

THE TROUBLE WITH SPREADSHEETS



Spreadsheets are an essential tool within any company, so citing them as inefficient seems like blasphemy. But they cause many problems – including inaccuracy, fraud and misinterpretation. So are they a necessary evil or is there a better way of interpreting data?

Grenville Croll shares his thoughts on this issue.

What are the major problems that result from using spreadsheets?

Errors. The majority of Spreadsheets used in financial reporting are untested and therefore subject to very high error rates. Studies show that 90% of spreadsheets randomly sampled by organisations are materially incorrect.

Fraud is also a big one. Spreadsheets have no mechanisms to prevent or detect fraud. Due to the mixing of code and data, spreadsheets are an ideal environment for undetected fraud.

Overconfidence is another issue. Spreadsheet users are overconfident of their ability to create error-free spreadsheets. Due to the fact that they spend very little time, if any, looking for mistakes and because discovering mistakes is hard work, they wrongfully assume there aren't any.

How do auditors react to serious spreadsheet abuse?

Because it's so common, the practical realities of signing off a set of accounts means that auditors have to turn a blind eye to the existence of material weaknesses in spreadsheet-dependant processes. In reality, Sarbanes-Oxley is ineffective because of the widespread use of uncontrolled spreadsheets in critical situations.

What reporting challenges does a company have when it has thousands of spreadsheets from which it pulls reporting information?

If spreadsheets are used for read-only pulling of information from regular pre-formatted reports, then the risks are lower. If it then uses those spreadsheets to manipulate reported data and then

feed the resultant information back into another IT system, then there are serious challenges to data integrity.

How can a company move away from a spreadsheet-based approach to a collaborative and adaptive approach?

Companies have tried and failed to replace spreadsheets. There is a general recognition that spreadsheets have unique advantages in terms of reduced application development time. They can be used to plug gaps in financial processes quickly and can bridge systems in a flexible and adaptable way.

What solutions are available in the

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market today to manage spreadsheets?

There are a number of spreadsheet control solutions on the market, of which Trintech's XLNET is one. It manages the discovery, risk assessment, remediation and control.

Will these solutions ensure compliance across multiple regulatory mandates?

Yes, Trintech has numerous clients that can demonstrate that critical business spreadsheets are under active control. Many of the control solutions, including the Prodiance technology that underpins XLNET have a background in the Pharmaceutical industry. The regulatory standards for drug development over the last 25 years have been very strict. Any information used in drug

development (including information held on spreadsheets) has had to be strictly controlled by FDA mandates for many years. The technologies that have emerged to support this are now being applied in the financial reporting area.

What can companies that are budget-challenged with few IT resources do?

Any company that uses spreadsheets should go through a discovery process – even a manual process will do – to discover where spreadsheets are being used and in what processes (financial or otherwise). With this basic information they can do some investigation to identify

the spreadsheets that need the greatest degree of supervision and or remediation. [FDE](#)

Grenville Croll

Grenville is the UK's leading specialist in spreadsheets, spreadsheet applications and research. He has extensive experience in business management and has consulted in the areas of risk management, financial modelling, financial forecasting and process optimisation. He is also the chairman of EuSpRIG, the spreadsheet research organisation.

Further information

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