Adopting Agile
In harmony with the International Standards for the Professional Practice of Internal Auditing (the Standards)
Introduction

How can you adopt Agile in your Internal Audit department while remaining true to the Institute of Internal Auditors (IIA) Standards (the Standards)?

While successfully adopting Agile within Internal Audit (IA) isn’t easy—it takes skill and concentrated effort—the Standards aren’t an obstacle. In fact, they complement and support the adoption of Agile IA practices.

Agile has been improving software development work since 2001 (going back to a seminal meeting of dissatisfied developers at a Utah ski resort). More recently, other functions have begun adopting it, but it’s only in the last couple of years that Internal Audit departments have started using it. We at Deloitte have assisted many IA functions, ranging from small to large, in various stages of their transformation to Agile ways of working. In that time, we’ve found that adopting Agile has made our clients more efficient and effective and has increased IA employee satisfaction. “Better, faster, happier,” as we like to say. Along the way, we’ve frequently found ourselves answering the question of whether Agile conflicts with the Standards.

It does not.

Agile works quite well within the Standards and, in certain areas, it embodies and optimizes the principle-focused intent of the Standards.

The IIA Standards are principle-based rather than rule-based. We count 130 instances of the word “must” in the Standards; but typically, these statements concern what must be done and our behaviors in performing IA, not how it must be done. Agile, by contrast, addresses how things are done. As an example:

1000 – Purpose, Authority, and Responsibility [Note: Text below is an excerpt] The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Clearly, Standard 1000 is telling the chief audit executive (CAE) to do something, but not how to do it. In this paper, we’ll discuss how this pattern applies to many of the Standards; but more importantly, we’ll demonstrate that Agile principles and methods provide a much more efficient means of determining how something is done within the guidelines set by the IIA Standards.
A word on Agile

A quick word on Agile: Originally applied to software development, our practice at Deloitte has adapted it to IA. Agile advocates adaptive planning, self-organizing teams, early delivery of internal audit results, a focus on value, and rapid response to change. It prescribes a means of organizing work into intervals that are briefer than traditional internal audits, encouraging teams to work on fewer things in parallel, deliver increments of value, and then move on to the next chunk of work (called a “sprint”). And it prioritizes work by value. Small increments of work called “user stories” are held in a backlog, and prior to each sprint, the team considers which user stories will deliver the most business value and commits to delivering as many of the top-priority items as team capacity allows in the next sprint.

Now, let’s dig into the Standards, starting with the ones with the highest level of interplay and symbiosis with Agile.

Engagement planning

It is in engagement planning where Agile perhaps shines the most. Agile provides a new way of organizing work. It pushes details of engagement planning down to the individuals who are closest to the work—while making sure that they are operating within a set of objectives and scope that is properly reviewed and approved. While vision and direction still come from above, Agile plans incrementally and continually, deferring detailed, specific planning activities until right before the plan is needed. Rather than creating an entire work plan up front, an Agile Internal Audit lays out the scope and key concludable areas up front and plans smaller bits of work during the engagement, accelerating value delivery and reducing effort spent on plans that could (and frequently do) change when new information or perspectives emerge. We find that queuing time while plans wait for reviews is minimized, while on-the-spot planning decisions reflecting emerging facts and risks can be implemented quickly.

Admittedly, this approach may be a big change for some organizations, compared with how audits may have been traditionally planned. Nonetheless, it’s precisely in line with guidance from an International Professional Practices Framework (IPPF) Implementation Guide:

“In the International Standards for the Professional Practice of Internal Auditing, the engagement process is divided into three phases, with a series of standards representing each: planning (2200 series), performing and supervising (2300 series), and communicating (2400 series). In reality, the standards in these groups are not performed discretely and sequentially. Rather, some engagement work may be performed during the planning process; and planning, supervising, and communicating occur throughout the performance of an engagement.”

When we first start talking with a client who is considering adopting Agile, one of the pain points cited as a reason they’re looking at new approaches is having burdensome engagement planning processes. Some individuals seem to think a sequential planning process is mandated by the Standards; but ultimately, they discover that they can parse out what’s truly necessary, then build planning mechanics accordingly:

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations. The plan must consider the organization’s strategies, objectives, and risks relevant to the engagement.

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity’s objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.

Aligning the audit plan to organizational strategy

A CAE at a large global retailer found that by adopting Agile principles, she was able to better align internal audits to global strategy.

Utilizing the Audit Canvas (figure 1)—a one-page scoping document that defines what assurance the internal audit will provide to the stakeholder and the business as a whole and how that relates to corporate objectives—her teams were better able to prioritize the highest risks first based on the audit universe, which was connected to a corporate strategic theme. Furthermore, they were able to vet these assumptions in real time by sharing the canvas in a meeting with key auditee stakeholders so that they could get concurrence.

Then, based on the risk assessment and the value proposition of the internal audit—as determined by the business and IA team collaboratively—she was able to prioritize internal audits that were more aligned to organizational goals.

Figure 1. Audit canvas

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>How does the business area align with the corporate strategy?</td>
<td>Why is this project important to the business?</td>
<td>What is the value—from a business point of view, not an IA point of view—of doing an Agile internal audit in this area?</td>
<td>What key IT systems or reports support and/or monitor the business process?</td>
</tr>
<tr>
<td>What are the business's objectives?</td>
<td>Why is it on the audit plan?</td>
<td>What are the compliance considerations?</td>
<td>What are the risks to the business achieving its objective?</td>
</tr>
<tr>
<td>What are the risks to the business achieving its objective?</td>
<td>What is the value-add (relevance) to the enterprise?</td>
<td>How are financials reported and what is the impact?</td>
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feel that this is adequate documentation of objective and scope; others are more comfortable supplementing the canvas with additional material. But in both cases, our experience has been that the Audit Canvas makes communications with IA management and key auditee stakeholders faster and more effective, thus enabling the team to get to the value-added work more quickly.

2230 – Engagement Resource Allocation
Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

All IA projects must prioritize activities given time and resource constraints. In Agile, the concept of working in sprints from a prioritized backlog is the invention mothered by this ever-present necessity. Furthermore, a well-functioning Agile IA function will be better able to balance time and resources across engagements—across its whole portfolio of work—based on emerging priorities.

2240 – Engagement Work Program
Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation and any adjustments approved promptly.

This Standard is often implemented by writing and approving a comprehensive test plan at the start of each engagement and then executing it fully unless adjustments are approved, with reviews often reaching relatively far up the chain of command in IA. This can become a contentious point during Agile transformations, with the guardians of the old ways potentially objecting to any changes to processes laden with documentation and review steps.

Agile changes two key things from this traditional interpretation while still adhering to the IIA Standards. First, work programs are developed and executed in multiple brief sprints. Second, the approval of work programs and changes is delegated to the Product Owner level—a specific role in an Agile team drawn from the more senior ranks—so that they can be developed immediately prior to implementation, and therefore implemented with all the latest information at hand. And common-sense adjustments can be approved promptly; for example, if a control design is badly flawed, the Product Owner can immediately approve canceling tests of that control.

Many clients have reported that one of the most profound impacts of Agile is in planning work. Agile planning cycles are shorter and more collaborative, getting stakeholders from the analyst to the executive on the same page in minimum time. Then, Agile facilitates sensible adjustments to the detailed work program as new information and risks emerge mid-flight during an internal audit.

### 5. Key stakeholders

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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</thead>
<tbody>
<tr>
<td>Who is most concerned about the value of the project?</td>
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<td>Who will be most impacted cross-functionally?</td>
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</table>

### 6. Metrics/KPIs

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>How does the business measure achievement of its objectives?</td>
<td></td>
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<tr>
<td>What are the measures of success for the audit? Audit timeline and target dates? Business acceptance of findings? Other?</td>
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</tbody>
</table>

### 7. Project scope

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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</thead>
<tbody>
<tr>
<td>What is needed to achieve the project objectives?</td>
<td></td>
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<tr>
<td>What are the concludable areas for the project?</td>
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</tbody>
</table>

### 8. Risk and control log

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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</thead>
<tbody>
<tr>
<td>What are the business risks and controls?</td>
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<tr>
<td>How can the business identify and prioritize the sprint backlog?</td>
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<tr>
<td>What is the project sprint timeframe?</td>
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### 9. Core project team

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<tr>
<th>Question</th>
<th>Answer</th>
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</thead>
<tbody>
<tr>
<td>Who are the key people who will be involved from the IA and stakeholder side?</td>
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### Performing the engagement

Some of the Standards concern performing and supervising work and substantiating conclusions. The text of these Standards (minus any interpretations to the Standards, which clarify terms or concepts within the statements) is shown here to illuminate the reliance placed on the judgment of an IA organization to determine how to go about implementing these Standards.

2300 – Performing the Engagement
Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement’s objectives.

2310 – Identifying Information
Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement’s objectives.

2320 – Analysis and Evaluation
Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information
Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

2340 – Engagement Supervision
Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Executing internal audit activities requires

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Adopting Agile

The daily stand-up, a regular Agile event, enables team members to keep track of their progress and discuss methods and results. This facilitates timely intervention.

Agile encourages involvement of team members in articulating scope and breaking the scope down into user stories. Then, it requires internal audit teams to explicitly state what their minimum acceptance standards will be for each user story by declaring what information must be identified, analyzed, and documented. This gives junior team members a better understanding of the internal audit from the top down, which better positions them to start exercising judgment about how to do their work—and it gives engagement supervision a very clear line of sight, enabling timely intervention.

Further to that, Agile demands early and frequent discussion of methods and results. The daily stand-up, a regular Agile event designed to keep team members aligned, enables more experienced auditors to provide near-real-time coaching and course correction on which information is most relevant; how to analyze, test, and evaluate it; and how to effectively document it. And finally, the Product Owner (mentioned above), a more senior member of the internal audit team, determines when work is done to a sufficient level of quality. A client in investment banking identified this quick feedback and adjustment cycle as one of the primary benefits of Agile. We call this “real-time course correction.”

While the Standards mention documentation, they don’t mention the word or phrase “work paper” at all (although an IPPF Implementation guide for Standard 2300 mentions it)—nor is Agile as prescriptive about work papers. Nonetheless, there is still an expectation in Agile to document sufficient, reliable, relevant, and useful information. We do advise our clients to develop protocols for the level of substantive documentation (work papers) that support the conclusions and to consider the meaning of “sufficient” where it appears in this Standard. Often, there are opportunities to cease examining or documenting once the evidence is sufficient to support a conclusion—especially when there are other, more valuable uses of scarce time and resources on an internal audit. Daily stand-ups and early, frequent reviews of the work product are means to achieving this.

Communicating results

The Standards lay out several principles to follow when communicating results. Two examples:

2410.A1 – Criteria for Communicating

Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors’ opinion should be provided.

2420 – Criteria for Communicating

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Agile’s impact is to accelerate and provide more timely communications. In the same way that Agile (in a software development environment) encourages developers to show their partially completed work to the Product Owner and other stakeholders as a sprint progresses, we teach our clients techniques for sharing results and gathering feedback and input early and often with stakeholders. This allows auditors and auditees to reach alignment faster on final results—or, in the case where a finding may be contentious, to alert auditors where they need to ensure their evidence thoroughly supports their conclusion. Early, frequent communications can also shine a light on areas lacking accuracy, clarity, or any of the other items called for in Standard 2420.

The techniques we teach our clients take two forms. First, as auditors work on each user story, they share results with stakeholders as they go. There’s a key mindset shift that enables this. Traditionally, auditors may play their cards very close to the vest, only revealing results at the end of a project after...
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they’ve documented a thorough case for whatever conclusion they’ve reached. In contrast, the Agile way of working is to invite the auditee to a conversation and discussion as results are emerging. Second, at the end of each sprint, we teach teams to prepare a written point of view on the outcome of the sprint. As these are drafted, they spark frank conversation that leads to early identification and resolution of contentious issues. And much of the material in the point of view can be directly leveraged into the final audit report, which helps shorten reporting cycles.

The net result of this Agile acceleration of communications is to make the internal audit team better able to meet the principles put forth in the IIA Standards. Additionally, it can make status meetings and update meetings very brief and very easy to prepare for, because stakeholders have regular visibility and provide feedback early and often.

One mining company that we worked with found that they saved significant amounts of time in their weekly status meetings with stakeholders.

Most stakeholders react very well to these changes. We’ve observed that stakeholders tend to feel that auditors are developing a deeper understanding of what their function does as compared with traditional approaches.

Managing the internal audit activity

The Standards speak to things like planning, communicating, and approving the plan, and managing functional resources.

2010.A1
The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

Many clients have traditionally created a plan (some annually, quarterly, or continuously evolving) based on a documented risk assessment in line with this Standard. This is done in concert with the following:

2000 – Managing the Internal Audit Activity
The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

[Note: Text that follows is an excerpt from the interpretation of Standard 2000] “The internal audit activity is effectively managed when . . . it considers trends and emerging issues that could impact the organization.”

Agile is expressly designed to consider trends and emerging issues that could affect the organization. A fully Agile audit function doesn’t only think about the plan on an annual basis. It plans quarterly, or even continually, by maintaining a prioritized backlog of potential audits and other activities.

Such a model facilitates interactions with senior management and the board, making two-way communications about priorities highly transparent and much fresher than they might be in an annual process. This becomes useful when deciding how to allocate the resources of the IA function. This aspect of Agile is an enabler for the following Standard:

2020 – Communication and Approval
The chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

Shorter, less contentious meetings, anyone?

One client, a mining company, typically spent hours preparing for biweekly status meetings with their audit clients. These meetings would be well-attended by client personnel, would last 60 to 75 minutes, and could often become contentious, as clients were apt to disagree with conclusions drawn by the audit team.

After several sprints in a pilot Agile audit, the team had developed the habit of bringing points of view to the attention of their clients as they emerged. This flushed out areas of potential disagreement and encouraged collaborative problem-solving, which saved time and effort as auditors were enabled to focus more on the core and less on the periphery of the subject matter.

By the end of the audit, the status meetings required minimal preparation, took only 15 minutes, and were far less contentious because the client personnel had been working jointly with the auditors on the issues. By being invited to the conversation and brought on the journey, they were much less likely to be defensive about findings.

Other interactions with Agile

Thus far we've covered the places where Agile has the greatest level of interplay with the Standards. There are a few more worth areas worth a quick mention.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Interaction with Agile</th>
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<tbody>
<tr>
<td>1000 Purpose, Authority,</td>
<td>This section mentions a charter for the IA function; Agile does not prescribe anything on this topic.</td>
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<tr>
<td>and Responsibility</td>
<td></td>
</tr>
<tr>
<td>1100 Independence and</td>
<td>This section mentions independence and objectivity. Agile encourages an increased level of communication with stakeholders, but Agile IA functions continue to exercise professional skepticism and remain empowered to make final decisions.</td>
</tr>
<tr>
<td>Objectivity</td>
<td></td>
</tr>
<tr>
<td>1200 Proficiency and Due</td>
<td>Key areas to conclude on with an internal audit project must still be determined by IA management—Agile does not affect the level of due professional care. We believe that Agile will indirectly benefit this area by enabling faster development of junior team members, as well as by providing a framework—the prioritized backlog—for considering “relative complexity, materiality, or significance” (Standard 1220) of elements of the internal audit.</td>
</tr>
<tr>
<td>Professional Care</td>
<td></td>
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<tr>
<td>1300 Quality Assurance</td>
<td>One of the Agile events, the Sprint Retrospective, is a type of self-assessment that can be a useful tool for an organization striving to adhere to Standard 1300.</td>
</tr>
<tr>
<td>and Improvement Program</td>
<td></td>
</tr>
<tr>
<td>2100 Nature of Work</td>
<td>This section says that IA must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes. Agile addresses how an IA function goes about doing this, not what it should address. However, Agile does help an IA function link its activity to stated enterprise objectives and strategies.</td>
</tr>
<tr>
<td>2500 Monitoring Progress</td>
<td>This Standard references establishing a follow-up process for management actions that result from internal audits. While Agile may provide some utility by helping prioritize this activity as part of the overall backlog of IA function activity, overall, the impact of Agile is minimal.</td>
</tr>
<tr>
<td>2600 Communicating the</td>
<td>This Standard should be incorporated into the dialogue and communication protocols with stakeholders as remediation of issues are being addressed, should the stakeholder choose to accept a level of risk that is considered to be unacceptable to the organization.</td>
</tr>
<tr>
<td>Acceptance of Risks</td>
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</table>
Conclusion

Each IA function must determine the appropriate way to follow the IIA Standards. We have yet to note any instances where Agile has created conflict with the Standards. On the contrary—we have observed many cases where traditional norms and processes become more efficient by applying Agile techniques, and we believe Agile can help equip an IA function to strengthen its compliance with the Standards.

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