



10 things *you need to know about rich data and reporting*

A recent EY survey examines the benefits businesses can reap from sophisticated data analytics — and the challenges they face in collecting and managing that data. *Tim Turner* summarizes the key points.

In today's hyper-connected world, businesses face new risks. The trust and confidence that corporate reporting builds can be undermined by scandals such as data breaches and revelations of unethical conduct. EY's fourth global corporate reporting survey, *Can innovative corporate reporting build trust in a volatile world?*, explores what finance leaders can do to manage these risks and build trust in their businesses. The survey involved more than 1,000 CFOs or financial controllers of large organizations.

The report has a lot to say about the collection and management of data – something that can simultaneously be a strategic asset and a significant source of risk.

1) AN OPPORTUNITY AND A CHALLENGE

The world is changing rapidly as the fourth industrial revolution, or Industry 4.0, gathers pace. Innovative technologies and sophisticated analytics are becoming key to managing growing risk and volatility.

However, many organizations are struggling. They are held back by legacy systems that cannot talk to each other and are worried about the complex risks that come with increasing volumes of data. While

data analytics creates a significant opportunity, it also raises challenges and risks for finance leaders.

2) REAL-TIME ANALYTICS

The ability to analyze accurate data at high speeds and act on it in close to real time can help finance leaders to respond rapidly to market challenges and better manage today's volatile risk environment. It is now possible to turn vast amounts of structured and unstructured data into insights that can redefine finance and reporting.

So it's not surprising that the survey found that "upgrading IT and financial data analytics tools to professionalize finance management" is today's top corporate reporting priority, and 87% of the respondents plan to increase their investment in these technologies over the next two years.

3) A QUESTION OF GOVERNANCE

Effective governance of finance data in terms of protection, privacy and compliance is often a major headache for finance leaders. While issues such as data quality are a concern for only 30% of the survey respondents, 56% are worried about managing data security and privacy.

For example, 85% of finance leaders find it “very challenging” or “somewhat challenging” to actively manage data flows on the basis of different jurisdictions’ privacy laws. Even if we focus only on those who find the issues “very challenging,” there are a significant number of finance and reporting teams who see data governance as a significant barrier.

4) A LEGACY OF INADEQUATE TECHNOLOGY

Many finance functions inhabit a world of batch-based legacy systems, often with complex processes and deeply embedded, disparate sources of data.

These systems have become efficient and stable over a number of years, but this very stability presents a key obstacle in the evolution to a digitally integrated business. When asked what they consider to be the main systems challenges of today’s corporate reporting environment, 53% of the respondents named lack of integration between IT systems, 46% cited dated IT architecture and 45% referred to multiple reporting systems. The perennial challenge of systems integration continues to stand between finance teams and their ability to innovate through technology.

5) THE IMPORTANCE OF COLLABORATION

One way in which finance leaders can overcome these roadblocks is by collaborating with teams across the business to develop an information governance approach. If the finance function tackles its risks and challenges in isolation, it will miss out on relevant knowledge and experience from previously completed work, and on the

resources and technology available in other functions, such as legal and IT.

With the benefit of a broader understanding of the complex dependencies between risks and existing information risk management initiatives, an integrated approach to information governance can help tackle complex areas, such as responding to regulatory requirements and dealing with increasing global flows of data.

6) CLOUD COMPLIANCE ISSUES

Organizations face other barriers in implementing innovative new systems. In particular, 50% of the respondents named “concern over data security and compliance risks with cloud computing technologies” as the biggest overall barrier to their organization implementing new finance or reporting technologies and tools.

While cloud computing is largely borderless, compliance is not, and organizations should be aware of where their cloud provider’s servers are physically located. Furthermore, many organizations have to comply with laws that restrict trans-border information flow. For example, for many publicly listed US companies, cloud storage may not be an option if the servers are based overseas.

7) NEW COMPETENCIES FOR AUDIT COMMITTEES ...

With an increasing focus on technology and data challenges, audit committee members will need new competencies to fulfill their oversight role effectively. This includes the need to build their understanding of data analytics as both an opportunity (e.g., in supporting risk management)





and a challenge (e.g., in ensuring there are compliant legal frameworks for data hosting).

8) ... AND FOR INTERNAL AUDIT

Finance leaders and boards should also ask whether internal audit has the skills and knowledge to deal with emerging and growing risk areas.

For instance, could the internal audit team make more use of sophisticated analytics? This might involve using data and analytics to enable continuous monitoring and quickly reach conclusions based on hard evidence.

Internal audit departments should also look at updating risk assessments, audit plans and audit techniques for the digital age. For example, what would the recovery approach be if heavily automated processes were brought down by a major systems failure?

9) HOW AUDIT COMMITTEES PROVIDE OVERSIGHT

Increasing volumes of data, as well as advances in analytical tools and capabilities, have transformed how organizations generate insight. However, they should question whether the information presented to audit committees and boards has evolved in line with these developments, in terms of the sophistication of the content and how it is delivered. With more sophisticated insights, organizations can improve the quality of board debate and decision-making, transforming the effectiveness of oversight.

The survey shows that some organizations – particularly larger ones – are making progress here. Only 19% of small organizations (those with annual revenues of up to US\$1b) agree strongly that they are supplying their boards with a management dashboard that gives a close-to-real-time view of reporting and performance, but this increases to 35% for large organizations (those with annual revenues of more than US\$10b). Overall, a third of large organizations are making progress in the use of sophisticated analytics to provide boards with reporting intelligence.

10) THE WAY FORWARD

The trusted organizations of the future will most probably have a very different approach to reporting and governance. By combining increasing volumes of data with rapid technological advances, organizations can use analytics to transform their approach.

Their reporting teams should be able to provide rich, multidimensional data in one place, and use sophisticated analytics tools and other technology to deliver the reporting and business insights that are essential to give stakeholders visibility into the

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business. Board members will probably be able to tap into real-time, forward-looking data that will help them to fulfill their oversight role and reinforce the integrity of the organization.

Realizing this future requires finance leaders and board members to consider three critical action areas:

1. Managing finance and reporting data as a strategic asset
2. Shifting the finance mindset to embrace technology innovation
3. Challenging traditional governance and board structures. ■

To read the survey, *Can innovative corporate reporting build trust in a volatile world?*, go to ey.com/innovativereporting.

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