How Data Analytics Works

Fact Sheet, July 2019

One of the most efficient ways to identify data that may lead to an error, including accidental loss or misappropriation of funds, is to apply some _Data Analytics_ testing.

In simple terms, Data Analytics is the process of analysing a set of data and drawing a conclusion on that data. The purpose of the analysis may be very broad or varied, but it is commonly in order to identify anomalies. For example, analysis criteria may be established to detect duplicate supplier payments, invalid ABN's, inconsistent or incorrect employee payments.

At Accru we use specialist data analytics software to assist us when testing risk areas that we have identified during external audit testing of clients' financial records. For a number of years we have tailored data analytics models to analyse payroll and supplier information in particular for many of our clients.

The results of this analysis are presented to Boards of Governance and Management for review and corrective action if necessary. We have also incorporated data analytics into our financial statement audit process in order to provide additional value to our clients as well as demonstrating the potential of this tool.

Some examples of anomalies we have found during testing of data include:

+ duplicate processing and payment of invoices;
+ supplier master files that require corrective action;
+ invalid or duplicate supplier ABNs;
+ incorrect bank details;
+ existence of past employees in supplier master files;
+ inactive suppliers in the master file;
+ payments to unapproved suppliers

Any of these findings may indicate a breakdown in internal policies or procedures and can increase the risk of misappropriation.

The use of data analytics has other applications including testing the integrity of changes in systems or processes such as the transfer of payroll data from one system to another. Further examples include analysing credit card expenditure, stock control and GST just to name a few. The extent of its use is not limited to financial information and can be applied to any data which is difficult to summarise and analyse manually.

If you would like further information about how data analytics can help your organisation then please contact your Accru specialist.