

2018 IIA INDONESIA NATIONAL CONFERENCE

Nurturing Agile Internal Auditors in Disruptive Times

Building solid foundation for agile internal auditors
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BUILDING SOLID FOUNDATION FOR AGILE INTERNAL AUDITORS

Aloysius Kiik Ro

Deputi Bidang Restrukturisasi dan

Pengembangan Usaha

Kementrian BUMN



AGENDA



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Fundamental Attributes

1. DISRUPTIVE ERA : CHALLENGES ON INDUSTRIES

Disruptive Era and uncertain environment has effected the industries

“We stand on the brink of a technological revolution that will fundamentally alter the way we live, work and relate to one another. In its scale, scope and complexity, the transformation will be unlike anything humankind has experienced before.” (Prof. Klaus Schwab, Founder and Executive Chairman World Economic Forum)



2. WHAT IS AGILE ?



A term enclosing different methodology, tools, technique, practices and frameworks from traditional term



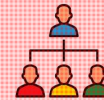
Initially, it was used by software developer company and its foundational document to compete



It is aimed to reduce cost and time delivery while improving quality



It is about delivering “best possible value” rather than “maximum possible value”



It enables organizations to cope with continuous change. It permits them to flourish in a world that is increasingly volatile, uncertain, complex and ambiguous



Agile’s emergence as a huge global movement extending beyond software company is driven by the discovery that the only way for organizations to cope with today’s turbulent customer-driven marketplace is to become Agile



In an Agile organization, self-organizing teams are continuously providing new value for customers



Agile is about empowering people, treating them as intellectual individual

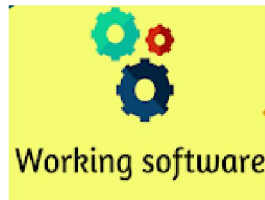
Agile Manifesto



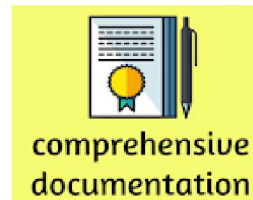
Over



It is the people who design, build, run and continually improve the systems



Over



It is never the documentation which is the end result, it is the (measurable) improved situation which you want to achieve, described as a formal user story



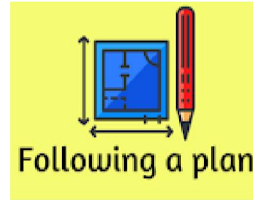
Over



If the Service Provider doesn't have the right attitude and customer orientation, he will always try to cheat the contract



Over



The big strength of agile methods is that they bring flexibility and stability in balance, they are able to achieve stability and flexibility at the same time on a high level.

We value the items on the left more

3. TRADITIONAL VS AGILE WAY

Traditional

Agile

Project management metaphor



Waterfall or sequential

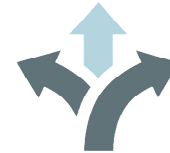


Iterative + adaptive + incremental

Process control model



Defined



Adaptive (empirical)

Working type



Understood before execution



Frequent inspection and adaptation

Input vs output



Well defined set inputs and outputs



Processes are accepted as imperfectly defined

Result



The result will be known by following pre-determined steps

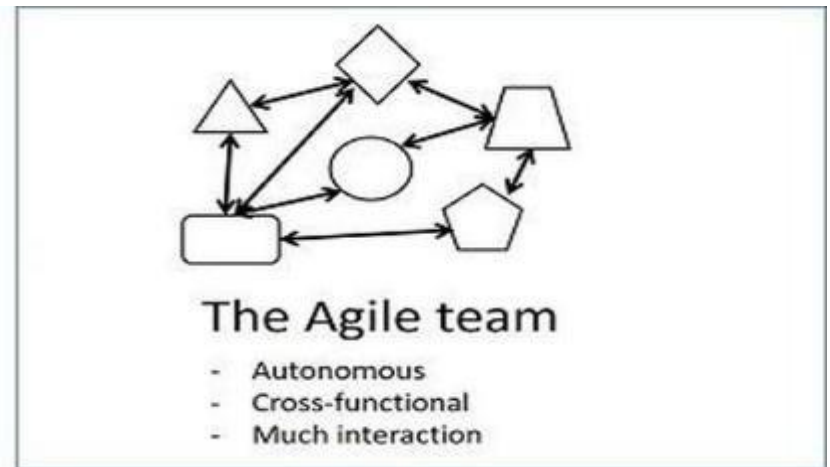
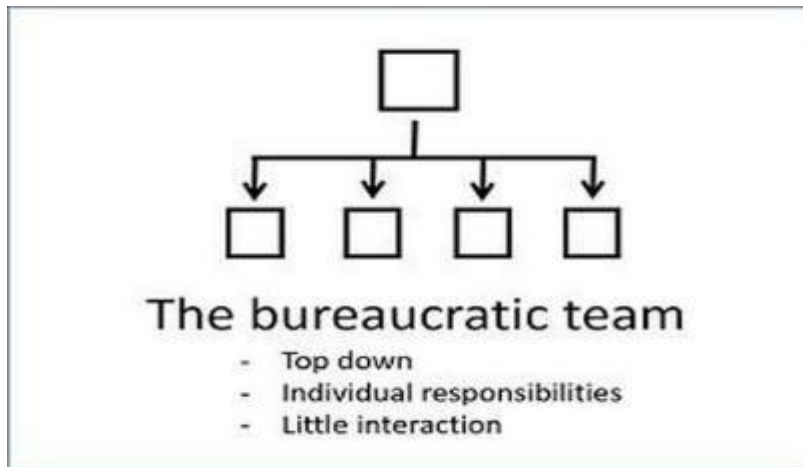


Outputs are often unpredictable and unrepeatable

4. THREE CHARACTERISTIC OF AGILE

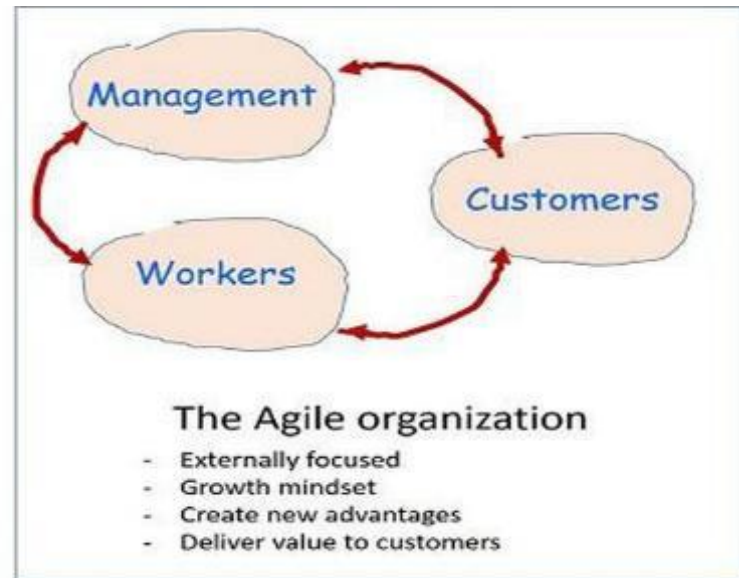
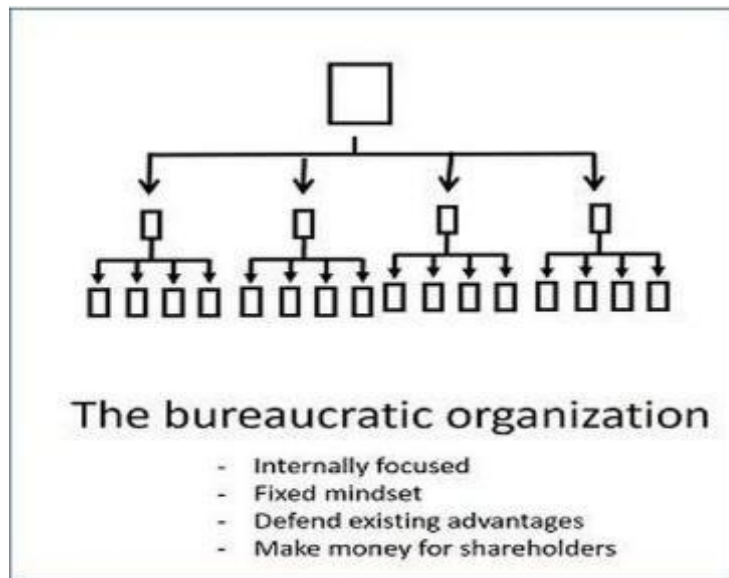
A. The Law of small team

- Small autonomous cross-functional teams working in short cycles
- Relatively small tasks and getting continuous feedback from the ultimate customer or end user
- There is no one in charge telling us what to do. We trust the other members of the team. That trust is rewarded by performance
- Face-to-face conversation sorts out any differences in point of view. Work becomes fun.



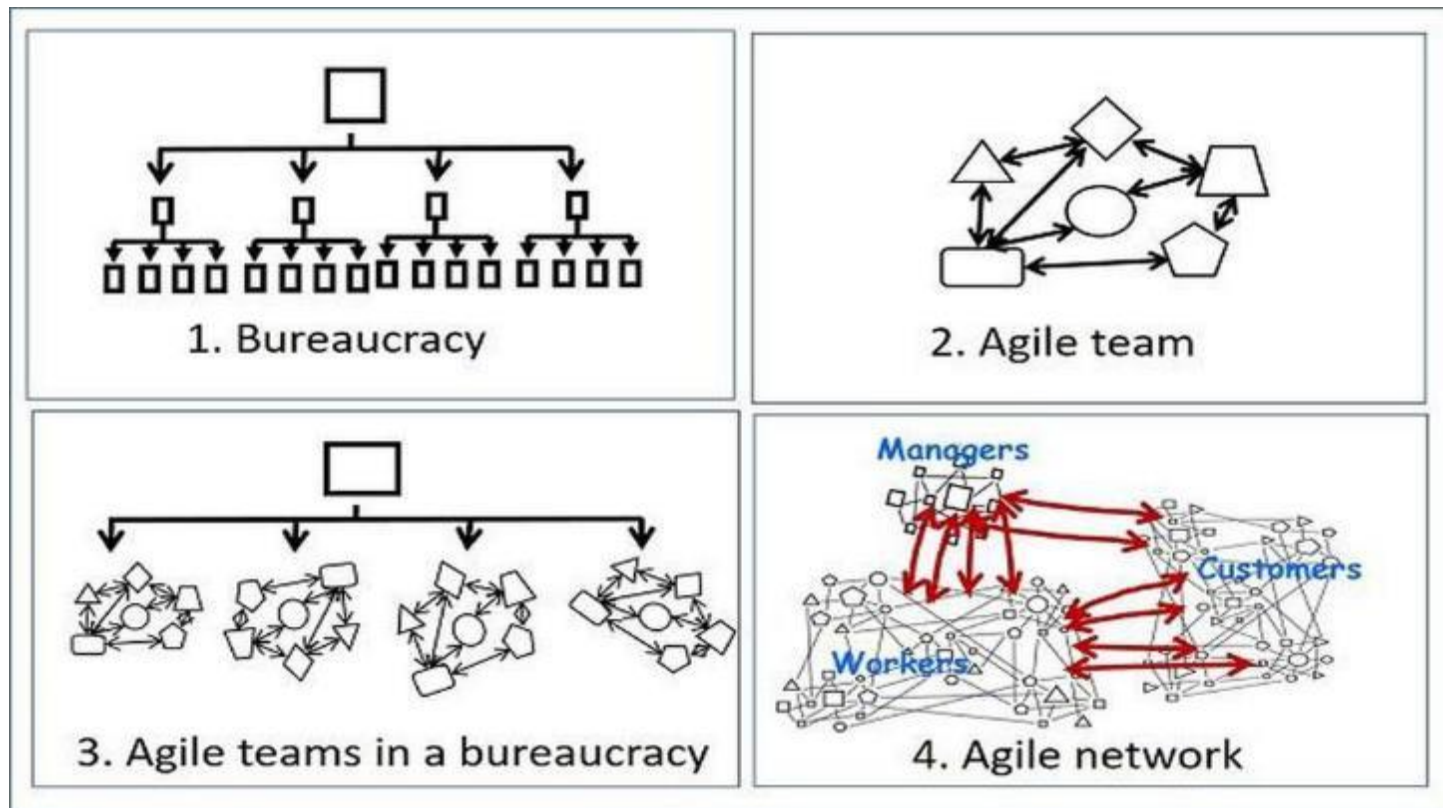
B. The Law of the customer

- The customer had become the boss
- Globalization, deregulation, and new technology, particularly the Internet, provided the customer with choices
- Suddenly the customer was in charge and expected value that is instant, frictionless and intimate



C. The Law of the network

- Instead of a steady state machine, the organization is an organic living network of high-performance teams
- Competence resides throughout the organization and that innovation can come from anywhere
- the whole organization shares a common mindset in which organization is viewed and operated as a network of high-performance teams.



5. CAN INTERNAL AUDIT BECOME AGILE?

The current image of internal audit



bureaucrats with green eye-shades,
who follow rules for rule's sake



finding tiny flaws, while consistently
missing the forest for the trees



They are the defenders of the rule
book, the fighters for compliance, the
true believers in bureaucracy



They are precisely the kind of people
who prevent large organizations from
becoming nimble



Report released by PwC, the multinational professional services network headquartered in New York, concludes that only 44% of internal stakeholders believe that Internal Audit is adding significant value. And the situation is getting worse. “Stakeholders reporting that Internal Audit adds significant value dropped from 54% in 2016 to only 44% in 2017,” the report says, “reaching its lowest level in the five years we’ve been tracking this metric.”

Source: PwC, “Staying the course toward true North: Navigating Disruption (March 2017)”

6. SEVEN KEYS FOR AGILE INTERNAL AUDITS

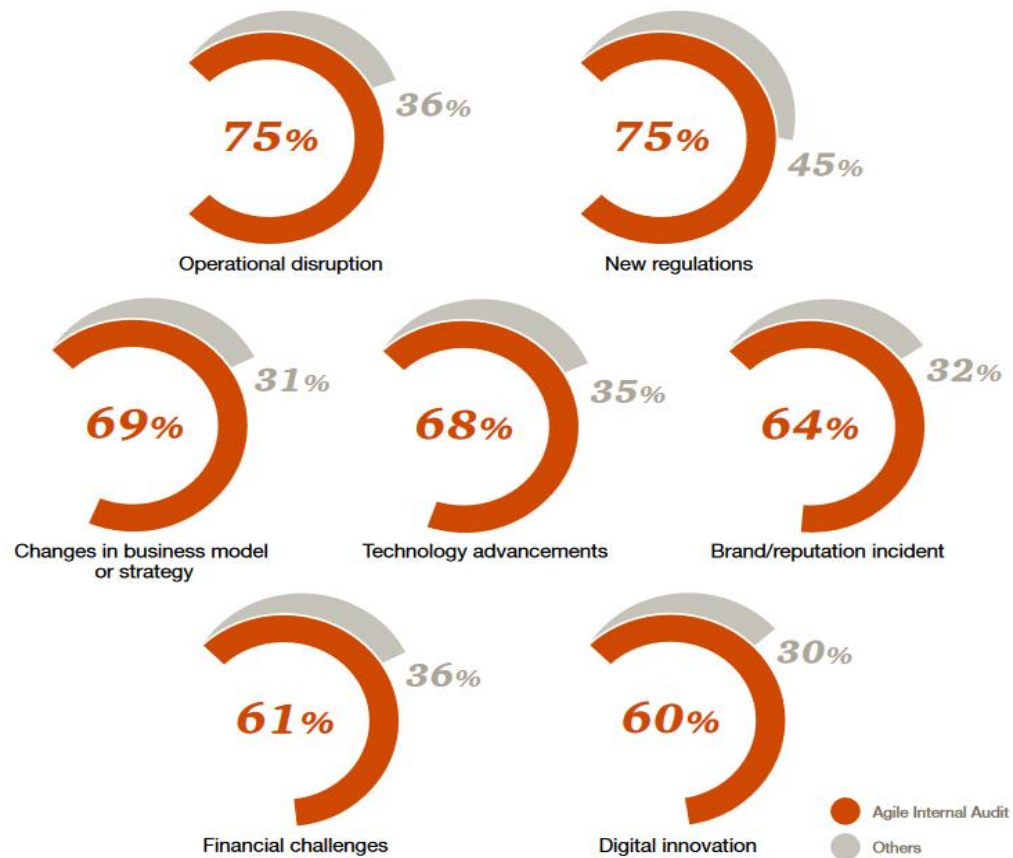
The Good News:



The Report also says : A significant slice of internal audit functions in the hundreds of firms surveyed—some 18%—are pioneering a better way and adopting an Agile approach to internal audits

Figure 5: Agile Internal Audit Functions are involved in many disruptors

Was Internal Audit involved in helping the company plan for, manage or respond to the disruption? (% who say Internal Audit was extensively or moderately involved)



According to the report, the seven keys that these Agile pioneers in internal audit are embracing are

First, active and broader involvement in disruption

The internal audit function is “helping their companies anticipate and respond to business disruption.” It is “more frequently involved in a broader range of disruptive events.”

Third, assessing the risk of future disruption

The Agile pioneers of the internal audit function are “determining which disruptions warrant additional attention, depending on how likely they are to occur as well as how significant of an impact they may have

Sixth, flexible planning

The Agile pioneers in internal audit recognize the need to “build the eventuality of disruption into planning and risk assessment. It’s impossible to identify all potential business disruptions, but one can be fairly certain that at least some will occur during the course of each year.

Second, being prepared and adaptive

The Agile pioneers in the internal audit function are “prepared and adaptive” and “ready to effectively lead in disruptive environments.”

Fourth, proactive involvement in disruptive events

For example, the Agile pioneers “more frequently provide a point of view around risks associated with disruptive events, either before they occur

Fifth, flexible talent management

A flexible talent model is no longer an innovation,” the report says. “It is a requirement

Seventh, meaningful collaboration with other lines of defense

The report says that “76% of Agile internal audit functions cohesively partner with other risk management and compliance functions to address disruption

7. FUNDAMENTAL ATTRIBUTES

8 fundamental attributes of a strategic internal auditor



Technology

- ✓ *Big data*
- ✓ *Cyber security*
- ✓ *Forensic Data Analytics*

1



Cost Effectiveness

Memastikan beban biaya tetap relevan dan sudah *Best Practice*

2



Service Culture

Memperhatikan *culture* ke depan melalui kolaborasi dengan GenY

3



Risk Focus

Auditor yang telah sertifikasi risiko dan lebih *aware* terhadap risiko yang muncul

8



Stakeholder Management

Memenuhi kepentingan perusahaan yang *profit oriented* & sebagai agen pembangunan

4



Business Alignment

Memahami model bisnis *existing* dan masa yang datang supaya tetap *keep up* dengan perubahan zaman

7



Talent Model

Ke depan perlu adanya *integrated talent management*

6



Quality & Innovation

Seiring pertumbuhan zaman, semakin diperlukan adanya inovasi yang kreatif dan berkualitas

5

THANK YOU