AN AGILE APPROACH TO INTERNAL AUDIT

AGILE APPLIED TO IA

Delivery challenges have led IA functions to begin exploring more efficient and effective processes to provide greater assurance with the same or fewer resources, as well as respond to common stakeholder pain points.

Can Agile principles be applied to IA?

- Core principles of Agile can be applied to other project management approaches / methodologies
- No inherent conflicts with IIA Standards
- Needs to be implemented in a manner consistent with the goals and objectives of the IA function

What are the potential benefits to IA utilizing an Agile Methodology?

- Efficiency – through reduced cycle times
- Deeper Insights – into strategic issues and risks
- Responsive – to changing and emerging risks
- Risk Focused – apply risk-based principles to audits
- Streamlined Documentation - work papers and reporting
- Enhanced Reporting – more timely and impactful results
- Resources – right resources at the right time
- Engagement – teams are more engaged in execution
- Forward Looking – anticipation of changes in risk

SUPPORTING ELEMENTS OF AGILE

In order to apply Agile processes effectively to Internal Audit, fundamental concepts of team structure, collaboration, and supporting project tools and techniques need to be adapted and updated.

Cross-functional Teams

Cross-functional teams with all the skillsets required to deliver the sprint and product requirements. Making a cross-functional team drops the barriers between silos (e.g., Regulatory, IT, Risk, Process). A cross-functional team operates with increased efficiency and has a more singular focus.

Traditionally Agile is focused on self-organizing teams with the skillsets required to deliver. Embracing that principle will challenge existing team constructs at most institutions.

Continuous Integration

Continuous integration is the concept that elements of the project from different groups should be pulled together on an ongoing basis so that no one element of the project becomes a silo. This concept is most typically associated with larger and more complex audit initiatives or projects.

Project Information Dashboards

Displays of project information on a real-time basis available to the team and stakeholders. Provides transparency to the project scope, status, and results. Facilitates collaboration within the team through information sharing.

Agile principles focus on face-to-face interaction but have been necessarily augmented with technology as teams are more frequently structured in a distributed manner.

CORE ELEMENTS OF AGILE

Applying the core elements of Agile to the Internal Audit Process provides:

Iterative and Incremental Development

This is one of the fundamental aspects of agile. Internal Audits are often characterized by being difficult to accurately predict in advance. Some of the scope later in the project is almost impossible to estimate before the project participants have seen the decisions and results from earlier in the project. An adaptive approach to developing early stages and returning to refine the design using an iterative approach can be much more effective and efficient.

Backlogs

Backlogs are the components that will become a part of the final Internal Audit deliverable. Think of this as a large collection of scope items. These backlog items are then assigned to resources in a small collection of work in a very short time scale called a sprint.

Sprint

A sprint is a short mini project just a few days in duration. All the tasks (backlog items) put into the sprint are expected to be completed within the sprint's duration. Shorter tasks are generally managed more effectively and drive focused efforts on achievable tasks. Given the short durations the sprint team has a great deal of freedom in achieving the tasks.
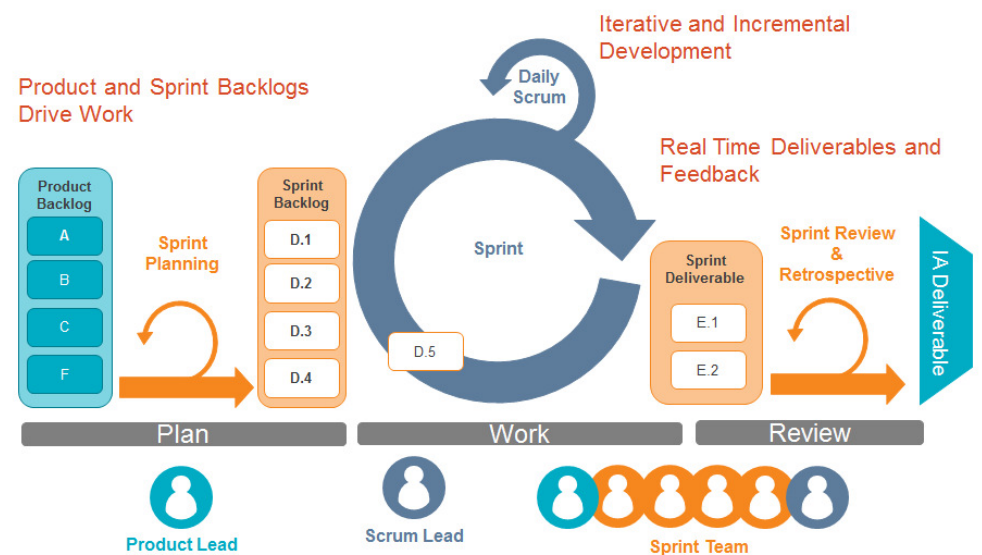
Scrum meetings

Scrum meetings are meetings in which the cross functional teams meet with a facilitator (referred to as a Scrum Master). The group updates the progress of their last sprint of tasks and regroup for the next sprint. Scope is taken from the backlog of outstanding features, tasks and issues, and assigned or adopted by members of the team who commit to what they will do in the next short period of days during the existing or upcoming sprint.

HOW WE'VE SEEN AGILE ADOPTED IN IA

More focused "sprint-like" delivery of audits – shortening time-to-report	Emphasis on data gathering in advance of project
An iterative "follow-the-risk" type approach to audit delivery	Focus on addressing common stakeholder and audit pain points – stakeholders involved in design of "future state"
Iterative and high-touch reporting process	Audits broken down into sprints with focus of delivery of results and direct feed into reporting
Increased involvement of IA and business leadership (standup and sprint review meetings)	Flexible reporting approach
Integrated (cross-functional) teams formed into "pods" delivering a series of audits (backlog)	Principal focus on audit delivery & issue validation versus risk assessment, reporting overhaul etc.

EXAMPLE OF AGILE SPRINT PROCESS

Plan
- Sprint team meets to review and estimate sprint backlog
- Sprint team commits to backlog and identifies tasks to include in sprint

Work
- Fieldwork is executed in an integrated manner with auditee
- Team members discuss tasks and roadblocks during daily scrum
- Product owner documents and prioritizes requirements in product backlog
- Product owner provides insights and feedback from stakeholders
- Focused sprint delivers manageable tasks in short duration

Review
- Team reviews completed work including all stakeholders
- Team discusses lessons learned in Sprint retrospective
- Team provides feedback to the product owner to consider in the backlog

Product and Sprint Backlogs Drive Work

Iterative and Incremental Development

Daily Scrum

Real Time Deliverables and Feedback

Product Backlog: A, B, C, F

Sprint Planning

Sprint Backlog: D.1, D.2, D.3, D.4

D.5

Sprint

Sprint Deliverable: E.1, E.2

Sprint Review & Retrospective

IA Deliverable

Plan | Work | Review

Product Lead | Scrum Lead | Sprint Team

CHALLENGES AND RISKS

Adopting Everything

Adopting all aspects of Agile would go against the core principles of Agile. If you are instituting an Internal Audit culture change, do it in iterative stages. Apply agile thinking to your implementation of agile techniques. You'll need to pick and choose from those practices which are appropriate and appropriate for particular situations.

Top Down Approach

Dictating change top down and all at once. Implementing Agile techniques in a phased manner allows for you to adjust the approach based on learnings. Leveraging a cross functional team trained in Agile to explore challenges and benefits allows for innovation in application of Agile principals to fit the organization.

Abandoning Core IA Principles

Adoption of Agile does not eliminate the need to meet internal audit standards or regulatory guidance on providing assurance, quality of execution, or reporting. Implementation of Agile components in a manner conducive to IA principles allows you to realize the benefits without compromising your core mission.

Coverage

IA often needs to demonstrate "coverage" of key risks. Flexibility within agile requires increased transparency and ability to track coverage decisions. May require the team to rethink coverage approach to allow for more flexibility in approaches. Does not result in reduced documentation or documentation requirements

Skillsets

How to optimally structure teams so that all necessary skillsets are available to each team as needed. How large should the teams be needs to be customized to the approach

LESSONS LEARNED

Educate	Ensure core team members are trained on the basic principles of Agile.
Challenge Standard Processes	Explore current approaches, common challenges and how Agile could benefit the organization. Define high-level blueprint for agile approach.
Expand	Select a well defined area to pilot the approach. Capture lessons learned and adjust approach iteratively. Avoid larger complex audits initially.
Continuous Improvement	Apply Agile concept of continuous improvement to enhance the process through further inputs from stakeholders and pilot results – embrace changes.
Plan for Change	Don't underestimate the challenge of organizational change associated with new methodology. Fully implementing Agile will fundamentally change IA.