

A guide to Report-writing for Internal Auditors

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?

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.



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.



How to start



Some tips:

- Don't start writing too quickly.
- Prepare thoroughly.
- 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.

Reporting structure

You may find yourself drafting later sections of the report first. This helps you to clarify your ideas and to draw appropriate conclusions.

The order of the final report does not necessarily reflect the order in which it was drafted.



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 will feature in 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

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 that will improve 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.

Avoid too many adjectives and overblown language.

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

1. Increases in sales of LPG in the region of ten per cent were obtained in July.
2. Unsatisfactory quality results in the coating department have been reduced through the introduction of a new wash.
3. 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

1. Regional sales of LPG went up 10% in July.
2. Using a new wash has improved quality in the coating department.
3. Departmental heads must make sure that all employees (including themselves) take their full holiday.

Keep it simple – active and passive voice

One way to keep language clear and simple is to favour the active voice over the passive voice. Many people confuse or overcomplicate this idea, but it's simple.

In an active sentence, the word order is **doer / action / done-to**.

Example: Internal audit recommends improvements.

In a passive sentence, the done-to comes first, then the action, then the doer.

Example: Improvements are recommended by internal audit.

It's also possible to leave out the doer: Improvements are recommended.

However, this can lead to reports that are unclear about where actions originate or who is responsible for them.

Passive voice can be useful, but most writing in English (80%) should be active.

Passive versus active voice

Passive

1. Remote tests of access controls were undertaken by Internal Audit.
2. Visits were made to the payments centre by the external auditors.
3. Physical access controls were observed by the team.

Active

1. Internal Audit tested access controls remotely.
2. The external auditors visited the payments centre.
3. The team observed physical access controls.

It is difficult to make passive sentences active when there is no clear 'doer'. Reports often start sentences with phrases such as 'It was noted...', 'It is considered...' or 'It is assumed...'.

The next time you see one of these phrases, see if you can make it active by stating who exactly 'noted', 'considered' or 'assumed'. If it's important enough to include in the report, then it's important enough to be clear.

Keep it simple

You can track sentence length and passive usage with Microsoft Word's readability statistics. The instructions to configure them are easily available online.

Once you've completed your draft and run spell check and grammar check, you will see a pop-up box with lots of statistics.

Handy hint – **if your average sentence length or passive percentage is over 20, it's too much!** Ignore the other statistics – focusing on these two alone will make your reports more readable.

Readability Statistics



Counts

Words	1333
Characters	7785
Paragraphs	200
Sentences	51

Averages

Sentences per Paragraph	1.6
Words per Sentence	14.6
Characters per Word	5.4

Readability

Passive Sentences	7%
Flesch Reading Ease	38.7
Flesch-Kincaid Grade Level	11.4

Presentation

Always check the report carefully for 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 – replace long words with short ones and eliminate unnecessary ones
- 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?

Review

- Has every sentence been checked for:
 - spelling
 - grammar
 - wordiness
 - 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?

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

Using apostrophes

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.

Using apostrophes

An “s” with an apostrophe immediately after usually shows that there is more than one owner:

- customers' accounts
- creditors' meeting
- where the owner's name ends in an “s” – “Thomas' computer” – however, Thomas's computer is also correct

However, certain words in English become plural without adding an -s-. Think of ‘men’, ‘women’ and ‘children’. In these cases, the apostrophe goes before the -s-:

- men's clothing
- women's lavatory
- children's toys

Do not use apostrophes for non-possessive plurals:

- PTPs, BIKs, 1980s, MPs

Subject/verb agreement

- 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.

For more help with these and other grammatical points, visit Grammar Monster (<https://www.grammar-monster.com/>)

Using capital and lower-case letters

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

Using capital and lower-case letters

- 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

Writing numbers: figures or words

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.

Writing numbers: figures or words

Avoid

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.

Prefer

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.

Useful resources

- Martin Cutts, *The Oxford Guide to Plain English* (Oxford: Oxford University Press, 2020)
- Grammar Monster <https://www.grammar-monster.com>
- The Oxford English Dictionary online (subscription needed if you don't have a UK public library card) <https://oed.com/>
- The Cambridge English Dictionary <https://dictionary.cambridge.org/dictionary/>
- Merriam-Webster Dictionary <https://www.merriam-webster.com/>
- Collins Dictionary <https://www.collinsdictionary.com/>

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)

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)

Executive summary 2 answer

Assurance level:

Limited

Reason

There were significant issues with the use of contracts. All major purchases should have a supporting contract. Internal audit could not find contracts for the sample of major purchases selected. In addition, there was little control over the proper authorisation of purchases, as it seemed any individual could authorise any purchase if they were set up in the system.

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)

Executive summary 3 answer

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)

Executive summary 4 answer

Assurance level

Adequate

Reason

There are areas for improvement such as management information. The password issue is not serious – individuals cannot access the system unless they have been set up. However, the system does not enforce password changes, and IT does not delete users who no longer require access.

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)

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 – does the report flow logically?

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 able to stand alone.

The ACCA logo is a red square with the letters 'ACCA' in white, bold, sans-serif font.

Think Ahead

**For more information
visit accaglobal.com**