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MANAGING SPREADSHEET AND END USER COMPUTING RISK

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Spreadsheets remain at the core of many business processes. Whether they be ad-hoc spreadsheets used to underpin business processes, or more sophisticated End User Computing (EUC) applications, they are key to ensuring an organization functions effectively.

The power and flexibility of these applications makes them a firm favorite of hard-working teams delivering projects and addressing issues. At the same the lack of controls inherent in these systems can expose a business to risks – operational, model, commercial, regulatory, reputational for example

- that need to understood and managed like any other.

What is End User Computing?

A practical definition of End User Computing might be a situation where an individual can create business applications outside the segregated development cycles (design, build, test, release) typically employed by professional software engineering teams in the IT department. Typically, it is not the application itself that is good or bad, it is the way it is used that creates the issues for the business once the EUC application has been rolled out.

The Microsoft Excel® spreadsheet is the most pervasive example of a tool that is used to create EUCs. EUCs occur wherever users are technically capable (but not necessarily fully competent) to create their own business applications. These range from other Microsoft Office solutions such as Microsoft Access to modelling languages such as MatLab, data extraction such as SQL scripts and

reporting/visualization platforms such as QlikView and Business Objects. Regardless of what platform is used, once widely adopted by the user base outside IT and its formal development processes, they all provide opportunities to deliver business value. They all have potential for risk and cost to the business as well.

Why is EUC risk important?

While EUC risk is universal, it isn't as well known or perhaps even recognized as some other enterprise risks, such as operational, financial and regulatory risk. There are two reasons why EUC risk matters:

1. It is in all organizations

EUC risk is present in any organization that relies on spreadsheets, databases and other computing tools that sit outside of the IT application cycle. The level of the risk is informed by the risk management framework in the organization, but it is unlikely that a business does not use the applications mentioned above.
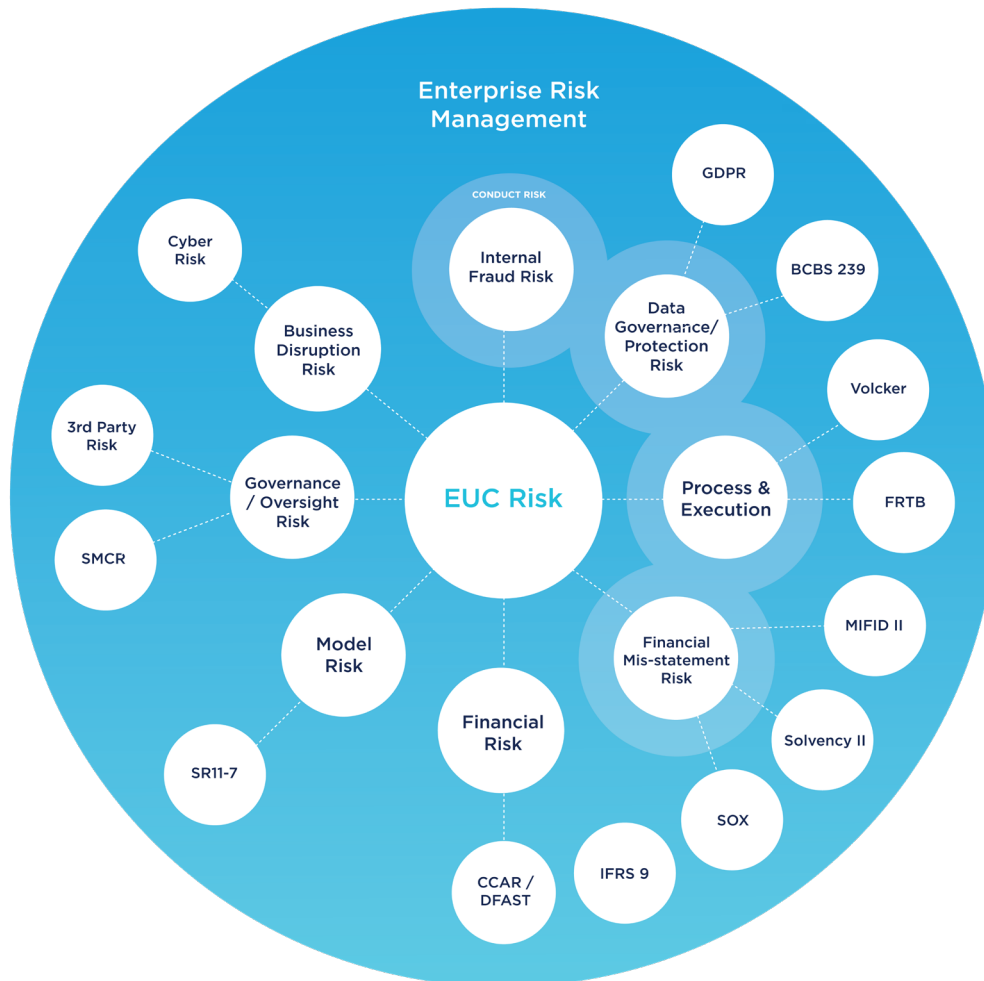
2. It contribute to other business risks.

EUC risk contributes to a whole host of other operational, model, regulatory and conduct risks. Figure 1 is a good representation of the inter-connectivity between EUC and other risks – all of which cumulatively contribute to enterprise risk.

WHAT IS THE IMPACT END USER COMPUTING RISK?

The impact on the business of EUC risk can be divided into three categories:

1. Direct costs and risks

These are the easiest to understand as they have, or may have, a demonstrable impact on the finances of the business, either on a systemic basis because they contribute to ongoing operational costs, or when potential risks actually materialize as financial loss events.

2. Regulatory requirements and expectations

These are the result of two potential factors: the added operational processes to meet regulations or the failure to adhere to regulations, leading to fines and extended audits or external monitoring.

3. Indirect costs

Indirect costs include issues like reputational loss and are often the result of operational or financial incidents caused by poor EUC management. Reputational loss frequently affects all of the stakeholders of a business, including shareholders, clients and auditors.

It is possible to manage and control EUC risk, even though it is pervasive across an organization. What is the best approach?

EUC MANAGEMENT:
Assessing & Controlling Potential Risk

These potential risks and costs are a significant driver for the effective management of EUCs. Effective operational risk management means being aware of the potential for risk before it even occurs. This is a systematic, best practice approach to managing EUC risk:

1. Define and establish what EUC risk is for the business

2. Define what constitutes as high risk EUCs

3. Define additional controls needed to manage these high risk EUCs

4. Establish necessary reporting and monitoring processes that take oversight into account

5. Establish protocols for action in the case of risk levels heightening or monitoring exposing exceptions

6. Establish an appropriate response

This framework for managing EUC risk must be fully aligned with the organization's wider operational risk management framework.

One of the most effective ways to manage and mitigate the risks of EUC applications is by taking an automated, system-based approach to supporting the control framework.
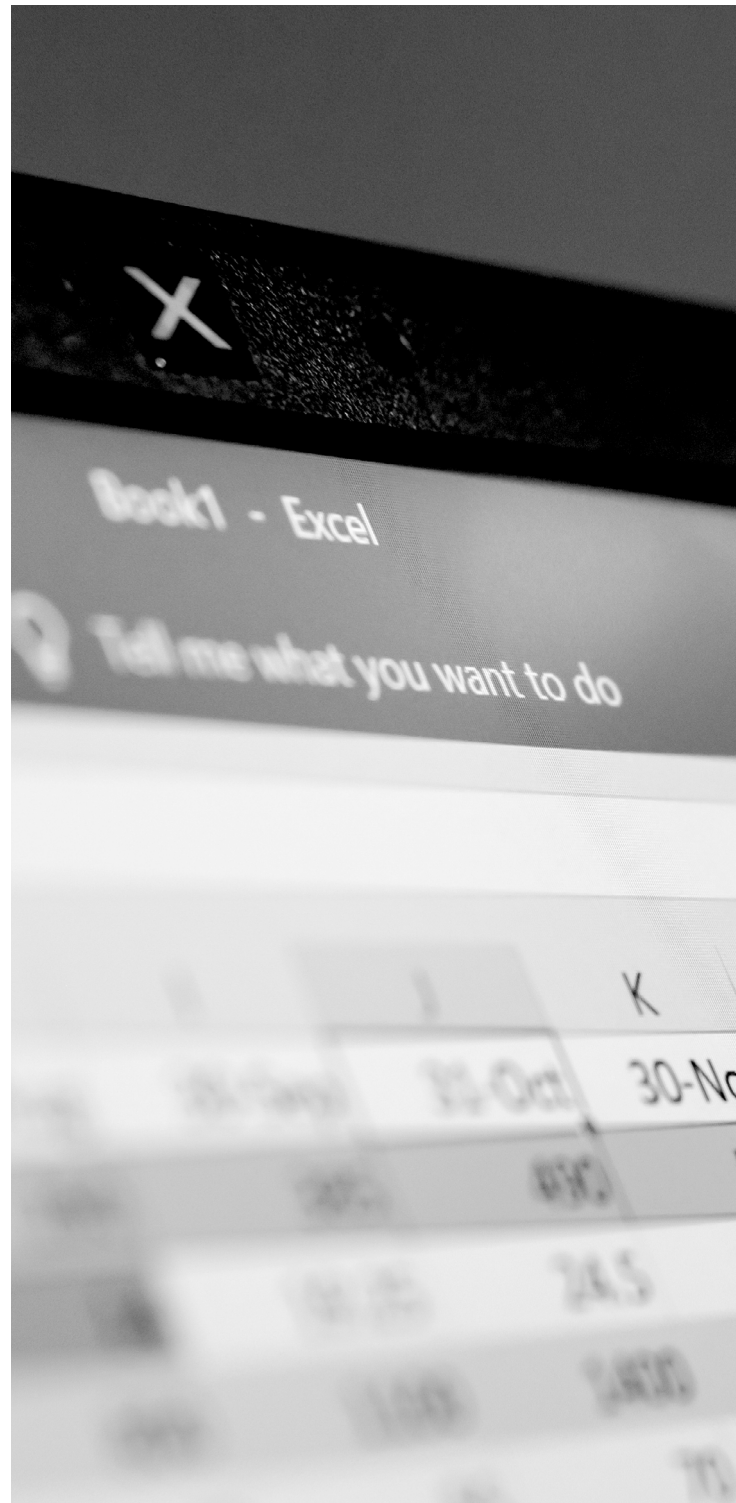
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