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**Seminar on Internal Audit  
Effective Internal Audit Reporting  
ICAI Tower – Mumbai  
26<sup>th</sup> December, 2015**

## Background

***“Internal Audit is not a one-size-fits-all function. Reporting will vary according to what its primary objective is.”***

# Stages in Reporting

1

- Precise Documentation

2

- Effective Reporting

# Stages in Reporting

- Uniqueness
- Documentation
- Total Cost

# Documentation

“Work not documented;  
is work not done.”

# Documentation

- What is internal audit documentation?
- Why is it important?
- What are the basic requirements?

# Documentation

What is audit documentation?

- It is a written record for the basis of our conclusion, to support our representations.

# Documentation

## Why is it important?

- Internal audit is an assurance function which addresses risks related to the entity. Other experts may rely on our findings.
- Documentation helps in justifying our observations.



# Documentation

What are the basic requirements?

- It requires details related to planning, performance, evidence gathered & conclusions reached by the auditor to be filed.

# Internal Audit Reporting

An effective report must answer the following questions:

What is wrong?

Why is it wrong?

How to correct it?

What will be done?

# Reporting

An internal audit report should contain:

- Observations of the auditor
- Audit findings
- Recommendations

# Reporting

Stages of communication for reporting:

Discussion Draft

Formal Draft

Final Report

# Types of Reports

- Verbal report
- Interim report
- Descriptive report
- Summary report

# Email Etiquette

- Final Report
- Draft Report
- Additional copies
- Confidentiality

# Essentials of a report

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

# Audit Report Structure

- Executive Summary
- Observations & Findings
- Management Response
- Auditors Comments
- General Comments
- Follow Up



# Executive Summary

It must contain a summary of :

- Key Findings
- Observations
- Recommendations

# Observations

- Mention each process name
- Observations & findings
- Impact
- Facts & Figures (evidence)
- Reason to implement recommendations

# Management Response

- Record a response to each recommendation.
- Verbatim. No alteration.

# Auditors Comments

- Must be used to justify the findings.
- In response to management reply.

# General Comments

- Residual matter, not having major impact.
- Written response from management not required.

# Follow Up

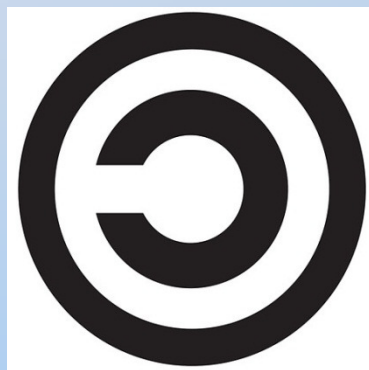
- Details of corrective action proposed or taken
- Compliance of previous recommendations
- Action not taken & detailed reasons for the same

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