

2019
NATIONAL
CONFERENCE



**2019 NATIONAL
CONFERENCE**
Solo, 24 - 25 July 2019



EMBRACING 4IR WITH AGILE AUDITING

EMPOWERING INTERNAL AUDITORS : EMBRACING THE 4IR

Yenny Linardi
Head of Internal Audit
PT Bank DBS Indonesia



- Evolving nature of risks due to changes in external environment
- Increasing scale and sophistication of risks
- Limitations of traditional audit
- Using Agile to transform traditional auditing
- The Agile Paradox



Changes in the external environment have resulted in evolving and emerging risks



Trade Wars



Digital Technologies/
Increased Connectivity



Terrorism



Environmental, Social and
Governance



Geopolitics



Credit Risk

Cybersecurity Risk

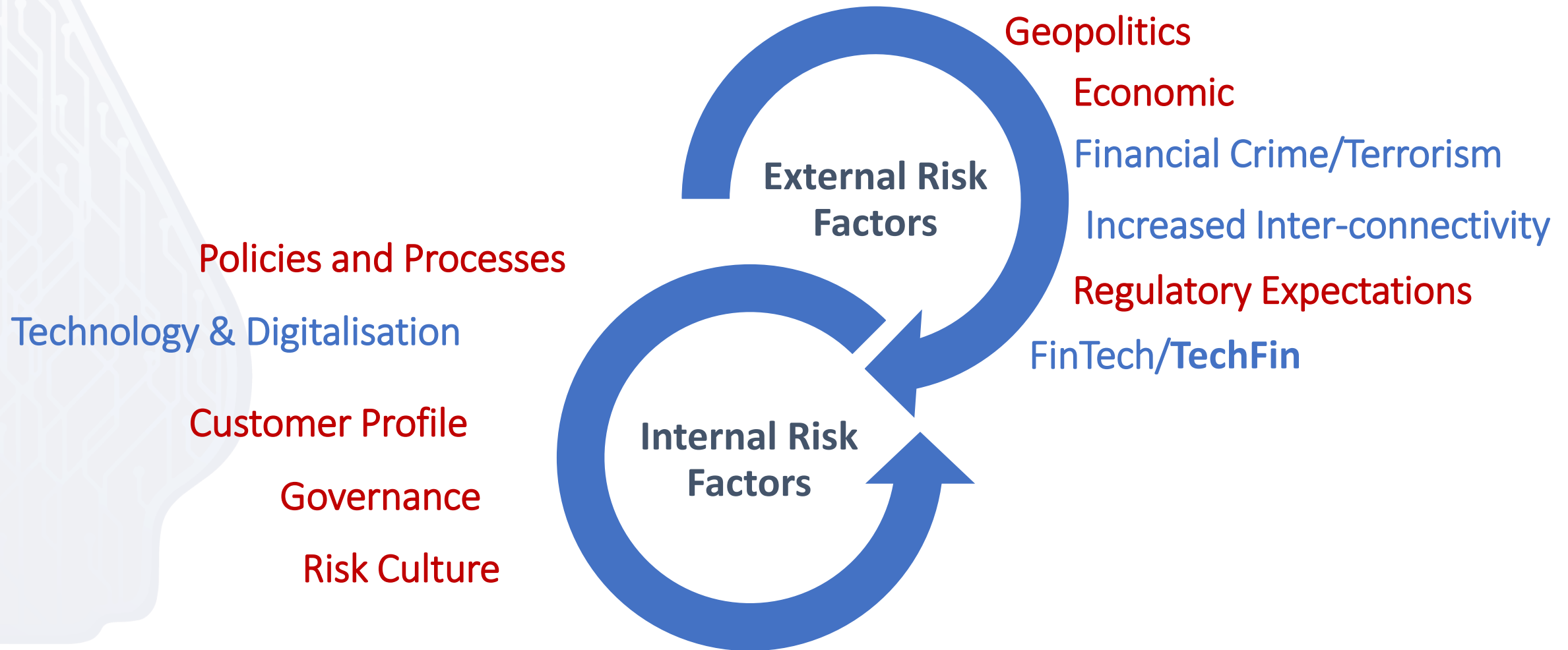
Terrorism Financing Risk

Reputational Risk

Sanctions Risk

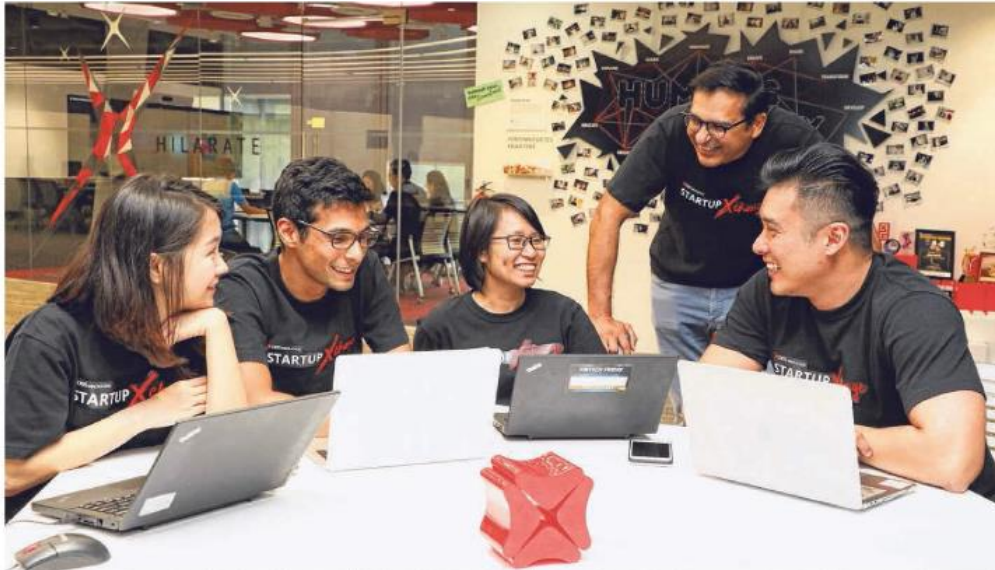


Risks are increasing in scale and sophistication due to interactions between external and internal risk factors



DBS' strategy to compete in today's business environment

THE STRAITS TIMES



Impress.AI chief executive officer and co-founder Sushanthu Ahuja (second from left) with DBS staff, including Mr Bidyut Datta (second from right), the bank's head of innovation. Impress.AI worked with DBS to come up with Jim, an acronym for "Jobs Intelligence Maestro", which was custom-built to meet the needs of DBS' recruiters and applicants. PHOTO: DBS

DBS aims to be the 'D' in Gandalf



Google Amazon Netflix **DBS** Apple LinkedIn Facebook

J.P.Morgan

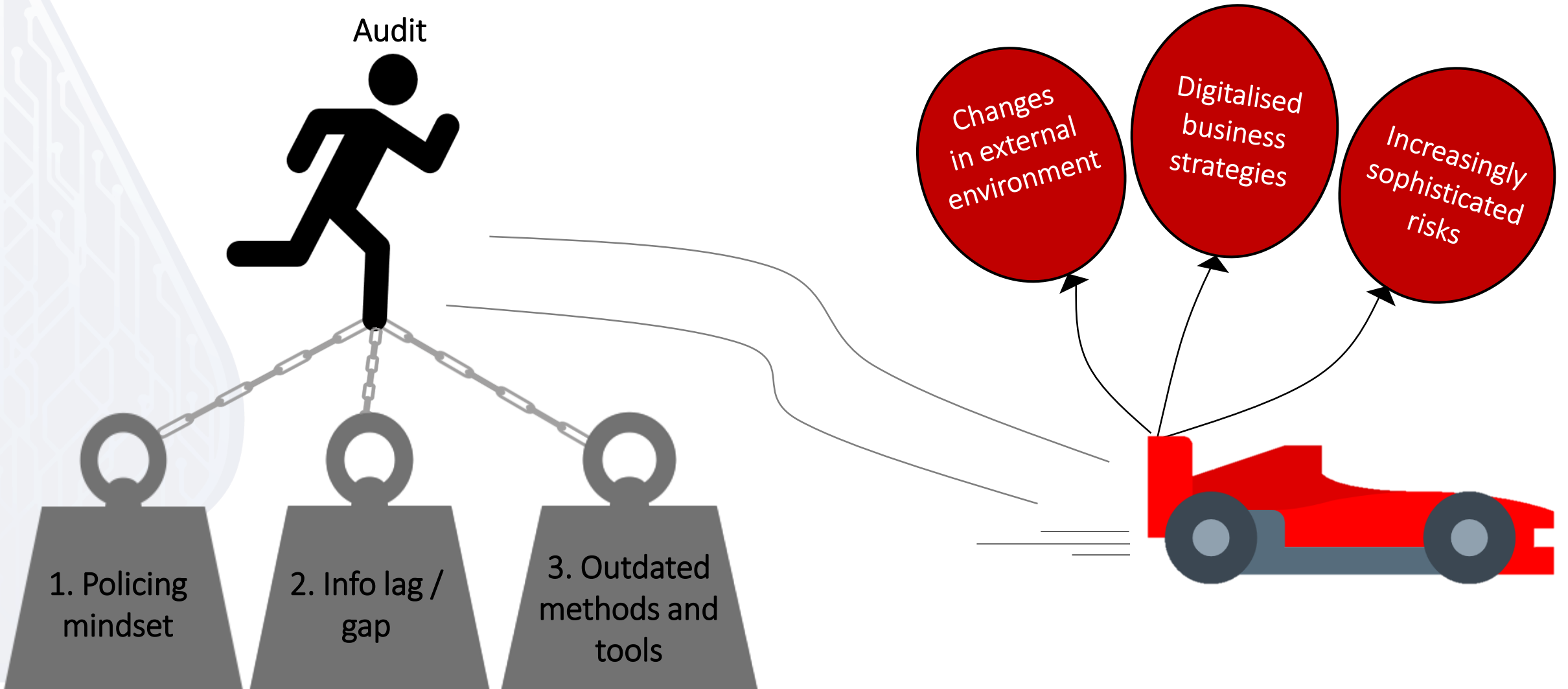
North America Equity Research
18 December 2018

U.S. Mid- and Small-Cap Banks Worldwide Technology Report

With the Disruption of Everything Underway, We Look Overseas for Signs of What's on Tap for US Banks

- Digital Spotlight: Singapore's DBS Bank serving a technology role model for US regional banks.** As we look across the spectrum of bank technology leaders outside of the US, one bank that truly stands out is Singapore's largest bank, DBS Bank. With DBS having embarked on a digital transformation journey since 2009, the bank has transformed into not only a digital powerhouse in Asia but also arguably one of the world's top digital banks. Ironically, DBS spends only around 10% of its annual revenue on technology, which is on par with the vast majority of US banks. To us, this clearly demonstrates that US regional banks are falling behind the technology curve tied to a lack of focus rather than a lack of resources.

Challenging for traditional audit approach to keep up



Policing mindset limits exchange of information

How auditors are perceived



[This Photo](#) by Unknown Author is licensed under [CC BY-SA-NC](#)

How some people may respond to auditors



[This Photo](#) by Unknown Author is licensed under [CC BY-SA-NC](#)



[This Photo](#) by Unknown Author is licensed under [CC BY-ND](#)



[This Photo](#) by Unknown Author is licensed under [CC BY-SA](#)



Policing mindset

- Stakeholders less likely to be forthcoming
- Does not encourage exchange of information



Information sharing not keeping up with rapidly evolving landscape, resulting in thin/limited knowledge

? Information lag / gap

- Recent years have seen rapid changes to global norms, geopolitics and regulatory expectations
- Information flow to third line of defence may not keep pace
- Information gaps arising from silos



This Photo by Unknown Author is licensed under [CC BY-ND](#)

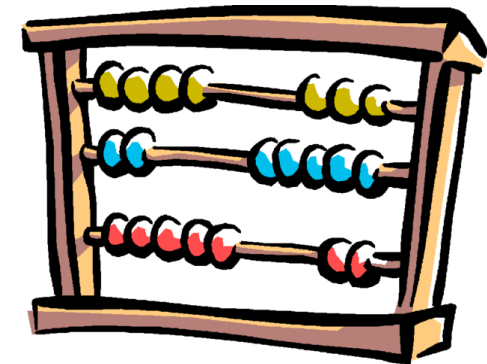
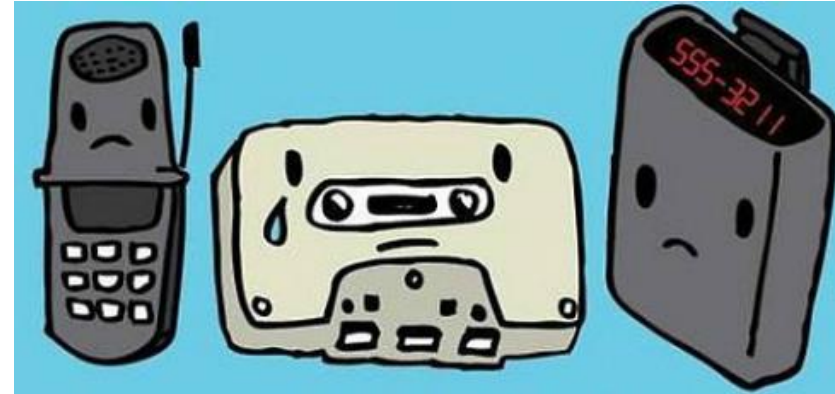


Identification and communication of risks and audit issues may not be as prompt using traditional audit approaches



Outdated methods and tools

- Audit's annual planning approach unable to factor in new risk hotspots identified
- Traditional sampling alone is insufficient
- Communication of findings solely via written reports may not be timely



[This Photo](#) by Unknown Author is licensed under [CC BY-SA](#)



DBS' approach to overcome limitations of traditional audit



Policing mindset



Information lag
/ gap



Outdated methods
and tools

Agile approach a better way to respond to a more
uncertain and complex environment

Collaborative mindset

Timely and updated
information

Harness data analytics
and digital tools



What is Agile?

- Agile is a way of working, focusing on **iterative development** and **collaboration** toward a **common goal**
- Based on a set of mindset, values, principles, practices and tools

The Agile Manifesto



Individuals and interactions over processes and tools



Customer collaboration over contract negotiation



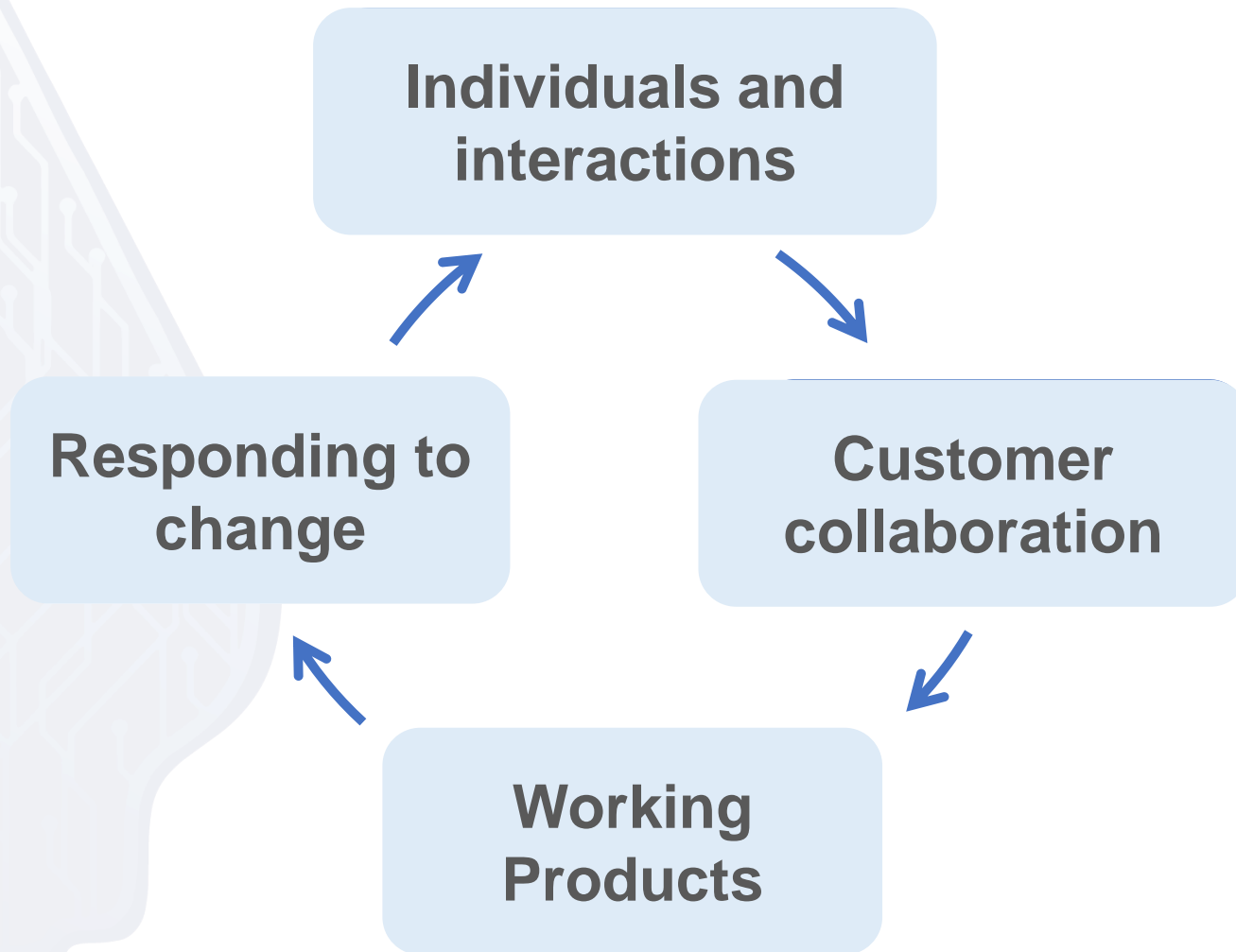
Working products over comprehensive documentation



Responding to change over to following a plan



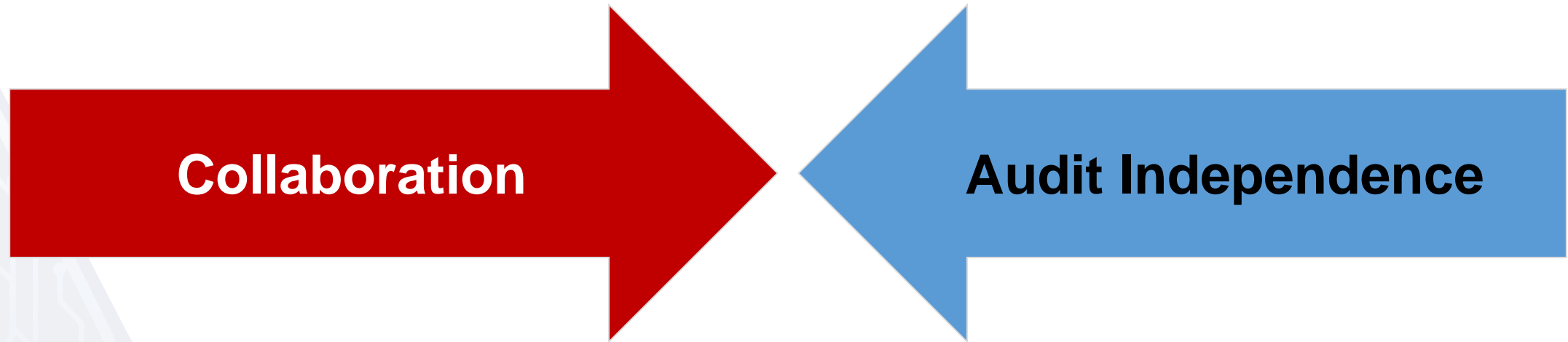
Benefits in collaborating in the hunt for risk



Benefits

- ✓ Break down silos
- ✓ Enhance ability to uncover risks through collaboration
- ✓ Increase audit effectiveness by prioritising the right risks
- ✓ Prompt detection and engagement on identified issues

The Agile Paradox



- Seemingly conflicting, but in practice :
 - ✓ **Collaboration leads to higher quality findings**
 - ✓ **Assessments and decisions remain Audit's prerogative; independence not compromised**

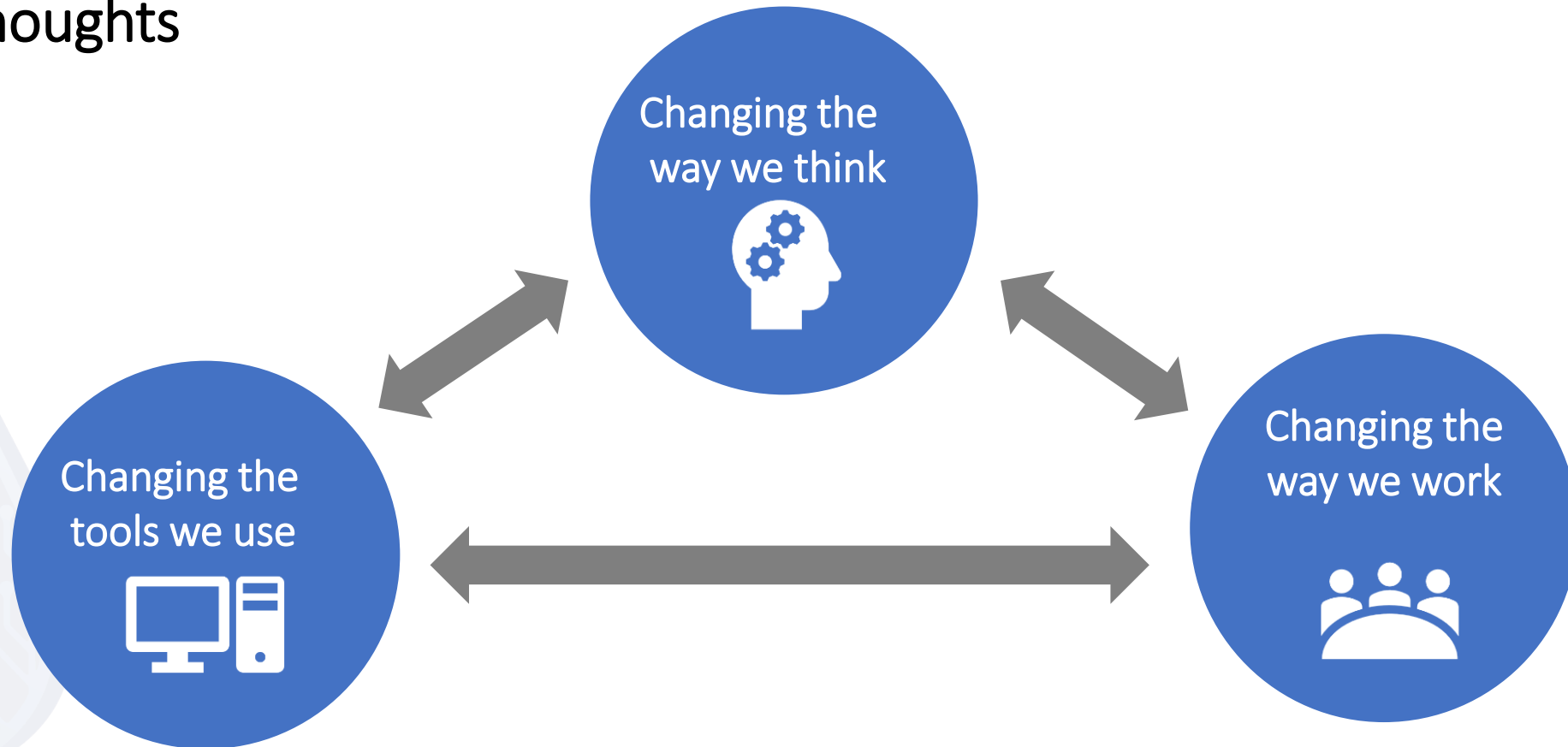


Final Thoughts

- Success factors contributing to adoption of Agile:
 - Competent auditors
 - Tone from the top
 - Culture and mindset change
- Adoption of Agile requires commitment from both stakeholders and auditors



Final Thoughts



- Transformation of traditional audit increases audit effectiveness and assurance; lowering the cost of risk for the bank

The Future of Auditing Is Auditing the Future

 DBS Internal Audit

