Business Agility & Agile Audit
February 12, 2021
“Success today requires the agility and drive to constantly rethink, reinvigorate, react and reinvent”

Bill Gates

What does that mean for business?
On **February 11-13, 2001**, at The Lodge at Snowbird ski resort in the Wasatch mountains of Utah, seventeen people met to talk, ski, relax, and try to find common ground—and of course, to eat. What emerged was the Agile 'Software Development' Manifesto.
What is Business Agility?

Simplest Answer: New way of working

Agile Mindset
(Value First, Collaboration, Decentralized, Outcome based)

Agile Tools & Techniques
to change the way you work
(Scrum, Kanban, Lean, High-Performance Teams, Adaptive Leadership, etc.)
Agile is a mindset that drives a set of values

- **Individuals and interactions** over processes and tools
- **Working products/services** over comprehensive documentation
- **Customer collaboration** over contract negotiation
- **Responding to change** over following a plan

*That is, while there is value in the items on the right, we value the items on the left more*
Agile Manifesto – 12 Principles

1. Satisfy the Customer
2. Welcome Change
3. Deliver Frequently
4. Work Together
5. Trust & Support
6. Face-to-Face Conversation
7. Working Product/Service
8. Sustainable Development
9. Continuous Improvement
10. Maintain Simplicity
11. Self-Organizing Teams
12. Reflect & Adjust
Benefits of Agile Audit

**ALIGNMENT**
Aligns audit plan to the business owner expectations

**SHORTER CYCLES**
Shorter audit lifecycle from assessment to reporting

**PRIORITIZATION**
Audits the most urgent risks in an organization.

**INSIGHTS**
Focuses on gaining and sharing insights with management.

**PRODUCTIVITY**
Formalizes an approach to monitoring progress.

**QUALITY**
Maintains compliance to a time budget and builds in quality.
What is Business Agility?
Understanding Agile Audit Roles & Process
IT Development Example – Agile Scrum

Story 1 – As an online user, I want to use a credit card to purchase a ticket so that...

Purchase Ticket

Feature

Story 1

Story 2

Story 3

Product Backlog

User Stories

Prioritize

Plan

Commit

Build

Test

Deploy

NEW FUNCTIONALITY

24 hours

Daily Scrum

2-4 week Sprint

RGP.com  |  2020 © RGP Proprietary and Confidential
Key Agile Roles

Product Owner
Audit Plan Owner
A person responsible for maximizing the value of the product and the work of the development team (product backlog and managing priorities)

Scrum Team
Agile Audit Team
Consists of professionals who do the work for delivering a potentially releasable increment of “Done” product at the end of each sprint, self-organizing, cross-functional

Scrum Master
Audit Lead
A person ensuring that scrum is understood and enacted, sets up meetings and monitors everything
Traditional Agile - Elements of a Program Increment

Program Increment or Release
• A Program Increment (PI) or Release is a timeboxed planning interval during which a team plans and delivers incremental value.

Objectives or Theme
• Objectives are a summary of the business and technical goals that a team or train intends to achieve in the upcoming Program Increment (PI).

Stories
• Stories are short descriptions of a small piece of desired functionality, written in the user’s language. Agile Teams implement small, vertical slices of system functionality and are sized so they can be completed in a single iteration.

Sprint
• Sprints are the basic building block of Agile development. Each sprint is a standard, fixed-length timebox, where teams deliver incremental value in the form of working, tested software and systems. The recommended duration of the timebox is two weeks.
Elements of an Agile Audit Program

Program Increment

Audit Plan
• The Audit Plan is a quarterly planning interval during which the audit team plans and delivers insights to the organization.

Objectives

Objectives
• Objectives are a summary of the business and technical goals that a team intends to achieve in the upcoming Audit Plan.

Stories

Risks
• Risks are any exposure that threaten the organization from achieving the Objectives.

Sprint

Audit
• Audits are the basic building block of the Audit Plan. Each audit is a standard, fixed-length timebox, where teams deliver incremental value in the form of tested controls related to risks. The recommended duration of the timebox is 4-6 weeks.
Agile Audit Process

OBJECTIVES

RISK 1

RISK 2

RISK 3

AUDIT PLAN BACKLOG

AUDIT SPRINT BACKLOG

24 hours

Daily Scrum

2-4 week Sprint

DEFINE

PRIORITIZE

PLAN

COMMIT

EXECUTE

REVIEW

REPORT

Product Owner

Scrum Master

Scrum Team
What is an ideal risk assessment frequency?
Implementing Agile Audit
Implementation Approach

PLANNING
- Risk Assessment
- Audit Plan
- Agile Team Scheduling

EXECUTION
- Risk Prioritized
- Iterative Completion
- Daily Standup
- Audit Iteration Reporting

REPORTING
- Management Reporting On Demand
- Quarterly Formal Reporting
- Risk and Control Insights Focus

VALUE
### Planning

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Agile</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Entity Based Audit Universe</td>
<td>• Risk Based Audit Universe</td>
</tr>
<tr>
<td>• Focus is on subjective risk ranking and entity coverage</td>
<td>• Focus is on business objectives and strategic risks</td>
</tr>
<tr>
<td>• Risk Assessment is annual with updates</td>
<td>• Quarterly Assessment that captures updates from audit and senior management</td>
</tr>
<tr>
<td>• Audit Plan is 1-3 years</td>
<td>• Audit Plan is quarterly</td>
</tr>
<tr>
<td>• Emerging Risks are not well represented</td>
<td>• Emerging Risks are always considered</td>
</tr>
<tr>
<td></td>
<td>• Can scale for aggregated combined assurance planning</td>
</tr>
</tbody>
</table>
How often should the internal audit department be able to produce Audit Committee Insight reports?
Since new risks emerge constantly and organizations modify objectives to meet changes in the world, the audit department must also be prepared to react quickly.
Sources for Risk Information

- **Input from Financial Reports**
  - Strategic Objectives
  - Risk Statements

- **Inputs from Senior Management**
  - New Initiatives
  - Risk Conversation

- **Inputs from Completed Audits**
  - Emerging Risks
  - Control Ratings
Traditional Approach - Entity Based Assessments

1. The entity is rated with a simple high, moderate, or low rating.

<table>
<thead>
<tr>
<th>Example</th>
<th>Department</th>
<th>Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Human Resources</td>
<td>High</td>
</tr>
</tbody>
</table>

2. The entity has high level risks associated and rated.

<table>
<thead>
<tr>
<th>Example</th>
<th>Department</th>
<th>Risk</th>
<th>Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Human Resources</td>
<td>Strategic Risk</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operational Risk</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Risk</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

3. The entity has detailed, process level risks associated and rated.

<table>
<thead>
<tr>
<th>Example</th>
<th>Department</th>
<th>Risk</th>
<th>Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Human Resources</td>
<td>Hiring practices</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Appropriate pay</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee retention</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

While many auditors will call the approach “risk-based planning”, in practice they perform entity-based audit planning.

The base, or starting point, for the assessment was an entity-oriented audit universe, not risks.
In an agile audit environment, the audit universe will change to include the organization’s most critical objectives and risks.

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Strategic Risk</th>
<th>Process Risk</th>
<th>Impact</th>
<th>Likelihood</th>
<th>Control(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate the world’s transition to sustainable energy</td>
<td>Delays or other complications in the design, manufacture, launch, and production ramp of our vehicles, energy products, and product features</td>
<td>No guarantee that we will be able to successfully and timely introduce and scale any such new processes or features.</td>
<td>High</td>
<td>Moderate</td>
<td>Reducing the levels of automation and introducing semi-automated or manual processes. Used a number of new manufacturing technologies, techniques, and processes for our vehicles, such as aluminum spot-welding systems and high-speed blow forming of certain difficult to stamp vehicle parts.</td>
</tr>
</tbody>
</table>
## Execution

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Agile</th>
</tr>
</thead>
<tbody>
<tr>
<td>• End to end process-based execution</td>
<td>• Risk based execution that excludes low risk processes</td>
</tr>
<tr>
<td>• Variable end dates impacted by roadblocks:</td>
<td>• Daily Standup Meeting that include a rep from management to facilitate delays</td>
</tr>
<tr>
<td>− Delays receiving supporting documentation</td>
<td>• Eliminate scope creep by performing priorities work within set timebox</td>
</tr>
<tr>
<td>− Scope creep due to expanding testing and low risk testing</td>
<td>• Manager review is near real-time</td>
</tr>
<tr>
<td>− Manager review and auditor rework at the end of the audit</td>
<td>• Agree to all issues in iteration presentations during the audit (retrospective format)</td>
</tr>
<tr>
<td>− Arguments with management over the audit report</td>
<td>• Audit reporting can be eliminated or reduced to a formality</td>
</tr>
<tr>
<td>• Limited involvement with business owners</td>
<td>• Final retrospective on audit process</td>
</tr>
</tbody>
</table>
Managing productivity, the Agile way

Daily Scrum

- Daily Scrum is a 15-minute time-boxed event for the Development Team to synchronize activities and create a plan for the next 24 hours.
- The Daily Scrum is held every day of the Sprint. At it, the team plans work for the next 24 hours. This optimizes team collaboration and performance by inspecting the work since the last Daily Scrum and forecasting upcoming Sprint work. The Daily Scrum is held at the same time and place each day to reduce complexity.

Scrum Board

- A Scrum Board is a tool that helps Teams make Sprint Backlog items visible. The board can take many physical and virtual forms but it performs the same function regardless of how it looks.
**Managing Agile Audit – Value First**

**Daily Audit Scrum**

- Daily Audit Scrum is a 15-minute time-boxed event for the Audit Team to synchronize activities and create a plan for the next 24 hours.
- The Daily Audit Scrum is held every day of the audit. At it, the team plans work for the next 24 hours. This optimizes team collaboration and performance by inspecting the work since the last Daily Audit Scrum and forecasting upcoming test work. The Daily Audit Scrum is held at the same time and place each day to reduce complexity.
- Ideally, a member of the management from the auditee should be present in the Daily Audit Scrum.

**Audit Scrum Board**

- An Audit Scrum Board is a tool that helps the audit team visualize risks. The board can take many physical and virtual forms but it performs the same function regardless of how it looks.

```
Risk Backlog  |  To Do   |  Doing   |  Done   
---           |         |          |         
Risk 1        | Risk 3  | Risk 5   | Risk 7  
Risk 2        | Risk 4  | Risk 6   | Risk 8  
```

---

rgp.com | 2020 © RGP Proprietary and Confidential
Audit Committee Reporting

Traditional

• Primarily an audit plan status update
• Issues are categorized for simple trending
• Variable communication cadence (1-4 times each year)
• Heavy workload for data aggregation and presentation building

Agile

• Goal for the meeting is sharing insights related to emerging and critical risks and the associated control environment
• Issued are categorized by strategic and enterprise risk in addition to common trend categories
• Set cadence for formal reporting with optional reporting on demand
• Bottom up data capture with real-time review enables faster data aggregation
• Can scale for combined assurance aggregated reporting
# Audit Reporting – Best Practice

## Interim Reports

Interim Reports are organized meetings, split into four steps, and the entire meeting lasts just 45 minutes. The meeting is to cover the results from the past 1-2 weeks. Here are the steps:

1. Review Sprint Scope (5 min)
2. What went well? (10 min)
3. What needs improvement (Issues)? (10 min)
4. Innovation discussion to address issues (15 min)
5. Final Management Responses (5 min)

## Final Audit Report

The Final Audit Report is a cumulative report of the issues reviewed in each of the interim reports.

The point of the final report is to communicate both what went well and issues identified to those closest to the risks and controls.
What is the internal audit department’s main product?
Board Reporting

Internal Audit’s Final Product

• The Audit Committee Report is the cumulative risk insights report.

• The report should include information about:
  – Risk and control gaps
  – Trending of issue categories
    • By Strategic Risk category
    • By Type
    • By Root Cause
    • By Regulation
    • Etc.
  – Management Responsiveness to Issues

– The report should be producible on demand based on information captured by the Agile Team and reviewed by the Scrum Master.
**Agile Audit Maturity**
*What We See Across Companies*

**ENABLED**
- Exploratory analytics
- Move success metric from number of audits completed to value of insights
- Quarterly insight driven reporting for audit committee and board

**STRATEGIC**
- Assessments tied to management objective
- Tech triggers on core systems
- Cross-functional integrated audit teams
- Real-time reporting for audit committee and board

**ADAPTIVE**
- Auditing strategic risks only
- Automate and accelerate testing with RPA for tech enabled risk alerting, fieldwork, and reporting**
- Combined assurance with ERM, IT governance, etc.

**BASIC**
- Building a high-performance teams
- Move from status reporting to collaboration
- Data analytics in fieldwork*

*RGP partners with Alteryx for data analytics solutions

**RGP can provide consulting for PowerAudit RPA solutions
Our Recommendations

Start Small / POC
- Get professional training
- Focus on process and change
- Formalize the approach
- Pilot either one phase or a single process

Focus on buy-in & mindset
- Get buy-in from all stakeholders
- Re-establish measures and OKRs
- Focus on value and change language within the team

Relentless Improvement
- Evaluate technology enablers as a part of your continuous improvement planning
- Create an environment that values continuous improvement and the structures to execute on the proposed improvements

Get change support
- Get professional training
- Focus on process and change
- Formalize the approach

Technology Enablers
- Evaluate technology enablers as a part of your continuous improvement planning
- Create an environment that values continuous improvement and the structures to execute on the proposed improvements
Questions?
1. What can we do to make our audit universe more risk-based?

2. What about the entities and processes that are not being touched by Internal Audit?

3. How should my IA department begin the transformation to be more Agile?
Agile in Action --


Agile Internal Audit. KPMG. 2019

Agile Internal Audit - Leading practices on the journey to becoming Agile. The Institute of Internal Auditors. 2019.


Implementing a combined assurance approach in the era of King III. PwC. 2010.

Cupid has become associated with Valentine's Day because his arrows pierce the hearts of his victims causing them to fall deeply in love. Who was Cupid's mother?
Contact Info

Ian Burnett
VP, Audit
+1 404 449 4877
ian.burnett@rgp.com
LinkedIn

Kristen Darby
VP, Business Agility
+1 512 680 6063
kdarby@rgp.com
Linkedin

RGP Blog: Agile Audit: Real-time Insights & Value
Thank You,
Fellow Human!