

Spreadsheet Auditing



Kingston Smith Consulting has experts who are acknowledged in the field of spreadsheet auditing. We use a tool that was originally developed by HMRC for auditing the spreadsheets used by companies to calculate their tax returns. Since then it has been developed and now rates as the best spreadsheet review tool available according to a head-to-head test conducted by Salford University.

It uncovers hidden data, reports how many worksheets are present and reports how many links to other files are used. It then gives further details for each worksheet: how many formulae are found, how many numbers they manipulate, how many labels are found and how many links to other worksheets exist. As well as general reporting, it then examines every cell of every worksheet and highlights a whole host of potential errors (or fraud) and areas of high risk. These latter include cells which:

- Contain formulae that look up named ranges, eg, standing data
- Contain numeric constants rather than references to standing data: eg =net*17.5% instead of net * a named variable or range "VAT rate"
- Contain absolute references (which will not automatically respond to changes to the sheet)

- Reference a block of cells: eg =SUM(A1:B7) may indicate errors in input of the formula
- Have no precedents (eg addition of numbers within a cell, which invariably gives rise to audit trail problems)
- Depend on numbers formatted as text (which may cause errors or unpredictable results) or blank cells (which may reveal errors in construction or in data input)
- Have no dependant cells (if not the end result, may be an error)
- Contain formulae which address hidden cells, rows or columns
- Address cells which fail or return an error message
- Address linked sheets and workbooks
- Contain formulae that have an inherently high risk of user error, eg =NPV
- May be inappropriate in the environment where the spreadsheet is used

Our review provides warnings about failed formulae, formulae returning error messages and unlocked formulae, all of which may have an actual or potential impact on the expected results. We identify user-defined

functions, as well as original and unique formulae.

Reporting includes:

- The recalculation settings of each file (manual or automatic?)
- The use of macros and user-defined functions
- Hidden rows, columns or worksheets in the file
- The use of protection against unauthorised changes
- The use of consolidation
- The use of range names in formulae, and of named variables
- The use of techniques that are inappropriate to financial accounting (as opposed to business planning), such as scenarios, goal seeking, solver, pivot tables, report or view manager and equivalent features

Finally the auditor reviews the results, and makes checks for illogical breaks in the pattern of numbers and copied formulae in each worksheet highlighted by the tool.

Our final report comprises a comprehensive review of the target spreadsheet, with main risk areas and potential errors highlighted and translated into readily understood language.

About Kingston Smith Consulting LLP

Kingston Smith Consulting is the specialist consulting practice associated with the top 20 accountancy firm Kingston Smith LLP.

Kingston Smith was originally formed in 1923 and the firm has grown to its current position through organic growth and mergers. Kingston Smith is a member of KS International which is an association of independent accounting firms in over 50 countries around the world.

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