CHECKLIST

Accounts Payable Audit Checklist

Unrecorded liabilities. Expense fraud. Duplicate payments. Is your AP team facing all these issues?

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Introduction

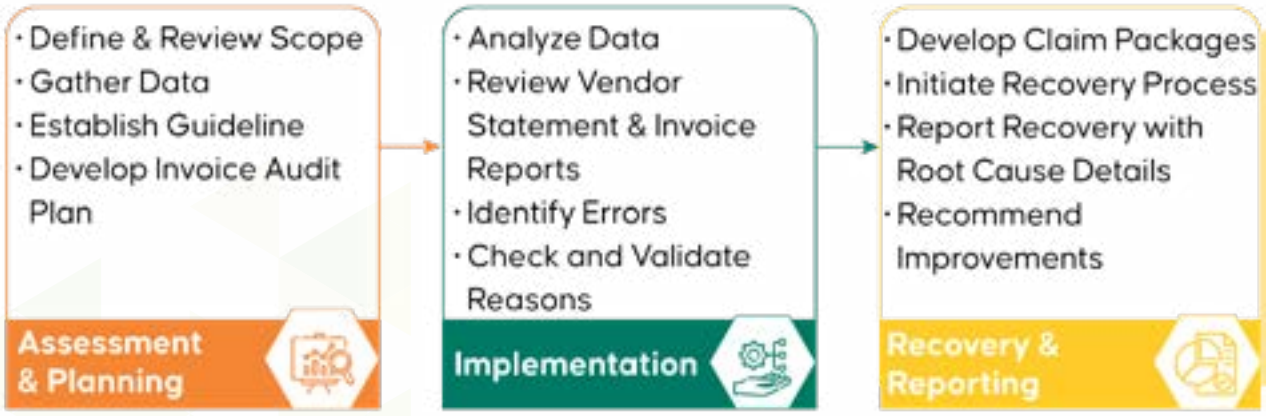
Discrepancies in accounts payable can drain away the hard-won cost savings of the company's sourcing and procurement teams and even eat into the working capital. This leakage can be substantial, adding up to millions on the bottom line. Invoice Auditing will help you eliminate this leakage.

Invoice Audit helps unlock more value by

- Identifying discrepancies in accounts payable
- Investigating and detecting root causes of accounts payable errors
- Recovering overpayments, credits, and rebates
- Improving contract compliance and processes
- Preventing future leakages and accounts payable fraud

Three-Stage Approach for Cost Recovery & Savings Tracking Process

An Accounts payable audit is an opportunity to ensure the company's recorded transactions, invoices, purchase orders (PO), and other documents and practices are in good order – regular internal audits will reveal this. The AP team and senior management create a plan for what they want the audit to achieve, ensure the standard operating procedures (SOPs) are in place and being followed (otherwise audit fieldwork risks being stopped), identify any potential fraud, and discuss areas for implementing improvements



Accounts Payable Audit Checklist

Here is a broad selection of documents that auditors will look for in an accounts payable audit that teams need to have prepared:

Sr. No	List of Documents	
1	An internal controls review related to accounts payable	
2	A comparison of budget-to-actual expense reports with detailed analysis and explanations of any deviations or variances	
3	Accounts payable and expenses risk assessment	
4	A detailed period-end accounts payable ledger	
5	Overview of accounts payable and expense audit procedures	
6	A report documenting any deficiencies in accounts payable and expense controls	
7	Documentation detailing unrecorded liabilities	
8	Documentation about any fraud investigation related to controls absence or weaknesses (such as lack of segregation of duties)	

Invoice Audit process expects that the invoices are accurately booked on time by the AP team in the purchase ledger and the accruals for goods received but not invoiced are adequate.

- Once received, verify that purchase invoices are booked onto the purchase ledger and investigate any delays.
- Determine if accrual is generated by the system at the point of goods received.
- Ensure there is regular communication between the purchasing and finance departments to ensure that the accrual for goods received not invoiced is regularly investigated and cleared down of old items.
- Validate that supplier statement reconciliations are completed. The reconciliation should be used as the basis for chasing down missing invoices on goods received. The reconciliation should also investigate differences in the goods received, not invoiced accounts.
- Confirm that suitable authorized backing documentation is maintained to support the creation of or changes to supplier master data.

What to look for in an Accounts Payable Audit?

The specifics of an Accounts Payable audit depends on several factors, including whether a company is a large or small business, industry, location, and depth of audit intent. Generally speaking, there are four areas that an AP audit will be looking for:



1. **Completeness**

- Auditing for completeness is the process of verifying accounts payable balances against general ledger balances – that they are "complete" based on total payable journal entries, purchase orders, and invoices.
- This is the most critical stage of the AP auditing process.

2. **Compliance**

- An AP audit will determine whether a company's accounts payable process adheres to the strictures of Generally Accepted Accounting Principles (GAAP) practices.
- Compliance demands that GAAP procedures are followed, which includes reviewing a company's audit trail at a transaction level to confirm the correct accounting methods are used.

3. **Validity**

- When auditors look for "validity," it means they are checking the legitimacy of AP transactions.
- This usually entails contacting third-party suppliers and vendors for specific transaction confirmations.

4. **Accuracy**

- Obviously, the accuracy of a company's financial records is critical, and an AP audit will look to confirm the accuracy of the accounts payable practices.
- Auditors will perform several procedures at this stage, including examining the Standard Operating Procedures and revalidating supplier invoices and payments.

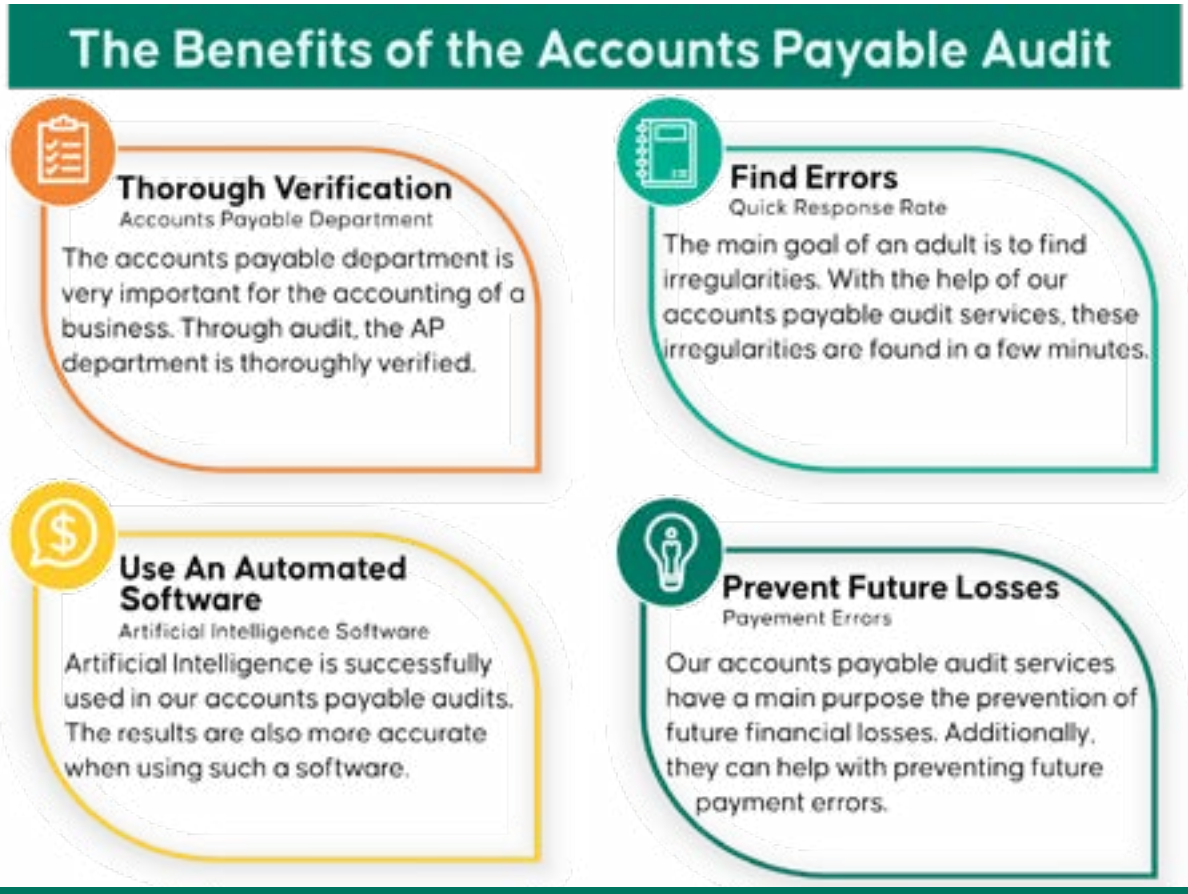
Automating Accounts Payable Auditing

Since accounts payable automation means leveraging AP software solution technology to optimize the flow of invoices and payments through your business, trading paper-based complexity for frictionless efficiency provides the type of process visibility and access that make AP auditing faster and more streamlined.

The digital advantage of automation across all stages, from purchase orders (PO) to invoicing, approvals, three-way matching, and payments, helps Accounts Payable teams ensure compliance through transparency, aiding Finance and bookkeeping in adhering to GAAP standards. This not only creates a more fluid AP process – and optimizes cash flow – it takes the angst out of AP audit preparation and reporting. Consider these benefits of automating accounts payable:

- Faster invoice processing and reduced invoice processing costs
- Enable AP departments to scale for growth without increasing headcount
- Improves supply chain visibility
- Frees up AP teams to focus on adding value

Ultimately, AP automation enables the kind of agility that empowers Accounts Payable to play a much more strategic role in enterprise success.



Are You Ready To Revolutionize AP?

Are you aware that your Accounts Payable team is wasting 24% of their workday on manual invoice processing?

Do you wish to make your AP teams strategic?

Schedule a Live Demo with Aavenir to know how to capture invoices efficiently, build smart invoice workflows, and automate 2-way/3-way validation.

If you're ready to experience the many benefits of invoice automation, give us a call at +1 408-554-2656 to learn how you can get started today.



About Aavenir

Aavenir revolutionizes age-old procurement processes with AI-enabled Source-to-Pay solutions, including RFPflow, Onboardingflow, Contractflow, Obligationflow, and Invoiceflow. Built on ServiceNow, Aavenir solutions streamline procurement, legal, and accounts payable work processes using the latest technologies such as AI, ML, and NLP to

Explore Aavenir Source-to-Pay Solutions on ServiceNow



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