A guide to

Report writing for Internal Auditors

Think Ahead

Some questions

Ask yourself the following questions – if you answer yes to most of them then this tool is not for you:

- Have more than 95% of your audit recommendations during the last year been fully and successfully implemented?

- If you were the recipient of the report would you have been spurred into action?

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

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

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

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

- Did you only report on the major issues found during the audit with the minor issues being dealt with separately?

- Were all your recommendations 100% practical?

- Do you believe that your reports are as good as they could be?

Introduction

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. Style and presentation.

The purpose of the report

Before we start to write the report we need to know its purpose:

- What is it for?
  - to report the findings of an audit review.

- What are its objectives?
  - to provide an opinion on the risk management arrangements in respect of the area reviewed and to make recommendations for improvements, where appropriate.

Think Ahead

Who will read it?

Knowing who the reader is and then writing the report for that reader is vital.

The reader could be management, senior executives, or the audit committee.

Some tips:

- Don't start writing too quickly.

- Undertake adequate preparation.

- Begin in the middle.

Start by making some notes to clarify your ideas and assemble your facts and findings.

Identify what your recommendations are going to be.

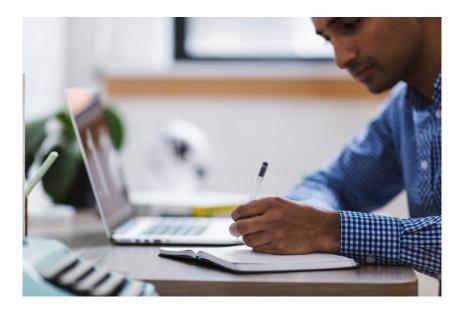Group your facts, findings and recommendations together.

Order them so that they form a logical pattern.

Think Ahead

Reporting structure

You should write the report in a different order to the way it will be presented.

This helps you to clarify your ideas and to draw appropriate conclusions.

Think Ahead

Order of writing

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

2. Conclusions and recommendations
   - These stem from the main body.

3. Introduction
   - You can only introduce something you know about that is contained within the main body.

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

This could be:

1. Introduction
   - statement of objectives
2. Main body of report
   - background, method and results
3. Conclusions
   - audit opinion
4. Appendices
   - recommendation implementation plan

Think Ahead

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.

Style

Nearly all audit reports require some change. The report will highlight a problem and recommend action which should be taken to change things.

To achieve results you will need to be a mixture of a…….

Salesperson	Judge	Diplomat

Style

Top tip:

Keep it simple!

Use short, unadorned sentences and short, meaty paragraphs.

Exaggerated prose, overuse of adjectives and flamboyancy should be avoided.

House style

Ensure that all reports are written in a consistent house style.

The two styles to select from are:

- passive
- active

Passive versus active style

PASSIVE

The Auditors would like…

The objective of the review was…

Tests indicated...

It was noted…

It is considered…

Tests were undertaken to…

Visits were made…

Procedures had…

Investigations indicate…

Levels of segregation were found…

The audit was…

There was some…

ACTIVE

We would like…

Our objective was…

Our test results indicated…

We noted…

We consider…

We performed tests to…

We visited…

We found/concluded that procedures had…

Our investigations indicated…

We found that levels of segregation…

Our audit was…

We identified some...

Think Ahead

Presentation

Always ensure the report is carefully checked to ensure that it is free from all presentation problems.

Check:

- layout – are the headings appropriate and logical? Are they numbered? Does the report look good on the page?

- content – does the report reflect the work you have done? Is the report logical? Does it flow well and put over the message?

- words used – replace long words with short ones and eliminate unnecessary words

- spelling and grammar

- punctuation

- your name and the date are on the report.

Review

Useful considerations at the review stage of report writing are:

- Does the report meet its purpose (terms of reference)?

- Is the report suitable for its intended readers?

- Is the title consistent with the scope of the report?

- Does the summary cover the main points?

- Are the sections and sub-sections of the report logically related, correctly headed and referred to accurately in the contents page?

- Are the component parts given appropriate weight?

- Is the paragraphing adequate?

Review

- Has every sentence been checked for:

    - spelling

    - grammar

    - verbosity

    - clarity

- Are any tables and examples clearly set out and properly labelled?

- Is a glossary of special terms necessary?

- Have the right conclusions been drawn?

- Do the recommendations follow naturally from the conclusions?

Think Ahead

Review

- Go through the report and ask yourself:

  - If I leave out any section, will it make any difference?

  - If I put in additional information, will it really help the reader?

- Can the layout be improved?

- Is it easy for the reader to see the structure of the report; can they find what they want quickly?

- Am I "seeing what I want to see"?

Ask someone else to check it

Some examples

Does it make sense?

"The procedures approved by the Board are not fully complied with at this Centre due to the size and type of patient admitted."

It is not the size and type of patient that mean the procedures are not fully complied with or is it?

Avoid repetition

"It is recommended that staff are reminded of the importance of obtaining a signature when returning *cash and valuables* to patients and that the return of *cash and valuables* must be witnessed and recorded on the *cash and valuables* sheet at all times."

"Control over *journals* needs to be improved by ensuring all *journals* are authorised prior to input, periodic checks are undertaken on *journal* narrative and *journal* sequences are maintained to ensure all *journals* are processed."

Think Ahead

Some examples

Don't add caveats to recommendations

"It is, however, appreciated that this may not be the most practical solution."

Why bother making the recommendation if that is the case?

Avoid emotive language

"It is now considered essential that the recommendations are actioned immediately."

Audit recommendations represent one of the many demands on a manager's time and priorities.

Some examples

Plurals

"A *sample* of invoices *were* tested."

"The Trust's *systems* for monitoring health and safety and insurance related issues *is* operating well."

"Control in this area *are* adequate."

Overstepping the mark

"Procedures in place ensure that all input is complete and accurate."

Sitting on the fence

"There *appears* to be little control over the checking of invoices."

"The physical security of stored *appeared* satisfactory."

Some examples

Plodding English

"In addition testing identified that employees' personal files were held in three different locations. This has no control implications as long as access to these files is restricted to nominated personnel and that the files are updated accordingly, centralised control however may assist the review process more readily."

No Buts

Don't use *however* in the middle of a sentence:

"The system currently operating is a manual one and does not allow for the production of management reports, however, it is felt that due to the value of stock held this does not equate to a lack of control."

Either convert to two sentences or substitute *but* or *though.*

Think Ahead

Apostrophes – the rules

Use apostrophes to show omission of letters:

- aren't, can't, don't, isn't, we'll, wouldn't
- also "it's" when the meaning is "it is" – as in "it's nearly spring"

To show possession or ownership, an "s" with an apostrophe immediately before it shows that the owner is singular:

- Mr Smith's shares
- the computer's hard disk is broken
- the company's assets

There is no apostrophe in hers, its, ours, yours or theirs although they indicate possession.

Apostrophes – the rules

An "s" with an apostrophe immediately after it shows that there is more than one owner:

- small companies' rate

- creditors' meeting

- where the owner's name ends in an "s" – "Thomas' computer" – however, Thomas's computer is also correct

Do not use apostrophes for non-possessive plurals:

- PTPs, BIKs, 1980s, MPs

Think Ahead

Apostrophes quiz

Place the apostrophe(s) in the correct place in the following phrases:

1. The directors administrator (one director)

2. The candidates applications (several candidates)

3. Mikes car

4. Never judge a book by its cover

5. The boy who put the powder on King Caractacus courts harems ladies faces noses

(Answers on the next slide)

Apostrophes quiz - answers

1. The director's administrator

2. The candidates' applications

3. Mike's car

4. Never judge a book by its cover

5. The boy who put the powder on King Caractacus' court's harem's ladies' faces' noses

Subject/verb agreement – the rules

- A singular subject needs a singular verb; a plural subject needs a plural verb.

- When two or more subjects are joined by *and,* use a plural verb. When two or more singular subjects are joined by *or* or *nor*, use a singular verb.

- Use a singular verb after *everyone, everybody, nobody, someone, every, one, another* and *much.*

- Use a plural verb after *both, few, many, others* and *several.*

- Collective nouns: if the group is acting as one unit, use a singular verb.

Think Ahead

Subject/verb agreement – quiz

Insert the correct verb in the following sentences:

1. Simon, accompanied by Tim and Sam, (is/are) attending the seminar.
2. Either a newspaper or a magazine (is/are) to be used for the test.
3. Everybody (was/were) present for the meeting.
4. Christopher and Joe (has/have) been recruited to work in administration.
5. HMRC (is/are) trying to improve (they're/their/it's/its) image.

(Answers on the next slide)

1. Simon, accompanied by Tim and Sam, **is** attending the seminar.

2. Either a newspaper or a magazine **is** to be used for the test.

3. Everybody **was** present for the meeting.

4. Christopher and Joe **have** been recruited to work in administration.

5. HMRC **is** trying to improve **its** image.

Think Ahead

Use of capitals – the rules

Capital for the particular, lower case for the general:

- The Market Harborough Building Society is a small building society.
- The recent Budget was a boring budget.

Use capitals for days, months, holidays (eg Christmas) but not for seasons.

Use capitals for the first, last and all principal words of books, plays and television programmes:

- Fiddler on the Roof
- The Eagle has Landed

Think Ahead

Use of capitals – the rules

Periods, events in history	➢ Renaissance, Middle Ages, Battle of Hastings
Trade names	➢ Ford, Vauxhall
Countries, continents	➢ Africa
Streets, roads, motorways and other public places	➢ Hyde Park Corner
Academic qualifications	➢ BA, PhD, ACCA
Academic/religious titles	➢ Doctor, Professor, Bishop

Think Ahead

Use of capitals – right and wrong

Wrong: HMRC allow only revenue expenses to be charged against income; they may ask the general commissioners to prepare a case stated for the high court.

Right: HMRC *allows* only revenue expenses to be charged against income; *it* may ask the general commissioners to prepare a case stated for the *High Court.*

Wrong: This autumn the budget will be in november followed by a finance bill in the new year.

Right: This autumn the *Budget* will be in *November* followed by a *Finance Bill* in the new year.

Wrong: The managing director, mr smith, announced he was relocating to the south west this winter.

Right: The managing director, *Mr* Smith, announced he was relocating to the *South West* this winter.

Numbers: figures or words – the rules

Numbers from one to ten are expressed as words (one, five, eight).

Numbers from 11 onwards are expressed as figures (31, 72, 645).

Use numbers for:

- dates and times – 3 August, 10.30am

- dimensions and weights

- dates in business letters

- numbers following nouns such as page, chapter, etc (page 5, chapter 7).

Use words for:

- exact amounts when they begin a sentence – Thirty companies

- approximate amounts and fractions – about a thousand attended.

Numbers: figures or words – right and wrong

Wrong

15 employees left early; 5 left 1 hour later at 5.30pm.

I had a nice day out with sixteen school friends and their thirteen children.

5 of my friends have 2 children each.

Right

Fifteen employees left early; five left one hour later at 5.30pm.

I had a nice day out with 16 of my school friends and their 13 children.

Five of my friends have two children each.

Think Ahead

Frequently misused words

Which word should be used?

1. The copier (continually/continuously) breaks down.

2. Just (among/between) the three of us, what do you think about the proposal?

3. How will the decision to streamline operations (affect/effect) the workforce?

4. Please try to make (less/fewer) mistakes in your report.

5. The envelopes are kept in the (stationary/stationery) cupboard.

Answer:

The copier *continually* breaks down.
(Action that occurs with pauses and intermissions)

Just *among* the three of us, what do you think about the proposal?
(Used for more than two)

How will the decision to streamline operations *affect* the workforce?
(To influence/change)

Please try to make *fewer* mistakes in your report.
(Used for individual units, numbers)

The envelopes are kept in the *stationery* cupboard.
(Paper, etc (aide-memoire: "e" in envelope))

Think Ahead

Keep it simple

A simpler way:

In the not too distant future	➢ Soon
Not without considerable trouble	➢ With difficulty
In the work situation	➢ At work
The expensive nature of the product	➢ The product's high cost
Will find it advisable to….	➢ Should

Keep it simple - examples

Original

An improvement in quality has been made.

Increases in sales of LPG in the region of ten per cent were obtained in July.

Unsatisfactory quality results in the coating department have been reduced through the introduction of a new wash.

It is the responsibility of each and every department head properly to arrange the affairs of his organisation in such a manner that each employee, including himself, will receive the full holiday to which he is entitled.

Better

➢ Quality has been improved.

➢ Regional sales of LPG went up 10% in July/LPG sales went up about 10% in July.

➢ Using a new wash has improved quality in the coating department.

➢ Departmental heads must make sure that all employees (including themselves) take their full holiday.

Think Ahead

The Fog Factor

The fog factor can be used to work out how complex a passage is and, therefore, how easy it would be to understand it.

The Fog Factor of a piece of text is approximately the number of years' schooling that most readers would need to have had to understand it. So a piece with a Fog Factor of 10 would be understood by most 15 year olds and upwards (because most people start school at the age of five). The scale runs from 1 to 20.

Robert Gunning, the US researcher who devised the measure, suggests that for an adult audience writers should aim for a Fog Factor of 12 or less. Text with a Fog Factor of 13 or more runs the risk of being misunderstood or ignored.

Think Ahead

The Fog Factor (continued)

THE METHODOLOGY

Find a typical passage of about 100 words long. Count the number of words.

Count the number of sentences (count a sentence split by a colon or a semi-colon as two sentences).

Divide the number of words by the number of sentences to find the average sentence length.

In the same 100 word chunk of text, count all the words of three or more syllables except:

- proper names
- words which are combinations of simple words – such as bookkeeper
- verbs which are three syllables only by virtue of an –es, -ed, or –ing ending, such as expresses and recounted
- numbers.

This will give you the percentage of hard words.

Add the average sentence length and the hard word percentage to find the Reading Difficulty Measure.

Multiply the Reading Difficulty Measure by 0.4 to find the Fog Factor.

Think Ahead

Audit opinions

The following executive summaries are taken from internal audit reports. Can you identify from reading the executive summary what the level of assurance provided was? You might like to try and re-write these executive summaries (if you think they need it).

You have the choice of the following four assurance levels:

Substantial – a sound system of control which should provide management with assurance that risks are being appropriately managed.

Adequate – a generally sound system of control but with a number of weaknesses identified, which could, if not rectified, put the achievement of objectives at risk.

Limited – significant weaknesses have been identified which would, if not rectified promptly, place the achievement of objectives at serious risk.

No – a system of control and risk management is not present in this area.

Executive summary 1

A new electronic system was implemented in November. The system is similar to the previous system with little variation made to meet the organisation's specifications. All vacancies are booked via the system and these are identified by the relevant manager in each department. Short term gaps are expected to be covered by existing staff and should not be booked onto the system.

Once a vacancy is booked on the system an approved agency is selected from the list, which is embedded within the system. Controls within the system will not allow a manager to fill a vacancy from an unapproved agency. The organisation has agreed rates with approved agencies. Where there is a variation, usually a higher rate, from the agreed rate a variation form has to be completed and forwarded to the resource group for approval.

Audit selected a sample of twenty vacancies and confirmed that these had been entered onto the system properly.

(Assurance level on next slide)

Think Ahead

Executive summary 1 answer

Assurance level:

Substantial

Executive summary 2

The organisation introduced a new electronic procurement system to procure goods and services in April, which is in the process of being rolled out across all sites. At the time of the review, the system in place was to request all purchases through the new system with the exception of travel, utilities and agency bookings, which were processed manually.

Various procurement policies and procedures are available to staff via the intranet. The overall policy known as the Procurement Policy Overview was due for review as a result of the introduction of the new system. Several briefing notes were also available in relation to procuring specific goods/services, however these were not referenced to the overall policy.

Our sample testing of twelve invoice payments consisted of six POs and six non-POs, which included three that had not been processed through the new system and three that had been added to the system retrospectively. All selected payments agreed to their underlying invoice and order, and had been coded to the correct expense code. Furthermore, VAT invoices were received for all payments in our sample and a list was available to staff on what can be reclaimed.

The system has embedded settings where staff are given limits and they can only approve up to this value against a defined set of cost centres. For our sample of twelve payments, where goods had been procured through the system, we noted that five budget holders authorised signatory forms were not available and one instance where authorised limits were set up lower on the system. In addition, neither the location of some of the contracts was known nor copies of any of the contracts from which goods and services were being requisitioned were provided.

A walkthrough test of the payment run with the Payments Manager was performed and we noted that there was no segregation of duties. From our review of five supplier statement reconciliations, we found that reconciliations were performed on a regular basis however, each member of the team was responsible for different suppliers and hence the validation system was slightly different. Our sample of ten credit notes revealed that they had all been appropriately processed.

Amendments and creating of new suppliers are performed by the team where written confirmation of changes is required. Our sample of 5 creations/amendments showed that they had been appropriately set up.

As part of the monthly management accounts, the team produce summaries which show progress. The Board receive a small summary as part of the finance papers which details the percentage of suppliers whose invoices have been paid on time.

(Assurance level on next slide)

Think Ahead

Executive summary 2 answer

Assurance level:

Limited

Reason

There were significant issues surrounding the use of contracts. All major purchases should have a supporting contract. No contracts could be located for the sample of major purchases selected. In addition, there was little control over the proper authorisation of purchases as it appeared that provided an individual was set up in the system they could authorise any purchase.

Executive summary 3

Assurance is given on the basis that documentation is inconsistent and that at times effective audit was difficult to achieve. During legal proceedings, the management and process followed are assessed and in legal terms, "if it is not written, it is not done". Legal proceedings would focus on the deficiencies. This review should be viewed as an opportunity for the organisation to enhance its record keeping; the audit provides clear recommendations on the actions to take to minimise the likelihood of the organisation's processes being called in to question should legal proceedings of any case take place.

(Assurance level on next slide)

Think Ahead

Assurance level

Limited

Reason

The documentation is weak which could cause problems if legally challenged.

Executive summary 4

There are several weaknesses in this area that need the immediate attention of management to be able to guarantee that only employees of the organisation are being paid. We can confirm, however, that all payroll and manpower data is accurately and completely processed and that proper payments are being made to the correct recipient for the correct amount. Control over journals need to be improved to ensure that all journals are appropriately authorised prior to input, that all journals have the correct narrative and that journal sequences are maintained to ensure a proper audit trail. All procedures in respect of all deductions are being complied with. The use of financial modelling would greatly improve the management information available to management for monitoring payroll costs. We cannot guarantee the security of the payroll data until the problem with user names and passwords has been corrected. Management should give this their immediate attention.

(Assurance level on next slide)

Think Ahead

Executive summary 4 answer

Assurance level

Adequate

Reason

There are areas for improvement such as management information; the issue with passwords is not serious – individuals cannot access the system unless they have been set up, but password changes are not enforced and users who no longer require access have not been deleted.

Executive summary 5

The review has confirmed that the controls applied to the system are operating effectively, but these would be further enhanced with the implementation of the recommendations made.

The organisation's framework for its transport arrangements is governed by its Financial Support for Clients document, which is up to date and has been appropriately approved. Although a proper tender process was undertaken for the use of a local transport company, we noted a number of procedural errors which need to be rectified to ensure that the organisation can demonstrate that a fair and proper process was conducted.

We identified that the organisation's record keeping and database management arrangements were exemplary and consider that they represent industry best practice.

(Assurance level on next slide)

Think Ahead

Executive summary 5 answer

Assurance level

Substantial

Reason

The errors noted in the tender process related to poor record keeping.

Conclusion

Reports

Remember – the report is the output most people will see.

Explain – need to explain context of audit and testing undertaken.

Phrasing – make sure the report is clear and easy to understand.

Ordered – is the report written in a logical way?

Read through – make sure you read through the report thoroughly.

Think – would I understand this audit if I was only reading the report?

Stand-alone – the exec summary should be stand-alone.

For more information
visit accaglobal.com