



Addressing Spreadsheet Risk in Financial Institutions

If you don't have control of your spreadsheets, you can't trust the data that drives your business.

Successful banking and financial institutions are built on a foundation of accurate data, much of which is embedded in complex and highly-specialized spreadsheets. Confidence in the results generated from intricate models is key to making shrewd business decisions, like determining the value of a potential acquisition or investment, budgeting and forecasting, analyzing profitability and determining risk. The decisions made, however, are only as good as the information that fuels them. And, according to a Forrester Opportunity Snapshot, a custom study commissioned by Incisive Software on spreadsheet risk, this data is not always accurate.

The Forrester study exposes a very high level of concern with the inherent risk associated with spreadsheets. Findings reveal spreadsheet risk carries real implications for organizations as well as customers and shareholders. And, while most frontline workers recognize the risks, they ignore them since risk mitigation isn't in their wheelhouse. Meanwhile, C-level executives make decisions based on data assumed to be accurate—but that can contain errors.

Spreadsheet risk is real. Financial institutions that prioritize mitigating this risk are better positioned to protect customers, revenue and reputation.

Inside the numbers: spreadsheet use is prolific, but the risk is not being addressed

- Eighty-eight percent of respondents use more than 100 complex and customized spreadsheets to support their critical business processes. Fifty-nine percent use more than 1,000 spreadsheets.
- Over a third of survey participants reported that spreadsheet risk is not a priority at their organizations.
- Nearly a third of respondents noted that while they recognize the risk in spreadsheets, management does not.
- Fewer than 20 percent of survey respondents feel empowered or ready to tackle spreadsheet risk despite a high level of concern.



Understanding spreadsheet risk: why you should care

Spreadsheets are a critical business tool used for analyzing and providing evidentiary support for key business decisions. Spreadsheets are powering key aspects of the customer experience journey, from procurement to product planning. The study revealed nearly 40% of organizations solely rely on spreadsheets for procurement spend analysis; nearly a third rely on spreadsheets for product planning. This further underlines the pervasive impact of spreadsheets within an organization; organizations regularly make both top- and bottom-line decisions under the assumption that data found within spreadsheets is not only accurate, but also complete.

For complex calculations where data is continuously changing, Excel is the go-to tool to get the job done. There is no waiting for IT to make changes to systems, no workarounds necessary and no compromises.

Despite being flexible and convenient, spreadsheet-enabled processes are manually-driven and, therefore, prone to errors and inconsistencies both accidental and intentional. For example, hidden within every spreadsheet is inherent risk—that formulas are not repopulating correctly, that coworkers use different versions of a saved spreadsheet, and that information is hidden behind formatting.

As the Forrester study confirms, the challenges of working within spreadsheets are well known. While professionals recognize the inherent risk in spreadsheet data, many either do not know where to begin with addressing this risk or see themselves as not in charge of solving that problem. As a result, they turn a blind eye, despite a high level of concern. Meanwhile, boards and C-level executives utilize this data for critical financial, revenue and risk-related business decisions under the assumption that it is accurate. In doing so they put customers, revenue, shareholders, and their brand at risk.

Providing transparency in today's complex regulatory environment

Regulations such as the Sarbanes-Oxley Act (SOX), Basel III, Dodd-Frank Stress Tests (DFAST), Comprehensive Capital Analysis and Review (CCAR) etc., have forced banks to address spreadsheet risk. Yet too often the controls put in place by risk management teams are limited to design review and a loose set of input/output, access and retention controls. They also lack the ability to perform independent reviews that challenge spreadsheet data beyond manual validation processes. While Excel has a feature to assist with validation, it's difficult to use and its capabilities are limited. This means users must manually go through each cell to see why formulas are not calculating correctly or working as expected, which is unrealistic when you consider a single Excel worksheet can have one million rows and more than 16,000 columns.

With heightened scrutiny on the banking industry, this "just enough" approach to spreadsheet risk will no longer cut it. Banning the use of Excel is not the answer. After all, there is a reason this powerful tool has stood the test of time. However, spreadsheets alone are not perfect. By themselves, they provide little-to-no protection against data corruption, no way



to validate numbers or error checking, nor do they offer the transparency financial institutions require in today's complex regulatory environment.

Fortunately, with advances in technology, organizations overcome many of these spreadsheet issues. Automated risk and analysis solutions like those offered by Incisive take a modern approach to spreadsheet management. These spreadsheet management solutions are efficient and provide spreadsheet users at every level the much-needed insight into potential risk and inconsistencies that may be hiding in spreadsheets.

Taking a modern, automated approach to mitigating spreadsheet risk

Putting a plan in place, along with technology to support this plan, is essential to mitigating spreadsheet risk. This requires the identification of spreadsheets that are most critical to the institution (i.e., those used for external reporting and high-level business decisions). Spreadsheet management technology greatly accelerates this process by finding all feeder spreadsheets, regardless of where they reside on a network, and risk-ranks them. These high-risk spreadsheets should be given a heavier focus and reviewed more frequently than lower risk profiles.

Spreadsheet management solutions provide the necessary visibility into who is working on files, how many people are working on them, when something changes, what changed, and who made those changes. Monitoring and tracking this (workflow) information over a period of time provides valuable insight into whether policies are being met. At the same time, it's significantly easier to identify potential risk. Documenting this information enables financial institutions to demonstrate that they are following policies and procedures, and that they have the right checks and balances in place.

Automation capabilities that test for accuracy and consistency in both formulas and calculations reduce time-consuming, error-prone manual processes. Interactive capabilities allow an easy way to drill down into cells to see why formulas are not calculating correctly or working as expected. Spreadsheet management technology also identifies a lack of audit controls, access authority and other critical oversight mechanisms so changes can be made to repair those gaps. The result is consistent risk management oversight across all spreadsheets.

Maintaining the integrity of spreadsheet data is an arduous task. Visibility and transparency into spreadsheets aren't simply nice to have, they are a necessity. Implementing controls to manage risk associated with business-critical spreadsheets will help keep banks and other financial institutions from becoming the subject of embarrassing or devastating headlines. ■

LEARN MORE: Read the Forrester Snapshot study

Think Spreadsheet Risk Isn't a Threat? Think Again.

Forrester Opportunity Snapshot
A Custom Study Commissioned by Incisive Software

Spreadsheets power many critical financial, revenue, and risk related activities. While many organizations recognize that spreadsheets carry risk, most don't know where to begin to mitigate risk.

In this Forrester Opportunity Snapshot research report, you'll learn:

- Top challenges organizations face in identifying and managing spreadsheet risk
- How spreadsheet risk carries real implications for not only employees but customers and shareholders
- Strategies to start mitigating spreadsheet risk
- How modern, automated spreadsheet management solutions provide organizations with a deeper trust in their data and reduced risk exposure



ABOUT INCISIVE

Based in San Jose, California, Incisive provides award-winning and innovative spreadsheet risk analysis and management solutions. Our enterprise offerings provide visibility and control to all business areas that use or interact with spreadsheets. Incisive products have been recognized for accurately and reliably highlighting risks to give users confidence in their spreadsheet information. For more information about Incisive and the company's solutions, visit www.incisive.com.

Incisive Software Corporation

300 Santana Row, Suite 200
San Jose, CA 95128
408.660.3090
info@incisive.com

