

Audit Service Bulletin

Vision : To become a world class supreme audit institution, delivering professional, excellent and cost effective auditing services

Audit Procedures: The role of substantive Tests and Test of Controls in Financial Audit Emmanuel Amegah/PA, Lawra District Office



Audit procedure is the “vehicle” that “drives” the financial audit we carry out to its “destination”. As

such, without audit procedures, an auditor cannot obtain appropriate, reliable and sufficient audit evidence to draw conclusion on which to base his opinion on the financial statements.

If so, what is an audit procedure? It is a specific activity or set of activities that an auditor undertakes to gather and evaluate evidence, ultimately forming an opinion on the fairness of the financial statements or the effectiveness of internal controls. It is basically procedures designed and followed by an auditor to test assertions made by management and confirm the accuracy and reliability of financial information contained in the financial statements.

Assertions are the representations made by management, explicit or otherwise, that are embodied in the financial statements. There are two types of audit procedures, and these are “Test of Controls and Substantive Tests”

Test of Controls is the test that the auditor performs to assess the operating effectiveness of internal controls of an entity using tools such as interviews, process mapping and walkthroughs. For instance, checking authorisation of transactions, checking for IT General Controls, verifying that account reconciliation have been performed.

When internal controls are assessed and found effective, the auditor reduces the amount of substantive testing but where he found that the internal controls are weak and insufficient, he must increase his substantive tests to address risks of material misstatements and reduce audit risk to an acceptable low level.

The immediate tool available for the auditor to test the controls system of an entity is by conducting Walk Through Test which involves tracing a few transactions through the financial reporting system. For instance, an auditor while examining payment vouchers can take five payment vouchers on taxable payments and check if appropriate taxes were deducted and remitted to GRA, by way of checking for tax receipts and if found that only one or none of them have taxes being deducted from the gross payment, it means the internal control system with regard to deduction and remittance of withholding taxes is weak and unreliable and this informs the auditor to increase the amount of substantive tests to cover many of the taxable payments PVs in order to accurately confirm the tax liability figure reported in the statement of financial position, under the current liability caption.

Substantive Tests are those audit procedures or tests carried out by the auditor to detect material misstatements at the assertion level of the financial statements. It involves testing classes of transactions, account balances and disclosure to confirm their accuracy, completeness, and validity. Substantive tests are alternatively called substantive procedures.

An auditor increases substantive tests to enhance the reliability of the financial statement assertions, especially where he established that there are higher risks of material misstatement or when he found the internal controls insufficient or very weak.

By performing more extensive substantive procedures, the auditor can gather more persuasive evidence to support his opinion on the fairness or otherwise of the financial statements.

There are two main types of substantive tests and these are:

a. Test of details

b. Substantive Analytical procedures

Test of details

This involves tracing figures to supporting documents to determine if transactions are valid, properly classified, accurate and complete. It is a detailed testing of classes of transactions, account balances and disclosures using their respective source documents in order to confirm their accuracy, validity and completeness. For instance, account receivables figure in the statement of financial position under the caption Current Assets must be traced to clients' bills, demand notices, cheques received register, dishonoured cheques register, debtors ledger to confirm the accuracy of the amount reported in the financial statement.

Substantive Analytical Procedures

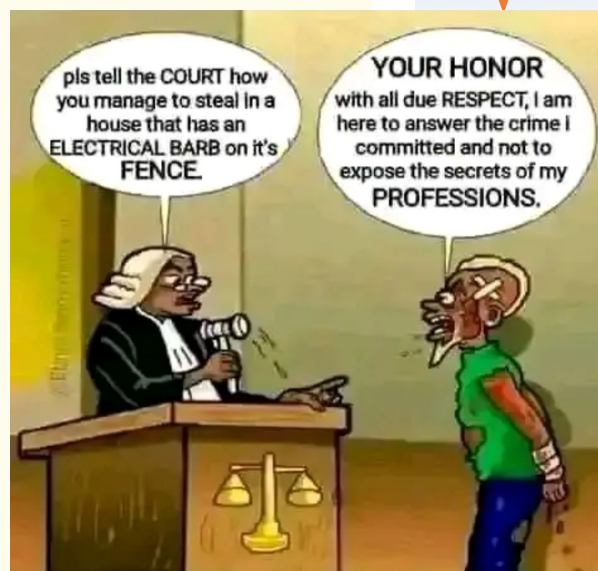
This involves a study of plausible relationships among both financial and nonfinancial data reported in the financial statements. It consists of comparing financial information in the financial statements with other reliable information or with the auditor's expectation, to determine if reported information is accurate. The variation or difference identified leads to further review and investigation.

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Articles and contributions are welcome from staff



Examples of substantive test procedures are:

Confirmation: For instance, confirming account balances with third parties

Physical Examination: For instance, examining fixed assets or inventory

Cut-off testing: For instance, testing shipment and goods received cut-off

Reconciliation: For instance, reconciling subsidiary account with the general ledger

Observation: For instance, touring facilities or observing inventory count teams

Inquiry: For instance, asking client personnel to explain the bases for their collectability of receivables

Examination: For instance, examining legal contracts documents

Re-computation: For instance, re-computing the client's payroll costs

Tracing: For instance, tracing test counts from the physical inventory observation to inventory listing

Vouching: For instance, agreeing account details to supporting documents such as invoices and contracts

Casting and/or recalculation: For instance, verifying the mathematical accuracy of presented figure of a class of account.

The extent of audit procedures

This refers to the quantity of testing performed by an auditor such as the number of transactions selected for review, or the number of controls tested. Determining the extent of audit procedure is a matter of professional judgement, taking into consideration factors such as the assessed risk of material misstatement, the materiality of the account and the desired level of assurance the auditor plans to obtain. For instance, when the auditor assessed the risk of material misstatement to be high, he has to increase the substantive tests in those high-risk areas identified.

Secondly, larger and more material accounts balances or classes of transactions requires the auditor to perform more and increased substantive testing on them.

Thirdly, if the auditor needs a higher level of assurance, he needs to perform more extensive audit procedures such as substantive testing.

Again, stronger internal controls will inform the auditor to reduce the extent of substantive test he wants to conduct or limit such test to larger and material account balances or classes of transactions.

ses of transactions.

Conclusion

From the above article, one could appreciate that audit procedures are the "spinal cord" of financial audit and an auditor having knowledge about how to design and apply audit procedures will help him know at what point or assertion should he reduce volume and extent of substantive tests and this will help him to avoid unnecessary waste of time on trivial, immaterial and irrelevant things, and instead help him reduce and save time in execution of the audit and meet deadline for submission of audit report to his supervisor or district auditor as timeline is very essential in our audit execution in Ghana Audit Service. The knowledge on design and application of audit procedures will also enable the auditor to obtain persuasive audit evidence to draw conclusion and express appropriate audit opinion on the financial statement and reduce audit risk to the acceptably low level, thereby ensuring credibility of the financial statements for end users.

It is my hope that readers will find this article educative and useful. I bring you the "The concept of materiality and its relationship with audit procedures" in my next article. Enjoy your reading.

Unmasking menopause at work: supporting leadership through life's natural transitions

Stella Vinyo Dekey, Esq- Board Secretary



MENOPAUSE, typically occurring between ages 45 and 55 or medically induced through total hysterectomy, is a natural biological life stage affecting millions of working women globally. Yet in most workplaces, in my opinion, it remains shrouded in silence, misunderstood, or worse, dismissed. For women navigating high-pressure careers, especially those in leadership roles, menopause is more than just a personal milestone, it can be a defining professional challenge.

The physical and emotional symptoms such as hot flashes, fatigue, disrupted sleep, anxiety, cognitive fog and some form of depression, can be relentless. But the social and professional consequences often sting even more. When women in senior positions experience mood changes, irritability or increased sensitivity,

which are common and biological symptoms of menopause, they may be unfairly labeled as difficult, emotional, unsympathetic, unfit to lead or sometimes "monstrous". As a result, menopause does not only affect the physical and mental wellbeing of women, but also erode professional reputations and undermine leadership credibility.

Men navigating stress in the workplace are often perceived as assertive or focused. In contrast, menopausal women facing similar challenges may be judged as unstable or harsh. This double standard due to lack of education on effects of menopause, compounded by the expectation that female leaders remain constantly composed and agreeable, silences many from sharing what they're going through.

The cost of this silence is high. Research shows that many mid-career women either scale back or leave their positions

due to unmanaged symptoms and the lack of organizational support. This is not just a loss of individual talent, but it's a loss of leadership, mentorship, and diverse insight that organizations desperately need.

To truly build inclusive and high-performing workplaces, we must normalize conversations around menopause. This means offering flexible work arrangements, fostering education around hormonal health, and eliminating stigma. Most importantly, it means recognizing that menopause is not a weakness, rather, it is a natural life transition. Women experiencing it are not diminished; they are often managing enormous personal change while continuing to lead, innovate, and inspire.

Let's rewrite the narrative; menopause should not end careers; with the right support, it can mark a new phase of wisdom, strength, and resilient leadership.

2025 May Day in pictures



Publication of book on IPSAS

About the Book

The idea of writing this book commenced in June 2023 (2 years ago) when Ghana was in the completion stage of implementing IPSAS.

The main purpose of this book is to provide Public Sector Accountants, Auditors, Practitioners, Policy makers, Academicians, among others, with an overview of IPSAS focusing on its principles and applications.

This book comes with lots of examples (**64 examples, topic by topic and 43 real cases**) of their application by governments and public sector entities that are issuing IPSAS-compliant financial statements such as the University of Ghana, WHO, WFP, FAO, IAEA, OECD, UN Children Fund, Government of New Zealand, etc. By drawing on examples, practice highlights on specific accounting and reporting issues, and IPSAS, this book seeks to be a comprehensive guide on how to apply accrual-based IPSAS as well as cash basis IPSAS. The book therefore aims to serve as a practical implementation guide for Public Sector Accountants, Auditors, Practitioners, Policy Makers, Academicians, among others.

This book will also be of immense assistance to students preparing to write professional examinations in Public Sector Accounting and Finance as well as

certifications in International Public Sector Accounting Standards (IPSAS).

Structure of the Book

This book is divided into three key parts. The **first part** provides an introduction to global developments within public sector accounting more broadly as well as IPSAS. It introduces the IPSASB and its expanding role.

The **second part** of the book is devoted to a full review, explanation and practical examples of the application of accrual-based IPSAS.

The **third part** provides an overview of cash-basis IPSAS. It addresses the key technical issues and provides practical examples of the application of cash-basis IPSAS.

About IPSAS

International Public Sector Accounting Standards (IPSAS) are authoritative standards for the preparation of General Purpose Financial Statements (GPFS) designed to apply to public sector entities that:

- are responsible for the delivery of services to benefit the public and or to redistribute income and wealth;
- mainly finance their activities, directly or indirectly, by means of taxes and or transfers from other levels of

government, social contributions, rent or fees;

- do not have the primary objective of making profits.

International Public Sector Accounting Standards (IPSASs) are issued by the IPSAS Board (IPSASB) for use by public sector entities around the world in the preparation of their financial statements, and are intended to improve the quality of financial reporting.

Many governments across the globe operate on a cash basis (or modified cash basis) and do not account for many significant items, such as liabilities for public sector pensions and financial instruments. Accrual accounting is a fundamental tenet of strong accounting and reporting for public companies, and so it should be for governments as well. This is why the adoption of accrual accounting by public sector entities should result in a more comprehensive and accurate view of the financial position, and help to ensure that governments and other public sector entities are transparent and accountable.

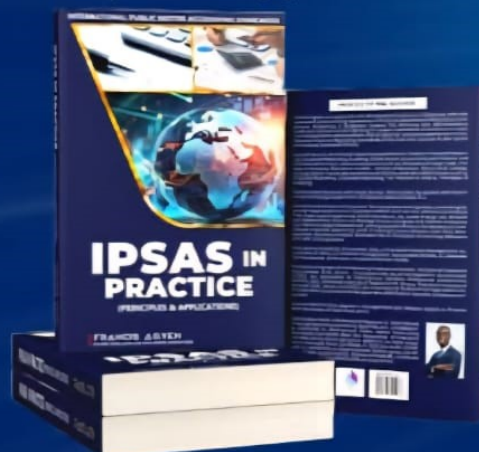
Relatively few publications dealing with the practical adoption of IPSAS have been available to implementers and other interested parties so far, and it is to everybody's benefit to see this work, entitled *IPSAS in Practice – Principles & Applications*, being published.



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IPSAS in Practice (Principles & Applications)



10 health tips for healthier lifestyle

Start the second half of the year with the ever-green resolution to lead a healthier lifestyle with these 10 practical health tips from the World Health Organisation.

Eat a healthy diet

Eat a combination of different foods, including fruit, vegetables, legumes, nuts and whole grains. Adults should eat at least five portions (400g) of fruit and vegetables per day. You can improve your intake of fruits and vegetables by always including veggies in your meal; eating fresh fruit and vegetables as snacks; eating a variety of fruits and vegetables; and eating them in season. By eating healthy, you will reduce your risk of malnutrition and noncommunicable diseases (NCDs) such as diabetes, heart disease, stroke and cancer.



Consume less salt and sugar



Reduce your salt intake to 5g per day, equivalent to about one teaspoon. It's easier to do this by limiting the amount of salt, soy sauce, fish sauce and other high-sodium condiments when preparing meals; removing salt, seasonings and condiments from your meal table; avoiding salty snacks; and choosing low-sodium products.

On the other hand, consuming excessive amounts of sugars increases the risk of tooth decay and unhealthy weight gain. In both adults and children, the intake of free sugars should be reduced. WHO recommends consuming less than 5% of total energy intake for additional health benefits. You can reduce your sugar intake by limiting the consumption of sugary snacks, candies and sugar-sweetened beverages.

Reduce intake of harmful fats



Fats consumed should be less than 30% of your total energy intake. This will help prevent unhealthy weight gain and NCDs. There are different types of fats, but unsaturated fats are preferable over saturated fats and trans-fats. WHO recommends reducing saturated fats to less than 10% of total energy intake; reducing trans-fats to less than 1% of total energy intake; and replacing both saturated fats and

trans-fats with unsaturated fats.

The preferable unsaturated fats are found in fish, avocado and nuts, and in sunflower, soybean, canola and olive oils; saturated fats are found in fatty meat, butter, palm and coconut oil, cream, cheese, ghee and lard; and trans-fats are found in baked and fried foods, and pre-packaged snacks and foods, such as frozen pizza, cookies, biscuits, and cooking oils and spreads.

Don't smoke

Smoking tobacco causes NCDs such as lung disease, heart disease and stroke. Tobacco kills not only the direct smokers but even non-smokers through second-hand exposure. If you are currently a smoker, it's not too late to quit. Once you do, you will experience immediate and long-term health benefits. If you are not a smoker, that's great! Do not start smoking and fight for your right to breathe tobacco-smoke-free air.



Be active

Physical activity is defined as any bodily movement produced by skeletal muscles that requires energy expenditure. This includes exercise and activities undertaken while working, playing, carrying out household chores, travelling, and engaging in recreational pursuits. The amount of physical activity you need depends on your age group but adults aged 18-64 years should do at least 150 minutes of moderate-intensity physical activity throughout the week. Increase moderate-intensity physical activity to 300 minutes per week for additional health benefits.



Check your blood pressure regularly



Hypertension, or high blood pressure, is called a "silent killer". This is because many people who have hypertension may not be aware of the problem as it may not have any symptoms. If left uncontrolled, hypertension can lead to heart, brain, kidney and other diseases. Have your blood pressure checked regularly by a health worker so you know your numbers. If your blood pressure is high, get the advice of a health worker. This is vital in the prevention and control of hypertension.

Follow traffic laws

Road crashes claim over one million lives around the world and millions more are injured. Road traffic injuries are preventable through a variety of measures implemented by the government such as strong legislation and enforcement, safer infrastructure and vehicle standards, and improved post-crash care. You yourself can also prevent road crashes by ensuring that you follow traffic laws such as using the seat-belt for adults and child restraint for your kids, wearing a helmet when riding a motorcycle or bicycle, not drinking and driving, and not using your mobile phone while driving.



Take antibiotics only as prescribed

Antibiotic resistance is one of the biggest public health threats in our generation. When antibiotics lose their power, bacterial infections become harder to treat, leading to higher medical costs, prolonged hospital stays, and increased mortality. Antibiotics are losing their power because of misuse and overuse in humans and animals. Make sure you only take antibiotics if prescribed by a qualified health professional. And once prescribed, complete the treatment days as instructed. Never share antibiotics.



Clean your hands properly



Hand hygiene is critical not only for health workers but for everyone. Clean hands can prevent the spread of infectious illnesses. You should handwash using soap and water when your hands are visibly soiled or handrub using an alcohol-based product.

Have regular check-ups

Regular check-ups can help find health problems before they start. Health professionals can help find and diagnose health issues early, when your chances for treatment and cure are better. Go to your nearest health facility to check out the health services, screenings and treatment that are accessible to you.



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