Deloitte.

Become Agile and Digital:
increase effectiveness of
internal audit process

Kyiv, 2021

MAKING AN
IMPACT THAT
MATTERS
since 1845

Optimization of the internal audit process: combining the Agile concept and Microsoft Azure

Agile

Lean

Scrum

Kanban
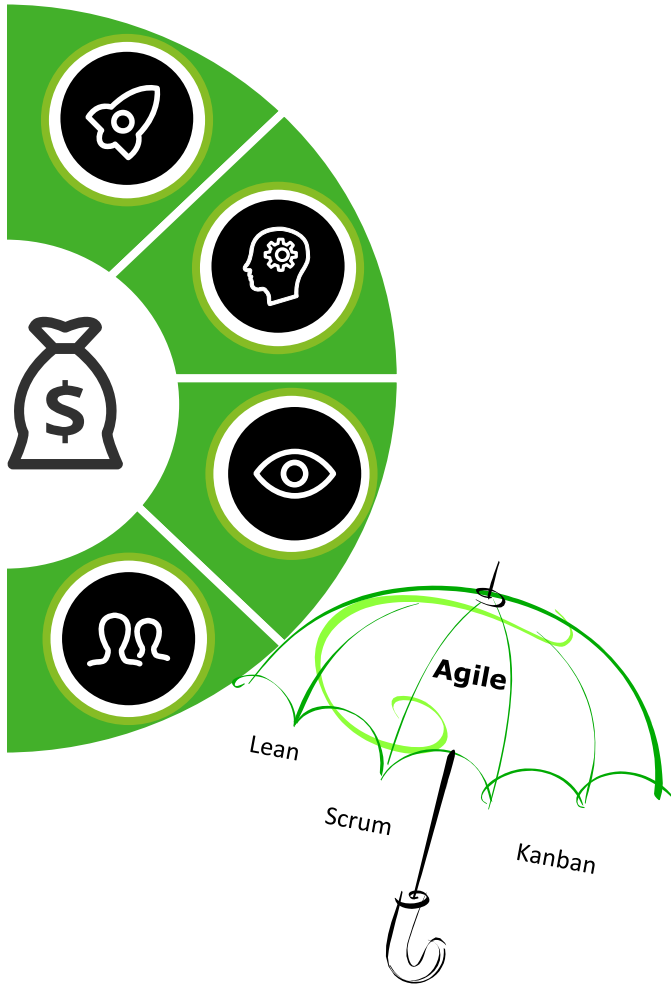
What is Agile IA?

Agile Internal Audit (IA) is a mindset that supports a collaborative environment in which the audit team and business can solve business problems quickly by employing an iterative time-boxed approach. Agile IA projects foster the development of value-driven audits. This will encourage teams to collaborate, driving a faster IA process. Agile IA:

- Promotes alignment with the customer on what is important
- Enables the IA to move faster than the pace of business, or at least keep up

When to use a Agile Audit?

- Cross-functional projects (i.e. when more than one "team" is involved in the audit, e.g., Information Technology & Operations; Operations & Accounting; Information Technology, Merchandising & Operations)
- There is potential for data analytics
- The audit area can be reviewed in iterations
- The audit objective is clearly defined; assurances need to be provided; there is clarity about the questions that will be answered during the project
- The business area under review is either fast-paced, agile or open to alternative audit approaches

AzureDevOps

Microsoft Azure DevOps platform – an effective and flexible tool for automating the internal audit process.

Pros of Azure DevOps:

- Certified subscription-based cloud solution that is easy to deploy and operate
- Continuous monitoring of data security via built-in Azure features and add-on platforms for threats and vulnerability checks to ensure compliance with international information security standards
- Effective process management that corresponds with the Agile methodology
- A wide range of integration possibilities: Office 365, other Microsoft products, internal and external organization applications/databases
- Additional analytics platforms: Azure Machine Learning, SQL server integrations, Virtual machines

Deloitte Agile IA Manifesto

OUTCOMES

WHAT NEEDS TO BE DIFFERENT?

Time and effort focused on the right things – integrated into the process

✓ **Valuable and insightful results**

✓ **Early and often** engagement with Internal Audit clients business partners and stakeholders

✓ **Faster project delivery cycles** → realign available resources to other critical risks

✓ **Empowered/engaged** audit teams (leverage cross functional teams)

✓ Concise and targeted **documentation** (less words) (i.e. POV)

9 ELEMENTS — OUR IA AGILE MANIFESTO

ELEVATE INTERNAL AUDIT

ASSURE. ADVISE. ANTICIPATE.

1 | OUTCOME DRIVEN | VALUE DRIVEN

2 | JUST-IN-TIME | PROACTIVE "RIGHT PROJECTS AT THE RIGHT DEPTH/FOCUS"

3 | ONE SIZE DOES NOT FIT ALL – CUSTOMIZED PROJECT FOCUSED ON VALUE AND RISK

4 | COLLABORATIVE APPROACH – TAKE THE JOURNEY WITH OUR CLIENTS

5 | MIX IT UP, BREAK SOME EGGS – CHALLENGE "THAT'S THE WAY WE'VE ALWAYS DONE IT"

6 | DECISIONING "AS YOU GO" WITH TRANSPARENCY AND ALIGNMENT

7 | CONTINUOUS COMMUNICATION WTH ALL STAKEHOLDERS

8 | BE QUICK AND ITERATIVE VS.CONFINED TO A PLAN

9 | IMPACT OVER THOROUGHNESS – "GOOD ENOUGH"(80/20 RULE)

HAVE TO HAVES

- Outcome-driven mindset aligned to **risk, efficiency, cost** savings, and **value**

- Timely decisions made with risk, regulatory requirements, internal audit mission and the business partners in mind

- Identification of key stakeholders/business partners (audit committee, executive management, business unit leaders, field management)

- Iterative plans and process at every stage (planning, fieldwork, reporting)

- **Frequent and concise communications** of issue, risk, action, insight tied to "so what"

- Champion | Change Agent | Coach | Scrum Master
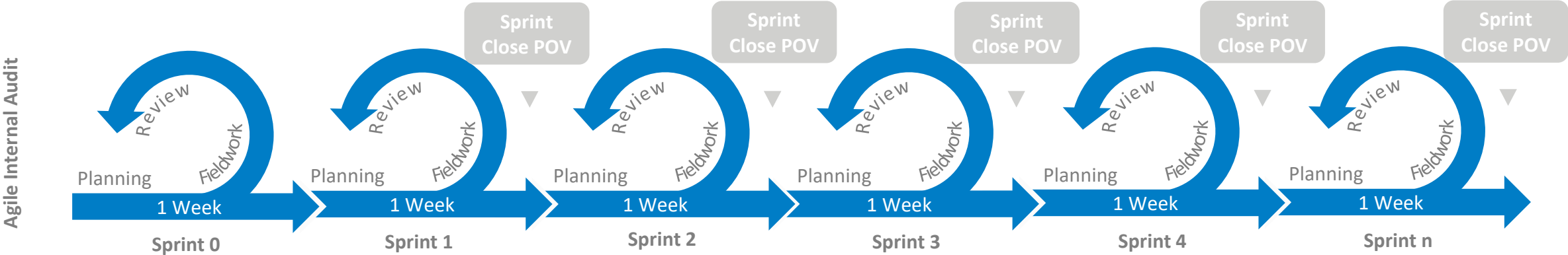
WANT TO HAVES

- Variability in how you meet requirements

- Ability to stop when high risks are addressed

- Balance value preservation (assurance) and value creation (advisory) when defining scope

Traditional Audit vs. Agile Audit – differences and the benefits of Agile internal audit

Traditional Internal Audit

Planning → Fieldwork → Review → Reporting

8 - ? weeks
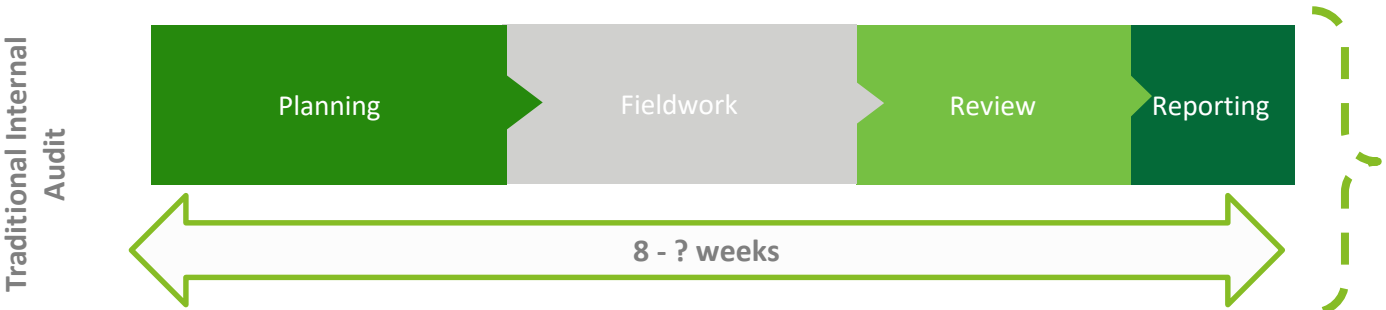
Concerns when using the traditional approach:

Are time and resources used effectively?

How to simplify and continuously monitor tasks?

How and when to assess risks?

Agile Internal Audit

Sprint Close POV

Review / Fieldwork / Planning

1 Week — Sprint 0

1 Week — Sprint 1

1 Week — Sprint 2

1 Week — Sprint 3

1 Week — Sprint 4

1 Week — Sprint n

Easy monitoring:
I am now better informed. I can easily track tasks and project milestones.

Flexibility and time management:
I can modify my plan based on the interim POV. I need less time to complete my tasks

Effective communication:
I have collaborated with the right individuals.
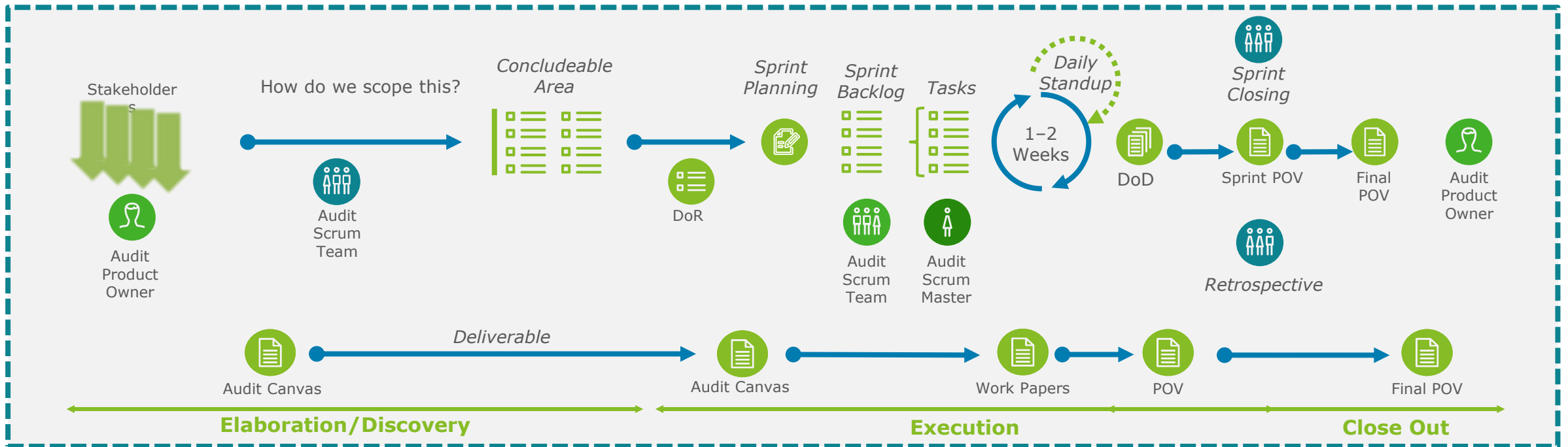
Key Terms Defined

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

Point of View (POV): a summary of the relevant insights gained from observations and stories. A POV comprises a condensed overview of an particular area with highlights of the relevant insights into the state of risk and controls.

Illustrative framework of an Agile IA

Agile Team Roles
- Audit Project Champion
- Audit Product Owner
- Audit Scrum Master
- Audit Scrum Member

Agile Ceremonies
- Release Planning
- Sprint Planning
- Daily Standup
- Sprint Review/Demo
- Retrospective
- Backlog Refinement

Agile Artifacts
- Project Roadmap
- Release Plan
- Project Backlog
- Sprint Backlog
- Impediment List
- Burndown Chart
- Incremental Product
- Audit Project Canvas
- Project POV

Elaboration/Discovery

Inputs from the Market Leader, CAE, Accountable Executive, Team, Stakeholders, Customers, Users

Audit Product Owner

Identify concludeable areas and confirm stakeholder buy-in

Audit Project Canvas

Roadmap/Release Plan

Audit Product Owner

Audit Scrum Master

- Define the project epics
- Identify features
- Perform risk assessment
- Prioritize epics
- Build the project roadmap
- Prioritize features based on the project roadmap
- Build the release plan

Prioritizes

Project Backlog → Project Roadmap → Release Plan

Daily Standup

Audit Scrum Master

Audit Scrum Team

- What I did yesterday
- What I am going to do today
- My impediments

Impediment List

Burndown Chart

Sprint Planning

Audit Scrum Master

Audit Scrum Team

- Sprint goals/objectives/scope
- Definition/clarity
- Risk/controls
- Plan/procedures
- Results

Sprint Backlog → Story →

Sprint Review

Audit Scrum Master

Audit Scrum Team

Audit Product Owner

- Review completed stories
- Discuss points of view
- Gather feedback/update backlog

Product Backlog

Point of View (EPIC)

Accountable Executive/ Relevant Stakeholders

Every 24 Hours

Two-Week Sprint

EPIC POV

Sprint Retrospective

Audit Scrum Master

Audit Scrum Team

- What I liked
- What I learned
- What I lacked
- What I would like

Actionable Enhancements

Agile internal audit project phases

Key definitions:

POV (Point of View) – a summary of the relevant insights gained from observations and stories that informs sprints and final project deliverables.

DoD (Definition of Done) – determines when a story has been completed to the satisfaction of the Audit Product Owner and meets an objective of the audit. A DoD can be expressed as a level of assurance, a set of completed tasks, or a list of identified issues, risks or recommendations.

DoR (Definition of Ready) – defines and obtains agreement with key stakeholders on the story/scenario to be included in the audit. DOR details what will be tested, examined or reviewed, the goal of the work, the value to be delivered, and what data and information will be provided to the internal audit team.

Audit Project Canvas – a concise document that links business objectives, project drivers, resourcing, timing and other considerations to ensure alignment with key stakeholders and define the scope of the audit.

An example of Agile internal audit automation in Microsoft Azure – backlog monitoring and configuration
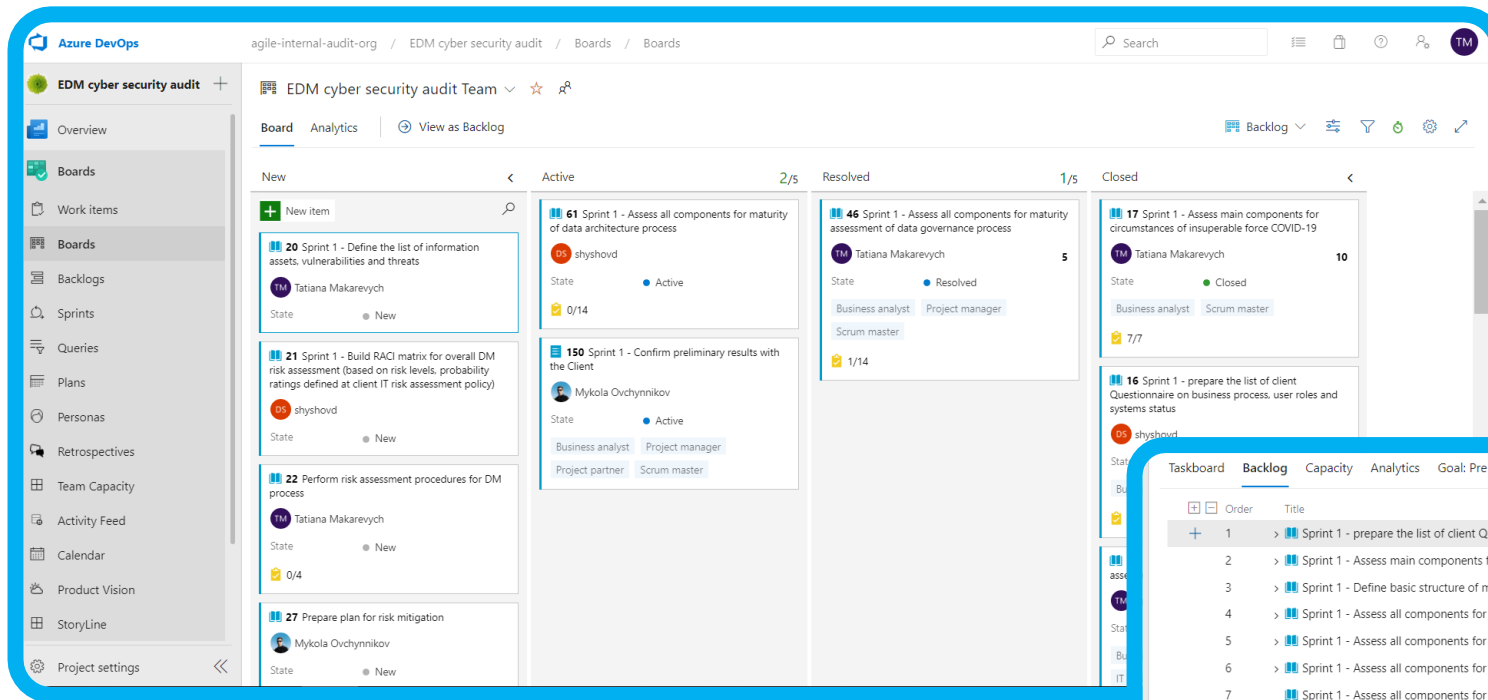
With the Azure platform, users can:

✓ Configure the internal audit process with the Agile methodology (creation of epics, user stories, tasks)

✓ Monitor audit process by task, work type, status and deadline

✓ Configure interfaces and additional dashboards to best suit the user's needs

✓ Execute several projects online on single platform

✓ Monitor and automate Agile processes – retrospective, project team roles and story lines
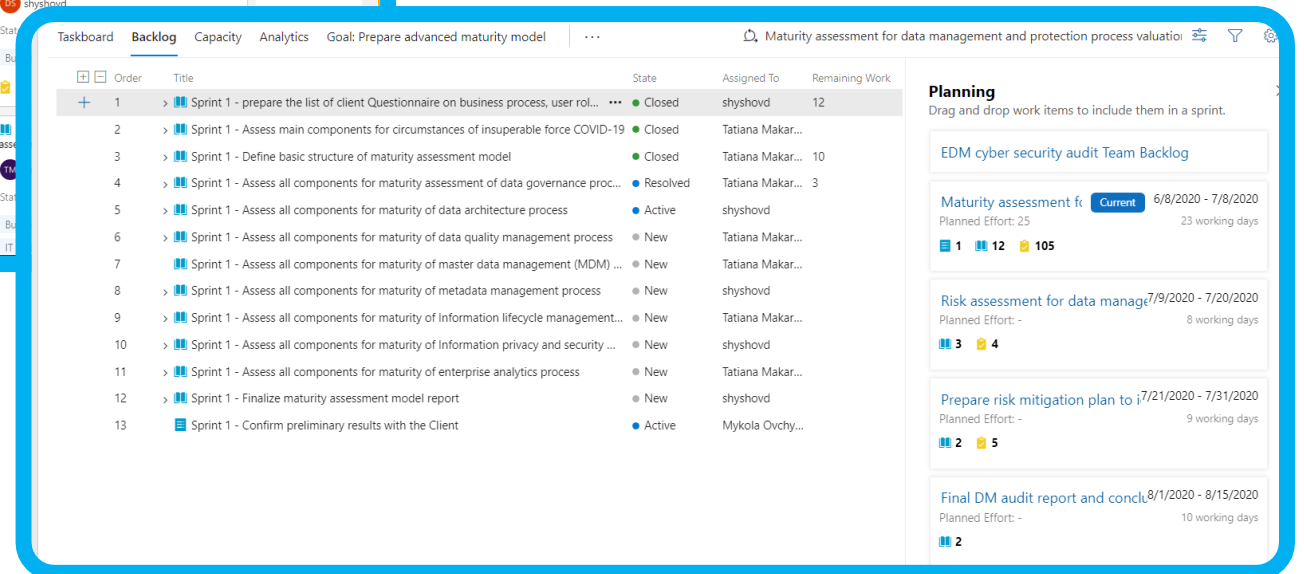
An example of Agile internal audit automation in Microsoft Azure – analytics and reporting

Azure DevOps gives users access to a wide range of project analytics and reporting features:

✓ Configuration of various types of dashboards (personalized for each team member and a common dashboard for the entire project team)

✓ Access to create and manage timesheets online, and obtain relevant analytics across various criteria (time, task-based, by sprint) that can be configured based on user needs.

✓ Automatic monitoring of time spent on tasks, stories, sprints and the project overall with the additional extension 7pace TimeTracker, budgeting and analytics with export to MS Excel

An example of Agile internal audit automation in Microsoft Azure – task management

Monitoring and task execution online:

✅ Analysis of planned and actual time for the task

✅ Configuration of direct access to archive resources for auditors (i.e. SharePoint)

✅ Personas affected access for team members who are responsible for the task

✅ Automated time tracker inside the task

✅ Built-in Agile methodology tools – story lines, Definition of Ready, Definition of Done

Azure DevOps integrations – Microsoft tools and other applications

Azure can be integrated with internal non-Microsoft applications and databases that are used for internal audit purposes, documentation archives and additional sources for internal and external team collaboration.

MS Excel – this extension enables the Agile audit team to manage import/export data directly to/from Azure files. The Agile team can also use this extension to import the project plan from an Excel spreadsheet to the Azure backlog, to edit work items in bulk, or to leverage Excel tools to analyze and visualize a large number of work items. Work items that are opened in Excel can be edited and published back to Azure DevOps with a single click.

Outlook, Skype, Zoom, Teams, Yammer – direct communication links from/to Azure, view of the Deloitte group calendar, group mailing, scheduled meetings and call access.

SharePoint – direct access to project team's site where project audit documents and deliverables are archived. Ability to link working papers and documentation with specific work items in Azure project.
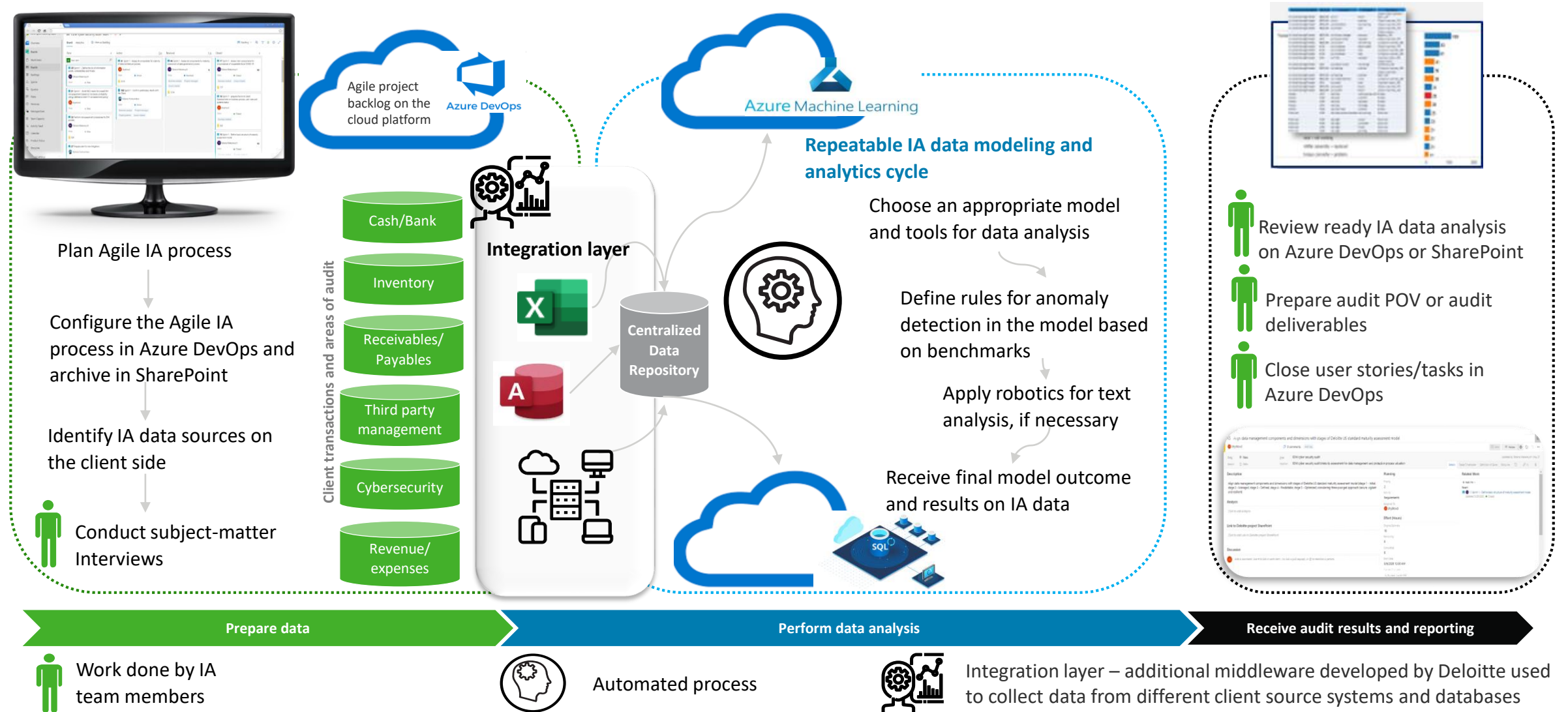
Power BI – Power BI based on the Work Item Queries saved in Team Services. You can configure your reports to be refreshed daily to make sure your picture is always up-to-date.

MS Project – the application is designed to help project managers develop plans, assign resources to tasks, track progress, manage budgets and analyze workloads.

Azure DevOps platform meets a broad set of international and industry-specific compliance standards, including General Data Protection Regulation (GDPR), ISO 27001, HIPAA, FedRAMP, and SOC 2.

Approach to continuous internal audit process automation

Plan Agile IA process

Configure the Agile IA process in Azure DevOps and archive in SharePoint

Identify IA data sources on the client side

Conduct subject-matter Interviews

Agile project backlog on the cloud platform

Azure DevOps

Client transactions and areas of audit

- Cash/Bank
- Inventory
- Receivables/Payables
- Third party management
- Cybersecurity
- Revenue/expenses

Integration layer

Centralized Data Repository

Azure Machine Learning

Repeatable IA data modeling and analytics cycle

Choose an appropriate model and tools for data analysis

Define rules for anomaly detection in the model based on benchmarks

Apply robotics for text analysis, if necessary

Receive final model outcome and results on IA data

Review ready IA data analysis on Azure DevOps or SharePoint

Prepare audit POV or audit deliverables

Close user stories/tasks in Azure DevOps

Prepare data	Perform data analysis	Receive audit results and reporting

Work done by IA team members

Automated process

Integration layer – additional middleware developed by Deloitte used to collect data from different client source systems and databases

Azure ML – techniques for analyzing your audit data

The ML platform automates the audit data analysis workflow: from basic data checks to continuous analytics

✓ Data quality checks – develop scripts and tests to move and validate data. Also create scripts to report on data quality, changes, volume and inconsistencies.

✓ Visualize the data and perform advanced analysis – develop AI/ML models and dashboards to centralize information and metrics related to the model and audit data. Include accuracy, operational characteristics, business impact, history and versions.

✓ Use a wide range of programming techniques for analysis – compute instances have a direct link to R studio, JupyterLab (R, Python) where code for analytics can be prepared and run.
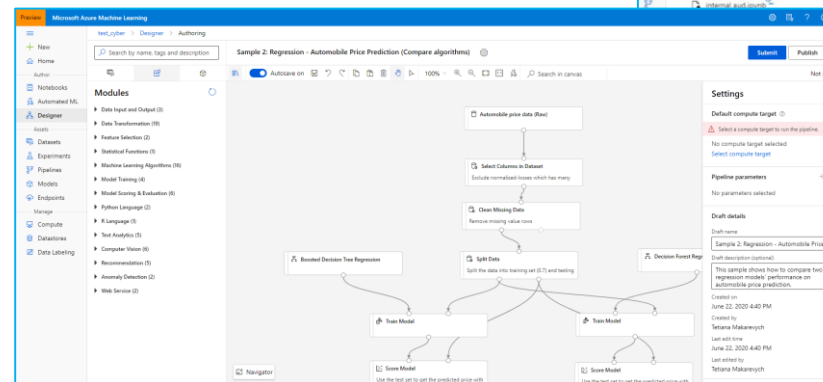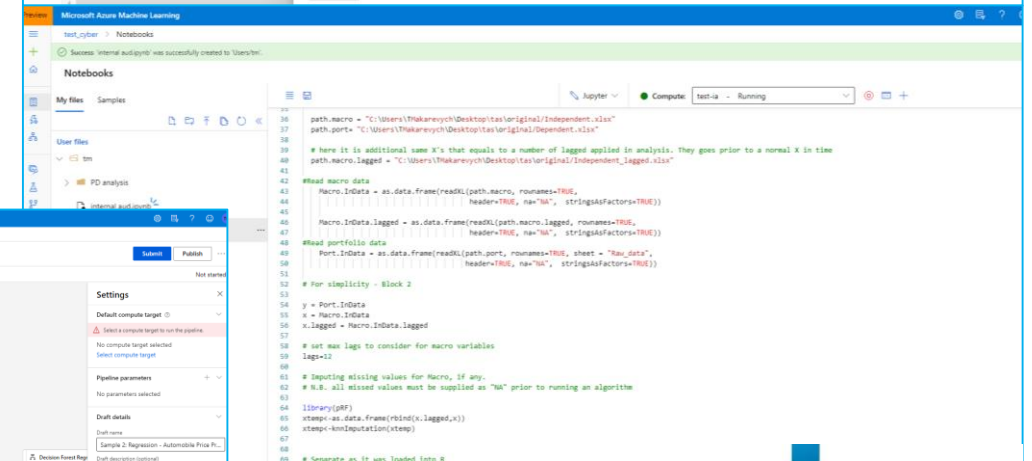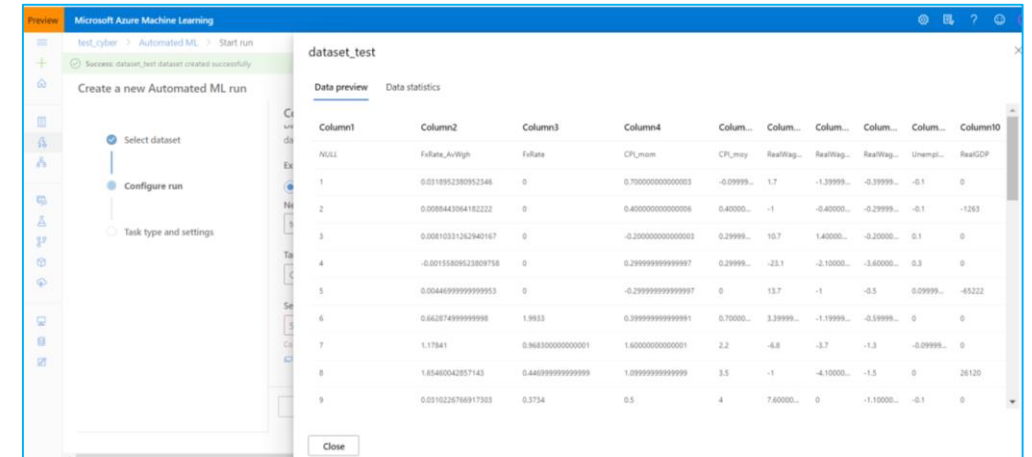
Data analytics for IA

IA data analytics can contribute to every phase of the audit process and has the potential to significantly improve audit procedures throughout the engagement

Audit acceptance and planning

Risk profiling

Test data simulations

Statistical sampling

Audit reporting

Risk quantifications

Real-time exception management

Route-cause exceptions

IA data analytics application areas

Audit implementation

Continuous control monitoring

Fraud indicators

Predictive risk identification

Control simulations
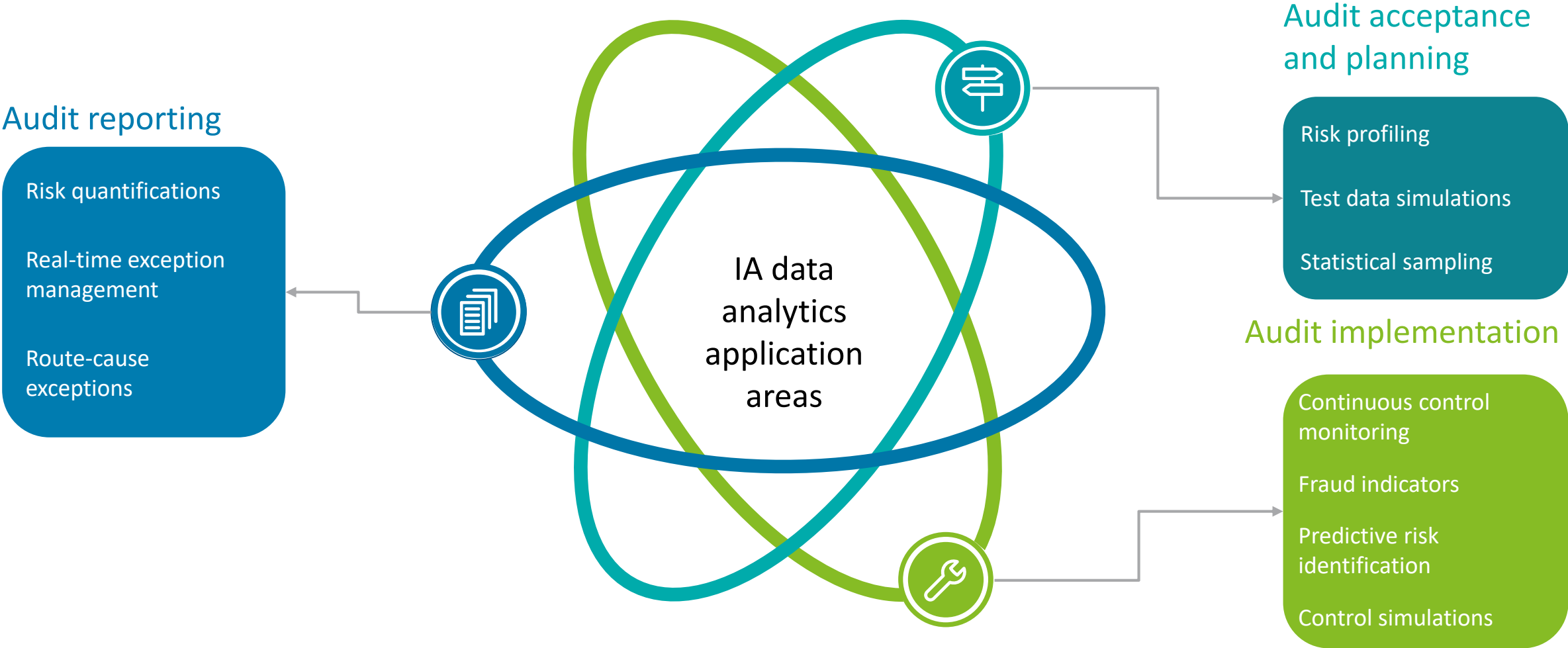
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