

The poll

THE LATEST EY GLOBAL FORENSIC DATA ANALYTICS SURVEY REVEALS HOW COMPANIES ARE USING ADVANCED DATA ANALYTICS TECHNOLOGIES TO TRANSFORM THEIR RISK FUNCTIONS AND DISCUSSES THE CHALLENGES THEY FACE IN IMPLEMENTING IT EFFECTIVELY.

In an age of digital transformation, new technologies such as artificial intelligence (AI) and machine learning offer businesses deeper and more complete insights than ever before. However, this transformation can also create new legal, compliance and fraud risks. In response, companies are using forensic data analytics (FDA) to mitigate these risks and optimize their risk management strategy.

The latest biennial *EY Global Forensic Data Analytics Survey*, based on the responses of 745 executives from 19 countries, examines how organizations are using FDA to manage risk and outlines the challenges they must overcome in order to do so effectively.

THE BENEFITS OF FDA

The previous EY surveys in 2014 and 2016 suggested that companies were holding back on FDA investment because of reservations about cost and lack of confidence in the underlying technologies. This sentiment has changed.

Instead, the respondents to the latest survey expressed a strong belief in the value of FDA and its wide-ranging benefits (see table, below). Improved risk assessments rank the highest at 88%, closely followed by the ability to detect risk in large data sets, at 87%. These results are not surprising given the use of FDA among internal audit professionals in making audit selections and assisting legal and compliance professionals with regulatory-related activities.

Cost reduction was cited by 55% of respondents as the main benefit of FDA. This is clearly important to this year's respondents, and the comparable figure in the 2016 survey was only 42%. FDA has a cost, as with any risk management process, but if the benefits outweigh the costs then it is seen as a worthwhile exercise.

Main benefits of FDA – broadly recognized

88%	Improved risk assessments
87%	Ability to detect risk in large data sets
81%	Faster response in investigations
80%	More timely or relevant corrective actions or training
79%	Meeting regulatory expectations
74%	Increased business transparency
55%	Reduced costs of risk management programs

Q: What do you consider to be the main benefits of using FDA?
Base: All respondents (745)

DEMAND FOR RESOURCES AND SKILLS

While companies are investing in a range of advanced technologies, this on its own is not enough; data analytics and AI require human input. While the routine collection, management and analysis of data is increasingly being completed by machines, employees must possess the knowledge to develop the algorithms and interpret the outputs.

The EY survey results demonstrate that few companies are confident that they currently have the requisite skill sets to do this. Only 13% of the respondents felt that their company's FDA technical skills were very mature, while just 12% believed that it had the appropriate data analytics or data science expertise.

Moreover, in order to ask the right business risk questions, an FDA program needs to combine the right data sources in an intelligent manner. These sources include both structured and unstructured data. However, analyzing large volumes of data collected from disparate sources continues to be a challenge and requires better integration.

46%

of respondents agreed that getting a consistent, global view from differing data sets remains a real challenge in using FDA.

INTEGRATION AND GOVERNANCE

The survey showed that, in most companies, multiple departments are responsible for the strategy and policy decisions relating to FDA, and for its execution. Moreover, the results of FDA activities are typically shared across the company, with corporate executives, finance and the board of directors being seen as the top three beneficiaries. With such a diverse group of stakeholders, competing priorities can be difficult to reconcile without strong governance and leadership.

Cross-functional collaboration is evidently a challenge; only 20% of respondents felt their companies' risk management functions fully collaborated with each other. This could partly be a result of the few dedicated resources in a position to facilitate communications across departments; indeed, 39% of respondents had no dedicated personnel involved in executing FDA.

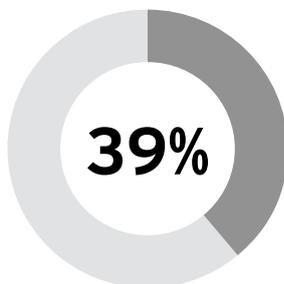
Leadership support to manage legal, compliance and fraud risks is also critical to successful FDA integration. While 57% of the respondents indicated that their board of directors were involved in strategic decision-making about FDA, 45% reported that more is needed to improve awareness of its benefits among management.

DATA PROTECTION AND DATA PRIVACY

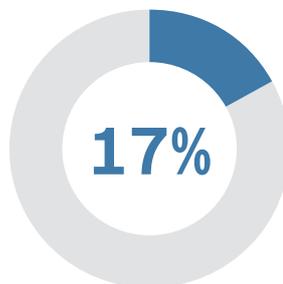
One of the most important roles for FDA is in helping companies to manage data protection and data privacy compliance risks and to understand where data is located, who has access to it and how to respond in the event of a policy violation.

This is particularly topical, as the General Data Protection Regulation (GDPR) comes into effect across the EU on 25 May 2018. It applies to all companies – regardless of location – that process the personal data of EU residents, and therefore has immense extraterritorial reach. This message doesn't appear to have been widely taken on board yet: while 60% of European respondents said they have a GDPR compliance plan in place, only 13% of those in the Americas and 12% in Asia-Pacific do. Overall, the survey found that too many companies are still unprepared for the GDPR.

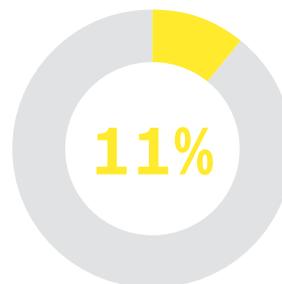
GDPR compliance readiness – overall



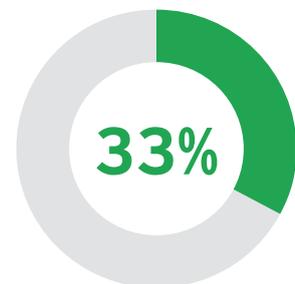
I'm not familiar with the GDPR.



We have heard of the GDPR, but have not yet taken any action.



We are studying the GDPR and its scope.



We have a plan.

Base: All respondents (745)

The survey also revealed that 42% of businesses believe that data protection and data privacy regulations have a significant impact on the design and use of FDA. However, when asked if they are using FDA to assist in their GDPR compliance efforts, 35% of the respondents said no, 52% said that it was still being assessed and only 13% said yes.

REALIZING THE FULL POTENTIAL OF FDA

With the right efforts, investment and leadership support, the confluence of data and technology will better address companies' needs to manage legal, compliance and fraud risks. Companies can also extend FDA's benefits to additional business advantages, including predicting potential misconduct, increasing business transparency and improving operational efficiency. When the full potential of FDA is realized, it will ultimately help the risk function to become an enabler, continuing to protect the business while also offering insights that can inform business opportunities and strategy.

For a copy of the full report, *How can you disrupt risk in an era of digital transformation?*, please go to ey.com/2018FDASurvey.

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