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AGILE AUDIT
TRANSFORMATION
AND BEYOND

Toby DeRoche,
MBA, CIA, CCSA, CRMA,
CICA, CFE, SA, cAAP
“Intelligence is the ability to adapt to change.”

Stephen Hawking
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Defining Agile Audit

What Is Agile Auditing?

As more audit departments are exploring agile audit, the definition of agile audit is becoming more apparent. Software developers and project managers often use agile to describe a mindset for producing results more quickly based on changing requirements and shifting priorities. For our purposes, agile auditing is a customer-centric approach to developing and executing audits, based on a shorter audit lifecycle from assessment to reporting, which focuses on gaining and sharing insights with management related to the most urgent risks in an organization. We can apply an agile approach throughout the audit lifecycle, encompassing the risk assessment, audit plan, fieldwork, and reporting phases. Throughout this book, we will use this definition to consider how an agile transformation can reshape the audit department.

To fully grasp the concept of agile auditing, it helps to start with the concept’s origin. In the past 40 years, there has been a push to run business operations more efficiently through concepts like “just in time,” “six sigma,” “total quality management,” and “lean.” In early 2001, a group of IT professionals drafted what is now known as the “Agile Manifesto,” in which the agile values and principles were described. Since then, many organizations have adopted and adapted the agile mindset to fit their needs in some or all their operations, including internal audit.

One of the key features in establishing the original agile mindset was creating a set of values and principles. The four values emphasized what was most crucial in the agile environment. As auditors, we have also adopted and adapted our version of the values and principles.

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Agile Audit Values

**Stakeholder Interactions Over Rigidity and Politics**  In any organization, rigid adherence to a communication schedule and influence from internal politics restricts the flow of information from internal audit to management stakeholders who rely on the work done by audit. By placing more value on stakeholder interactions, we increase the flow of information to those who need it.

**Insight Delivery Over Formal Reporting**  Internal audit provides deep insights into the organization’s risk exposure. All too often, the message is diluted or wholly lost as auditees argue with audit management over the verbiage in the audit report. When we focus on delivering insights, the substance of the message takes precedence over the format.

**Management Collaboration Over Issue Negotiation**  During most audits, control weaknesses will come to light. We should not waste time negotiating through the issue to serve the organization better by collaborating as a team with management. Internal audit has an advantage in that we know whom to involve in interdepartmental corrective actions.

**Responding to Risk Over Entity Coverage**  Providing insight into organizational risk is the goal of an internal audit. The audit universe, risk assessment, and resulting audit plan must be based on risk and not entities to reach this goal.
Defining Agile Audit

Agile Audit Principles

Similarly, agile principles were developed to add more detail to the values. Below are the 12 agile audit principles that we will follow. These principles maintain the spirit of the original principles, and each principle in this list is vitally important for the success of an agile audit department.

1. Our highest priority is to support management’s objectives by auditing critical and emerging risks.
2. Welcome changing requirements, even while executing the audit plan. Agile auditing accepts change for the best interest of the organization.
3. Deliver audit insights frequently, with real-time results during an audit and at least quarterly to the audit committee, with a preference for a shorter timescale.
4. Business managers and auditors must work together daily throughout the project.
5. Build audits 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 management and the audit team is face-to-face conversation.
7. Providing insight into the risk and control environment with senior leadership is the final measure of progress.
8. Agile auditing promotes a timely understanding of risk to operations. The first, second, and third lines of defense should maintain open communication and sharing of results.
9. Continuous attention to technical and soft skills enhances audit agility.
10. Simplicity—gaining insights into a risk and control environment without expanding the scope—is essential.
11. The best assessments, audits, and insights gained emerge from self-managing teams.
12. At regular intervals, the team reflects on becoming more effective, then trains and adjusts its processes accordingly.

Agile Audit Transition

Historically, our audit plans were annual or multiyear listings of audit engagements. We measured our success by completing the plan on time and within budget. In a risk-based plan, we can quickly see
that an annual plan is no longer acceptable. Our audit plans must be flexible and adapt to cover risks at a speed that makes sense for our organizations. The agile audit methodology creates an audit plan that meets the needs of a modern, risk-based team. Most of the guidance available on agile auditing emphasizes following the practice of agile development with internal audit as a stand-in for deliverable software. Often the practice involves having a scrum master, using scrum boards, burn-down charts, and managing epics. Introducing the new vocabulary and positions scares off more audit departments than it attracts. Using this guide, we will adopt an agile audit methodology without over-complicating the transition, taking a practical, audit-centric approach.

*Agile auditing does not need to be overly complicated.*

To begin, we need to define our objective for the transition to agile auditing. Once we have our objective in mind, we can move through the three primary phases of the audit lifecycle: planning, execution, and reporting/issue tracking. In each phase, we will make targeted changes to the traditional audit process to be agile in our approach. Some of the fundamental objectives include a change in mindset. As internal auditors, we shift our thinking from entity coverage to risk coverage and from delivering status updates to delivering organizational insights.

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As you will see throughout this book, many aspects of the transition depend on your department’s size, goals, and level of maturity. No transition plan is universal, so we will present multiple options for you to consider, including discussion questions to facilitate internal conversations. This guide will also use a mix of internal audit and agile