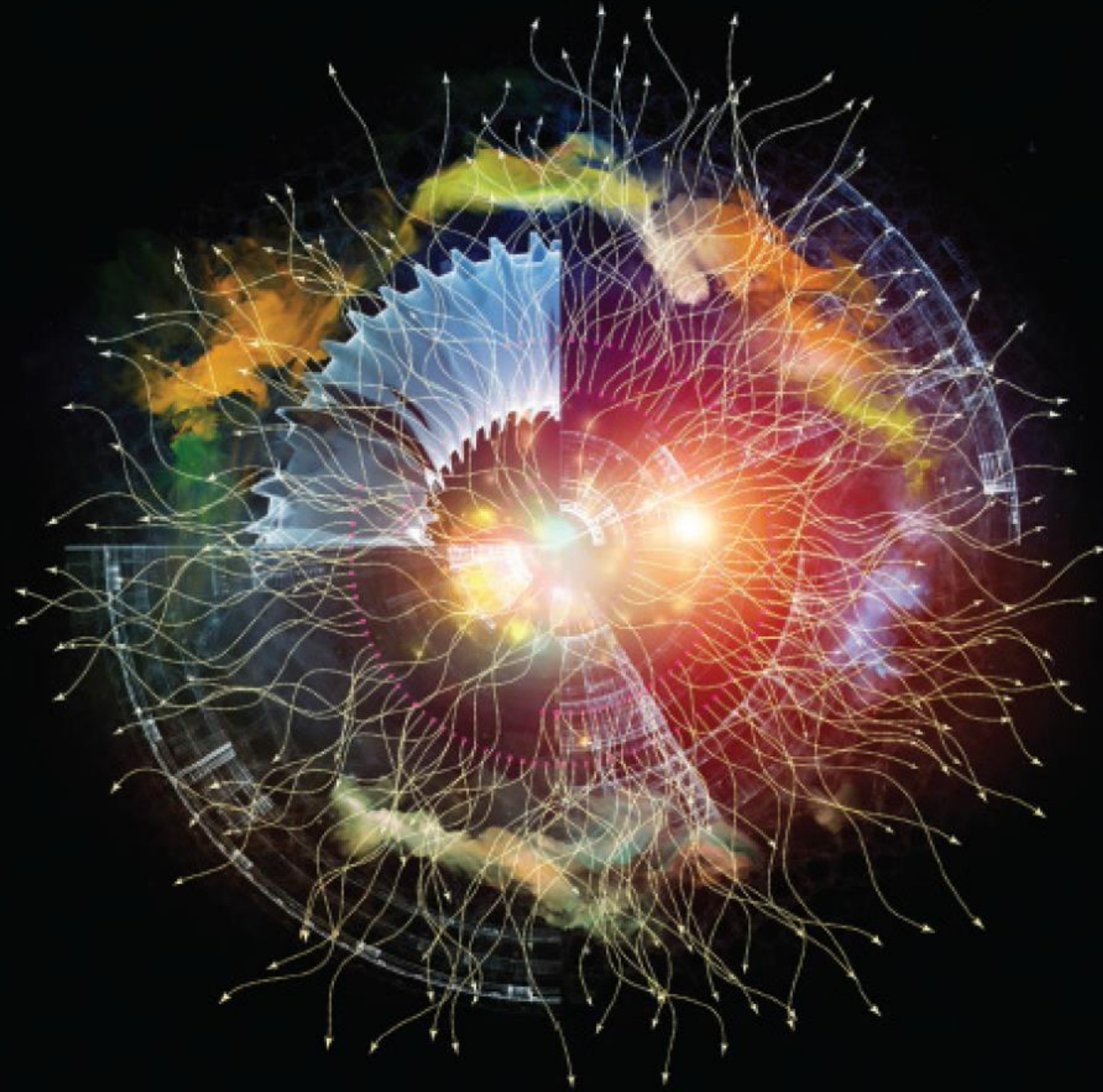


Deloitte.

**Getting Comfortable with being
Uncomfortable!**

***Using Agile IA to transform your
internal audit function***

**Houston IIA
9th Annual Conference
April 9, 2018 * NRG Center**



Presenting today



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“I have never started a poem yet whose end I knew. Writing a poem is discovering.”

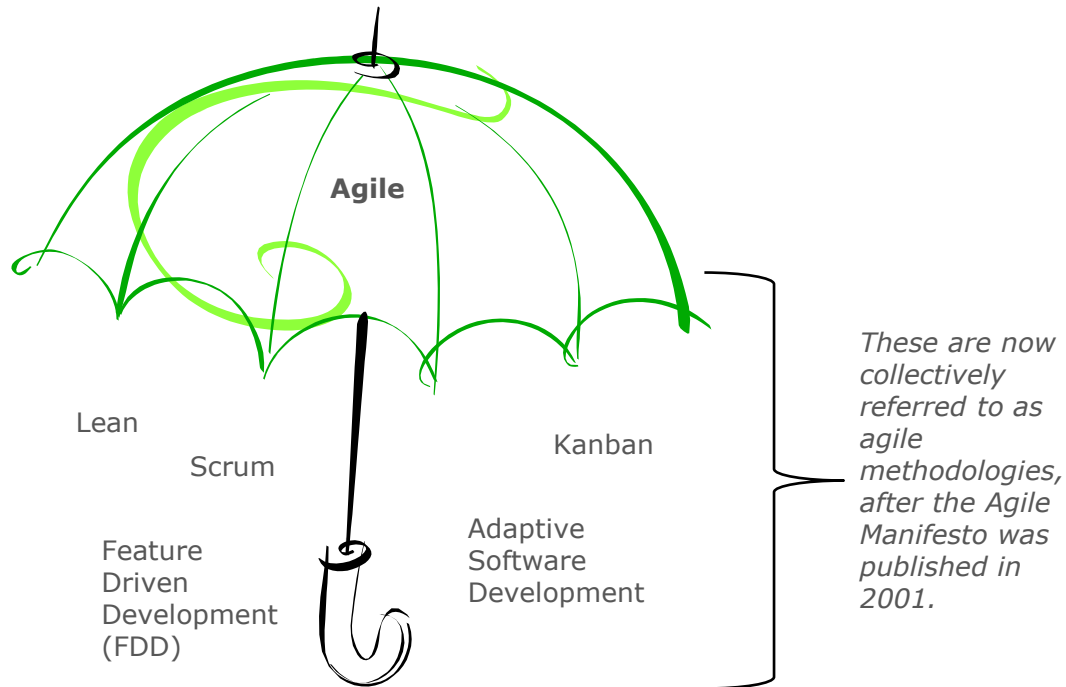
— Robert Frost

13% of CAEs have formally implemented an Agile IA approach, ***43%*** are considering implementing it, and ***26%*** are not certain what Agile IA is

Source: Interim results - Deloitte's 2018 Global Chief Audit Executive Research Survey

What Agile is and is not

Agile is a group of methods based on iterative development, where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.



Agile is not:

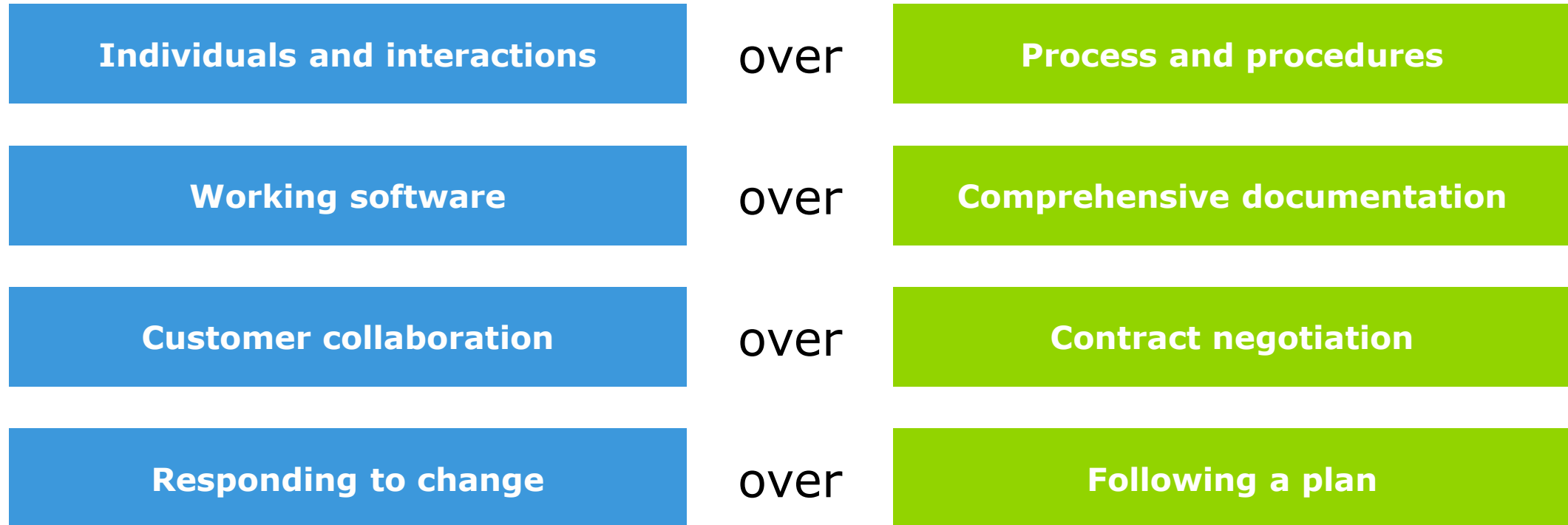
- It is not a single methodology
- It is not a set of tools
- It is not that easy (it is easy to understand, not easy to implement)



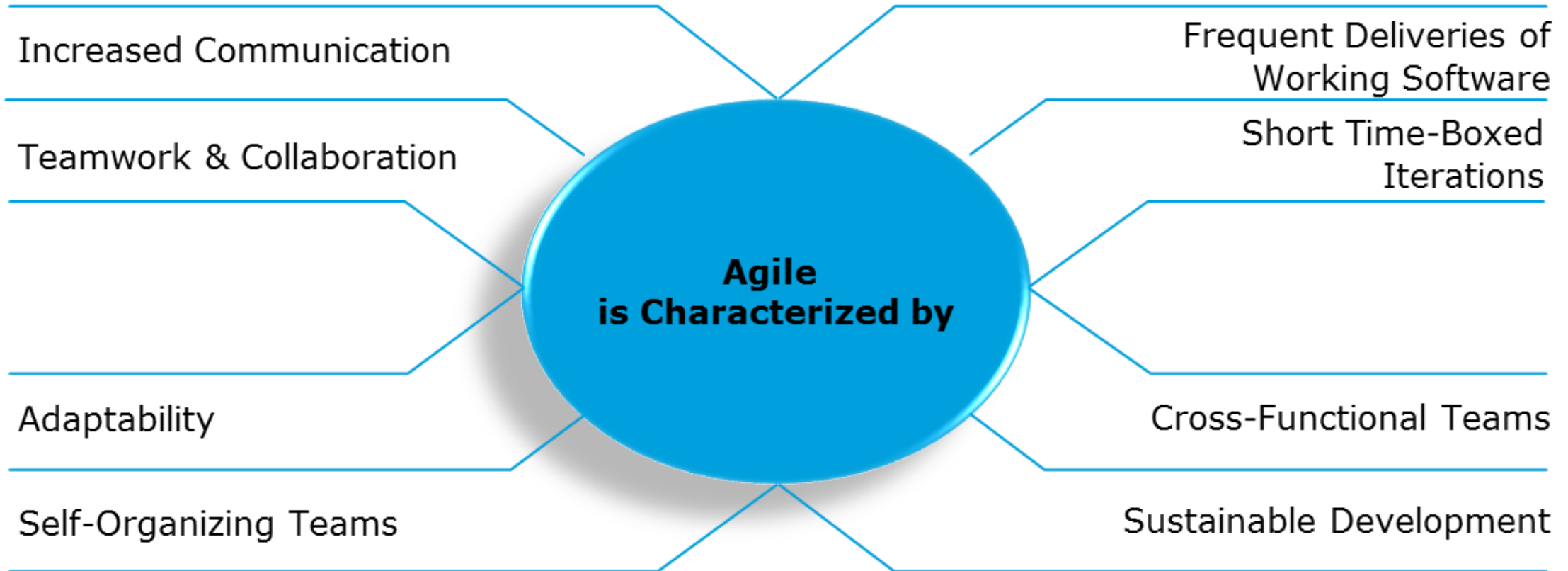
Agile is not a silver-bullet

Agile Manifesto

While there is value in the items on the right, we value the items on the left more.



Characteristics of Agile



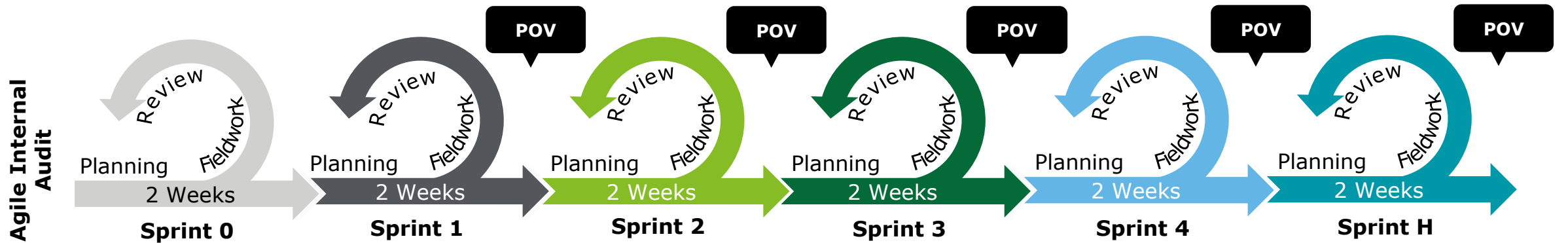
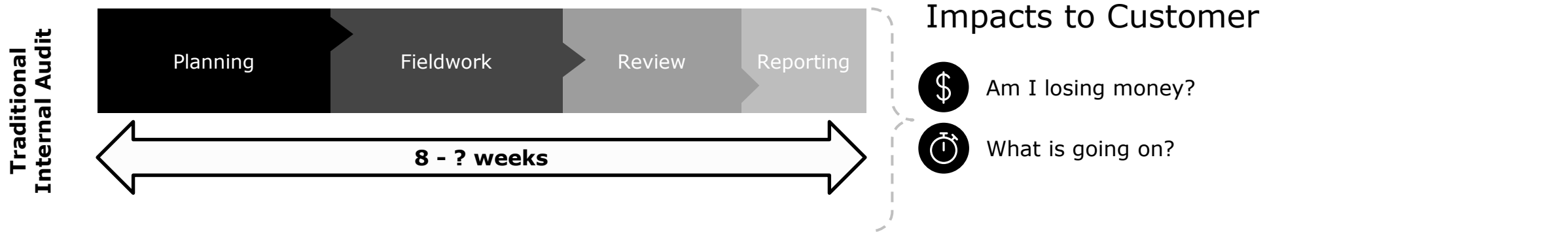
Why bring Agile to IA?

IA should transform to deliver on a broader set of expectations, providing assurance but also advising on and anticipating risks...

Objective: To deliver meaningful, timely and real time insights.



Traditional Audit vs. Agile Audit



I am now more informed.



I can react to and modify my plan based on the interim point of views.



I have collaborated with the right individuals.

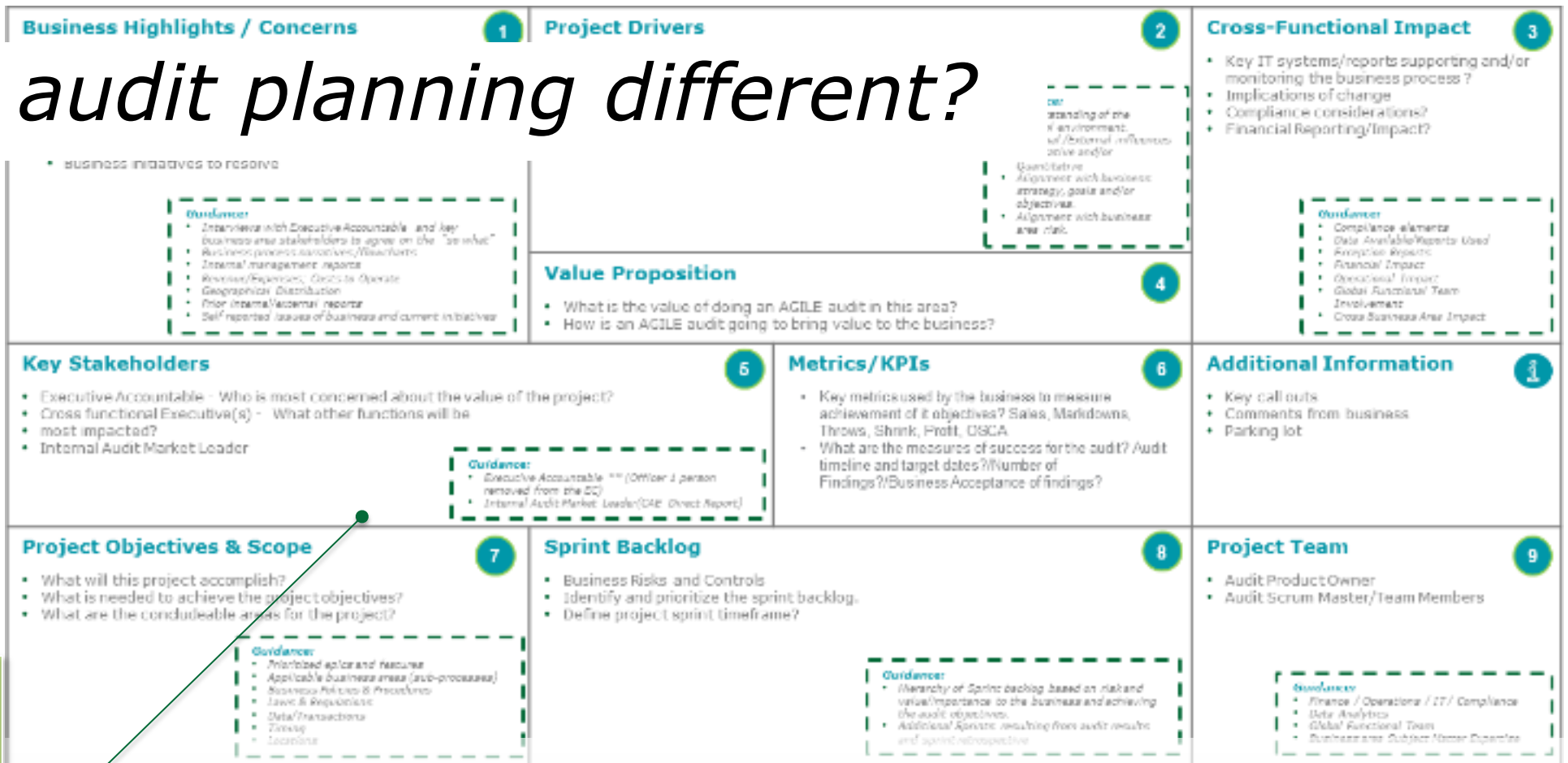
Key Terms Defined

Sprint: A time-boxed period during which the team will complete a set of prioritized stories.

Point of View (POV): A summary of the relevant insights gained from observations and stories. It is a condensed understanding of the area with highlights to relevant insights of the state of risk and controls.

Time-box: Defined timeframe no longer than 2-3 weeks.

How was audit planning different?



Audit Canvas

Planning Differently

- Executive engagement
- Approaching from top down
- Flexible planning cycle
- Epics – Features – User Stories

Example requirements hierarchy

Pickup

Project

Accounting

Epic

Epics

Revenue Recognition

Features

Features

Features

As an auditor **I want to** determine if S2S transactions are recorded timely **so I can** report revenue in the correct quarter/year

User Stories

User Stories

User Stories

User Stories

- Meet with the business owner
- Obtain or document process flow
- Conduct end-to-end testing...

Task

Task

Tasks

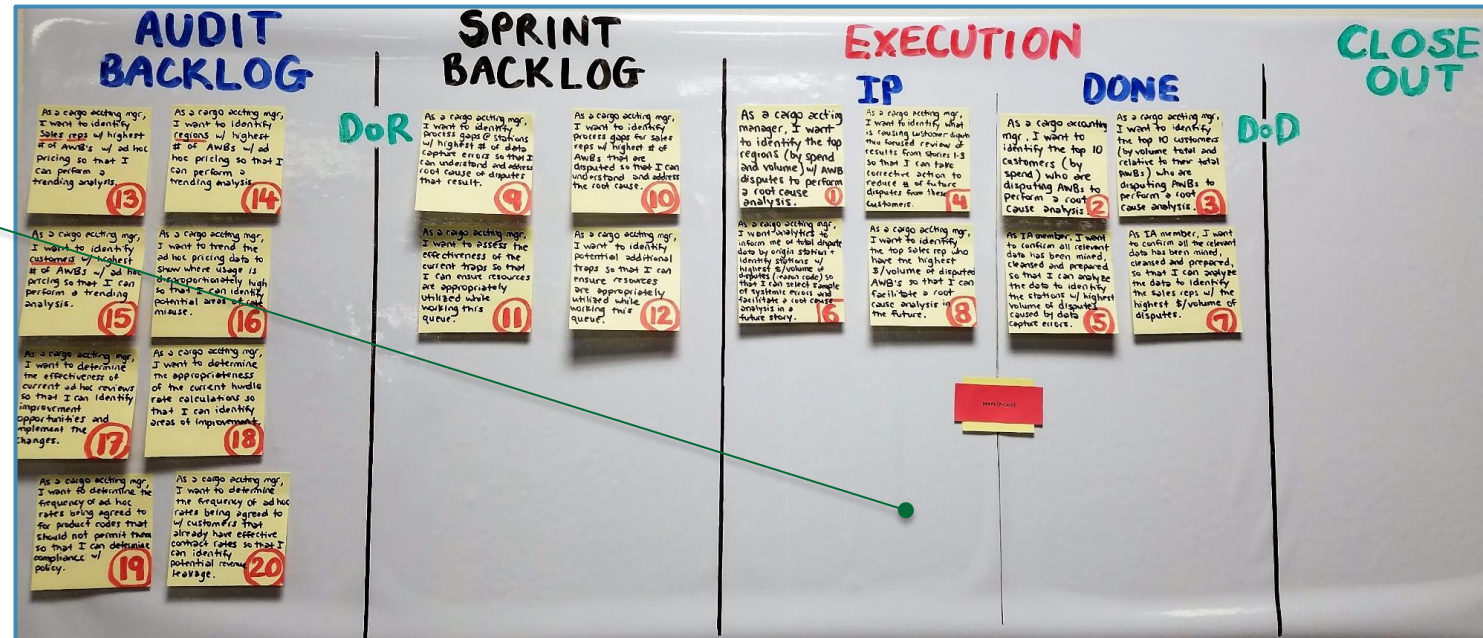
Tasks

Tasks

How was fieldwork different?

- Interactive sprint planning
- Rules of the engagement
- Daily standup meetings
- Definition of – ready | done | release
- New audit management tools


Sprint
Daily Standup



How was reporting different?

Business Need & Technology Alignment Assessment


Point of View



Project POV: According to the 2017 enterprise risk assessment, the alignment of business need and technology solutions should be reviewed to understand if there is excess spending, inefficiencies, and room for improvement that will allow for better utilization of current systems and stronger governance processes for purchasing new technologies.

Project Methodology: IA adopted Agile methodology to conduct this assessment. IA met with stakeholders to identify areas with potential risks and define scope areas of the assessment. The purpose of the assessment was to identify gaps in the review process for new technologies acquired for business and strategy alignment. The scope of the audit was divided into epics covering both Architecture Review Board (ARB) and Work Intake Group (WIG) and individual epics were then split into user stories. The assessment period was split into sprints that focused on specific user stories. IA conducted touchpoints with stakeholders to update them on the progress, findings and developments during the assessment phase. IA developed a Point a view (POV) as a result of the assessment and presented the POV to the stakeholders.

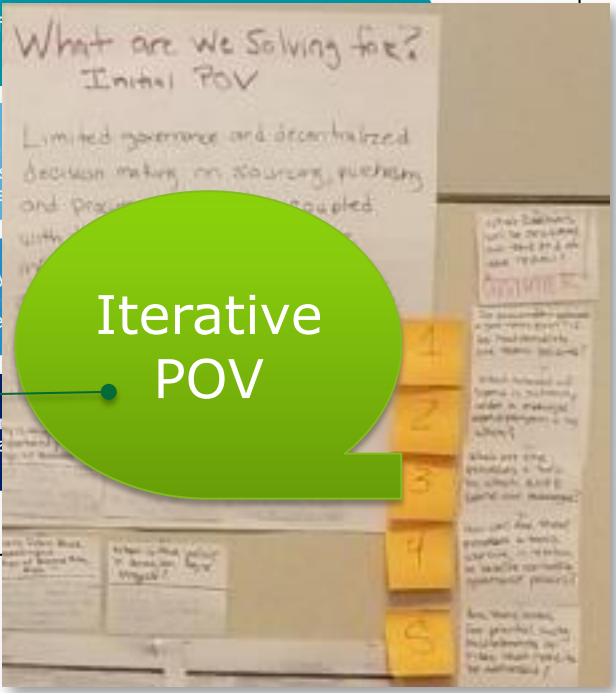
Impact
Medium



- 1** **Sprint One – Scope Definition**
 Technology purchases are reviewed by the WIG and ARB for adherence with the technology standards.
- 2** **Sprint Two – ARB and WIG design**
 The ARB, created to govern the purchasing of technologies, is not being followed consistently. The WIG, created to direct review, is not following a strong centralized structure and well documented policies.
- 3** **Sprint Three – ARB & WIG Efficacy**
 The review process is incomplete and lacks stronger focus on security and strategic risk. The review criteria are incomplete, focusing on a subset of technical projects.
- 4** **Sprint Four – ARB & WIG Process Implementation**
 Individual projects lack consistencies in documentation and review process resulting in inconsistent guidelines.

Point of view

More frequent stakeholder involvement



Perception vs. Reality

Perception of Agile IA



Anti-planning



Less or no documentation



More rework



One-size fits all

Agile IA in reality



Enhanced, high value planning



Flexibility to define have to | want to haves



Iterative delivery with a focus on quality



Applies 'test, learn, and adapt' mentality

Lessons Learned



Limited Executive Sponsorship

- Delivering audit results without bringing the executives along the journey upfront on the have to haves



Failure to Transform Leadership Behavior

- For true mindset shifts and transformations there needs to be executive level mindset shift



Not Harnessing the Power of the Project Canvas

- Upfront buy in on why-what-and how much to audit impacts stakeholder buy in and shorter reporting cycle



Lack of Emphasis on the Right Risks

- Successful auditors are those that know when to stop and how much to deep dive into



Depending on Distributed Teams

- Coordinating with resources across the globe can be challenging (leveraging technology)



Lack of a Transformation Leader + Change Agents

- Transformations need a central POC to drive the transformation vision



Minimal Commitment to Fast Feedback

- Audit Scrum teams that don't socialize results at the end of every sprint (one big bang report)



Limited Emphasis on a Collaborative Culture

- Agile relies on cross functional teams that audit through cross functional collaborations

IA Agile Manifesto

MINDSET WITH PROCESS




WHAT IS REALLY DIFFERENT?

- ✓ **Clearer outcomes and insights** – what are you solving for? (i.e., project canvas)
- ✓ **Early and often** engagement with Internal Audit clients business partners and stakeholders
- ✓ Concise and targeted **documentation** (less words) (i.e., POV)

Time and effort focused on the right things – integrated into the process



OUTCOMES

-  **Faster project delivery cycles** → realign available resources to other critical risks
-  **Valuable and insightful results**
-  **Empowered/engaged** audit teams (leverage cross functional teams)

9 ELEMENTS OUR IA AGILE MANIFESTO

ELEVATE INTERNAL AUDIT

ASSURE. ADVISE. ANTICIPATE.

- 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 PROJECT FOCUSED ON VALUE AND RISK
- 4 | COLLABORATIVE APPROACH – TAKE THE JOURNEY WITH OUR CLIENTS
- 5 | MIX IT UP A LITTLE BIT, BREAK SOME EGGS – CHALLENGE "THAT'S THE WAY WE'VE 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 | IMPACT OVER THOROUGHNESS – "GOOD ENOUGH"(80/20 RULE)

HAVE TO HAVES

- Outcome-driven mindset aligned to **risk, efficiency, cost** savings, and **value** driven
- Timely decisions made with risk, regulatory requirements, internal audit mission and the business partners in mind
- Initial agreement on "have to haves"
- Defining project's objectives – balance value preservation (assurance) and value creation (advisory)
- Identify key stakeholders/business partners (audit committee, executive management, business unit leaders, field management)

WANT TO HAVES

- Variability in how you meet requirements
- Frequent and concise communications
- Issue, risk, action, insight tied to "so what"
- Iterative plans and process at every stage (planning, fieldwork, reporting)
- Initial sprint defines remaining sprints
- What is good enough to meet the needs!



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