11)

Appendix 6 - Sample Tests of Details

Excerpts of ISA 501: Additional considerations for specific items

If inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:

(a) Attendance at physical inventory counting, unless impracticable, to: (Ref: Para. A1–A3)

(i) Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting; (Ref: Para. A4)

(ii) Observe the performance of management's count procedures; (Ref: Para. A5)

(iii) Inspect the inventory; and (Ref: Para. A6)

(iv) Perform test counts; and (Ref: Para. A7–A8)

(b) Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results.

If physical inventory counting is conducted at a date other than the date of the financial statements, the auditor shall, in addition to the procedures required by paragraph 4, perform audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded. (Ref: Para. A9–A11)

If the auditor is unable to attend physical inventory counting due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions.

If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. If it is not possible to do so, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.3 (Ref: Para. A12–A14)

If inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of that inventory by performing one or both of the following:

(a) Request confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity. (Ref: Para. A15)

(b) Perform inspection or other audit procedures appropriate in the circumstances. (Ref: Para. A16)