Report writing – Key essentials

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CA Kamlesh Khanchandani

Background

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Audit report is a very important document for it communicates not only the work done, but also highlights the state of affairs of the processes or departments. It is therefore imperative that it is written and communicated well as it can act as a positive change agent prompting the management to take corrective action.

Internal audit

Role of Internal Audit

- A tool to measure the effectiveness of processes & systems

- Evaluates compliance with statutes, internal policies, local laws etc.

- Identify the shortcomings/gaps in the processes

- Recommending necessary corrective and preventive action

- Audits are conducted through a mix of:

  - Sample checks of transactions

  - Observations of the process followed

  - Interviews with the auditees

Internal Audit process
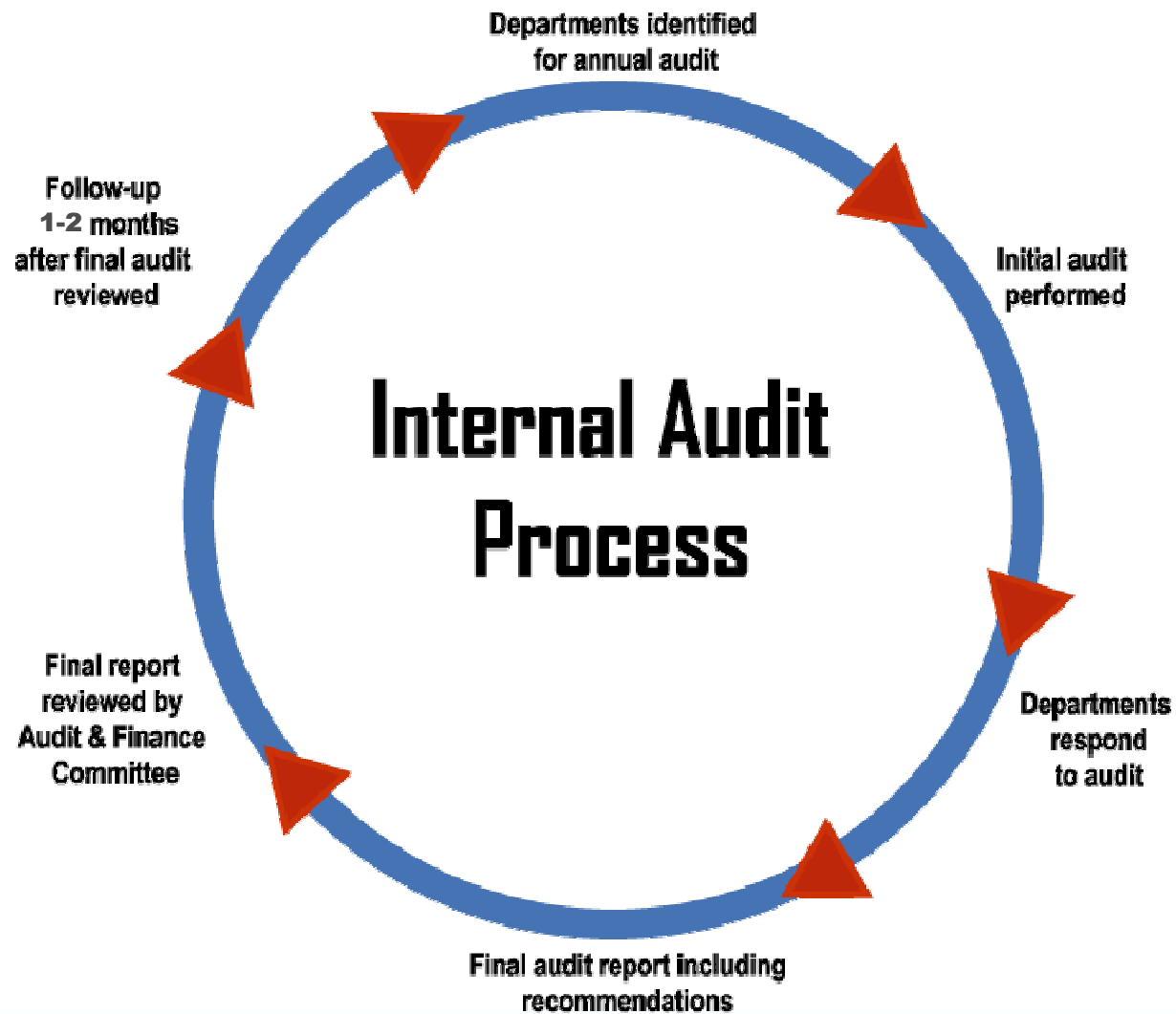
Issue of audit report

- Key issues are highlighted and the draft report is shared with the Manager/Functional Head

- Discussions are held with the concerned process owner and feedback is sought

- Depending on inputs/ updates provided, the observation may be modified and the Functional Head is required to provide 'Management response' in the form of action plan for rectification / improvement and timelines

- Completed Final report is forwarded to Functional Head, Head of Audit, Functional Manager and to the CEO/COO

Audit report follow-up

- In case of delays due to reasons beyond control of the auditee, the concerned auditee to seek approval from the Reporting Manager in writing and inform the Internal Audit department and request for an extension of timeline. However the revised timeline should be mentioned in such a communication.

- Once implemented, auditee to ensure adherence to the revised process / system on an on-going basis

Standard on Internal Audit Reporting

Purpose of the Standard

The purpose of this Standard on Internal Audit (SIA) is to establish standards on the form and content of the internal auditor's report issued as a result of an internal audit performed by an internal auditor of the systems, processes, controls including items of financial statements of an entity.

Basic Elements - Highlights

- Statement of the objectives and scope of the internal audit engagement;

- Executive Summary, highlighting the key material issues, observations, control weaknesses and exceptions;

- Action Taken Report – Action taken/ not taken pursuant to the observations made in the previous internal audit reports;

Key requirements in the internal audit report

- Clear

- Factual

- Specific

- Concise

- Unambiguous

- Timely

- complies with generally accepted audit procedures in India, as applicable.

Report writing

Key elements

- <u>Make a Headline</u>

  It should be like the newspaper headline i.e. accurately summarize the report's message

- <u>Summarise</u>

  The first paragraph should summarise the report's key points

- <u>Details</u>

  This must explain the provide adequate details including evidence for the statements made in the summary paragraph

Do's and Don'ts

- Don't used biased language
- Avoid using positive or negative tone. Just state the facts
- Do not use jargon
- Do not show lots of data. Show only relevant data
- Be accurate, but brief and clear

Avoid

Filler Phrases

It is a sound or word that is spoken in conversation by one participant to signal to others that he/she has paused to think but has not yet finished speaking

For example:

a. During our review we noted that ….

b. Review of so and so indicated that …..

c. Procedures must be developed to ensure that …..

d. Internal audit found out……

e. We reconciled so and so with so and so and found that ..

Avoid

Redundant Modifiers

Modifier is an optional element in the phrase. A modifier is so called because it is said to modify another element in the structure, on which it is dependent. Typically the modifier can be removed without affecting the grammar of the sentence

For example:

a. Review of data from the Accounting System indicates....

b. In the month of so and so....

Avoid

Stretched sentences
Conveying the same message albeit in a lot more words

For example:

a. Perform the reconciliation or testing of…

b. Carry out the review of….

c. Ensure implementation of *so and so…..*

d. Carry out the review of …

Avoid

Redundant Words
Using words which do not convey anything specific

For example:

a. Controls are inadequate or not functioning…

b. Inefficient process…

c. *So and so* areas need attention…..

d. Large number of transactions……

Avoid

Repetition
Using the same words more than once in the same sentence

For example:

a. Exception reports indicate *so and so no.* of exceptions

b. The IRDA returns filed with IRDA suggests....

c. The laptop serial number appearing in the FAR for laptop belonging to *so and so ......*

Avoid

<u>Vague sentences</u>
Sentences which do not convey any specific meaning and are general in nature

For example:

a. Department must review the existing process and have more controls in place to ensure that department has greater involvement in the process.

b. During my discussion with *so and so*, I came to know that the process….

c. Current QC process is random…..

Example

During the review of the expense accounting process, we noted that some of the personnel in the department have not been trained periodically on how to use the accounting system. Further, we note that a few users though know few features, however, were not completely aware of all the features. Based on this analysis, we feel that the accounting system is not being used appropriately. As a result of this, we note that a few of the processes are carried out of the system i.e. manually

86 words

Example – Corrected version

xxx nos. of people from the Finance department who handle expense accounting and payment process are not aware of the duplicate payment and approval check which are available in the accounting system. Currently, while the approval is taken on the hard copy, there is no process to verify duplicity.

49 words

There is no more difficult art to acquire than the art of observation, and for some men it is quite as difficult to record an observation in brief and plain language - William Osler

Important points

- **Who** will draft

- **When** and **How** will it be drafted

- **Who** will review/edit/revise the report content

- **Who** will assesses the content for supportability based

  on audit documentation

- **Who** will approve the changes made to the original draft

- **Who** will sign off on the finished version of the report

Thank you