

From the Chair / Un mot du président

A blog by / un blog de Richard Arthurs

Agile Internal Audit – To Be or Not to Be?

Is Agile Internal Audit valuable for Internal Audit shops? I would say, yes. Most internal audit shops are within organizations that are currently exposed to disruption and significant change. The more a process or an auditable entity changes the greater the need for internal audit to have an agile approach to both planning and executing audits. Although, if internal audit is conducting compliance audits or audits related to an area with very little change since the last audit, choosing an agile approach may not add much value.

Agile auditing has existed in various forms for many years. Although over the last decade, Agile Internal Auditing has evolved to become a well-defined methodology. The most popular methodologies are derived from the “Sprint” and “Scrum” approach that was utilized by several information technology projects in the past. Simply put, a project is always assessed on whether it has been completed on time, on budget, and if it has met the original objectives in the project charter. Agile project management has been used to optimize the probability of success.

There are some basic principles that must be respected for Agile Internal Audit to be effective.

Always be Open to Change – The spirit of being Agile is to minimize using resources for low value (low risk) work that does not provide valuable insight to the client. Though, do not change unless there is enough value focused rationale to do so.

Upfront Buy-In from Key Stakeholders – Internal Audit needs to gain pre-approval of an agile approach before it can be utilized. If key stakeholders are not willing to support an agile auditing approach, then it will not work. The Audit Committee needs to be able to support constant change in plans, if warranted. Some agile internal audit teams re-write the entire internal audit charter to reflect what is expected with agile internal auditing.

Plan, Plan, and Plan Again – Agile Auditing requires not just having a well thought plan, but continuous improvement of the plan if needed. This requires an expectation that the plan is never perfect and can always be improved. The plan also needs to be dissected into parts that can be completed within a one to three-week sprint, and each part should be prioritized, starting with the highest value work first. An ongoing risk assessment should be utilized to determine value. Agile Internal Audit teams often get quite effective at predicting the outcome of the audit before starting the audit work. This could look like a hypothesis on related residual risk based on the effectiveness of controls, then evidence is gathered to either prove the hypothesis correct or incorrect.

Constant Team and Client Communication - Everyday there should be a team “scrum” where the entire team has a fifteen-minute roundtable update on what each person is working on. Also, the team’s scrum leader needs to maintain constant collaboration with the audit project sponsor.

Everyone on the team has a voice and is expected to contribute relevant insight. This may be hard for some to deliver if they have never had to do this. Agile Auditing can build very strong team capabilities over time. One golden rule of thumb should be to always minimize negative surprises for the client or the team, such as not being able to meet a critical deadline.

Mature agile internal audit teams find that their work continuously becomes more effective and efficient. Team morale and the relationship with the client is often optimized. Clients' expectations are continuously managed and therefore they do not need lengthy reporting at the completion of the audit work. Agile audit teams must master the art of succinct and fact-based documentation, using cloud-based software solutions when possible. Agile Internal Audit teams have grown to love data analytics, because it allows for early detection of risk trends and 100% review of data sets. This removes the guessing and ambiguity that exists with sample testing and related extrapolations.

When internal Audit teams gain a higher level of maturity and sustained capability to maintain an effective and efficient agile auditing approach, they find their team members will never want to go back to auditing in a non-agile way (unless it's a compliance audit).

In conclusion, agile auditing is not easy, but very valuable and motivating if you can achieve it.

Good Luck!