Goldblatt's use of IDEA to improve efficiency and compliance

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About Goldblatts

- Small Firm

- 4 Offices

- 50 Employees

- Audit team made up of around 7-8 of the staff primarily

About Myself

- Began my accountancy career in 2007.

- Have been at Goldblatts since 2013

- Responsibilities primarily include Audit and Accounts work.

How we started using IDEA

- In 2018 a Client wanted significant additional testing in certain areas.

- Only way to achieve this would have been more staff or more time. Neither were particularly viable options.

- Decided to look into the use of software to assist.

How could we utilise IDEA going forward?

Having invested in IDEA, we needed to consider how we could utilise it following the initial project to make it worthwhile

For us as a firm there were two key areas for us to consider.

1) Efficiency – Can we use IDEA to get the same work done quicker.

2) Compliance – Can we use IDEA to improve the quality of our audit work, by testing in ways which were not previously feasible?

Sampling

Sampling was probably the first area we identified as a potential benefit.

We had been using a monetary value sampling method to give us a documented methodology rather than picking items at random.

This however was relatively time intensive, and did not work effectively with some of the clients systems.

Sampling Continued

From the start we have been utilising the Stratified Random Sampling in IDEA. This has been beneficial in a number of ways.

1) We now have a standardised approach across different systems and clients.

2) Easier to identify Anomalous transactions.

3) Removes the any bias in selecting a random sample.

4) Time savings over the monetary value method.

Sampling Continued

The other issue was that the sampling process on some of the clients systems before using IDEA were more time consuming or problematic than others.

At least two clients use systems that record the transactions in batches on the relevant ledgers in the GUI or reports from the system.

This caused a number of issues.

1) Our sampling method only identified a batch and we then had to select the invoice from that batch.

2) For one system it required manually clicking on each batch to identify if there were any relevant transactions to test (This was time consuming and generally resulted in the first items found being tested).

Completeness of Income

- Have quite a few clients in the construction industry, these have been relatively straightforward to test by comparing the work certified at the beginning and end of the year and comparing to the sales for that contract on the system.

- Another client operates a quarry and has 2 separate computerised systems for different product lines, along with a manual invoicing system for the bespoke masonry.

- Circa 10,000 transactions on one system a month and 1,500 on the other.

- Used IDEA to match the sales data between the two standalone systems and the accounting package.

- Investigated any discrepancies identified.

Completeness of Income Continued

In addition the use of the GAP detection function where appropriate has enabled us to identify other areas to investigate any potential missed income.

This may be based on either Sales Invoice Numbering, Order Numbering, or in one clients case contract numbering where each contract is a separate customer account.

Stock Testing

Another area where we have utilised IDEA is in relation to the stock testing for the same client with a quarry.

An issue has always been how do we test whether a pile of aggregate is reasonably around say 300t.

We obtained the after date sales data and using IDEA were able to quickly summarise it by quantity and by product type. We could then compare the values in both directions to assess how reasonable the stock quantity is.

Reconciliations

Another area where we have utilised IDEA is to either carry out or check reconciliations.

An example of this could be either a VAT Turnover Reconciliation or a reconciliation of the payroll costs.

As an example, using IDEA we were able to extract the Payroll Journals using an ISINI on the Detail field for the wording "Payroll Journal" and then summarise the journals by nominal code to identify the differences between the figure on the payroll reports and the Wages headings.

Benefits of IDEA during Covid-19

Not all of our clients have dedicated IT departments, to arrange for us to have remote access to their systems, and without being able to attend the clients premises.

Thankfully we were still able to receive the data files.

This enabled us to utilise the data to extract either certain transactions or nominal ledgers which we would normally use the clients software for.

This also cut down on some of the back and forth that we experienced while auditing remotely when requesting information from the client