

Agile Auditing

Towards a More Efficient & Effective Audit

By DBS Group Audit

Digitalisation has made the agile methodology a discipline most project managers would subscribe to, given its flexibility, transparency and collaborative approach towards achieving enhanced speed-to-market in project delivery. With its Kanban board and MoSCoW rituals, the agile methodology is gaining acceptance within DBS Bank, such as in the development of digibank, India's first branchless, paperless and signatureless bank. But should the Agile approach be restricted to software development? Group Audit has put up a concept paper on Agile Auditing – a transformation in audit approach to reduce time on audits, deriving benefits for both auditors and auditees. The other question is - can this be done without sacrificing independence and audit quality?

Project managers are often confronted with three key considerations when faced with tight timelines - (a) time, (b) resources and (c) scope. Time is a factor that is fixed, leaving little room to manoeuvre. Constraint on resources is a harsh limitation, especially against a tight timeline. Often, the rallying cry of “*I need more resources!*” falls onto deaf ears. With two of the three factors fixed, the only other factor for a project manager to tinker with is the scope of work– ranging from the must-haves, the should-haves, the could-haves and the won't-haves. Or simply *MoSCoW*.

MoSCoW is one of the rituals that reflect the central tenets of the Agile approach towards project management: Prioritisation and flexibility in *scope*. Given that speed is key towards time-to-market in project delivery, team members should regularly reflect and carve out the specific areas they must work on, as well as those areas they won't have to work on, before each *sprint*. A sprint is an iterative cycle throughout the Agile lifecycle that team members will go through. Central to this sprint is the ability to produce small deliverable outputs, or small successes that eventually will take the team to their ultimate goal. A sprint wouldn't be successful without members collaborating, internally or with stakeholders, or being transparent in their contribution – else, denying the project's small successes.

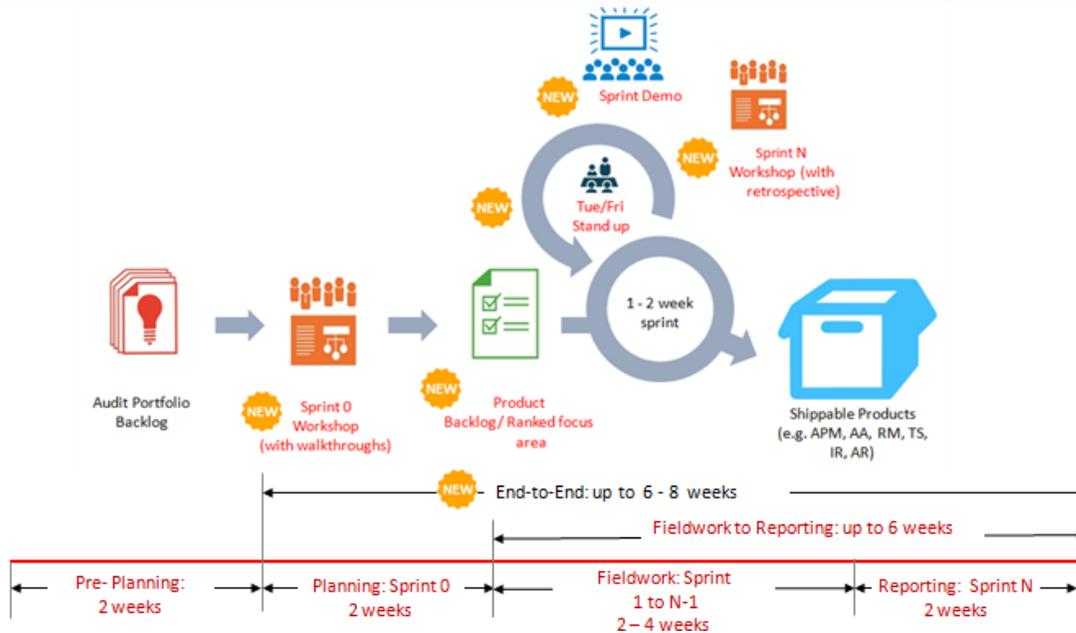
Moving away from being scope-bound

Adopting Agile into our audit approach seemed sensible for three reasons. Firstly, we have limited resources – both in terms of budget and people; time – always a challenge, given that regulators' requests for ad-hoc reviews are regularly added onto and disrupting our planned risk-based audits, and lastly, (c) scope – this is where the benefits of Agile comes into play.

Traditional risk-based audits are scope-bound. Scope is determined during the project planning stage, internally by the auditors, considering various factors and input from auditees. Once the audit scope has been carved out, it gets locked in and shared with the auditees – specifically the areas they will be audited, and areas where they won't be assessed. The entire project will then be guided by the scope. Bottomline? Inflexibility.

Traditional risk-based audits have lengthy durations largely because of the inflexible scope and prolonged issue discussions. A typical audit project – planning, fieldwork, issue discussion, reporting – takes about four months. But by adopting the agile methodology, the duration of the entire audit project is considerably shortened: down to two months (*refer to the diagram on the next page*).

Agile Audit – Proposed end-to-end Agile Audit



Key to this reduced elapsed time is the collaborative effort between auditors and stakeholders to (a) identify and rank focus areas, using the MoSCoW criteria, and (b) determine agreed timeline and the project participants – both auditors and stakeholders. This is all done upfront, during *Sprint 0*.

Benefits are multi-fold for both auditors and stakeholders (*refer to diagram on the right*). The key point to note here is the collaborative effort between auditors and auditees to (a) identify and rank focus areas; (b) update each other in a timely manner. Discussions during *stand-up meetings* can be both rich and engaging. Auditees, too, can appreciate the auditor's perspective on controls, hence enhancing control awareness. The question then is: Can this be done without sacrificing independence and audit quality?

Maintaining audit independence and quality

Agile auditing is nothing new. In fact, we have done our research prior to conducting a pilot audit project based on Agile principles. A recent study trip to Australia, together with several key stakeholders, revealed that major Australian banks have already implemented the Agile Auditing approach successfully, while retaining audit independence and the required level of assurance to their Board, senior management and their regulators. In summary, the comfort level has been established.

While the approach is collaborative in nature, especially in ranking and determining focus areas, auditors' independence is still maintained during the deep-dive audit assessment. Test-steps will be conducted as per audit *modus operandi*, and issues will be surfaced as per audit methodology, albeit more timely. Preliminary rating will be shared before the reporting stage, reflective of the transparent nature of the Agile approach.

Agile Audit – Benefits

• Collaborative

- Sprint 0 workshop is a collaborative effort to identify and rank focus areas
- Stand up meetings to keep entire team updated in a more timely manner

• Transparency

- Co-creation of ranked focus areas
- Backlog of focus areas discussed and prioritized with entire team at stand up
- Preliminary rating to be provided by end of Sprint N-1 (i.e. before reporting)

• Speed

- Time-boxed
- Prioritised focus areas allows fast decision where change in scope is required

The Agile approach can also help us in providing *added assurance*. It allows us to (a) focus on areas determined *collaboratively* to be *priority*, hence improving *efficiency*, (b) be more *effective* such that we are spending more quality time conducting audit test steps in focus areas, and (c) leverage technology and automation – such as our Continuous Auditing automated test tools to cover other areas. Hence, there is both *breadth* and *depth* in our audit coverage – in addition to being *agile* and *timely*.

Our Journey Towards Agile Auditing

- **Training** – A programme for all auditors on Agile principles and techniques
- **Learning from practitioners** – A study trip to Australia with Technology & Operations Central Improvement Team (T&O CIT). A reciprocal visit by one of the major Australian banks to conduct a workshop in Singapore – an info-sharing session on Agile auditing technique.
- **Guidance** – T&O CIT is assisting Group Audit to design the Agile Auditing approach, rituals and shippable products. In addition, T&O-CIT is actively coaching the audit project team in Agile practices.
- **Establishing Agile audit team structure** – Changing audit team roles and responsibilities (in our pilot Agile audit project) to reflect Agile structure: Product owner, Scrum coach, Project Manager and Sprint team members.
- **Pilot Project** – Currently piloting the Agile Auditing approach in one of our IT audit projects. Feedback has been positive.