

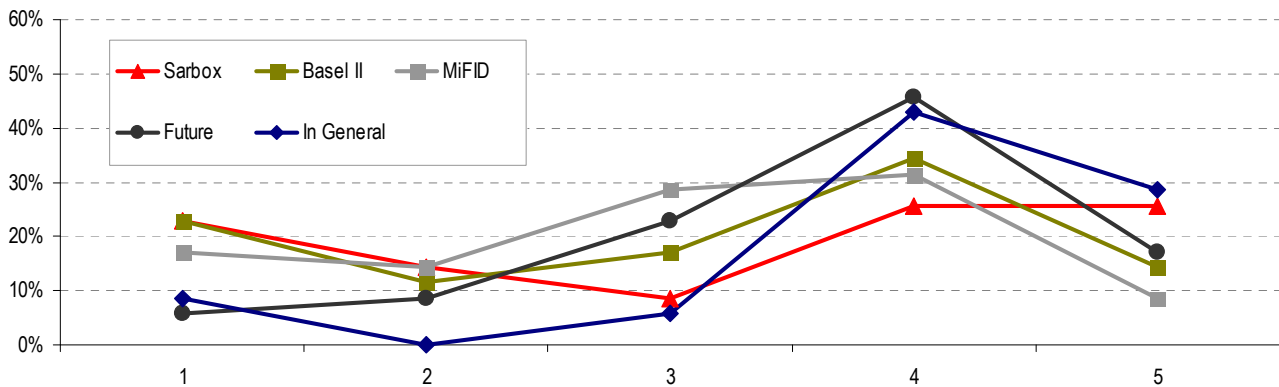
## THE JAMES GILL SURVEYS ON SPREADSHEET RISK

Apart from spreadsheet audits by the major accounting firms and HMRC, surprisingly little is known about how Excel is used in practice. Even less is known about how different industries are dealing with spreadsheet risk. Since Q2 '06, therefore, we have been conducting anonymised surveys which we publish as the JAMES GILL Surveys on Spreadsheet Risk. This is the second in our series and is based on an anonymised questionnaire given to senior executives in the financial services industry in Q4 '06.

## VIEW OF SPREADSHEET RISK

We asked how concerned people were about spreadsheet risk, particularly compared with the various pieces of regulation which are relevant to spreadsheet risk.

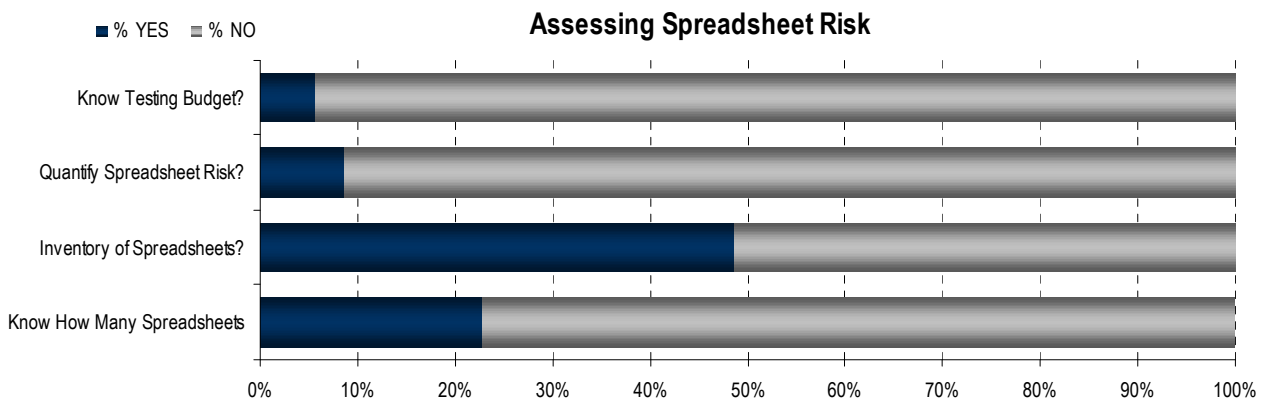
**Levels of Concern About Spreadsheet Risk**



What surprised us was that people seemed to be more concerned about spreadsheet risk in general than specific legislation which impacts upon spreadsheets. People also displayed significant levels of concern over possible future legislation.

## RISK ASSESSMENT

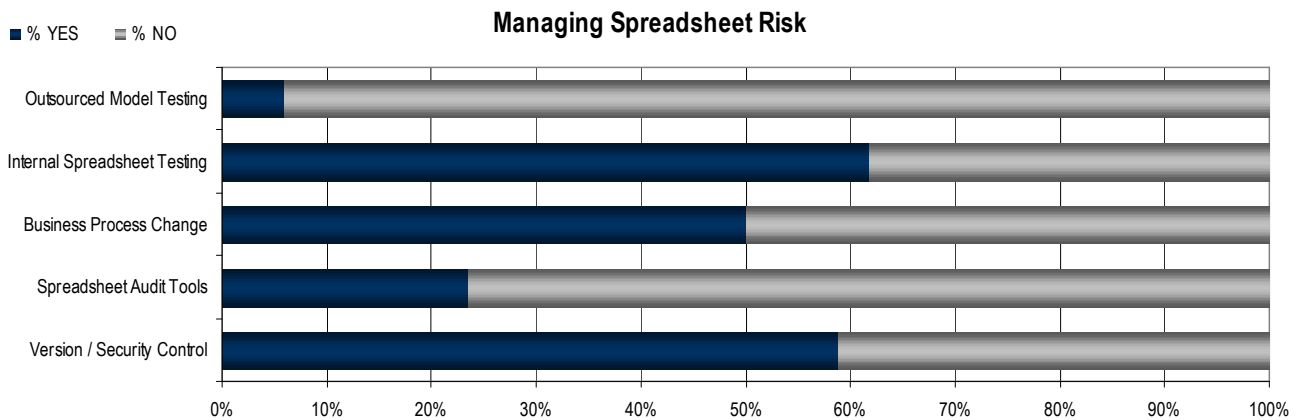
We then wanted to get an idea of how sophisticated organisations were at assessing and quantifying their spreadsheet risk. We asked them whether they knew their organisation's budget for spreadsheet testing, whether their organisation was able to quantify spreadsheet risk, whether they had an inventory of spreadsheets or if they knew how many spreadsheets they had.



Almost half the organisations taking part in the survey had an inventory of spreadsheets, which is relatively easy to produce, but very few had any means of quantifying their spreadsheet risk. This is probably because it is much harder to quantify spreadsheet risk than produce an inventory. IT directors tell us, however, that even though it is relatively simple for their staff to produce inventories, they would prefer to outsource both rather than having their staff reinvent the wheel and being distracted from core business activities.

## MANAGING SPREADSHEET RISK

There are many ways of managing spreadsheet risk. We were interested to find out what methods organisations are already using.



Given the large proportion of organisations with some form of internal testing capability, we were surprised that so few used spreadsheet audit tools. None of the commercial spreadsheet testing businesses operate without some form of testing tools. Many have even invested in developing their own proprietary tools. We were also surprised at the rarity of outsourced model testing. While this is not always appropriate and is rarely the cheapest option for all but the largest organisations, it is often cost-effective to use this form of testing for at least a few key spreadsheets.

## TRAINING

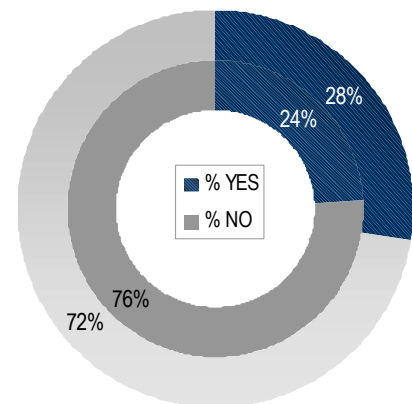
As expected, the executives taking part in our survey were not very confident in their employees' spreadsheeting ability. What was unexpected, however, was their approach to doing something about it.

Roughly 25% of those taking part in the survey claimed to use training as part of their spreadsheet risk management programme. Just a few more (28%) said that they intended to purchase training for their company sometime during the next twelve months.

Surprisingly, however, there was almost no correlation between the two groups. Those who were using training to manage spreadsheet risk were not the same people who were intending to purchase training.

This may indicate that the market has realised that most off-the-shelf Excel training is irrelevant to spreadsheet risk and can even make the problem worse.

### Use of Training as Part of a SRM Programme



## CONCLUSIONS

There are three points that we think are worth noting from this survey:-

- Organisations seem to be more concerned about spreadsheet risk in general than the details of any single piece of legislation. This is probably a very sensible attitude as a holistic approach to spreadsheet risk is likely to be cheaper and more effective long-term.
- About 50% of organisations are able to inventory their spreadsheets but very few are able to quantify their risk.
- Over 60% of organisations claim to conduct internal testing of spreadsheets but less than 25% are using tools to help them. This indicates that testing is likely to be both less effective and more expensive than it could be.

You can download other surveys in this series at <http://srm.jamesgillgroup.com/downloads.asp>. Further information about spreadsheet risk and how we can help you manage it is available at <http://srm.jamesgillgroup.com>