Coney Minds

Happy Land
Ongoing Monitoring meets Ongoing Auditing

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Happy Land is a mindset, or better put: a State of Mind. Since 2005 I have been talking with directors, financial professionals, data experts and auditors about the matter of 'Ongoing Monitoring Meets Ongoing Auditing'. It is a magnificent playing field in which different stakeholders meet each other out of the same desire: having insight into critical corporate processes, transactions, performances and risk management in a smart, effective and efficient manner.
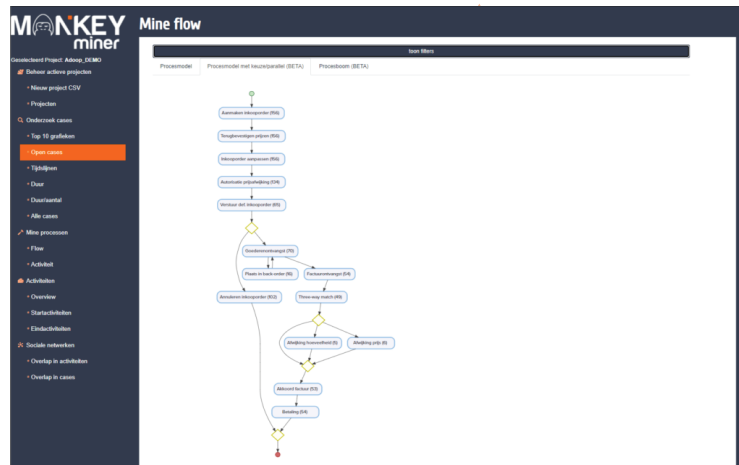

Image 1: Process mining met Monkey Mining

We have been searching for new balance between pace, accounting and transparency for years. The monitoring of strategic goals, critical corporate processes and transaction feeds has formed to be a process that takes place continuously in an increasingly fashion.In order to switch quickly in the business assurance domain, a rhythm has to come into existence between executing the process, the controlling tasks involved and the audit.
In 'Happy Land' this rhythm is found and all the work is performed out of a data-driven controlling framework. 'Happy Land' is what we call the setting that applies to Ongoing Monitoring meets Ongoing Auditing. In this analysis I will dive into the following questions:

- Which developments do we see in the year of 2021 and what does this mean for the involved participants of Happy Land?
- Which realistic opportunities are available for internal auditors, financial managers, business controllers and external auditors?
- Which parties have to cooperate rapidly in order to reach the 'Happy Land state of mind'?
- How do Ongoing Monitoring and Ongoing Auditing come together in a data-driven world?

"Stakeholders will want to have insight into the risks and performances of businesses more and more."

Challenging questions for a domain in which new technology in the areas of data-analytics, process mining, data visualization and machine learning takes place.

Of course the specialty of controlling the annual account is still primarily focused on the yearly auditor's report of an audit account that is composed by the board of a business.

That being said a yearly financial statement is still a 'snapshot'. The way to this snapshot is evolving to become more continuous, step by step. The opporOngoing monitoring by management versus a slow auditing process afterwards is no longer feasible. Contemporary technology offers big opportunities for the transformation of our industry into Happy Land.Since Rome wasn't built in a day either, we can pick up this process step by step. tunities to present figures that are 'first time right', are becoming better.

Because the process of internal auditing and controlling is increasingly becoming more 'ongoing', the surprises are being left out of the process. This is supported by working with a standardized framework and the usage of new techniques such as Machine Learning and Storytelling. Dashboarding is out, Story Telling is in.

HAPPYLAND IN A DATA-DRIVEN WORLD: RECENT DEVELOPMENTS

Call for more transparency, more insight

Stakeholders have a need for assurance. It used to aim for assurance regarding financial performance. However now the need grows for accounting regarding matters such as the robustness of corporate processes, power of innovation, risk management, sustainability and transparency within an enterprise.

On top of that we are seeing a hefty increase in the number of stakeholders within the Happy Land domain. Suppliers, buyers, supervisors, banks and the tax administrator:they all want more transparency, more insight into the ins and outs of a business.
Moreover, they want it all fast. Our conversations with stakeholders increasingly pivot towards the desire to move towards meaningful assurance. Meaningful, sustainable with a human touch, those are terms that are in accordance with the context of Happy Land.

By meaningful assurance we mean the following:

→ Going further than just (a gone overboard) focus on financial information.
→ Assurance that corresponds with the compass of a business.
→ Assurance that gives stakeholders the necessary relevant insights.

We see an improving balance of cooperation of different stakeholders within the 'Happy Land Domain'. This can be justified by implementing an integrated data foundation under the business assurance case/assignment. A data driven approach in which the application systems or the financial accounting do not take center stage, but rather the (ever changing) need for information and assurance. It is this mindset that brings us to Happy Land.

GETTING ON WITH ACCOUNTANCY AND THE ANALYTICS WORLD

"Our conversations with stakeholders increasingly include the need to move towards meaningful assurance."

NO BIG DATA, BUT SMART DATA, TRANSPARENT

Discussions revolving around Big Data see to it that we approach information in an entirely different way. Big Data doesn't prioritize how accurate or reliable the individually measured values are; the might of the number and the relation are far greater. That is interesting, but ultimately we want to make the transition between Big Data to Smart Data. How does Big Data relate to fit in the specific setting of individual organizations.

Simultaneously we see an essentially different way of information processing emerge. We no longer just build a goal-oriented analysis or model with data-analysis, but also work on analyze and decision-making algorithms originating from the 'unknown' need.

Thanks to machine learning we are able to add the new perspective of the factor 'discovering the unknown'. Through clustering the machine will autonomously search for outliers that we as Coney Minds wouldn't have been able to inquire.

As a results we don't just look from left to right, but also from right to left.

During the upcoming years the development of these (self-learning) algorithms will reinforce the philosophy of 'Happy Land'.

We have been establishing that many organization still miss the opportunities to extract useful information out of data. We would like to contribute to building tools and platforms in which information is being reproduced continuously. Platforms that are accessible for external information users.

Image 2: Example of a dashboard with "Smart Meters" based on Alteryx
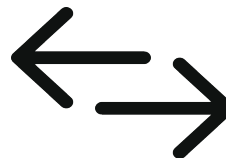
The accountant is one of these users. Within this, the role of today's accountant is more validating and 'story-telling' in order to share results. Be aware, the same goes for a CFO or controller. Surely all of these roles are inhabitants of Happy Land which is built on the basis of one and the same data fundament.

On top of this data fundament a link is being made to what we call tailor-made assurance. Relevant stakeholders will have ongoing access to a Happy Land Assurance platform.

A WORLD FULL OF DIGITAL NETWORKS

Despite Big Data, Machine Learning and Artificial Intelligence (marketing)violence it is a fact that a lot of potential of digital files and networks remain untapped. That is an old subject, but a subject that a lot of businesses still grapple with nonetheless. This results into cases of data accessibility, data quality and data sharing with internal or external auditors for instance. This struggle revolving around the further optimizing and computerization of corporate processes is about just as big.

Naturally within an organization the administration is strongly automated, but in and between organizations a lot is still being done on paper and/or manually. Information about and in chains of businesses is still a scarce asset and remains in what we like to call a 1:1 environment.

Nonetheless it is not possible for us to hide behind "yes but's". We don't do that anymore: we see more and more positive developments with regard to the aforementioned (business) cases.

Developments revolving around data-wrangling, smart data(stekkers?sockets?) and links and the application of Python already enables more businesses to connect with each other through ingenious data networks.

In a world in which businesses are connected digitally, there is no more a case of 1:1 connections, but of N:N connections. Data is interchangeable, quick to share and out of all this data insights can be generated that tell something about the entirety of businesses and chains that cooperate. That is Smart Data in its purest form, food for the inhabitants of Happy Land.
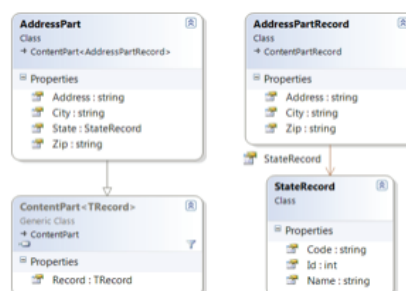
By having said so, the following questions arise:

→ What does this mean for the case of Ongoing Monitoring and Ongoing Auditing?

→ Wat does this mean for accounting and transparency?

→ Will external accountants issue an auditor's report for the whole chain? (chain assurance)

→ Will the parties in the chain in fact more and more cooperate in a data-driven manner and share their expertise/knowledge?

→ What responsibility is preserved by a Board regarding data and assurance in data systems that are being shared with other businesses in the chain?

→ Are we shifting from single assurance towards joined assurance by a collective responsibility of (the) board, IT architects, auditors and data scientists?

→ How will a Smart, Happy Land, Data-driven IT landscape look like in the near future?

We could make it fairly large or small instead. We believe that a combination of ongoing monitoring(internal perspective), the yearly check of the financial statements and looking broader at the performance of a business(cooperation within the chain, sustainability) all together forms 'Happy Land'. Direct access to relevant and reliable corporate information.

Obviously we are no Big-4, we are an Accountancy & Analytics company of 30. However within the Coney Minds team we already work with methods to realize the Happy land step by step. Happy land can grow, the inhabitants might change, technology does keep on changing, but Coney Minds adapts and grows along. We have to look at the challenges altogether.

TRANSPARENT AND MAGNIFIED

As a result of the growing availability of information and the speed in which it can be shared, businesses increasingly operate in a glass world. Companies that cannot provide assurance or having their transparency and integrity questioned quickly get into the spotlights. Failing CEO's, CFO's and supervisory board are cracked down hard in the media. A development(macro, micro, social and/or financial) appearing innocently may lead to the first crack in the window which rapidly leads to massive breaks or tears.At that point Happy Land is far away and events will simply be scrutinized. The saying: "Trust is good, control is better" is the applicable theme here as well.

WHAT CAN WE LEARN FROM SOCIAL MEDIA WITH REGARD TRANSPARENCY?

Just like other people, we like to spread ideas, share and rate experiences through social media and other platforms. A ton of fun. This deals with reliability and assurance as well. We like to think in terms of ratings, kudos and likes. The Social Media Mindset can be defining for our trust in a business. Elon Musk is able to tweet the stock of Tesla up and down by one tweet. A fraud case goes viral within 24 hours. Social media will not take over the role of assurance, but simultaneously we actually do derive trust from social media ratings. Just see for yourself. What do you tend to trust more? A rating from TripAdvisor as assurance provider in the travel and hotel industry, or a signature of some random accounting firm? The transparency matter that serves as part of Happy Land enables us to think about how the users of data can estimate the quality of information sharing that they receive out of the Assurance Platform.

FROM DATA-DRIVEN TECHNIQUES TO ONGOING MONITORING

Behind all these developments lies a waterfall of innovations at the intersection of data, data analysis, data mining, algorithms intelligence, IT-technologie en assurance. Leaving exceptions and small initiatives aside, the professional group of accountants successfully manages to ignore this myriad of innovations for the most part. As Coney Minds we want to boost this discussion by putting our heads together and help to further build it as Happy Land is our challenge.

Because in those innovations a lot of developments are hidden that can have fundamental consequences for assurance. This is something that obviously is not being prioritized by the media and the debate regarding assurance.

Around the monitoring of corporate processes we can see the robust steps being taken towards ongoing monitoring by the application of data-driven techniques. The connection with internal and external auditors and other relevant stakeholders however still is very limited. In order to be successful in Happy Land altogether, it is necessary to pain attention to this connection.

However what we see is that stakeholders are insufficiently connected in order to be and remain a part of the current and prospective, data-driven world. To that regard we can make great strides together by sharing and discussing principles of an integrated platform and the ideals of Happy Land.

Adding assurance to data offers great opportunities for a fairly diverse group. This however requires a radically different outlook on the role and service of internal auditors, external accountants, C-level, Business Managers and supervisors. Because it is not merely the role of external accountants with regard to businesses and their relation to providing assurance that is being questioned (stirred up by a series of accounting and fraud scandals).

The societal call for openness and the desired tempo of disclosures applies to all inhabitants of Happy Land.

A Figure 3: Example of visual analysis from Assurance Platform with which we enter into a dialogue with stakeholders

The question now being how this group of inhabitants can collectively add assurance to information that is not just quicker but also shared in a more widely fashion with a group of stakeholders whose needs are diverse.

In our opinion we should seek the answer in vision, leadership, computerization, connection, cooperation, data techniques and the power of storytelling.

TOWARDS A MEANINGFUL ASSURANCE

In our vision we don't just generate and check information ad hoc or periodically, but we continuously provide tailor-made information for all stakeholders. In order to achieve this, we integrate internal and external data. It is no longer a choice between a yearly financial statement checked by the accountant or real-time management information without any assurance, it is both at the same time! It is adding assurance to financial data but also to smart corporate processes, fraud prevention, health for people all around the world, sustainability and innovation.

As Coney Minds we like to take it a step further by for instance providing assurance/assurance with regard to the 'happiness ratio' of a business. Happy businesses tend to live longer. A different way to look at continuity indeed. Others call this soft controls. It is an often visited topic, but in reality we don't see a lot of assurance being derived from soft controls.

ASSURANCE AND RELEVANCE

We believe that the term assurance should not just define whether information is right, as it just as well deals with whether the offered information is relevant or not. We have a conception about modern criteria to offer assurance, but we would like our stakeholders to define the criteria instead. This means that we are willing to invest in the building of what we as Coney Minds like to call transparent assurance platforms with assurance-providers and assurance-purchasers in the chain.

Relevant stakeholders(under which supervisors as supervisory board, governments and tax authorities) can log into these platforms and obtain assurance regarding themes they deem relevant. For analysts this could be the daily financial statements, for investors insight into real-time cash flows, for new suppliers insight into the solvability of a potential client and for applicants the insight into the happiness ratio of his/her future colleagues.

A CHAIN OF OPPORTUNITIES

In our experience the discussion should quickly shift towards the attainment of a broadly supported vision that can aim on being able to provide the assurance of relevant information for a wide audience. A vision that relies on the power and relevance of Big Data and of open data combined with privacy laws, data-security, hacking and ethics. In our opinion Happy Land is the answer to all this.

Coney Minds likes to boost this debate. Together with purchasers of assurance we like to converse about what assurance truly entails. For which subjects and areas of focus do stakeholders seek assurance regarding the relevance and accuracy of available real-time and shared information? An answer that varies for each business.

The group of professional accountants cannot do this alone and has to involve all parties in the chain i.e. IT-architects, boards of supervisory directors, IT-auditors, sustainability specialists, data scientists and accountants of the new generation.

Tomorrow's assurance provider contributes to the platform and algorithms that disclose, validate and visualize information. In our perception these can be auditors.

Besides this new auditor provides assurance regarding the information which is the result of the process of unlocking data and sharing and enriching with open data and Smart Data.

The leap of checking the yearly financial statements towards Happy Land might be big, but if assurance parties won't do it, other parties certainly will.

If the accountancy profession cooperates with the IT-world, radically overthrows the education of accountants, seeks out auditors that look further than just numbers and have feelers for subjects that truly matter and those who understand what meaningful assurance truly is, then there are beautiful opportunities readily available for an independent professional who claims his role in a data-driven world.
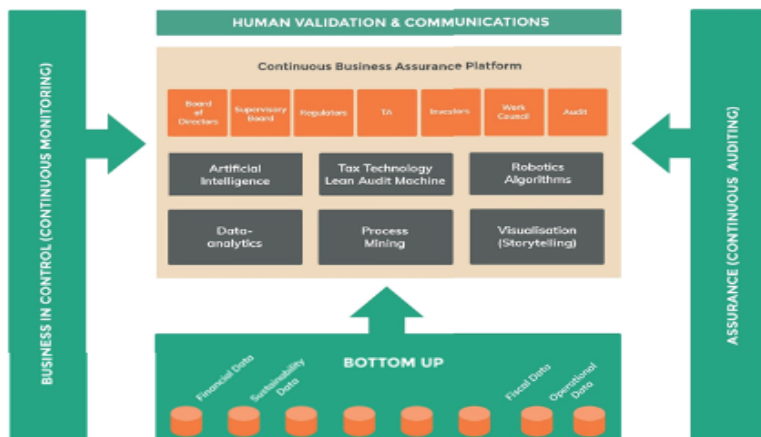
Afbeelding 4: Het Continuous Business Assurance Platform

FROM INTERNAL TO EXTERNAL

An important aspect regarding a wider assurance is the connection between the internal perspective(the wider matter of internal control) and the external perspective (the assurance question). This connection requires:

- A univocal term about the manner in which businesses give shape to the internal controlling need and assurance providers asses this matter.
- The aforementioned rhythm when it's about picking up simultaneously.

The connection is established when assurance can be attained about the arrangement of management information. The process around attaining assurance starts out of the internal perspective and goes forth into the attainment of external assurance.
In this process we as Coney Minds see the following tasks:

-The validated disclosure of (financial and non-financial) information from corporate processes that are reported with high frequency.
-Challenging the nature of this information, connecting of data which consequently discloses links and developments.
-Make statements about the quality of data and the extent to which the retrieved information out of this data contributes to the internally outlined controlling targets.
- The sharing of management information all the corresponding data sources with external assurance providers.

We call that: Management Reporting 3.0.
Ongoing monitoring, Ongoing auditing, internal control and cooperation within the chain are the keywords when it comes to meaningful assurance. Coney Minds chooses an approach from the top ("top-down") and helps with the realization from the data ("bottom-up"). In this way organizations get their hands in the data and their heads in the control of processes and strategic objectives. Although it seems as if the whole world is increasingly focused on data, we realize that the human aspect always remains more important. That is why we are happy to contribute to the creation of critical thinking around the use of information products by organizations.

BRIDGE TO CONEY MINDS SERVICE

PART OF THE CHAIN

Data is the foundation of a robust and swift internal controlling environment. In order to monitor the internal data streams with connection to management information, an internal director is needed who, during the validating process, is able to switch between:

- The business that uses data-analysis to make decisions;
- Finance & Business control, in order to establish whether the yielded information suffices;
- Risk managers, in order to recognize patterns in support of her tasks;
- Compliance managers, in order to detect unwanted behavior;
- Internal auditors, by giving shape to the execution of audits;
- The IT department, in order to establish the functioning of the systems and validate the risks revolving data quality and availability.

We train Auditors and Controllers in the application of data-analysis and process mining as part of their task and assurance needs.

AUDITING - DATA DRIVEN, PEOPLE MINDED

Since 2005 we have been controlling small and medium-sized enterprises that are open towards our data-driven mindset. We brainstorm about themes that we point out in this analysis. We are always open for new collaborations out of the role as auditor.

FROM DATA TO STRATEGIC GOALS AND VICE VERSA

In the SME department we build smart indicators that give insight into relevant performances and risks. With larger organizations we realize a concept aimed on a close-to-real -time monitoring of risks, controls and performances. We do this by data-driven controlling frameworks and by looking for cooperation between the role of governance, internal auditing, external auditing and the business management case.

We support businesses by designing Management Reporting 3.0 and ongoing monitoring solutions.

"Despite how it may seem that the whole world increasingly focuses on data, we realize that the human aspect is more important in every case."

TRAINING OUT OF A DATA DRIVEN MINDSET

Colleges and universities will have to educate a new generation of auditors, controllers and financial directors out of a data driven mindset. Coney Minds supports this for instance by giving input for the design of curricula in which the connection between data, processes, management and control takes center stage. Through our Coney Inspiration sessions we focus even more on the question of meaningful assurance and analytics. The answers for these questions is different for each business. These are for instance reliant on the size of the business, the ambitions to grown, the market, the typology, the public interest and the wishes of the board.

GETTING ON WITH ACCOUNTANCY AND THE ANALYTICS WORLD

One thing is for sure: the annual check of the financial statements is no longer sufficient. Classical internal controlling is not either. We want to get on with it and utilize the opportunities that are largely available. An innovative vision and a wide cooperation within the chain is necessary in order to anticipate on the actual assurance needs of society. All stakeholders are provided with relevant and accurate information about the business, at every given moment. We will do whatever it takes to convince regulators and educational institutes that changing course is necessary with regard to accountant controlling.

CONCLUSION: ON OUR WAY TO HAPPY LAND IN SMALL STEPS

Coney Minds helps organizations to realize a framework that will enable them to manage daily risks and operational processes. We do this under the banner of: "Ongoing Monitoring meets Ongoing Auditing". We encourage our profession to decisively concern themselves with the developments around such as artificial intelligence and blockchain, but also to aim closer at home with the developments of algorithms of process mining and smart indicators.

The building of "Happy Land" has begun!

Coney
Minds
Data Driven Accountancy & Analytics. Relevant Business Insights.

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