

THE AGILE WAY OF AUDITING In a Post Covid World

PRESENTED BY:

YULLYAN

CHIEF AUDIT EXECUTIVE INDONESIA FINANCIAL GROUP (IFG)



Yullyan, CIA

Chief Audit Executive
(2021 – Now)

Previous Position

Chief Audit Executive Meratus Group Feb 2019-Sept 2021
Financial Compro

Education

Master of Business Administration, Monash Univ	1997
Master of Management technology, Melbourne Univ	1996
Bachelor of Mechanical Engineering Univ Gajah Mada	1987

What is Agile?

Agile is a Mindset, shaped by a value in Agile Manifesto and Principles, that create the ability to adapt to changes, and succeeding in an uncertain and turbulent environments.
 (Summarized from Agile 101 by Agile Alliance)



The Agile Manifesto

Individuals and interactions	over	Processes and Tools
Working Product	over	Comprehensive Documentation
Customer Collaboration	over	Contract Negotiation
Responding to change	over	Following a plan

That is, while there is value in the items on the right, we value the items on the left more.

www.agilemanifesto.org

12 AGILE PRINCIPLES

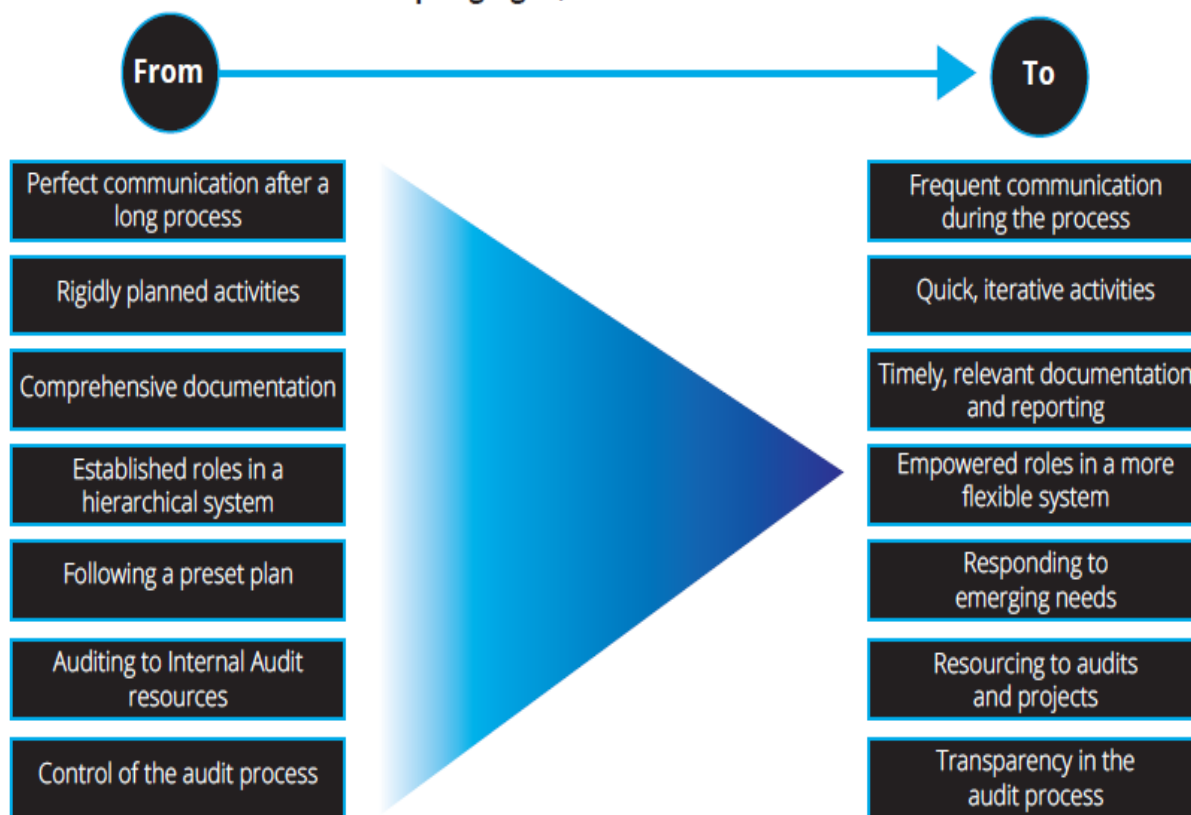
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|---|---|---|
| 01 Our highest priority is to satisfy the customer through early and continuous delivery of valuable software. | 02 Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage. | 03 Deliver working software frequently, from a couple of weeks to a couple of months, with a preference to the shorter timescale. |
| 04 Business people and developers must work together daily throughout the project. | 05 Build projects around motivated individuals. Give them the environment and support they need, and trust them to get the job done. | 06 Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a constant pace indefinitely. |
| 07 Working software is the primary measure of progress. | 08 The most efficient and effective method of conveying information to and within a development team is face-to-face conversation. | 09 Continuous attention to technical excellence and good design enhances agility. |
| 10 Simplicity – the art of maximizing the amount of work not done – is essential. | 11 The best architectures, requirements, and designs emerge from self-organizing teams. | 12 At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behavior accordingly. |

Note : Originally, Agile was adopted for Software Development

What changes when you adopt agile?

Audit Plan?

When adopting Agile, Internal Audit should shift:



Workpaper?

9 ELEMENTS Our IA Agile Manifesto

Elevate Internal Audit
Assure. Advise. Anticipate.

- 1 | Outcome-driven | Value-driven
- 2 | Just-in-time | Proactive approach to the “right projects at the right depth/focus”
- 3 | One size does not fit all – customized project focused on value and risk
- 4 | Collaborative approach – take the journey with our clients
- 5 | Mix it up a little bit, break some eggs – challenge “that’s the way we’ve always done it”
- 6 | Decisioning “as you go” with transparency and alignment
- 7 | Continuous communication with all stakeholders
- 8 | Be quick and iterative versus confined to a plan
- 9 | Impact over thoroughness – “good enough” (80/20 rule)

Audit Report?

ROAD TO APPLY AN AGILE WAY OF AUDITING

Survey the expectations of your stakeholders about IA activities, IA roles, IA Products, IA team Behaviors, etc.

STEP 01



Choose the best Agile method and tools suited to your organization (Scrum, XP, Lean, Kanban, etc)

STEP 03



STEP 02



Refer to survey results, Define your IA Agile Manifesto, put it on your Audit Charter. **Internalize** the manifesto in to your daily activities.

STEP 04



Apply your method, sit back and evaluate, refine your practice, do it again and again. You will find your own way of agility.


KEY AGILE ADOPTION



Frequent Communication
Frequent discussion with BOC/Audit Committee/Clients about plan and result. WA Group with Board. MS Teams/Planner for Sprints.




Flexible Audit Plan
Adaptable to situations, even in the pandemic



Method and Tools
Active Auditing Method and use available tools : Teams, Planner, Sharepoint, MindMeister, Analytic, etc



Visualization
Key activities, Result, and Waste is transparently displayed to stakeholders



Collaboration
Collaborate with trust, respect, openness, helpful. Client staff could be appointed as "ad interim" Auditor, supervised by IA

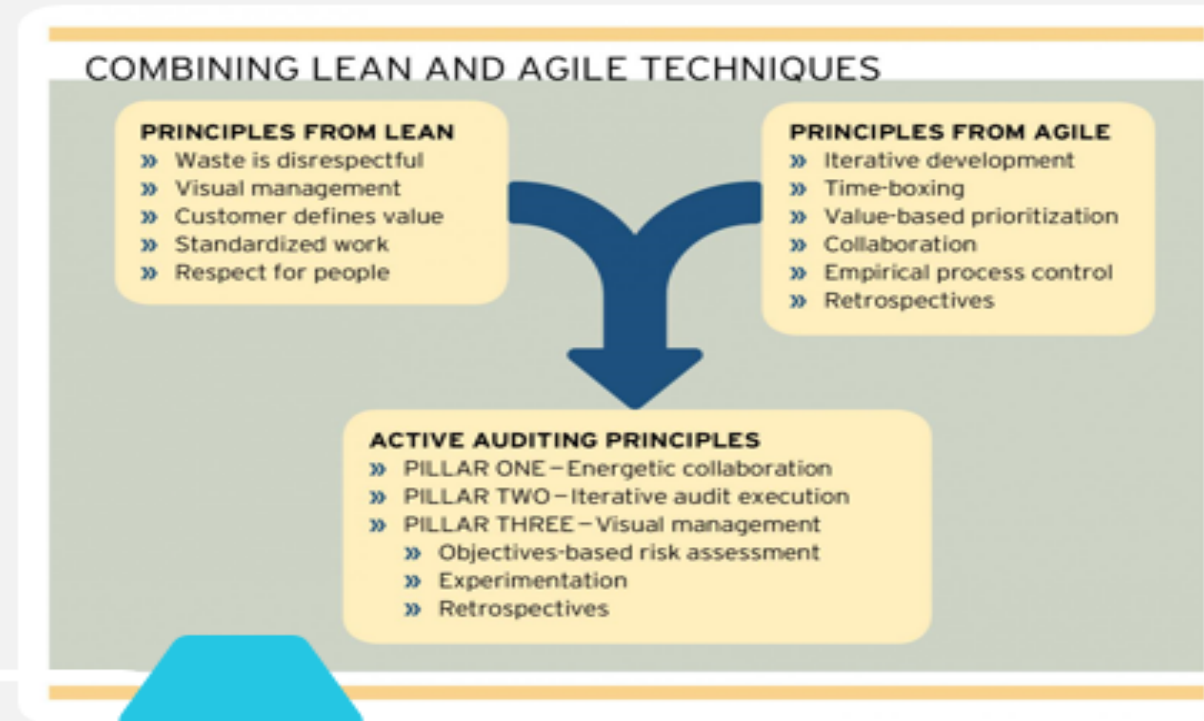
Lean + agile = active auditing

Active Auditing

Traditional audits are often awash in wasted time, unnecessary conflict, and incorrect assumptions. Active auditing is a form of Agile auditing that was developed in a major utility company to eliminate, or at least substantially decrease, these kinds of wasteful activities.

Lean and Agile Combined

- Lean : Toyota Production System-Change Making Methodology
- Agile : IT Project Management approach, an alternative to waterfall approach



Ref : Coleman, Prescott, Active Auditing – A Practical Guide to Lean and Agile Auditing, 2019

LEAN PERSPECTIVE : WHAT ARE WASTES IN AUDIT PROCESS?

7 Wastes of Lean



Inventory



Waiting



Defects



Overproduction



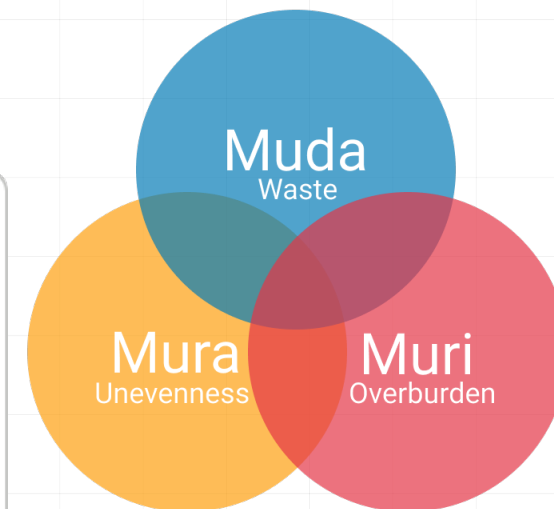
Motion



Transportation



Over-processing

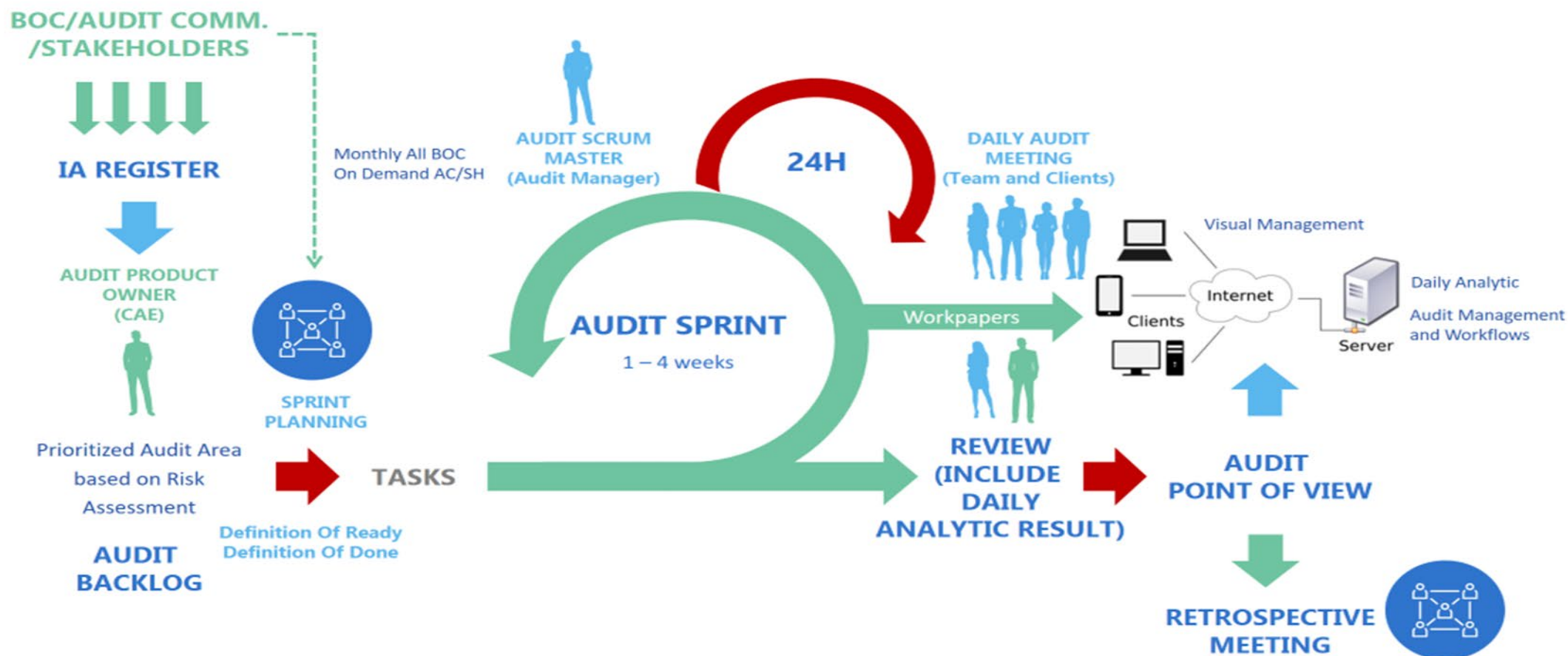


During step 1, we concurrently analyze IA processes to identify muda, mura, muri. Some of the waste found :

1. Document waiting
2. So many audit handle by one person at the same time
3. Long time for audit plan
4. Long time for publishing report
5. Complex work paper

ITERATIVE AUDIT CYCLE OVERVIEW

Adapted from SCRUM



AUDIT PLANNING : RISK BASED AND IA AUDIT BACKLOG

- Collaborate Risk Assessment Process with stakeholder : Assess probability and impact of risks based on consensus, not only auditor opinion (Item in Risk Register).
- Discuss the entries in the IA Register with stakeholder and normalized the self assessment rating by stakeholder.
- Combine the Entries in IA register and Risk Register into the Audit Backlog
- The Audit Backlog is presented to the Board
- Once approved, it became the base line of the annual audit plan
- The audit backlog does not contain the exact schedule. Only an indicative schedule based on current prioritization. It could change based on a new situation we faced.
- The audit backlog is owned and maintained by Product Owner (CAE)

Plan Reality
Not Fantasy

WHEN DO WE DO AUDIT? WHEN IT'S READY : SPRINT PLANNING AND DEFINITION OF READY

- Frequent sprint meeting with board, especially during pandemic (2 times month)
- In a sprint meeting, IA presented to board the proposed sprint, the reasons, and the definition of ready.
- Once board approved, the sprint executed.

DISTRIBUTING WORKS AMONG TEAM MEMBERS : REWARD SYSTEM

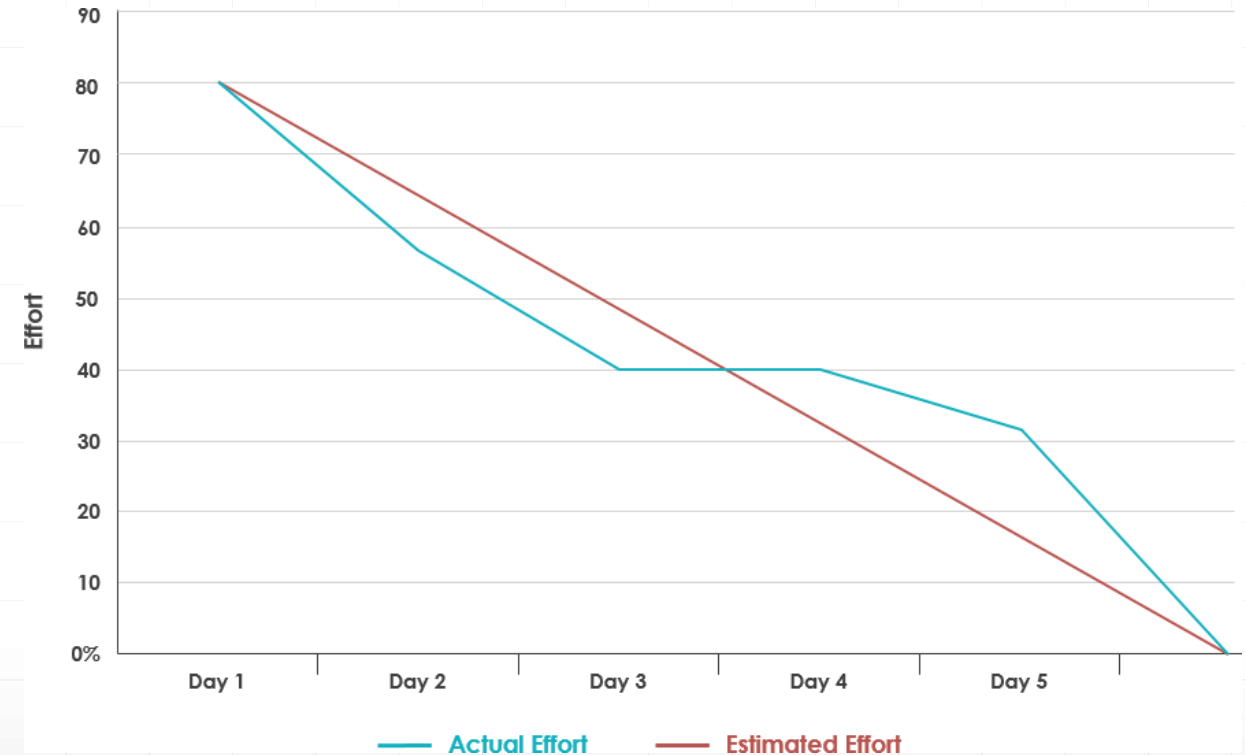
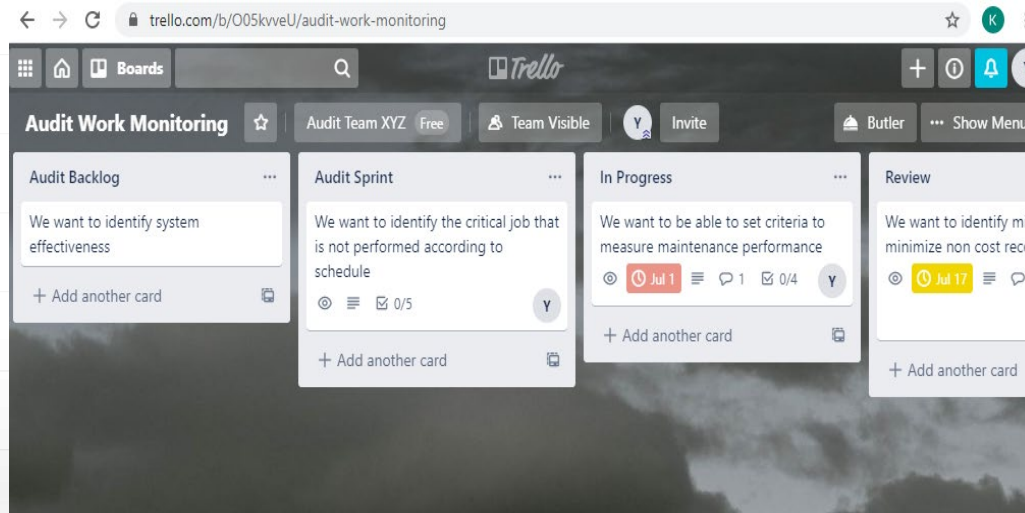
- All sprints worth a point. A total point to one sprint is based on the difficulties of the sprint. Difficult one worth more point.
- The sprint point would be reduced if late started and/or late delivery.
- The sprint point would be added if early started and/or early delivery.
- Total point accumulated by IA personnel linked to a KPI of Audit Plan Delivered.
- This is to encourage personnel to choose the sprints wisely.

INSPECT AND ADAPT

- Daily inspection : 15 minutes stand meeting in start of business
- What we are talking about : What I did yesterday, What Challenge I met, What will I do Today
- Who lead the meeting : Audit Scrum Master (Audit Manager)
- Attendees : CAE, Audit Personnel → in the future, include audit client reps
- Role of Scrum Master : Lead the meeting, propose the solution, follow up some action that could not be followed up by audit personnel, manage the schedule, motivate the team to meet target, keep a team in a good spirit.

THE IMPORTANCE OF WORK VISUALIZATION

- Work visualization or Dashboard used to display the waste in the process, such as late start, late delivery, stucked action, etc.
- Scrum Method using Burndown Chart to visualize the progress.
 - Estimate effort hour by day
 - Record actual hour
 - Compare estimate and actual
- To track the progress use Kanban board (Trello, MS Teams, MeisterTask, etc)



EVALUATION AND REVIEW

- When team completed their tasks (sprint), the scrum master and CAE (depend on organization size) will review the tasks result
- Definition of Done is used to evaluate
- To avoid misunderstanding, it is always better to have face to face meeting, lead by Scrum Master (Audit Manager)
- Product owner (CAE) to decide whether the sprint is done

RETROSPECTIVE MEETING

- After every sprint done, gather for a retrospective meeting (including CAE)
- Lead by a Scrum Master (Audit Manager)
- What we discuss : What have been good, Challenges, What could have been better for next sprint (improvement).

TECHNOLOGY AND AGILE AUDIT

- Robotic Process Automation on Data Analytic
- Machine Learning and Predictive Analytic
- Workflows of Reporting and Follow Up Monitoring
- VR and AR
- Drone
- Digital Documentations

THANK YOU

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