

# **Modern International Standards Of Writing Internal Audit Report**

*By*

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# Introduction

- The Institute of Internal Auditors ( IIA) is the recognised International standard setting body for the Internal Audit profession and awards the certified Internal Auditors designation internationally.
- International Accounting Standard (IAS)
- International Financial Reporting Standard (IFRS)
- International Public Sector Accounting Standard (IPSAS)

# **SOME STANDARDS GUIDING INTERNAL AUDIT REPORT WRITING**

## **International Standards**

- IPSAS
- IFRS
- IAS etc
- Local Standards
- SAS
- NGAP
- Federal Government Financial regulations and Gazettes , etc

# Types of Auditors Reports

- External Auditors – Statutory Audit
- Internal Auditors – Management Decision Making

# Key Areas in Report writing

When writing a report there are five key areas which you should always consider:

1. What is the purpose of the report?
2. Who will read it?
3. How to start
4. The report structure
5. Styles and presentation

# What is internal Audit report

- Internal Audit report is the document prepared as an outcome of the internal audit process . It contains a clear written expression of significant findings and recommendations based on the review of the polices , processes , risks controls and transaction processing.

# Essentials of Good Internal Audit Report

- **Accurate**
- **Objective**
- **Clear**
- **Concise**
- **Constructive**
- **Complete**
- **Timely**

# STAGES IN REPORT WRITTING

The audit report is a process in itself, which starts with:

- Introduction
- Identification of audit findings/ Observations and Observed Lapses
- Preparation of first draft report
- Discussions draft
- Exit meeting & formal draft
- Final report

# 5 Cs In Report Writing – Case Study

- **Observation To**

Criteria : What is the standard?

Variation in stock on physical verification with the balance as reflected in the stock

- register should be NIL.
- **Condition** What is wrong? The stock physically verified was short by 5045 units as against the balance shown
- in the stock register.

# 5 Cs continues

- **Cause:** Why is it wrong? Issues made during the night shift were not recorded.
- **Consequences:** What is the risk / impact? The stock position in the books is overstated and the possibility of stock pilferage is high due to lack of control.
- **Corrective Action :** What should be done? /

# 5 Cs continues

- How to correct?
- Night shift stock keeper needs to be appointed.
- Alternatively, the requirement of stock for the night shift should be issued at day end
- as per the requisition of the production in charge for the night shift.
- The consumption during night shift is verified by counting in the morning the
- balance stock left out of the lot issued to the floor during the previous days close.

# STAGES IN REPORT WRITTING

## Planning

Analyze the audience

- + Who will be the most important reader of the report?
- + How much do they know about the subjects?
- + How do they plan on using the report?
- + How interested are they in the report?
- + What's their reaction going to be the report's message.

# Executive Summary

An executive summary is a brief section before the commencement of detailed audit report. It is part of the report that is read first.

It summarizes the audit findings and action plan in minimal text. People who read only the executive summary should get the essence of the document.

An executive summary provides conclusion / auditors opinion on the area under audit.

❖ Write paragraphs that explain and provide evidence for the statements made in the summary paragraph

# Writing Executive Summary

- Clear and concise, correct and simple. The executive summary should be 1-2 pages at the max.
- Stay away from long sentences and big words in the executive summary.
- Verify that the headings used in the summary match the body copy of the document.
- Present the sections of the executive summary in the same order as in the main report.

# Writing Executive Summary Continues

- Include all the must-know information in the executive summary and remove unnecessary phrases or unclear content.
- Format for readability with plenty of space between points and clear headings that guide the reader.
- Verify that the summary stands alone and supports the objective if it is the only portion of the document that will be read.

# **Standard On Internal Audit 370 (Earlier SIA 4) – Reporting Results**

- Share with the auditee, details of all significant findings based on audit procedures undertaken
- Allow management to understand the issues and take corrective actions in a methodical and comprehensive manner
- Provide a sound basis for any assurance being provided by the Internal Auditor

# AUDIT REPORT STRUCTURE

## Observations, Findings Recommendations

- ❖ The report should clearly mention the process name; significant observation and findings with respect to the criteria; analysis of the consequences of the findings; and recommendations of the auditor.
- ❖ Each observation should be supported by a set of facts
- ❖ Always give management a business reason for implementing recommendations.

# AUDIT REPORT STRUCTURE

## Auditee's response

- ❖ All recommendations should be followed by the auditee's response.
- ❖ Responses should be included verbatim

## Auditor's Comments

These comments are used as necessary to further evaluate the adequacy of the auditee's written responses

# Writing the Detailed Report

- Background or Overview of Audit area Reviewed
- Scope and Approach-what was looked at
- Audit Period (what period was included)
- Findings Summary- positive findings, issues or problems
- Detailed observations to includes 5 Cs

# Order of writing

## Main body of report

### 1. \_ Introduction

\_ You can only introduce something you know about that is contained with the main body.

### 2. These stem from the main body

This is your statement of facts and findings. Other parts of the report are derived from and are dependent on this.

### 3. Conclusions and recommendations

### 4. Appendices

\_ You may need to put together a glossary, references, bibliography, etc to support

facts and findings in the main body.

# Order of presentation

A better alternative might be:

1. Brief introduction, including background
2. Main results and conclusions (audit opinion)
3. Detailed findings
4. Appendices, including audit methodology, action plan

# Auditor's checklist for standard audit report writing

1. Reference Everything.
  - Avoid unverifiable claims and make sure to bridge any gaps of information by referencing where you obtained key facts and figures.
2. Include a Reference Section.
  - Use indices, appendices, and tables in this section is very helpful.

### 3. Use Figures, Visuals, and Text Stylization.

- If you can put a number behind a fact or use a percentage to describe it, do so. Circle or highlight the key points you want to convey, as well as bold, underline, italicize, or use color to draw attention to key facts and figures. Use tables or graphs to summarize and draw attention to key trends or important data, wherever possible.

#### 4 . Note Key Statistics about the Entity Audited.

- Noting key statistics about the entity audited in the Background/ Overview, if applicable, puts things in perspective and gives context and relevance to your audit findings.

#### 5. Make a “Findings Sandwich.”

- Layer a positive finding, followed by an issue, followed by a positive, and so on. Try to end the Findings Summary on a positive note.

#### 6. Ensure Every Issue Includes the 5 C’s of Observations.

- Criteria, Condition, Cause, Consequence, and Corrective Action Plans/ Recommendations.

## 7. Include Detailed Observations.

- Detailed Observations are also a good place to include any additional facts and figures

## 8. Always Perform a Quality Assurance Check.

- Seek someone who does not have a direct connection to the audit so they can provide fresh eyes. If possible, ask someone from the department or function audited to review the report as well.

## 9. Avoid Blame – State the Facts.

- Aim to preserve the relationship with audit clients by being as objective as possible and avoiding blame. Simply state issues and recommended actions.

## 10. Be as Direct as Possible.

- Avoid soft statements when making recommendations (such as “Management should consider...”) and opt for solid recommendations and calls to action instead

*Thank you*