Audit Agility: Conceptual Framework

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Abstract

This study deals with the conceptual framework of agile audit, the agile methodology is especially well suited for complicated audits that call for a concentrated team and seasoned auditors to adhere to shorter audit cycles and speedier service delivery to its clients. Agile is a method for re-evaluating how teams approach projects or smaller tasks. Rapid adaptation to internal and external contexts is a key component of agility, which can enhance operational performance. An agile strategy improves communication since it may use the most recent communication technologies and face-to-face conversation. The agile environment "encourages developers to partially complete work to the product owner and other stakeholders as a sprint advances," according to Deloitte The potential of an agile strategy to reduce the amount of time between planning and product delivery is one of its traits. According to KPMG's 2019 report, integrating agile approaches may help firms' internal audit and control functions be more valuable. It's possible to combine the system with other risk and compliance software.

Keywords: Audit Agility - Seasoned Auditors - Agile Environment- Traditional Auditing

1- Introduction

Agile Internal Audit is the mentality that an Internal Audit unit would adopt to concentrate on stakeholder needs, speed up audit cycles, generate less documentation, drive timely insights, and decrease wasted labor. Internal auditors and stakeholders are prompted by Agile to decide up front what value will be provided by an audit or project. Agile also prioritizes audits and projects based on their significance, urgency, and readiness for completion. Finally, reporting focuses on sharing ideas rather than on recording the activity. (Joshi, 2021); (Rajkumar, 2021); (Newmark, Dickey, & Wilcox, 20.18).

The term "agile" is used to refer to a set of guidelines and practices that were developed initially for use in software development and made well-known by the Agile Manifesto for Software Development in 2001 (Doz, 2014). This featured the following four values and twelve value-oriented principles. While all of the parts are necessary, the values presented here acknowledge that the ones in bold should take precedence over those in italics. (Teoh, Lee, & Muthuveloo, 2017); (Newmark, Dickey, & Wilcox, 20.18); (Doz& Kosonen,2008); (Rajkumar, 2021)

1. People and interactions over procedures and equipment.

2. Utilizing functional software over thorough documentation.
3. Customer involvement during contract negotiations.
4. Adjusting to change instead of sticking to a plan.

2- literature review

(Joshi, 2021), With the aid of a literature analysis, this article analyses agile internal auditing from a retrospective and prospective perspective and offers some insights into the idea, history, need, methodology, characteristics, implementation process, benefits, and obstacles. The essay focuses primarily on internal auditors' usage of Agile methodology to deliver quick information.

The agile methodology is especially well suited for complicated audits that call for a concentrated team and seasoned auditors to adhere to shorter audit cycles and speedier service delivery to its clients. Given that the size and organizational culture of any company will have a significant impact on the agility of the internal audit department, The article's conclusion is that academics, researchers, and practitioners need to conduct empirical, theoretical, and practical investigations on this developing approach's applications, difficulties, successes, and failures in order to provide deeper insights into it. Additionally, it is necessary to undertake agile internal audit case studies in order to develop hypotheses based on cross-case analysis. Additionally, it makes some recommendations for potential future lines of inquiry for this new field(VASILE, et al 2019).

While (Newmark, Dickey, & Wilcox, 20.18) find that Technology breakthroughs like data analytics and artificial intelligence are currently undergoing a fundamental change in the audit environment. While disruptive factors like mergers, new IT systems, or last-minute changes in control dependence have always been a possibility for an audit, technological advancements are automating many labor-intensive activities that have historically given traditional audits a sense of certainty.

Because of this perceived dependability, large design up front (BDUF) planning has traditionally been the main project management method used in audits. When unforeseen changes arise, especially in the later stages of the audit, the level of clarity in BDUF audit plans gives only a small amount of flexibility. Furthermore, the structure of an audit engagement will probably need to change as the audit process changes as a result of technological advancement. The audit process may use more agility in the present and the future, and Scrum is especially discussed in this paper as a potential method of doing so.

The study by (Teoh, Lee, & Muthuveloo, 2017) investigates the moderating effects of internal audit function quality and the mediating effects of strategic agility on the connection between enterprise risk management (ERM) implementation and firm performance in Malaysian publicly traded enterprises (PLCs).

The COSO (2004) ERM Integrated Framework was used as the conceptual framework for ERM implementation, and financial and non-financial metrics were used to assess business performance. PLCs on Bursa Malaysia's primary market responded to a questionnaire, yielding a total of 137 responses. According to the study's empirical results, strategic agility strongly mediates the association between ERM implementation and business performance. The effectiveness of internal auditing does not, however, significantly reduce the association between business performance and the use of ERM. Low reaction rates are a problem.

Due to increasing digital disruptions and an increase in financial scandals and fraud, the internal and external audit environment has undergone significant changes. Internal auditing is being automated in place of the conventional waterfall and labor-intensive methods. The Board and management have higher expectations for the Chief Internal Auditors (CIAs). Only

44% of internal stakeholders, according to a survey by PWC, think the internal audit role adds meaningful value. The performance of internal audits falls short of stakeholder expectations as a result (Joshi, 2021).

Additionally, internal auditors need to be more regarded as reliable business advisors, according to stakeholders. Traditional internal auditors have fallen short in the face of economic uncertainty in addressing disruption-related risks. According to audit academics, the auditing field has to switch from a reactive to an agile approach to audit planning. Agile is a method for reevaluating how teams approach projects or smaller tasks. Rapid adaptation to internal and external contexts is a key component of agility, which can enhance operational performance, product quality, and customer happiness. (Joshi, 2021).

The key distinctions between traditional waterfall internal auditing and agile internal auditing are outlined in the following [Table 1].

Traditional Auditing	Agile Auditing
It entails a strict, one-phase planning process for audit work.	It involves a procedure based on continual, flexible, iterative planning in "sprints" (short bursts of planning, work, and increased collaboration)
Communication breakdowns between team members and stakeholders happen frequently.	It emphasises constant interaction and cooperation between members of the audit team and with stakeholders.
It could take up to eight weeks or longer for the planning, fieldwork, review, and reporting phases.	These three stages are finished in a lot less time.
Audit preparation	Backlogs
Observation & Review	Sprints and reflection
Reporting at Project's End	Continual reporting
emphasises thorough documentation	Computerized auditing
following the plan	Adapting to change

An agile internal auditing strategy has ten qualities, which are succinctly listed below: (Joshi, 2021).

1. This strategy puts an emphasis on teamwork and cooperation. The project stays on schedule thanks to prompt feedback from clients and developers.
2. The audit process involves clients directly, and they can see how the project is evolving over time thanks to the agile methodology.
3. An agile strategy improves communication since it may use the most recent communication technologies and face-to-face conversation. The agile environment "encourages developers to partially completed work to the product owner and other stakeholders as a sprint advances," according to Deloitte.
4. The potential of an agile strategy to reduce the amount of time between planning and product delivery is one of its traits.
5. The emphasis is on creating the best product, and there is more flexibility to adjust as necessary.
6. The team's ability to provide high-value product features quickly is another attribute of the agile method. (Rajkumar, 2021).

7. One characteristic of the agile method is that meetings are held within the audit teams to determine whether the execution and performance are going as planned and whether the team is encountering any bottlenecks.

8. A cross-functional team with members with diverse functional expertise is used in the agile approach to work towards a common objective. Each team member performs a variety of tasks and continues to support and maintain the team.

9. According to KPMG's 2019 report, integrating agile approaches may help firms' internal audit and control functions be more valuable. It's possible to combine the system with other risk and compliance software.

In general, a change in perspective is necessary for the successful adoption of agile internal auditing. It is anticipated that the entire company would adhere to agility (Beerbaum, 2020); Beerbaum, et al 2019). It suggests that the IAF is required to concentrate on stakeholder needs, cut waste, and enhance audit processes(BEERBAUM, et al. 2017b).

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