The data-savvy board

Data underpins almost every business decision. Are your board of directors and audit committee helping to ensure that your company is finding the right insights while also protecting the company, its employees, and its customers?

In this edition of Privately Speaking, we look at how private market company boards are challenging their companies to reassess their policies, infrastructure, and capabilities in order to make better business decisions.

Given the recent explosion of data and innovations in analytics, it is more important than ever that private market boards and audit committees have a holistic view of their company’s Data and Analytics (D&A) strategy. In particular, the board needs to know what data is being collected, how it is being used, and who is overseeing the effort.

Did you know?

89% of U.S. CEOs believe that protecting customer data as one of their most important jobs as CEO.

Source: KPMG U.S. CEO Outlook 2018

Key questions for boards to ask regarding D&A

— Are current and future business challenges being effectively aligned with the right data and technology solutions?
— How is the data being collected and organized within the company and who is involved?
— Has management assessed the security of the data infrastructure as well as the availability of data to drive the digital strategy? Who is accountable for data decisions and the associated risks?
— Can the data be trusted? How is the quality and integrity of the data assessed?
— Does the company have a data ethics policy to protect the brand reputation and reduce legal risk?
— Has management assessed the robustness of the IT infrastructure to support these advanced technologies?
— Does the company have the right talent, skills and resources required to implement and then manage its D&A activities?
— Has the company scoped out the near-term and longer-term opportunities for its use of D&A, including financial reporting and predictive analytics?
— Has an appropriate governance structure been put in place, including board and committee oversight responsibilities and processes, to manage such innovation and change?

“Given their oversight roles, boards have a responsibility to ensure that the company is protecting customer data, and the business and the CEO’s office has a strategy in place so that everyone understands what data is being collected, how it’s used, and how it’s accessed.”

—Brian Hughes, KPMG National Private Markets Group (PMG) Leader, National Venture Capital Coleader
Privately Speaking: The data-savvy board

Don’t ignore the non-GAAP data!

In May 2016, the Securities and Exchange Commission (SEC) issued an updated Compliance & Disclosure Interpretation that provided additional guidance on how companies should use non-GAAP financial measures. SEC staff continue to comment to companies about their use of these types of measures in communications and financial reporting.

Data and the audit

Automation and advanced analytics are not just changing the way companies do business. They are also changing the way internal and external auditors are managing their audits.

For example, the use of smart audit platforms can enable more analysis of larger volumes of data which, in turn, can help the audit team to better assess anomalies and exceptions and understand how they were handled. D&A can also help auditors to identify earlier indicators to control risk, to perform greater scenario analysis, and to stress test against trends.

However, audit leaders will need to think carefully about how they develop the right capabilities, skills, and resources to support these new demands and ways of working.

In your view, what are the greatest challenges to integrating data and analytics into the audit?

Auditor skills and resources: 45%

Regulatory standards catching up to technology: 20%

Data security: 16%

Other: 19%

Of 658 audit committee members, other directors, and C-level executives surveyed during the Webcast on March 22, 2018.

Source: KPMG Audit Committee Institute Webcast, Oversight of Data and Analytics, March 22, 2018.

Did you know?

78% of U.S. CEOs say they have ignored insights from their analytics models because they ran contrary to their own personal experience or intuition.

Source: KPMG U.S. CEO Outlook 2018

What are non-GAAP financial measures and operating measures?

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<th>Sample non-GAAP financial measures</th>
<th>Sample operating measures</th>
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<td>Adjusted revenue</td>
<td>Same-store sales</td>
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<td>Adjusted net income</td>
<td>Average revenue per customer or user</td>
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<td>EBITDA</td>
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<td>Adjusted EBITDA</td>
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<td>Free cash flow</td>
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<td>Funds from operation</td>
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<td>Net debt</td>
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When it comes to a company’s D&A strategy, it’s critical for boards to have a holistic view. Being able to answer key questions such as what data is being collected, how it is used, and which teams are managing the data, will help boards better assess any potential risks and opportunities.

—Conor Moore, KPMG National Venture Capital Coleader

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Board’s-eye view of data and analytics
Critical issues for Audit Committees

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