



AGILE INTERNAL AUDIT (IA)



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Pete is a senior manager within the Deloitte Risk and Financial Advisory¹ practice. He has 22 years of experience providing internal audit, business and IT/Cyber risk advisory services to his clients. Pete has supported the rollout of agile techniques in IA projects and has spoken on other consumer products industry and IT/Cyber risk topics in the past.



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Salman is a manager within the Deloitte Risk and Financial Advisory¹ practice. Salman serves on the team developing and rolling out Deloitte's Agile IA methodology globally. He is one of the national Agile IA trainers, has facilitated agile visioning labs with clients, and served as a coach on Agile IA pilot projects.

¹ As used in this document, "Deloitte Risk and Financial Advisory" means Deloitte & Touche LLP, which provides audit and risk advisory services; Deloitte Financial Advisory Services LLP, which provides forensic, dispute, and other consulting services; and its affiliate, Deloitte Transactions and Business Analytics LLP, which provides a wide range of advisory and analytics services. These entities are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

OBJECTIVES

The objectives of this session are to:

- Provide baseline understanding of agile principles and its application to Internal Audit
- Share the practical experience of Agile internal auditing at United Airlines, including associated benefits and lessons learned
- Share additional Agile Internal Audit experiences, providing alternative approaches

TODAY'S JOURNEY

What is Agile?	Brief history Agile manifesto Characteristics of Agile IA
How is Agile IA different?	Perception vs. reality Traditional audit vs. Agile IA Effective team makeup Agile ceremonies
One size fits one — United's journey	United's challenge United's value proposition United's Agile approach Values / continuous improvement
Artifacts from pilot projects	Audit canvas — template Story mapping — example Kanban board — example Point of view — example

WHAT IS AGILE?

BRIEF HISTORY

What is “Agile”?

A group of software development **methods** based on **iterative** and **incremental** design and production, where solutions evolve through collaboration between self-organizing, cross-functional teams.



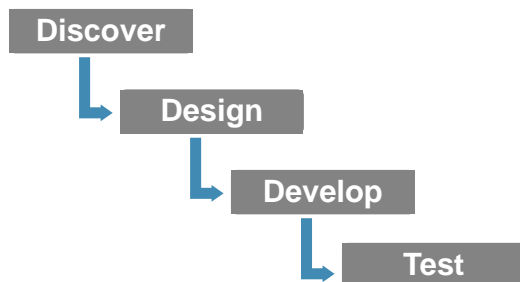
Agile is a **re-think** of the way teams go about completing tasks or larger initiatives

Several Agile methods have been around since the 1990s and were **united in 2001** by the **Agile Manifesto**

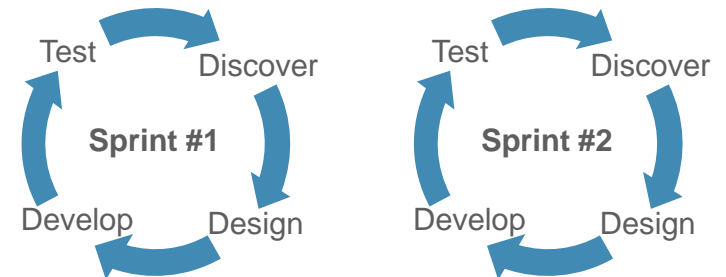
Agile manages **complexity, unpredictability** and **change** through **visibility**, inspection, and **adaptation**

Because Agile provides **greater transparency** and **visibility** to progress, it demands **greater discipline** than traditional approaches

Traditional Waterfall Approach



Agile Approach



AGILE MANIFESTO

While there is value in the items on the right, Agile process values the items on the left more. Moreover, this manifesto can be applied to any industry.

Individuals and interactions

over

Process and procedures

Insights

over

Comprehensive documentation

Stakeholder collaboration

over

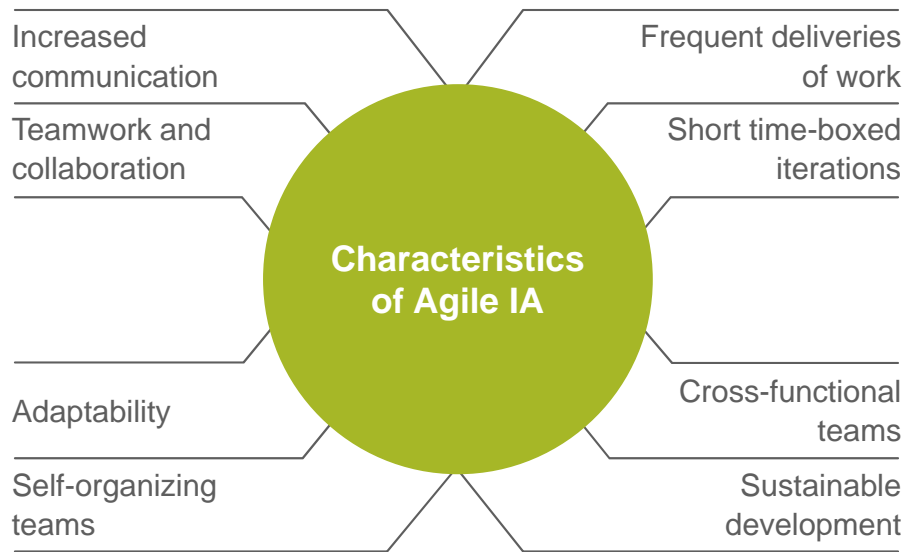
Negotiation

Responding to change

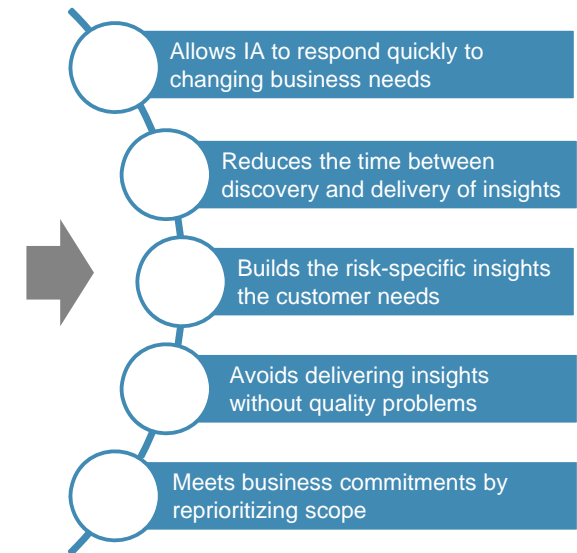
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Following a plan

CHARACTERISTICS OF AGILE IA



Agile is iterative and allows teams to revisit current risks and reprioritize as a continual process for the audit—both individual audits and the annual audit planning process. Internal Audit should transform to deliver on a broader set of expectations, providing assurance but also advising and anticipating risks.



HOW IS AGILE IA DIFFERENT?

PERCEPTION VS. REALITY

Agile IA is perceived as...



Anti-planning



Less documentation



More rework



One-size fits all



In reality, Agile IA...

- Enhances up-front planning
- Accelerates receipt of information
- Higher-order portfolio planning



- Requirements are guided by professional standards
- Allows flexibility to define have to haves vs. want to haves

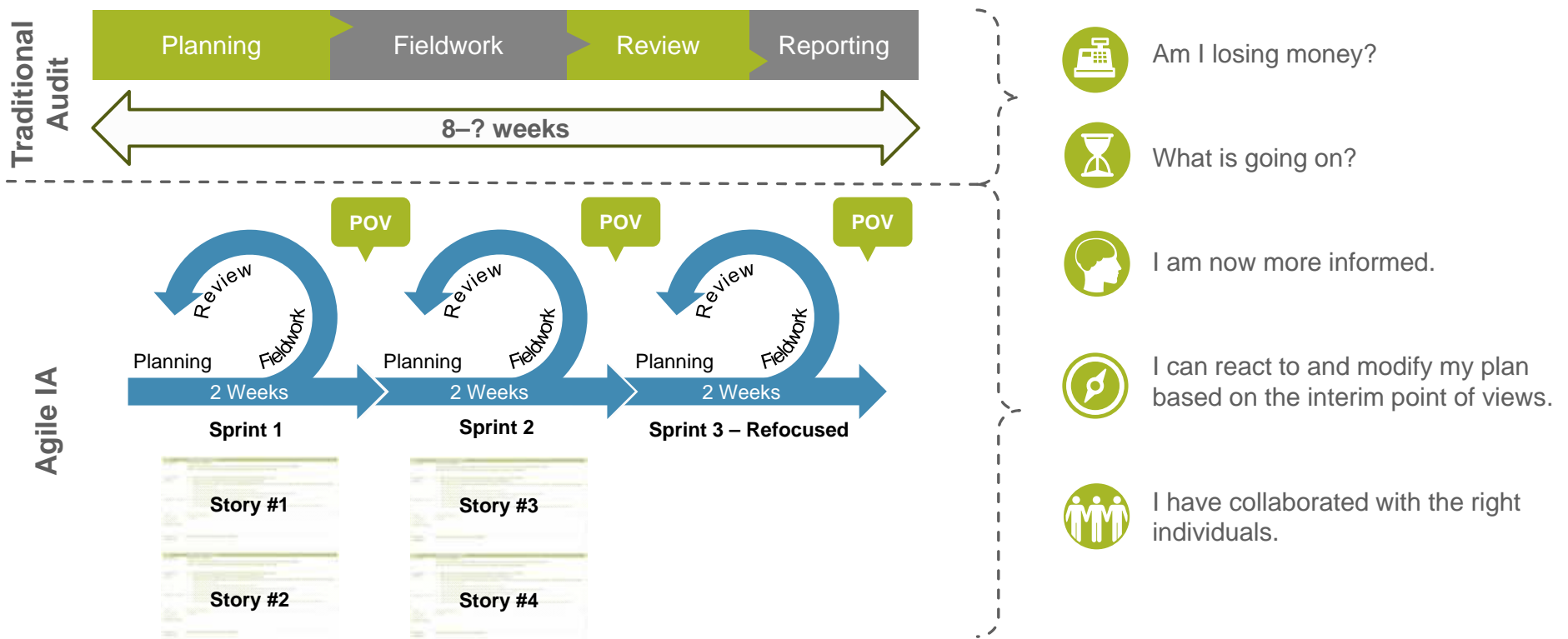


- Tools for consistency
- Iterative delivery in smaller pieces
- Embeds quality assurance review



- Integrates delivery framework tailored to audit
- Applies 'test, learn, and adapt' mentality

TRADITIONAL AUDIT VS. AGILE IA



EFFECTIVE TEAM MAKE-UP

- Manage relationships communications with business executive stakeholders
- Champion the agile process in the department and organization
- Serve as a project escalation point
- Socialize and advocate Internal Audit's Agile approach to the business

Primarily engages with:

- Business executives
- Key stakeholders
- Product owners

Facilitates efforts in:

- Identifying projects
- Obtaining project approvals

Project Champion

- Ensure the project team's alignment with business executives and project key stakeholders/point of contacts
- Set the direction/vision for the team
- Identify and prioritize the sprint backlog
- Assist in translating stakeholder needs into value/outcomes

Primarily engages with:

- Project champion
- Business executive
- Key stakeholders
- Scrum Master

Facilitates efforts in:

- Audit canvassing
- Story mapping
- Definition of ready & done
- Backlog refinement

Product Owner

- Conduct testing and validate results
- Identify, draft, and communicate project observations
- Develop iterative sprint deliverables
- Execute on the Product Owner's vision
- Attend and participate in all ceremonies

- Contribute in periodic stand-up meetings

Primarily engages with:

- Scrum Master

Scrum Team

- Facilitates team's identification of stories for sprints and breaks down stories
- Clear impediments and protect team from outside interruptions
- Drive tactical team-level improvement
- Manage relationship between the team, product owners and others outside the team

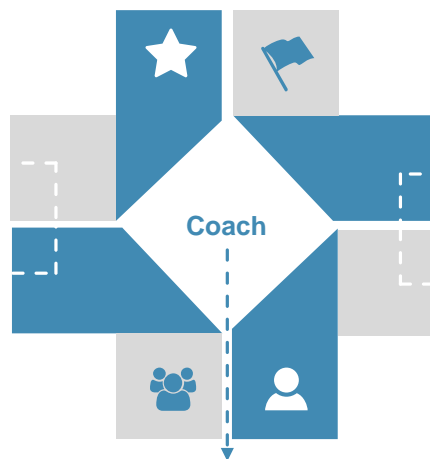
Primarily engages with:

- Product owner
- Key stakeholders
- Scrum team

Facilitates efforts in:

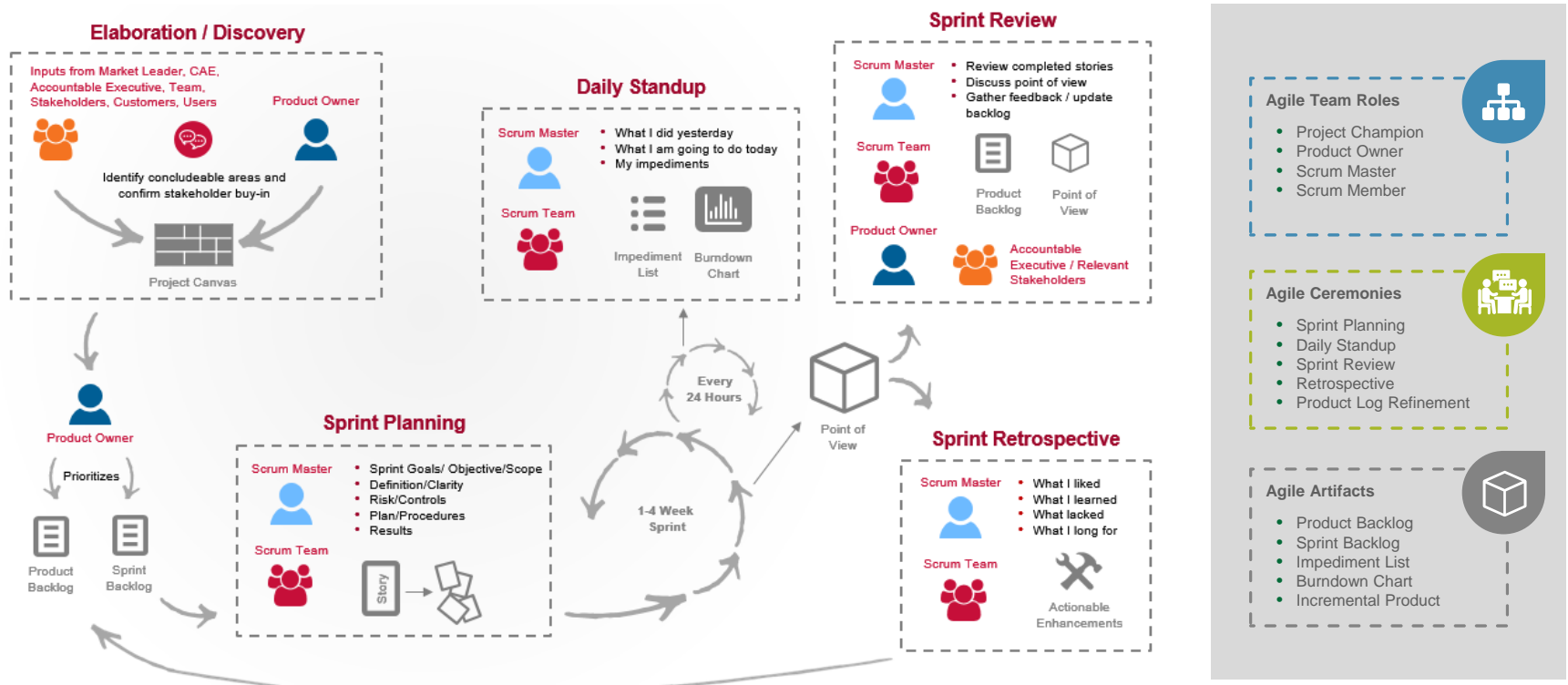
- Sprint planning
- Daily stand-up
- Sprint closing
- Sprint retrospective

Scrum Master



- Day to day advisor to the team
- Agent of change for scrum teams
- Deliver agile knowledge
- Provide on-the-ground training
- Help bridge the gap between where the team is to where they could be during agile transition

AGILE CEREMONIES



ONE SIZE FITS ONE — UNITED'S JOURNEY

UNITED'S CHALLENGE

How do we enrich business partner collaboration and decrease long cycle times in completing audits to allow for more relevant/timely insights, greater business value, enhanced partnering to get to the right solutions, and improve the utilization and development of our Internal Audit resources?

UNITED'S VALUE PROPOSITION

MINDSET WITH PROCESS

WHAT IS REALLY DIFFERENT?

- ☑ **Clearer outcomes and insights** — what are you solving for? (i.e., project canvas)
- ☑ **Enhanced collaboration** with business partners (i.e., more frequent but shorter touch points focusing on upfront and thoughtful discussions)
- ☑ **A point of view (POV)** vs. detailed audit reports (i.e., iterative and condensed understanding of the area highlighting relevant insights)
- ☑ **Iterative risk assessment** accounting for changing needs and priorities (i.e., evaluate scope and risks after each sprint)
- ☑ **Sprint based project discovery and execution** (i.e., time-boxed effort restricted to a specific duration)
- ☑ **Empowered teams and business partners** in executing the project (i.e., trying new things, learning, and embracing changes)

OUTCOMES

- 🔍 **Risk driven insights** → Providing valuable and impactful results
- 📄 **Continuous / Iterative reporting** → Sharing a POV timely and with the right stakeholders, right sizing the POV to the business partners
- 🗣️ **Frequent / engaged communication** → Enabling timely and efficient response to changing needs and reprioritization



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IA AGILE VALUE PROPOSITION

We Fly Right

- 1 Outcome driven / value driven
- 2 Just-in-time / proactive approach to the "right projects at the right depth/focus"
- 3 One size does not fit all – customized projects focused on value and risk
- 4 Win as a team and learn as a team – take the journey with our business partners
- 5 Mix it up a little bit, break some eggs – challenge "that's the way we've done always done it"
- 6 Decisioning "as you go" with transparency and alignment
- 7 Continuous communication with all stakeholders
- 8 Be quick and iterative vs. confined to a plan
- 9 Know when enough is enough

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HAVE TO HAVES

- Outcome-driven mindset aligned to risk, efficiency, cost savings, and value
- Identify key stakeholders/business partners (audit committee, executive management, business unit leaders, field management)
- Frequent and concise communications
- Defining project's objectives — balance value preservation (assurance) and value creation (advisory)
- Issue, risk, action, insight tied to "so what"
- Agreement and commitment on 'have to haves' between teams and business partners

WANT TO HAVES

- Variability in how you meet requirements
- Iterative plans and process at every stage (planning, fieldwork, reporting)
- Initial sprint defines remaining sprints
- What is good enough to meet the needs!
- Timely decisions made with risk, regulatory requirements, internal audit mission and the business partners in mind



UNITED'S APPROACH



Agile tomorrow

- Prioritization
- Table stake risk development
- Engagement of senior leader(s)
- Audit canvas
- Consider analytics
- On-going reporting
- Continuous communication
- Draft observations
- Simplified workpapers
- Develop POV mindset to reported findings



What is really different?

- Clearer outcomes (i.e., use of audit canvas)
- Early and continuous engagement with stakeholders
- Right documentation, less words, more on-going communication
- Time and effort focused on the right things (i.e., value-driven insights)
- Timely redeployment based on risk
- Better result
- Empowered/engaged auditors



How we started

- Completed Agile IA Boot Camp training with pilot project teams
- Piloted two Agile IA projects concurrently
- Leveraged Deloitte personnel as coaches to agile teams
- Each pilot project spanned approximately seven weeks encompassing three, two-week sprints

PILOT PROJECTS RETROSPECTIVE

VALUE

CONTINUOUS IMPROVEMENT

Timely and relevant solution development

Transparency and accountability through self-serving teams

Fit for purpose / clear direction through shorter feedback loop

Empowered teams hurdling challenges

Outcome-driven mindset aligned to risk and efficiency

Iterative risk assessment accounting for changing needs



Committed sponsorship / emphasis to transform

Transformations are successful with top-down leadership and teams will look to their leaders for adoption



Dedicated resources

Scrum teams should be able to dedicate at least 80% of their time to agile projects



Stakeholder commitment

Select stakeholders that are open to change and will be able to dedicate time to more collaboration upfront for pilot projects



Value a collaborative culture

Agile relies on cross-functional teams that make decisions through collaboration



Effectively convey Agile messaging

Use terminology that stakeholders can relate to when rolling out agile audits to not overwhelm them



Effective prioritization / adherence to time-box

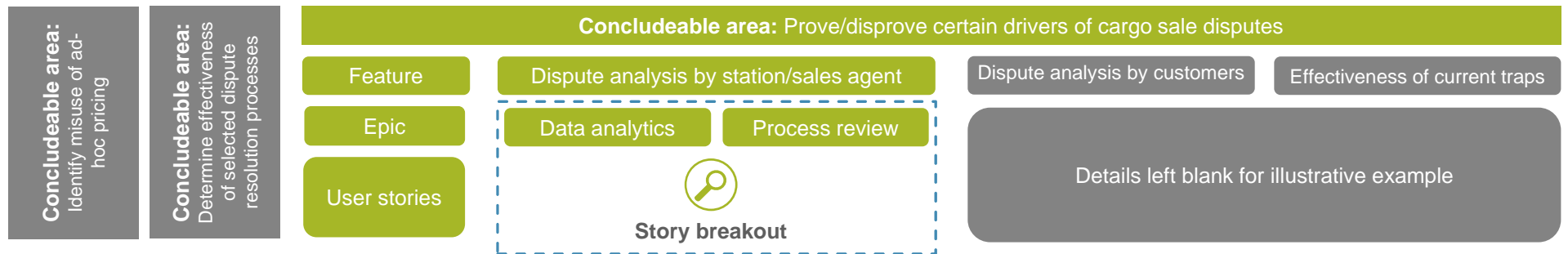
Successful auditors are those that know when to continue deep diving and when to stop

ARTIFACTS FROM PILOT PROJECTS

AUDIT CANVAS — TEMPLATE

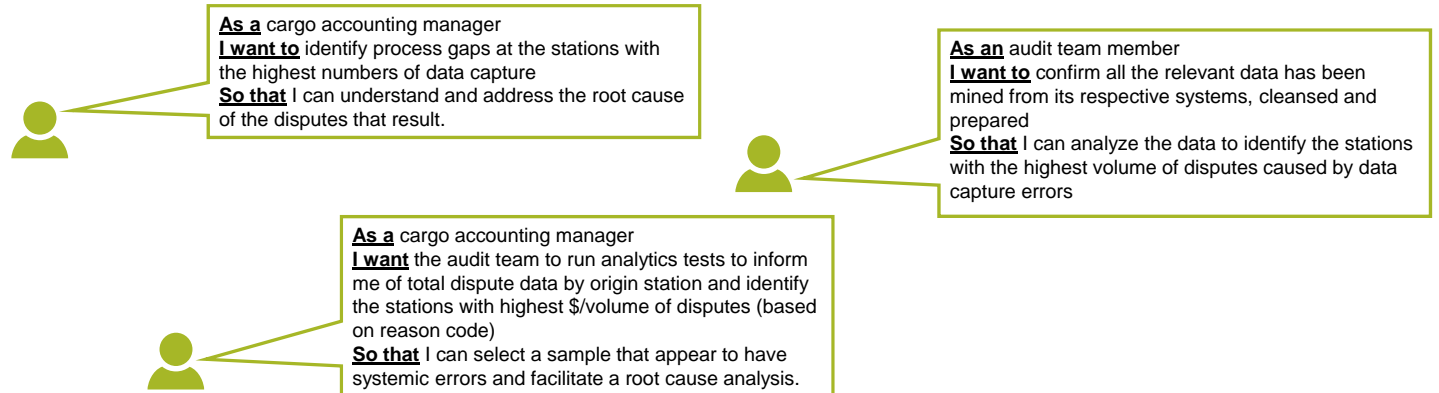
<p>1 About the Business</p> <ul style="list-style-type: none"> How does the business area align with the corporate strategy? What are the business's objectives? What are the risks to the business achieving its objectives? 	<p>2 Project Drivers</p> <ul style="list-style-type: none"> Why is this project important to the business? Why is it on the audit plan? Drivers from the risk assessment? What is the value-add (relevance) to the enterprise? <p>3 Value Proposition</p> <ul style="list-style-type: none"> What is the value of doing an Agile internal audit in this area? 	<p>4 Cross-Functional Impact</p> <ul style="list-style-type: none"> Key IT systems/reports supporting and/or monitoring the business process? Compliance considerations? Financial reporting/Impact?
<p>5 Key Stakeholders</p> <ul style="list-style-type: none"> Who is most concerned about the value of the project? Cross-functional: Who will be most impacted? Internal Audit Market Leader. 	<p>6 Metrics/KPIs</p> <ul style="list-style-type: none"> Key metrics used by the business to measure achievement of its objectives? What are the measures of success for the audit? Audit timeline and target dates?/Number of findings?/Business acceptance of findings? 	
<p>7 Project Scope</p> <ul style="list-style-type: none"> What is needed to achieve the project objectives? What are the concludeable areas for the project? 	<p>8 Risk & Control Log</p> <ul style="list-style-type: none"> Business risks and controls Identify and prioritize the sprint backlog Define project sprint timeframe? 	<p>9 CORE Project Team</p> <ul style="list-style-type: none"> Key business owner: Finance/Operations/IT/Compliance/International (as applicable): (RACI) Responsible, Influencer, Decision Maker, Need to be Informed

STORY MAPPING — EXAMPLE



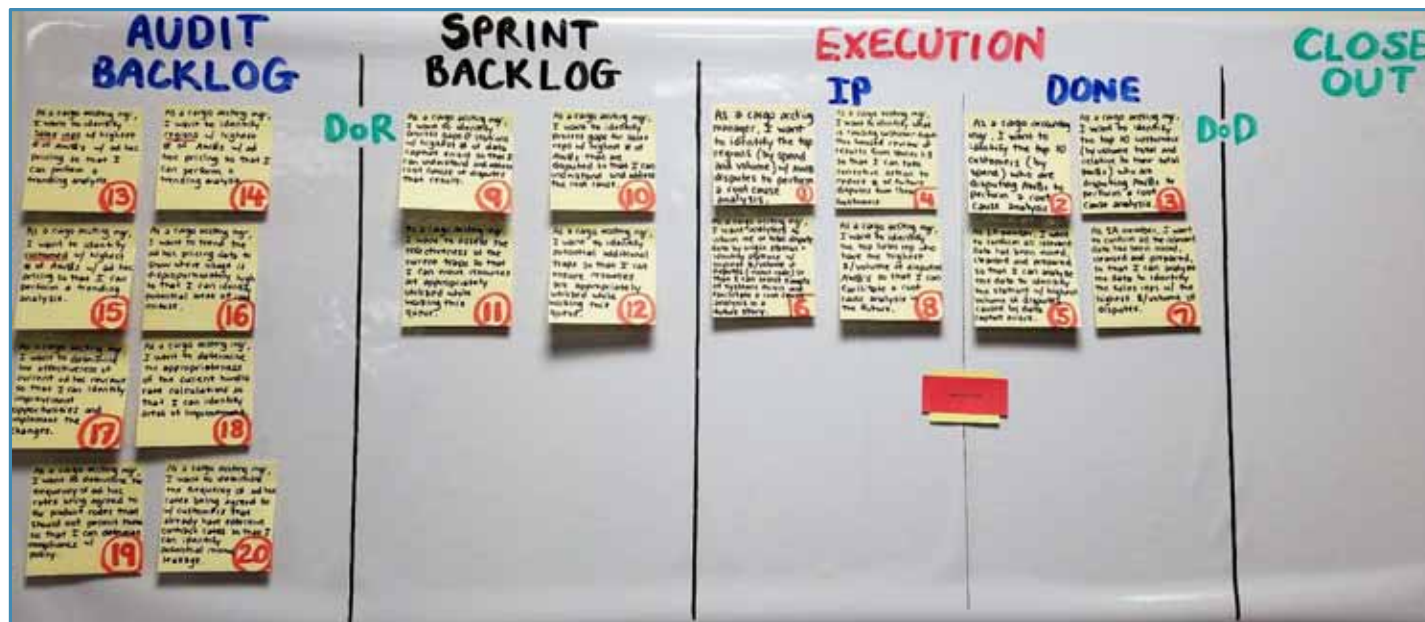
Story breakout example

User story: A user story is the basic unit of work representing some business value that can be delivered within a Sprint. It should have enough detail to enable the project team to make planning decisions and should be used to describe requirements for different personas



KANBAN BOARD — EXAMPLE

A Kanban board is often used to visualize the progress of an audit scrum team, but does not remove the need for audit scrum roles, ceremonies or process.



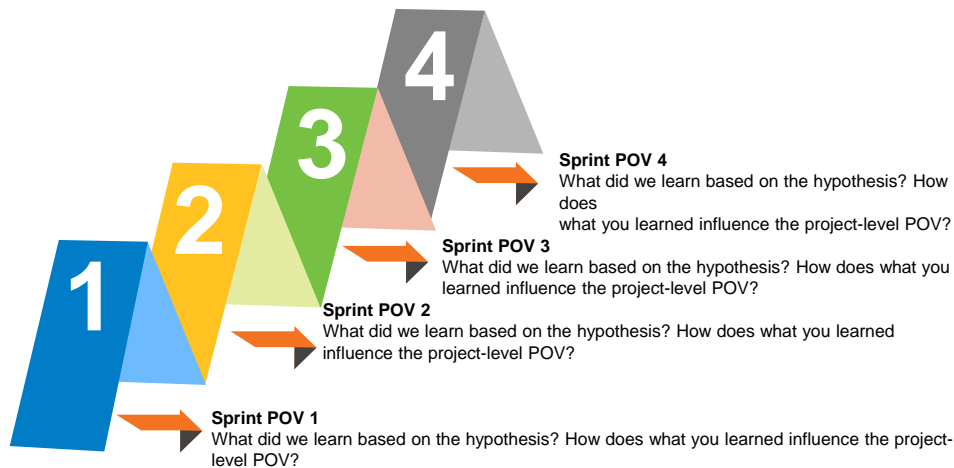
POINT OF VIEW — TEMPLATE



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 2017	High
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 2017	Moderate
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 2017	Moderate

Rating: ● High ● Moderate



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