SPREADSHEET RISK MITIGATION

PROVIDING EFFICIENCY AND ASSURANCE

TAX RISK TECHNOLOGY
TAX IN A DIGITAL AGE

BDO

> " A rapid diagnostic of our year-end and other tax spreadsheets identified some glaring errors in formulae and links. A few 'quick wins' later, and we had minimal reconciliation errors, problem-free roll-forwards and more touch-of-a-button calculations. We had a 'health report' that we shared with our auditors to offer greater assurance over our spreadsheet controls. "

TAX MANAGER, FTSE 250 BUSINESS

TAX RISK TECHNOLOGY

TAX
HEALTH CHECK

SPREADSHEET RISK
MITIGATION

FUTURE PROOF
ROADMAP

TAX MANAGEMENT
DASHBOARD

ROBOTIC PROCESS
AUTOMATION

Spreadsheets were never designed to be enterprise-level applications. But spreadsheets are widely used in tax calculations from year-end reporting to effective tax rate modelling and tax payment calculations and these spreadsheets are increasingly complex.

The growing use of complex and user-defined functions, lengthy macros and links to other spreadsheets and systems has led to the development of highly complicated applications.

Historic and non-transparent spreadsheets create risks around processing integrity, security, version control and reliance on incorrect tax logic. BDO's simple 'automated diagnostic' will find these issues, provide assurance and improve your spreadsheets.

ARE THESE CHALLENGES FAMILIAR?

- HMRC or internal audit review on the horizon
- Increased pressure from external auditors and regulatory bodies on use of spreadsheets
- No defined ownership of spreadsheets and no contact with original spreadsheet designers
- Concern that there may be underlying errors i.e. broken links, hardcoded values, circular references etc
- Heavy reliance on the use of spreadsheets.

IMMEDIATE QUICK WINS AND ASSURANCE

- Automatically highlight processing integrity issues in existing spreadsheets with our Rainbow Analyst Tool (RAT)
- Have complete confidence over your tax spreadsheets by quickly repairing links, formulae and enhancing controls
- Build well-modelled and layered spreadsheets with the use of separate tabs for data, formulas, outputs, assumptions and documentation
- Reduce risk of errors in submissions to tax authorities
- Redeploy valuable resource to focus on value adding activities
- Develop a holistic model with better governance.

THINKING LONGER TERM…

- Introduce or improve automated mapping from Enterprise Resource Planning (ERP) to spreadsheets. This could range from simple data extraction into Excel to the use of Robotic Process Automation (RPA)
- Data analytics can increase tax optimisation and help identify tax risk areas
- We can help you use your spreadsheets now with confidence, but also develop a plan for the future to take advantage of augmenting, alternative or complimentary technology.

> **Conviviality's spreadsheet hell sinks the business.** It all started with a spreadsheet arithmetic error. Conviviality, one of the UK's largest drinks wholesalers, is heading into administration after an emergency share issue failed to raise the £125m it needed… Conviviality announced it hadn't budgeted for a £30m tax bill, due at the end of March.

ACCOUNTINGWEB, APRIL 2018

DIAGNOSE	**01**	Meet with key persons responsible for year-end reporting to understand the current process, what controls are in place and establish the population of spreadsheets
	02	Provide process maps that document the existing process
REVIEW	**03**	Use our Rainbow Analyst Tool, detailed below to review integrity
	04	Review tax logic
	05	Review security protocols, version control, back up procedures etc.
RECOMMEND/ REPORT	**06**	Provide a report with a level of assurance over spreadsheet use in year-end tax reporting
	07	Include a list of prioritised recommendations from quick wins to longer term vision, including: control environment and ongoing maintenance
IMPLEMENT	**08**	Update spreadsheet for both integrity and tax logic errors identified and provide details of changes made
TRANFORM	**09**	Comprehensive re-design of existing spreadsheets and the governance and control environment in which they are used. This could extend to: • Introduce automation through the use of 'retrieve' functions (where available) in Excel which 'pull data' from ERP and also 'send' functions to 'push' data into other tax applications • Advice on and implementation of third-party software that can augment or replace existing spreadsheets • Advice on the introduction of Robotic Process Automation (RPA) and Artificial intelligence(AI).

Our RAINBOW ANALYST TOOL provides confidence over the accuracy, completeness and integrity of spreadsheets. It is a vital part of the 'Review' phase and delivers:

• Discovery of hidden sheets, rows/columns, comments, broken links and inter sheet logic

• Highlighting of manual adjustments made to formulae or inconsistent formulae

• Identification of circular references

• Comparison of two spreadsheets, to identify changes and manage version control

• Random or systematic sampling of data for further testing.
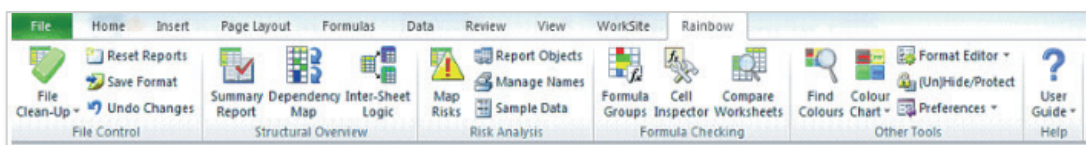
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