

# How to audit series – Accounts Payables and SFUL

October 2025



# Agenda

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- Comments from 2024 work papers.
- Challenges in audit documentation
- Audit risk and Assertions
- Assertions linked to risk and procedures
- Review PEG Form
- Review Standard Template
- Review a work paper from audit file

## Comments from 2024 workpapers:

1. Teams do not obtain party wise breakup of closing amount rather spend insane amount of time on making movement from LY file and GL. That hardly serve any purpose.
2. Look back on operating expenses etc, unrecorded liabilities and subsequent settlement are easier especially when most of our client are audited three months after the year end.
3. Understanding the “Purchase and Payable Process”.
4. Common fraud indicators include altered invoices, payments to disguised related parties, or preferential vendor treatment.
5. Trade payable and provisions (areas for improvement)
  - Testing completeness of provisions and accruals.
  - Search for unrecorded liabilities and Cut off errors.
  - Confirmations and subsequent testing.
  - Aging testing (IPE) not done.

## Let's Understand challenges in audit and its documentation (Build up slide)

1. Issue number 1: Inadequate time, Data extraction,
2. Issue number 2: UNDERSTANDING
3. Issue number 3:
4. Issue number 4:



# Audit risk and Assertions

## Understanding the Risk?

- Understatement of liabilities
- Duplicate payments or Unauthorized payments, and (FRAUD)
- Incorrect cutoff of expenses.

## What Could Go Wrong?

- Understating expenses or overstating profits, fraudulent payments.
- Questions on credibility of audit and financial statements

## How to assess inherent risk in trade payables?

- The nature of trade payables inherently carries high completeness risk
- Complexity and volume of transactions increase risk;
- Industry and business environment risks such as complexity of vendor arrangements or cutoff issues.
- Management's integrity and historical issues
- Assertions like completeness and cutoff are typically high risk, whereas existence risk is lower.

# Assertions linked to risk and procedures

Assertion	Audit Risk	Relevant Procedures
<b>Completeness</b>	Unrecorded liabilities understate expenses and liabilities	Cutoff tests, review post-year-end payments
<b>Existence</b>	Recording fictitious or duplicate payables	Confirmations, vouching to source documents
<b>Accuracy</b>	Errors in computation or exchange rates	Recalculation, analytical review
<b>Rights and Obligations</b>	Payables not owed by entity are recorded	Review contracts or vendor correspondence
<b>Presentation &amp; Disclosure</b>	Classification or disclosure errors	Verify current vs. non-current liabilities, related-party payables

Let's review PEG Forms?






# Accounts Payable and Accrued Liabilities: Where to find?

The screenshot displays the PKF Knowledge Hub interface. On the left, a 'Workspace' sidebar lists categories: PCS, AUDIT, Resources, Audit Templates, Planning, Risk Assessment, Execution (highlighted), Completion, and Model Financials. The main content area is titled 'Execution' and contains two sections: 'Account payables and accrued liabilities' and 'Account receivable'. Under the first section, there is a file '4. Trade creditors.xlsx' (XLSX) with a 'Download' button. A red checkmark is drawn next to this download button. Under the second section, there is a file '5. Trade Debts.xlsx' (XLSX) with a 'Download' button. The top navigation bar includes 'Knowledge', 'Home', 'Search', and user information for 'PKF Canada'.

**Let's review this Template**



## *Review a work paper from audit file*

- ▼  **Audit Plans and Procedures - Liabilities and Equity**
- ▼  **Accounts payable and accrued liabilities**
  -  CC.100      Accounts payable and accrued liabilities - Audit procedures
  -  CC.101      Accounts payable and accrued liabilities
- >  **PBC**

# Thank you

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