

Effective Internal Audit Report Writing

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Objectives

- 01 Understand the importance of clear and concise communication
- 02 Learn about the 5 C's of internal audit report writing
- 03 Identify the different sections of an internal audit report
- 04 Understand tips for writing effective internal audit reports
- 05 Best Practices, do's and don't for writing the powerful internal audit reports



Food for Thought

01

Were all your findings or recommendations different from last time this area was reviewed?

03

Have more than 90% of your audit recommendations during the last year been fully and successfully implemented?

05

Was the audit opinion a true reflection of the overall conclusions?

02

Do your reports focus on the future rather than the past?

04

Did the findings, conclusions, and recommendations really represent the key issues?

06

Were all your recommendations 100% practical?



**Ask yourself
these questions**

Clear and Concise Communication



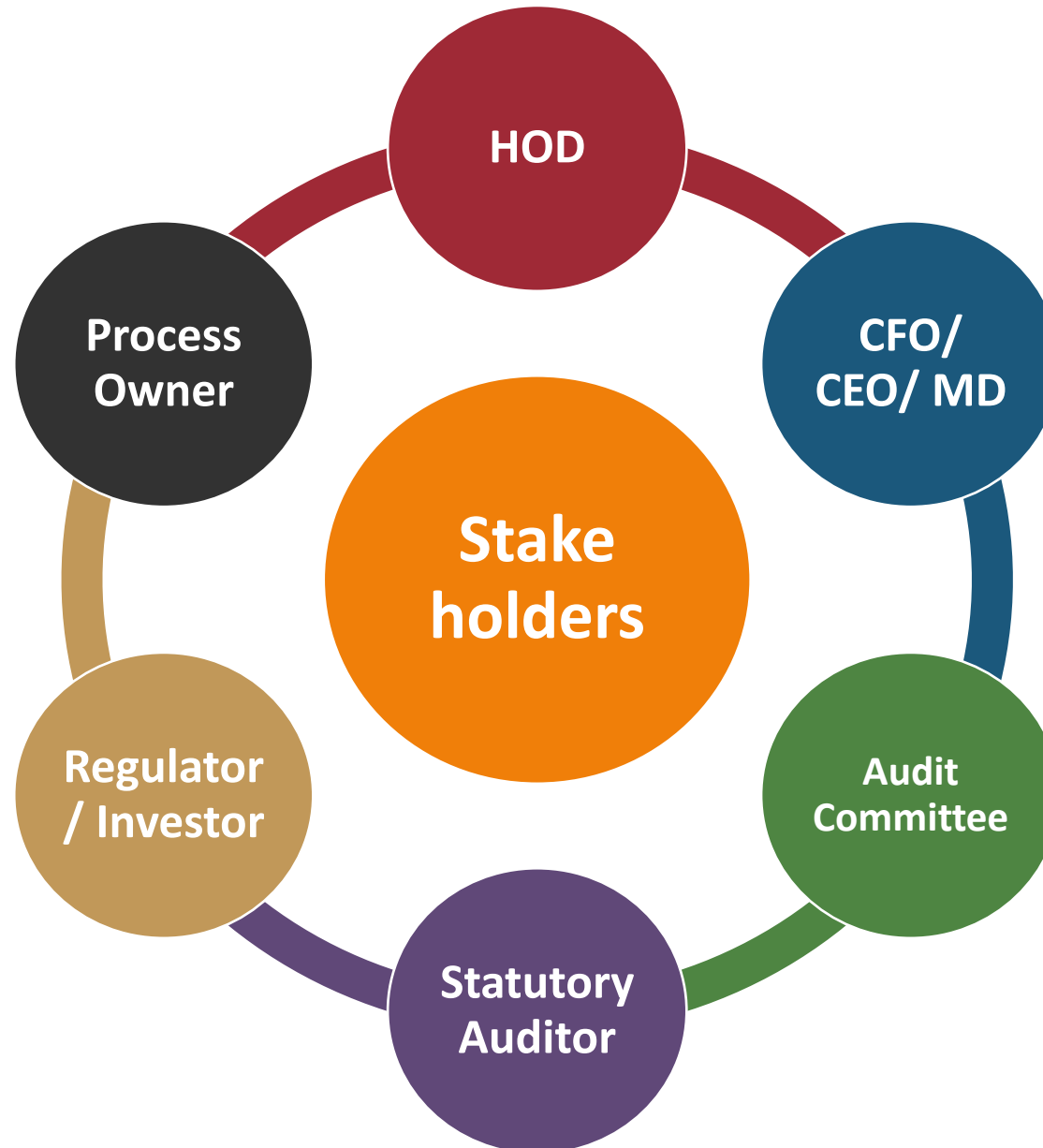
“

To effectively communicate, we must realise that we are all different in the way we perceive the world and use this understanding as a guide to our communication with others.

”

- Tony Robbins

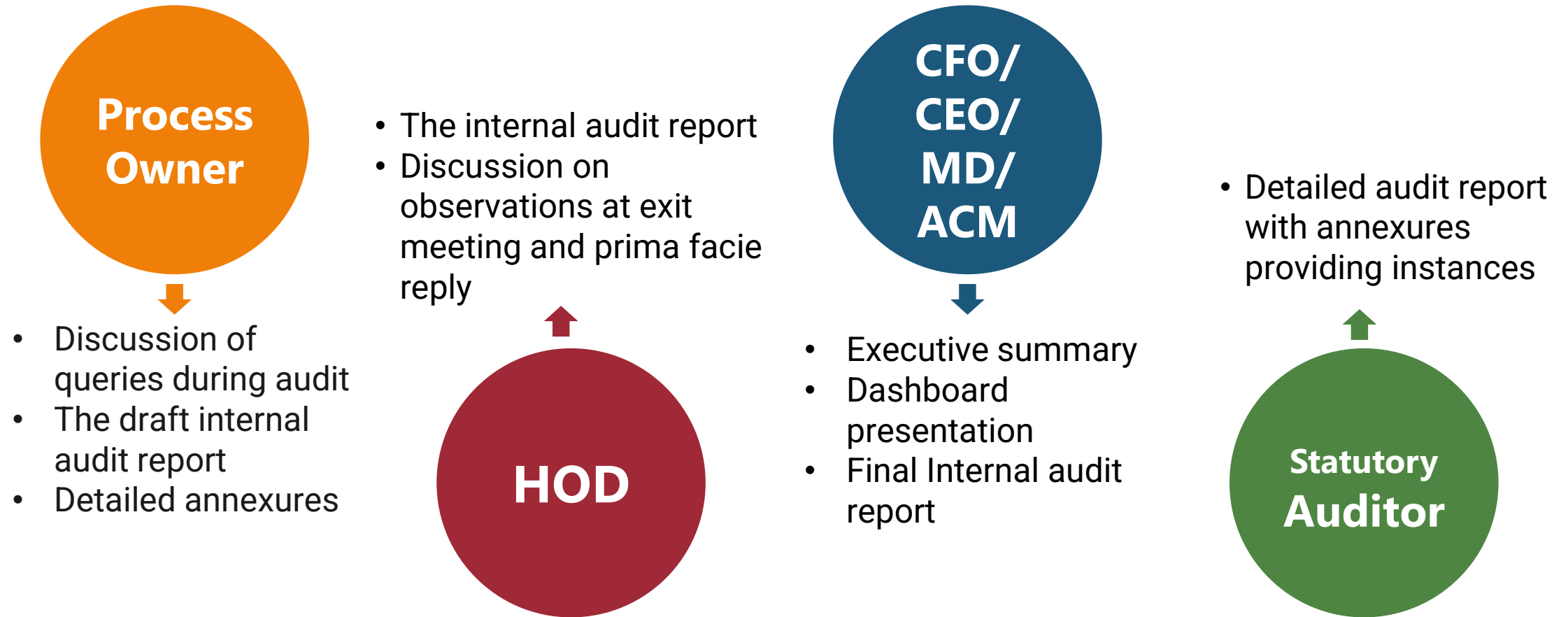
Who are the Stakeholders



What Are The Stakeholders Expectations

| Process Owner | HOD / CFO / CEO / COO / MD |
|---|---|
| <ul style="list-style-type: none">▪ Process understanding▪ Genuine observations▪ Listen to their point of view▪ Practical suggestions / recommendations▪ Cost-effective solution | <ul style="list-style-type: none">▪ Overall risk assessment▪ Categorization based on risk▪ Summarized findings▪ Root cause analysis▪ Recommendations▪ Process owner's acceptance, agreed action plan, first-person▪ responsible for implementation and target date▪ Value addition |
| Audit Committee | Statutory Auditor |
| <ul style="list-style-type: none">▪ Overall coverage and risk assessment▪ Statutory non-compliances▪ The Summarized finding of key issues▪ Preventive controls / automated controls▪ Management comments, agreed action plan, first-person responsible for implementation and target date▪ Providing assurance / comment on improvement▪ Value addition | <ul style="list-style-type: none">▪ Overall coverage▪ Issues which affects the true and fair view of the accounts/ financial reporting▪ Statutory non-compliances▪ Assurance which they can rely on▪ Comfort which would help them make a proper assessment and save their time |

Different Form Of Communication



What The Stakeholders Likes To See



Value-Adding Processes

- Revenue / Costs / Savings
- Efficiency improvement (Rework, Complaints, Rejections, Returns, Inspections, Discounts, etc.)
- Supply chain / procurement
- Benchmarking
- Analytics / Dashboard reporting



Fraud Risks

- Fraud scenarios
- Late adjustments
- Related parties
- Exceptions
- Journal entries
- New transactions / regions / products
- Whistleblowing events
- Delays
- Continuing control deficiencies

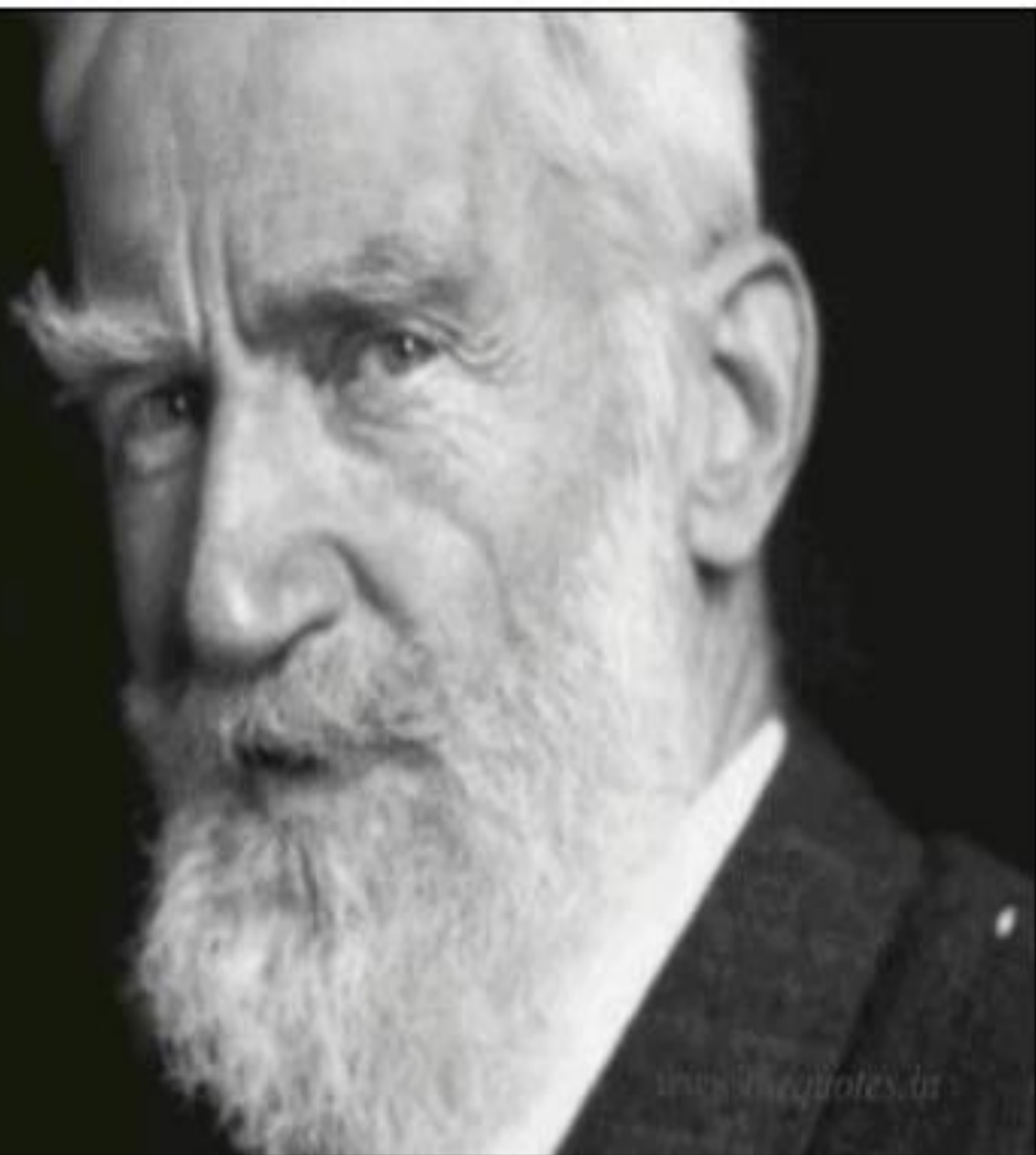


Compliances

- Comprehensive compliance tracking and monitoring
- Self-assessments
- Independent reviews
- Compliance history and assessments
- Board certifications

The single biggest problem in
communication is the illusion that
it has taken place.

George Bernard Shaw



Have you thought?



What readers do and don't value in your written reports?



How you can make it easy for readers to understand and accept your key points?



Why recipients don't always grasp the significance of issues you present?



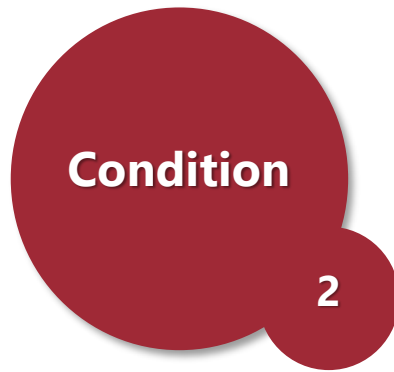
How word choice can affect the readers' response to your report?

Remember the Five C's



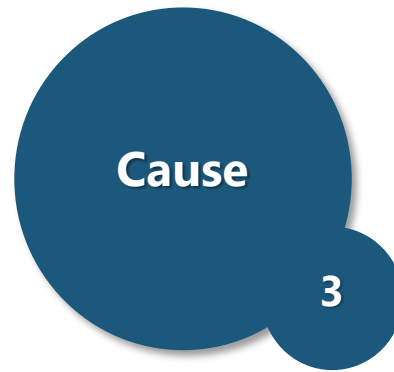
What it Should be

What is the standard that was not met? The standard may be a company policy or other benchmark.



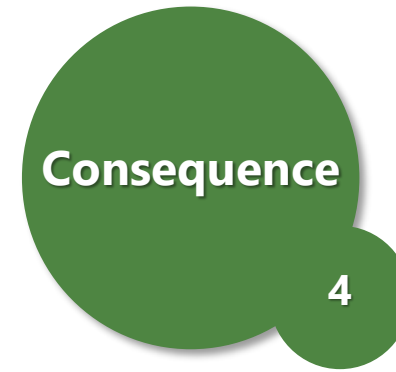
The Current State

What is the particular problem identified?



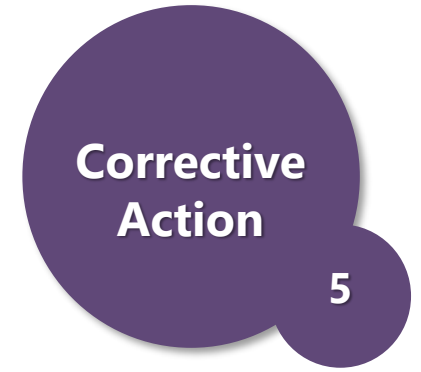
The Reason for the Difference

Why did the problem occur?



Effect

What is the risk/negative outcome (or opportunity foregone) because of the finding?



Plans/ Recommendations

What should management do about the finding? What have they agreed to do and by when?

Different Sections of Audit Report



- 01 Executive Summary
- 02 Introduction
- 03 Finding
- 04 Conclusions
- 05 Recommendations

Audit Report Structure

Contents of Internal Audit Report could include:

The report content and structure is tailored to meet client requirements and intended audience, as long as these requirements do not violate local risk management or professional practice requirements.



Cover Page

- Type of audit
- Name of the Organisation
- Period Covered
- Date of Submission
- Author of report



Purpose, Scope and Methodology

- Information about the audit
- Why audit was done:
 - Per Long Range Audit Plan
 - Requested by the department
 - Required by law
 - Other
- How it was done:
 - Audit objectives
 - Audit methodology
 - Audit scope



Audit Observations

- Background
- Description of the issue noted
- Cause
- Effect / Implication
- Recommendation
- Department comment



Table of Contents

- Identify Topics and Page numbers
- Report Sections
- Annexures / Attachments



Executive Summary

Brief summary of key observations in a concise and easily readable format:

- Overall conclusion
- Overall recommendation
- Relate to Purpose and Scope



Appendices/ Annexure

Details supporting the observations

REPORTING PRINCIPLES TO FOLLOW

Principles

How to Achieve it

Clarity

Use concise, jargon-free language.
One finding = one message.

Objectivity

Focus on evidence, not opinions. Include both strengths and weaknesses.

Actionability

Use SMART criteria for all recommendations. Involve process owners.

Prioritization

Rank findings by risk, not volume.
Don't overload the reader.

Future-orientation

Add emerging risk notes, scenario impacts, and risk forecasts.





Tips for Writing Effective Internal Audit Reports

Use Plain Language

Use of appropriate and plain language avoids ambiguity.

Avoid Jargons

Technical terms may be used wherever necessary.

Be Specific

Don't just state that there is a problem. Explain the problem in detail, including the criteria, condition, cause, consequence, and corrective action.

Use visuals to improve readability

Tables, charts, and graphs can help to break up text and make your report more visually appealing

Tailor the report to the specific audience

Consider the needs and interests of your audience when writing your report. What information do they need to know? What level of detail is appropriate?

Get feedback from stakeholders

Once you have drafted your report, get feedback from stakeholders to make sure that it is clear, concise, and effective.

Eliminate These Five Words From Your Reports



Failed

Instead use:

- ✓ did not meet expectations,
- ✓ fell short of requirements, or
- ✓ unsuccessful.

Inadequate

Instead use:

- ✓ insufficient,
- ✓ not up to standard, or
- ✓ needs improvement.

Found

Instead use:

- ✓ identified, or
- ✓ uncovered.

Ineffective

Instead use:

- ✓ not achieving the desired outcome,
- ✓ lacking efficiency,
- ✓ Unproductive, or
- ✓ not producing the expected results.

Appears

Instead use:

- ✓ seems,
- ✓ presents as, or
- ✓ suggests.

Best Practices- For Presentation



1. State the Critical Issue First

Clients, senior executives, and audit committee members want a succinct description of the issue, its level of risk, and the recommended mitigating or corrective actions.

2. Illustrate the Risk

Audit reports need to communicate the severity of risk in a way that clients can easily grasp. If the stated issue could lead to decreased revenues, for example, the report should quantify the potential loss in a rupee.

3. Emphasize Potential for Improvement

Internal audit is not just about finding problems, but also about finding potential for improvement.

4. Graphical Representation

- Identify the best way to represent your data –bar charts, pie charts, scatter diagrams.
- Follow robust statistical procedures to back up your audit conclusions.

5. Tabular Representation

Identify the best way to group and distribute your data logically into a tabular format to improve the comprehension of complex data with several fields.



Best Practices

1. Positive Assurance

Do not report by exception only. Give a balance view by including in report what is working properly.

2. Follow the 5Cs

Follow 5Cs it will help you in defending your observations.

3. Corrective Action

Work with process owners to include corrective and preventive actions.

4. Short Reports

Keep it short and focused on areas that matters.

5. Faster Reports

Time is the essence. Issue the report speedily for quick actions.



Do's & Don't of Report Writing




- ✓ **Factual accuracy**
- ✓ **Check language** - Check your grammar, spelling, punctuation and style.
- ✓ **Consider the importance of the report:** who it is for, why they want it, how will they use it?
- ✓ **Observe the following principle** –Brevity / Clarity / Readability / Consistency.
- ✓ **Importance:** Decide what information is important and what is irrelevant.
- ✓ **Visual Presentation:** Decide where you might need illustrations or diagrams.
- ✓ **Use bullet points** to make your points clearer.
- ✓ **Use the K.I.S.S principle:** Keep It Short and Simple
- ✓ **Conciseness:** Omit any information, phrases and words that are not absolutely necessary
- ✓ **Clarity and Consistency:** Check your style and opinion (for, against or neutral) is the same throughout.
- ✓ **Simplicity**
- ✓ **Clear, unambiguous writing**
- ✓ **Good logical flow**
- ✓ **Helpful headings:** Include sub-heading wherever required.
- ✓ **Correct formatting:** Justify the content for uniform look throughout
- ✓ **Lack of repetition and unnecessary words**
- ✓ **Review your report**

Do's & Don't of Report Writing



- × **Gender, sexual preferences, etc.** - Using 'he/ she'
- × **First reference to individuals:** Jaya informed us that... (designation preferred)
- × **Superlatives** (best possible solution would be...)
- × **Unsupported words / findings**
- × **Using colloquial language:** For e.g., use "performs" instead of "does", "requires" instead of "needs" etc.
- × **Jargon:** Not everyone understands jargon. So translate their technical language for non-auditors
- × **Unconventional words:** Use simple, commonly used words
- × **Overstuffing sentences:** Keep sentences short & discrete, so don't put too many ideas into one sentence
- × **Negative language:** Negative language stands to dissuade rather than convince clients
- × **Judgmental sentences:** The essence of observation is lost by including personal opinions / judgment



Any Questions

where who
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WHAT when
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Thank You

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