
Course Title: Auditing Key Financial Cycles: A Practical Approach

- **Duration:** 5 Days (approximately 35-40 instructional hours)
- **Course Goal:** To provide new and experienced auditors with a practical, in-depth understanding of how to effectively plan, execute, and document the audit of key financial cycles. This course will bridge the gap between audit theory and practice, equipping participants with the skills to identify risks, design and test controls, and perform substantive procedures for the most common and significant business processes.
- **Core Focus:** Mastering the end-to-end audit of core financial cycles: Procure-to-Pay, Order-to-Cash, and Financial Close & Reporting.

Learning Objectives:

Upon successful completion of this workshop, participants will be able to:

- **Deconstruct** key financial cycles into their core sub-processes, risks, and control objectives.
- **Identify** key management assertions (e.g., Occurrence, Completeness, Accuracy, Cutoff) relevant to each cycle.
- **Design** and perform walkthroughs to understand and document business processes and controls.
- **Develop** a comprehensive Risk & Control Matrix (RCM) for each financial cycle.
- **Design** and execute effective Tests of Controls (TOCs) for key controls.
- **Plan** and perform substantive audit procedures, including Tests of Details and Analytical Procedures.
- **Apply** a risk-based approach to determine the nature, timing, and extent of audit testing.
- **Identify** common fraud schemes within each cycle and design procedures to detect them.
- **Create** high-quality, review-ready working papers to document the audit of a financial cycle.
- **Develop** meaningful audit findings and recommendations related to financial cycle weaknesses.

Target Audience:

- Internal and External Auditors (Staff, Associates, Seniors).
- IT Auditors who need to understand the business processes they are auditing.
- Finance and Accounting professionals who want to understand the audit process from the inside.
- Compliance and Risk professionals.

Prerequisites:

- A solid understanding of foundational auditing principles (audit process, risk, controls, evidence). Completion of an "Auditing Fundamentals Bootcamp" or equivalent experience is highly recommended.
- Basic knowledge of accounting principles (debits/credits, financial statements).

Teaching Methodology:

This is a highly interactive and case-based workshop. Participants will "audit" a fictional company's financial cycles throughout the week. The methodology includes:

- **Interactive Lectures:** Introducing concepts, assertions, and best practices for each cycle.
- **Intensive Case Study:** A central case study with process narratives, organizational charts, and sample "client-provided" evidence (invoices, purchase orders, journal entries) will be used for all exercises.
- **Hands-on Workshops:** The core of the course. Participants will actively create RCMs, design test plans, and document results in working paper templates.
- **"Evidence Lab":** Participants will examine sample evidence to perform tests of details and identify exceptions.
- **Group Discussions & Peer Learning:** A collaborative environment for sharing audit approaches and challenges.
- **Working Paper Clinics:** Reviewing and critiquing sample working papers.

Materials Provided:

- Comprehensive digital or printed workbook with key concepts, process flows, risk/control examples, and audit programs.
 - A "Financial Cycle Auditor's Toolkit" with templates for a Process Narrative, Flowchart, Risk & Control Matrix, Test of Controls Working Paper, and Substantive Testing Working Paper.
 - A detailed case study package with all necessary "client-provided" documents.
 - Certificate of Completion.
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Detailed Day-by-Day Curriculum

Day 1: Audit Foundations & The Procure-to-Pay (P2P) Cycle - Part 1

- **Module 1: Recap of the Risk-Based Audit Approach (Approx. 2 hours)**
 - Welcome, introductions, and course objectives.
 - The link between financial statement assertions, business process risks, and audit procedures.
 - Differentiating Tests of Controls vs. Substantive Procedures.
 - Introduction to the course case study company and its key processes.
- **Module 2: Understanding the Procure-to-Pay (P2P) Cycle (Approx. 2.5 hours)**
 - Overview of the P2P cycle: From requesting a good/service to paying the vendor.
 - Key sub-processes: Requisitioning, Purchasing (PO creation), Receiving, Invoice Processing, and Payment.
 - Key financial statement accounts impacted (Accounts Payable, Expenses, Assets).
 - **Workshop:** Using the case study, participants create a high-level process map (flowchart) of the P2P cycle.
- **Module 3: Risks & Controls in the P2P Cycle (Approx. 3 hours)**
 - Identifying key risks in the P2P cycle (e.g., unauthorized purchases, paying for goods not received, duplicate payments, fraudulent vendors, inaccurate financial reporting).
 - Mapping risks to relevant management assertions (e.g., Occurrence of expenses, Completeness of liabilities).
 - Identifying key preventive and detective controls (e.g., three-way match, vendor master file controls, segregation of duties, approval hierarchies).
 - **Workshop:** Participants begin to build a Risk & Control Matrix (RCM) for the P2P cycle of the case study.
 - **End of Day 1 Recap & Q&A.**

Day 2: Auditing the Procure-to-Pay (P2P) Cycle - Part 2

- **Module 4: Designing & Testing P2P Controls (Approx. 3.5 hours)**
 - Developing an audit program to test key P2P controls.
 - Designing effective test procedures for controls like:
 - Requisition and PO approvals.
 - Vendor master file changes.
 - The three-way match (PO vs. Receiving Report vs. Invoice).
 - Payment run approvals.
 - Audit sampling for tests of controls.
 - **Workshop:** Participants design specific test steps for 2-3 key controls in their P2P RCM.
- **Module 5: Substantive Procedures for Accounts Payable & Expenses (Approx. 3.5 hours)**
 - Designing substantive audit procedures for P2P-related accounts.
 - **Tests of Details:** Vouching expenses back to supporting documents (testing Occurrence), tracing receiving reports to invoices and the AP ledger (testing Completeness).
 - **Substantive Analytical Procedures:** Analyzing expense trends, days payable outstanding.
 - The Search for Unrecorded Liabilities.

- **"Evidence Lab" Workshop:** Participants are given a sample of "client-provided" P2P documents and perform a three-way match, documenting their test results in a working paper template.
- **End of Day 2 Recap & Q&A.**

Day 3: The Order-to-Cash (O2C) Cycle

- **Module 6: Understanding the Order-to-Cash (O2C) Cycle (Approx. 2.5 hours)**
 - Overview of the O2C cycle: From receiving a customer order to collecting the cash.
 - Key sub-processes: Customer Order Management, Credit Approval, Shipping, Invoicing, and Cash Collection/Application.
 - Key financial statement accounts impacted (Revenue, Accounts Receivable, Cash).
 - **Workshop:** Participants create a high-level process map of the O2C cycle for the case study.
- **Module 7: Risks & Controls in the O2C Cycle (Approx. 3 hours)**
 - Identifying key risks (e.g., fictitious revenue, incorrect pricing, shipping to un-creditworthy customers, delayed collections, inaccurate revenue recognition).
 - Mapping risks to relevant management assertions (e.g., Occurrence and Accuracy of revenue, Existence and Valuation of receivables).
 - Identifying key controls (e.g., credit checks, segregation of duties, sales price master file, shipping document reconciliation, bank reconciliation).
 - **Workshop:** Participants build a Risk & Control Matrix (RCM) for the O2C cycle of the case study.
- **Module 8: Designing & Testing O2C Controls (Approx. 2 hours)**
 - Developing an audit program to test key O2C controls.
 - Designing test procedures for controls like:
 - Credit limit approvals.
 - Sales order to shipping document to invoice matching.
 - Revenue recognition criteria.
 - **End of Day 3 Recap & Q&A.**

Day 4: Auditing the O2C Cycle & The Financial Close

- **Module 9: Substantive Procedures for Revenue & Accounts Receivable (Approx. 3.5 hours)**
 - Designing substantive audit procedures for O2C-related accounts.
 - **Tests of Details:** Vouching revenue transactions back to shipping documents and customer orders (testing Occurrence), testing sales cutoff.
 - **Accounts Receivable Confirmations:** The primary test for Existence.
 - **Substantive Analytical Procedures:** Analyzing revenue trends, gross margin, and accounts receivable aging.
 - Assessing the Allowance for Doubtful Accounts (Valuation).
 - **"Evidence Lab" Workshop:** Participants are given a sample of O2C documents and perform a test of a sales transaction, documenting their work.
- **Module 10: The Financial Statement Close Process (FSCP) (Approx. 3.5 hours)**
 - Understanding the FSCP cycle: From recording journal entries to producing the final financial statements.
 - Key sub-processes: Journal Entry processing, Account Reconciliations, Consolidations, Financial Reporting.
 - Risks in the FSCP (e.g., unauthorized/fraudulent journal entries, inaccurate reconciliations, management override of controls, untimely closing).
 - Key controls (e.g., segregation of duties for JEs, independent review of reconciliations, disclosure committee).
 - **Workshop:** Participants develop a Risk & Control Matrix for the Journal Entry process.
 - **End of Day 4 Recap & Q&A.**

Day 5: Auditing the Financial Close & Capstone

- **Module 11: Auditing the Financial Statement Close Process (Approx. 3 hours)**

- Designing audit procedures for the FSCP.
- Testing Journal Entries (e.g., selecting unusual or high-risk entries for review).
- Auditing key account reconciliations (e.g., bank, intercompany).
- Reviewing the financial reporting package for consistency and accuracy.
- Assessing for management override of controls.
- **Module 12: Identifying Fraud Schemes in Financial Cycles (Approx. 2 hours)**
 - Brainstorming common fraud schemes within P2P (e.g., ghost vendors, kickbacks) and O2C (e.g., lapping, fictitious sales).
 - The auditor's responsibility for detecting fraud.
 - Integrating fraud considerations into your audit programs.
- **Module 13: Capstone: Developing Audit Findings & Reporting (Approx. 2 hours)**
 - **Capstone Workshop:** Based on the exceptions found in the "Evidence Labs" during the week, participants work in groups to:
 1. Perform a root cause analysis.
 2. Develop a complete 5C audit finding.
 3. Draft a practical and actionable recommendation.
 - Groups present their findings for peer and instructor feedback.
- **Module 14: Course Review & Commitment to Quality Auditing (Approx. 1 hour)**
 - Review of the end-to-end audit process for key financial cycles.
 - The importance of linking all work back to the financial statement assertions.
 - Open forum for final questions.
 - Course evaluation and closing.