



Agile Internal Audit: Recent insights from the field

Agility in the new Internal Audit Standards

The Institute of Internal Auditors® (IIA®) has released new [Global Internal Audit Standards™](#) (Standards) that will become effective on January 9, 2025. Deloitte previously released a [white paper](#) on the new Standards. In addition to the observations made therein, one thing really stood out to us that we would like to explore further:

Orthodox approach: Linear and sequential

Traditionally, internal audits have been done in a linear fashion. The phases of planning, fieldwork, and reporting are embedded in the mindset and methodologies of many Internal Audit (IA) functions, as they have been part of the Standards for decades.

“During the planning phase, the engagement supervisor approves the engagement work program” (excerpt from Standard 12.3, *Oversee and Improve Engagement Performance*). On its surface, this sounds like it prescribes development and approval of a complete work program. However, the new Standards point out that linear sequencing of an internal audit is not required.

“Although the Standards for performing engagements are presented in a sequence, the steps in performing engagements are not always distinct, linear and sequential. In practice, the order in which steps are performed may vary by engagement and have overlapping and iterative aspects. For example, engagement planning includes gathering information and assessing risks, which may continue throughout the engagement. Each step may affect another or the engagement as a whole.”

(DOMAIN V: PERFORMING INTERNAL AUDIT SERVICES)

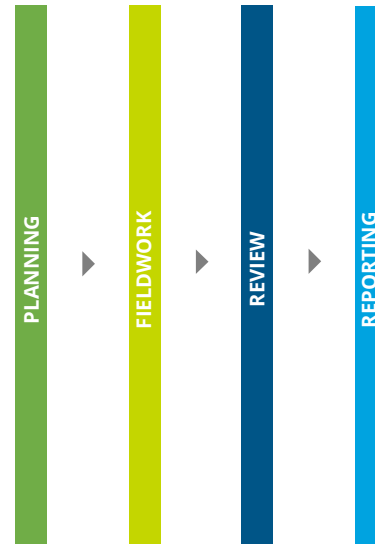
This is an exciting new part of the Standards because it recognizes the importance of the **Agile mindset** in Internal Audit. When the IIA was founded more than 80 years ago, industrial age operational and management processes and related risks changed much more slowly than they do today. Now, internal audits often address new business lines, novel systems, changing regulatory landscapes, and emerging threats. Consequently, it is unrealistic to develop and approve a complete work program before starting fieldwork. It’s often likely that new information will emerge in the course of an audit that would necessitate changing the plan. How should one’s methods change to address this new reality?

Revised approach: Responding to change over following a plan

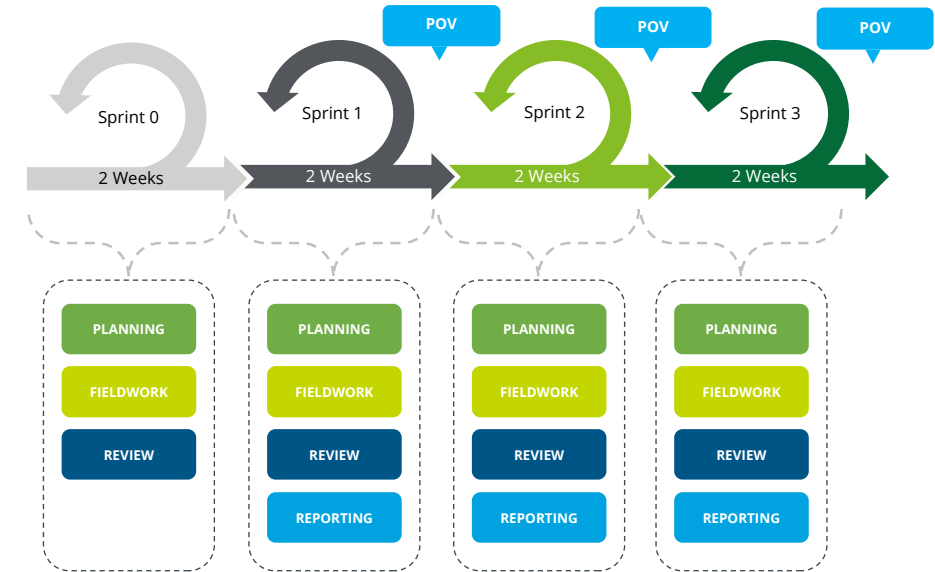
The idea of responding to change isn’t rocket science, nor is it a novel idea—it was articulated in the *Agile Manifesto* published in 2001. However, teams are much more likely to put this idea into practice if they are working within a framework that makes it part of the expected way of doing audits. Otherwise, they’re likely to stick to more traditional ways of working.

Our Agile IA clients have begun working in two-week cycles called “sprints.” At the start of each sprint, the team leader decides on the highest-priority questions about risk that the team should consider working on. The team limits the breadth of the work it takes into each sprint to enable it to conclude on the items addressed within that sprint. At sprint’s end, the team discusses completed work with the auditees, often including development of management action plans to address any findings. The team also discusses priorities for the next sprint based on the latest information at hand.

Traditional Internal Audit



Agile Internal Audit



Sometimes this requires changes to methodology. One client changed its audit handbook to replace a single toll-gate approval of the work plan to allow **iterative** approvals of **incremental** work plans instead of approval of a single work plan prior to beginning fieldwork. Now the engagement supervisor signs off on the work items taken into each sprint to evidence approval of the work program.

Results

We've observed several common outcomes:

- **Improved stakeholder satisfaction.** Instead of getting results all at once at the end of the audit, they're getting actionable information as they go. Consequently, they're often able to address findings before the report is even issued. They report feeling like IA is acting like more of a business partner and less like the "process police." One client reported that it felt entirely different than last time—the client said IA was trying to help him run his business better, not just "ticking boxes."

- **Pivoting to the risks that matter most.** An automotive company doing its first audit of a regulated business process chose one particular risk area to include in its first sprint because it suspected the risk area held hidden but important complexities. The company was right and, in its second sprint, pivoted its plan to address those risks.
- **Efficiency.** Starting with the most important risks, limiting work in progress to enable delivering completed work sooner, and continual reevaluation of the plan means that teams often finish sooner than expected. Frequent feedback with the client improves focus and allows the team to spend less time on smaller risks. Cycle times, especially between the end of fieldwork and issuance of the report, often drop. One CAE reported that when this time dropped from months to days, her focus shifted from getting old reports out the door to the actual issues emerging from ongoing audits.

Deloitte has been helping our clients adopt this mindset and these methods for more than seven years; we would be happy to consult with you should you want to take advantage of the invitation to Agile that is evident in the new Standards.

Next in the series: The culture of coaching.

Author

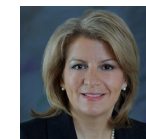


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