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White Paper Series

An Agile Approach to Internal Auditing
Transparency Builds Trust

A word from our CEO



David Lefever
CEO & Founder



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Thank you for your interest in this strategic content, built by professionals with their feet on the ground and their fingers on the pulse of the latest industry trends. The Mako Group is a mid-west based professional services firm focused exclusively on audit, risk, cybersecurity and strategy. Our reputable company is built on a strong set of personal values, and the services we provide are driven by quality. We're here to serve you; to respond to your needs, armor you with knowledge and leave you with a clear conscience.

At The Mako Group, we've built a firm grounded on the principles of risk reduction through the trusted foundations of audit and security. The overall risk profile of your company is as important to us as it is to you, and building peace of mind doesn't come easy. As we build new content, develop new relationships or construct a successful program, we find the formula for success to be somewhat simple. It's all about trust. Most things simply boil down to trust; something you can't buy. Trust is earned. It's earned through honesty, transparency, delivering on your promise, performance through achievement and ultimately through results. Expect the best and accept nothing less.

As a team, we at The Mako Group believe in the power of trust and exemplify this through our actions. With that, we've built a strategic content library of case studies, white papers and infographics just for you. These important perspective pieces are built solely to give you the insight and peace of mind you need to make qualified decisions. They're built to help you sharpen your pencil and shape the instincts necessary to succeed.

We hope you find high value in what you read, and welcome any additional insight or feedback you would be willing to share.

A handwritten signature in black ink, which appears to read "David Lefever".

David Lefever
CEO & Founder

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An Agile Approach to Internal Auditing

As internal auditors, we've seen an uptick in usage of the term "Agile" in reference to how more and more companies are developing software. Agile software development has grown increasingly popular as both software and non-software companies transition from traditional development methodologies, such as the waterfall model, to a value-driven Agile approach.

Like any auditable area, this requires internal auditors to understand the key concepts, evaluate the risks and determine how to effectively audit the process based on pre-defined objectives. However, that's not the purpose of this white paper. What we auditors find even more intriguing is how the values and principles behind Agile software development apply to the field of internal auditing.

The Agile Foundation

Agile is an overarching term for various software development methods and tools, such as Scrum and Scaled Agile Framework (SAFe), that share a common value system. Developed in 2001, the Agile Manifesto provides a set of fundamental principles that Agile teams and their leaders embrace to successfully develop software with agility. Companies that have adopted Agile development practices recognize the urgency to adapt quickly to changing technology and deliver enterprise-class software in a short amount of time; otherwise, they run the risk of becoming extinct.



Top Benefits of Agile Development

- Accelerated product delivery
- Improved project visibility
- Increased team productivity
- Better management of changing priorities

Why Apply Agile to Internal Audit?

At The Mako Group, we have found that applying Agile concepts to the internal audit function is not a new concept, but has never been more crucial than in our current environment. Like the companies we aspire to protect through objective assurance and advice, internal audit must be able to address emerging critical risks and provide relevant insight in a timely fashion. Despite our best intentions, many audit departments still develop a long-term plan that

cannot be easily changed and often employ antiquated audit methodologies. If we truly want to add significant organizational value and be a trusted partner with management, internal auditing must evolve, and Agile techniques can help us do that.

Agile Internal Audit Tactics

Just as companies are scaling Agile software development based on the size, capabilities and culture of the organization, the extent of an internal audit function's agility will vary widely for one group versus another. Nonetheless, we have narrowed our focus to three key areas that every internal audit department should consider when becoming more agile.

Planning and Prioritizing

Agile development teams utilize a backlog as the single authoritative source of work items to be completed, which must be continually prioritized. Items on the backlog are removed if they no longer contribute to the goal of a product or release; whereas, items are added to the backlog if at any time a new essential task or feature becomes known. Similarly, the internal audit function should maintain a backlog of areas to be audited that is regularly evaluated and updated based on risk exposure. Instead of committing to a rigid audit plan, this approach allows for timely inclusion of new risks or auditable areas throughout the year.

The importance of collaborating with stakeholders during the planning and prioritization process cannot be overstated. Before beginning work on a task or feature in the backlog, explicit and visible acceptance criteria must be defined based on end user requirements, which is called the definition of ready. This is met for an item on the audit backlog when internal audit has the necessary resources available and agrees with the stakeholders up front on the scope, the goal of the project and the value to be delivered.

Streamlining the Process

Iterations are one of the basic building blocks of Agile development. Also known as a sprint, each iteration is a standard period of time, usually from one to four weeks, during which an Agile team delivers incremental value in the form of usable and tested software. Ultimately, items that move off the backlog must be divided into a series of sprints, which provide a structure and cadence for the work. In the context of internal auditing, the fieldwork associated with an audit should be broken into fixed-length activities

that are appropriately sized to promote the motivation of a tight deadline without stressing the resources in place.

As the goal is to be quick and iterative versus confined to a pre-determined plan, eliminating unnecessary resources and efforts is instrumental to an audit team's successful completion of the work within a sprint. Whenever possible, gathering evidence independently, which also alleviates the burden on stakeholders, is an excellent way for internal auditors to be more efficient. Moreover, examples of waste in the audit process commonly include:

- Distributing requests for evidence that are too vague.
- Sending emails back and forth when a phone call or in-person meeting would be a more productive solution.
- Exhaustively explaining every step taken without considering that concise documentation could achieve the same effect.

Soliciting Continuous Feedback

One of the most commonly practiced Agile techniques is a daily stand-up meeting, normally lasting no longer than 15 minutes, in which an Agile development team discusses each member's contributions and any obstacles. To be truly effective, internal audit team members must regularly check in with each other and not hesitate to raise questions or issues as soon as they come up. Rather than waiting until the fieldwork has been completed to start internal reviews, quality assurance should be built into the daily audit activities.

Furthermore, internal auditors must not wait until the end of an audit to provide results. Early and frequent communication with stakeholders means that the final report or presentation should simply reflect a visual summary of the insights already discussed. We should not only identify opportunities to enhance an organization's operations but also continuously improve our own audit processes.

A crucial role on an Agile team to help foster an environment of high performance and relentless improvement is the scrum master. Acting as the coach of an internal audit team, a scrum master would ensure that the agreed Agile process is followed and encourage a good relationship

among team members as well as with others outside the team.

An Agile Mindset: Transparency Builds Trust

Successful adoption of Agile in internal auditing depends heavily on leadership in the function and generally requires a shift in mindset among the group. In an Agile model, transparency builds trust, which, in turn, drives performance and innovation. No matter the level of agility, internal auditing needs an Agile recipe to evolve and ultimately produce the value and transparency that stakeholders expect.



Mako Use Case



Fortune 500 Company - IT Risk and Compliance Department



Overall Results

Reduction of time spent per audit cycle by nearly 35 percent over the course of a year



Notable Agile Efforts

- Leaving room for unknowns in the annual audit plan and revisiting the plan at the beginning of each quarter to make any necessary updates

Ongoing Results: Greater flexibility to focus on the right areas and account for changing priorities

- Discussing audit details among the team via brief and frequent meetings before finalizing the work versus having the audit lead provide a list of corrections upon a formal review

Ongoing Results: An empowered audit team and more efficiency

- Communicating potential audit issues immediately upon discovery through informal management discussions and articulating the final report in a meaningful format

Ongoing Results: Increased trust and openness with stakeholders

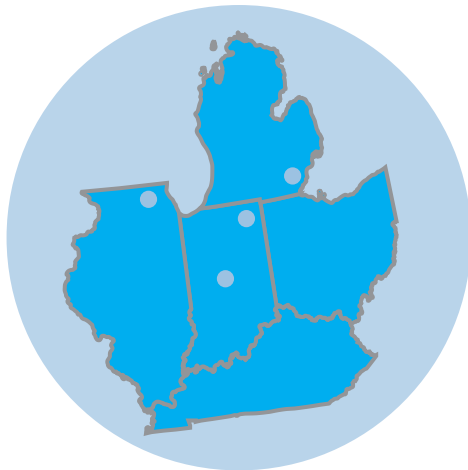


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Who we are

The Mako Group is an audit, risk, security and advisory firm with offices in Chicago, Detroit, Fort Wayne and Indianapolis. We focus on you – on relationships, communication and impeccable deliverables. Everything we do is to achieve the highest level of security and audit standards, beyond the minimum requirements, for you. It's our gold standard. The Mako Group saves you time, hassle and a lot of money. We do this by providing quality work, using a combination of industry standards and best practices, and employing well-seasoned, senior-level staff. We do this because it makes you more secure. And because it just makes sense. Putting these standards in place is why we've never lost a client, and why we continue to grow using our client-first based service approach.



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How we help

The Mako Group offers a wide variety of professional services and develops an individualized approach for each client we serve. Our services include, but are not definitely not limited to:



Security

- Digital Footprint Analysis
- IOT Testing
- Network Configuration Analysis
- Network Penetration Testing
- Peripheral Testing
- Physical Entry Testing
- Security Program Development
- Social Engineering
- Web Application Testing
- Wireless Testing



Risk Assessments

- AML/BSA
- CSC 20
- ISO 27001/2
- FFIEC
- GLBA
- HIPAA
- IRS 1075
- NIST Cybersecurity Framework
- NIST 800-53 and 800-171



Audit

- Agreed Upon Procedures
- Agile Audit
- Authorization to Operate (ATO)
- Control Design and Testing
- Control Mapping
- Framework Alignment
- Identity Access Management
- IT Audit
- MARS-E
- Model Audit Rule
- Operational Audit
- Sarbanes-Oxley (SOX)
- SOC Reports
- User Access Testing



Consulting and Advisory

- Audit Preparedness
- Data Loss Prevention
- BCP & DR
- GDPR
- Governance, Risk & Compliance
- Incident Response Planning
- Cyber Maturity Models
- Policy & Procedure
- Risk Register Development
- RSA Archer GRC
- SAP GRC
- Security Programs
- Sourced CISO
- Supplier Risk Management
- System and Security Plans
- Vulnerability Management

Who we help

The Mako Group believes in partnerships with those we serve. While engagements are completed successfully, the partnership never truly ends. The Mako Group continues to work with clients where possible, long after our engagements have ended. Our client profile includes:

- Ally Financial
- Ashland Chemical
- Commonwealth of Kentucky
- Cooper Standard Automotive
- Dart Container (Solo Cup)
- Do it Best Corporation

- Franklin Electric
- Guardian Industries
- Gordon Food Service
- Indiana Pacers
- Intel Care Innovations
- Mayer Brown Law

- Parkview Health Systems
- Quicken Loans
- RLI Insurance
- Sallie Mae
- Schlage Lock
- Tampa Bay Water