



Becoming agile

A guide to elevating internal audit's performance and value

Part 1: Understanding agile internal audit

The time for change is now

Internal Audit groups are continually challenged to provide more value to stakeholders while enhancing organizational influence and impact. **The need to change is clear. The time for change is now.** Stakeholders are demanding more efficient assurance, better advice on processes and controls, and greater anticipation of risks. In reports, they want deeper insights and stronger points of view.

While specific challenges vary across industries and organizations, Deloitte has—in its research and engagements—most

often found that internal auditors need to:

- Deliver deeper insights into strategic business issues and risks
- Respond rapidly to changing priorities and emerging issues
- Become forward-looking in anticipating risks
- Move to more risk-based audit planning and fieldwork
- Streamline workpapers
- Deliver impactful, relevant, timely, readable, and visual reports

- Access the applicable skillsets for the project at hand
- Deepen specialized skillsets, particularly in cyber and analytics

Current efforts to address these challenges are not working—or not working quickly enough. Instead of sporadic initiatives and piecemeal solutions, Internal Audit departments need an updated change methodology. Agile Internal Audit is one such change methodology and, in Deloitte's view, the one most readily applicable to internal auditors' current challenges.

An agile Q&A

What is agile?

Originally a software development methodology, agile aims to reduce costs and time to delivery while improving quality. Key characteristics of agile include delivering tested products in short iterations and involving internal customers during each iteration to refine requirements.

Isn't this messier than traditional development methods?

It may seem so at first, but agile came about because efforts to define all user needs upfront and then develop finished products were inefficient and costly. Far too often, finished products failed to meet users' actual requirements. Recognizing the potential for messiness, an agile approach builds in clear direction and ongoing communication.

What is Agile Internal Audit?

Agile Internal Audit is the mindset an Internal Audit function will adopt to focus on stakeholder needs, accelerate audit cycles, drive timely insights, reduce wasted effort, and generate less documentation. Agile prompts internal auditors and stakeholders to determine, upfront, the value to be delivered by an audit or project. What level of assurance is needed? What risks are most concerning? Then the audit or project aims to produce that value.

Agile also prioritizes audits and projects based on both importance and urgency as well as readiness to undertake the work. Finally, reporting doesn't focus on documenting the work but on providing insights.

What is Deloitte's Agile Internal Audit methodology?

Deloitte's commitment to elevating internal audit is a driver behind the development of a proprietary methodology for applying agile to the work of internal audit. The methodology borrows from—and repurposes—agile principles and practices to meet the needs of internal auditors and their stakeholders. It can be applied to the internal audit function as a change initiative or to specific internal auditing activities, such as audit planning, fieldwork, and reporting.

When should internal audit functions consider an Agile Internal Audit approach?

Internal Audit groups should consider an Agile Internal Audit approach if they need to complete more audits in the same (or less) time, promote closer relationships with stakeholders, and deliver more relevant, higher impact reports with less documentation. It can also enable internal auditors to respond quickly and effectively as strategies, priorities, technologies, competitors, regulations, and risks evolve.

Coupling mindset and process ...

Struggles occur when any group tries to pursue new outcomes without shifting both the mindset of the group and its stakeholders and its process for producing the outcomes.

Agile Internal Audit methods work to shift internal auditors' mindsets and processes by pursuing:

- **Clearer outcomes.** Rather than, for example, open-ended reviews or audits in search of findings, Agile Internal Audit methods aim to confirm or disprove a hypothesis or support a point of view (mindset shift). That way, the audit or project targets an outcome, which guides the fieldwork and reporting (process shift).
- **Increased engagement.** While maintaining objectivity, internal auditors—in collaboration with stakeholders—prioritize areas, issues, and risks (mindset shift). This helps them identify needed resources and focus their work on factors that determine business performance and value (process shift).
- **Improved documentation.** Instead of feeling the need to explain every step taken and justify it through exhaustive documentation (mindset shift), agile internal audit frameworks can deliver briefer, timelier reports with fewer words and more visuals (process shift).

By aligning mindset and process, Agile Internal Audit frameworks direct time and effort toward the issues, challenges, and risks that most affect the organization's ability to implement strategy and achieve goals. At the same time, it aims to conduct routine assurance activities without unnecessary resources, effort, or reports.

An Agile Internal Audit manifesto should be aspirational as well as practical. As one of the first efforts in adopting the methodology, the exercise of developing the manifesto may be more valuable than the manifesto itself.

Sample Agile Internal Audit manifesto

9

ELEMENTS

Our IA Agile Manifesto

Elevate Internal Audit

Assure. Advise. Anticipate.

- 1** | Outcome-driven | Value-driven
- 2** | Just-in-time | Proactive approach to the “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 a little bit, 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 with all stakeholders
- 8** | Be quick and iterative versus confined to a plan
- 9** | Impact over thoroughness – “good enough” (80/20 rule)

Also, the manifesto is not set in stone. Items can be added, deleted, or modified as you gain experience with agile methods.

... to drive better results, faster.

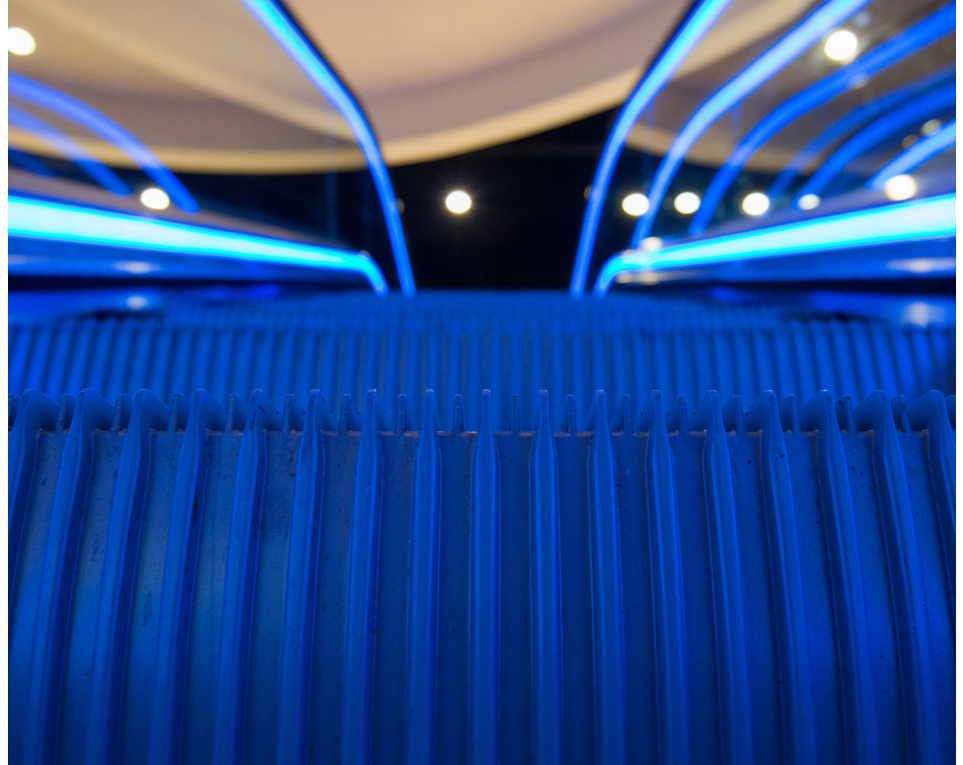
Agile Internal Audit frameworks drive improved results through four transformative changes:

- **Enhanced internal audit planning.** Rather than rigid internal audit plans, Agile Internal Audit planning maintains a continually updated backlog of audits and projects to be undertaken when the goals are clear and resources are in place.
- **Empowered internal audit teams.** Upon providing interim reports, the team and stakeholders can determine whether greater assurance or higher quality is needed. If it is needed, the work continues; if not, it ends. These decisions can be made at lower levels because senior people have established parameters and Internal Audit teams have clear guidelines.
- **Accelerated delivery cycles.** Internal auditors work within time-boxed sprints to complete a set of well-defined tasks. As explained later in this paper, sprints set a faster cadence for audits and projects by setting out to provide a level of assurance or to confirm a hypothesis rather than document activities.

- **Valuable insights.** By streamlining the work and documentation, Agile Internal Audit frameworks focus internal auditors' attention on the trends, risks, challenges, and opportunities that can most impact the organization and drive insights.

An Agile Internal Audit methodology's transformative power lies in its transformative approach. This is not change for its own sake, nor is it an end in itself. **It is a means to an end, and it is up to each Internal Audit group and organization to define that end.**

The agile principles are one such change methodology and, in Deloitte's view, the one most readily applicable to internal auditors' current challenges.



What do you need—and want?

When undertaking change, Internal Audit groups we have worked with have found it useful to define desired outcomes as “have-to-haves” and “want-to-haves.” These categories can be applied to the adoption of Agile Internal Audit frameworks to individual audits and projects—or both.

This exercise should be initially done by the Internal Audit function in a searching, brainstormed, wish-list spirit. The list can then be modified in light of organizational realities.

Sample **have**-to-haves:

- Outcome-driven mind-set aligned to **risk**, **efficiency**, and **cost** savings, and driven by **value**
- Timely decisions made with risk, regulatory requirements, internal audit mission, and the business partners in mind
- Initial agreement on “have-to-haves”
- Defining project’s objectives—balance value preservation (assurance) and value creation (advisory)
- Identify key stakeholders/business partners (audit committee, executive management, business unit leaders, field

management)

Sample **want**-to-haves:

- Variability in how you meet requirements
- Frequent and concise communications
- Issue, risk, action, insight tied to “so what”
- Iterative plans and process at every stage (planning, fieldwork, reporting)
- Initial sprint defines remaining sprints
- What is good enough to meet the needs!

Each list should be limited to five to eight items. That way, you prioritize desired outcomes and create lists short enough to internalize. If you achieve the have-to-haves in your function or on a project, you have reached your key goals. You can then pursue want-to-haves going forward. Over time, want-to-haves can become have-to-haves as the initial have-to-haves become institutionalized.

Successful adoption of an Agile Internal Audit methodology depends on mutually understood goals, transparency about the work, and efficient resourcing. It’s about “right sizing” audits to the level of assurance required and desired. It’s about reallocating resources from lower-value activities to higher-value ones. And it’s about auditing to the needs of the business rather than to the

Successful adoption of an Agile Internal Audit methodology depends on mutually understood goals, transparency about the work, and efficient resourcing. This is not, as some mistakenly believe, about cost cutting.

Four key concepts

existing skills of the internal audit function. As an introduction to Agile Internal Audit methodology, Part 1 of this series omits most technical details of agile. Yet understanding how a few key practices apply to internal auditing can provide a glimpse into the methodology's transformative power.

- **Audit backlog:** The Agile Internal Audit methodology, versus a rigid audit plan, maintains an audit backlog—a continually updated list of areas to be audited. Items on the list can initially be a bit vague about targeted outcomes and desired timing. Then, as internal auditors and the stakeholder refine those details, the item moves up the list until the work is ready to be undertaken.
- **Definition of ready:** A definition of ready (DoR) for an item on the backlog exists when internal audit and the stakeholder agree on what will be tested, examined, or reviewed; on the goal of the work; and the value to be delivered. Also, the Internal Audit function must have the resources ready to conduct the audit. When the DoR has been met, internal audit begins its work on the audit or project.

- **Sprints:** When the Internal Audit function's work begins, the item moves off the audit backlog and the tasks associated with that audit are divided into sprints. Sprints are time-boxed intervals in which tasks must be completed. Sprints provide a process, structure, and cadence for the work. A time box—the time the team gives itself to complete a task or set of tasks—should provide the motivation of a tight deadline without stressing resources.
- **Definition of done:** The definition of done (DoD) defines the value to be delivered in a sprint. A DoD can be expressed as a level of assurance; a set of completed tasks; a list of identified issues, risks, or recommendations; or a report or draft report—whatever works for the team. The DoD should not be lengthy or complex or it will not work at the level of a sprint.

These four elements structure activities and timeframes in ways that allow for changes in direction and resources as new information is discovered. This is a more practical way of structuring many (though not all) audits and projects, because the final goal and the work to be done are often not fully known at the outset.

For example, if a good level of assurance is all that's required, and that level is reached after one sprint, then the Internal Audit group can issue a brief report to that effect and move on to the next item on the audit backlog. Conversely, if the work reveals a need to dig deeper, the Internal Audit team can explain that to the stakeholder and proceed accordingly.

Again, these four concepts provide only a glimpse into how agile applies to internal auditing. The next installment of this three-part series explains its application in greater detail.

The journey to agility

Internal auditors face a wide range of challenges. Yet the overarching theme for most Internal Audit groups is the need to change. An Agile Internal Audit approach provides methods that work to change both the mindset of internal auditors and their work processes.

Agile also operates at a higher level as a change methodology for the Internal Audit group and its stakeholders. This is crucial because internal auditors' work relates to every business and function that affects the organization's performance and value, and unilateral efforts to change such a function generally fail.

The next installment in the *Becoming agile* series will address strategies to apply agile to internal audits and projects to demonstrate its impact on internal audit planning, fieldwork, and reporting. The third installment will focus on using an Agile Internal Audit approach as a change initiative.

By providing collaboration, goals, principles, and practices, an Agile Internal Audit framework charts a journey toward greater efficiency and effectiveness and increased impact and influence—a journey that most Internal Audit groups have embarked upon.

By aligning mindset and process, Agile Internal Audit frameworks direct time and effort toward the issues, challenges, and risks that most affect the organization's ability to implement strategy and achieve goals.



About this series

From their origins in software development, agile methods have been effective in countless initiatives in various business settings. *Becoming agile* is a three-part series that presents Deloitte's methodology for applying agile principles and practices to internal auditing as we help organizations lead, navigate, and disrupt to accelerate performance. An Agile Internal Audit approach can help the Internal Audit function elevate its value to the organization and its delivery of assurance, advisory, and risk anticipation services.

Part 1: Understanding Agile Internal Audit provides an overview of agile principles and their application to internal auditing. Internal Audit departments can accelerate performance through a methodology that fosters communication, innovation, and transformation while generating more collaborative audit planning, greater stakeholder engagement, faster audit cycle-times, and more insightful reporting.

Part 2: Putting Agile Internal Audit into action shows how to apply the methodology to audit planning, fieldwork, and reporting and how to target and prioritize desired improvements. Understand critical factors in the design that contribute to successful adoption of the methodology and capitalize on efficiencies to elevate the Internal Audit function's impact.

Part 3: Using Agile Internal Audit to drive change focuses on embracing innovation to transform the Internal Audit function's overall approach to its work and stakeholder interactions to boost its contribution to the organization. Explore strategies to shift the mindset of the Internal Audit function beyond delivering only assurance, to being prepared to advise the business and anticipate risk.

Instead of sporadic initiatives and piecemeal solutions, internal audit departments need an updated change methodology. Such a methodology should take a global approach to driving value, accelerating cycle times, and enhancing deliverables.

Contacts

Contact the Deloitte professionals listed below to discuss how our Agile Internal Audit approach can be adopted within your Internal Audit department.

Terry Hatherell

Internal Audit Global leader
thatherell@deloitte.ca
+1 416 643 8434

Peter Astley

Internal Audit Leader, EMEA pastley@
deloitte.co.uk
+44 20 7303 5264

Sarah Adams

IT Internal Audit Global Leader
saradams@deloitte.com
+1 713 982 3416

Kristopher Wentzel

Internal Audit Leader, Americas
kwentzel@deloitte.ca
+1 416 643 8796

Sandy Pundmann

US Managing Partner, Internal Audit
spundmann@deloitte.com
+1 312 486 3790

Neil White

Internal Audit Analytics Global Leader
nwhite@deloitte.com
+1 646 436 5822

Porus Doctor

Internal Audit Leader, Asia Pacific
podoctor@deloitte.com
+91 22 6185 5030



This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

As used in this document, "Deloitte" means Deloitte & Touche LLP, which provides audit and risk advisory services, and Deloitte Consulting LLP, which provides strategy, operations, technology, systems outsourcing and human capital consulting services. These entities are separate subsidiaries, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.