

Spreadsheet Risk and Accounting Professionals

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. Since Q2 '06, therefore, we have been conducting a series of anonymised surveys. This is the fourth in our series and was conducted at a talk we gave for the ACCA. The audience consisted of accounting professionals in SMEs and mid-tier accounting firms.

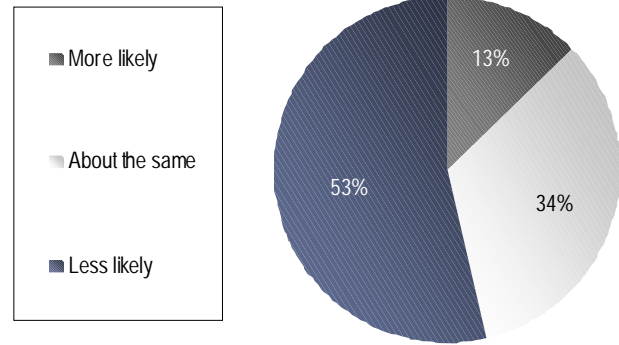
ACCOUNTANTS ARE ONLY HUMAN

Experience shows that all human beings, accountants included, make errors at roughly the same rate when building spreadsheets. Domain expertise does not help.

Unfortunately, lack of awareness of spreadsheet risk means most people are overconfident and underestimate the level of errors in their spreadsheets.

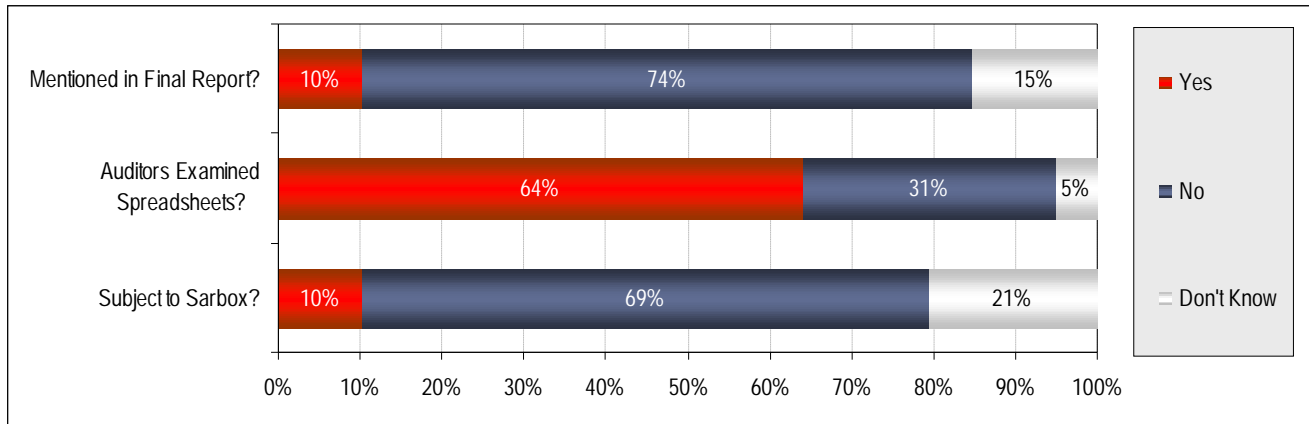
We asked participants in our survey if they thought accountants were more or less likely to make spreadsheet errors than other business people. Alas it seems accountants are only human after all and just as overconfident as anybody else.

Are Accountants More or Less Likely to Make Spreadsheet Errors?



SPREADSHEETS AND THE AUDIT PROCESS

Our audience was drawn from SMEs and mid-tier accounting firms and few had much experience of auditing firms subject to the Sarbanes-Oxley act. In other words, they were not forced to examine spreadsheets as part of the audit process.

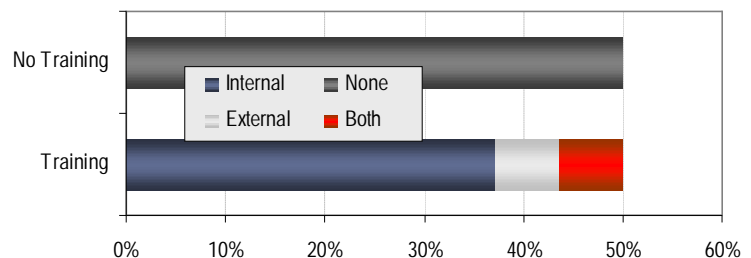


Despite this, in the majority of cases the auditors did examine any spreadsheets used to compile the company's annual report and accounts, even though spreadsheets were rarely mentioned explicitly in the final audit report. Small wonder that accountants were recently praised by the FSA for helping bring about improvements in spreadsheet compliance.

TRAINING

Perhaps unsurprisingly, 50% of the participants in our survey said that their firms provided spreadsheet training. Most of this is provided internally with only a small proportion of firms outsourcing their training.

What might be surprising, however, is that the provision of training was very poorly correlated with the degree of comfort with spreadsheet skills in a particular company.



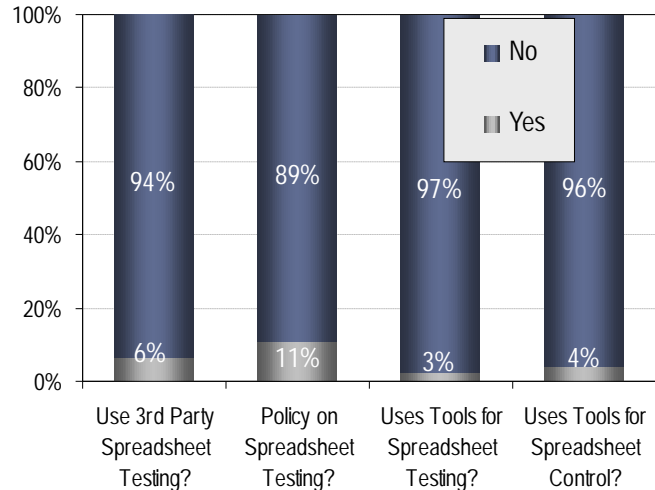
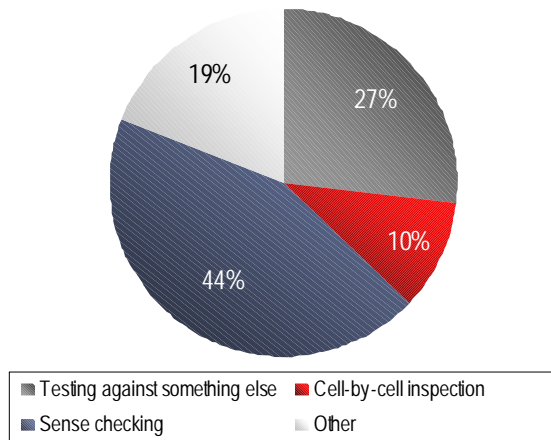
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TOOLS AND TESTING METHODOLOGIES

They may be effective in encouraging others to improve their management of spreadsheet risk but accountants themselves are a long way from best practice when it comes to spreadsheet testing.

Most worryingly, almost half depend on sense-checking – do the numbers look right – as their primary means of testing spreadsheets. Sense-checking is known to be a very ineffective way of finding spreadsheet errors.

Primary Spreadsheet Testing Method

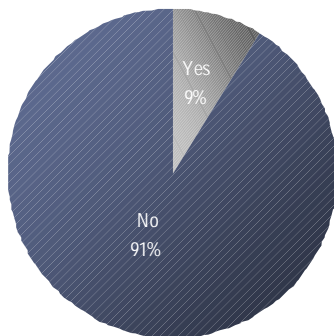


Moreover, although a significant number had used external firms to test their spreadsheets, few had policies and procedures covering spreadsheet testing. Almost none used tools for spreadsheet testing or control. Although spreadsheet control tools can be expensive for small organisations, the lack of utilisation of spreadsheet testing tools seems to be due to a lack of awareness.

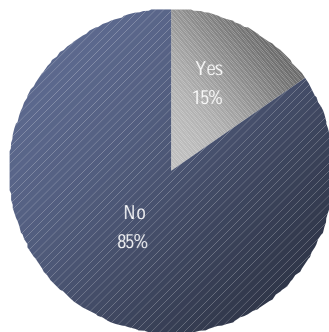
AWARENESS OF SPREADSHEET RISK

Although the participants in this survey were from relatively small companies, their awareness of spreadsheet risk was remarkably similar to that found in large blue-chip organisations in the second of our surveys - <http://srm.jamesgillgroup.com/downloads/survey2.pdf>.

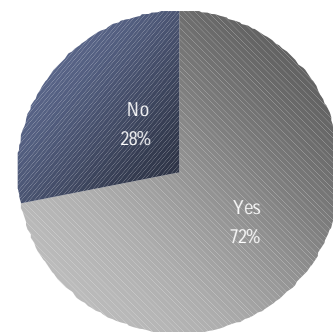
Do you know how many spreadsheets you have in your organisation?



Do you have an inventory of key spreadsheets?



Do you know where in your reporting line the majority of spreadsheets are?



Just like their blue-chip colleagues, they don't know how many spreadsheets they have and can't tell you which are the most important. They do, however, know who to point the finger at when it all goes wrong! Worryingly, unlike bigger companies or those in the financial services sector, levels of concern about spreadsheet risk in these companies were relatively low.

CONCLUSIONS

The primary conclusion to be drawn from this survey is that accountants are no different to any other business users in terms of their susceptibility to and awareness of spreadsheet risk. Other surveys in this series are 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>.