Pierag

Introduction

The Evolution of Internal Audit

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In an era where change is the only constant, traditional internal audit methods can struggle to keep pace. Agile Internal Audits are not just a trend, but powerful transformation that equips organizations to proactively manage risks while seizing new opportunities.

Agile Internal Audit leverages principles from agile project management, creating a modern and flexible approach to internal audits. This methodology enhances responsiveness, efficiency, and effectiveness in today's rapidly evolving business landscape.

Why Agile?

Proactive Risk Management
Stay ahead of potential threats and navigate uncertainties with agility.

Seizing Opportunities
Quickly adapt to emerging trends and capitalize on new business prospects.
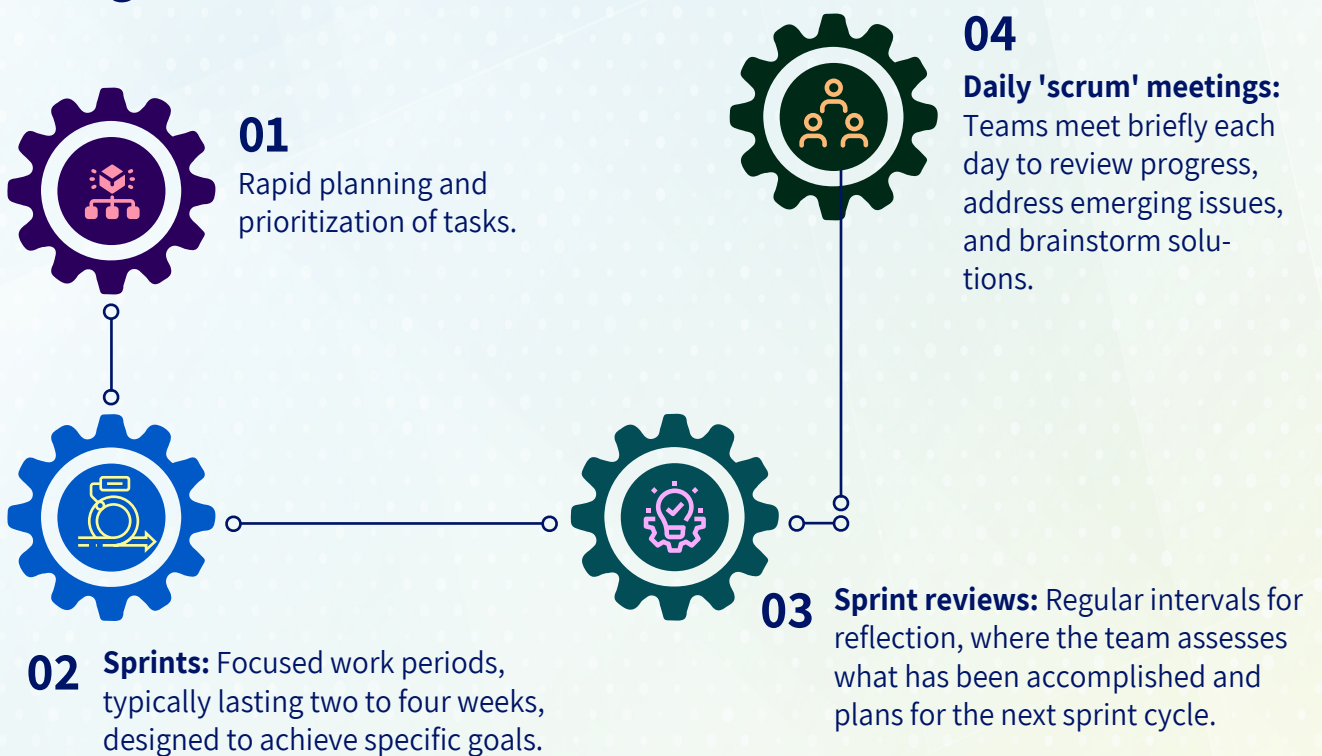
Enhanced Efficiency
Streamlined processes that allow for timely insights and decision-making.

Understanding Agile

Agile is a working methodology that originated in software development to provide an efficient, iterative approach. Today, it has gained significant traction across various industries, especially in fast-paced, dynamic, and digital business environments.

The Agile includes:

04
Daily 'scrum' meetings: Teams meet briefly each day to review progress, address emerging issues, and brainstorm solutions.

01
Rapid planning and prioritization of tasks.

02   **Sprints:** Focused work periods, typically lasting two to four weeks, designed to achieve specific goals.

03   **Sprint reviews:** Regular intervals for reflection, where the team assesses what has been accomplished and plans for the next sprint cycle.

Agile is frequently compared to the traditional Waterfall method, which is more structured and follows a linear sequence of defined stages. While many internal audit functions traditionally adopt a Waterfall approach, there is growing recognition of the benefits of Agile.

The shift towards Agile allows for a more collaborative, flexible, and iterative process in planning, scoping, and delivering audit activities.
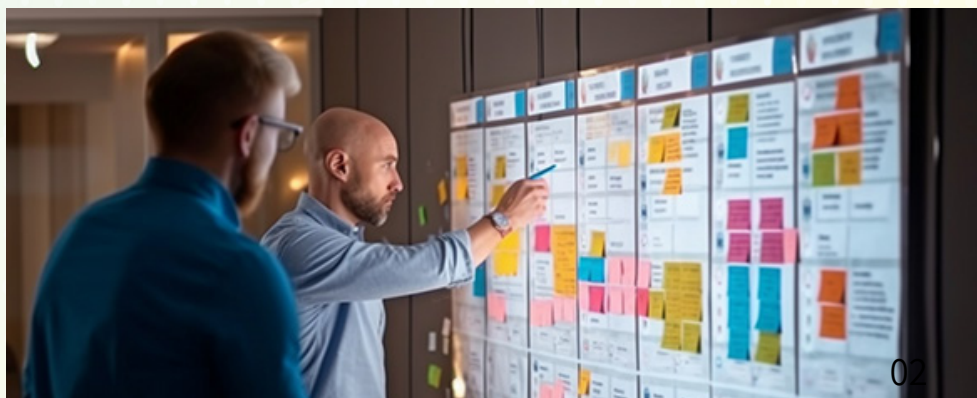
Traditional Internal Audit Vs Agile

Planning
(Week 1-2)

Fieldwork
(Week 3-6)

Review
(Week 7)

Reporting
(Week 8+)

Planning (Week 1-2)

Extensive fieldwork and evidence gathering.

Comprehensive review of audit findings.

Comprehensive review of audit findings.

Limitations of Traditional Internal Auditing:

Lack of Flexibility: Traditional internal audits often follow rigid processes, making it difficult to adapt to changing business environments or emerging risks. This inflexibility can result in missed opportunities to address critical issues promptly.

Delayed Feedback Loops: Conventional audits typically operate on an annual or semi-annual cycle, leading to delayed feedback on risks and compliance. This lag can hinder timely decision-making, leaving organizations vulnerable to unforeseen challenges.

Siloed Operations: Traditional auditing often involves isolated departments working independently, resulting in a lack of collaboration and communication. This siloed approach can lead to gaps in risk assessment and an incomplete understanding of the organization's overall risk landscape.

Traditional Internal Audit Vs Agile

The Agile audit process can be divided into the following three main phases:

1. Planning and preliminary research

- **Identify Audit Objective:** The audit objective is determined based on the audit backlog, stakeholder feedback, and key priorities.
- Conduct Planning and Research: Incorporate all relevant aspects into the audit plan during this phase.
- Define Value and Purpose: Ensure the audit's added value and purpose are clearly outlined in the Definition of Ready before proceeding.
- scope, conclusions, recommendations, and action plans.

2. Audit Execution

- **Work Distribution:** Assign tasks based on different sprints. After each sprint, assess the results (Definition of Done) to determine the next steps in the audit.
- **Regular Stand-ups:** Hold regular stand-up meetings with the auditee to discuss progress and gather new insights.

3. Completion and Evaluation

- **Sprint Completion:** Finalize sprint tasks and activities by preparing the Audit Product, which is shared with the auditee and stakeholders.
- **Audit Product:** This document includes the audit objective, scope, conclusions, recommendations, and action plans.

Key Advantages of Agile:

01	Planning and preliminary research
02	Audit execution
03	Completion and evaluation

Enhanced Collaboration: Agile fosters close collaboration between audit teams and stakeholders, ensuring that insights are shared in real-time, which leads to more relevant and actionable findings.

Improved Adaptability: The Agile approach allows internal audit teams to quickly respond to changing business environments and emerging risks, ensuring audits remain timely and impactful. Continuous Feedback and Improvement: Regular interactions and feedback loops promote ongoing evaluation of audit processes, driving continuous improvement and enhancing the overall quality of audits.

Additional Advantages of Embracing Agile

Enhanced Risk Management

Use a risk-based approach to identify, assess, and manage risks effectively, leading to more impactful mitigation strategies.

Real-Time Data Analytics

Leverage advanced analytics for real-time insights, enabling proactive risk management and informed strategic decisions.

Speed and Flexibility

Enable quicker turnaround times for audit reports, focusing on critical issues that matter most to the organization.

Broader Audit Coverage

Conduct audits in shorter cycles to cover more organizational areas, providing a comprehensive view of risk and control environments.

Continuous Improvement

Foster a culture of ongoing assessment and enhancement of the audit process, delivering actionable insights more effectively.

Traditional vs. Agile Internal Audit: A Comparative Analysis

Aspect	Traditional Internal Audit	Agile Internal Audit
Approach to Planning and Execution	Rigid, predetermined audit plan for an extended period (e.g., a full-year audit calendar). Example: A year-long audit focused on financial controls, executed as planned.	Flexible, iterative approach with shorter audit cycles (e.g., quarterly or monthly). Example: Revising audit scope mid-cycle based on newly identified business risks.
Scope and Focus	Broad, comprehensive audits that cover multiple areas. Example: Auditing the entire HR function in one audit cycle, irrespective of varying risk levels.	Focused on high-risk, high-priority areas, conducted in smaller chunks. Example: Prioritizing payroll compliance over broader HR functions due to emerging fraud risks.
Stakeholder Engagement	Limited engagement until the audit is complete. Example: Stakeholders are only involved during the initial planning phase and receive a report at the end.	Continuous engagement throughout the audit. Example: Regular check-ins with department heads to adjust audit focus based on ongoing business developments.
Reporting and Deliverables	Delivers a lengthy, final audit report at the end of the cycle. Example: A 50-page audit report submitted after a 6-month audit cycle.	Provides frequent updates, interim findings, and short reports. Example: Monthly status reports highlighting risks and early recommendations for immediate action.
Risk Management	Reactive, focusing on risks after they have materialized. Example: Addressing data breaches months after they occur.	Proactive, identifying and mitigating risks in real-time. Example: Implementing data protection controls immediately after early signs of vulnerability are detected.
Team Structure and Collaboration	Hierarchical, with limited cross-functional collaboration. Example: The audit team works independently, rarely interacting with other departments.	Cross-functional and collaborative. Example: Auditors work directly with IT and Finance teams to address specific risks in real time.
Adaptability	Struggles to adapt to changing business priorities or external factors. Example: Unable to pivot the audit scope when a major market disruption occurs mid-cycle.	Highly adaptable to changing conditions. Example: Mid-cycle shift from auditing financial controls to auditing cybersecurity after a ransomware attack.
	Feedback and improvements typically only happen after the audit cycle ends.	Continuously incorporates feedback to refine processes. Example: Adapting audit methods based on real-time feedback from business units during the cycle.

In essence, Agile Internal Audit is a more dynamic and adaptive approach that aligns the audit function with the rapidly changing needs and risks of the organization. It places a premium on collaboration, responsiveness, and a customer-centric focus, ultimately leading to more effective risk management and value creation.

Agile Internal Audit:
Best Practices and Pitfalls to Avoid

Best Practices in Agile Internal Audit:

Keep the audit objective in mind to ensure results meet the goal.

Focus on outcomes: complete a sprint, then reassess next steps.

Use a flexible schedule and prioritize audit areas, risks, and issues with stakeholders.

Provide regular updates and adjust the audit approach as needed.

Avoid in Agile Internal Audit:

Avoid auditing an entire function or process with all controls at once.

Don't focus solely on completing test procedures before starting reports.

Don't stick to a fixed, long-term schedule without updates.

Avoid skipping meetings to discuss and adjust progress with the auditee.

How Agile Internal Audit Adds Value to Your Business

Cost Efficiency: Agile internal audits reduce unnecessary costs by focusing on high-risk areas and utilizing efficient audit processes.

Aligning Audit with Strategy: By adopting Agile, audits become less of a compliance checklist and more of a strategic value-adding tool.

Fostering Innovation: Agile auditing encourages ongoing improvement and innovation in both the audit process and the business functions audited.

Pierag Consulting

Pierag Consulting was founded in February 2021 by Abhishek Gupta, Thomas Raffa and Pierian Services as a unique business model to serve clients globally by blending domestic proficiency with global expertise. Since then, we have been serving prominent clients across the US, SEA, India and UK in the field of Audit & Assurance, Accounting Advisory, Business Risk and Technology Risk Advisory Services.

With more than 300+ team members operating out of our offices in Gurugram, Jaipur, Chandigarh and Bengaluru, we are fueled by our purpose of 'Inspiring people to do things that inspires them' and our values of 'Excellence, Equity & Empathy'.

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