

TRANSCENDENT GROUP INSIGHT

NEW PERSPECTIVE ON AGILE WAY OF WORKING

More and more organizations are moving to what is called an agile way of working. In IT development, many have been agile for a long time, but the way of working is now starting to be applied to more businesses, organizations, and functions – including internal audit.

Before we have a look at how two internal audit functions have applied the agile mindset, we will address the basics of the agile approach first.

There are some basic values of agile work:

- **Individuals and interactions** over processes and tools.
- **Working software** over comprehensive documentation.
- **Customer collaboration** over contract negotiation.
- **Responding to change** over following a plan.

The agile mindset is, among other things, about:

- Promoting regular communication at all levels.
- Moving decision mandates/power further out in the organization.
- Realizing that it is extremely difficult to predict what makes a successful end product before work is even started.
- Performing inclusive and iterative work with evaluation at each stage necessary for a good end product.
- Welcoming changes in the basic idea throughout the process.

The agile mindset does not follow the process of deadlines in the same way as traditional processes. At the same time, it strives to minimize risk and produce a better adapted end product in less time.

An agile approach affects not only the working group itself, but also all stakeholders, such as leaders/managers and customers. It is therefore of great importance that these groups also have a clear idea of what it means to work in an agile way.

Basic principles of agile approach¹

The agile approach originates in IT development and is based on twelve basic principles:

1. Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.

¹ Manifesto for Agile Software Development

2. Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage.
3. Deliver working software frequently, from a couple of weeks to a couple of months, with a preference to the shorter timescale.
4. Business people and developers must work together daily throughout the project.
5. Build projects around motivated individuals. Give them the environment and support they need and trust them to get the job done.
6. The most efficient and effective method of conveying information to and within a development team is face-to-face conversation.
7. Working software is the primary measure of progress.
8. Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a constant pace indefinitely.
9. Continuous attention to technical excellence and good design enhances agility.
10. Simplicity--the art of maximizing the amount of work not done--is essential.
11. The best architectures, requirements, and designs emerge from self-organizing teams.
12. At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behavior accordingly.

The principles indicate that it is largely about how you look at things/an approach and a culture where the recipient of the result is in focus as well as the individuals who will deliver the result. The idea is to be able to deliver better customized products and cut unnecessary work steps.

Agile approach and internal audit

As many organizations move to more agile ways of working, internal audit functions have also started to look at how this could be applied to internal audit. Of course, the agile approach needs to be adapted to the context in which the internal audit operates. Internal audit is still expected to develop a risk-based plan that is implemented and reported to management and board, there must be an audit process that complies with international standards, some audits are mandatory audits with a compliance perspective, etc.

We have met with two internal audit functions, both of which have begun to apply an agile approach – albeit in slightly different ways.

Skandia Internal Audit

Annika Rörborn has been Head of Skandia's Internal Audit for 5 years. Annika's department consists of approximately 10 internal auditors. Skandia's operations are conducted in Sweden and the auditors are located at the head office in Stockholm.

Skandia started with agile working practices a few years ago and uses the so-called SAFe method.

To keep up with what is happening in the organization, Internal Audit was introduced to SAFe and parts of the team also attended a training in SAFe.

As part of the internal audit's ongoing work to review methodology and working methods, an idea came up at the beginning of this year. What if the Internal Audit would embrace SAFe in its work and thus adapt to the business and "speak their language"?

The Internal Audit concluded that it wanted to achieve an even more risk-based and flexible way of working and not to stick to a certain structure early on. This means that it should be possible to change, both in terms of the audit plan and during a particular review/audit, if there are things that make it necessary to reconsider the initial audit plan. The audit plan is reviewed on an ongoing basis and a more thorough "refresh" is done semi-annually to ensure that the plan is based on an updated risk assessment and thus becomes as up-to-date and value-creating as possible. Proposed changes to the annual plan are approved by the Board of Directors. "In the end it is a question of delivering with higher quality, but it also becomes a spirit of continuous improvement and more fun in the working group", says Annika.

How does that work in the audit projects? Already in the planning phase there is a closer interaction with the business to ensure up-to-date information about the area to be reviewed and a good picture of current risks. A proposal for an audit scope is then presented, which is discussed and approved by Annika. The scope of the audit is then communicated to the business but with an important difference from the past – it explicitly states that selected details or parts of the scope may change as necessary during the audit. An important part, both earlier and in the more agile routine, is to have an ongoing and open dialogue with the business. Regular meetings and confirmation of deficiencies and risks take place during the audits, which means that the final meeting does not contain any surprises and that any questions have already been handled.

An important part of the agile approach is to have frequent meetings to ensure that the audit is on the right track. The Internal Audit now has so-called showcase/stand-up meetings weekly per review and audit team in order to get information about status, prioritize the week to come and address the most important tasks to drive efficiency and quality at work. The need for changes in the detailed scope or testing is also discussed. For example, the risk and control matrix used in the audit will not be final until the audit is over. Where changes in scopes take place, this is discussed with stakeholders.

Another important part of the agile way of working is a culture of constant learning and self-governing teams. At Skandia's Internal Audit, this means combining different competencies in the audits/reviews in order to benefit from and develop knowledge/skills in the team. Audit areas are also switched between the team members for increased learning. Internal Audit also collects feedback from the business after each audit/review and the project team has a de-brief meeting to discuss what worked well and what can be done better.

"The best thing", Annika says "is that the scope for each review becomes more correct and thus provides higher quality and value for the board and management and –not least – a more fun way of working!

Trygg Hansas/Codan Internal Audit

Another internal audit function that has switched to an agile approach is Codan/Trygg Hansa's Internal Audit. I met with Stina Kjellström, Head of the Scandinavian Internal Audit Function, to hear more about their work.

Codan/Trygg-Hansa is part of the global insurance group RSA. In total, the global Internal Audit consists of approximately 65 employees in Sweden, Denmark, the UK, Ireland, Canada and the Middle East.

Starting to work in more agile ways was part of a longer transformation work that began back in 2015. Initially, the transformation focused on creating more connected ways of working across the group function through a new operating model that was hierarchically agnostic and centered around the audit teams with no fixed reporting lines. In addition, a new planning approach was implemented where the plan provides a firm commitment of delivery within six months with an outlook for the following six months to enable a more flexible

planning process to reflect emerging risks, changes in regulatory focus and on-going business initiatives. In 2017, the transition to a more agile way of working started. The work began by studying companies that worked in agile ways to see what could suit the internal audit team at RSA. One company that they found very interesting was the audio streaming and media services provider Spotify from which the current way of working is inspired by.

The purpose of the agile approach is to increase flexibility and be able to adjust the audit plan and scope in order to address changes in the business plan and key risks. A more flexible and risk-based mind-set among employees increases the ability to understand and focus on the risks that can harm the organization. There is also a conscious effort to try to remove traditional "tick-in-the-box" routines in order to free some time for more value-creating activities. "We want to make sure that we focus our audit efforts on risks that can hurt the organization and that we are able to provide insights that really matters to Management and the Board", Stina says.

Internal Audit works with self-empowered teams, so-called audit squads. An important idea with these teams is to give employees more freedom to define an optimal audit program and approach based on three so-called "killer questions" – the three most important risk areas that the audit aims to address. The person(s) who are given the task of auditing a particular area shall put together their own dream team with the aim of delivering the best possible outcome. This means that an audit team can consist of a mix of internal auditors from different parts of the wider group audit function including relevant subject matter experts and/or people from the business. There are no traditional reporting lines, but each audit squad is led by a squad lead that supports throughout the audit.

To support timeliness and quality of squad deliverables, a series of outcome focused agile ceremonies are held. Firstly, there are daily stand-up meetings with each Squad where the idea is to briefly update the squad members on "what have I done, what should I do today, are there any obstacles".

Secondly, they work with so-called sprints that run over two weeks. After each sprint you have a showcase meeting with your squad lead to go through the status with a focus on outcome against the killer questions to assess if the scope or approach need to be altered. When the squad lead leaves the meeting, the squad itself does a retrospective exercise to go through what has worked well, what can be done better, etc.

Stina says that one of the biggest benefits of working in an agile way is that you get a framework that enables and supports the team's collective and individual development. As an auditor in our team, you will get the opportunity to try innovative audit approaches in a highly supported environment. Some catchwords are "try new things, fail fast and learn fast". Most auditors feel a fear of failure, but in order to develop and improve, you have to build a culture where it is okay to fail, the important thing is that you dare to challenge yourself and that you learn from your mistakes.

To match the new way of working, the changing culture and the changed mind-set that is required, Stina has spent a lot of time on recruitment – finding the people who fit in, and that it is not necessarily traditionally trained internal auditors.

At Trygg Hansas/Codan's Internal Audit, they will continue the agile work and further develop the work with dream teams and to find more innovative approaches in the audits. "Agile mindset and ways of working is key to ensure that we as a function stay relevant in the future. It is also a framework that gives us flexibility to adopt to emerging risks on the back of critical events and scenarios, such as Covid-19. Our agile approach enabled us to quickly adjust our plan to better support the business through a series of targeted control and continuous

monitoring reviews, using data analytics. Being agile in everything we do will enable us to stay on top of and be ahead of management in assessing key risks" Stina says.

Concluding reflections:

We believe there is a lot to learn from the agile way of working. We as internal auditors often talk about how we need to be more flexible and adapt to changing risks, we need to be closer to the business to capture the relevant risks and we need to move from assurance audits to delivering more valuable insights. The agile approach provides a structure for working in that direction. And who does not want self-governing teams who think the work becomes more fun and also delivers a greater value for the end customer!

"Even if we cannot transform all our audit engagements into a fully agile working practices today I will for my next audit try and have a daily ten minutes stand up meeting, just to see the impact on the audit, myself and my colleagues", says Charlotte Eklund, Internal Audit Lead at Transcendent Group.

Let us know your thoughts and questions! Is this something of interest for you?

Please reach out



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