Agile: Why make the change?

Fundamentally, adoption of Agile is not an all-or-nothing strategy. With the value of Internal Audit ('IA') on the line, are you willing to explore how Agile can be fit for purpose? The marketplace has proven that IA functions need to pivot and adjust their priorities and methods to match dynamic business conditions. If IA is not aligned with the velocity of risk and modernisation of the enterprise, the value of the IA function will diminish.

Agile methods and practices are another effective tool on the path forward for IA functions. However, it is adoption that seems like the largest obstacle. The thought of introducing Agile may seem overwhelming, so it is pushed aside as innovation for the future and the opportunity to be a step ahead is lost. KPMG believes that each organisation should align the adoption of Agile methods/practices to where they are culturally at, and in the domains they require.

**What is Agile?**

- Agile is an **iterative** and incremental approach to development.
- In an Agile project, a **sprint** of work is short in duration, 1-3 weeks.
- The core concept of Agile is to **deliver faster multiple releases** – no longer waiting for one big release.
- Successful Agile relies on **regular involvement from the business** stakeholder – focus on transparency, accountability, and reporting.
- **Scrum** is an Agile lever to deliver incremental builds in short sprints. It is **ideally used where requirements rapidly change**.
- Agile focuses on the **most critical requirements** first and then builds on the initial deliverable based on early results.

**What is not Agile?**

Prior to adopting Agile IA principles, it is important to understand some common misconceptions around the Agile Audit methodology.

Agile is not:

- An excuse to not report on status and results. Instead, there is a focus on reporting of results to ensure correct focus.
- A check list. It is a principle and a new way of thinking about the audit process.
- Directionless approach without requirements. Rather, direction and requirements are regularly refined to ensure all parties are in agreement.
Agile: How it translates to Internal Audit Activities

Audit planning

In traditional audits, a detailed set of tasks are planned for the audit before beginning any work and documented in a formal Statement of Work, Audit Scoping Memo, and Audit Programme. In contrast, Agile audits leverage the following:

- Stories, the smallest unit of work must be completed during a single sprint. Stories are defined tasks for the audit written by the team with input from the auditee.
- A definition of ‘ready’, a set of criteria that must be known about the story to be included in the sprint.
- A definition of ‘done’, defining the intended outcome of the story and must be defined to be included in the sprint.
- The sprint, a repeatable, time-boxed phase that includes the stories to be worked by the audit team during the audit.
- A Kanban board, used to visually represent where each story is in the audit project, including what is being done, what needs to done, and what has been done.

Benefits

Leveraging Agile allows IA to dive in before every detail is understood; gain consensus on what needs to be performed and the intended outcome; and reduce delays, rework, overwork, and confusion. It also enables IA to re-prioritise tasks as they go and evolve the direction of the audit based on observations gained during planning. This helps focus the audit on the risks and topics with the biggest impact and highest Return On Investment.

Audit delivery and reporting

Traditional audits are performed in a linear manner. The audit team provides process owners with high-level results during periodic touch points or through status reports. It concludes with a final audit report and post audit follow-up.

Agile audits are performed through iterative audit sprints, a series of short work periods focused on achieving a specific end goal. Results are provided during the daily stand-up, a quick daily meeting, with the audit team, focused on immediate roadblocks and real-time issues. Each sprint is followed by a sprint review, designed to review the results of the last sprint, findings, and any implications for remaining sprints. A retrospective review is performed at the end of each sprint to review what went well, what did not work, and what should change before the next sprint or audit.

Benefits

Performing the audit in focused segments and reviewing results iteratively enables more frequent delivery of results and closer collaboration with stakeholders. This allows the audit team to pivot to immediate actions, make adjustments based on management feedback, and apply improvement opportunities within the audit sooner. The daily stand-up also provides process owners with results earlier and at a more granular level, allowing them to see and react to opportunities and issues sooner - in days rather than weeks or months.
Agile: Where does your organisation fall?

Ad hoc Agile projects throughout the organisation
Representative organisational attributes of level 2
- Top-down/centralised annual planning with no regular cadence for revisions;
- Some stakeholder engagement in project planning; and,
- Beginning to define Agile practices and planning for pilot (usually IT).

Initial Agile adoption in the organisation
Representative organisational attributes of level 3
- Annual planning and budgeting with planned meetings for frequent review and adjustments;
- Organisational approach for Agile defined, some but not all projects have adopted the Agile methodology; and,
- Completed an Agile pilot project (usually in IT).

Agile adoption in multiple levels of the organisation
Representative organisational attributes of level 4
- Quarterly planning and budget review;
- Organisationally adopted Agile principles and leading practices to guide teams, stakeholders, and leadership; and,
- Completed multiple Agile projects with clearly defined cross-functional Agile teams.

Organisation has not adopted Agile attributes
Representative organisational attributes of level 1
- Thinking about Agile, no adoption, formal or informal; and,
- Limited collaboration in annual planning and budgeting.

Agile Organisation
Representative organisational strategies of level 5
- Adopted a lightweight, fluid approach to planning and budget cycles;
- All internal projects have adopted Agile principles;
- Agile teams defined across the enterprise;
- Organisational mindset shifted and scalability solved with a focus on continual delivery; and,
- Every leader fully supports and reinforces the concepts in the Agile manifesto.
Agile: Where to start?

**Research**
Before embarking on the Agile journey, IA should develop an understanding of Agile to ensure it is a good fit for the business.

**Plot IA’s Current State**
If Agile is deemed to be the correct fit, IA should have a discussion about the challenges within the department, incorporating feedback from IA leaders and other business stakeholders.

**Understand IA’s current level of Agile**
The next step is to assess what level of Agile IA is currently operating at. This allows the organisation to build on any Agile concepts already operating.

**Make a plan to scale Agile**
For Agile principles to really take hold and deliver results, IA must move beyond pockets of experimentation and scale the relevant components of Agile across its entire delivery model.

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Linking Agile Role Profiles and Responsibilities to Audit Team Profiles

<table>
<thead>
<tr>
<th>Development Team</th>
<th>Audit Team</th>
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<td>Takes on and determines how to deliver chunks of work in frequent increments.</td>
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**Scrum Master**
Audit Manager/Lead

Protects the team and focus of the audit overall and sprints to prevent distraction and work toward the final product.

**Product Owner**
Client/Stakeholder

Provides input to help prioritise audit focus based on their knowledge of the business area being audited and its current state.
How can KPMG help?

If your IA function is exploring or in the process of transforming, KPMG can help you incorporate aspects of Agile to improve efficacy, collaboration, assurance, risk management, and organisational value by leveraging our framework, and embracing the tenets of the tried-and-tested KPMG IA Manifesto outlined below.

KPMG concentrates deep skills in risk and regulation, advanced digital solutions, and well-established change know-how in one powerful and global capability. We can help you build trust with everyone who has a stake in your business, from customers, employees, and suppliers to regulators, shareholders, and the communities in which you operate.

Our approach to Agile focuses your attention on the business outcomes and strategic priorities that matter most to you. By doing the right things, in the best possible way, you can secure a future that is successful and sustainable.

KPMG IA Manifesto

**Empowered teams over hierarchical attitudes.**
IA functions that apply an Agile approach are collections of proactive and collaborative thinkers. Working together, teams initiate and perform audits to solve real problems. People on the ground are authorised and encouraged to question and to adjust the audit based on interim findings or misalignment with priorities.

**Nimble, heads-up collaboration over rigid, heads-down processes.**
The old way of performing an audit was to dust off the same audit year after year. While IA teams will always have recurring audits, adopting Agile principles promotes IA teams to think critically about how the business or control environment is evolving, take ownership of the audit, and make decisions throughout each audit based on diverse perspective and expertise.

**Timely insights over checking the box.**
Agile requires engaging regularly with stakeholders, allowing IA to identify adjustments to the audit based on stakeholder and team feedback. Through more frequent reporting on progress and results (ideally weekly), IA is more connected and delivers timely insights—not just findings—that the business can quickly act on.

**Succinct, impactful reporting over lengthy, fruitless reports.**
The Agile-inspired audit approach enables reporting early and often, doing away with lengthy page audit reports that no one reads. Findings are shared quickly and in a more streamlined fashion. More importantly, critical results that could have a huge impact on the business are elevated and emphasised, with only the most important findings being included.

**Driving change over communicating observations.**
Audit work should extend beyond where it typically stops. Applying more of a consultative mindset will help drive change. A consultative mindset involves offering objective, strategic, and realistic input to resolve top issues and take advantage of opportunities. Driving change means staying involved longer to help see the organisational objectives being met.