



Adapting Agile to Internal Audit



The Institute of
Internal Auditors

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IIA K - ANNUAL SEMINARY



Agenda

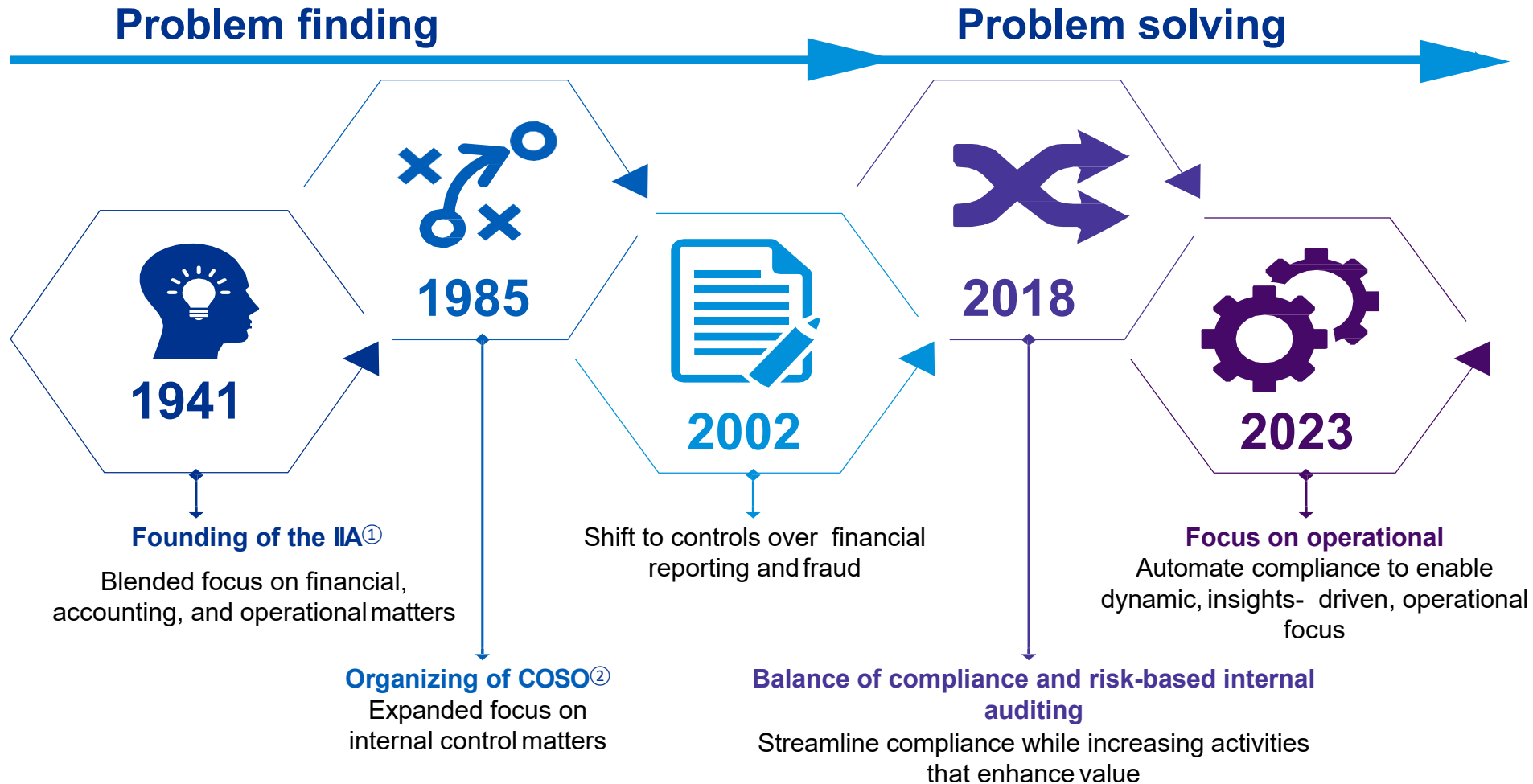
- Responding to Change
- Internal Audit Reimagined
- Translating Agile Principles for Internal Audit
- Understanding the Phases of Agile IA approach
- Q&A





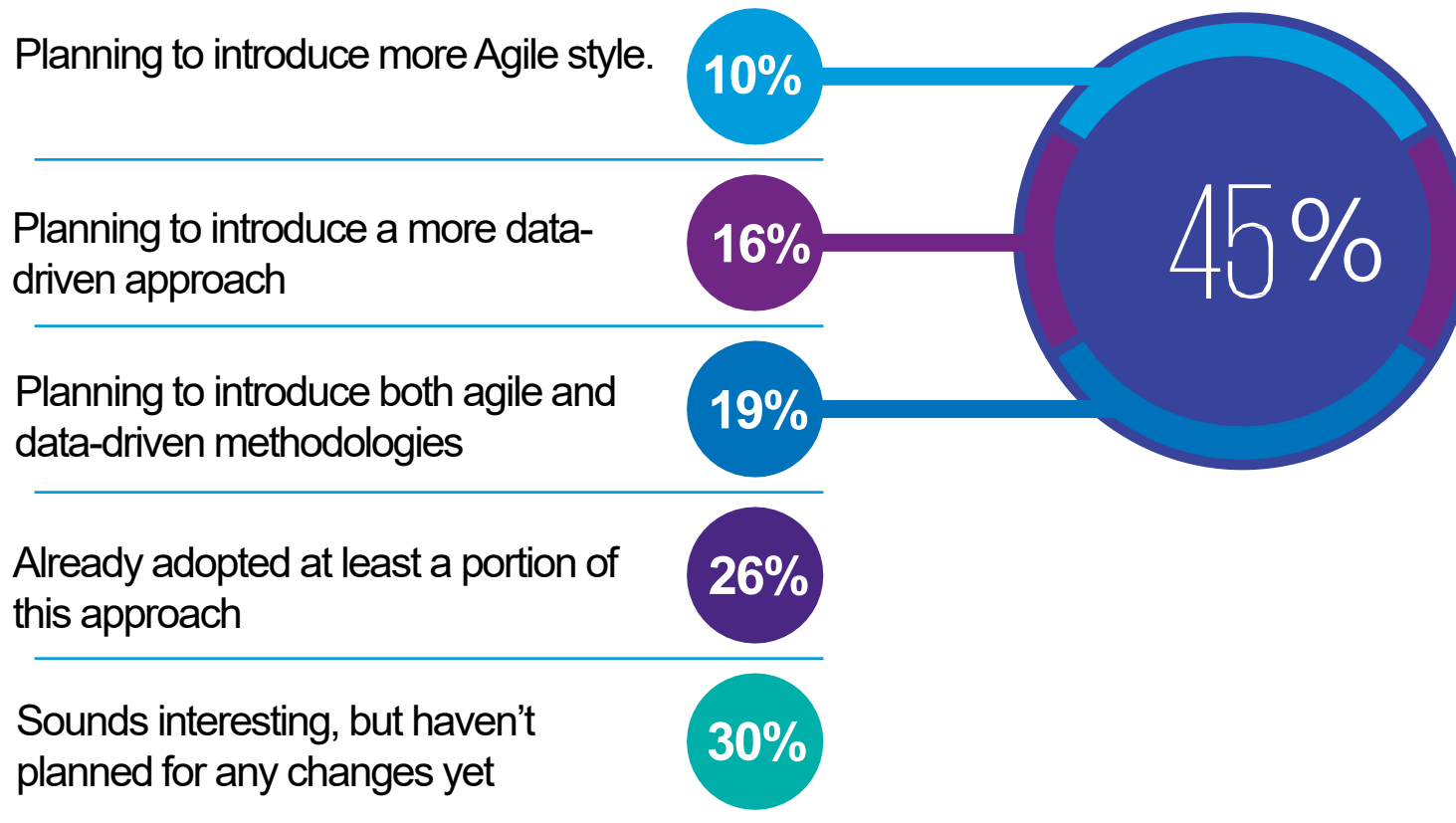
Responding to Change

Internal Audit (IA) Transformation



Agile approaches are gaining momentum in IA

To what extent is your IA function interested in, or adopting, a more dynamic approach?



Agile approaches are gaining momentum in IA. A recent KPMG survey found that 26% of IA functions had already adopted agile-inspired or dynamic approaches in internal auditing and another 45% were planning to introduce more Agile and data-driven concepts.


What will be different in how IA is delivered going forward?

Past/Present	Future
Cyclical and regulatory compliance audits take priority	IA prioritizes future-focused emerging risk reviews
Annual audit plan quickly becomes irrelevant	Audit plan is responsive to disruption and flexes with strategy
Audit work is primarily manual	Audit work is enabled via data, analytics, and automation
Audits are based on small, random samples	100 percent audit coverage
Lengthy, written reporting on findings	Concise, visualized reporting on impact
Most IA professionals have audit expertise only	IA team possesses a mix of business, audit, tech, and data analytics skills
Audit frequency is quarterly at best	Continuous, real-time auditing is a reality
IA is often left out of strategic discussions	IA is included in high-level conversations board and C-suite

IA is a problem finder (Assurance) IA is a problem solver (Assurance PLUS)



Internal Audit Reimagined



Agile Internal Audit is the **mindset** and **method** that an IAF uses to **focus on the needs of stakeholders; accelerate the audit cycles**, providing **timely insight** and **reduce the waste of resources**.

By applying an Agile method, the productivity and added value of the IAF can be increased and the lead time of an audit can be reduced.

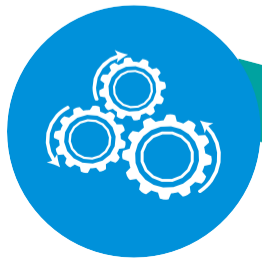
What it means to adopt an Agile Audit Approach



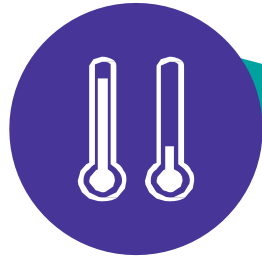
Initiate projects with a problem solving mindset



Closer, real-time business owner collaboration on results and impact



Phase planned procedures with agility to change based on results



Prioritize findings to evaluate solutions based on ROI



Alternative, succinct reporting with focus on key issues and solutions



Continue IA's involvement to support solutions and drive impact

Changing the mindset

Below is a comparison between the traditional approach and agile approach in formulating audit objectives:

PROBLEM FINDING MINDSET

Identify causes of increased customer complaints

Identify causes of delays in the contracting process

Review of the procurement process to identify causes of increased prices

PROBLEM SOLVER MINDSET

Assist the business in enhancing customer satisfaction

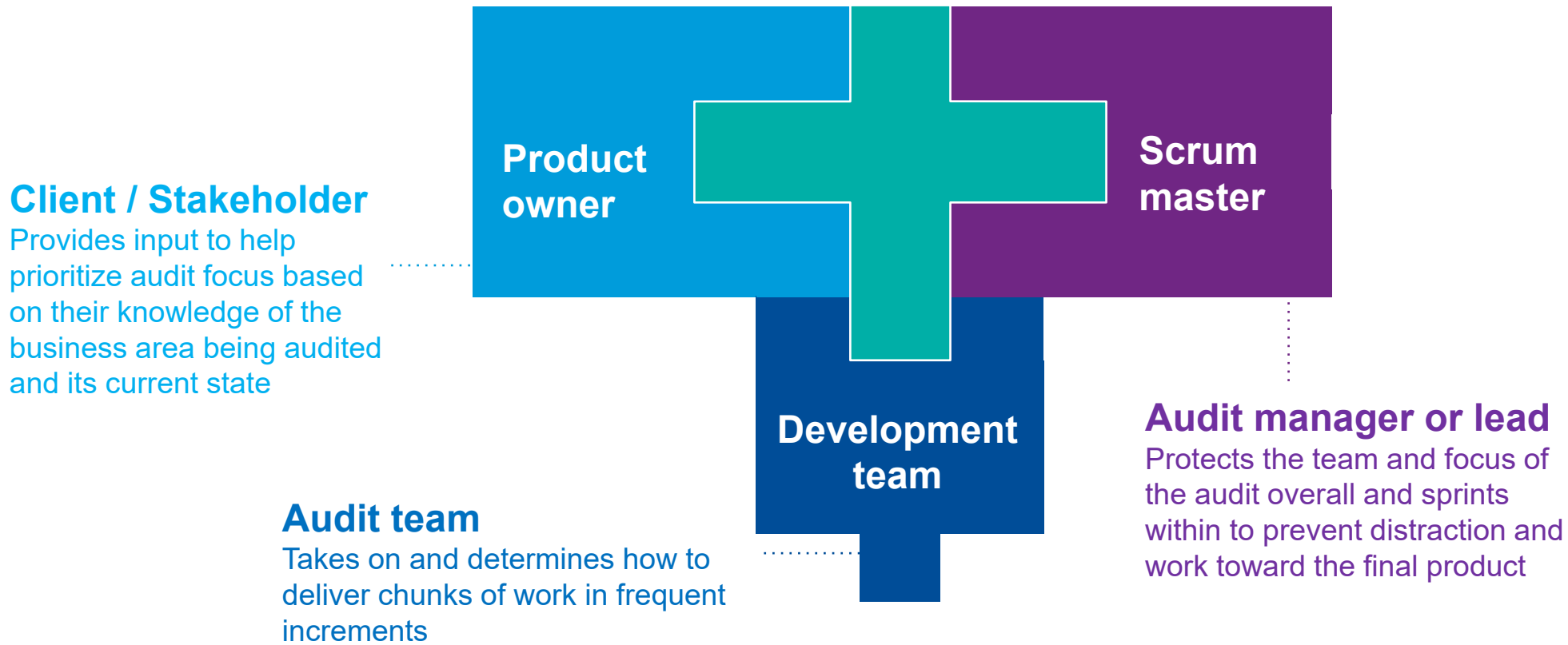
Assist the business in reducing the turn around times in the contracting process

Assist the business in cutting down on purchasing costs



Translating Agile Principles for Internal Audit

Roles for Agile Internal Audit



Agile Audit Planning

Internal traditional audits, a detailed set of tasks are planned for the audit before beginning any work and documented in a formal statement of work, audit scoping memo, and Audit Programme Guide (APG).

In contrast, Agile audits leverage:

1

Stories: The smallest unit for work and must be completed during a single sprint. Stories are defined tasks for the audit written by the team with input from the auditee

2

A definition of ready: A set of criteria that must be known about the story to be included in the sprint.

3

A definition of done: Defining the intended outcome of the story and must be defined to be included in the sprint.

4

The sprint: A repeatable, time-boxed phase that includes the stories to be worked by the audit team during the audit.

5

A Kanban board: used to visually represent where each story is in the audit project, including what is being done, what needs to be done, and what has been done.



Agile Audit Delivery and Reporting

Traditional audits are performed in a linear manner. The audit team provides process owners with high-level results during periodic touch points or through status reports. It concludes with a final audit report and post audit follow-up.

In contrast, Agile audits:

1

Audit sprints: Agile audits are performed through iterative audit sprints, a series of short work periods focused on achieving a specific end goal.

2

Daily stand-up: Results of the audit sprints are provided during the daily stand-up, a quick daily meeting, with the audit team, focused on immediate roadblocks and real-time issues.

3

Sprint review: Each sprint is followed by a sprint review, designed to review the results of the last sprint, findings, and any implications for the remaining sprints.

4

Retrospective: A retrospective is performed at the end of each sprint to review what went well, what did not work, and what should change before the next sprint or audit.



An Agile Audit of a Finance Process

Process

Sample Sprints

Sprint 1:
Budgeting

Sprint 2:
Credit Cards

Sprint 3:
Accruals

Sprint 4:
Reporting

Finance

Objectives:

- Complete the audit of a sprint in short work periods (e.g. a week)
- Communicate the results of a sprint audit to the business in real time.
- Have stand-up meetings with the process owners to identify issues noted and the progress of the audit.
- Review a sprint after completion to improve on the subsequent sprints.

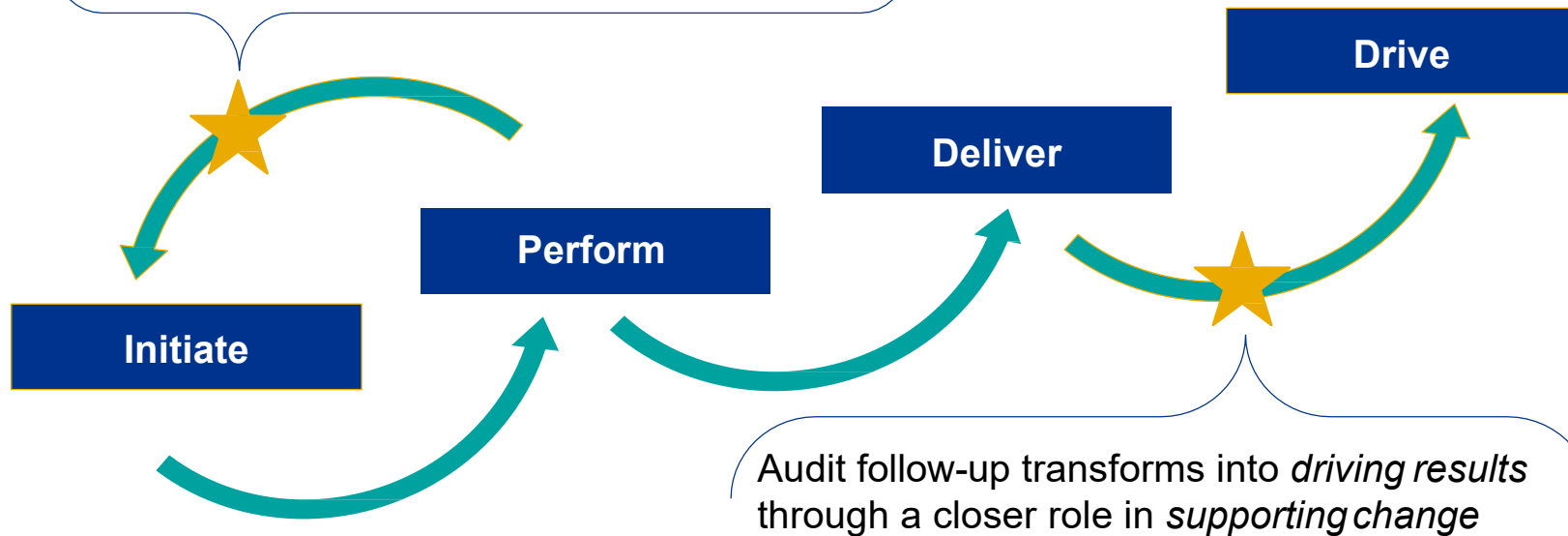




Understanding the Phases of Agile IA approach

An Agile-Inspired IA Approach

A more *iterative, agile* cycle between Initiate and Perform improves audit focus and value



Agile Manifesto

- Individuals and interactions over process and tools
- Working product over comprehensive documentation
- Customer collaboration over contract negotiation
- Responding to change over following a plan

Understanding the Initiate Phase

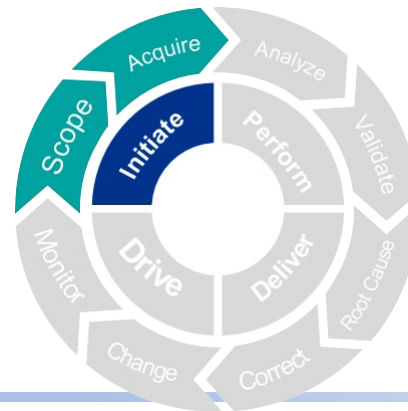
Summary of activities for Initiate

- Nature of engagement (assurance or consulting services)
- Initiate involvement of process owners
- Data analysis, process, and risk assessment
- Hypothesis, objectives, and scope ★
- Timing
- Resources (partner with process owners)
- Approach (project plan with procedures)

★ Decision point: In performing this analysis and identifying this problem, is there a good chance a cost-effective solution can be implemented to solve that problem?

Differentiators and potential benefits

- Early data analysis in planning enables discovery-based risk profiling and prioritization.
- A shift in focus from problem finding to problem-solving at the onset leads to a more impact-oriented scope.
- Management involvement in planning drives early buy-in and informed scoping.



Understanding the Perform Phase

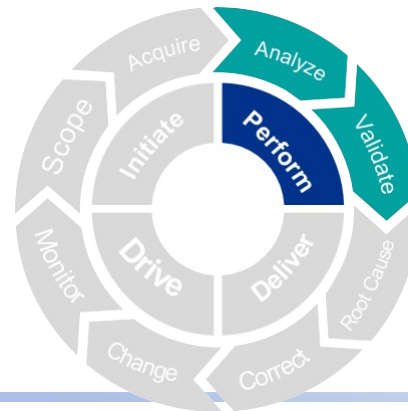
Summary of activities for Perform

- Iterative execution of procedures in phased sprints against hypothesis
- Continued collaboration with process owners on procedures and results
- Higher frequency progress/achievement tracking
- Issue tracking for action planning and final reporting
- Scope and approach review for on-going adjustment to plan and future sprints

★ Decision point: Will this scope still lead us to an impactful outcome, or do the results thus far suggest a change is needed?

Differentiators and potential benefits

- Staging engagements in phases or sprints to achieve faster, tangible results
- Process owner involvement to leverage cross-functional experience for insights and analysis
- Frequent review of progress, results, and scope to avoid wasted time and stay impact oriented



Understanding the Deliver Phase

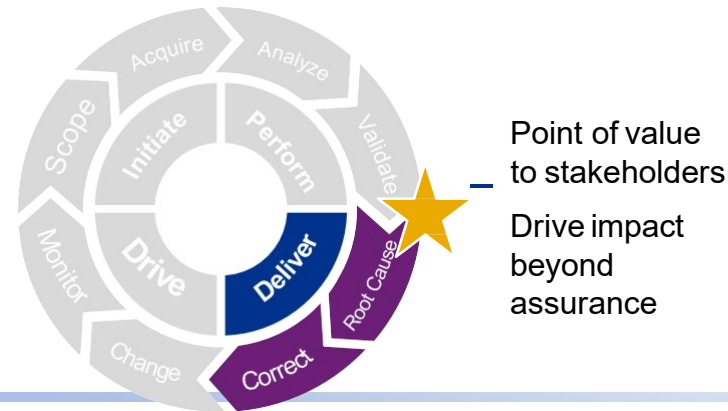
Summary of activities for Deliver

- Identify opportunities for enhancements
- Consider solutions to address most significant items and develop action plans ★
- Communicate and disseminate final results and conclusion
- Deliver assurance opinion, OR
- Deliver consulting services output

★ Decision point: What solutions are available, and make sense, to offer the most opportunity for positive impact?

Differentiators and potential benefits

- Utilization of learnings to evaluate possible solutions and provide actionable insights that lead to improvements
- Prioritization and rationalization of solutions over reiteration of problems demonstrates “ROI” for IA work.
- Minimized effort on lengthy reporting for
 - maximized focus on impact



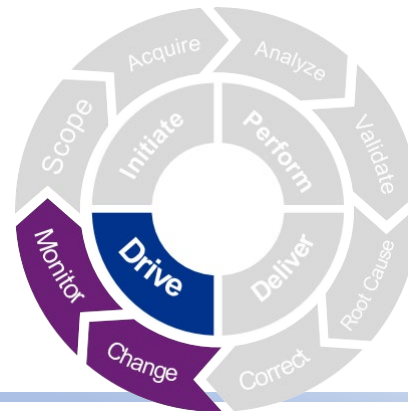
Understanding the Drive Phase

Summary of activities for Drive

- Communicate the acceptance of risks by business owners to necessary stakeholders
- Correct any errors and omissions identified following report of final results and conclusion
- Support implementation of solutions
- Utilize monitoring system – follow-up
- Survey for feedback and future engagement

Differentiators and potential benefits

- Support implementation of solutions to help the business achieve results and enhance value
- Maintain a pulse on future risks and issues through continuous monitoring of feedback to be more dynamic





Q&A





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