44th World Continuous Auditing and Reporting Symposium

Big data and analytics for non-financial information

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Seville, March 2019

pwc

The evolution of non-financial information requirements in the EU, and in particular in Spain

October 22nd, 2014

Non-financial information directive
Approval of Directive 2014/95/CE, which modifies Directive 2013/34 /EU

November 24th, 2017

Royal Decree Law 18/2017
Approval with urgency of the RDL, which transposes the directive and whose application is for the exercises that begin on January 1, 2017

December 13th, 2017

Processing agreement as draft Law
The Congress agrees on the validation of the text and its processing as a draft Law. The amendment process is opened

October 23rd, 2018

Approval in Congress
The Congress, with consensus, approves the referral to the Senate of the Law Project of the application for 2018 and following years

November 19th, 2018

Senate Amendments
The Senate introduces and approves a series of amendments of the parliamentary groups, and sends the modified text to the Congress

December 13th, 2018

Congress Approval

December 29th, 2018

Publication of the Law in the BOE

What does it mean *for companies in Spain?*

Scope of application

▶

500 employees +
PIE +
Large Company

(Exercises started on January 1, 2018)

Non-financial Statement

➕

Information, contents and specific indicators to report, in the Management Report or referenced separated document

External verification

⏸

Mandatory

Financial audit report vs. Verification report
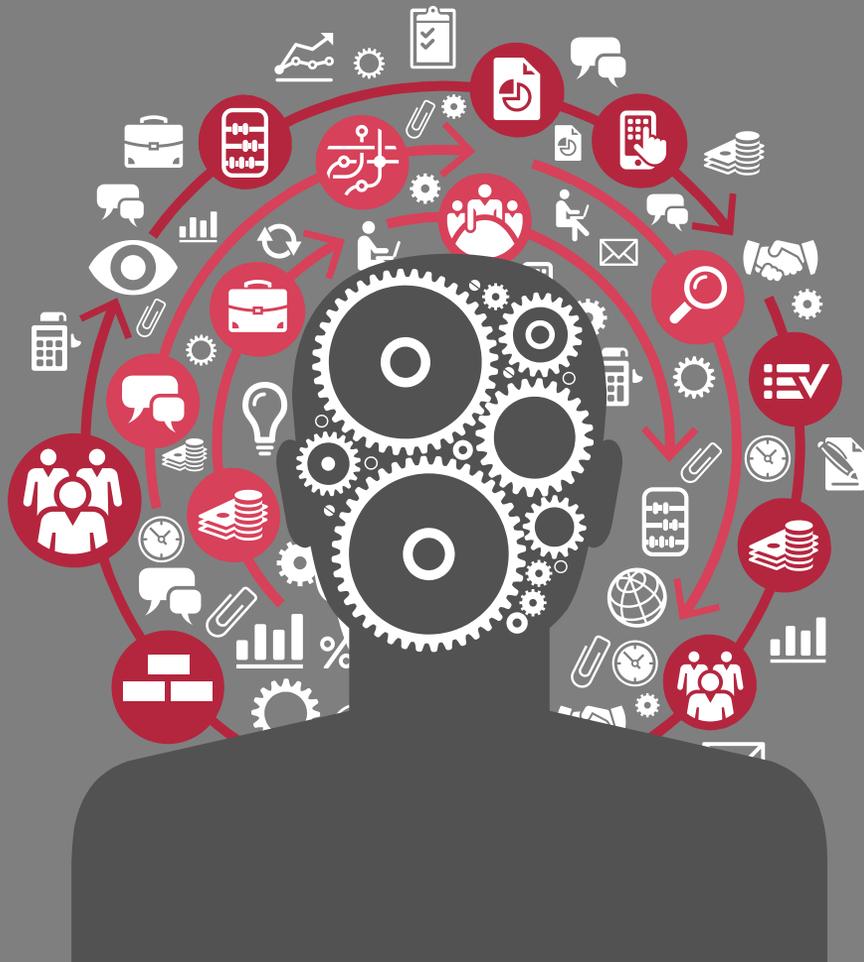
Approval and publication

⬤

Non-financial statement: public and easily accessible on the company website for a period of 5 years

Contents to be included in the non-financial statement

Accurate, comparable and verifiable information related to the following topics, complying with the criteria of comparability, materiality, relevance and reliability:

- Description of the business
- Environmental
- Employees
- Human Rights
- Anti-corruption and bribery
- Social & community
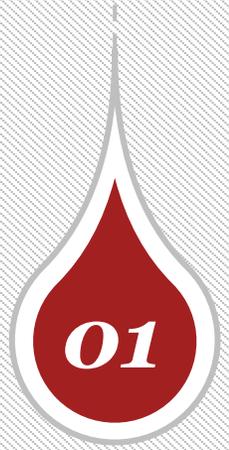
In addition, listed companies must also provide information on:

- Diversity

Contents to be included *in the non-financial statement (cont.)*
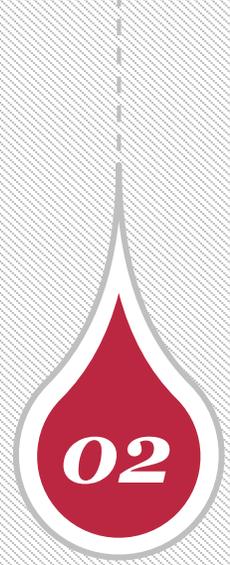
Each of these topics must be analyzed and described throughout the following aspects:

Principle of "comply or explain"

Qualitative information

Quantitative information

01

Risks

What are the risks and impacts associated with each of these topics and how the company manage them in the short, medium and long term?

02
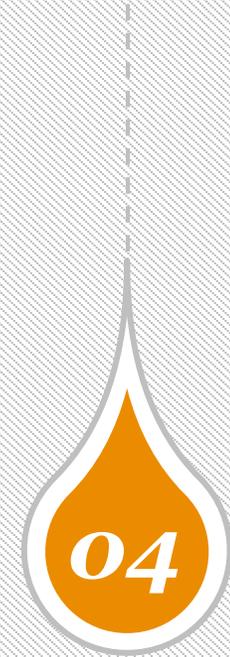
Policies

What are the Policies implemented to manage and mitigate the risks and / or impacts identified?

03

Key indicators

What indicators are key to be able to evaluate and track the processes of the organization?

04

Results

What have been the results associated with the implementation of these policies?

GRI
Empowering Sustainable Decisions

GRI (Global Reporting Initiative) is a standard widely used by companies to report key indicators on non-financial information

What would you win *from Analytics & Automation?*

Integration of automation in business processes

Increased confidence in the data and the effectiveness of the controls

Improvement in the monitoring of anomalies and **company performance** in the areas required by the Law

Obtaining **information more transparent** and more **frequently**

Reduced **compliance cost** and increased **efficiency**

How to benefit *from Analytics & Automation*

Analytics and automation techniques can be of benefit either during the preparation process of the non-financial information reporting or during the verification process through the independent reviewer.

Quantitative information

Qualitative information

Cross-reference information reported of other companies (if public)

Automation of indicators through **Data Analytics** processes

Continuous monitoring of controls (CCM) around non-financial information

Automation of information preparation through **Robotics Process Automation (RPA)**

Text recognition techniques

What is Data Analytics?

Information management
Data collection, consolidation and cleaning

Data from internal and external sources

Analysis of data
Application of analysis techniques to discover visions from the relevant information

Predictive, descriptive and prescriptive analysis

Display of data
The conversion of the data into a more understandable and easy-to-use format

Tableau, QlikView...

Global vision
Applying the results for a more effective decision making

Improvement of risks, compliance, margins, productivity, growth, innovation...

Examples of application of Data Analytics in the non-financial information elaboration process

Real-time reporting of non-financial information (internally) through the generation of dashboards

Mass data **analysis of product losses in warehouses** or consumption of resources
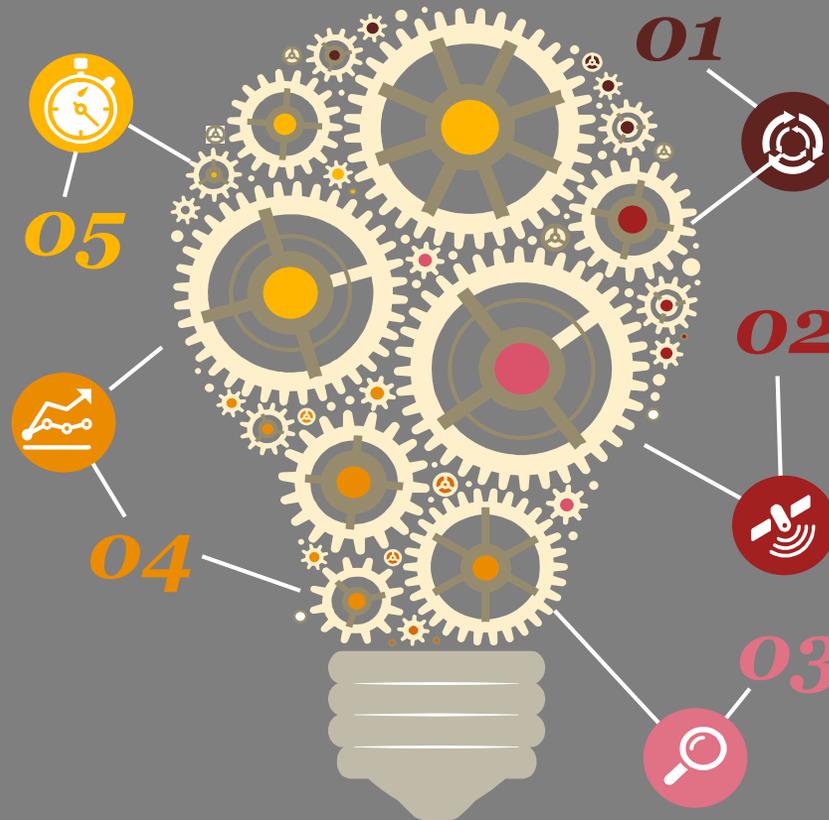
Consolidation of information from several databases (e.g. SAP, Workday, etc.) for the construction of tables according to the criteria and breakdowns required by Law **in the field of HR** (e.g. salary by gender, type of contract, age, professional categories, etc.)

What is Continuous Control Monitoring (CCM)?

*Continuous Monitoring is a mechanism that allows organizations to obtain a **real-time vision of behaviors** that deviate from established norms, reducing the effort of manual verification tasks.*

It allows a significant ***reduction in the cost and times*** associated with the tasks of evaluating controls and, therefore, audits.

It offers a significant ***reduction of the effort in performing the testing of the controls*** through the Continuous Monitoring, changing in focus from manual controls to automated controls.

01

It allows an ***automatic transaction monitoring***, importing data from systems to subsequently apply a set of audit analysis rules, in order to identify possible exceptions.

02

It serves to manage exceptions, by monitoring the deficiencies found in controls ***and supporting the mitigation process***. It is possible to have flows for alerts, revisions, notifications, approvals and other process automation needs

03

It allows the different organizations of the company, as well as Internal Audit, to ***access information in real time about the company's status***, improving performance monitoring.

05

04

Examples of application of CCM in the non-financial information elaboration process

Execution of intermediate automatic reports from automated tools, as a source for the preparation of non-financial information

Identification of variation thresholds for Carbon Footprint data between periods in order to identify possible errors in the data records

Control of **variations in the labor accident frequency index or absenteeism** through comparison with previous periods in order to identify potential anomalies

Analysis of users' access to specific system or transactions outside of the usual day-to-day operations (e.g. weekend or outside office hours) in order to ensure the reliability of the data stored in the systems

Analysis of all the payments made to identify payments to non-approved suppliers and to track expense on local and non-local suppliers

PwC
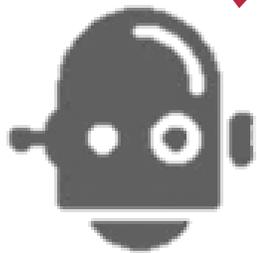
What is Robotics Process Automation (RPA)?

Robotics Process Automation (RPA) allows to automate processes and transactional tasks through the use of robots, which are driven by logic and pre-programmed rules to perform certain activities and analyze structured data through different platforms or systems by **imitating human beings**

"I'm dedicated to developing repetitive activities that require a lot of data processing"

"I am dedicated to interpreting data, previously processed by robots, for making decisions"
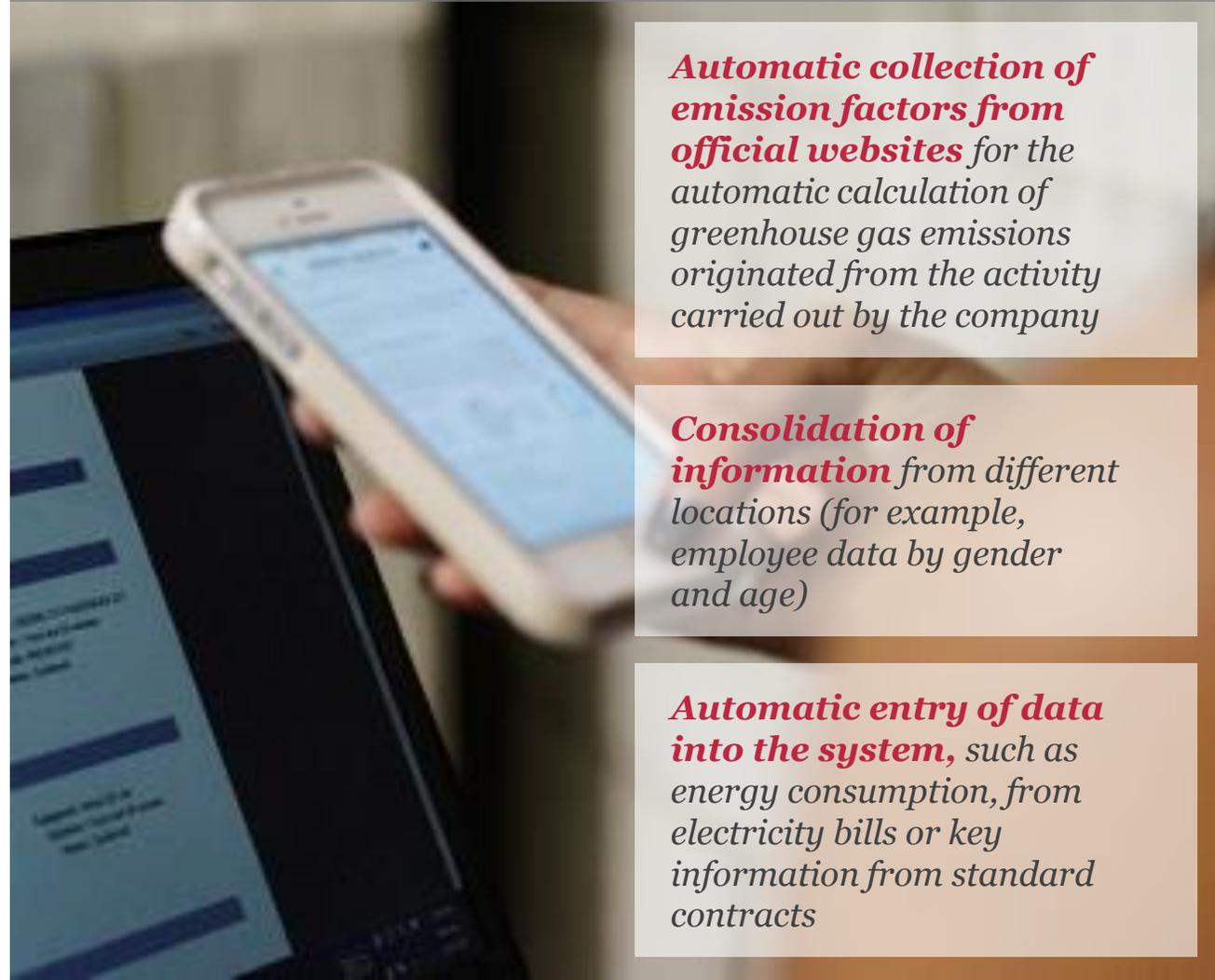
Examples of application of RPA in the non-financial information elaboration process

Automatic collection of emission factors from official websites for the automatic calculation of greenhouse gas emissions originated from the activity carried out by the company

Consolidation of information from different locations (for example, employee data by gender and age)

Automatic entry of data into the system, such as energy consumption, from electricity bills or key information from standard contracts
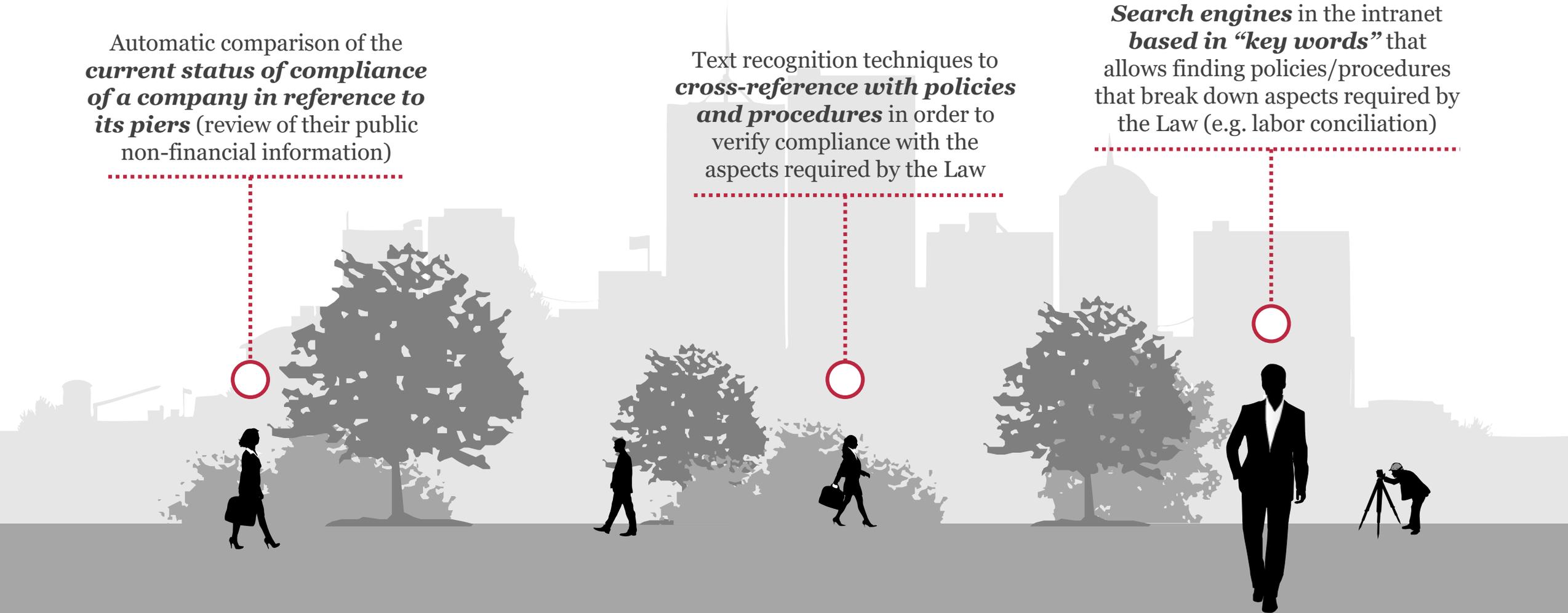
Examples of application of text recognition techniques in the non-financial information reporting process

Automatic comparison of the **current status of compliance of a company in reference to its piers** (review of their public non-financial information)

Text recognition techniques to **cross-reference with policies and procedures** in order to verify compliance with the aspects required by the Law

Search engines in the intranet **based in "key words"** that allows finding policies/procedures that break down aspects required by the Law (e.g. labor conciliation)

Any questions?