

Deloitte.

Agile Auditing and Risk Compliance

Sarah Adams, Managing Director
Shreyas Rao, Senior Manager



Series learning objectives

“

Understand
the concept of
Agile and its
characteristics

“

Understand
how Agile is
adapted and
applied to
Internal Audit

“

Overview of
Agile Internal
Audit project
methods and
principles

“

Understand
the journey
our clients
have taken to
adopt agile

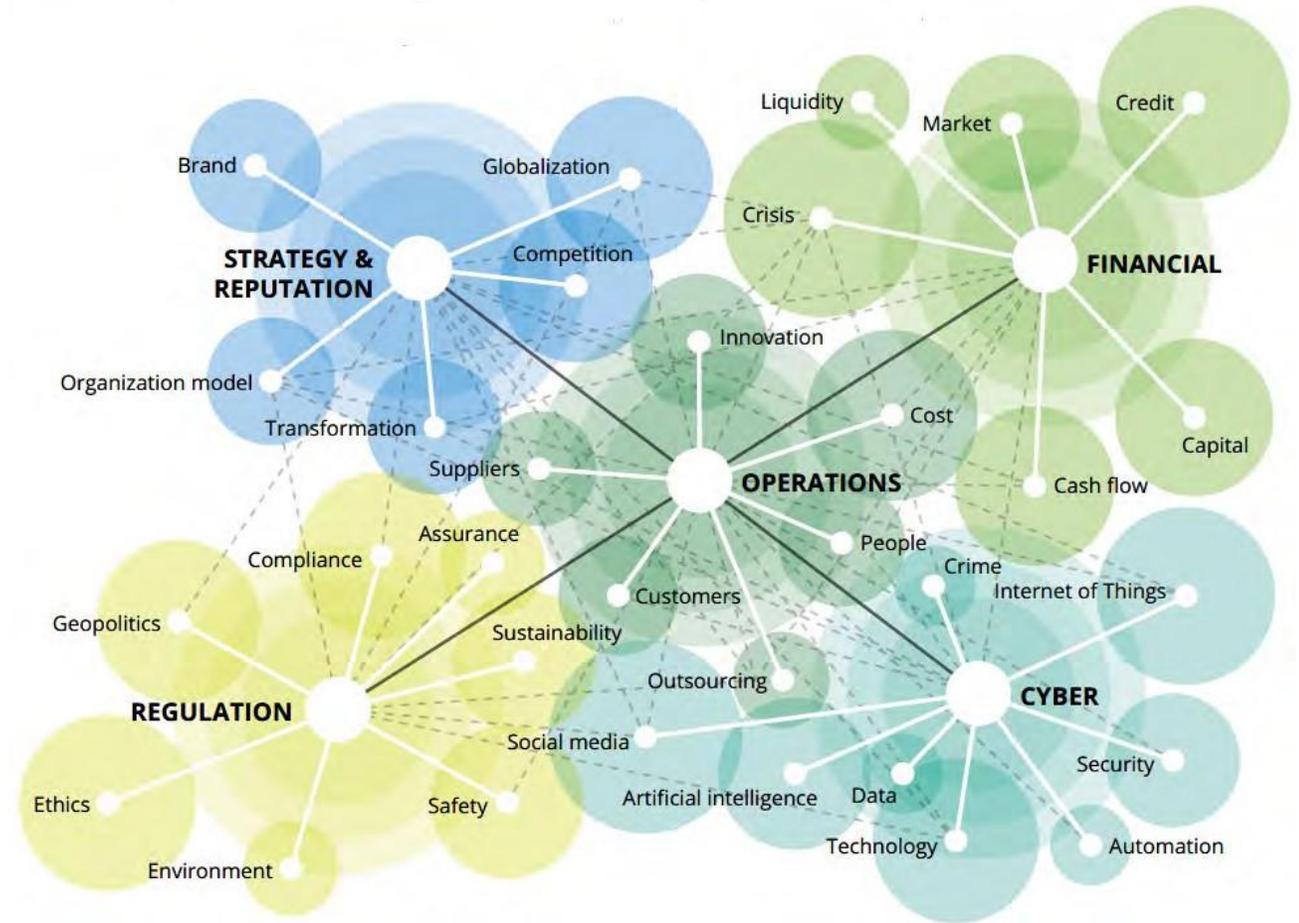
Our Journey Today



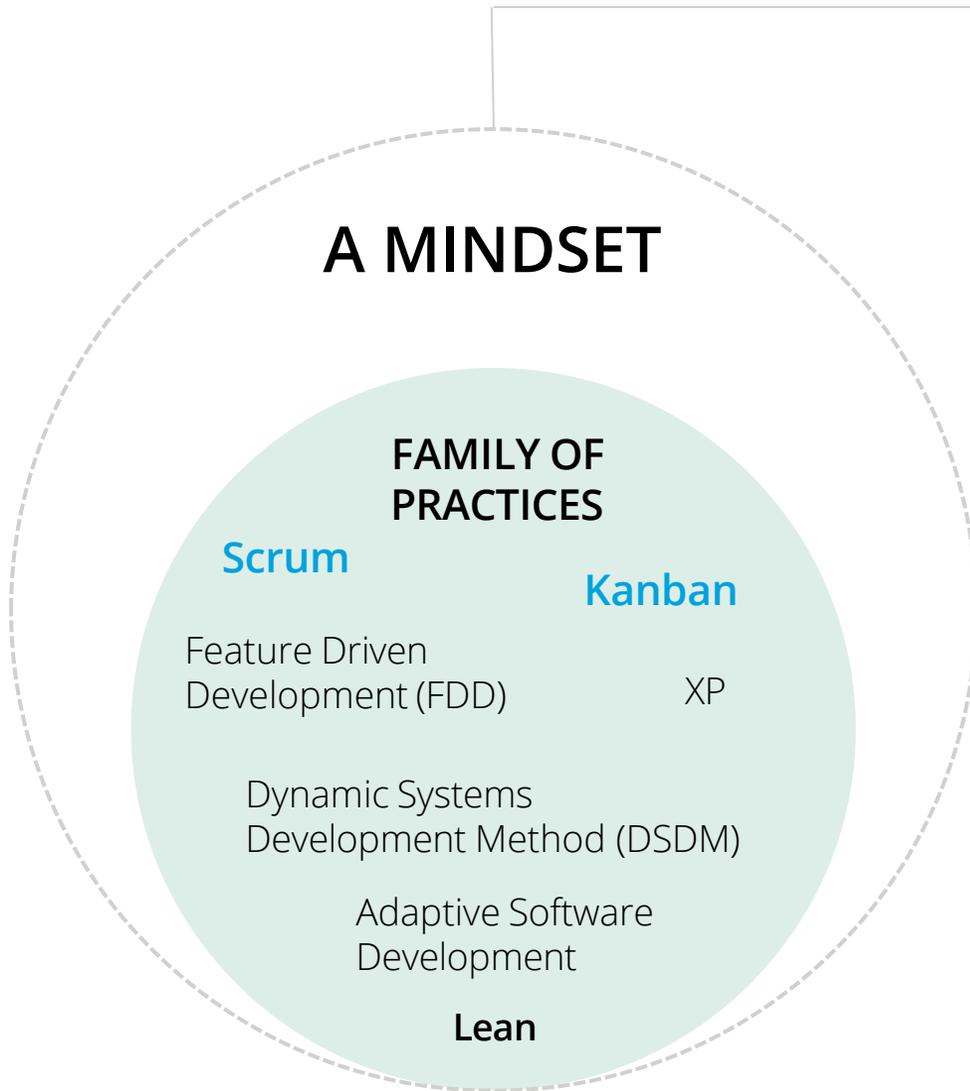
Why do we need Agile?

> DEMANDS
ON IA

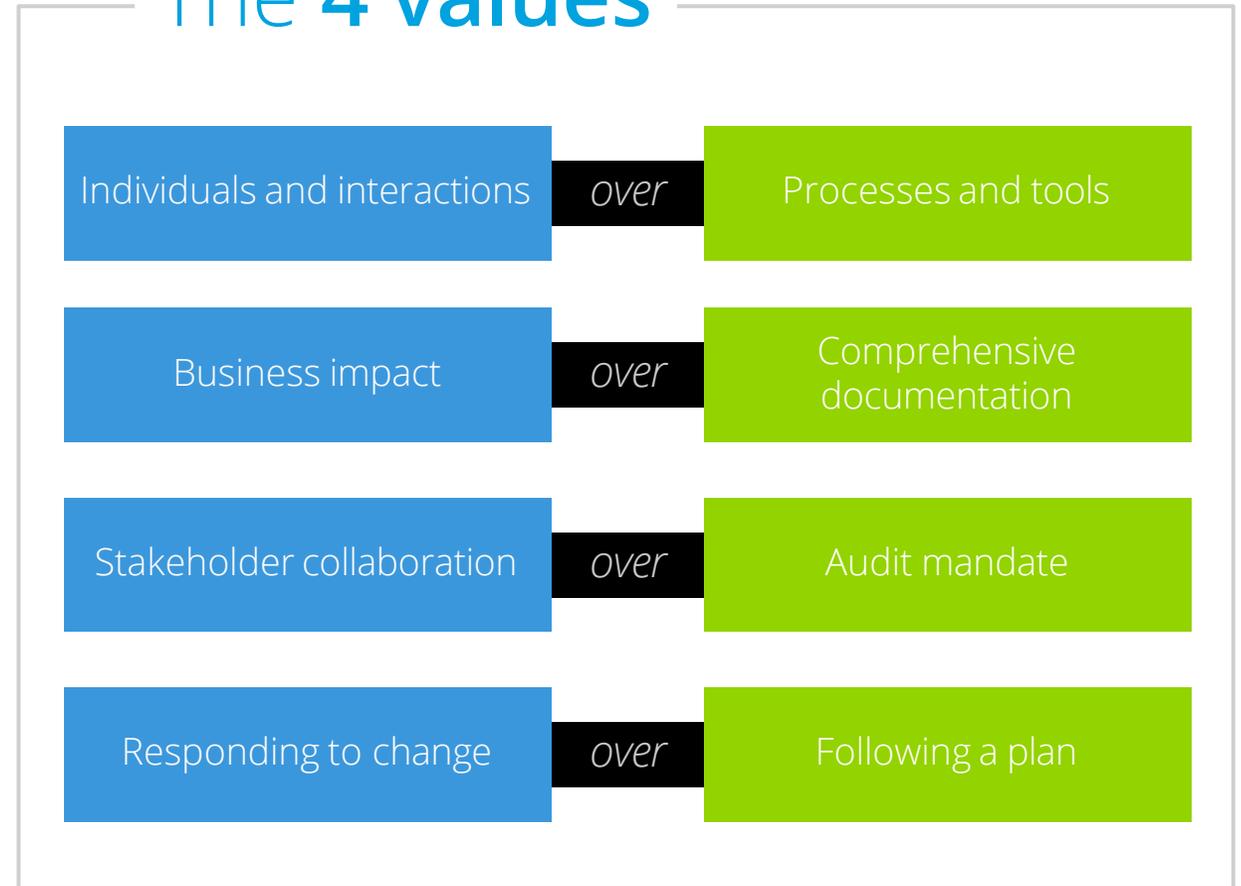
> IMPACT AND
INFLUENCE



What is Agile?



The 4 values



What does being Agile look like?

12 Agile IA Principles

Satisfaction through continuous delivery

Motivated individuals

Sustainable delivery

Welcome change

Attention to enhance agility

Excellence through reflection

Frequent delivery

Collaboration

Focus on essentials

Cooperation with business

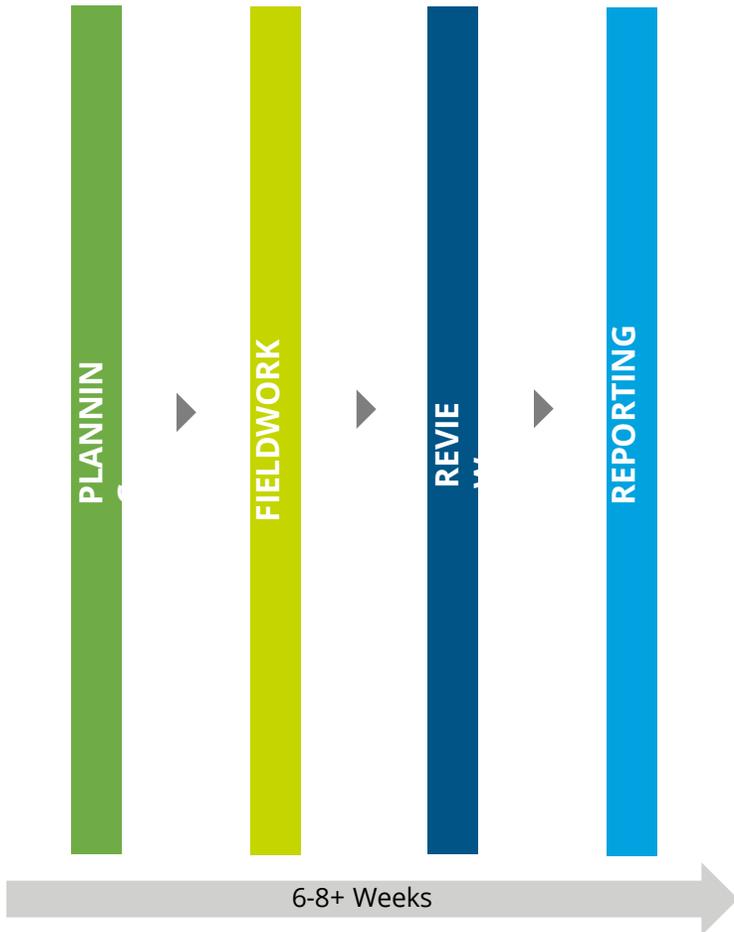
Business impact

Self-organizing

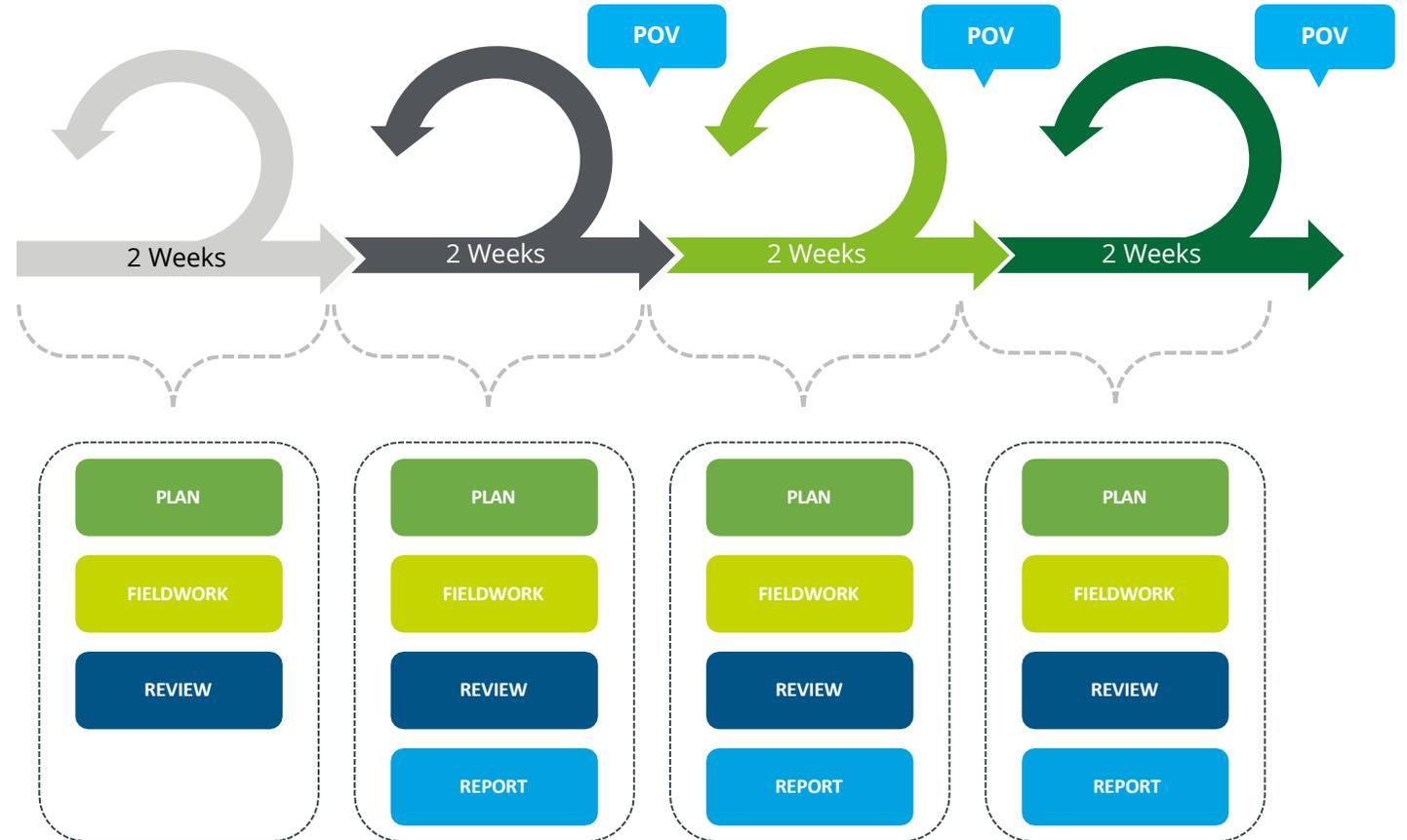
Waterfall vs. Agile Internal Audit



Traditional Internal Audit

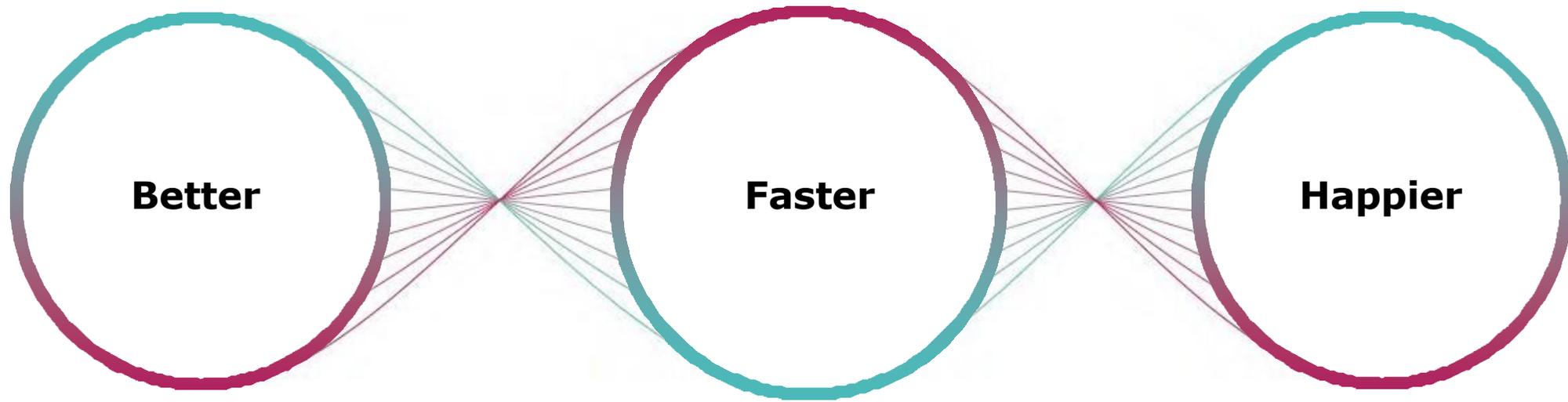


Agile Internal Audit



The Agile Imperative

Challenges facing organisations and Internal Audit



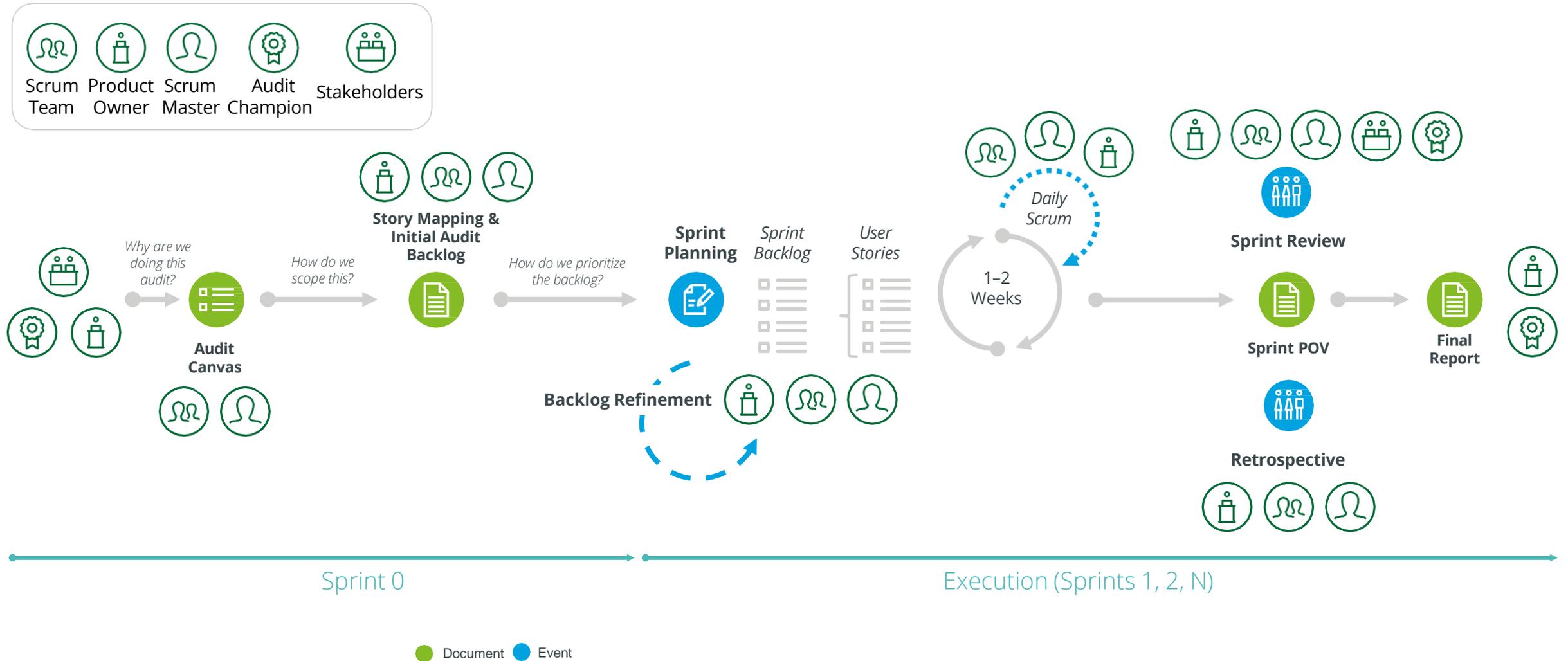
- Impact – value by design
- Quality – surfaces issues quickly
- Performance – full transparency
- Decision making – more informed

- Less time to value – business changes sooner
- Increased productivity – reduced waste
- Quicker adaptation – embraces changes
- More efficient – flatter, self-organised teams

- Stakeholders – more engaged
- Teams – feel motivated
- Individuals – empowered
- Sustainable – stress/performance optimised

Agile IA end-to-end

Four Roles • Five Events • Five Artifacts

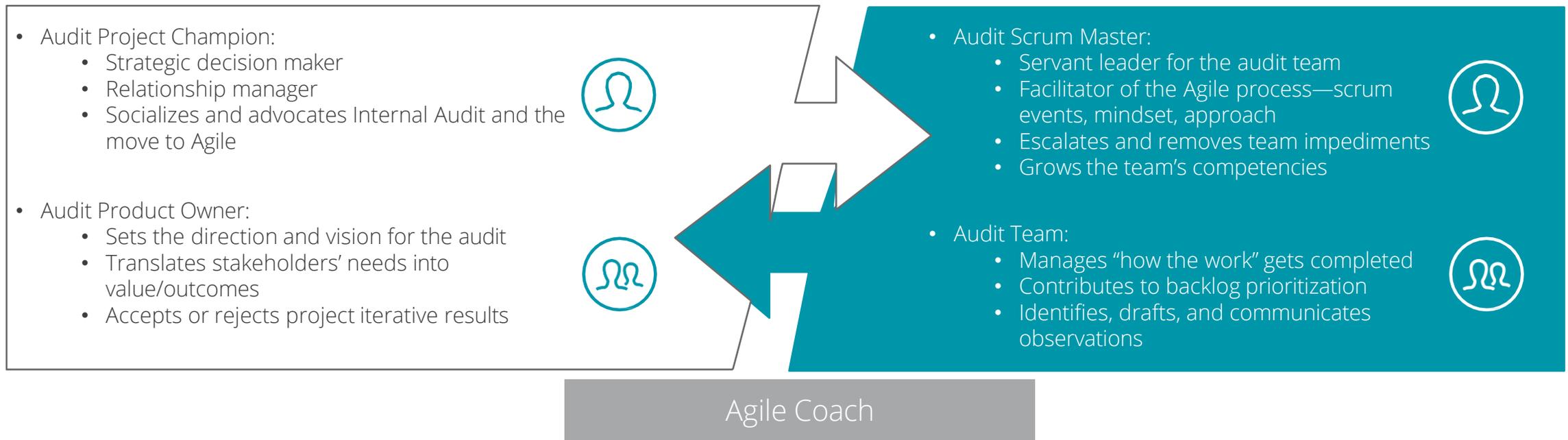


What are the roles in a Scrum Team?

A Scrum Team is a cross-functional project delivery team who will develop iterative audit deliverables to accomplish a sprint.

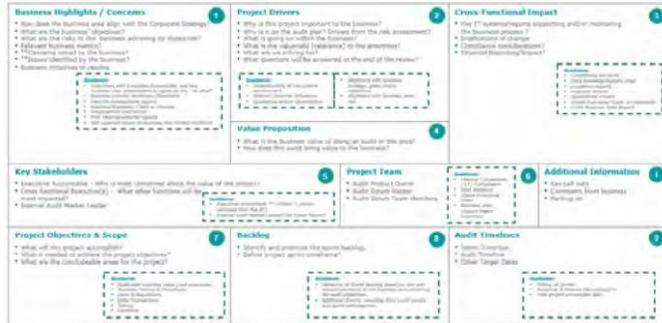
Characteristics of a Scrum Team

- Cross-functional: Comprised of a team of Internal Audit individuals.
- Stable: Membership of the teams does not change, and the team works together full time throughout the audit. This builds trust and results in efficient delivery of valuable business insights. Ideally, the team stays together for multiple audits.
- Collaborative: Team works hand-in-hand to define testing, conducts testing, and validates results in a time-boxed iteration.



Sprint zero: Where do we start?

Audit Canvas



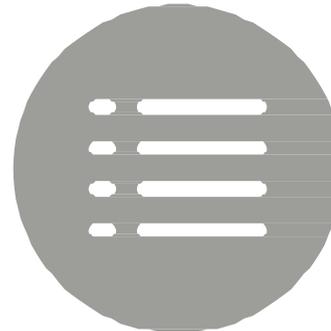
Social contract



Story mapping

Epic	E1 - Incident and Problem Management			E2 - Operations			E3 - IT Security		
Feature	Incident Management	Problem Management	Service Requests	CMDB	ITIL Service Catalog	ITIL Incident Management	ITIL Problem Management	ITIL Change Management	ITIL Security
User Stories	As a user, I want to report an incident.	As a user, I want to know the status of an incident.	As a user, I want to request a service.	As a user, I want to view the CMDB.	As a user, I want to view the service catalog.	As a user, I want to report an incident.	As a user, I want to know the status of an incident.	As a user, I want to request a service.	As a user, I want to view the CMDB.
	As a user, I want to escalate an incident.	As a user, I want to resolve an incident.	As a user, I want to cancel a service request.	As a user, I want to update the CMDB.	As a user, I want to create a new service.	As a user, I want to investigate an incident.	As a user, I want to identify the root cause of an incident.	As a user, I want to implement a change.	As a user, I want to monitor security events.
	As a user, I want to close an incident.	As a user, I want to create a problem record.	As a user, I want to view the status of a service request.	As a user, I want to view the CMDB.	As a user, I want to view the service catalog.	As a user, I want to investigate an incident.	As a user, I want to identify the root cause of an incident.	As a user, I want to implement a change.	As a user, I want to monitor security events.
	As a user, I want to view the status of an incident.	As a user, I want to resolve an incident.	As a user, I want to cancel a service request.	As a user, I want to update the CMDB.	As a user, I want to create a new service.	As a user, I want to investigate an incident.	As a user, I want to identify the root cause of an incident.	As a user, I want to implement a change.	As a user, I want to monitor security events.

Develop audit backlog



Develop user stories

Epic name
Feature name
Hypothesis
Acceptance criteria
Size estimation
Owner
Definition of ready
Definition of done

How do we want to operate as a team?

Setting expectations for logistics, behavior, and other factors

Logistics

- What is the cadence for this project?
- What are the core hours for the team?
- When will the team have daily stand-up meetings?
- What are the roles for the team members?
- Who will schedule events?

Behaviors

- What are the norms and values for the team members?
- What should the team do if a member works outside the norms?

Other

- What other aspects would the team like to agree to?



These are starter questions - each team needs to discuss and determine what makes sense for their audit.

Audit Canvas

<p>Business Highlights / Concerns</p> <ul style="list-style-type: none"> • How does the business area align with the Corporate Strategy? • What are the business's objectives? • What are the risks for the business achieving its objectives? • Relevant business metrics? • **Concerns raised by the business? • **Issues identified by the business? • Business initiatives to resolve <div style="border: 1px dashed green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Interviews with Executive Accountable and key business area stakeholders to agree on the "so what" • Business process narratives / flowcharts • Internal management reports • Revenue / Expenses; Costs to Operate • Geographical Distribution • Prior internal / external reports • Self-reported issues of business and current initiatives </div>	<p>Project Drivers</p> <ul style="list-style-type: none"> • Why is this project important to the business? • Why is it on the audit plan? Drivers from the risk assessment? • What is going on within the business? • What is the value-add (relevance) to the enterprise? • What are we solving for? • What questions will be answered at the end of the review? <div style="border: 1px dashed green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Understanding of the control environment • Internal / External influences • Qualitative and / or Quantitative • Alignment with business strategy, goals, and/or objectives • Alignment with business area risk </div>	<p>Cross-Functional Impact</p> <ul style="list-style-type: none"> • Key IT systems / reports supporting and / or monitoring the business process? • Implications of change? • Compliance considerations? • Financial Reporting / Impact? <div style="border: 1px dashed green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Compliance elements • Data Available / Reports Used • Exception Reports • Financial Impact • Operational Impact • Global Functional Team Involvement • Cross Business Area Impact </div>
<p>Key Stakeholders</p> <ul style="list-style-type: none"> • Executive Accountable – Who is most concerned about the value of the project? • Cross functional Executive(s) – What other functions will be most impacted? • Internal Audit Market Leader <div style="border: 1px solid green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Executive Accountable ** (Officer 1 person removed from the EC) • Internal Audit Market Leader (CAE Direct Report) </div>	<p>Project Team</p> <ul style="list-style-type: none"> • Product Owner • Scrum Master • Scrum Team <div style="border: 1px dashed green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Finance / Operations / IT / Compliance • Data Analytics • Global Functional Team • Business area Subject Matter Expertise </div>	<p>Additional Information</p> <ul style="list-style-type: none"> • Key callouts • Comments from business • Parking lot
<p>Project Objectives & Scope</p> <ul style="list-style-type: none"> • What will this project accomplish? • What is needed to achieve the project objectives? • What are the concludable areas for the project? <div style="border: 1px dashed green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Applicable business areas (sub-processes) • Business Policies & Procedures • Laws & Regulations • Data / Transactions • Timing • Locations </div>	<p>Backlog</p> <ul style="list-style-type: none"> • Identify and prioritize the sprint backlog. • Define project sprint time frame? <div style="border: 1px dashed green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Hierarchy of sprint backlog based on risk and value / importance to the business and achieving the audit objective. • Additional sprints resulting from audit results and sprint retrospective </div>	<p>Audit Timelines</p> <ul style="list-style-type: none"> • Sprint Time-box • Audit Time Line • Other Target Dates <div style="border: 1px dashed green; padding: 5px; margin-top: 10px;"> <p>Guidance:</p> <ul style="list-style-type: none"> • Timing of Sprints • Roadmap & Release Plan Highlights • Final project deliverable date </div>

WHY: Enterprise objectives and strategy; audit drivers and impact

Business Highlights / Concerns

- How does the business area align with the Corporate Strategy?
- What are the business's objectives?
- What are the risks to the business achieving its objectives?
- Relevant business metrics?
- **Concerns raised by the business?
- **Issues identified by the business?
- Business initiatives to resolve

Guidance:

- Interviews with Executive Accountable and key business area stakeholders to agree on the "so what"
- Business process narratives / flowcharts
- Internal management reports
- Revenue / Expenses; Costs to Operate
- Geographical Distribution
- Prior internal / external reports
- Self-reported issues of business and current initiatives

Project Drivers

- Why is this project important to the business?
- Why is it on the audit plan? Drivers from the risk assessment?
- What is going on within the business?
- What is the value-add (relevance) to the enterprise?
- What are we solving for?
- What questions will be answered at the end of the review?

Guidance:

Understanding of the control environment
 Internal / External influences
 Qualitative and / or Quantitative
 Alignment with business strategy, goals and / or objectives
 Alignment with business area risk

Value Proposition

- What is the value of doing an AGILE audit in this area?
- How is an AGILE audit going to bring value to the business?

Cross-Functional Impact

- Key IT systems / reports supporting and / or monitoring the business process?
- Implications of change?
- Compliance considerations?
- Financial Reporting / Impact?

Guidance:

Compliance elements
 Data Available / Reports Used
 Exception Reports
 Financial Impact
 Operational Impact
 Global Functional Team
 Involvement
 Cross Business Area Impact

WHO: Audit participants

Key Stakeholders

- Executive Accountable – Who is most concerned about the value of the project?
- Cross-functional Executive(s) – What other functions will be most impacted?
- Internal Audit Market Leader

Guidance:

- Executive Accountable ** (Officer 1 person removed from the EC)
- Internal Audit Market Leader (CAE Direct Report)

Project Teams

- Product Owner
- Scrum Master
- Scrum Team

Guidance:

- Finance / Operations / IT / Compliance
- Data Analytics
- Global Functional Team
- Business area Subject Matter Expertise

Additional Information

- Key callouts
- Comments from business
- Parking lot

WHAT: Audit objectives, scope, and time line

Project Objectives & Scope

- What will this project accomplish?
- What is needed to achieve the project objectives?
- What are concludable areas for the project?

Guidance:

- Applicable business areas (sub-processes)
- Business Policies & Procedures
- Laws & Regulations
- Data / Transactions
- Timing
- Locations

Backlog

- Identify and prioritize the sprint backlog.
- Define project sprint time frame?

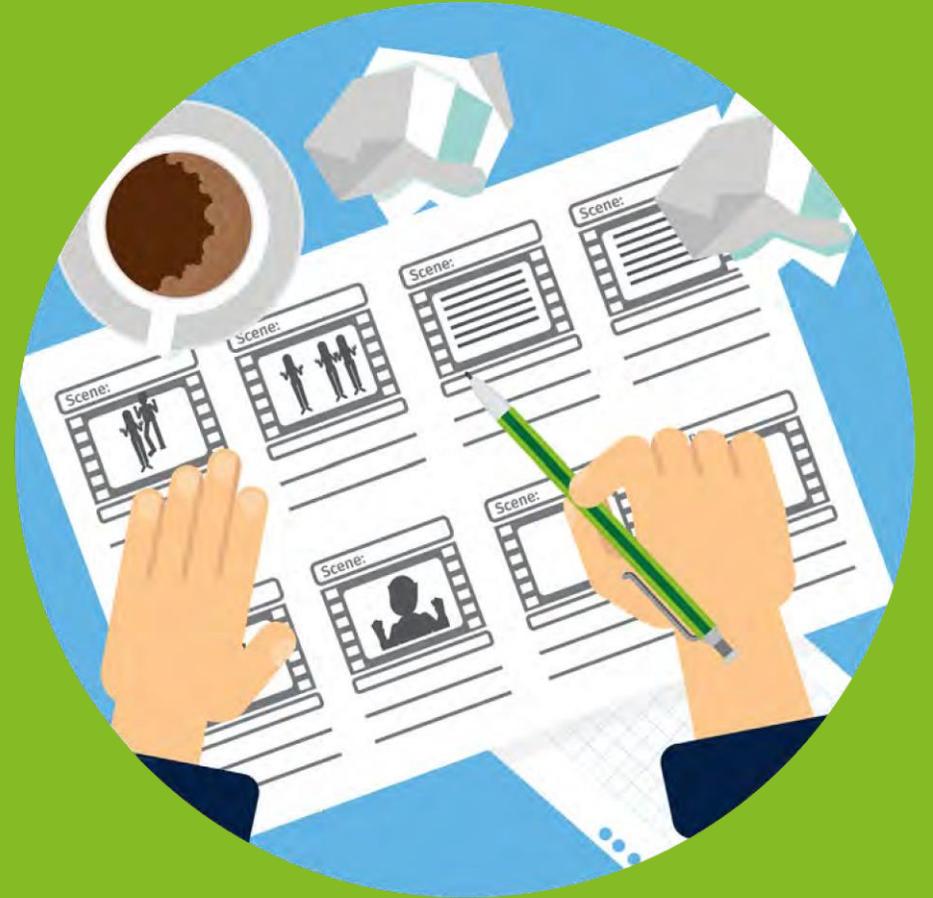
Guidance:

- Hierarchy of sprint backlog based on risk and value / importance to the business and achieving the audit objectives.
- Additional sprints resulting from audit results and sprint retrospective

Audit Timeline

- Sprint Time-box
- Audit Time Line
- Other Target Dates

Organizing the Work



Agile hierarchy of work

Based on the Audit Canvas, break the work down into the following categories:

“ Epic

Large scope areas that the team will audit and which the stakeholder will derive value from having audited

“ Feature

Smaller component of EPIC—consists of a group of user stories that contain areas/topics to conclude on

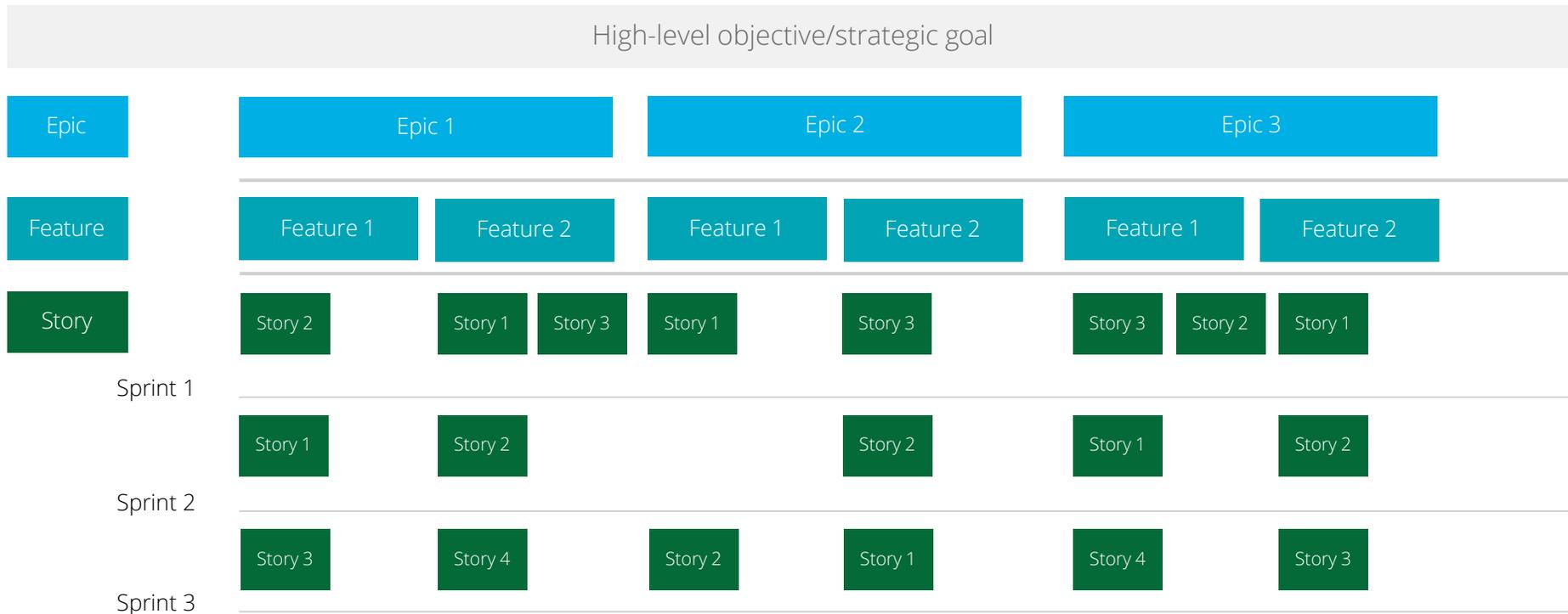
“ User story

Actionable, bite-sized pieces of work;
Audit requirements or test objectives/criteria to prove or disprove a hypothesis that draws a conclusion on one aspect of the Feature



How do I prioritize user stories in sprints?

Step 5: Prioritize user stories based on business value and spread roughly into sequential groups (we will describe later).

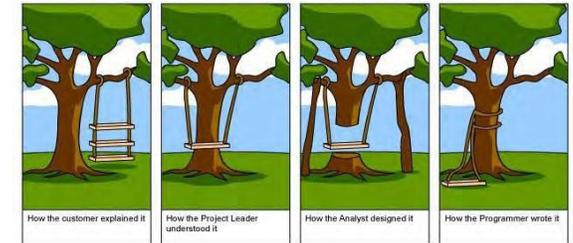


5 Prioritize

How does story mapping help mitigate risk?

Things can get lost in translation.

- These are collaborative practices!
- Highly visible and light-weight
- Using relatable terms



We can lose sight of the forest for the trees (get lost in the details).

- Story map keeps focus on the forest.
- User stories keep focus on the trees.
- Facilitates focus on the right level of detail at the right time!
- Don't build solely from the bottom up, but make sure to start with the big things.



It's easy to become disconnected from user value, if we were ever connected at all.

- Again, it's collaborative, and includes the user/business.
- User stories can have their value confirmed once delivered.
- Story map facilitates iterations and broader validation.

"If I'd asked my customers what they wanted, they'd have said a faster horse."

Henry Ford

It's hard to estimate time and cost at the start of the project.

- User stories are estimable units.
- They separate must-haves from nice-to-haves, *focusing effort!*



Sizing and Estimation

Fundamentals: Why does relative sizing work?

We are inherently bad at estimating with time as the unit of measurement.

- Time is not tangible.
- Time is subjective.
- Time changes with perspectives.

We are extremely good at making comparisons between objects and tasks.



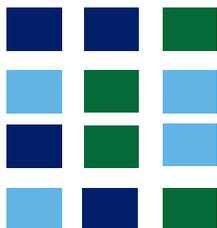
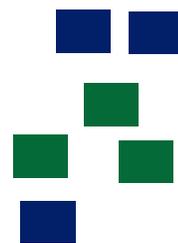
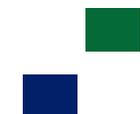
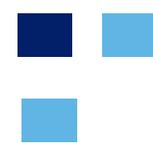
Using a visual display

A visual display is used to visualize the progress of an Audit Scrum Team and to facilitate transparency and communication regarding emerging points of view.

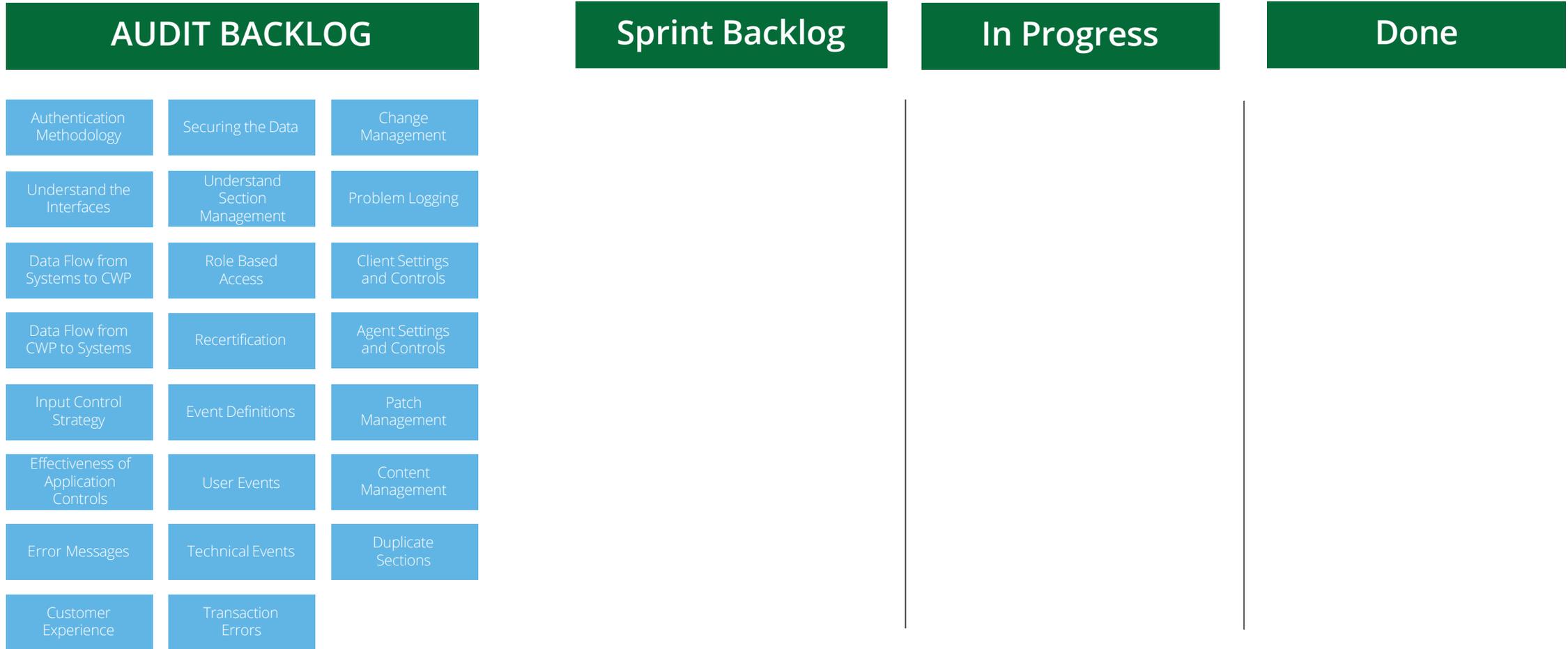
Activities

1. Lay out the workflow
2. Onboard work
3. Operate the board
4. Evolve the board

Sample visual display

Prioritized Audit Backlog	Sprint Backlog	In Progress	In Review	Blocked	Done
					

Example – audit backlog



Sprint planning

Plan the work to be performed in the sprint through the collaborative work of the entire team.



WHO

- Audit Product Owner
- Scrum Master
- Audit Team



WHAT

- A maximum four-hour event (for a two-week sprint) that occurs at the start of each iteration
- Product Owner confirms with the Audit Team that the audit backlog is ordered based on priority; they come to agreement if there has been changes
- Team identifies what can be delivered in the iteration in support of the Audit Product Owner's sprint goal, and how it will be achieved
- The Scrum Master ensures the event takes place and that people understand its purpose
- The Scrum Master teaches the team to keep the event within its timebox



WHY

- Ensures alignment on the sprint goal and what will be done during the sprint
- Provides an opportunity for changing requirements up until the start of the sprint to ensure the team is auditing the highest priority items

Key considerations:

- Frame: Establish the backlog for the sprint, and identify velocity and impacts to capacity.
- Select: Pull "ready" work items from the audit backlog that are in line with audit priorities.
- Clarify: Ensure everyone understands the work being lined up for the sprint.
- Decompose: Break each work item down into a set of tasks to help manage work completion throughout the sprint.
- Commit: Do a final review and commit to the sprint plan.

Daily scrum (stand-up)



WHO

- Scrum Master
- Audit Team
- Product Owner (optional but is helpful to be on if there are questions or impediments to address in the 16th minute)

Key considerations:

- Meet: The team meets at a set time and place each day for 15 minutes to answer the three questions and coordinate work (ideally around visual display).
- Break: The team leaves the meeting knowing what they need to do that day and to swarm around any problems identified.



WHAT

- The Scrum Master facilitates the event.
- The structure of the event is set by the team and should enable the team to report to each other, not to the Scrum Master (e.g., three questions format, walking the board, etc.)
- Three questions: 1) What did you accomplish yesterday? 2) What will you accomplish today? 3) What are your impediments?
- The Scrum Master helps the team to keep the daily stand-up within the 15-minute time-box.
- Other conversations and anything else left to discuss should be discussed after the stand-up.



WHY

- Inspect progress towards the sprint goal and the sprint backlog.
- Provide an opportunity for the team to change their plans.
- This event optimizes the probability that the team will complete the committed user stories.
- The team should understand how they plan to work together as a self-organizing team to execute user stories and create the POV by the end of the sprint.

Point of view (POV)

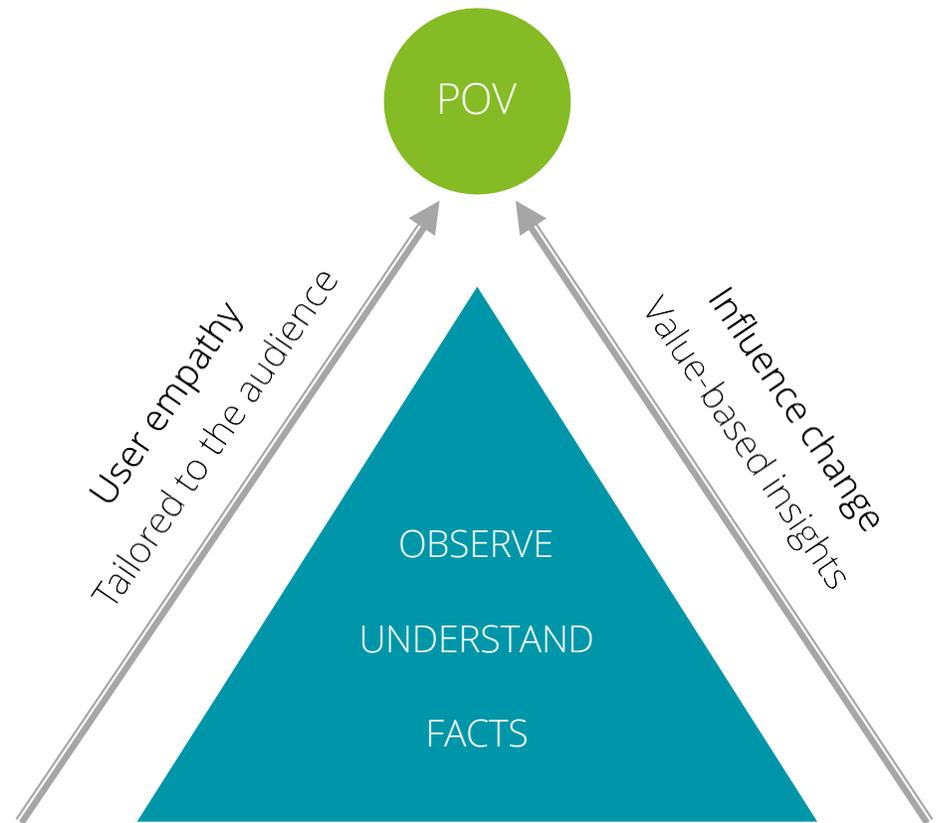
A POV is a summary of the relevant insights gained from observations and stories. An audit POV is a condensed understanding of the area with highlights of key insights of the state of risk and controls within the area.

- Short and concise (e.g., similar to a 30-second elevator speech)
- Ties back to strategy
- Auditor's factual opinion on current state
- Insights to relevant risks and exposures

Why do we need a point of view?

- A POV provides focus and articulates the relevance of the work performed.
- It fuels brainstorming and obtains buy-in from various audiences.
- It articulates the "so what" of our audits.

The goal is to develop a concise point of view by aggregating from a concrete set of observations and stories to extract relevant insights.



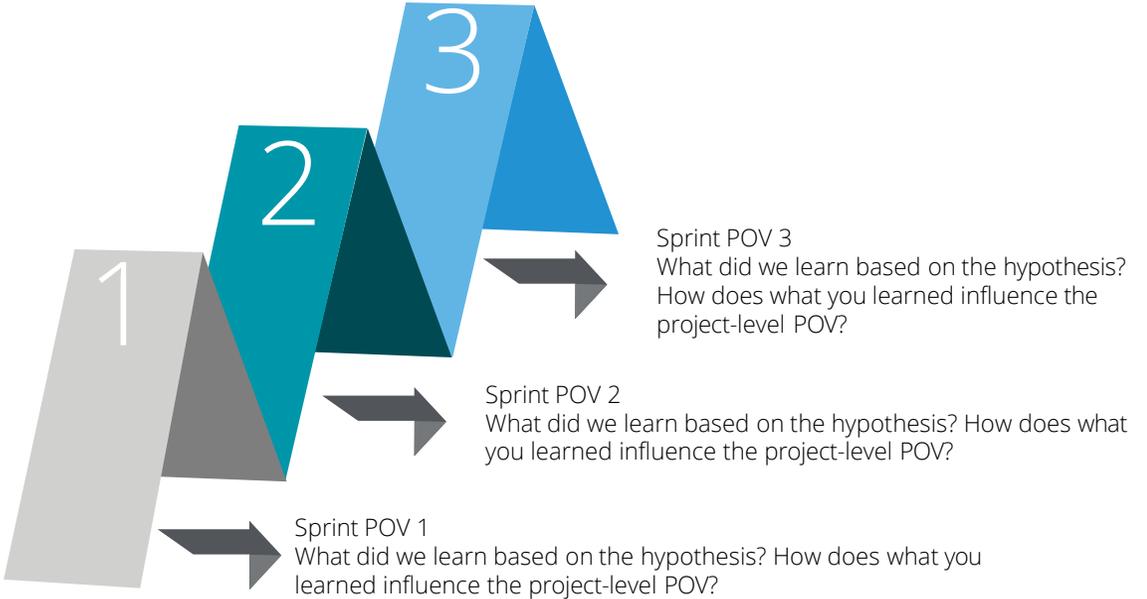
Sample POV



Project POV: This is the space for the project-level POV, which is determined at the start of the project, updated throughout, and finalized at the end, based on project learnings. The project-level POV should connect with the strategic objectives.

Rating

Fill in color



Identify applicable strategic objective

Connect the POV to strategic objective

Summary Observations, Impact, and Management Action Plans (MAPs)

Observation	Impact	MAP	Rating
Summary sentence of the issue (including applicable control breakdown) based on the results of the review	Summary sentence of realistic impact/risk if the issue noted persists	Summary sentence capturing the essence of management's planned action Sept 2020	
Summary sentence of the issue (including applicable control breakdown) based on the results of the review	Summary sentence of realistic impact/risk if the issue noted persists	Summary sentence capturing the essence of management's planned action Oct 2020	
Summary sentence of the issue (including applicable control breakdown) based on the results of the review	Summary sentence of realistic impact/risk if the issue noted persists	Summary sentence capturing the essence of management's planned action Nov 2020	

Rating:  High  Moderate

Sprint review

Inspect the POV and adapt the audit backlog's prioritization and content, if needed.



WHO

- Product Owner
- Scrum Master
- Audit Team
- Audit Champion
- Audit Stakeholders

Key considerations:

- Invite: Invite key stakeholders to the event.
- Frame: Review audit POV and stories, if applicable.
- Get feedback: Collect the response from stakeholders on the work demonstrated.
- Incorporate: Incorporate feedback into the audit backlog for future sprints, or make the changes if all agreed and small enough to implement.



WHAT

- Attendees collaborate on the next things that could be done to optimize value; can be facilitated by the PO or the team, or both.
- This is an event, not a status meeting, and the presentation of the POV is intended to elicit feedback and foster collaboration.
- The Scrum Master ensures the event takes place and that attendees understand its purpose.
- The Scrum Master assists everyone involved to keep it within the time-box.



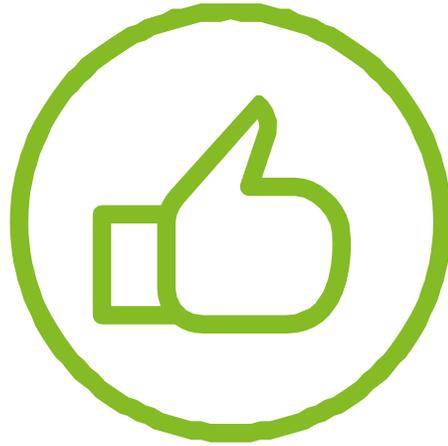
WHY

- Provides transparency to stakeholders on what was and was not accomplished in the iteration
- Allows the stakeholders to provide feedback that may inform changes to or re-ordering of the backlog
- Enables the team to receive feedback directly from audit stakeholders to improve communication and transparency

Retrospective

Like

Things that you have enjoyed



Learn

Things you have learned that the team should be aware of



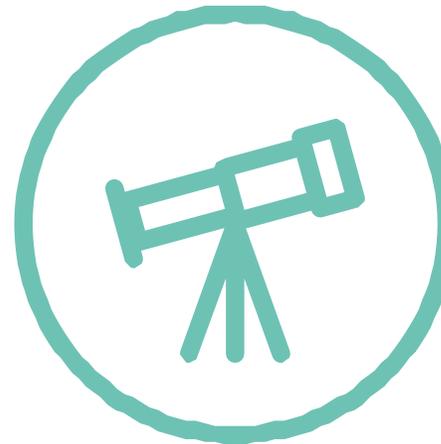
Lack

Things you have seen the team doing, but you consider could be done better



Long for

Something you desire or hope from either a team or personal/role perspective



What do our clients have to say?

"What we did in 20 minutes with the **Audit Canvas** would have taken two weeks the old way"

- Director, FS Company

[We] are **already seeing the benefits** in the pilot project... We're looking forward to the completion of audit by early July."

- CAE, P&U Company

"Team members are **stepping up and contributing** in ways we didn't know they were capable of."

- Director, FS Company

"With the use of artifacts such as the Canvas and the POV, as well as **elevating the stakeholder communications** to one level below executive team, we have been able to drive more meaningful insights."

- CAE, Global Retailer

"...the audit process eliminates unnecessary audit work in areas where there are not likely to be findings, allowing us to focus on higher risk areas. Overall, we are pleased with the **increased efficiency** and **quicker feedback** of our audits."

- Controller, Insurance Company

"I like the fact that the Agile framework provides for **regular feedback** during the audit following each sprint and that we don't have to wait until the end of the overall review for Internal Audit's observations. In this way, we get opportunities throughout the audit process to **provide input and reconcile any information gaps** at key junctures, ensuring that we're **all on the same page.**"

- Director, T&E Auditee

"I felt more tied in to what was going into the audits because I had **more frequent updates**...the perfect complement to an overall audit strategy."

- Vice President, Insurance Auditee

"The biggest impact we have seen since we engaged a coach is the engagement and **empowerment of the team**— teams have more visibility into why they are doing what they are doing, as well as risk prioritizations."

- Audit Scrum Master, Global Retailer

