

Driving the Finance Function with Excel

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Have you, or someone you know, experienced financial or reputational damage due to spreadsheet errors and/or poor controls?

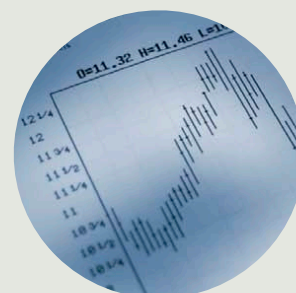
YOU ARE NOT ALONE!

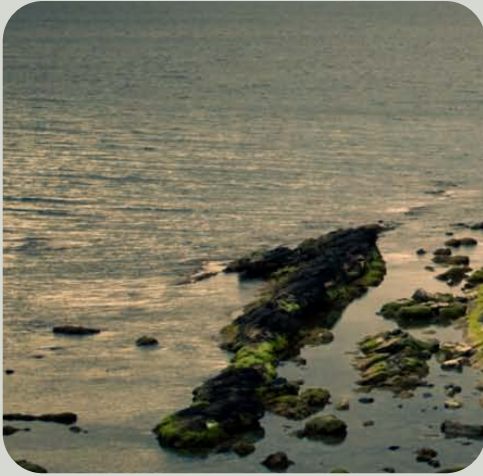
Many companies do not have any policies or processes in place to govern the development and use of spreadsheets. Is that a problem? It would certainly seem to be so, based on some of the examples quoted by the European Spreadsheet Risk Interests Group (www.eusprig.org) which have included:

- A business experiencing a **15%** fall in share values after data was incorrectly transferred from an accounting system to a spreadsheet used to produce the trading statement.
- A major European bank being fined **£5.6m** on the basis that their revenue booking structure being reliant upon complex and excessively large spreadsheets with multiple entries.
- A missing minus sign causing a financial services business to overstate earnings by **\$2.6b** and miss a promised dividend.
- A cut and paste error resulting in an additional cost of **\$24m** when a business tendered (and underbid) for an electricity supply contract.

Such situations are not unique. In addition, best practice dictates that any integrated management information system relying upon a combination of standard packaged accounting software and a spreadsheet tool, demands constant vigilance and care to deliver accurate financial information and tailored business intelligence.

Based on our extensive experience amassed over the three decades or so that computer based spreadsheets have existed (the original VisiCalc was first released for the Apple II in 1979 and even Microsoft Excel has now been properly with us in effect for some 19 years!) herein are some pointers as to how to get the best results by making your finance system and your spreadsheets work more efficiently and more securely together.





1. Don't do everything in Excel

Often it seems easier to overcome shortcomings of many accounting systems by clicking on the familiar Microsoft Excel icon, exporting data and hand-cranking the analysis required. This is very often not in the best interests of the business. Spreadsheets are by their very nature highly personal and expecting an enterprise to rely and trust on their content, accuracy can often be a not inconsequential leap of faith. There is often no context, no narrative, no error checking, no validation, and no stress-testing of the numbers contained herein. There are often no double entry test cases applied and quite often they are simply wrong.

Furthermore spreadsheets are often distributed in somewhat of an ad-hoc fashion lacking adequate security (for edit and reviewers), version control and data redundancy. When can you tell a spreadsheet's contents have expired or are no longer relevant?

Of course the answer to this and other complaints is less than clear. Although spreadsheets serve a valuable purpose in most finance departments, accuracy and efficacy of their contents is never 100% assured whatever the size of company. It is therefore not only good practice but also an imperative that their contents are read in context of the core data processed and stored within a business's core ledger system.

2. Complement your business accounting software

Whilst contemporary accounting solutions offer a broad range of capability and sophistication, moving to a cloud package doesn't mean leaving the everyday tools you are familiar with behind.

Quality accounting solutions often enable you to interact with external systems whilst retaining the same control and validation as if the data had been entered manually through the regular user interface and of course the most common used finance tool is Microsoft Excel.

Therefore many products often provide an alternative method of accessing the same functionality as themselves just by way of an integrated Excel spreadsheet. Sounds simple, but is it? This very much depends on the system you are using.

With Aqilla for example, the application of efficient and secure web services technology provides for an easy to use Excel Add-In function which allows the user to analyse live data, update reference data or import transactional data at will.

Using such an Excel Add-In is very straightforward. Users can select from a range of functions covering the ledger, customers, suppliers, item lists as well as analysis categories such as department and project, all on demand. Depending on the workflow defined within the accounting system, documents or journals may be saved for final checking and approval or automatically posted into the ledger.

3. Leave the data "in" the system

When you elect to 'export' data to a CSV or native Excel spreadsheet, the data is dead. It is immediately out of date and can become a liability in terms of accuracy and tenure of access. How many decisions have been made whilst reviewing erroneous historic data? How many times has data been used for the purpose for which it was not originally intended? How many mistakes have been made?

Much better is to link to live 'up-to-date' data stored logically and securely in the core finance system. Unlike using exported data, which is a snapshot of the information when the export is run, the Aqilla Excel Add-In supports a range of enquiry functions which allow the user to define reports in Excel using live data as the basis of a query. It is even possible to replicate the internal functionality of a complete Account Enquiry function offering accounts and period ranges using simple drop-down lists at the click of a button.



4. Use Excel for what it is good for

What Excel is good for of course is on-the-fly analysis, calculation, professional presentation and visualisation. Data exported into Excel from your accounts system at the click of a button can in most cases be referenced for the production of graphs, tables, reports and further analysis combined with data derived from other sources. Furthermore, Excel can act as an excellent tool to consolidate financial data from more than one company or act as a gateway for Microsoft's SQL- Server Analysis Services enabling you to question your most current business data using the latest cube functions to build a custom report from an OLAP database.

5. Prepare in Excel but make sure your finance system does the checks and balances

Often modern cloud accounting solutions offer the capability for bulk upload of documents and journals from within Excel or other third party systems. Rarely is there ever any form of audit trail in the source. By contrast there normally is in the accounting system and it is important that a sufficient level of detail is captured should such analysis be required later.

Efficient importing also plays to the strength of most modern accounting systems whereby any leading zeroes in number fields can be removed; bank sort codes and account codes recognised properly and dates registered to be consistent with defined accounting periods. Budgets and forecasts no longer have to sit "outside" in a separate reporting cycle.

6. Speed things up

The ability to reference a unique piece of accounting data from within a cell obviously provides support for inline editing and the attendant mass change functions of 'Find and Replace.' This is especially useful when updating lists of information such as pricing on the items file or updating contact details on customer records.

In addition there are a number of occasions when it is more convenient to collect reference information externally such as setting up suppliers from the previous purchasing system or feeding project information from the project management software.

In such circumstances, the external data can be imported into Excel and mapped to the layout required by Aqilla. This data is then added into Aqilla using the functions provided with the same validation as if the data had been entered manually through the standard browser interface.

Alternatively, users may wish to review en masse data that is currently held in the finance system, such as debtor credit limits or product price lists. Changes made in Excel to individual records can be automatically and immediately reflected or applied to the records within the core ledger system.

7. Get connected

It is strongly advised that people seek to avoid using out of date, complex, not fully supported and insecure technologies such as OLE (Object Linking and Embedding), COM (Component Object Model) and ActiveX.

Linking your finance system to Microsoft Excel by way of a secure Web Services API as utilised by the Aqilla Excel Add-In feature should normally be quite straightforward. Functions are accessed through a standard menu option or through a tool bar in common with other extensions. Once a secure connection to the database has been established a user can select from a range of functions covering the ledger, customers, suppliers, item lists as well as analysis categories such as department, project, etc. When modifying information, an Add-In should automatically identify which records have been updated and saved.

In the case of Aqilla, parameters can also be included in a spreadsheet as functions. This means for example that a selection of date ranges can be made to reflect that which is set up in the main database - making it straightforward to select data from 'This Period,' 'This Quarter' or the current financial year.

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8. Be secure

As a minimum, any connection between a spreadsheet application and the core finance system should be by way of a secure, encrypted 'https' connection. Check that it is.

Along with providing discrete access for each registered company, all systems should as a minimum control user access by way of a unique (not shared) username and password. Any combination of a missing or incorrect company id, user name and password should instantly result in access to live data being rescinded.

Operating your critical business systems in a secure, reliable and well-managed UK data centre providing automatic backup and disaster recovery protection will in most cases prove more reliable than traditional in house client-server based configurations.

It is worth noting however that a bigger risk to many is the possibility of unhappy or unprofessional employees exposing or losing critical data - this is something that could happen whether you happen to be using a cloud based application or not. Controlling the number of people who can and do access any off-line analysis, spreadsheet or computer data combined with an effective security policy and managed workflow can help mitigate the risks associated with the potential theft or misuse of locally stored data on unprotected hard drives and USB sticks, etc.

9. Share

Very often, large amounts of data are provided to the business at the expense of reliable, relevant information. Making sense of huge volumes of transactional data is only going to be of use to a small percentage of the organisation. In addition, forcing staff to use complex and cumbersome business intelligence software, which they may struggle to understand and prefer to avoid using, drives down efficiency.

There are a large number of situations where data is being extracted, reformatted, tabled, graphed and delivered to audiences using systems which, in the main, users don't even bother to open or log-in to find out why or what is relevant to them. This may be because they do not know how to or they do not see it as part of their day to day responsibilities. In addition, the data can often contain information which, whilst accurate, is of no contextual relevance to their role.

If you can't provide native access to standard easy to use reports in the accounting system do consider using a shared spreadsheet in Google Documents or Office 365 rather than sending a copy out to each person and further exacerbating the risks raised in point 3 above. With such a spreadsheet configured in the free service from Google, users can simultaneously review, edit, comment and auto-save a single copy / instance of a spreadsheet all but removing issues of version management that can lead to significant errors being introduced to the overall spreadsheet logic. We recommend you take a look.

10. Don't over complicate things

Avoid complexity. Avoid macros. Avoid unique islands of knowledge. A complicated spreadsheet is difficult to maintain, understand and audit. Macros are often personal in nature and can obfuscate the meaning behind any numbers presented. Rectifying errors in macros can prove time consuming and expensive. In addition any reliance upon individuals to maintain such logic can prove a significant operational risk should the person leave or be transferred out of their existing role. Often such situations result in financial models having to be recreated from scratch. The old adage remains as true today as it ever did - keep it simple.

Conclusion

Whether you plan to use spreadsheets as an extension to your finance system or not, one of the most important things to consider is whether it will save you time or money. We would encourage any finance department to opt for a balanced approach, using the right tool for the right job. If you are looking for solid transactional accounting and analysis, focus on your accounting system. If it's dynamic analysis, combine an agile approach to data presentation and visualisation and go with the spreadsheet as the most natural starting point. Just make sure which ever you choose, they can both comfortably work alongside each other.

About Aqilla

Aqilla Limited, founded in 2006, is the developer of cloud accounting business solutions designed for small and medium-sized businesses and organisations. The multi-currency products it supplies are easy to use and can be up and running in hours not days, saving spending money on expensive training and consultancy. A document centric approach to accounting provides Sales Ledger, Purchase Ledger, General Ledger, Cash Matching, Sales Invoicing, Purchase Invoicing Budgeting, Project and Time Management functionality across an almost unlimited range of analysis.

In addition, because it is delivered on-demand, Aqilla removes the need for high levels of capital outlay, as well as the ongoing expense of maintenance and management.

For help in streamlining your business at month end as well as the rest of your financial year, contact Aqilla on 020-7098-9881 or email us at info@aqilla.com



www.aqilla.com