FINANCIAL ANALYSIS SKILLS FOR AUDITORS
Making sense of accounting statements and how they relate to financial audits

Why Attend This Course?

The aim of this workshop is to enable internal auditors to read financial accounting information effectively in order to assess business and control risk within a business.

When the course is completed, you will be able to:

■ Use financial statements to understand and assess business performance and identify risk
■ Calculate and interpret key financial ratios
■ Understand what is meant by creative accounting, how it is carried out and its implications for businesses
■ Identify early warning signs within a business using financial statements
■ Analyse cash flow forecasts and business plans to assess future strategies and plans and associated risks as well as how they may affect regulatory compliance

Internal Audit

3 Day Course:

14-16 September 2015 London

Course Director: Peter Herbert

Peter specialises in the development and delivery of practical training programmes and targeted both at financial professionals and non-finance managers.
Course Focus And Features

For many internal auditors working within business, an understanding of financial statements is critical to putting the detailed work that they perform into context and to identify areas of operational and financial risk.

This highly interactive three-day course provides internal auditors with a detailed insight into the accounting process, how it drives the financial statements and how to analyse them. Financial statements also include lots of confusing terminology, an understanding of which can inform a much more meaningful and impressive dialogue with board members and senior managers. The course will make sense of this jargon and make participants aware of the different components within a set of financial statements and how they fit together.

A range of ratio and other analysis tools will be introduced that can be used to understand and assess profitability and performance and pinpoint early warning signs and areas of high risk.

An introduction will also be provided into ways to investigate ‘creative accounting’ and other improper accounting practices that might signal fraudulent transactions. These sessions will also focus on the notes to the financial statements, often ignored but the source of a wealth of important ‘off-balance sheet’ information.

Participants will learn through a combination of presentations, case studies, practical exercises and discussions. The focus throughout will be on the analysis of real-life financial statements. We will consider historical financial information and forward-looking information, such as budgets and forecasts.

For all auditors working within business, this seminar will provide you with crucial skills that will help you to identify risks and add value throughout the audit process.

Who Should Attend

This entry level course is targeted at internal auditors who have limited knowledge of financial accounting but who want to gain a deeper understanding of financial statements as they relate to financial audits.

Methodology

Although any course of this nature will require a significant amount of theoretical training, all sessions will be as practical as possible and include participant discussion.

We will use a number of exercises and case studies throughout the course to illustrate key points and stimulate discussion amongst participants.
Agenda

Day One:

Session 1: Rules and regulation
- Who writes the rules and why – IFRS and GAAP
- Fundamental concepts of accounting and how they can be abused
- Financial statements and management accounts – key similarities and differences
- Using financial information to identify control and business risks

Session 2: Accounting statements and terminology
- What income statements and balance sheets look like and what they tell you
- Confusing jargon and what it means
- Profit versus cash flow – essential differences
Exercise (in syndicates): As an introduction to this session participants will complete a short quiz to check and clarify their existing knowledge of confusing accounting terminology

Session 3: How accounting statements fit together – the dual effect
- What dual effect (double entry) means and how it aids risk analysis
- Dual effect applied to common business transactions
- How the income statement and balance sheet are produced
- Computerised accounting systems – how they work in practice

Session 4: Analysing the notes to the financial statements
- Important notes to statutory accounts and how they can aid risk assessment
- Off balance sheet items and their significance – lease commitments, contingent liabilities etc
- Key problem areas and early warning signs – what to look for from a risk perspective
Exercise (in syndicates): Participants will be presented with a selection of notes to a set of accounts and asked to consider their significance from a business and control risk perspective

Day Two

Session 1: Key items in accounts for risk analysis
- Tangible asset accounting – depreciation, revaluation and EBITDA
- Intangibles – what they are, when they are recognised and how they are valued
- Asset value and liability provisions – key differences and similarities
- Creative accounting – what it is, how it’s done and how to spot it

Session 2: Elementary financial analysis
- How to identify and interpret income statement and balance sheet trends
- Linking key items in financial statements
- Key problem areas and early warning signs – what to look for from a risk perspective
Case study (in syndicates): Participants will analyse income statement and balance sheet information for a case study company and identify key control and business risks

Session 3: Ratio and trend analysis
- Calculating and interpreting key financial trends, percentages and ratios
- Profitability, liquidity, working capital and gearing measures – how they are calculated and how to use them when assessing risk
- What ratio trends tell you about business performance and prospects
Exercise (in syndicates): Participants will apply key ratios covered to the case study company introduced in session two

Session 4: Analysing the notes to the financial statements
- Important notes to statutory accounts and how they can aid risk assessment
- Off balance sheet items and their significance – lease commitments, contingent liabilities etc
- Key problem areas and early warning signs – what to look for from a risk perspective
Exercise (in syndicates): Participants will calculate and analyse the operating cash flow and related ratios for the case study company introduced on day two

Day Three

Session 1: The statement of cash flows
- The difference between profit and cash flow – and why it matters
- Calculating and interpreting operating cash flow and related ratios using accounting information
- Working capital management
- What cash flow information tells you – key warning signs
Exercise (in syndicates): Participants will calculate and analyse the operating cash flow and related ratios for the case study company introduced on day two

Session 2: Analysing budgets, forecasts and business plans
- What to look for in a business plan
- Understanding and sensitising key budget assumptions
- Analysing costs – fixed, variable, and stepped - and calculating break even
- Camouflaging the numbers – how it’s done and how to spot it
Exercise (in syndicates): Participants will analyse extracts from a company forecast and produce a list of questions for its preparer

Session 3 & 4: Pulling it all together – case study
Case study (in syndicates): The case study will require participants to analyse a range of financial information relating to a business. A number of calculations will be required to reinforce learning from the course (e.g. ratios). Participants will produce a list of business and control risk issues for discussion. The issues will be discussed in a plenary debrief and their implication for an internal auditor discussed.

Course review and closure

Group Booking Discount**

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**Available for delegates from one organisation attending the same course

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