

Agile Auditing

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Digital Accounting and Assurance Board, ICAI





Speaker Profile

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Some of the situations that I mention may or may not be true and the identities of any parties involved have been disguised.



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Two great quotes

While we teach, we learn.

– Roman philosopher Seneca.

The test of a first-rate intelligence is the ability to hold two opposing ideas in mind at the same time and still retain the ability to function.

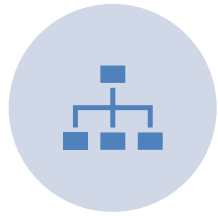
One should, for example, be able to see that things are hopeless yet be determined to make them otherwise.

- F. Scott Fitzgerald

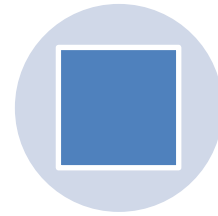
Expectation Setting

- What do you want from this session?

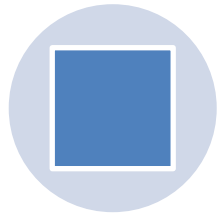
Agenda



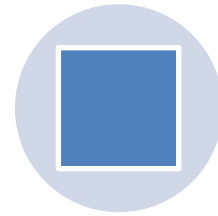
What is Agile?



12 Principles of Agile.



Challenge in adopting Agile.



Areas where Agile can be adopted.



Q&A

What comes to Mind



agile

1. able to move quickly and easily. "*John was as agile as a monkey*"
 - **Similar**: nimble, lithe, spry, supple, limber, acrobatic, dexterous, deft, graceful, light-footed, nimble-footed, light on one's feet, active, fit, in good condition, lively, vigorous, quick-moving, lightsome, alert, sharp, acute, clever, shrewd, astute, intelligent, quick-witted, perceptive, penetrating, piercing, quick off the mark, finely honed, smart,
 - **Opposite**: clumsy, stiff, slow, dull,
2. able to think and understand quickly. "*his vague manner concealed an agile mind*"

य एष सुप्तेषु जागर्ति

The motto of the ICAI is Ya Aeshu Suptaeshu Jagruti (Sanskrit), which literally means "a person who is awake in those that sleep".

Manifesto for Agile Software Development

We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:

| | | |
|-------------------------------------|------|-----------------------------|
| Individuals and Interactions | Over | Processes and Tools |
| Working software | Over | Comprehensive Documentation |
| Customer collaboration | Over | Contract Negotiation |
| Responding to change | Over | Following a Plan |

That is, while there is value in the items on the right, we value the items on the **left** more.

Principles behind the Agile Manifesto

| Sr | Principles behind the Agile Manifesto | Internal Audit Adaption |
|----|---|---|
| 1 | Our highest priority is to satisfy the customer through early and continuous delivery of valuable software. | Highest Priority is to satisfy the needs of the management through early and continuous identification of risks and value added impactful reports. <i>An eye on the horizon, new development, do snap reviews, report quickly & frequently so risk can be managed.</i> |
| 2 | Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage . | Allow scope to change/increase even at later stage of assignment. <i>Balancing risk vis a vis scoping. Focus should to be to deliver assurance and value.</i> |

Principles behind the Agile Manifesto

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|----|--|---|
| 3 | <p>Deliver working software frequently, from a couple of weeks to a couple of months, with a preference to the shorter timescale.</p> | <p>Provide assurance that controls are existing and effective quickly and frequently.</p> <p>Instead of reporting at the end of assignment, more frequent reporting can be done. In case something is not working, major items are quickly ascertained and informed</p> |
| 4 | <p>Business people and developers must work together daily throughout the project.</p> | <p>Work with stakeholders and management.</p> <p>Ensure that nothing is missed out, everyone is on the same understanding level. Validate your observation frequently</p> |

Principles behind the Agile Manifesto

| Sr | Principles behind the Agile Manifesto | Internal Audit Adaption |
|----|---|---|
| 5 | Build projects around motivated individuals . Give them the environment and support they need, and trust them to get the job done. | Have motivated individuals in team. Give them the environment and support they need, and trust them to get the job done. Empower team to work independently. Don't do micro-management. Provide tools to enable team to work. |
| 6 | The most efficient and effective method of conveying information to and within a development team is face-to-face conversation . | The most efficient and effective method of conveying information to and within an audit team is face-to-face conversation. Talk to ground level people. Talk to them in field to understand the issues better. |

Principles behind the Agile Manifesto

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|----|--|--|
| 7 | <p>Working software is the primary measure of progress.</p> | <p>Identification of risk to business objectives in a timely manner, provide assurance whether controls are working in a timely manner are the measure of working internal audit function. No Surprise. Instead of reporting only, part of solution also.</p> |
| 8 | <p>Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a constant pace indefinitely.</p> | <p>Practices needs to be sustainable and audit, management, operations team need to be in sync so that everyone work towards achievement of objectives. Recommendation should lead to permanent solution rather than band-aid fixes.</p> |

Principles behind the Agile Manifesto

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|----|--|--|
| 9 | Continuous attention to technical excellence and good design enhances agility. | Continuous upgradation of skillset required to support business objectives are important to enhance agility Skilling, Reskilling and upskilling to ensure that team has right skill set as needed to fulfil its roles. |
| 10 | Simplicity --the art of maximizing the amount of work not done-- is essential. | Simple, straight to point, addressing the risk is essential. Short, Simple reports stating the issues in a simple language is essential. |

Principles behind the Agile Manifesto

| Sr | Principles behind the Agile Manifesto | Internal Audit Adaption |
|----|--|--|
| 11 | The best architectures, requirements, and designs emerge from self-organizing teams . | Best teams are able to support each other and leverage best talent for work. If a junior most team member has skillset, then s/he should be empowered to do work (instead of asking permission) |
| 12 | At regular intervals, the team reflects on how to become more effective , then tunes and adjusts its behavior accordingly. | At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behavior accordingly. Do an introspection to be more effective, learn, unlearn and relearn. |

What Agile is NOT

- Agile does not mean no documentation.
 - This comes up a lot for auditors, when project/IT teams tell them that the evidence they asked for is unavailable. In reality, Agile should result in strong documentation which is continuously being updated and refined.
- Agile does not mean no planning.
 - Agile tasks require planning as much as any other. Perhaps the difference is the flexibility which is applied to this process, with plans open to continuous reprioritization and adjustment.
- Agile does not mean less discipline.
 - At times it can seem that Agile is a free for all – but it is not, or if it is, it isn't being used properly. Strong discipline and adherence to the chosen approach in applying Agile is required to ensure success.
- Agile does not mean Scrum.
 - There are many ways to apply Agile. Most Auditors will encounter Scrum methodology (see below) but Agile can be achieved using other methodologies too. Don't get fixated on one way.

Question 1

An Internal Audit Function used to provide weekly status report. Management wants more frequent reporting. They decided to adopt Agile approach. What will be the right reporting frequency?

1. Bi Weekly
2. Daily
3. Hourly

Answer: 2

Question 2

Which of the following is not associated with Agile Auditing?

1. Operational Flexibility
2. Bottoms-up Innovation
3. Slow approach

Answer: 3

Question 3

Agile Auditing focuses on faster response to customer requests?

1. True
2. False

Answer: 1

Why do we want to apply Agile to Audit?

- Reduce Audit timelines by increasing efficiency.
- Cut down on legacy administration tasks – and streamline audit documentation.
- Increase engagement with auditees.
- Respond faster to changes in risk/control environment.
- Ability to audit agile activity within the organisation – agile projects and agile software development are now standard in many places.

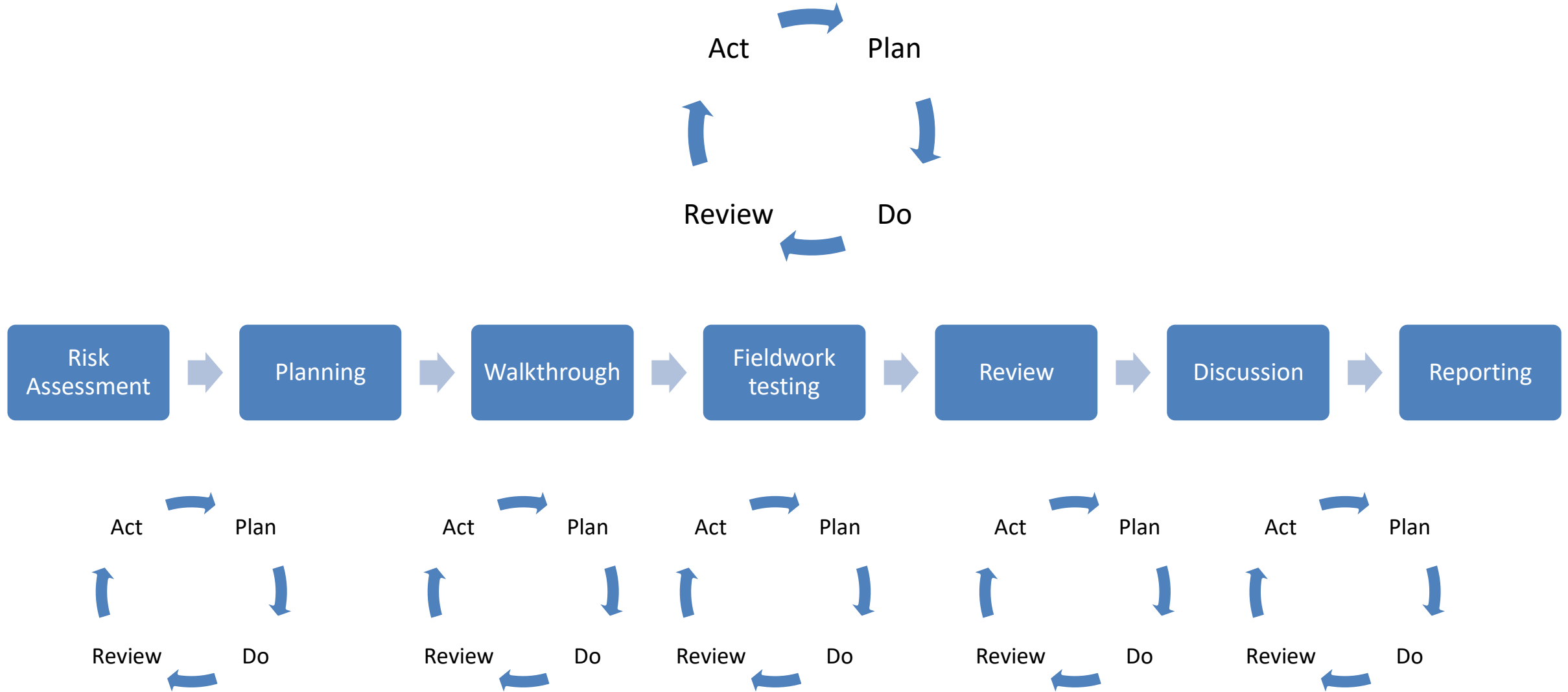
Challenge in adopting Agile.

Definition of Internal Audit

- ICAI: Internal audit provides independent assurance on the effectiveness of internal controls and risk management processes to enhance governance and achieve organizational objectives.
- IIA: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

| Agile | Traditional |
|------------------------------|-----------------------------|
| Individuals and interactions | processes and tools |
| Working software | comprehensive documentation |
| Customer collaboration | contract negotiation |
| Responding to change | following a plan |

Frameworks: Waterfall model

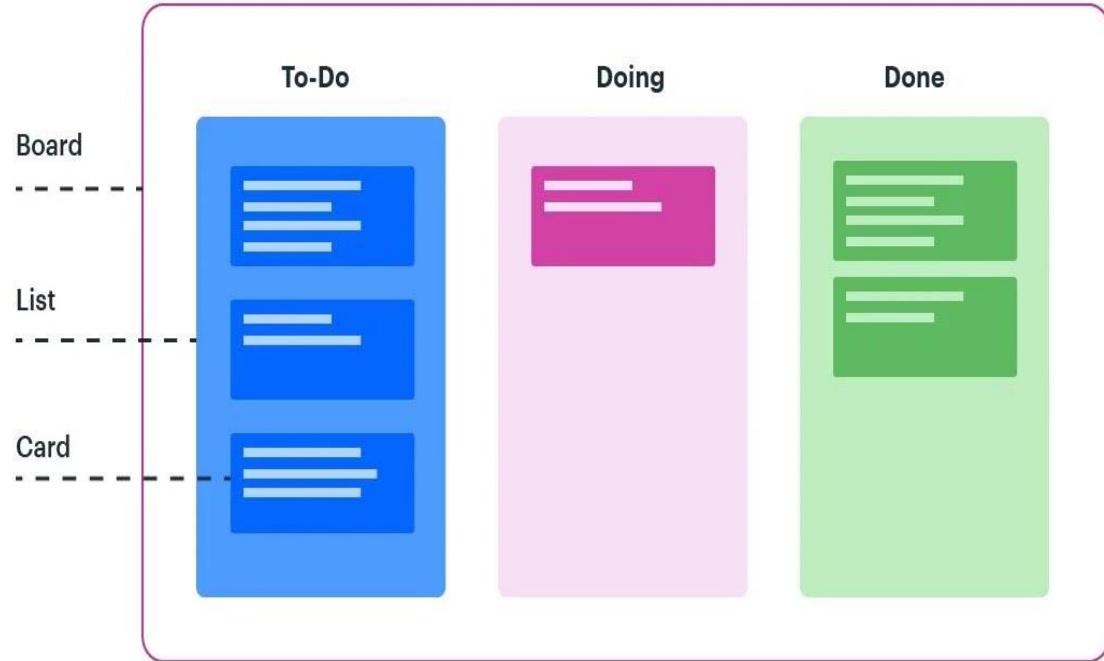


The Scrum Framework










Kanban Framework

Kanban project management framework



Example of a Kanban Board

| Backlog | In Progress (3) | Peer Review (3) | In Test (1) | Done | Blocked |
|--|---|---|---|---|---|
|  |  |  |  |  |  |
| Fast Track/ Defect | |  | | | |

The Report writing Process

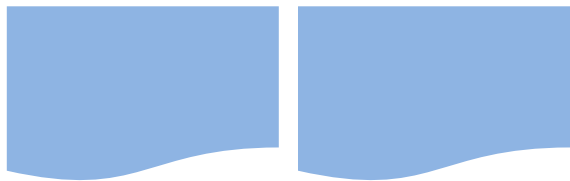
1. Work papers



2. Detailed Observation Worksheet



3. Prioritized and consolidated observation worksheet



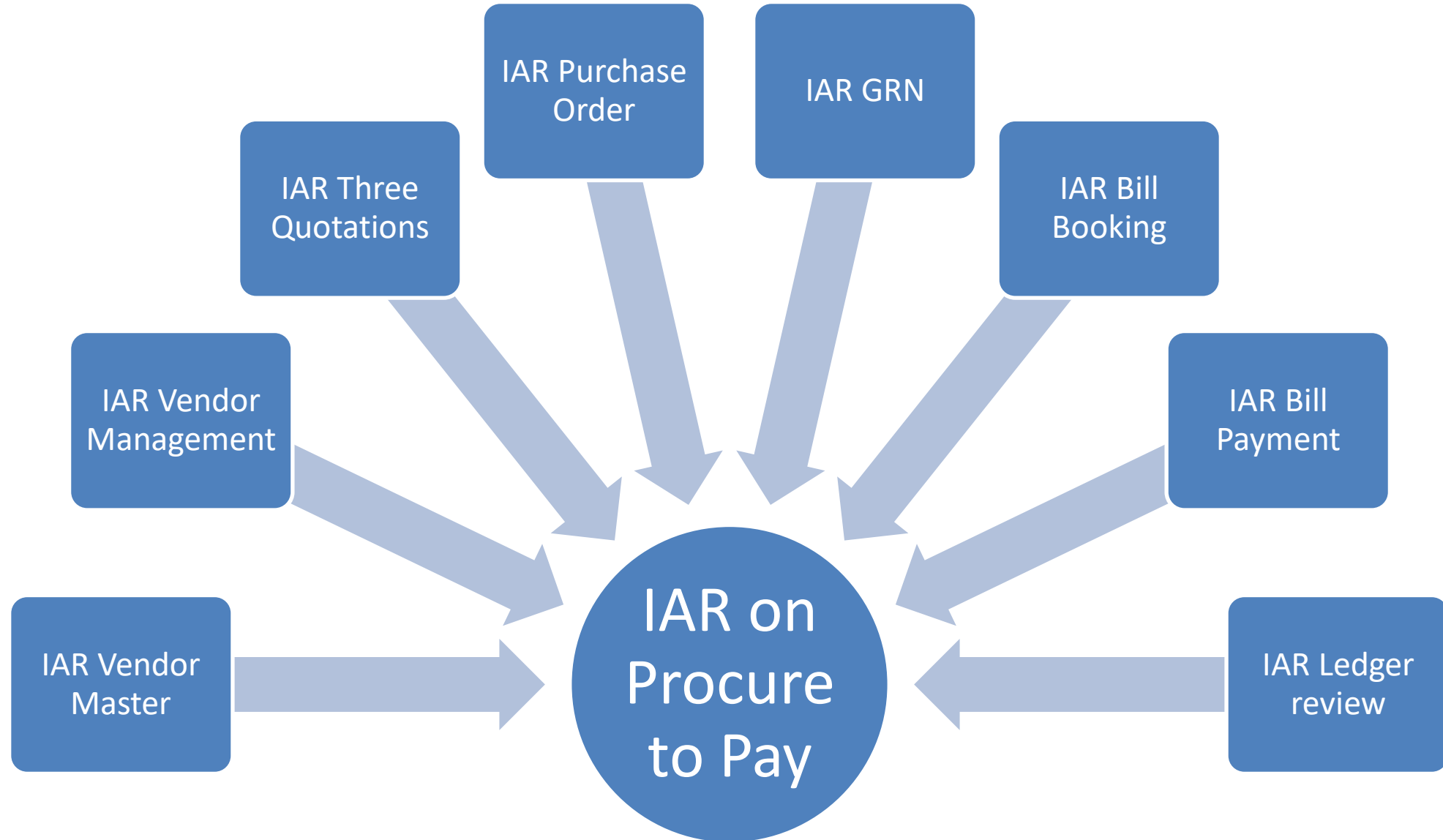
4. Main Report



5. Executive Summary



Many Small Report leading to a full report



Areas where Agile can be adopted.

- Accelerate/ shorter the audit cycles
- Snap Audits
- Time bound audits
- 80:20 Pareto Rule. (Auditing what matters e.g. High Risk)
- Providing timely insight
- Reduce the waste of resources
- Increase audit value
- Increased involvement of the auditee
- Continuous coordination of the product (report)

What did I discuss that you want to know more about?

What did I not cover that you would like to know?

My Blogs and Post

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