

# Financial Controls and Internal Audit A Two-Day Programme



## Aims and Objectives

The Aim of this course is that participants become engaged in a practical workshop in financial analysis which will build on the basics of financial analysis through an examination of several, specific, accounting areas. The course will aim to address the subjective areas of accounting and the problems associated with uncertainty that accountants and financial analysts face.

By the end of this course, participants will be able to:

- Understand the difference between business and audit risk
- Understand the components of your internal control system and how it relates to risk management
- Analyse the reasons why internal controls are vital to a well-run business
- Make practical suggestions to improve the internal controls implemented in your business
- Understand how to monitor and test the internal control system is working effectively

## Methodology

The course will involve instruction in the rules of the accounting standards with a focus on actively involving participants in discussion and practical application of standards. The course will run on a workshop basis with each workshop including

- Short instructor-led sessions
- Slide presentations
- Practical exercises
- Case studies

## Case Studies

The course will use examples based on real-life case studies but can also be tailored exactly to use your own control system and risk management procedures. We can visit you prior to the course to establish exactly how your systems work and make sure that the exercises set use your own terminology (for example the names of reports/accounting systems etc).

# Day One

## Session 1

### Introduction to Financial Controls

- The role of the auditors in the financial reporting process
- External versus internal auditors
- Objectives of auditors
- The concept of materiality
- Different types of assurance

## Session 2

### Audit Risk versus Business Risk

- Definition of business risk
- Definition of audit risk
- The audit risk assessment model

**Case study:** Identifying business risks and audit risk using the operating and financial reviews in published company accounts

## Session 3

### The Internal Control System

- The components of an internal control system
- The benefits of an effective internal control system
- Control environment
- The accounting and reporting system
- Control procedures
- Risk Assessment
- Monitoring and evaluation

**Case study:** Practical identification of the internal control system operating within your business. Delegates will be required to contribute examples of components that they currently work with in their day to day roles

## Session 4

### Control Procedures – The Revenue Cycle

- An investigation of the revenue cycle within your business
- A discussion of the ways that the revenue could be under or overstated in the business assuming no controls in place
- A practical exercise to identify the controls that eliminate these misstatements

## Session 5

### Control Procedures – The Purchases and Expenses Cycle

- An investigation of the purchases and expenses cycle within your business
- A discussion of the ways that the costs could be under or overstated in the business assuming no controls in place
- A practical exercise to identify the controls that eliminate these misstatements

## Day Two

### Session 1

#### Internal Controls over Other Areas

- Definition of tests of controls
- Objectives of controls testing
- Sampling
- Practical difficulties

**Exercise:** Designing tests of internal control procedures

### Session 2

#### Practical considerations

- Non-standard areas
- Non-routine transactions
- Corporate Governance requirements (relevant to listed companies)
- Fraud and deliberate undermining of controls systems

### Session 3

#### Testing the Internal Controls System

- Definition of tests of controls
- Objectives of controls testing
- Sampling
- Practical difficulties

**Exercise:** Calculations of carrying amounts of assets based on various valuation data

### Session 4

#### Case Study

- Group familiarisation with a given scenario based on a real-life company
- Identification of possible weaknesses in the internal controls system
- Testing the system to ensure the internal controls are working effectively
- Steps to put in place to ensure that the internal control system works more effectively in future

**Debrief:** An opportunity to discuss the group exercise including an opportunity to discuss practical difficulties and operational complications as regards your own specific business control system

### Session 5

#### Course Evaluation and Summary