

Spreadsheets have no place in modern banking

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The PRA & FCA expect financial services businesses to have fully segregated business functions, with clear audit trails, no single points of failure and a consistency of data for regulatory reporting and planning.

No organisation, whether in banking or not, would consider writing a spreadsheet to fulfil its accounting needs, in fact many banks & building societies would prefer a tailored software product such as Whistlebrook Financials that has been designed specifically to meet the business needs of financial service businesses.

Despite the explicit choice of the right tool for the job for financial accounting, many other key control systems within UK financial service businesses still rely on spreadsheets.

Often a single individual within an organisation will create a handcrafted spreadsheet solution that only they understand and for which no documentation exists.

Typically, these spreadsheet solutions are single points of failure, with no audit trail, and have no means to verify that the data they are based upon, or the calculations they are executing, are consistent or even correct.

Spreadsheet solutions are being used to address a broad range of needs from business planning, through treasury management and ALM to Effective Interest Rate calculations.

Considering Effective Interest Rate calculations the requirements within IFRS 9 and FRS 102 to consider multiple scenarios and assumptions on loss provisioning present challenges, not readily addressed by a spreadsheet model.

EIR calculation should be treated with the same discipline that is applied when using an accounting package. Once an EIR assessment has been executed for a period then the EIR Interest and fee income recognition for that period should be inviolable. The assumptions as to reversion periods or the application of stress test scenarios should all be transparent and clearly understood.

The savings in time through the adoption of a software product is increasingly being recognised in the industry and being identified as a way to mitigate risk and ensure consistency by both internal and external auditors.

Budgeting and planning is another area where the use of product software can have a significant business benefit and reduce risk of determining insights on false or inconsistent data. The comparison with a spreadsheet based approach is startling. One view is that budgeting & planning processes will not be improved until spreadsheets are eliminated and instead of being partially an art, financial planning adopts the same rigour of control as within financial accounting and becomes wholly a science.

Across the business units there should be no difference in the assumptions that are used in liquidity management by the treasury team, or the interest or fee income recognition by the finance team, when compared to the data used by financial planners and those designing new products.

Because of the different spreadsheet solutions being used across organisations, businesses run the risk of basing reports, or making business insights, on different views or interpretations of the businesses' data.

Financial services providers should be demanding software products that make calculations or drive insight based on a single source of the truth. Whistlebrook's suite of products ensure that whether it is treasury management, financial planning, accounting or reporting to the regulator, that all data and all the insight is from the same consistent and complete data set.

My belief is that regulatory and reporting demands will force businesses to recognise that the plethora of different tools that are currently used to manage, report and protect a financial services business are just different views of the same whole.

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The business strategy should be to ensure that view of the whole is consistent and complete and the technology strategy aligned to meet that need.

It is inevitable that reliance on unintegrated in house developed tools built on spreadsheets increases the systematic risk to a bank or building society and should be replaced as a priority.

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