

Incanto – Spreadsheet Risk Management

Spreadsheets: The Risks

For over a quarter of a century, spreadsheets have been of increasing importance to the way businesses work. Although they are often perceived as an ad hoc solution and are frequently developed by business users who are self taught, an error can have a serious impact on the bottom line.

Errors in cell based calculations can ripple through a complex spreadsheet and lead a company to overprice a bid and lose a contract, or an undetected fraud can land a business in the news headlines.

Real Issues

Several high risks posed by spreadsheet use have been identified. These include: data accuracy, data integrity, and data access. Operationally, the need for change and version control and documentation also pose serious problems.

The Problem

“The real problem, of course, is that business managers don’t know that there is a problem (actually, lots of problems) with spreadsheets, while IT regards spreadsheets as falling outside its jurisdiction. So spreadsheet management falls down a hole in the middle.” (1)

Take Heed

A much quoted study of real world spreadsheet errors, by Raymond Panko found serious errors in 94 %. (2). A minority of the errors were identified as potentially fraudulent, but most were simply mistakes – in 91 per cent of cases resulting in errors of at least five percent in a bottom line value.

An example spreadsheet audit result (3)

Problem Area	Occurrences
Data Integrity	35
Data accuracy	25
Audit Failure	21
Incorrect formulae	18
Incorrect macro records	13
Version Control	12
Integration failure	10
Consolidation failure	7
Duplication	5
Loss through crash	3
Optimal Running	2

Qualia Systems specializes in providing tools for intelligent decisioning and rules processing. Our spreadsheet risk management solution is web enabled and integrated as a managed business process.

The Qualia Solution

Spreadsheets are used directly by a Qualia engine and can be made available across the internet or an intranet to authorised users. Appropriate security can be introduced, data validated and transformed, and decisions automated. Spreadsheets can be accessed through a browser display, or incorporated in a workflow process or provide results straight into legacy systems. The ease of use of the Qualia solution makes it swift to deploy. A spreadsheet of medium complexity can be ready to deploy across the web in the course of a single day.

Controlling Access

- Web enabled, password controlled based on user ID and roles
- Controlled view of spreadsheet protects sensitive data and formulae

Containing Error

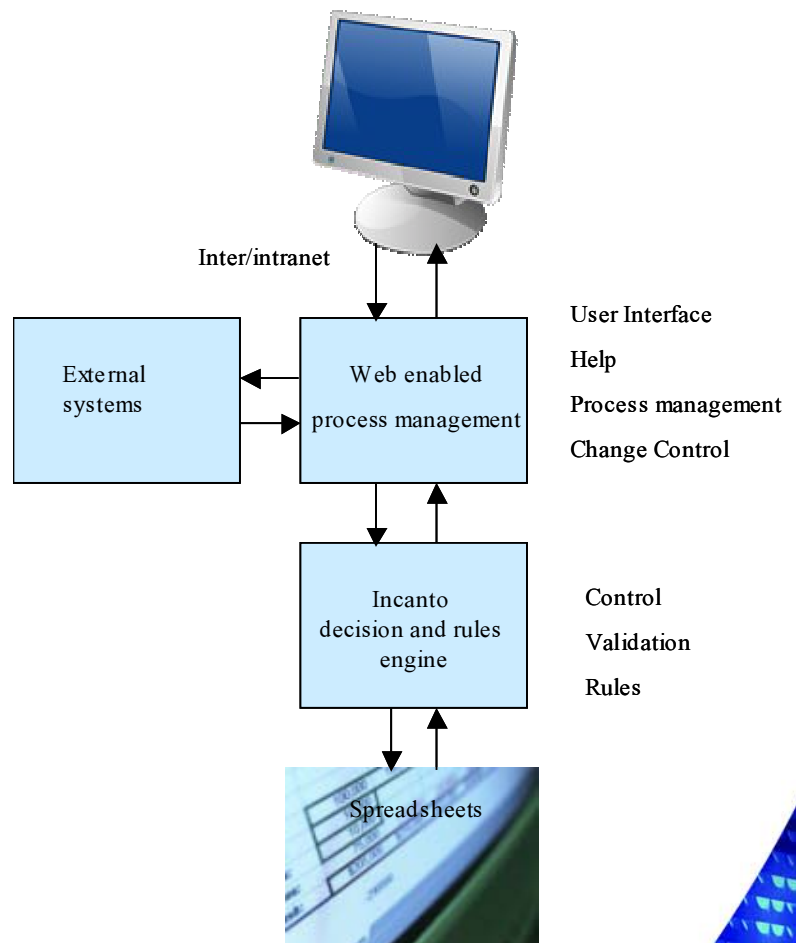
- Rule engine can apply low level validation, sanity checks and high level logic
- Test data generation for functional, coverage and regression testing

Compliance

- Guaranteed controlled access
- Every transaction can be audit stamped

Managing Change

- Easy change control and sign off management
- From incremental change to re-engineering



Act Now

With increasing regulation and the need for compliance it is no longer possible to ignore the unacceptable risks posed by loosely controlled and largely untested spreadsheets. The impact of spreadsheet error can be significant financially, and can also seriously damage the credibility of a financial institution.

References

1. The Importance and Criticality of Spreadsheets in the City of London, Genville Croll, ESRI Group, <http://www.eusprig.org/tiacositcol4.pdf>
2. What We Know About Spreadsheet Errors, Raymond R. Panko University of Hawaii, <http://panko.cba.hawaii.edu/ssr/whatknow.htm>
3. For an excellent survey of real life spreadsheet errors, and their implications see Raymond Panko's website <http://panko.cba.hawaii.edu/SSR/index.htm>

Qualia Systems is a specialist technology development business, delivering targeted high value decisioning and business rules solutions to the global technology marketplace.

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