What does Agile Internal Audit look like in real life?

A combination of examples on how Internal Audit leaders have enhanced effectiveness and efficiency with an Agile approach.

The Institute of Internal Auditors – Vancouver Island Chapter

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Feb 4th, 2021
Virtual Meeting Guidelines

• Reminder to keep your microphone off unless you are speaking
• Please use your cameras during group discussions and when asking questions – allows for better engagement and dialogue amongst the group
Session Outline

- Agile Internal Audit has a wide range in application and definition based on methodologies applied across various industries and internal audit shops. For example, how can a one person internal audit shop leverage agile internal audit versus what a one hundred person shop?

- Agile can be applied to some or all of the following areas of Internal Audit methodology.
  - Risk Assessment
  - Annual planning
  - Engagement planning
  - Ongoing communication with team, client, and Audit Committee
  - Engagement execution
  - Integration with subject matter experts
  - Use of analytics
  - Reporting and follow-up
  - Culture and Change Management
  - Learning and Development

- In summary, the internal audit profession is under greater pressure than ever, since the impact of COVID started, to deliver value in a optimal cost effective manner. Every plan must consider value and cost effectiveness, which requires being agile.

- This session will review multiple real life internal audit engagements and will identify how agile internal auditing was applied or not applied, and why.
What is Agile Internal Audit?
Little A versus Big A
Agile – why are we hearing so much about it?
What is “Agile Internal Auditing”? Little A vs Big A

How is the term “agile” being used by practitioners to describe different efforts to make internal auditing more agile?

**agile (little “a”)**: a verb used to describe process improvement efforts (exclusive of a specific methodology) employed by internal audit functions to achieve a more nimble, less wasteful internal auditing process.

*Example*: The chief audit executive is looking for opportunities that will make audit processes more agile so that internal auditing services are more capable of addressing the dynamic risk environment.

**Agile (big “A”)**: a noun used to describe the use of specific agile software development methodologies and an associated mindset shift to achieve more value and agility from the internal auditing process.

*Example*: The internal audit function is using Agile to innovate the internal auditing process in an effort to better address the dynamic risk environment.

Said differently, "Agile" is being used by some internal audit functions as one way to make their services more "agile."
The Historic Waterfall Approach to Internal Audit
While there is value in the items on the right, we value the items on the left more.

<table>
<thead>
<tr>
<th>Individuals and interactions</th>
<th>over</th>
<th>Process and procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working software</td>
<td>over</td>
<td>Comprehensive documentation</td>
</tr>
<tr>
<td>Customer collaboration</td>
<td>over</td>
<td>Contract negotiation</td>
</tr>
<tr>
<td>Responding to change</td>
<td>over</td>
<td>Following a plan</td>
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</tbody>
</table>

Source: www.agilemanifesto.org
Making the Shift to Agile (Small a)

FROM

• Perfect communication
• Rigidly planned activities
• Comprehensive documentation
• Established roles
• Following a preset plan
• Auditing to Internal Audit resources
• Control of the audit process

TO

• Frequent communication
• Quick, iterative activities
• Timely, relevant documentation and reporting
• Empowered roles and flexible system
• Responding to emerging needs
• Transparency in the process
Applying Small a to the Internal Audit Process

- Risk Assessment
- Annual planning
- Engagement planning
- Ongoing communication with team, client, and Audit Committee
- Engagement execution
- Integration with subject matter experts
- Use of analytics
- Reporting and follow-up
- Culture and Change Management
- Learning and Development
Real Life Examples:
University of Alberta – Small a
General Mills – Big A
University of Calgary – Small a
Government of Canada
Project Phoenix (Where was Agile?)

$2.6B to stabilize the Phoenix pay system
Big A – Agile Methodology
Agile Audit Phases

ASM: Audit Scrum Master
DoR: Definition of Ready
DoD: Definition of Done
PO: Product Owner

AST: Audit Scrum Team
SME: Subject Matter Expert
KBO: Key Business Owner

1-3 Weeks
Refinement
Demo
Retrospective

Scrum

How do we scope this?
Concludeable Area
Sprint Planning
Sprint Backlog
Tasks

Concludeable Area

Final Report

Accountable Executive
Audit Product Owner
What is Scrum? (The process)
Why consider using Agile/Scrum methods?
“Agile-Scrum reduce audit risk”

- Flexibility reduces business-environment related risk
- Regular feedback reduces expectations-related risk
- Team ownership reduces estimation risk
- Transparency reduces non-detection risk
- Iterative delivery reduces investment risk
Small a – Agile Internal Audit
Agile Internal Auditing

A. Risk assessment and audit plan
B. Audit planning and scoping
C. Execute audit – fieldwork
D. Deliver insights – reporting
A. Risk Assessment & Audit Plan Stage

- **Clarify & Gain Alignment on Value Proposition**
  - Elevate the use of data analytics
  - Continuous risk assessment vs. annual – more periodic touchpoints
  - Survey versus interview based
  - Develop audit plan to include more areas to be covered in the year
  - % of audit plan left as TBD based on dynamic risk assessment
B. Audit Planning and Scoping

• Clarify & Gain Alignment on Value Proposition
• Identify select scope areas vs. full scope audits
• Use of analytics
• Audit cycle target 1-3 week sprints
• Non-traditional audit team composition
C. Execute Audit - Fieldwork

- Analytics to eliminate sample testing
- Revisit documentation needs based on assurance vs. advisory projects
- Innovate the review process – more real time reviews
D. Deliver Insights - Reporting

- Disrupt reporting process – insight driven releases
- Identify point of acceptance
- Consider alternate methods of reporting – report on trends vs end of project
- Incorporate reporting into the sprints – insights delivered real time with acceptance
3 Steps to Start Becoming More Agile

1) Think strategically about your ideal state
2) Remain relevant by transforming and disrupting your Internal Audit function
3) Build preparedness and adaptability into your Internal Audit function DNA

Questions?

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Thank You!