Leveraging Agile with audits

SF IIA Fall Seminar
November 30, 2018
“I have never started a poem yet whose end I knew. Writing a poem is discovering.”
— Robert Frost
Agile Manifesto

While there is value in the items on the right, we value the items on the left more.

- Individuals and interactions over Processes and tools
- Working software over Comprehensive documentation
- Customer collaboration over Contract negotiation
- Responding to change over Following a plan

Source: www.agilemanifesto.org
What agile is and is not

**Agile is** a way of approaching work based on iterative development, where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams, all focused on delivering the most important business value and continually improving.

**Agile is not:**

- Agile is not a silver-bullet
What agile is and is not

Agile is a group of methods based on iterative development, where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

Agile is not:
- It is not a single methodology
- It is not a set of tools
- It is not that easy (it is easy to understand, not easy to implement)
- A silver bullet
CHARACTERISTICS OF AGILE

Increased communication
Collaboration
Flexible audit plan
Self Organizing teams
Point of view – Meaningful insights

Frequent delivery of results
Short, time-boxed iterations
Customer engagement
Adaptability
Cross-functional one-teams
Agile frameworks focus on:

<table>
<thead>
<tr>
<th><strong>Delivering Business Value</strong></th>
<th>Agile development allows us to focus on delivering the highest business value in the shortest amount of time – allowing for fast feedback and rapid validation</th>
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</thead>
<tbody>
<tr>
<td><strong>Rapid and Repeatable Processes</strong></td>
<td>We build multiple recurring feedback loops into the process, as frequently as daily, so we may inspect our work, our products, and our teams to implement needed changes quickly and continually improve.</td>
</tr>
<tr>
<td><strong>Self-Organization</strong></td>
<td>The business sets the priorities. Agile teams self-organize to determine the best way to always be delivering the highest priority features.</td>
</tr>
<tr>
<td><strong>Working Product</strong></td>
<td>At the end of regular cadences (called “iterations” or “sprints”) up to a month long, anyone can see actual products (e.g. Summary Observations and Management Action Plans (MAPs) on concludable areas, real working software, a drivable car) and the customer/stakeholder may decide to release it as is or ask for it to be enhanced in an upcoming iteration.</td>
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MYTH BUSTERS!

Perception

- Anti-planning
- Less or no documentation
- More rework
- One-size fits all

Reality

- Enhanced, high value planning
- Flexibility to define have to | want to haves
- Iterative delivery with a focus on quality
- Applies ‘test, learn, and adapt’ mentality
Agile IA uses the Scrum framework

Scrum operationalizes the values and principles of the agile manifesto into a lightweight framework with a limited ruleset designed to allow the team as much flexibility as possible in determining how to work. This framework works well for internal audits and has been tested at several companies and clients.
Exercise: Mental shift paradigm
Iterative and incremental delivery activity

• Meet Lisa.
• Lisa wants you to build something that will take her from her house to her workplace.
• She wants you to build it using agile.
• How would you build it?

Choose five items and order them following an iterative/incremental approach:

A. B. C. D. E. F. G. H. I. J.
Is this what you built?

This...

D.  
F.  
H.  
B.  
J.  

Or this...

C.  
A.  
I.  
E.  
G.  

Key takeaways:

- Highest priority is to satisfy the customer through early and continuous delivery of valuable, working products
- Deliver products frequently
- Working products are the primary measure of progress
THE COGNITIVE SCIENCE BEHIND AGILE

Stable teams perform better.

The longer we work, the less productive we are.

Iterative work leads to earlier and higher value.

Multitasking creates waste.
THE COGNITIVE SCIENCE BEHIND AGILE

Source: Tuckman, Team Development Model 1965.
THE COGNITIVE SCIENCE BEHIND AGILE

Source: Sutherland, Scrum 2014.
THE COGNITIVE SCIENCE BEHIND AGILE

ITERATIVE WORK LEADS TO EARLIER AND HIGHER VALUE

Source: Tuckman, Team Development Model 1965.
# The Cognitive Science Behind Creates Agile

<table>
<thead>
<tr>
<th>Projects</th>
<th>Time Available</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>2</td>
<td>40% 40%</td>
<td>20%</td>
</tr>
<tr>
<td>3</td>
<td>20% 20% 20%</td>
<td>40%</td>
</tr>
<tr>
<td>4</td>
<td>10% 10% 10% 10%</td>
<td>60%</td>
</tr>
<tr>
<td>5</td>
<td>5% 5% 5% 5% 5%</td>
<td>75%</td>
</tr>
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</table>

**Multitasking Creates Waste**

Making it real
Why bring agile to IA?

IA should transform to deliver on a broader set of expectations, providing assurance but also advising on and anticipating risks...

**Objective:** To deliver meaningful, timely and real time insights.

Agile delivers business value: Agile is iterative and will allow us to **continually revisit current risks** and reprioritize as a continual process for the audit – both individual audits and the annual audit planning process. The velocity of business is faster than ever before, and the way we have always done IA is simply no longer adequate to serve as an effective third-line of defense in the faster paced world in which we and our clients operate. To **assure, advise and anticipate risk effectively**, we need Agile IA processes.
Traditional IA vs. Agile IA

Agile puts a heavy focus on collaboration with clients/stakeholders and team members. It allows internal auditors to drive collaboration and be seen as partners to their stakeholders rather than as “the police.”

### Traditional
- The audit progresses step-by-step from “big up front” design and discovery through the audit report at the end with limited or no overlap
- The audit report is released as a “big bang” delivery with benefits realized at the end of the audit
- The client/customer/stakeholder has limited communication and collaboration with audit team

### Agile
- Cross-functional internal audit teams work simultaneously on a single audit to accelerate the delivery of Summary Observations, Impact, and Management Action Plans (MAPs) each sprint
- The product is released in increments to ensure the team is auditing the right thing at the right time
- Continual communication and feedback between stakeholders and/or clients and the audit team
TRADITIONAL AUDIT VS. AGILE AUDIT

**Key Terms Defined**

**Sprint**: A time-boxed period during which the team will complete a set of prioritized stories.

**Point of View (POV)**: A summary of the relevant insights gained from observations and stories. It is a condensed understanding of the area with highlights to relevant insights of the state of risk and controls.

**Time-box**: Defined timeframe no longer than 2-3 weeks.

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**Impacts to Customer**

Traditional Internal Audit

- **Do I have all the answers?**
- **Where are we in the audit process?**

Agile Internal Audit

- **I am now more informed.**
- **I can react to and modify my plan based on the interim point of views.**
- **I have collaborated with the right individuals.**

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**Planning**

- Sprint 0: 2 Weeks
- Sprint 1: 2 Weeks
- Sprint 2: 2 Weeks
- Sprint X: 2 Weeks
- Sprint Y: 2 Weeks
- Project Close out: 2 Weeks

**Fieldwork**

**Review**

**Reporting**
What does your Agile IA future look like?
AUDIT PROJECT CANVAS

3 About the Business
- How does the business area align with the Corporate Strategy?
- What are the business' objectives?
- What are the risks to the business achieving its objectives?
- What is the business landscape?
- Existing business metrics?

Guidance
- Interviews with Executive Accountable and key business area stakeholders to agree on the "so what"
- Business process narratives/flowcharts
- Internal management reports
- Revenue/Expenses
- Costs to Operate
- Geographical Distribution
- Prior internal/external reports

4 Cross-Functional Impact
- Key IT systems/reports supporting and/or monitoring the business process
- Implications of change
- Compliance considerations
- Financial Reporting/Impact

Guidance
- Compliance elements
- Data Available/Reports Used
- Exception Reports
- Financial Impact
- Operational Impact
- Global Functional Team Involvement
- Cross Business Area Impact

1 Project Drivers
- Why is this project important to the business?
- Why is it on the audit plan? Drivers from the risk assessment?
- What is going on within the business?
- What is the value-add (relevance) to the enterprise?
- What are we solving for?
- What questions will be answered at the end of the review?

Guidance
- Understanding of the control environment
- Internal/External Influences
- Qualitative and/or Quantitative
- Alignment with business strategy, goals and/or objectives
- Alignment with business area risk

2 Value Proposition
- What is the value of doing an Agile audit in this area?
- How is an Agile audit going to bring value to the business?

5 Key Stakeholders
- Who is most concerned about the value of the project?
- Cross functional — Who will be most impacted?
- Internal Audit Market Leaders

Guidance
- Executive Accountable (** SVP or higher)
- Internal Audit Market Leader/CAE Direct Reports

6 Project Team
- Audit Product Owner
- Audit Scrum Master/Team
- Key Business Owner

Guidance Global Audit
- Finance/Operations/IT/Compliance
- Data Analytics
- Global Functional Team
- Business area Subject Matter Expertise

7 Project Scope
- What is needed to achieve the project objectives?
- What are the concludeable areas for the project?

Guidance
- Prioritized concludeable areas
- Applicable business areas (sub-processes)
- Business Policies & Procedures
- Laws & Regulations

- Data/Transactions
- Timing
- Locations

8 Risk & Control Log
- Business Risks & Controls
- Identify and prioritize the sprint backlog.
- Define project sprint timeframe?

Guidance
- Timing of Sprints
- Hierarchy of sprint backlog based on risk and value/importance to the business and achieving the audit objectives

9 Audit Timeline/KPIs
- Audit Timeline
- Target Dates
SPRINTS – WHAT DO I DOCUMENT?

**Sprint**

**Scope & objectives**
- What are the sprint goals?
- What questions do we want answered at the end of the Sprint?
- What is needed to achieve the Sprint objectives?
- What are the parameters for the Sprint?

**Sprint**

**Risks & controls**
- Relevant risks and controls for the specific sprint as applicable.
- NOTE: This may be documented within Teammate (Record of Work Done), the risk assessment template or a document created by the team.

**Procedures performed**
- What procedures/analysis was performed to achieve the Sprint objectives?
- NOTE: This may be document within Teammate (Record of Work Done), work program template or a document created by the team.

**Results and conclusions**
- What are the results of the procedures/analysis performed?
- How do the results influence future sprints?
- Answer the questions identified as the sprint objectives?
- What is Audit’s Point of view of the sprint?
- How does the sprint influence the project-level Point of View?
### PROJECT POV: This is the space for the project-level POV; which is determined at the start of the project, updated throughout and finalized at the end based on project learnings. The project level POV should connect with the strategic objectives.

### Sprint POV 3
What did we learn based on the hypothesis? How does what you learned influence the project-level POV?

### Sprint POV 2
What did we learn based on the hypothesis? How does what you learned influence the project-level POV?

### Sprint POV 1
What did we learn based on the hypothesis? How does what you learned influence the project-level POV?

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### Summary Observations, Impact, and Management Action Plans (MAPs)

<table>
<thead>
<tr>
<th>Observation</th>
<th>Impact</th>
<th>MAP</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary sentence of the issue (including applicable control breakdown) based on the results of the review</td>
<td>Summary sentence of realistic impact/risk if the issue noted persists.</td>
<td>Summary sentence capturing the essence of management’s planned action.</td>
<td>Sept 2017</td>
</tr>
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<td>Summary sentence of the issue (including applicable control breakdown) based on the results of the review</td>
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<td>Nov 2017</td>
</tr>
</tbody>
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**Rating:** 🔴 High, 🟠 Moderate

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Connect the POV to the company’s Strategic Objectives
Agile internal audit helps make functions better, quicker and faster

**Agile IA workflow (high level)**

- **Discovery**
  - Allows IA to respond quickly to changing business needs

- **Execution**
  - Reduces the time between requirement and delivery
  - Builds the risk specific insights the customer needs
  - Delivers insights without quality problems

- **Close Out**
  - Meets business commitments by reprioritizing scope

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**Key Points**

- Agile IA workflow: Discovery, Execution, Close Out
- Stakeholders: Audit Product Owner, Audit Scrum Team, Stakeholders
- How do we scope this?
- Concludeable Area, Audit Backlog, Sprint Planning, Sprint Backlog, Tasks
- DoR, DoD, Daily Standup, 1-2 Weeks
- Sprint Closing, Final POV, Audit Product Owner
- Allows IA to respond quickly to changing business needs
- Builds the risk specific insights the customer needs
- Delivers insights without quality problems
- Meets business commitments by reprioritizing scope
Using a Kanban board

**Tips when using in Scrum**

- A Kanban Board is used to visualize the progress of an Audit Scrum team and to facilitate transparency and communication regarding emerging Points of View.
- The team still has to operate in a time-box (2 week Sprints)

### Activities

1. **Lay out the workflow**
2. **Onboard Work**
3. **Define Policies**
4. **Operate the Board**
5. **Evolve the Board**

### Sample Kanban Board

<table>
<thead>
<tr>
<th>Prioritized Audit Backlog</th>
<th>Sprint Backlog</th>
<th>Point of View</th>
<th>Blocked</th>
<th>In Progress</th>
<th>In Review</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis Supported</td>
<td></td>
<td>[Diagram</td>
<td>[Diagram</td>
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<td>[Diagram</td>
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<tr>
<td>Supported with Caveat</td>
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<td>[Diagram</td>
</tr>
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Questions?

Chris Pattillo
Deloitte Cyber IA Manager
cpattillo@Deloitte.com
Appendix
Agile manages risk from the start

Traditional approach

Full testing late in implementation

Very little time to address surprises – risk escalates

Preferred agile approach

Testing as early as is feasible

Time to address risk positively and productively
Agile uses a people-oriented approach

Agile puts a heavy focus on collaboration with clients/stakeholders and team members. It allows internal auditors to drive collaboration and be seen as partners to their stakeholders rather than as “the police.”

Different approach to eliciting requirements and customer/client/stakeholder needs

1. What is wanted is least known at the start of a project
2. Initiatives require a lot of communication
3. Written word is not always the best way
4. Requirements change

Communication effectiveness

- Face to face (in person)
- Phone
- Email, IM, Telepresence
- Paper documentation

Source: [Characterizing people as non-linear, first-order components in software development](http://example.com)

It’s better to know some of the questions than all of the answers. – James Thurber
Agile leverages the power of a team

At the beginning of each sprint, the internal audit team commits to a body of work resulting in a POV at the end of that sprint. The team works together to ensure they meet their commitment, and succeed or fail as a team.