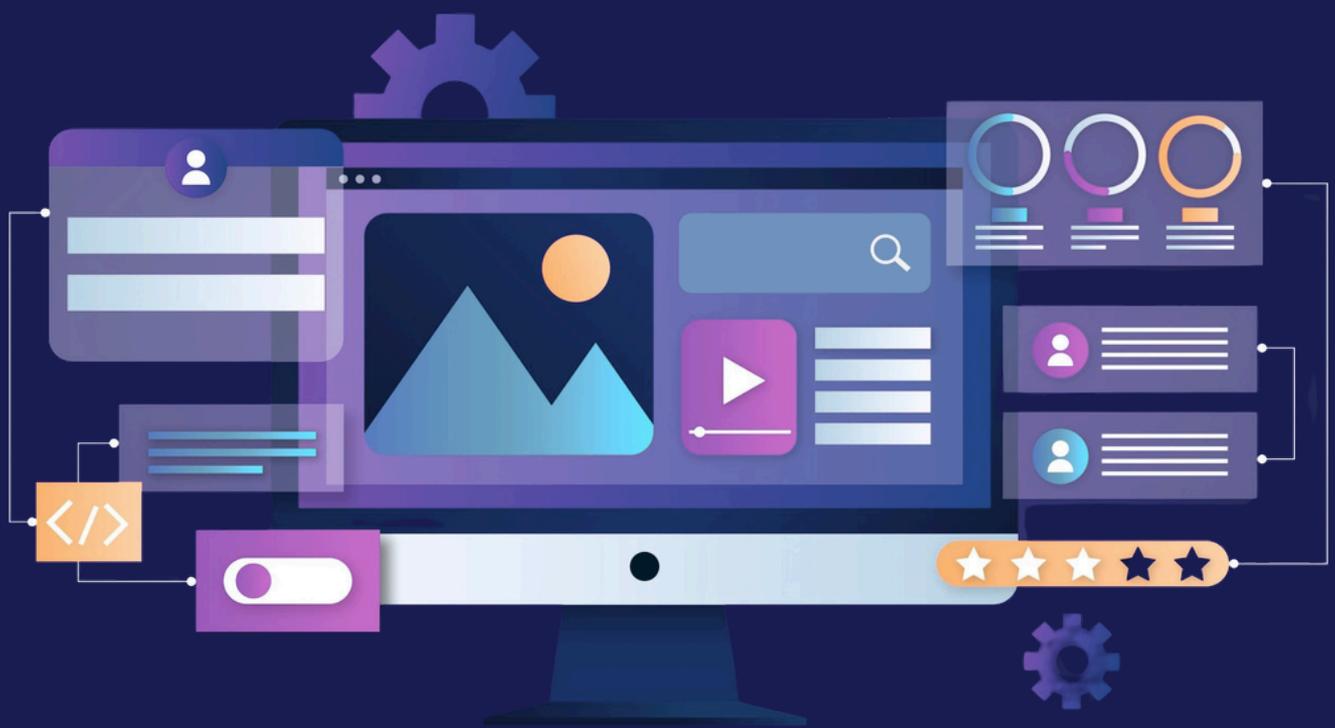
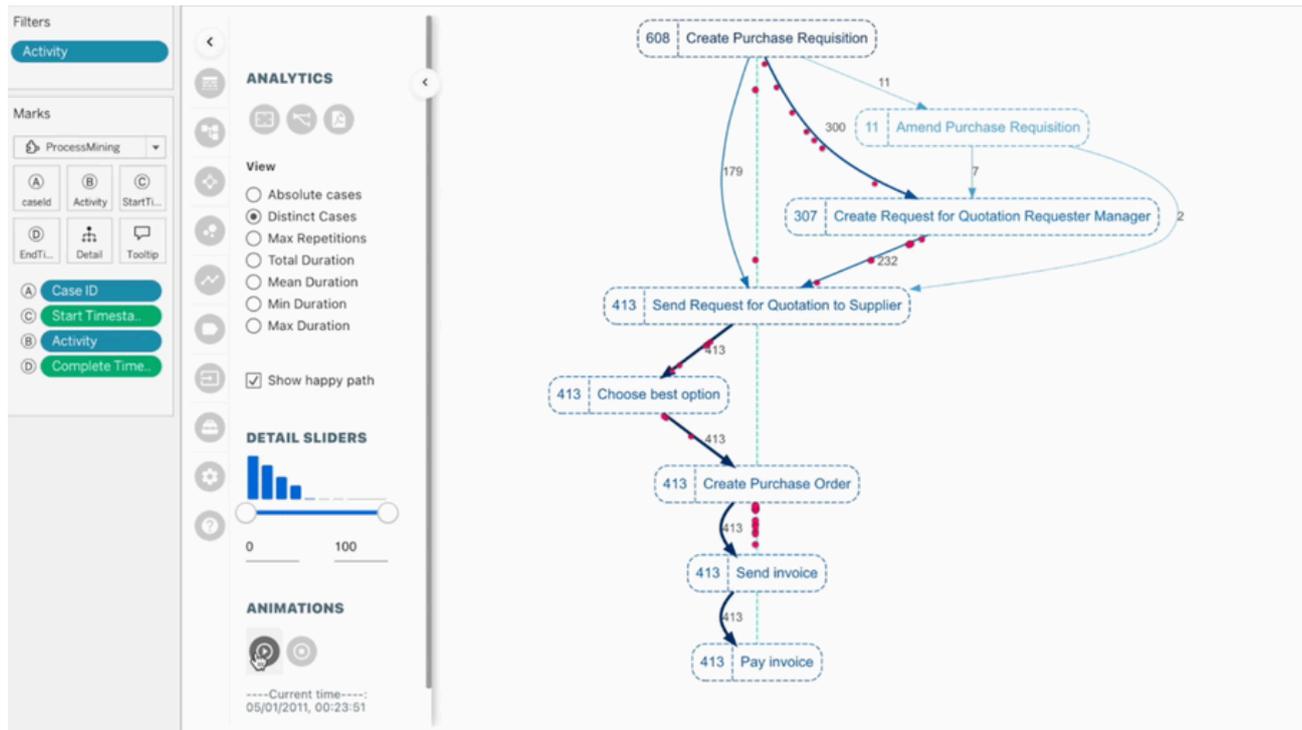


# HAPPY LAND

## ONGOING MONITORING MEETS ONGOING AUDITING



Happy Land is a mindset — or better yet, a state of mind. Since 2005, I have been discussing the question of ‘Ongoing Monitoring Meets Ongoing Auditing’ with executives, finance professionals, data experts and auditors. It is a fascinating playing field where different stakeholders meet around a shared ambition: gaining insight into critical business processes, transactions, performance and risk management in a smart, effective and efficient way.



For years, we have been searching for a new balance between speed, accountability and transparency. Safeguarding strategic objectives, critical business processes and transaction flows is increasingly becoming an ongoing process. To respond quickly within the business assurance domain, a rhythm must emerge between the execution of processes, control activities and the audit.

In ‘Happy Land’, that rhythm has been found and work is carried out within a data-driven control framework. The environment in which Ongoing Monitoring meets Ongoing Auditing is what we call ‘Happy Land’.

In this analysis, I address the following questions:

- What developments are we currently seeing, and what do they mean for the stakeholders involved in Happy Land?
- What realistic opportunities exist for internal auditors, financial managers, business controllers and external auditors?



- Which parties need to start collaborating 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 increasingly want more insight — and faster insight — into the risks and performance of organizations.’**

Challenging questions for a profession in which new technologies such as data analytics, process mining, data visualization and machine learning are taking an increasingly robust place.

Of course, the field of auditing financial statements is still primarily focused on the annual auditor’s report accompanying the financial statements prepared by a company’s management. As such, financial statements are still very much a snapshot in time.

However, the path toward that snapshot is increasingly becoming ongoing, step by step. The possibilities for presenting figures that are first time right are steadily improving. As internal control and internal governance processes become ongoing, surprises are gradually eliminated from the process. This is reinforced by working with standardized data frameworks and by applying new techniques such as machine learning and storytelling. Dashboarding is out; storytelling is in.

Ongoing monitoring by management versus a slow, retrospective audit process is no longer sustainable. Today’s technology offers major opportunities to transform our sector toward Happy Land. And since Rome was not built in a day, we can move toward this together, step by step.



## Happy Land in a data-driven world: current developments

### Call for more transparency, more insight

Stakeholders need assurance. Where this was once primarily focused on assurance regarding financial performance, the demand is now growing for accountability in areas such as the robustness of business processes, innovative capacity, risk management, sustainability and transparency within an organization.

At the same time, we see the number of stakeholders within the Happy Land domain increasing significantly. Suppliers, customers, regulators, banks and tax authorities all want greater transparency and more insight into how an organization operates — and they want it quickly. In our conversations with stakeholders, the desire to move toward meaningful assurance comes up more and more often. Meaningful, human-centred, sustainable — these are terms that fit well within the context of Happy Land.

By meaningful assurance, we mean assurance that:

- Goes beyond a sole focus (or an overly narrow focus) on financial information.
- Aligns with the strategic compass of the organization.
- Provides stakeholders with the relevant insights they need.

In practice, we are seeing an improving balance in the collaboration between the various stakeholders within the 'Happy Land domain'. This development can largely be explained by the implementation of an integrated data foundation underlying the business assurance challenge. It is a data-driven approach in which the focus is not on application systems or purely on financial reporting, but on the evolving information and assurance needs.

That mindset — that state of mind — is what brings us to Happy Land.

### Taking decisive action in the accounting and analytics world

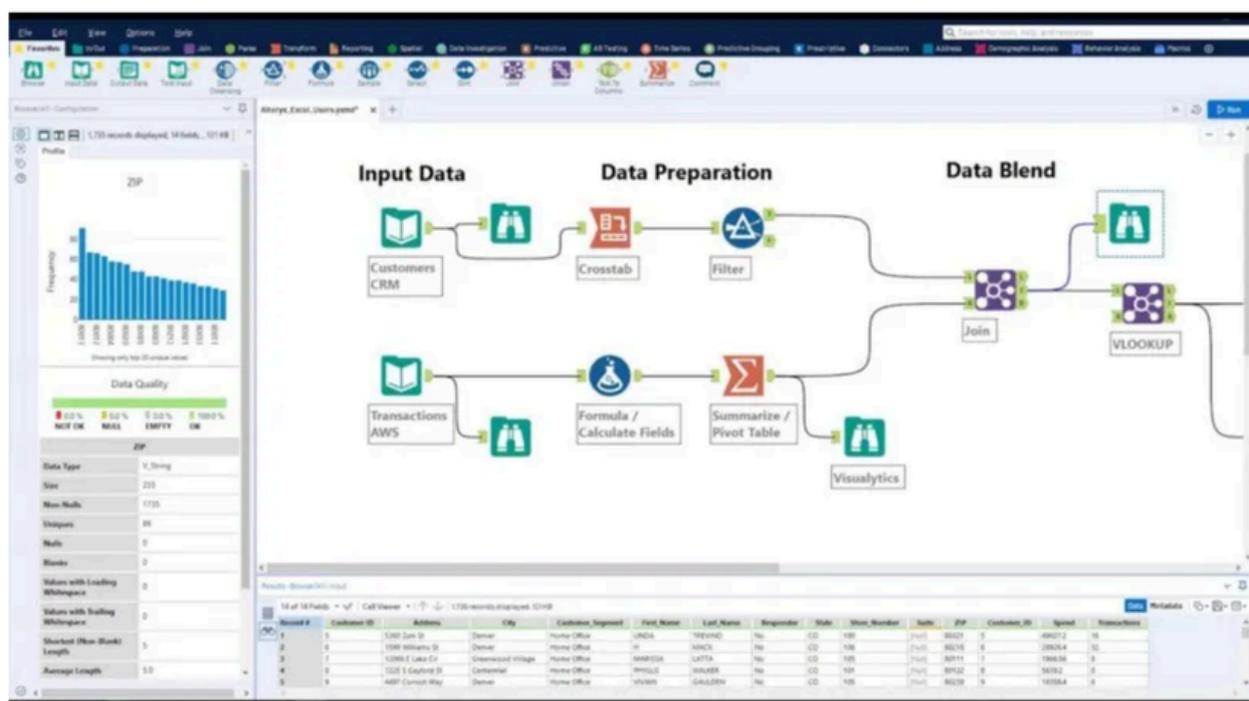
**'In our conversations with stakeholders, we increasingly hear a desire to move toward meaningful assurance.'**



## No Big Data, but Smart Data, transparent

Discussions around the theme of Big Data are changing the way we approach information. With Big Data, the focus is much less on the accuracy or reliability of individual observations; the power of volume and correlations becomes far more significant. That is interesting, but ultimately we want to move from Big Data to Smart Data. How do these Big Data correlations apply within the specific context of individual organizations? We observe that many organizations are still missing opportunities to extract valuable insights from their data. We would like to contribute to building tools and platforms in which information is continuously reproduced and refreshed — platforms that can also be accessible to external users of information.

At the same time, we see a fundamentally different way of processing information emerging. We are no longer only building targeted analyses or models through data analysis; we are also developing analytical and decision-making algorithms starting from the 'unknown' question. With machine learning and AI analytics, we can (in the near future) add a new perspective: discovering the unknown. Through clustering, machines can independently search for outliers that we, even with all our Coney Minds expertise, might never have thought to ask for. In other words, we no longer look only from left to right, but also from right to left. In the coming years, the development of these (self-learning) algorithms will further strengthen the Happy Land philosophy.



Alteryx Workflow



The auditor is one of these users. Within this environment, today's auditor takes on a much more validating and storytelling role when sharing results. But note that the same applies to a CFO or controller. After all, all of these roles are inhabitants of Happy Land, which is built on a single, shared data foundation.

On top of this data foundation comes a connection to what we call tailored assurance. Relevant stakeholders will soon have ongoing access to a Happy Land assurance platform.

## **World filled with digital networks**

Despite the marketing buzz around Big Data, Machine Learning and Artificial Intelligence, the reality is that much of the potential of digital files and networks still remains untapped. This is not a new topic, but it is one that many organizations still struggle with. It manifests itself in challenges around data accessibility, data quality and data sharing, for example with internal and external auditors. The struggle to further optimize and digitize business processes is roughly just as significant.

Of course, administrative systems within organizations are often highly automated, but between organizations many processes are still paper-based and/or manual. Information within and across chains of organizations is still relatively scarce and therefore remains what we would call a 1:1 environment.

At the same time, none of us can hide behind "yes, but..." anymore. And in practice, we no longer do. We see increasingly positive developments around the issues mentioned above. Developments in data wrangling, smart data connectors and integrations, the use of Python and new AI applications are already ensuring that more and more organizations are becoming connected through sophisticated data networks.

In a world where organizations are digitally connected, relationships are no longer 1:1, but N:N. Data can be exchanged, data can be shared quickly, and from all this data insights can be derived that say something about the entire network of organizations collaborating in chains and ecosystems. This is Smart Data in its purest form — nourishment for the inhabitants of Happy Land.

This raises the following questions:

- What does this mean for the challenge of Ongoing Monitoring and Ongoing Auditing?
- What does this mean for accountability and transparency?
- Will external auditors in the future issue an audit opinion for an entire value chain (Chain Assurance)?



- Will parties within the value chain increasingly collaborate and share knowledge in a data-driven way?
- What responsibility does a Board have in safeguarding data and assurance within data systems that are shared with other organizations in the chain?
- Are we moving from single assurance toward joined assurance, through a shared responsibility of boards, IT architects, auditors and data scientists?
- What will a smart, Happy Land, data-driven IT landscape ultimately look like?

We can make it very big or very small. In our view, the combination of ongoing monitoring (the internal perspective), the audit of the financial statements, and a broader view of organizational performance (including collaboration within the value chain and sustainability) together form 'Happy Land': direct access to relevant and reliable business information.

We are, of course, not a Big Four firm. We are an Audit, Accountancy & Analytics boutique firm with a team of around thirty people. But within the Coney Minds team, we are already working with methods to make Happy Land a reality step by step. Happy Land can grow, its inhabitants may change, and technology will continue to evolve — and Coney Minds will evolve with it.

Ultimately, we will have to face these challenges together.



## Transparent and magnified

As a result of the growing availability of information and the speed at which information can be shared, organizations increasingly operate in a glass world. Companies that cannot provide assurance, or whose transparency and integrity are called into question, quickly find themselves in the spotlight. Failing CEOs, CFOs and Supervisory Boards are firmly scrutinized in the media.

An apparently harmless development (macro, micro, social and/or financial) can quickly grow from a first “star in the window” into rapidly developing, deep cracks and fractures. In such cases, Happy Land is far away and events simply come under a magnifying glass. “Trust is good, control is better” remains the common thread here as well.

## Wat can Social Media teach us concerning transparency?

Through social media and other platforms, we as individuals spread ideas, share experiences and evaluate those experiences. Fun — but it also relates to reliability and assurance. We think in terms of ratings, kudos and likes. The social media mindset can influence the level of trust we place in a company. Elon Musk can move Tesla’s share price up or down with a single tweet. A fraud incident can go viral within 24 hours.

Social media will not replace the role of assurance. At the same time, we do derive a certain level of trust from social media ratings. Just think about it: what do we already trust more today — the rating on Tripadvisor as an assurance provider for the travel and hospitality industry, or the signature of a random accounting firm? As part of Happy Land and the broader transparency discussion, we can now start thinking about how users of data can evaluate the quality of the information they receive from an assurance platform.

## From data-driven techniques to ongoing monitoring

Behind all these developments lies a cascade of innovations at the intersection of data, data analytics, data mining, algorithms, artificial intelligence, IT technology and assurance. With a few exceptions and small initiatives aside, the accounting profession still largely manages to ignore this cascade. At Coney Minds, we want to stimulate this discussion; thinking about — and helping to build — Happy Land is our challenge.

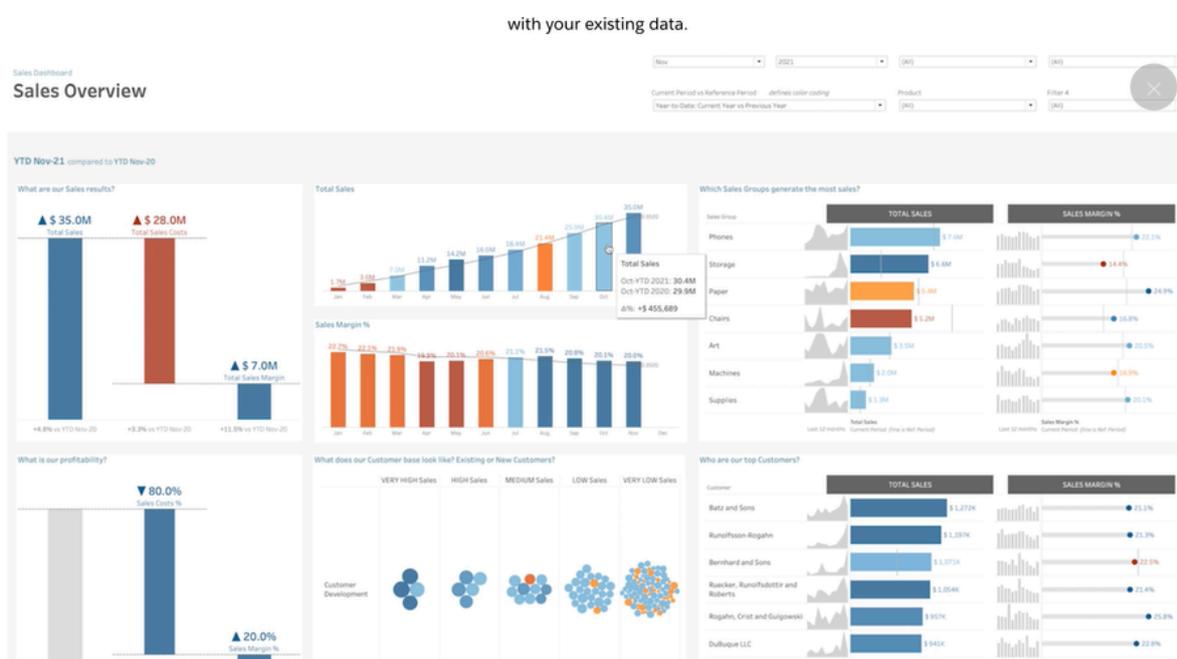
Because within these innovations lie developments that will have far more fundamental consequences for assurance — developments that receive far less attention from the media and in the broader debate on assurance.



Around the monitoring of business processes, we now see robust steps toward ongoing monitoring through the use of data-driven techniques. However, the connection with internal and external auditors and other relevant stakeholders is still very limited. To be successful together in Happy Land, it is essential that attention is given to strengthening this connection.

What we currently see is that stakeholders are still insufficiently connected to fully participate in — and remain part of — the current and future data-driven world. We can take steps together by sharing and discussing the principles behind an integrated Assurance Platform and the ideals of Happy Land.

This is precisely where opportunities lie for a broad group: adding assurance to data. Achieving this requires a fundamentally different view of the roles and services of internal auditors, external auditors, C-level executives, business managers and regulators. It is not only the role of external auditors — in relation to companies and in providing assurance — that has come under scrutiny, partly fueled by a series of accounting and fraud scandals. Society's growing call for openness and the demand for faster access to information apply to all inhabitants of Happy Land.



The question, therefore, is how this group of inhabitants can jointly add assurance to information that must not only be shared more quickly, but also more broadly, with an ever-growing group of stakeholders — each with their own questions. In our view, the answer lies in vision, leadership, digitalization, connection, collaboration, data techniques and the power of storytelling.



## Happy Land in a data-driven world: current developments

### Call for more transparency, more insight

In our vision of the future, we no longer generate and verify information periodically or ad hoc. Instead, information is made available continuously and in a tailored way to all stakeholders. To achieve this, we integrate internal and external data. It is therefore no longer a choice between the accountant-audited (but outdated) financial statements or real-time management information without any assurance — it is both at the same time. It means adding assurance not only to financial data, but also to areas such as intelligent business processes, fraud prevention, global health, sustainability and innovation.

At Coney Minds, we would even like to go a step further by, for example, providing assurance on the “happiness ratio” of an organization. After all, happy organizations tend to last longer — a completely different way of looking at continuity. Others refer to this as soft controls. It is a widely discussed topic, yet in practice we still see very little assurance being derived from soft controls.

### Security and relevance

We believe that in today’s society the concept of assurance no longer simply means that information is correct. It is at least equally about whether the information being provided is relevant. We have our own view on modern criteria for providing assurance, but we would prefer to let stakeholders themselves play a role in defining those criteria.

This means that, within the value chain of assurance providers and assurance users, we want to invest in building what we at Coney Minds call transparent assurance platforms. Relevant stakeholders — including supervisory bodies such as Supervisory Boards, governments and tax authorities — could log in to these platforms and obtain assurance on topics that are important to them.

For analysts, this might mean a daily financial statement; for investors, insight into real-time cash flows; for new suppliers, insight into the solvency of a potential client; and for job applicants, insight into the happiness ratio of their future colleagues.

### A chain of opportunities

In our view, the discussion should quickly move toward developing a broadly supported vision focused on providing assurance on meaningful information for a wide audience. A vision that

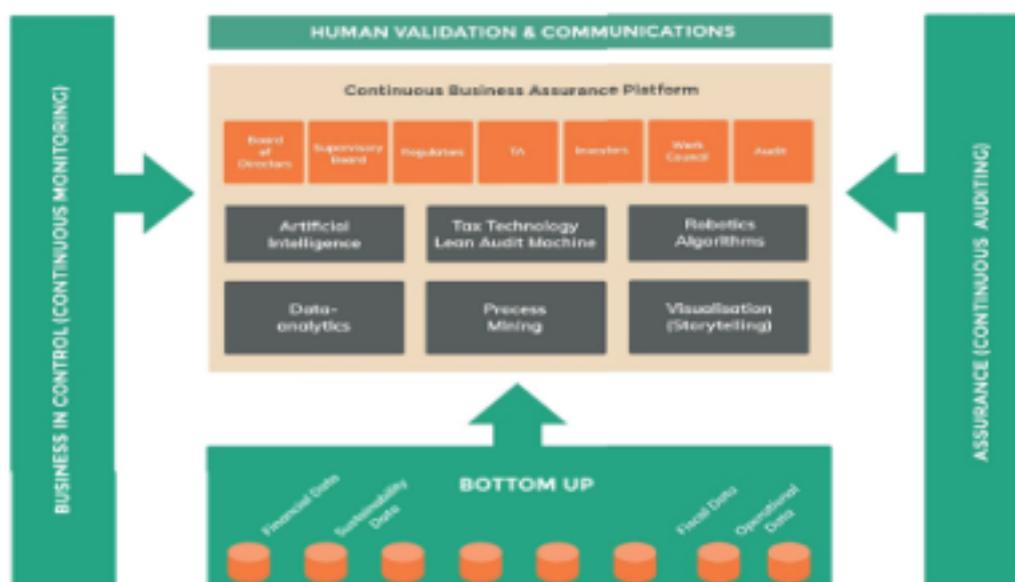


builds on the power and relevance of Big Data and open data, combined with privacy legislation, data security, hacking and ethics. In our view, Happy Land is the answer to this. Coney Minds is eager to stimulate this debate. Together with users of assurance, we want to discuss what meaningful assurance really means. On which topics and areas do stakeholders seek assurance that the real-time information being made available and shared is both relevant and correct? The answer will be different for every organization.

The accounting profession cannot achieve this alone and must involve all parties in the value chain: from IT architects to Boards of Directors and Supervisory Boards, from IT auditors to sustainability specialists, and from data scientists to the next generation of accountants.

The assurance provider of tomorrow will help build the platforms and algorithms that unlock, validate and visualize data. In our view, auditors can play this role. In addition, this new type of auditor will provide assurance over the information that results from the process of unlocking data, sharing it and enriching it with open data and Smart Data.

The step from auditing the financial statements to Happy Land may be a large one, but if assurance providers do not take it, other parties certainly will. If the accounting profession begins to collaborate with the IT world, radically rethinks its education, seeks out auditors who look beyond numbers alone and who are sensitive to the issues that matter — and who understand what truly meaningful assurance is — then significant opportunities arise for an independent professional who embraces their role in a data-driven world.



Afbeelding 4: Het Continuous Business Assurance Platform



## From internal to external

An important aspect of broader assurance is the connection between the internal perspective (the broader issue of internal control) and the external perspective (the assurance question). Establishing this connection requires:

- A shared understanding of how organizations structure their internal control frameworks and how assurance providers evaluate them;
- The previously mentioned rhythm when it comes to moving forward together at the same time.

This connection emerges when assurance can be obtained regarding the design of management information. The process of obtaining assurance begins from the internal perspective and continues toward obtaining external assurance. At Coney Minds, we see the following tasks within this process:

- Validating and unlocking (financial and non-financial) information from business systems that is reported with high frequency.
- Challenging the nature of this information and connecting data so that relationships and developments become visible.
- Providing opinions on the quality of the data and the extent to which the information derived from this data contributes to the defined internal control objectives.
- Sharing management information and the associated data sources with external assurance providers.

Ongoing monitoring, ongoing auditing, internal control and collaboration within the value chain are the key concepts when it comes to meaningful assurance. Coney Minds therefore adopts a top-down approach, while supporting implementation from the data upward (bottom-up). In this way, organizations work hands-on with their data while keeping their focus on the governance of processes and strategic objectives.

Even though it may seem that the entire world is becoming increasingly data-focused, we recognize that the human aspect will always remain more important. That is why we are committed to fostering critical thinking around the use of information products within organizations.

## Bridge to Coney Minds services

### Part of the chain

Data forms the foundation of a robust and fast internal control environment. To safeguard



To safeguard internal data flows in relation to management information, an internal director is needed who, during the validation process, coordinates with:

- The business, which uses data analysis to support decision-making;
- Finance & Business Control, to determine whether the information produced is sufficient;
- Risk managers, to recognize patterns that support their function;
- Compliance managers, to detect undesirable behavior;
- Internal auditors, in shaping and carrying out audit activities;
- The IT department, to assess the functioning of systems and validate risks related to data quality and availability.

We train auditors and controllers in applying data analysis and process mining as part of their responsibilities and assurance needs

## **Auditing - data-driven, people minded**

Since 2005, we have been auditing MKB+ companies that are open to our data-driven mindset. We regularly exchange ideas on the themes discussed in this analysis. We are always open to new collaborations from the perspective of the audit profession.

## **From data to strategic goals and vice versa**

In the MKB+ segment, we build smart meters that provide insight into relevant performance indicators and risks. For larger organizations, we develop a concept focused on close-to-real-time monitoring of risks, controls and performance. We do this by using data-driven control frameworks and by fostering collaboration between governance roles, internal audit, external audit and business management.

**'Even though it may seem that the whole world is becoming increasingly focused on data, we realize that the human aspect will always remain more important.'**

## **Educating from a data-driven mindset**

Universities and universities of applied sciences will need to educate a new generation of auditors, controllers and finance directors from a data-driven mindset. Coney Minds supports this effort, among other ways by contributing to the development of curricula in which the connection between data, processes, governance and control takes center stage.

With our Coney Inspiration Sessions, we focus even more strongly on the question of meaningful assurance and analytics. The answers to this question differ for every organization. They depend, among other things, on the size of the organization, its growth ambitions, the



market it operates in, its typology, its societal relevance and the wishes of the board.

## **Following through in the accountancy and analytics world**

One thing is certain: auditing the financial statements alone is no longer sufficient. Classical internal control is no longer enough either. We want to move forward and make use of the many opportunities that exist. An innovative vision and broad collaboration across the value chain are needed to respond to the real assurance needs of society: providing all stakeholders with relevant and reliable information about an organization — at any moment they require it. We will do everything we can to convince regulators and educational institutions that the course of the auditing profession needs to change.

## **Conclusion: on the road to Happy Land, one step at a time**

Coney Minds helps organizations implement a framework that enables them to manage risks and operational processes on a daily basis. We do this under the banner 'Ongoing Monitoring meets Ongoing Auditing'.

We encourage our profession to actively engage with developments around us, such as artificial intelligence and blockchain, but also with innovations closer to home, such as the development of process mining algorithms and smart meters.

**The building of 'Happy Land' has begun!**

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