

Business Agility & Agile Audit

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RGP

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Welcome



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Learning Objectives

- Understand Agile principles & how they apply to business
- Agile Audit overview
- Agile Audit approach
- Agile Audit resources
 - Current publications
 - Research & working groups

Agile Audit CPE Training



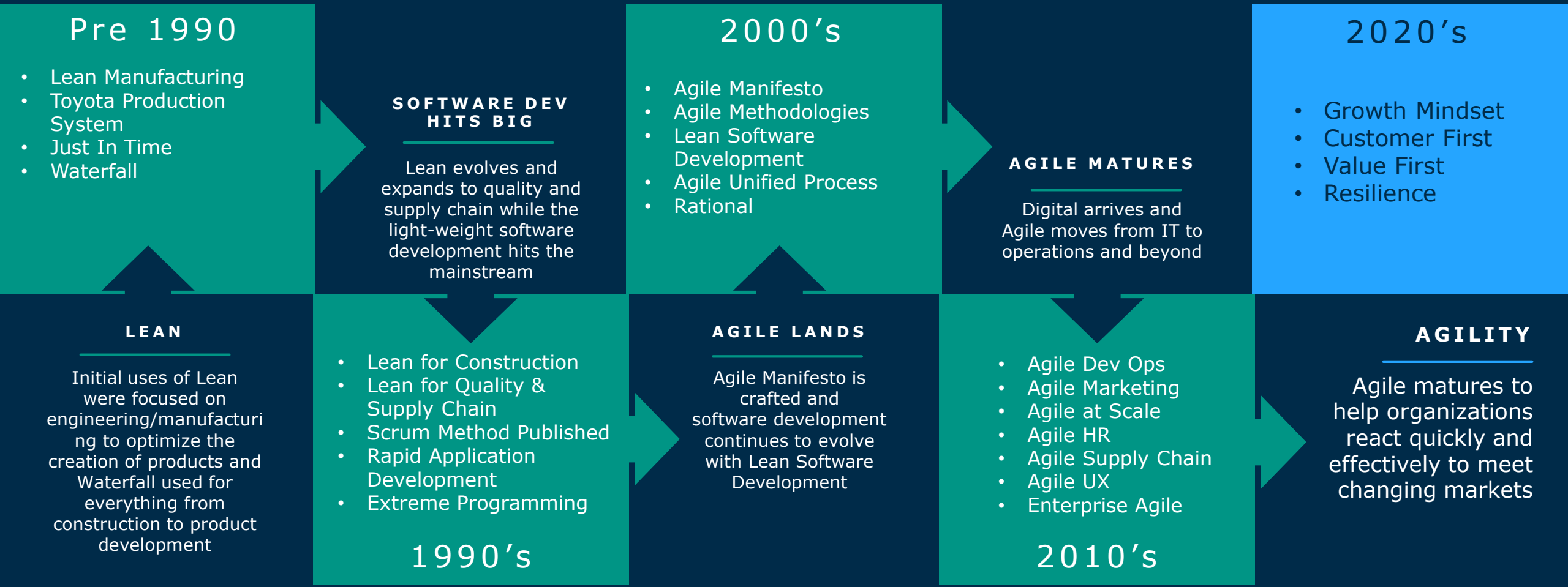
 Intros & Objectives	 WHAT IS AGILE Principles, Values, and Mindset	 UNDERSTANDING AGILE AUDIT Roles and Components	 IMPLEMENTING AGILE AUDIT Breaking it down into Audit phases	 TRANSFORMATION TO AGILE AUDIT Approach to transformation	 Q&A Open questions
3 min	5 min	10 min	15 min	15 min	2 min

**“Success today
requires the
agility and drive
to constantly
rethink,
reinvigorate, react
and reinvent”**

Bill Gates

What does
that mean for
business?

Agile comes from long line of success





Agile is a mindset that drives a set of values and principles

Individuals and interactions over processes and tools

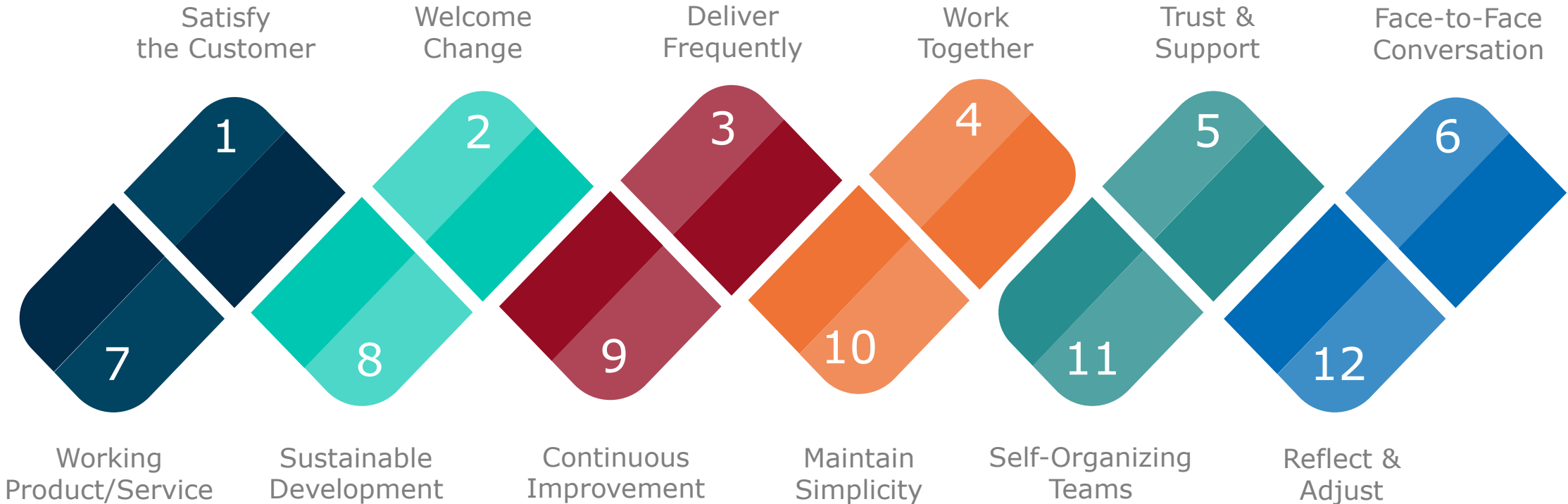
Working products/services over comprehensive documentation

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

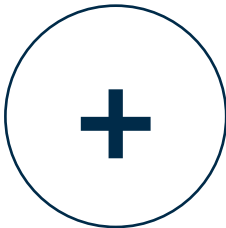
Agile Manifesto – 12 Principles



What is Business Agility?

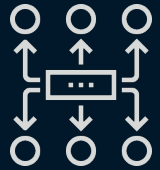
Simplest Answer: New way of working

**Agile Tools
& Techniques**
(Scrum, Kanban, Lean, etc.)



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

Benefits of Agility



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



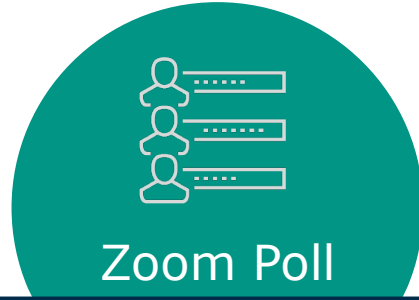
PRODUCTIVITY

Formalizes an approach to monitoring progress



QUALITY

Maintains compliance to a time budget and builds in quality



What is Business Agility?



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Understanding Agile Audit Roles & Process

Key Agile Roles



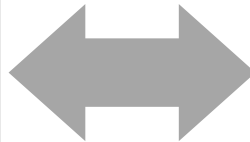
Product Owner
Audit Plan Owner

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

Scrum Roles: Audit Plan Owner



Key Responsibilities

- CAE or Audit Director
- Coordinates senior management and the board to create and prioritize the audit plan
- Adjusts risks and audit priority continually to enable delivery of highest value work
- Accepts or rejects work delivered by the team
- Determines insight reporting release date based on management's need and opportunity

Scrum Roles: Scrum Master/Audit Lead



Key Responsibilities

- Acts as a servant leader and the voice of the Agile Audit Team
- Coaches team improvement with values, principles, and best practices
- Facilitates effective Scrum events
- Enables close cooperation across all roles within the cross-functional team
- Assists Audit Plan Owner in preparing and refining the backlog
- Removes impediments
- Protects the team from external influence

Scrum Roles: Agile Audit Team



- Agile Audit Team is cross-functional with typically 3-5 people
- Defines, builds, tests, and delivers risk and control testing
- Members are dedicated to the specific value-stream delivery
- Some roles may be shared among multiple teams (ex. Data Analytics, IT, Compliance , etc.)
- Plans for, and commits to audit goals for each audit
- Applies quality review practices per IIA Standards
- Participates in Scrum ceremonies to deliver value, gather feedback, and ensure relentless improvement as an Agile Audit Team

Elements of a Program Increment

Program Increment

- A Program Increment (PI) is a timeboxed planning interval during which a the team plans and delivers incremental value in the form of working, tested software and systems.

Objectives

- 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



Agile Audit Process



Product Owner

Sarah

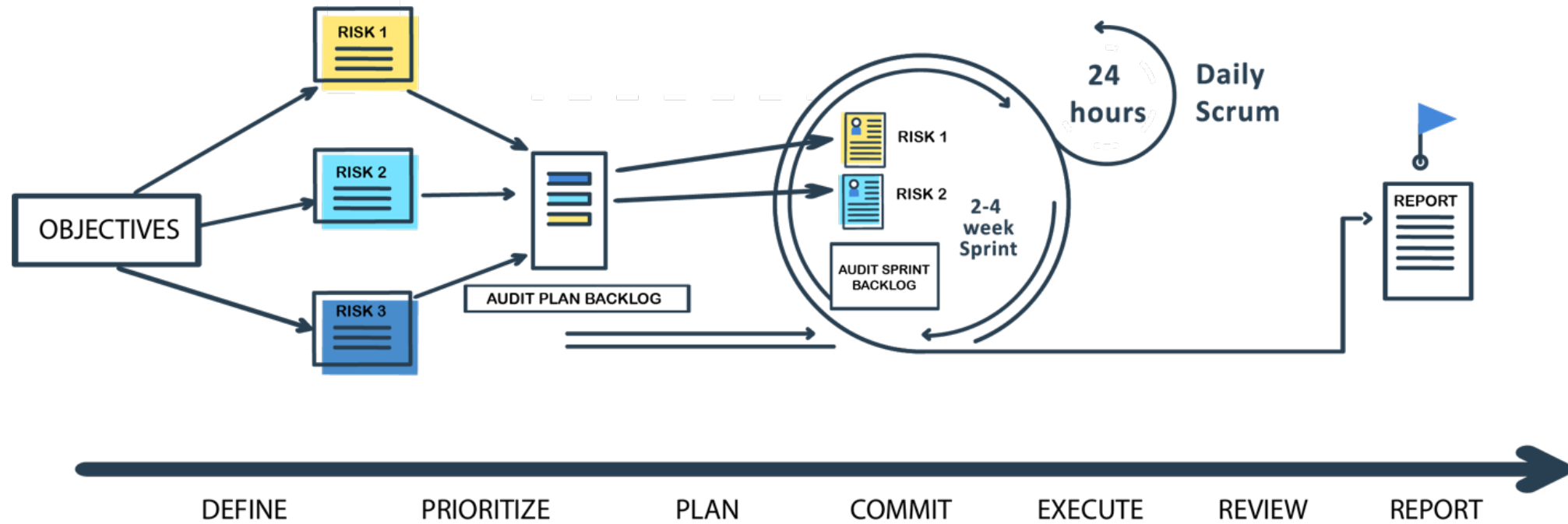


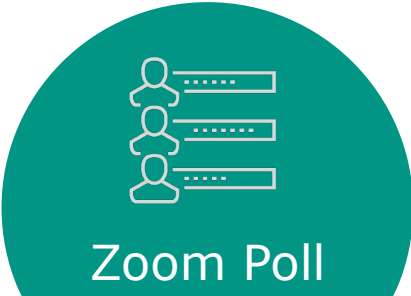
Scrum Master

Bill



Scrum Team





What is an ideal risk assessment frequency?

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Implementing Agile Audit

Implementation Approach



Traditional

- Entity Based Audit Universe
- Focus is on subjective risk ranking and entity coverage
- Risk Assessment is annual with updates
- Audit Plan is 1-3 years
- Emerging Risks are not well represented

Agile

- Risk Based Audit Universe
- Focus is on business objectives and strategic risks
- Quarterly Assessment that captures updates from audit and senior management
- Audit Plan is quarterly
- Emerging Risks are always considered
- Can scale for aggregated combined assurance planning

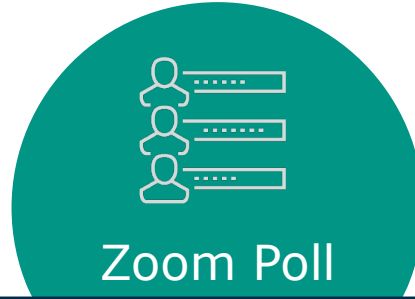


Dynamic Risk Prioritization



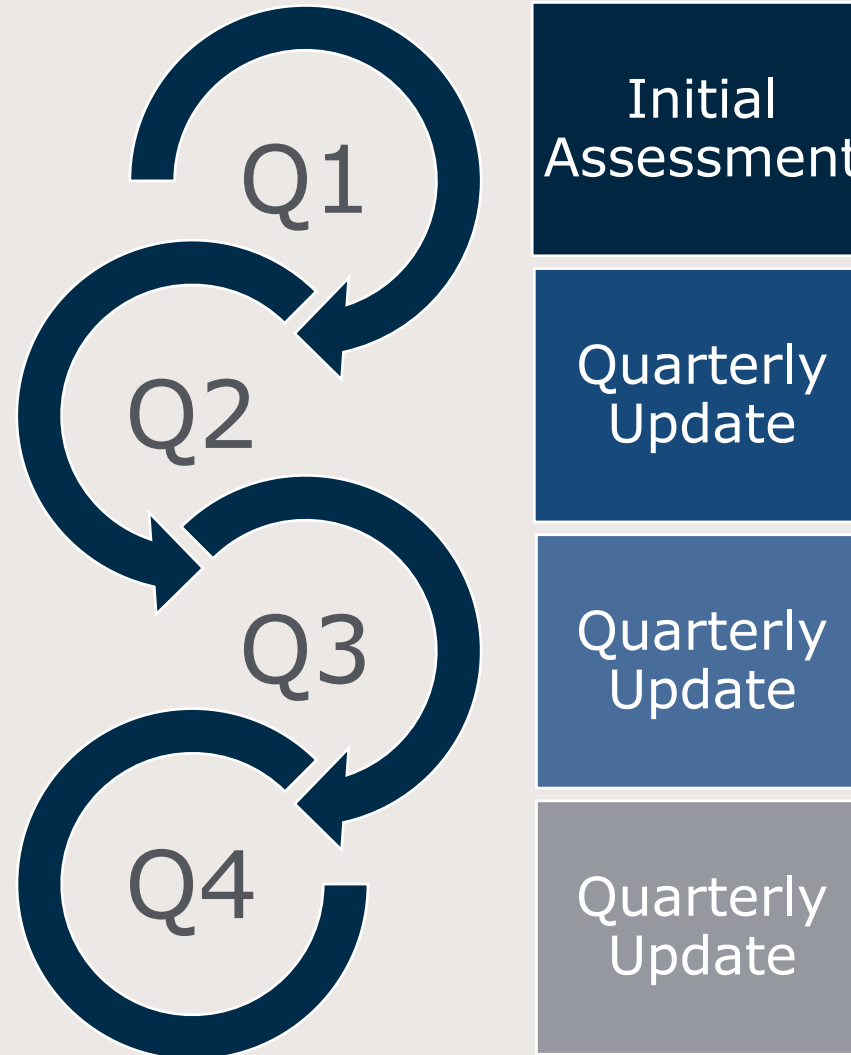
Shift to Quarterly, Risk-Based Planning

- The world is unpredictable, and risks can emerge in new forms with unknown results.
- Risk Assessments are currently entity-based and need to move to objective/risk based.
- Our planning process needs to encompass a smaller window of time.
- We start by rethinking the audit universe as risks and reducing our annual plan down to a quarterly plan.



How often should the internal audit department be able to produce Audit Committee Insight reports?

Quarterly Risk Assessments



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

Example Entity Based Assessments

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

Example	Department	Risk Rating
	Human Resources	High

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

Example	Department	Risk	Risk Rating
	Human Resources	Strategic Risk	High
		Operational Risk	Moderate
		Financial Risk	Moderate

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

Example	Department	Risk	Risk Rating
	Human Resources	Hiring practices	Low
		Appropriate pay	High
		Employee retention	Moderate

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.

Example Objective/Risk Based Assessment

Strategic Objective	Strategic Risk	Process Risk	Impact	Likelihood	Control(s)
Accelerate the world's transition to sustainable energy	Delays or other complications in the design, manufacture, launch, and production ramp of our vehicles, energy products, and product features	No guarantee that we will be able to successfully and timely introduce and scale any such new processes or features.	High	Moderate	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.

In an agile audit environment, the audit universe will change to include the organization's most critical objectives and risks.

Traditional

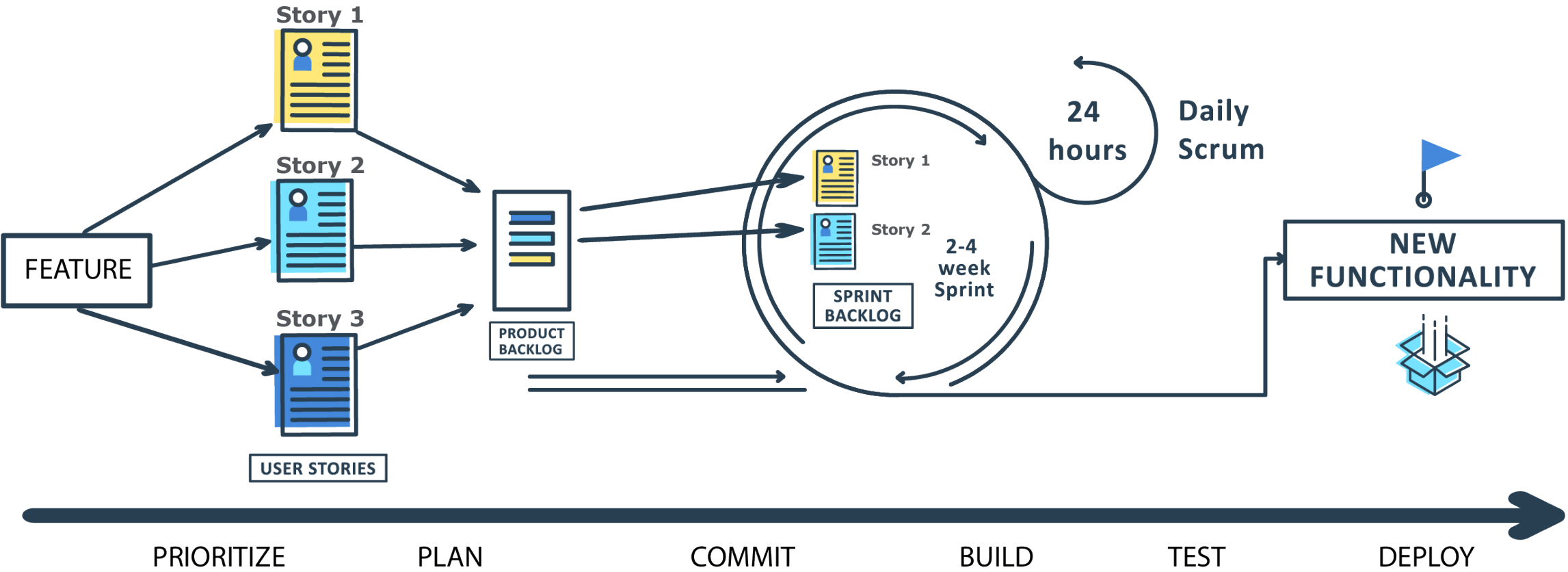
- End to end process-based execution
- Variable end dates impacted by roadblocks:
 - Delays receiving supporting documentation
 - Scope creep due to expanding testing and low risk testing
 - Manager review and auditor rework at the end of the audit
 - Arguments with management over the audit report
- Limited involvement with business owners



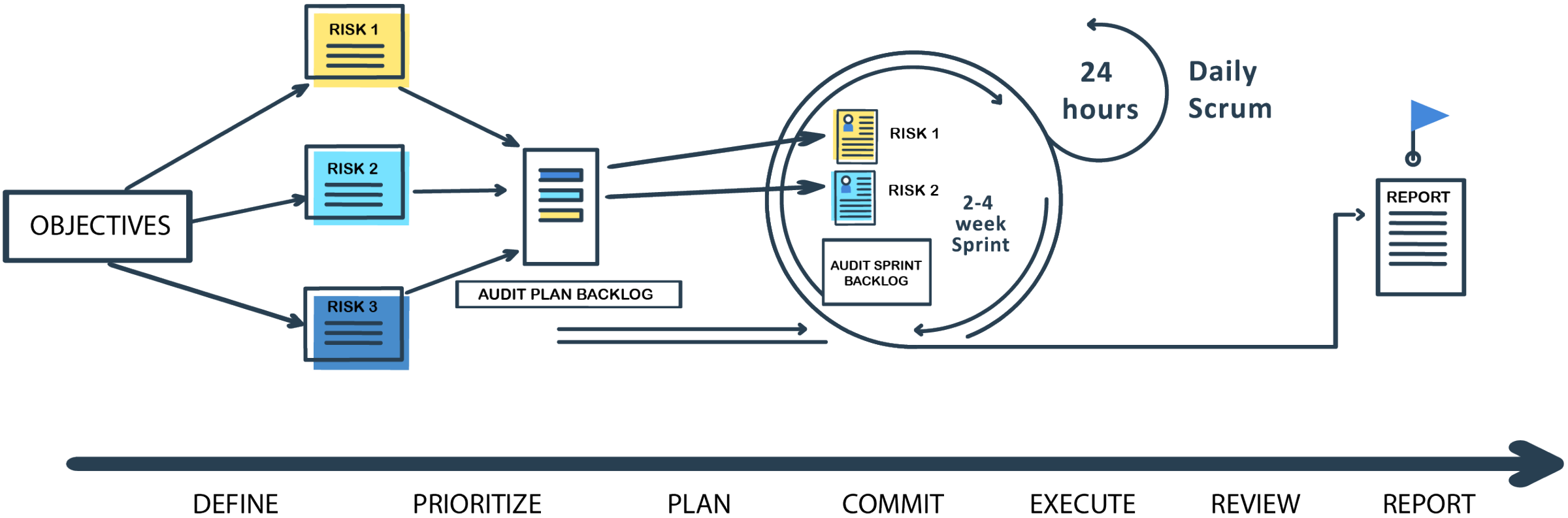
Agile

- Risk based execution that excludes low risk processes
- Daily Standup Meeting that include a rep from management to facilitate delays
- Eliminate scope creep by performing priorities work within set timebox
- Manager review is near real-time
- Agree to all issues in iteration presentations during the audit (retrospective format)
- Audit reporting can be eliminated or reduced to a formality
- Final retrospective on audit process

Story flows through the Scrum process



Risk flows through the Audit process



Daily Scrum and Scrum Board

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.



Daily Audit Scrum and Scrum Board

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.



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
- Issues 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

Interim Reports

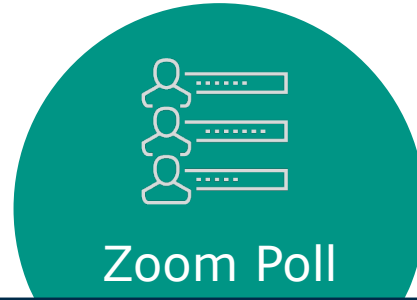
Interim Reports are organized meetings, split into four steps, and the entire meeting lasts just 45 minutes. The meeting is to cover the results from the past 1-2 weeks. Here are the steps:

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?



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.

Questions?

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Agile in Action --

[Agile Auditing – Mindset over matter](#). PwC. 2018.

[Agile Internal Audit](#). KPMG. 2019

[Agile Internal Audit - Leading practices on the journey to becoming Agile](#).

The Institute of Internal Auditors. 2019.

[Becoming Agile: Elevating internal audit performance and value](#). Deloitte. 2020.

[Global Perspectives and Insights - Agility and Innovation](#). The Institute of Internal Auditors. 2018.

[IIA Position Paper – The Three Lines of Defense in Effective Risk Management and Control](#).

The Institute of Internal Auditors. 2013.

[Implementing a combined assurance approach in the era of King III](#). PwC. 2010.

[Mind Over Matter: Implementing Agile Internal Audit](#). Wall Street Journal. August 6, 2018.

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Thank You,
Fellow Human!

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