Transforming Internal Audit Methodology into Agile IA

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John Pagac, Managing Director | Risk Advisory Services
Anamika Roy, Manager | Risk Advisory Services
Polling Question 1

From which time zone are you participating today?

A. Eastern time
B. Central Time
C. Mountain Time
D. Pacific Coast Time
E. Other
John Pagac, CPA, CIA
Managing Director  |  Risk Advisory Services

John Pagac is a managing director in BDO’s Risk Advisory Services practice. He has more than 25 years of professional experience, including the last 10 years serving in management roles in professional services and industry delivering internal audit, compliance, and consulting services and solutions to large public and private international companies.

He has significant experience in performing and delivering Internal Audit Services (including value added operational assessments and establishing internal audit functions), Enterprise Risk Management (ERM), Internal Controls Over Financial Reporting (ICOFR) and Sarbanes-Oxley (SOX) testing including initial implementation/readiness assessments, and corporate governance.

John’s clients have included a variety of global middle market and Fortune 500 companies across a broad range of industries including automotive, retail, manufacturing & distribution, transportation, and medical devices.

Prior to joining BDO, John was previously with a Big Four public accounting firm, providing internal audit services to several large global companies which included assisting 5 companies in establishing an internal audit function. In addition, he also served as the Internal Audit Director for a global aftermarket auto supplier.

PROFESSIONAL AFFILIATIONS
Certified Public Accountant, State Of Michigan
The Institute of Internal Auditors (IIA), Board Member, Detroit Chapter

EDUCATION
B.S., Accounting, Michigan State University
Anamika Roy is an experienced manager with more than 10 years of experience with Big 4 and Fortune 500 Companies.

Anamika has led numerous internal audit and assurance engagements for large multinational companies, delivering value-added Risk Advisory services including, Sarbanes Oxley Compliance, SOC Reporting, Enterprise-Wide Risk Assessments, developing ERM and IT Risk Assessment frameworks, Cybersecurity, GDPR readiness assessments as well as execution of internal audit plans.

She works with organizations to establish the platform for delivery of next generation internal audit services, through use of analytics, automation and other emerging tools as well as the adoption of advanced methodologies, approaches and tools.

She is an Accredited Scrum Master and has coached several client teams to adopt Agile Methodologies and transform their daily project management by staying focused, aligned and improving continuously.
Today’s Learning Objectives

At the conclusion of this course, participants will be able to:

► Discuss how IA can respond quickly to changing businesses and emerging issues through increased engagement and a collaborative approach;
► Describe how to shift to a more risk based audit planning mechanism; and
► Deliver impactful, relevant and real time insights as a result of continuous communication with all stakeholders.
Key Topics We Will Be Discussing

- Define Agile software development and Agile Auditing
- Value Proposition for Agile Auditing
- Overview of the Scrum Methodology
- Execution of the Agile Auditing process
- Agile Auditing - Challenges, Pitfalls and Key Lessons Learned
- Scrum it Up!
Polling Question 2

Where did you first learn about Agile auditing?

A. IIA Conference / Chapter Event
B. Online article or whitepaper
C. Professional Network
D. This is the first time
E. Other
Agile Auditing | Definition & Value Proposition
What is Agile Software Development

- An alternative to traditional project management
- Framework within which many process and techniques can be operated, based on the 12 Principles of the Manifesto for Agile Software development
- Focus on collaboration between self-organizing cross-functional teams

The authors of the Agile Manifesto chose “Agile” as the label for this whole idea because it represented the adaptiveness and response to change which was so important to their approach.
Agile Manifesto

Satisfy the customer through early and continuous delivery

Build projects around teams

Welcome changing requirements

Working software as a primary measure of progress
How is Agile relevant for IA

“Agile Auditing* is the use of agile software development values, principles, frameworks, methods, and/or practices in the execution of internal audit engagements”

- IA should be a dynamic profession
- IA function is losing the perception of a “value add” in this fast changing world
- Agile provides an alternative approach to the traditional way of auditing by changing the entire mindset

Source: IIA Publication - Serving the Global Internal Audit Profession
Agile Auditing | Value Proposition

Mindset - Focus on what is most important to users of the audit and do that first

- Stakeholder involvement / plan in vacuum
- Adapt to change / annual plan
- Insights / weight test
- Creativity / policies and procedures

Source: IIA Publication - Serving the Global Internal Audit Profession
Benefits to IA Audit Function

- Focus audit efforts to delivering business value
- Increased involvement of stakeholders and a common vision
- Higher team engagement
- Increased team productivity while spending less time in fieldwork.
- Ability to manage changing priorities and identify roadblocks sooner

Responsive & flexible
Polling Question 3

One of the key principles and mindset shifts in Agile Auditing is:

A. Enhanced documentation
B. Stakeholder involvement
C. Policies and procedures
D. Decrease auditor workload
E. All of the above
Agile Auditing | Overview of the Scrum Methodology & Execution
Concept: Traditional v. Agile Auditing

TRADITIONAL AUDITING

WATERFALL MODEL
- Planning
- Fieldwork & Review
- End of Project Reporting

AGILE AUDITING

SCRUM FRAMEWORK
- Backlogs
- Sprints & Retrospectives
- Iterative Reporting
Scrum

**Scrum (n):** A framework within which people can address complex adaptive problems, while productively and creatively delivering products of the highest possible value.

**Scrum Principles**

- Empirical Process Control
- Self Organization
- Collaboration
- Value based Prioritization
- Time-boxing
- Iterative Development

*Source: Scrumguides.org/scrum-guide.html and the SBOK Guide*
Agile Audit Workflow - Execution

STAKEHOLDERS
AUDIT PRODUCT OWNER

AUDIT SCRUM MASTER
AUDIT SCRUM TEAM

STAKEHOLDERS
AUDIT PRODUCT OWNER
SCRUM TEAM

DISCOVERY PLANNING

FIELDWORK

REPORTING

Risk Assessment

Audit Universe

Tasks / Backlog

Scope & Objectives

DOR

DOD

POV

Daily Stand-up Meetings

Test

Report

Plan

Test

Report

Plan

Wrap Up & Final Report

Retrospective

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Traditional v. Agile - Inventory Example

**TRADITIONAL**

- **Timeline:** 8 weeks or more
- **Approach:**
  - Review of inventory holistically (e.g., Receiving, E&O, Adjustments, etc.) at a plant as part of rotational basis and follow a static APG
  - Focus is on policies and procedures/financial - adherence
- **Team composition:** All financial, may include someone with plant experience.
- **Report:** End of Project

**AGILE**

- **Timeline:** Run 1-2 weeks with daily updates focusing on results. Repeat process.
- **Approach:**
  - Prior to fieldwork meet with stakeholder after agreed upon KPI(s) triggered review
  - Root cause / hypothesis of what may have caused it. Customized APG and approach.
- **Team composition:** Diverse team - SMP plant, cost acct, financial
- **Report:** Iterative
Polling Question 4

A key difference between Agile Auditing execution model and the Traditional Model is:

A. There is no planning phase in Agile Auditing
B. Due to shorter time frames results are often less impactful
C. Enhanced documentation
D. Results are reported in short sprints which allows to adapt to changes quickly
E. None
Scrum Attributes

Scrum Roles
1. Stakeholder / Sponsor
2. Product Owner
3. Scrum Master
4. Scrum Team

Scrum Cadence
1. Discovery/ Backlogs
2. Daily Stand-up
3. Sprint Planning
4. Sprint Review
5. Retrospective

Scrum WorkFlow
1. Sprint Planning
2. Sprint (Design - Test - Exception Management)
3. Sprint Retrospective

Scrum Metrics
1. Burndown Charts
2. Burnup Charts
3. Scrum Boards
4. Velocity Charts
5. Expectation Charts
The Audit Team | Scrum Roles

Audit Product Owner
Helps understand the vision of the audit and makes key decisions.

Audit Scrum Master
Facilitates and focuses on team improvement.

Scrum Team Members
Perform the work (analysis, test, document, quality checks for a desired outcome).

Stakeholders / Project Sponsors
Scrum relies on transparency. To the extent that transparency is complete, the decisions have a sound basis.

- DoR - Sprint criteria
- DoD

“Never pull anything into a sprint that is not ready, and never let anything out of the sprint that is not done”

Source: The Scrum Guide, November 2017
The Audit Team | Metrics

- Scrum Boards
- Burn-Down Charts
- Burn Up Charts
- Velocity Charts
Audit Impediments and how to address them

“Impediment is a problem that a self organizing scrum team is unable to solve and requires the scrum master to intervene.”

How to address impediments:

- Don’t wait until the Daily Scrum to raise an impediments!
- Use a clear Sprint Goal
- Improve transparency by using an ‘Impediment Board’
- Collaborate with the Product Owner
- Stop spending time and effort in solving the wrong problem
Considerations for using Agile

- Enhanced Planning
- Fit for All?
- Light Documentation
- Data Analytics

Agile is NOT a silver bullet!
Agile Auditing | Challenges & Pitfalls
Pitfalls / Challenges

- Organizational culture change
- Support from sponsors & Stakeholders
- Preventing burnout
- Correctly apply agile concepts
- Adhere to time boxes
- Dedicated Resources
- Correctly apply agile concepts
- Adhere to time boxes
- Dedicated Resources
Lessons Learned

- Start small with a pilot project
- Get an Agile Coach & agile training
- Customize agile to your organizations requirements
- Right size each sprint based on sprint goals
- Collaborate - internally as well as externally
- Never give in to status quo!
Polling Question 5

After attending today’s webinar we plan to:
A. Not do anything just here for the CPE
B. Already use Agile approach and may make some adjustments
C. Planning to discuss on how to rollout and implement Agile framework at our company
D. Thinking Agile approach won’t likely work at our company
E. Other
Scrum it Up!
Scrum it Up!

What is the best approach to Agile Audit Adoption?

How do I deal with distributed audit teams in Agile?

How do I scale Agile Adoption?

Coach?
Polling Question 6

Has today's training provided you with valuable information?

A. Yes
B. No
Questions

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