Agile internal auditing for a changing world

In 2001 a group of software developers came together to find a better way of working; they were frustrated that their hard work often delivered something that was no longer fit for purpose, too late to be of use, different to what the end user was expecting…sound familiar? Internal audit can be equally frustrating. Well it's time to limber up, they developed AGILE and it could be just what you need too.

This guide explains the principles of 'agile' and shows how its relevant to internal audit. We also provide insight from audit functions that are using the approach via three case studies.

How does software development relate to auditing?

Agile is defined by the Oxford dictionary as 'able to think and understand quickly' and 'relating to or denoting a method of project management, used especially for software development, that is characterized by the division of tasks into short phases of work and frequent reassessment and adaptation of plans'.

In the project world, the traditional methodology for many years was *waterfall*. A linear process where one phase follows on from the next, skills are mainly silo based and nothing of real use is delivered until the end – think of building a house.

This is how the developers were working; an approach not dissimilar to that of an internal auditor. Auditors customarily develop a plan, follow it and have copious quality review points before sharing findings with clients. The problem is that while the waterfall is taking effect, the environment is often in a state of flux around it; the strategic priorities of the organisation, the risks, the people involved…the very elements that influenced the original requirements/scope.

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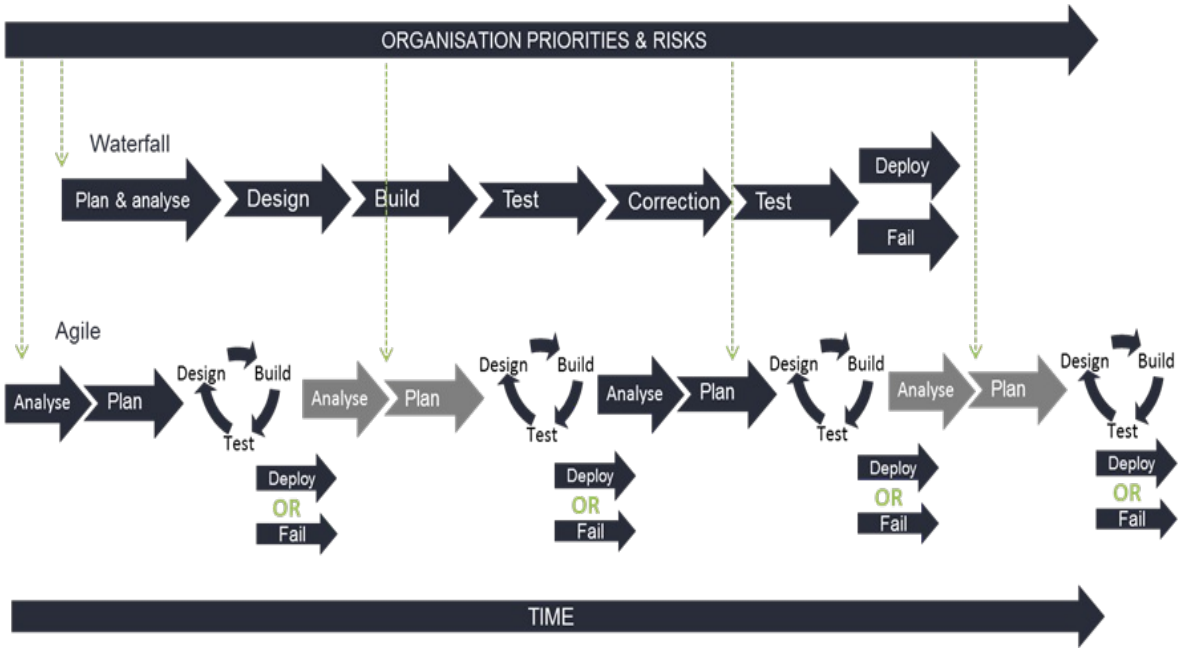
The *agile* approach they developed is an iterative process that delivers incremental outputs with regular renewal of analysis and planning.



The agile approach

Agile is a principle based project management approach; the Agile Manifesto.

Guided by a set of clear set of values the principles, whilst designed for the IT world are essentially about project management. And an audit engagement is a project (just replace software with findings!).

- **Individuals and interactions** over process and tools
- **Working software** over comprehensive documentation
- **Customer collaboration** over contract negotiations
- **Responding to change** over following a plan

A frustrating phrase for an auditor to hear is 'we'll wait for the report'. Why? Having been made aware of an issue why would management wait to see it in black and white? Agile negates this traditional barrier through continuous delivery. It breaks down formality and drives accountability.

As we approach 2020 most organisations operate at a much faster pace than they did at the turn of the millennium. The digital assurance team at Kingfisher Group found agile to be a solution to the problem of delivering audits too late to be of real use. The business had moved on since the start of the audit but the audit scope didn't reflect this. Sound familiar?

12 agile principles

1. Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.
2. Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage.

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3. Deliver working software frequently, from a couple of weeks to a couple of months, with a preference to the shorter timescale.
4. Business people and developers must work together daily throughout the project.
5. Build projects around motivated individuals. Give them the environment and support they need and trust them to get the job done.
6. The most efficient and effective method of conveying information to and within a development team is face-to-face conversation.
7. Working software is the primary measure of progress.
8. Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a constant pace indefinitely.
9. Continuous attention to technical excellence and good design enhances agility.
10. Simplicity — the art of maximizing the amount of work not done — is essential.
11. The best architectures, requirements, and designs emerge from self-organizing teams.
12. At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behaviour accordingly.

Source: projectmanager.com

Much like corporate governance, principles focus on what should be, not how it should be achieved. This is where agile can get complicated as there are many variations of the 'how' including:

Scrum	Scrum is a popular methodology. It is an iterative model that follows a set of roles, responsibilities, and meetings that never change. Sprints, usually lasting one to two weeks, allow the team to deliver outputs on a regular basis.
SAFe®	The Scaled Agile Framework is a very structured method to help large businesses get started with adopting Agile. It is based on lean and agile principles and tackles tough issues in large organisations. It can be applied at three levels: team, program, and portfolio.
DSDM	Dynamic Systems Development Method has been around since the early 90s for system and non-IT solutions. The methodology works in stages and to seeks to address the common failures of projects, like going over budget, missing deadlines, and lack of user involvement.
Kanban	Kanban means 'visual sign' or 'card' in Japanese. This is a visual framework to implement Agile. It encourages small, continuous changes. Its principles include: visualize the workflow, limit work in progress, manage and enhance the flow, make policies explicit, and continuously improve.
Lean	This method builds on the lean manufacturing approach. It can be characterised by seven principles: eliminate waste, amplify learning, decide as late as possible, deliver as fast as possible, empower the team, build integrity in, and see the whole.

Audit leaders need to define what it is they want to achieve in order to understand the best method to implement. For example if efficiency is the primary goal to deliver more audits then potentially a lean

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approach could achieve this with less disruption than the scrum approach, alternatively if the goal is to work more consultatively delivering continuous findings then Kanban may be more suitable.

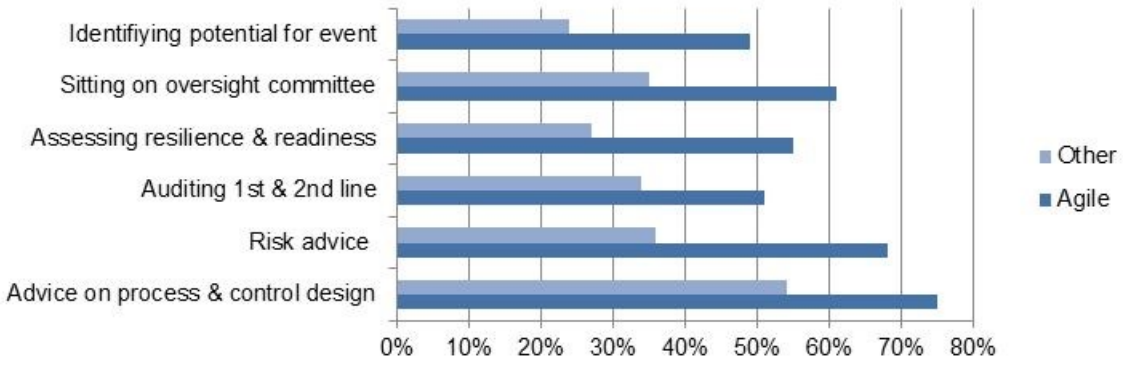
Like all methodologies there is a question of appropriateness; agile as a concept may not work for every audit function or for the whole audit plan. A cyclical compliance audit is a very different engagement to a review of the strategic planning process. One size rarely fits all.

Audit leaders should look for change agents within the organisation to partner with. Also, within the team; which auditors are most adaptable, eager to develop and able to inspire others? Is there a project manager trained in agile or another chief audit executive that you could invite to talk to the team about the concept? Agile has the ability to empower individuality and to break down hierarchical boundaries through new structures and ways of working.

Becoming agile

Disruption is no longer an occasional event; it is prevalent in all organisations, from regulatory change, operational issues, reputation damage, digital innovation through to financial challenges and strategic change.

A survey by PWC in 2017 found that 88% of organisations perceived internal audit to add value when it used agile techniques; particularly through disruption. The techniques enable internal audit to add value through more frequent business support as demonstrated in the extract from the survey below; for example agile functions identifying the potential for a disruptive event twice as often as non-agile.



These might not look particularly new as audit techniques. They are not. But how and when they are deployed is and that is potentially what makes the difference.

Case studies

As our case studies show, there is no ‘manual’ for agile auditing. Mind-set is everything when delivering a change and whilst all three went about it differently, they all had intention and a desire to make it work.

Read the case studies here:

Barclays | Kingfisher | RSA

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The team at RSA prepared for their agile journey by embracing simplicity; they stopped doing things that didn't add value and focused on their core activities. Kingfisher Group trialled it in a receptive part of the organisation and Barclays set up a small project to research, develop and implement a new way of working.

Nick Curle and Chris Spedding at Barclays have set up an Agile in Auditing group (free to join) where they share their experiences with others in the sector so they do not have to start from scratch.

We encourage you to use the comments option at the end of this article to reach out or offer support in this space.

There is a language that is unique to agile. You will have noticed it in this guide. Unique not only to the whole agile concept but also between methods and often organisations! So long as all the relevant stakeholders understand it, does it matter? This one point may niggle auditors but epitomises agile – don't sweat the small stuff.

Closing thoughts

Agile is not a guarantee of success; IT projects still fail using the technique although there is a better chance of failing fast which limits wastage. The case studies prove how ability to work in tandem with operational cycles, avoid obsolescence and make a difference at pace is exciting.

Internal audit cannot operate effectively in a vacuum and must interact with its stakeholders in a way that maximises value; agile may be the answer.

> *We keep moving forward, opening new doors, and doing new things, because we're curious and curiosity keeps leading us down new paths.*
>
> – Walt Disney

Further reading

Agile auditing: reinventing internal auditing – a presentation given at Internal Audit 2017 by Ralph Daals, RSA

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