Agile Auditing
- what it means and how to do it

Tony Darlison, Audit Director IT and Shared Services

IIA Annual Conference, September 2015

AVIVA

Aviva - Who we are

We help people save for the future and manage the risks of everyday life.

We have strong businesses in selected markets: UK, Europe, Asia and Canada. We offer:

Life Insurance
—
Retirement Income, Savings, Pensions, Life cover, Protection

General Insurance
—
Home, Motor, Travel, Commercial

Health Insurance
—
Private Medical Insurance

Asset Management
—
Managing assets for Aviva and other clients

Aviva - Who we are

Across our 16 businesses, we protect our 34 million[1] customers and the things that are important to them

£24.6bn	£1.4m	£246bn	319 years
Paid in benefits and claims in 2014	Paid out per day for UK life insurance and critical illness claims	Aviva Investors assets under management	Protecting our customers since 1696

Our investment thesis of cash flow plus growth sets out why investors should choose us

12.25p	18.1p
Final dividend 2014, a 30% increase	Total dividend for 2014, a 21% increase

Aviva – Our Plan

We have a clear strategy to deliver sustainable and progressive cash flows underpinned by good potential for growth, by always putting customers first.

Our strategy
The 'what we do, how we do it and where we do it'

True Customer Composite

Meeting all customer needs across life, general, health insurance and asset management

Digital First

Emphasising customer experience driven by digital – online and mobile
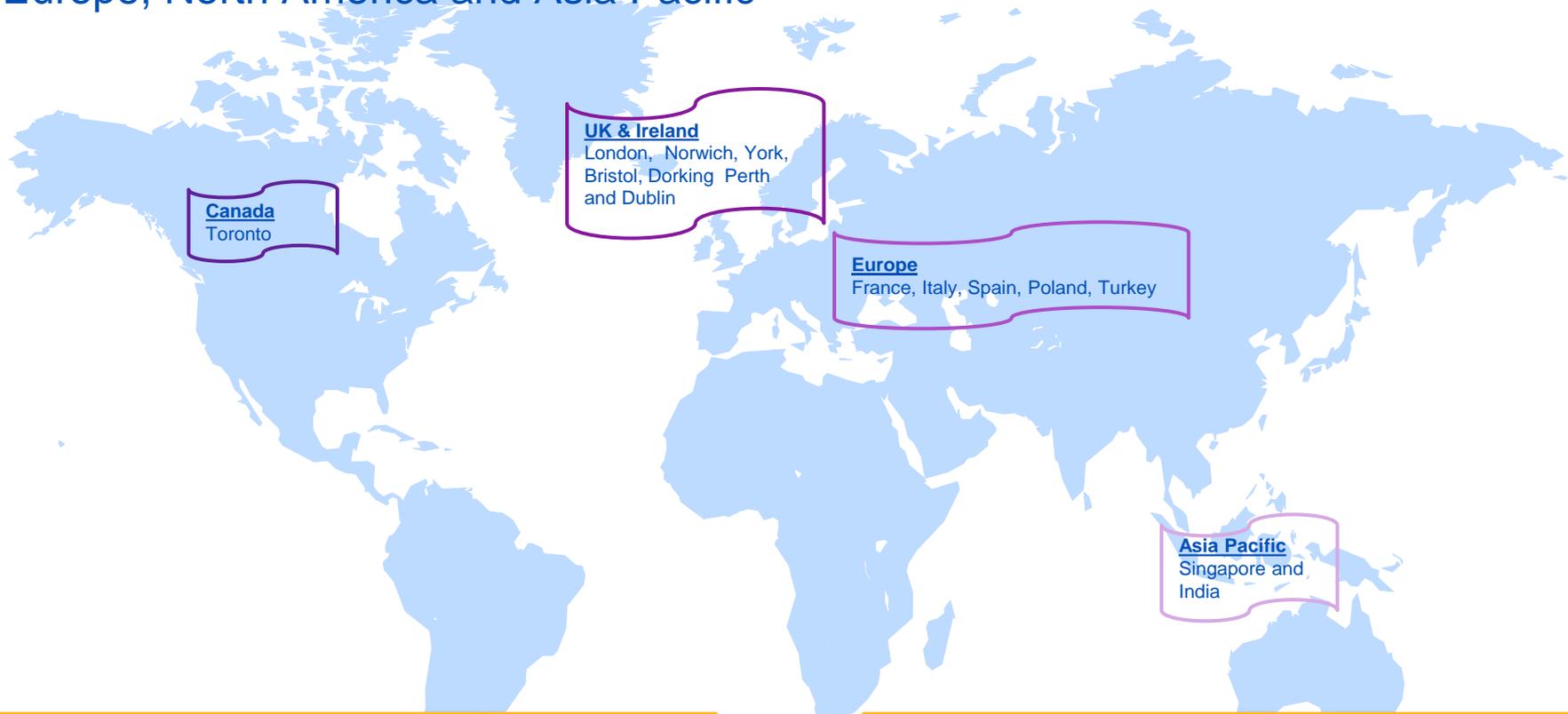
Not Everywhere

Focusing only in markets and segments where we can win

Aviva Internal Audit at a glance

Multi-national function of 195 staff based in 15 locations throughout the UK, Europe, North America and Asia Pacific

Canada
Toronto

UK & Ireland
London, Norwich, York, Bristol, Dorking Perth and Dublin

Europe
France, Italy, Spain, Poland, Turkey

Asia Pacific
Singapore and India

With **specialist skills** in Financial Crime & Employee Fraud, IT, Fund Management and Financial Management & Actuarial

Undertake approximately **400 audit reviews** and **400 investigations** per annum

Agile Auditing: Agenda

AVIVA

> *This presentation is about why and how we are adopting Agile techniques in our audit work at Aviva.*

- Use of Agile by Management at Aviva

- Internal Audit's four strategic outcomes – and the desirability of Internal Audit adopting Agile

- What we mean by Agile Auditing

- Progress to date

- Benefits identified

- Challenges going forward

Agile in the context of Aviva's business

What Is Agile?
Agile methodology is an alternative to traditional project management, typically used in software development. It helps teams respond to unpredictability through incremental, iterative work cadences, known as sprints. Agile methodologies are an alternative to waterfall, or traditional sequential development

- ***Aviva is adopting Agile project delivery*.**

  - Global initiative sponsored by Group CIO Monique Shivanandan

  - Well on the way to 100% rolled out and embedded in UK businesses, in progress elsewhere

  - Comprehensive use of Agile mind-set - sprint, scrum, backlog, definition of done etc.

Internal Audit's four strategic outcomes

A. Internal **A**udit is **A**ligned with **A**viva to increase Internal Audit's capability to contribute to the Group's success.

B. The relationship between Internal Audit and management is positive and constructive, whilst retaining the high regard in which it is held by the Non-Executive Directors, the Group's external auditors and the Group's regulators.

C. Aviva's Values and People thesis are embraced in Internal Audit: staff at all levels have a strong sense of satisfaction from a valuable job being well-done and being recognised.

D. Internal Audit is objective, independent, risk-based, efficient and accountable.

Agile Auditing

- Given Strategic outcome A and the adoption by Aviva of Agile and Systems thinking, we announced earlier this year that we would develop and pilot Agile Auditing.

- Currently running a programme of 29 pilot audits to evaluate the benefits – results are positive and we are ready to scale up.

- Immediate validation – strong positive feedback from senior stakeholders.

(More detail : Appendix 2)

Agile Auditing:
Agile Manifesto and Our Principles

We are uncovering better ways of delivering internal audits by doing it and helping others do it.

We need

Processes and tools
Comprehensive documentation
Audit report negotiation
Following a plan

We value more

Individuals and interactions
Influential audit reports
Business collaboration
Responding to change

(More detail: Appendix 3)

Agile Auditing: Key Agile Auditing Techniques

- Pre-initiation workshop

- The "Sprint" (linked to Strategic Outcome C& D)

- The "Scrum" (Strategic Outcome B)

- "The "Scrum Master" (Strategic Outcome C)

- The "Business Owner"

  (Strategic Outcomes A-D, notably Outcome B)

Agile Auditing: key benefits

- Stakeholders close to the audit – engaged in outcomes

- Internal Audit recognised for embracing / promoting Agile

- Overall improvement of relationships / ease of landing issues

- Develops our staff in Agile techniques, improved capability in a number of key competencies (e.g. project and relationship management). Staff generally found it motivating

- Smooth and predictable delivery of the audit plan, reduce elapsed times for each audit, and reduce total effort per audit.

- Effectiveness on complex as well as simple audits

- Audit quality maintained

- Reinforced management accountability for controls

Agile Auditing: summary of the challenges and lessons learned

- Engage with senior stakeholders early – sell the benefits of the Agile approach and help them to prioritise the time

- Remain Agile all the way to final report issue - retain involvement of senior business owners throughout the review and discuss issues and ratings during sprints

- Deploy our "Agile champions" to help auditors who are less familiar with Agile

- Agile audits are very intensive and tend to generate a lot of passion and enthusiasm – make sure that teams don't suffer burn out

- We have an intuition that Agile delivers the same benefit with less elapsed time and resource but this is unproven so far – continue to monitor and drive towards this outcome

- We have preliminary evidence that Agile can be used on complex audits (e.g. by breaking down into multiple Sprints – this needs further validation

- Make sure that Agile does not become an excuse for non-compliance with key elements of the Audit Methodology on documentation and tollgates.

Key takeaways

- Most Agile Auditing techniques are common sense – it's not about the methodology but *how* you apply it

- Mind-set of being "in the work"

… and Aviva's Values

Care More 	Improving control environment ensures sustainability and our ability to pay customer claims. We do the right thing and question the status quo.
Kill Complexity 	Strive to reduce complexity as we work with the business. We call out complexity in the business.
Never Rest 	We challenge ourselves and the business to be more efficient and effective.
Create Legacy 	Improving control environment ensures a sustainable future We support the long terms aims of the business.

Agile Auditing: Programme Status

- Initial Agile training materials and guidance has been made available and 'clinics' held ✅

- The pilot programme for Agile Audit Techniques in progress (details to follow) and will continue until year end ✅

- Pilots for certain Agile Methodology Changes continue until March 2016

- Key learnings from March to August captured and presented today

- Key message: flexibility within a framework:

  - Some teams did not use all of the Agile techniques - not all of them will work in their market or with particular stakeholders.

  - Other teams have already deployed Agile techniques to additional reviews, not part of the official pilots.

Agile Auditing – Next Steps

Next Steps

- Continue to follow up the pilots

- Implement the requirement to "select from the Agile menu" when planning audits

- **Monitor the benefits** of our Agile approach;

- **Roll out** the Global IA Agile **training**

However - our Journey does not stop here:

- To develop a roadmap of the Agile journey going forward – including techniques (such as Kanban) to **manage a portfolio of work in an Agile** manner as a **permanent solution to the hockey stick;**

- Agile is an **iterative process** and it can be **evolved as we see fit**. We **challenge you to think** in an Agile manner and look for **further efficiencies**.

Agile Auditing:
Agile Manifesto and Our Principles cont.

AVIVA

Agile Manifesto (Software Development)	Agile Manifesto (Audits)
Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.	Our highest priority is to satisfy the audit committee through earlier and continuous delivery of Influential audit work.
Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage.	We welcome in flight change where it will add business value.
Deliver working software frequently, from a couple of weeks to a couple of months, with a preference to the shorter timescale.	We deliver audits frequently with a preference to avoiding the delivery of a hockey stick.
Business people and developers must work together daily throughout the project.	Auditors and auditees must work together daily throughout the audit review.
Build projects around motivated individuals. Give them the environment and support they need, and trust them to get the job done.	Build projects around motivated individuals. Give them the environment and support they need, and trust them to get the job done.
The most efficient and effective method of conveying information to and within a development team is face-to-face conversation.	The most efficient and effective method of conveying information between auditors and auditees is face-to-face conversation.

Agile Auditing:
Agile Manifesto and Our Principles cont.

Agile Manifesto (Software Development)	Agile Manifesto (Audits)
Working software is the primary measure of progress.	The final audit report is the final measure of progress.
Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a constant pace indefinitely.	Agile processes promote sustainable auditing. The sponsors, auditees, and business should be able to maintain a constant pace indefinitely.
Continuous attention to technical excellence and good design enhances agility.	Continuous attention to technical excellence and good design assessment enhances agility..
Simplicity – the art of maximising the amount of work not done – is essential.	Simplicity – the art of maximising the amount of work not done – is essential.
The best architectures, requirements and designs emerge from self-organising teams.	The best audit work emerge from self-organising teams.
At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behaviour accordingly.	Regularly reflect on the effectiveness of our actions, knowledge, tools and techniques (through tollgates and retrospectives) in order to identify and act on improvement opportunities.