



Agile Internal Audit Process

**A practical experience while staying in compliance
with the IPPF**

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Agile auditing, a practical experience while staying in compliance with the IPPF

- I. Why is Agile becoming more and more important for Internal Audit
- II. What Agile auditing means for us
- III. How to evolve to the agile IA process – our experience in the Bank
- IV. How easy it is to maintain the compliance with the IIA Standards
- V. Key advantages and attention points for Agile Auditing

I WHY IS AGILE BECOMING MORE AND MORE IMPORTANT FOR INTERNAL AUDIT

Expectations from IA

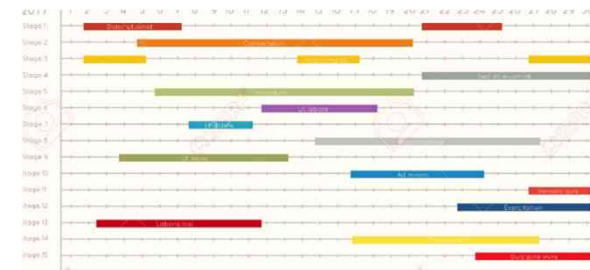
Leading internal audit functions:

- Demonstrate the ability to identify, assess and react to emerging and atypical risks
- Effective audit leaders must be agile in their approaches

✓ Risk assessment

		Impact			
		0 Acceptable	1 Tolerable	2 Unacceptable	3 Intolerable
		0: No Effect	1: Effects are felt but not critical	2: Serious Impact to Course of Action and Outcome	3: Critical Result to Outcome
Likelihood	Improbable	Low	Low	High	High
	Possible	Low	High	High	Critical
	Probable	High	High	High	Critical

✓ Audit plan development

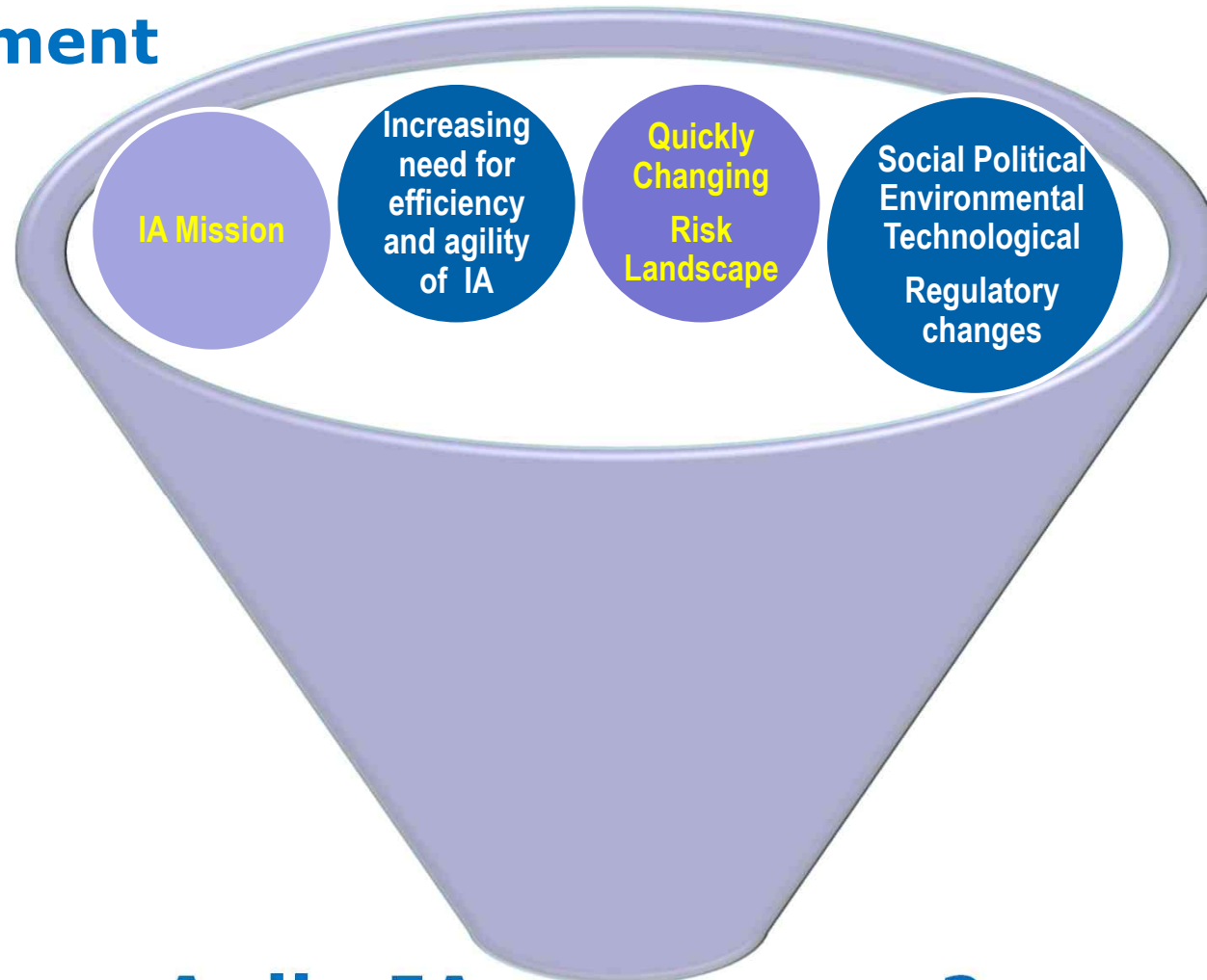


✓ Engagement execution



I WHY IS AGILE BECOMING MORE AND MORE IMPORTANT FOR INTERNAL AUDIT

Our environment



Agile IA an answer?

II. WHAT AGILE AUDITING MEANS FOR US

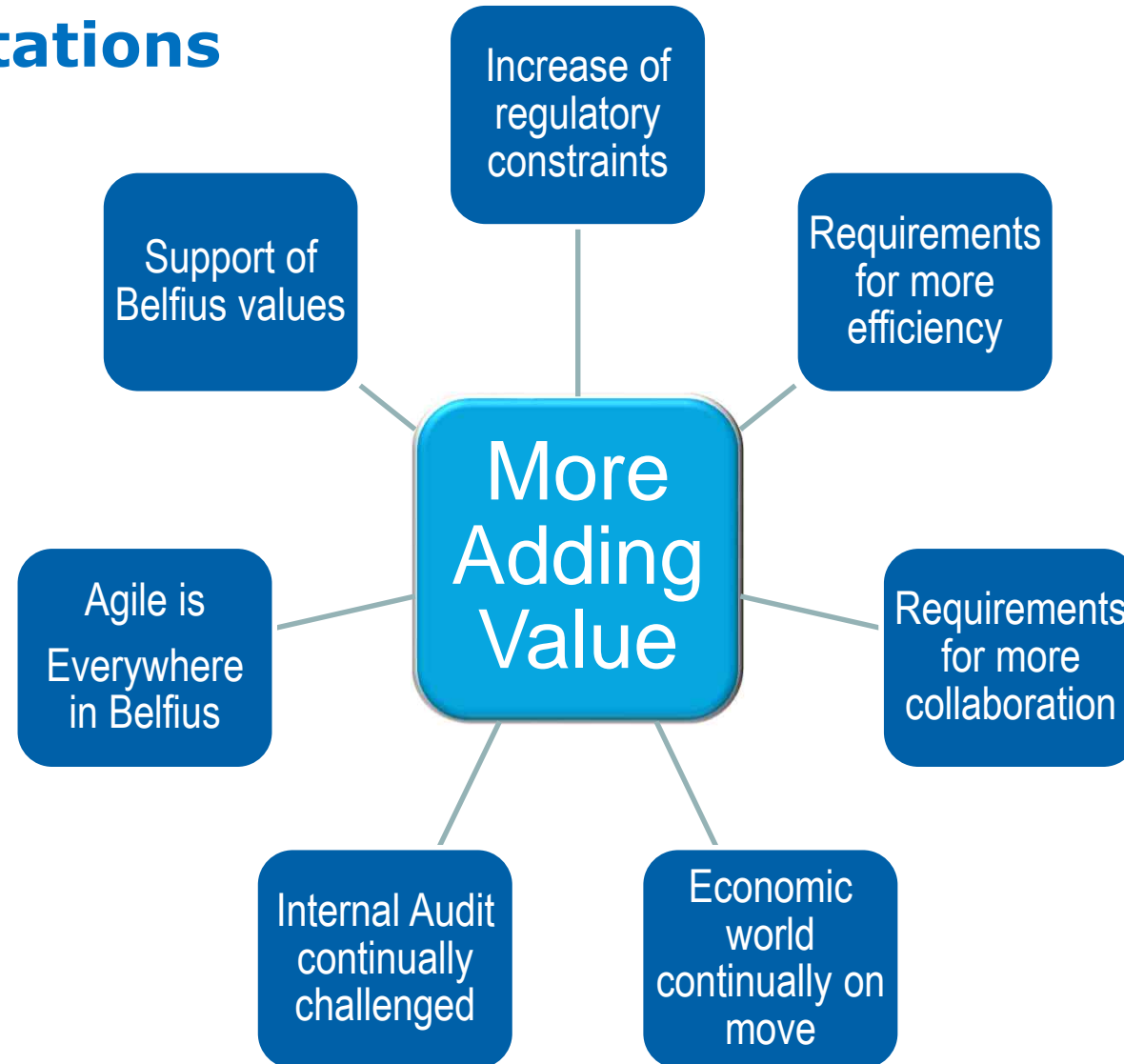
Definition of agile :

- ✓ Marked by ready ability to move **quickly and easily** ?
- ✓ Having a quick **resourceful and adaptable** character ?
- ✓ Method of project management that is characterized by the division of tasks into **short phases of work** and frequent reassessment and adaptation of plans ?

Quite wonderful desirable characteristics for IA aren't they 😊

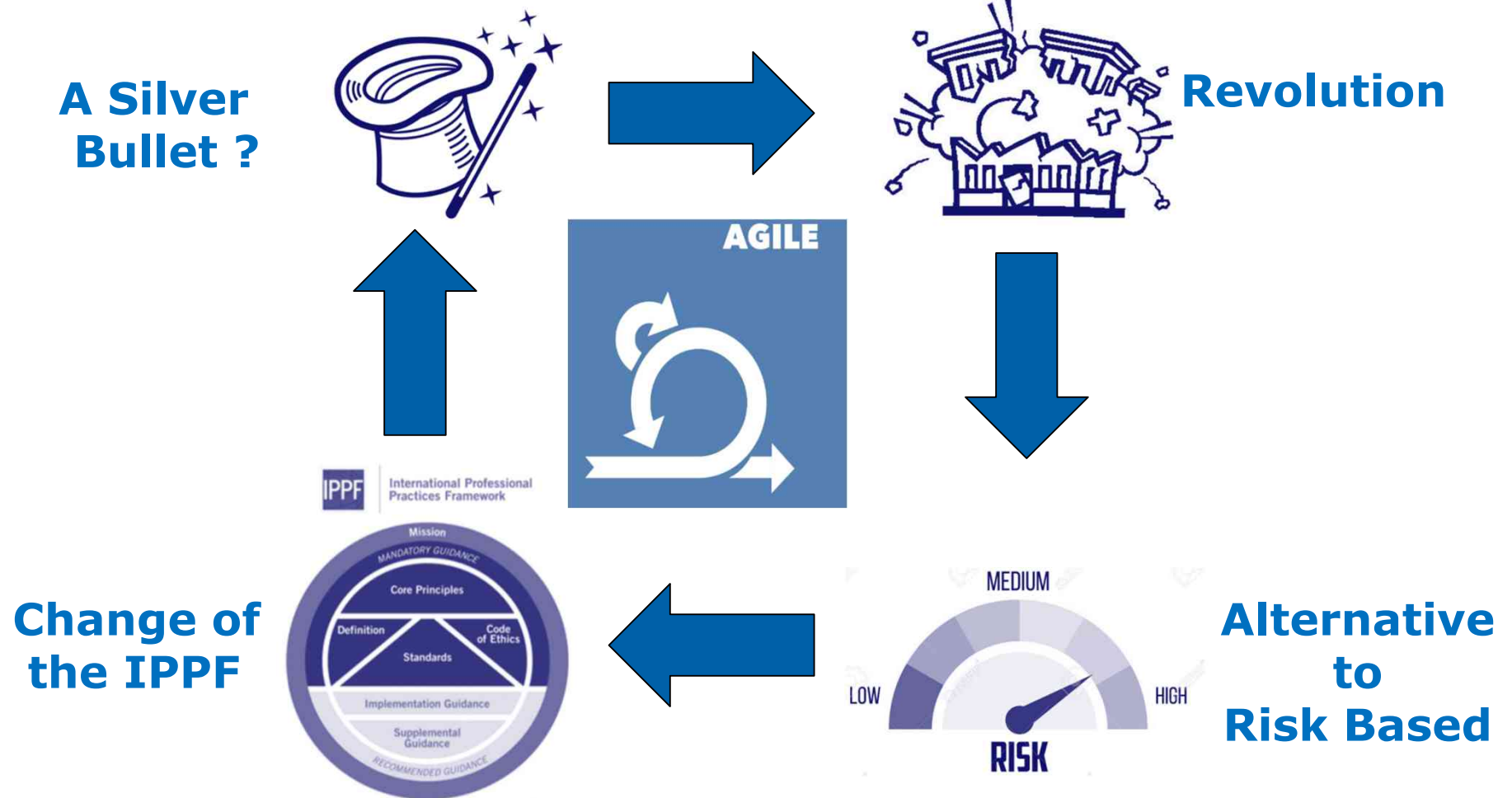
I WHY IS AGILE BECOMING MORE AND MORE IMPORTANT FOR INTERNAL AUDIT

Our expectations



WHY IS AGILE BECOMING MORE AND MORE IMPORTANT FOR INTERNAL AUDIT

What we did not expect



II. WHAT AGILE AUDITING MEANS FOR US



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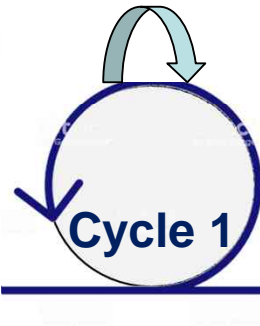
CANVAS :
 Scope
 Objectives
 Concerns
 Issues
 Concludable areas
 Sprint Backlog



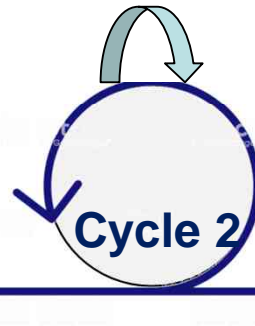
Beginning

Collaborative
 Exploration
 Initial Scoping
 Plan development

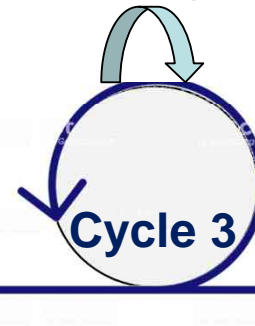
Stand-up
 Meetings



Stand-up
 Meetings



Stand-up
 Meetings



Middle

Iterative Planning
 Testing & Reporting
 Self-Governing Audit Team
 Constant Communication
 Continuous Audit Team Self-Assessment



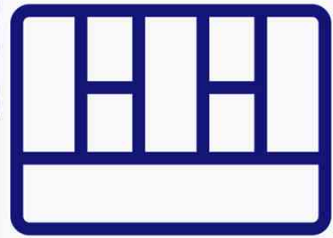
Final Report



End

Final Report
 Reporting
 Wrap-up

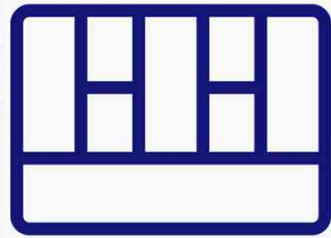
II. WHAT AGILE AUDITING MEANS FOR US



AUDIT CANVAS

Business Strategy	Audit Drivers	Audit Timeline
<ul style="list-style-type: none"> • Business Objectives ? • Alignment corporate strategy? • Current business initiatives ? • Relevant business metrics ? 	<ul style="list-style-type: none"> • Why on the audit plan ? • Why important for the business? • What is valued add ? • Relevant instances of errors, fraud...? 	<ul style="list-style-type: none"> • Sprint Time Box • Audit timeline • Other target dates
Audit Objectives	Audit Scope	Audit Administration
<ul style="list-style-type: none"> • What will this audit accomplish? • Concludable areas for the audit = sprints POV • What questions answered? 	<ul style="list-style-type: none"> • What is needed to achieve the audit objectives ? • What is excluded from the audit? • Reliance on work of others 	<ul style="list-style-type: none"> • Business dependencies • Stakeholder availability • Meeting schedule commitments • Audit type
Key stakeholders	Audit Team	
<ul style="list-style-type: none"> • Most concerned about added value? • What other functions impacted 	<ul style="list-style-type: none"> • Audit owner • Scrum master • Scrum team 	

II. WHAT AGILE AUDITING MEANS FOR US

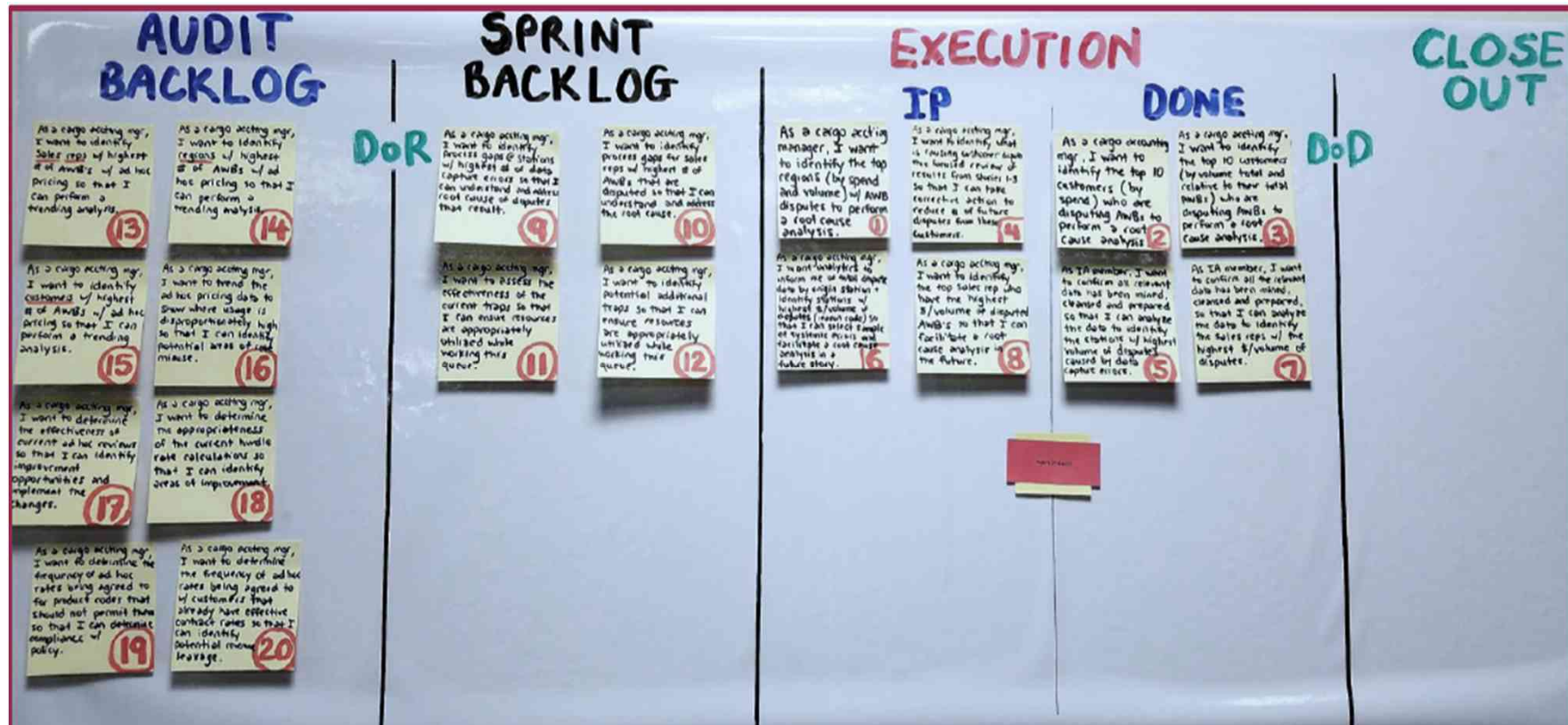


AUDIT CANVAS

Audit team Roles & Responsibilities	Key Milestones	Cross-Functional impact
<ul style="list-style-type: none"> • Audit owner • Audit supervisor – Scrum master • Staff 	<ul style="list-style-type: none"> • Delivery of initial audit canvas • Delivery of POVs • Key stakeholder meetings • Final report issuance 	<ul style="list-style-type: none"> • Key IT systems supporting or monitoring the business process? • Implications of change • Compliance considerations • Financial reporting/impact?
<ul style="list-style-type: none"> • Audit Budget 		
<ul style="list-style-type: none"> • Scheduled hours • Budgeted hours • Travel budget 		<ul style="list-style-type: none"> • Prior audits • Open/pending finding from prior audits
<ul style="list-style-type: none"> • Data & Data Analysis 		
<ul style="list-style-type: none"> • Data considered for analysis & evaluation? • Data available 		

II. WHAT AGILE AUDITING MEANS FOR US

KANBAN



Dynamic

Dynamic

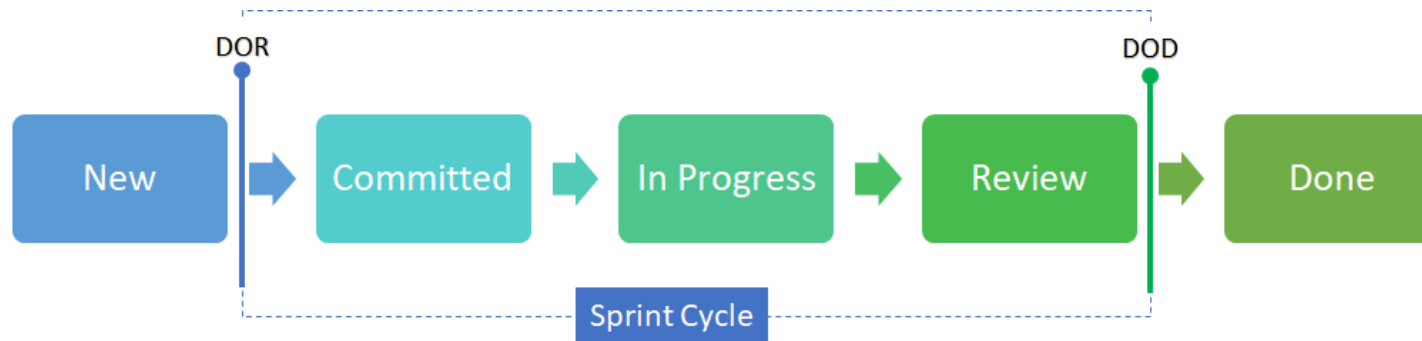
Dynamic

Dynamic

II. WHAT AGILE AUDITING MEANS FOR US

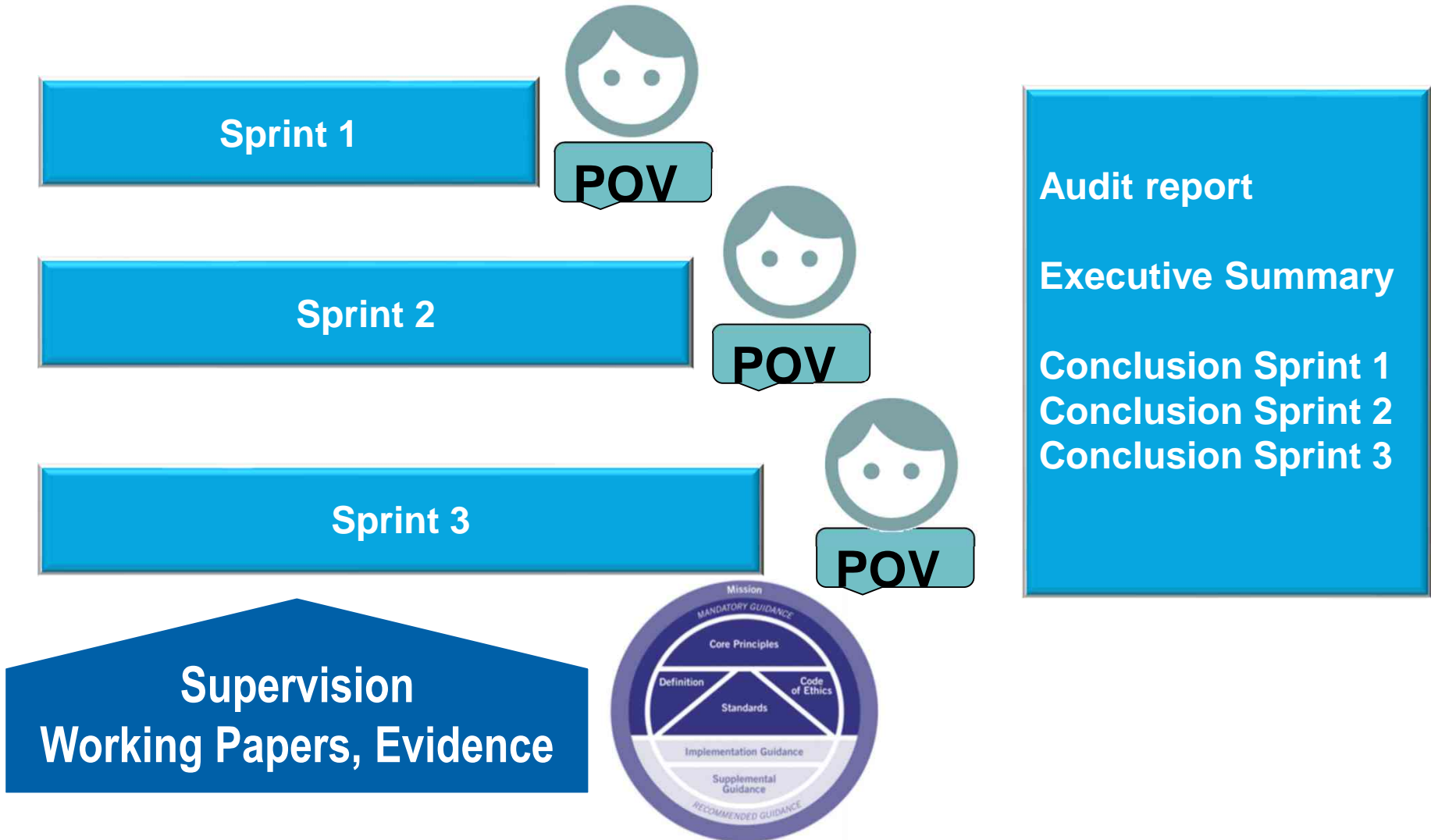
- **Audit Canvas** : logical visual arrangement of items to be assessed
- **Kanban** : visual representation of the status of the mission
- Audit Mission **Backlog** :
 - List of items to be assessed named concludable items
 - Evolutive progressive working program
 - The audit backlog is made of a number of sprints
- **Sprints** (executed in parallel)
 - Standalone risk/control/test coming to a point of view (POV) = audit opinion
 - Time boxed intervals (+/-15 days) into which the tests of the sprint are performed. Motivation of a tight deadline without stressing resources.
 - The sprint provides a process, structure, and cadence for work.
 - Each sprint has a priority
 - Sprints can be composed of stories (if sprint is a risk, stories can be controls)

II. WHAT AGILE AUDITING MEANS FOR US

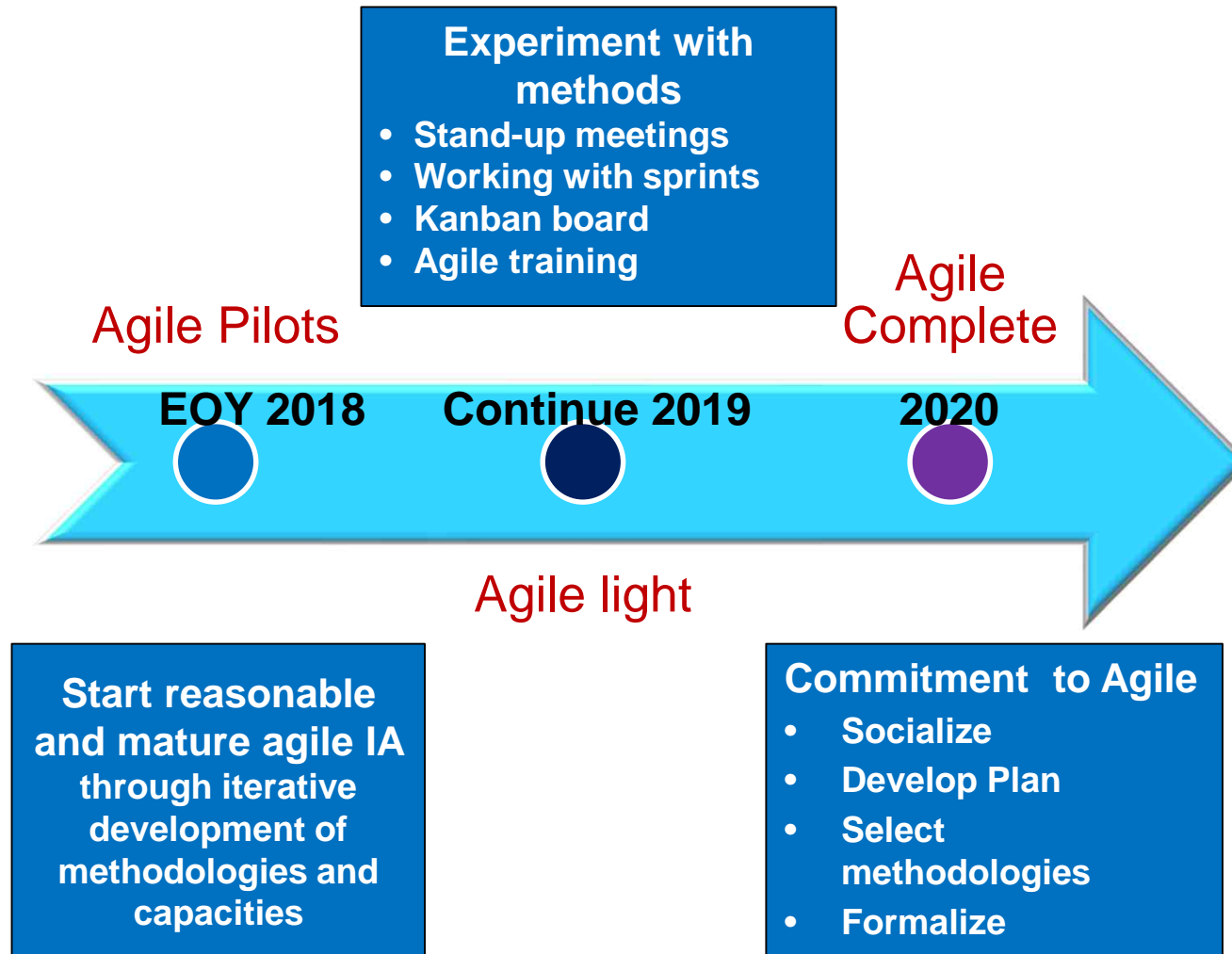


- **DoR** : Definition of Ready
 - For a risk subject of a sprint : the IA and stakeholders agree on what will be tested, examined and value delivered. Resources ready.
 - When the DoR is achieved, the auditor moves the sprint to the sprint backlog (ready for executing).
 - The fieldwork portion of the sprint is ready for beginning.
- **DoD** : Definition of Done
 - Value to be delivered in a sprint : a level of assurance-, a set of completed tasks- a list of identified issues , risks or recommendations a part of the report : not lengthy or complex.
 - When DOD is achieved, the sprint is moved to the close-out portion of the Kanban

II. WHAT AGILE AUDITING MEANS FOR US



III. HOW TO EVOLVE TO THE AGILE IA PROCESS OUR EXPERIENCE IN THE BANK



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Change management



Internal Audit Personnel

- Change in staffing roles
- Self organizing teams
- Scrum Master role
- Pilots for testing and coaching
- Long held beliefs
- Gaining Buy-in
- Convince Skepticals

Stakeholders

- Audit Committee
- Executive leadership
- Audit Clients (auditees)
- Frequent and transparent interactions

Processes

- Professional standards
- Independence and objectivity
- Documentation of work
- KPIs on duration of missions

IV HOW EASY IT IS TO MAINTAIN THE COMPLIANCE WITH THE IIA STANDARDS

Are the values, principles and methods of Agile IA **compatible** with the mission and definition of professional standards as defined in the IPPF ?

IIA definition & mission of Internal Audit

- Internal auditing is an independent and objective assurance and consulting activity, designed to add value and improve an organization's operations.
- Internal Audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

• Agile IA

- Agile IA values, principles and methods do not contradict the IPPFs (what is to be done in vision, definition, code of ethics, core principles and mandatory standards)
- IPPFs are principle based and do not mandate a methodology; rather they allow for flexibility in how the activities will be conducted some examples are ...

No changes in facts / evidence based reports



V. KEY ADVANTAGES AND ATTENTION POINTS FOR AGILE AUDITING

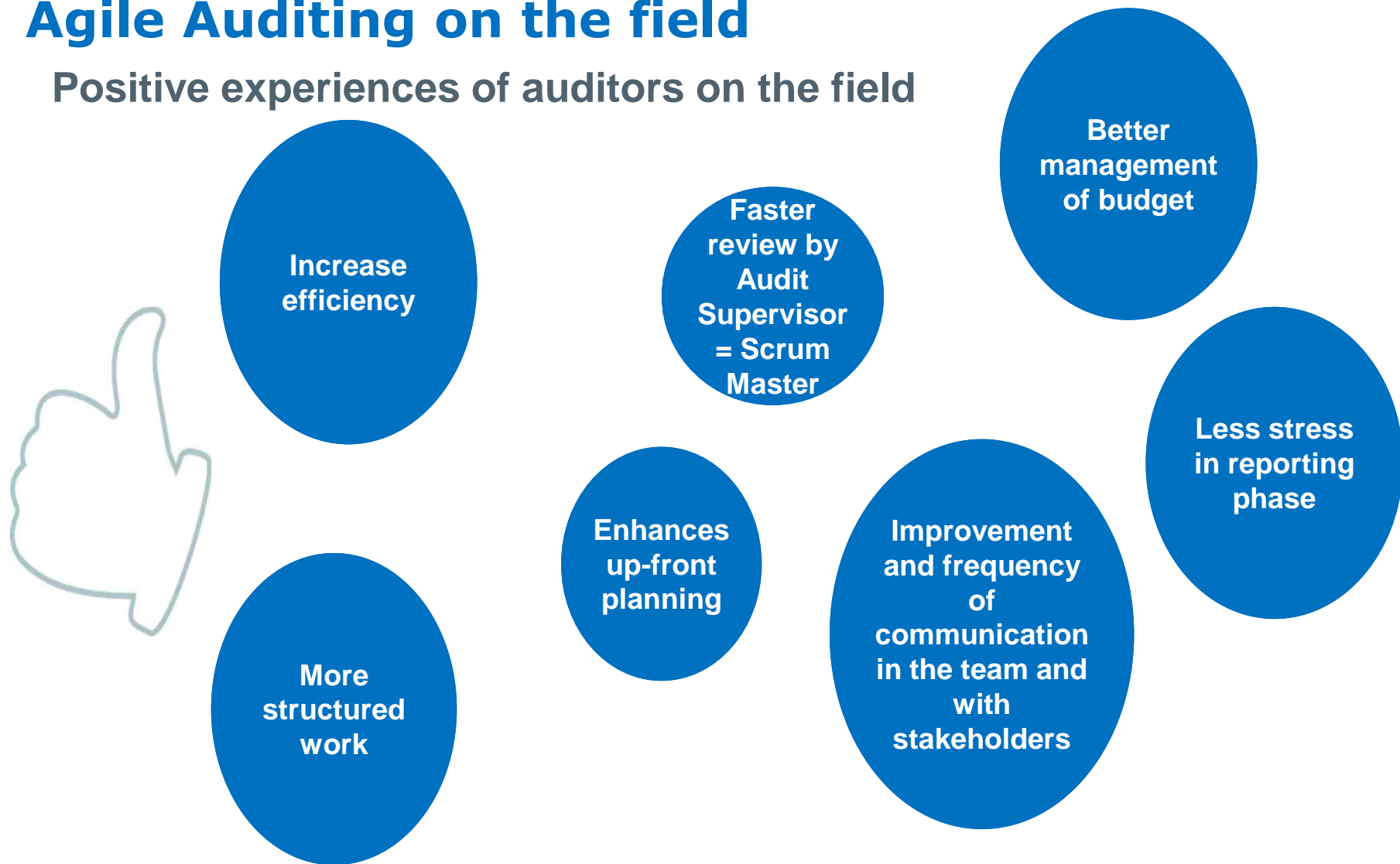
THE PROMISE – MADE REALITY ?

	Agile auditing	Waterfall auditing
Guiding focus	Value / risk expectations	Audit Objectives
Engagement sequence	Cycles	Linear
Client relationship	Stakeholder's expertise facilitates agreement on observations Timeliness of responses	Autonomy, independence, evidence at the end debriefing
Planning & status updates	Iterative & incremental Time boxed increments Daily meetings Incremental read-outs with clients	Semi-rigid plan Master engagement budgets Ad hoc Often grouped at the end
Ownership	Team based	Internal audit team
Risk assessment	Sprints based on risks	Working program risk assessment
Documentation	Rationalised Value based	Completeness Defendable work
IPPFs	Fully aligned	Fully aligned

V. KEY ADVANTAGES AND ATTENTION POINTS FOR AGILE AUDITING

Agile Auditing on the field

Positive experiences of auditors on the field



Agile Auditing on the field

Next steps to consider based on experience of auditors on the field



- Scrum Master fully focused on supervision, coaching and follow-up
- No gain on time for preparation : sprint 0 to be considered
- More integration between Kanban and Working program
- After pilots, structured methodology and templates
- Integrated agile audit tool to be chosen

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Conclusion



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