



WRITING INTERNAL AUDIT REPORT IN THE 21ST CENTURY

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Outline of presentation



1. Introduction



2. The Latest Standards



3. New Looks for Internal Audit Reports



4. Graphs and tables



5. Conclusion



1. Introduction

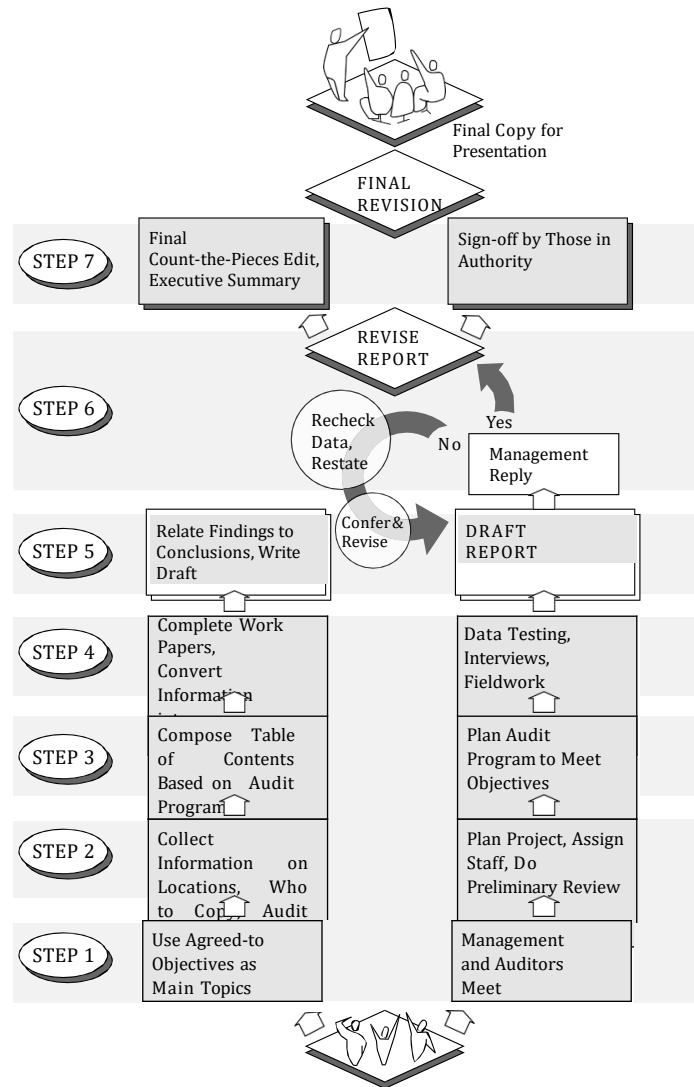
We will cover these skills:

- *Comprehensive Internal Audit Reporting Process*
- *A 12-Step Program for Effective Writing*



INTRODUCTION : Exhibit 1

Comprehensive Internal Audit Reporting Process



Source: Susan Switzer (2007) Internal Audit Reports Post Sarbanes-Oxley A Guide to Process-Driven Reporting. Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

A 12-Step Program for Effective Writing

1. Know your audience. Analyze their needs.



2. Key in whatever comes to mind without having to make it perfect



3. Organize an outline clear about the message. Know your stuff



4. Choose precise, direct words—only as many as are absolutely needed



5. Make sure verbs agree with their subjects in number—and don't turn verbs into nouns. Use simple tenses

A 12-Step Program for Effective Writing

6. Make sentences active and keep subjects as close to verbs as possible

7. Limit sentences to one main idea

8. Keep paragraphs short and related to the topic or sentence

9. Punctuate sentences to improve understanding.
(Concentrate on commas.)

10. Use graphics where appropriate. A chart can be worth a thousand words

A 12-Step Program for Effective Writing

11. Proofread everything at least once.

12. Then edit and rewrite as much as possible.

Source: Susan Switzer (2007) *Internal Audit Reports Post Sarbanes-Oxley: A Guide to Process-Driven Reporting*. Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

2. The Latest Standards

We will cover these skills:

- IIA Writing Standards
- SOX Requirements
- Nigerian Standards on Auditing (NSA)
- SEC Regulations
- Readability Standards



Internal auditors need to consider *many new standards* and directives as they produce the reports, both **SOX-specific** and **traditional**, that contribute to improved corporate governance—and keep executives fully informed.

IIA Writing Standards

The IIA's seven criteria for Quality of Communications are highlighted here.

1. Accuracy: Careful and exact, free from mistakes or errors, precise, adhering closely to a standard.
2. Objectivity: Of or having to do with a known or perceived object as distinguished from something existing only in the mind of the subject or person thinking, real, actual, independent of the mind.
3. Clarity: Free from confusion or ambiguity, not obscure, easily understood. (The word transparent comes to mind.)
4. Conciseness: Brief and to the point, short and clear.
5. Constructiveness: Leading to improvements or advances, formative, positive.
6. Complete: Full, whole, entire, brought to a conclusion.
7. Timeliness: Happening, done, said at a suitable time

SOX Requirements

Three sections are summarized here:

Section 204: Auditor Reports to Audit Committees;

Section 302: Corporate Responsibility for Financial Reports;

and Section 404: Management Assessment of Internal Controls

Nigerian Standards on Auditing (NSA)

Nigerian Standard on Auditing 28- Forming An Opinion and Reporting on Financial Statements (April 1, 2013)

Nigerian Standard on Auditing 29 -Modifications to the Opinion in the Independent Auditor's Report (April 1, 2013)

Security and Exchange Commission Regulations

The following concepts emerge and have relevance for internal audit report writing:

- Financial statement reliability
- Accurate records maintenance regarding company assets
- Transaction recording to permit preparation of financial statements
- Authorized receipts and expenditures only
- Prevention or timely detection of unauthorized use of assets

READABILITY STANDARDS

Here are the Rules for Readability:

1. Focus on what the readers need to know. Include only necessary information and connect the dots regarding findings and recommendations.

2. Use appropriate, simple words. Write to express, not impress.

3. Link related ideas. Keep subjects and verbs close together and put modifiers close to what they modify.

4. Use billboards (headings, subheadings, topic sentences) to let readers know what's coming. If they're not interested, they can move on.

5. Get to the point. Construct sentences and paragraphs to maximize meaning and minimize wordiness.

6. Use punctuation, layout, and graphics to improve understanding. Make the information look inviting.

7. Be concise. Do not be curt, but just use the right words to get the attention of people who are busy.

3. New looks for Internal Audit Reports

We will cover these skills:

- Readers and Company Expectations
- *Internal Audit Report Template*



Readers and Company Expectation

GENERAL

FIVE BASIC PRINCIPLES FOR ANY EFFECTIVE FORMAT ARE:

1. First things first. Position the most important information upfront, on top.
2. Keep fonts simple, and do not mix them. Choose a clean font and stick with it.
3. Do not overemphasize. Use caps, underlines, italics, and boldface sparingly.
4. Be generous with white space; and don't cram too much data into a small area.
5. Use headings and terms that people understand

TABLE OF CONTENT

Internal Audit reports include:

A cover letter

Executive Summary,

**Specific Objectives
Recommendations.**

**Areas of Concentration
Conclusions**

Appendix

EXHIBIT 2:

Internal Audit Report Template

CLIENT NAME

• PROJECT NAME DATE

EXHIBIT 2 *(continued)*

Executive Summary

Internal controls over . . .

(Areas under review are ranked: adequate, need improvement, not adequate.)

Note: Standard paragraph format is used in the Executive Summary, with tables if needed. The Summary has no specified length limitation but depends on the number of objectives previously stated—the shorter, the better.

The objective is to summarize on one page the key findings/issues in the body of the report.

EXHIBIT 2 *(continued)*

Date XX

CLIENT NAME _____

XX (typically addressed to the CFO or the Chair of the Audit Committee) XX

Re: Review of PROJECT NAME Dear XX:

In conjunction with our overall engagement to provide internal audit services to CLIENT NAME, we have completed our review of PROJECT NAME. Our services were performed in accordance with the applicable Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors.

This report is being provided without management comments, which should be provided to YY within 30 days.

The accompanying report includes a Project Overview, Executive Summary, and Opportunities for Improvement. Because the procedures performed in conjunction with the assessment are more limited than those required to provide an opinion on the system of internal accounting control as a whole, such an opinion is not expressed. In addition, the engagement did not include a detailed audit of transactions required to discover fraud, defalcations, or other irregularities.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than these specified parties. CLIENT NAME’s external auditors and regulators may be provided with a copy of this report in connection with fulfilling their respective responsibilities.

We would like to express our gratitude to all employees involved with this project. Each person involved was accessible and responsive to our requests for information.

Sincerely,

AUDIT FIRM NAME

Signature information Cc: : YY



EXHIBIT 2 *(continued)***Project Overview**

We have completed a review of PROJECT
NAME. The objectives of our review were
to:

- Determine whether . . .

Note: Objectives of the review are decided jointly by the client and internal auditors in the audit planning meetings. The Project Overview section varies in length depending on the number of specific objectives. Each objective is stated as concisely and specifically as possible and, using parallel structure, begins with an action to be performed.

EXHIBIT 2*(continued)*

CLIENT NAME	PROJECT NAME
Date	

Table of Contents

	Page
Project Overview	1
Executive Summary	x
Opportunities for Improvement	x

EXHIBIT 2 (continued)

• CLIENT **NAME** PROJECT NAME

Date

Table of Contents

Project Overview

Page

- 1
- x x

Executive Summary Opportunities for Improvement

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3. Graphs & Tables

We will cover these skills:

- Footnotes & tables
- *Graphs*
- Tabular Reports & Automated Formats



Tables, Notes and Graphs

Footnotes

- a) *Footnotes should be smaller than table*
- b) Numbers should not be used to identify footnotes in a table because they may be mistaken for the data.
- c) Footnotes generally comprise source notes (marked Sources)

Tables

1. A visual is worth a thousand words; and in the case of internal audit reports, may be a million dollars.

Here are 3 factoids of tables:

1. Useful for showing large numbers of specific, related facts

2. Tables should be numbered, using Arabic numerals

3. Table should have title or caption.

Graphs

Best uses of various graphic elements:

1. Tables—to compare data
2. Line graphs—to show changes over time
3. Bar graphs—to compare data and emphasize
4. Photographs and video—to show physical conditions
- 5) Pie charts—to show proportional distributions in data
- 6). Make the graphics horizontal
- 7). Spell out words and avoid mysterious coding
- 8). Run graphics into the text whenever possible

Tabular Reports & Automated Formats

THE CRIES OF CAO & AUDIT COMMITTEE

1. *"In this 21st Century anyone who tries to say it all says nothing"*
2. *"The main complaints of CAOs, Audit Committees about internal audit report include too much information (TMI)"*
3. *"The cry of TMI need to be taken seriously"*
4. *"You cant say everything without ending up saying nothing"*

21ST CENTURY INTERNAL AUDIT REPORTS SHOULD:

1. Create an "A Haaa" moment for audit committee & CAOs

2. Be tailored after what CAOs and Audit Committee want, and need to know.

3. Be what CAO & audit committee can (1) read quickly (2) relate to immediately and (3) trust to keep them fully informed

4. Not be more than 10pages for most companies, and 20 pages for multinationals with a 2-page executive summary

Conclusion

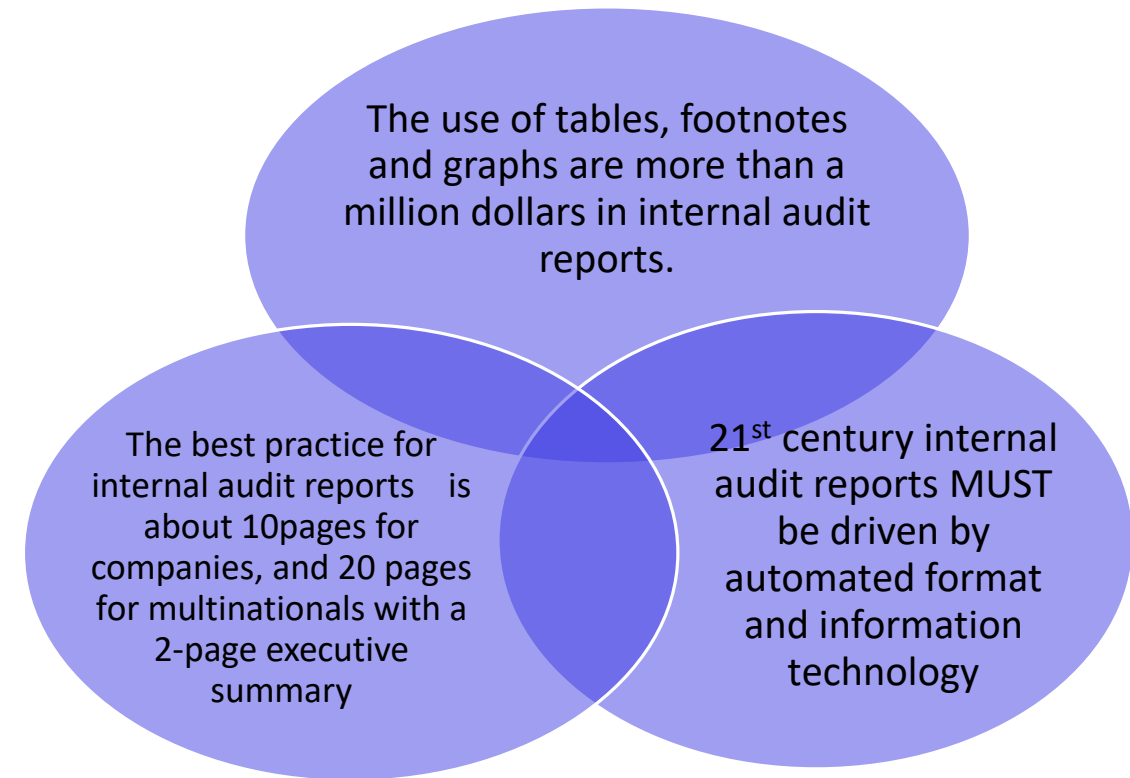
In this 21st Century anyone who tries to say it all says nothing

21st century internal audit reports require collaboration at every writing process stage

. Position the most important information upfront, on top.

Create an “A Haaa”, “A waaaa” moment for audit committee & CAOs

The standards must be complied with.





Thank You!

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libero, sit amet commodo magna eros quis urna.