

# Continuous Auditing

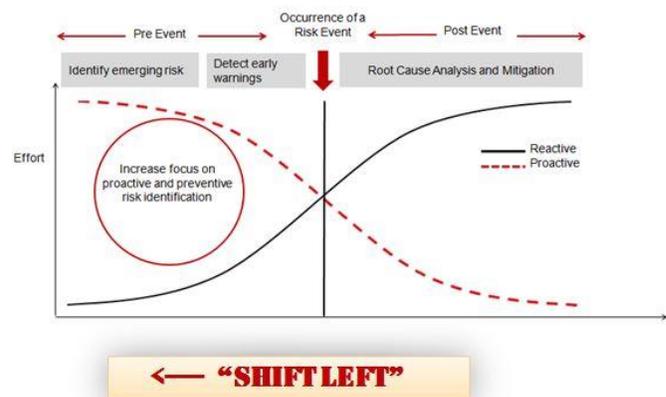
## Enabling Integration Among the Three Pillars of Defence

By DBS Group Audit

**Judging by the Three Lines of Defence Obeya's vision casting, we are on the right track in terms of re-thinking what operational risk management will look like in the future. The shift in thinking from reactive and detective controls to anticipatory controls that will enable us to be proactive, predictive and preventive – has already begun. But how and what will take us there? Continuous auditing – an automated approach towards risk and control governance, can provide an answer.**

The '**shift left**' movement is not just a concept, but a commitment by DBS Obeya workshop participants to re-think the bank's approach towards operational risk management. To 'shift left', essentially, means putting more effort towards being proactive, predictive and preventive in risk identification and having controls at source (refer to the diagram on the right). This is a prelude to the integration of the three pillars of defence, mutually reinforcing one another in areas related to risk & control governance. But what are the tools needed to take us there? One of the Obeya workstreams to realise this vision of mutual reinforcement and to be proactive, is related to **continuous auditing**.

### Integrating 3 Lines of Defence (LOD) OBEYA



### A Tool to Shift Left

Continuous auditing (CA) is a method used to perform control and risk assessments **automatically** and **frequently**. It is an approach that overcomes the traditional limitations faced by auditors, in which audit tests were done manually, on samples instead of the entire population of, for example, transactions; during audit cycles which could be annually, once every two years or so, based on the risk assessment of the targeted audit entity. But more than that, CA enables auditors to be **proactive** in identifying control gaps and ineffectiveness, anomalies at the transaction level and emerging risks – given that automated audit test scripts can be run as frequently as once-a-month or more, in real-time or near real time, at a *press of a button*.

CA was built on the current use of Computer-Assisted Audit Techniques (CAATs), but the process is different.

- 1 The data extraction process of CA is *automatic* and *continuous*, instead of the manual or ad-hoc extraction process via UR requests.
- 2 With a press of a button, outcomes of CA are catalogued, given that data is fed into CA automatically from an end-to-end source.
- 3 CA is built with a complete infrastructure to the generation of outcomes, as determined by various test scenarios. Essentially, CA would help auditors cut down their manual workload by targeting test areas with characteristics such as (a) high transactional volume (b) documented policies and procedures (c) established processes (d) areas with little or no judgment required (e) business processes with low complexity.

Applicable audit test steps (see **Exhibit A**) are automated via test scripts, which enable the generation of test reports for further analysis by auditors. Test scripts that have been developed are catalogued in our system called **iAnalyze**, custom-built and developed in-house (see **Exhibit B**).

**Benefits** are multi-fold: (a) time-savings – auditors do not need to do these test steps manually anymore (b) increased coverage and increased assurance – the scripts of audit test steps in CA could run against 100% of the data, and replicated across various locations which run off similar systems (c) enables proactive auditing – perform real-time control and risk assessments, allowing auditors to fully understand critical control points, rules and exceptions.

#### **Exhibit A: Continuous Auditing: Considerations for usage of CA**

To assess the applicability & viability of using CA to automate data exploration, exception testing and transaction testing, considerations might include:

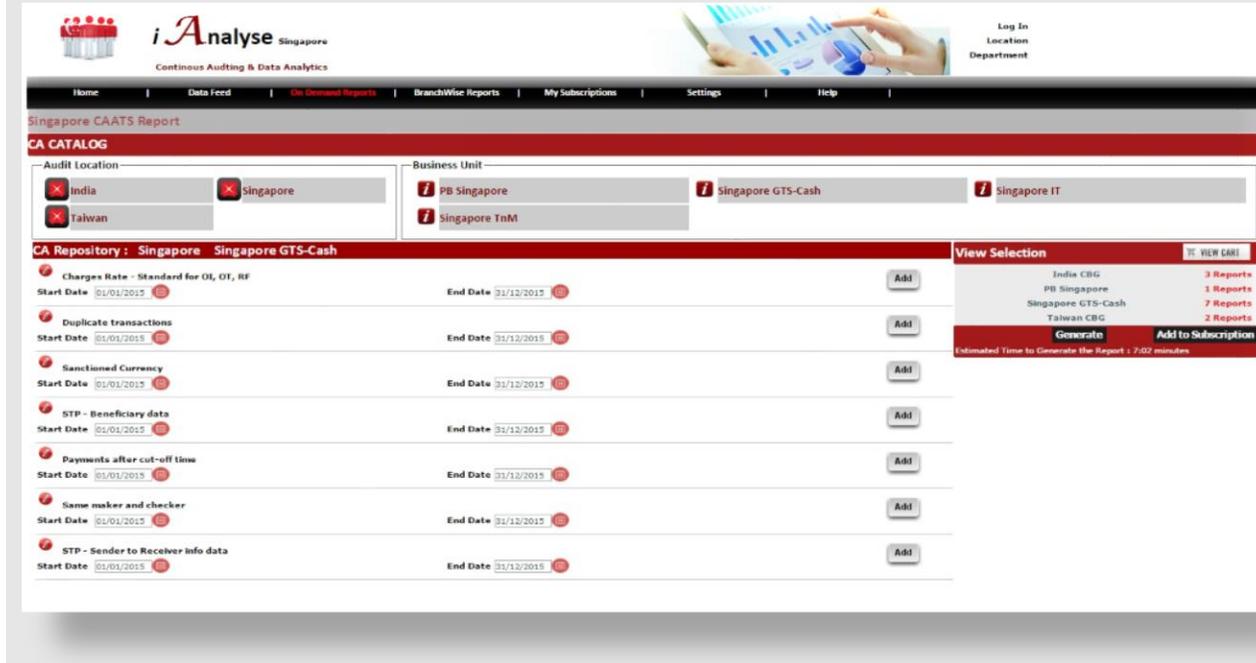
- Availability and accessibility of data or reports which can be extracted from system
- Effectiveness and efficiency of using CA over manual techniques. For example, high transaction volumes where CA can be used to check the entire population instead of taking samples; data driven, unambiguous exceptions reduce efforts in following up with stakeholders to verify the exceptions.
- Availability of resources and technical competency
- Documented policies, standards and guides.
- Established processes reduce the number of false positives which may occur if the process is in transition

#### **Sharing the Benefits**

CA is a journey which we hope to travel in tandem with our stakeholders. Our **iAnalyze** platform, which is now *live*, will be progressively made available to relevant stakeholders – for business units/support units (BUs/SUs) to do own self-checks, in real-time or near real-time, at a press of a button. By doing so, stakeholders will reap similar, if not, more benefits than we have become accustomed to since we rolled out our CA initiative in 2014. Stakeholders can enjoy:

- Automated risk monitoring activity
- Continuous view of any policy infringements
- Opportunity to work with auditors to add/refine reports to focus on areas of concern
- Ability for business to rectify gaps prior to audit
- Clarity and transparency on control points
- Self-service auditing – “Design for no audit”

**Exhibit B: iAnalyse** – This is an in-house developed platform that houses all the audit test scripts created as part of our CA initiative. Below is a screenshot of iAnalyse. The platform is now live and will be progressively made available to relevant stakeholders – for them to do own self-checks, in real-time or near real-time, at a press of a button.



### Integrating the Three Pillars of Defence

CA is one of the work streams under the Three Lines of Defence Obeya initiative – an enabler towards a re-thinking of what operational risk management will look like in the future. While the accountability of each of the three lines of defence remains integral to the risk & control construct, the operationalisation may be different. The shift in thinking from reactive and detective controls to anticipatory controls that enable us to be proactive, predictive and preventive – has already begun. CA is one enabler – a tool and common platform to take us from where we are right now to where we want to be in the future, integrating the three pillars of defence, between business units, support units and internal audit.