Delivering Audit Reports that Matter

Objectives

To discuss:

- *The 7 Deadly Audit Report Mistakes*
- Reader expectations for structure & content
- Writing compelling, risk-centric reports
- Quickening report development
- Building your team's skills
- Report examples

What's challenging about the report-writing process?

Mistake #1

Writing with Internal Audit in mind

Correction

Write with the reader in mind.

What Readers Want

- Precise, high-level wording on root causes & risks

- Main-message-first

- Consistency

- Proportionality

- Layered messaging

Mistake #2

Assuming they will read the entire report

Correction

Make your reports easy to navigate.

Mistake #3

Providing lengthy background information

Correction

Only provide information that adds context.

Mistake #4

Skimming the surface

Correction

   Identify the root cause.

Mistake #5

Writing overly detailed, uninspiring reports

Correction

Write concise, compelling observations.

To be compelling, state the risk.

- Describe actual impact.

- Be realistic, not theoretical.

- State likelihood and impact.

- Add relevant content.

State Actual Impacts

Not this

During Hurricane Ian, the online payment system shut down due to power outages. As a result, customers abandoned their online shopping carts.

But this

During Hurricane Ian, the online payment shut down for 3.5 hours due to power outages. As a result, 1,200 customers abandoned their online shopping carts and never completed $163,000 in purchases.

Add Realistic, Relevant Content

<u>Not this (circular logic; undefined)</u>
Without two-factor authentication of wire transfers, the department is not compliant with its wire transfer policy. Also, the company's financial assets are not properly safeguarded and could be misappropriated.

<u>But this</u>
Without two-factor authentication of wire transfers, the company can process erroneous or illegitimate payments. **(realistic)** The Wire Transfer Department processes 140 wires/day averaging $8,200/wire. **(relevant)**

Mistake #6

Using insider language

Correction

*Use everyday business language.*

Mistake #7

Thinking that pretty reports wow

Correction

Focus on clear, precise messaging.

Generic messages force readers to develop their own conclusions.
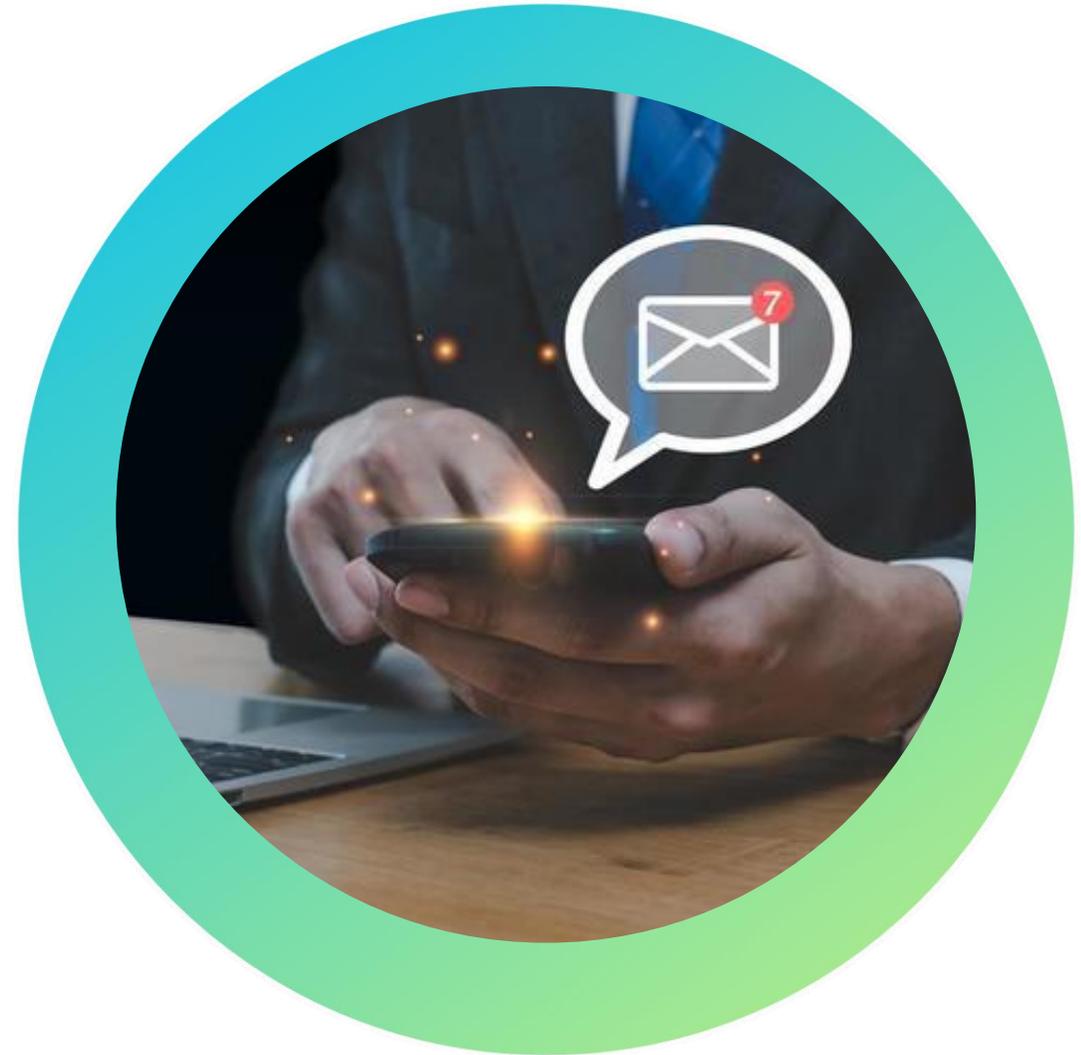
Process Challenges

Knowledge Gaps	Delays
• Observation development • Writing quality • Reviewing vs. editing • Amount of detail	• Writing observations • Sharing <u>written</u> observations w/ clients • Obtaining consensus & action plans • Reviewing & editing

Helping Your Team

- Help team members think through the observation.

- Host content challenge meetings

- Review, don't edit.

- Train everyone on reporting essentials.

Agile Reporting Process

Auditors

- Write observations when found

- Use preliminary documents

- Meet with client weekly to:
  - ✓ Discuss and validate observations
  - ✓ Obtain consensus
  - ✓ Propose solutions and action plans

Audit Management

- Reviews preliminary documents throughout the audit

Agile Reports

- Continue to evolve
- Some say reports are like the old ones, but with better content
- Case studies
  - ✓ One user issues an ES only
  - ✓ One user issues ES in body of an email; attaches observations in PDF
  - ✓ One user highlights well-controlled risks in ES

Section I: Executive Summary

Background
Identity and Access Management (IAM) P&P govern the issuance and management of digital identities so that only authorized users have access to sensitive business applications, information, & operating environments.

The objectives of the audit are to ensure:
- IAM P&P are defined, documented, & communicated for all key functions.
- IAM processes are integrated into HR services, policies, & compliance.
- Information assets are protected from unauthored access.
- The logical access security controls in place are designed, implemented, & operating effectively.
- Access rights are appropriate & re-certified periodically.

The scope for the audit includes the following activities:
- Evaluate IAM policy/procedures adequacy & compliance level.
- Analyze the design & operating effectiveness of access security controls in IT systems.
- Review the process of user identity access provision/de-provision.
- Review the process of user identity & account administration & management.

Observation Summary

#	Title	Risk Rating
1	Weak Password Settings on Active Directory Domain	High
2	Missing Approvals for User Access to SAP Application	High
3	Generic Users Accounts Remain Open in SAP Application	High
4	Annual Access Review not performed to detect dormant user accounts or users with excess privileges	Medium

Report Rating and Classification
This report has been rated as **marginally unsatisfactory**. The audit results shows significant weaknesses in security settings, user access provision, SAP user accounts, & user access review.

Exhibit 7-11 Protective Life Insurance

20XX | <<NAME OF AUDIT >>

Protective

To: << Name(s) of auditee >>
CC: << Name(s) of recipients of the report >>
Audit Team: << Name(s) of auditors >>

Final: << Date >>

BACKGROUND

The background will describe the background of the area audited providing insight into what they do and their value to the company.

SCOPE
<< Dates of audit scope >>

The scope includes the dates and areas such as change management and segregation of duties, that the audit will cover

CONCLUSION
X Reportable Findings

The conclusion includes the number of reportable findings and statement that Internal Audit reported low-risk findings to management, which are not in the report.

Furthermore, the conclusion states:

"Our audit work is conducted in conformity with the *International Standards for the Professional Practice of Internal Auditing* promulgated by *The Institute of Internal Auditors*."

KEY RISKS

Operational
- << Risks Listed >>

Compliance
- << Risks Listed >>

Due to the effectiveness of 13 controls tested, average inherent risk score of 3.05 dropped

↓ **33 %**

to an average residual risk score of 2.05.

This report is intended for the exclusive use of management and the Board of Directors.

**Exhibit 7-11
Protective Life
Insurance**

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20XX | <<NAME OF AUDIT >>

Note: All data is fictional and is included for illustrative purposes only.

<< Business Unit >> Requests and Fulfillment SLA Averages |
January 2022 through December 2022

<< This note can be used to describe why one of the months was below the SLA goal. >>

SLA Average

SLA Goal: 90%

Request Count

Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
95%	92%	94%	90%	91%	91%	90%	95%	85%	90%	91%	97%
210	182	231	255	205	182	189	196	165	190	199	195
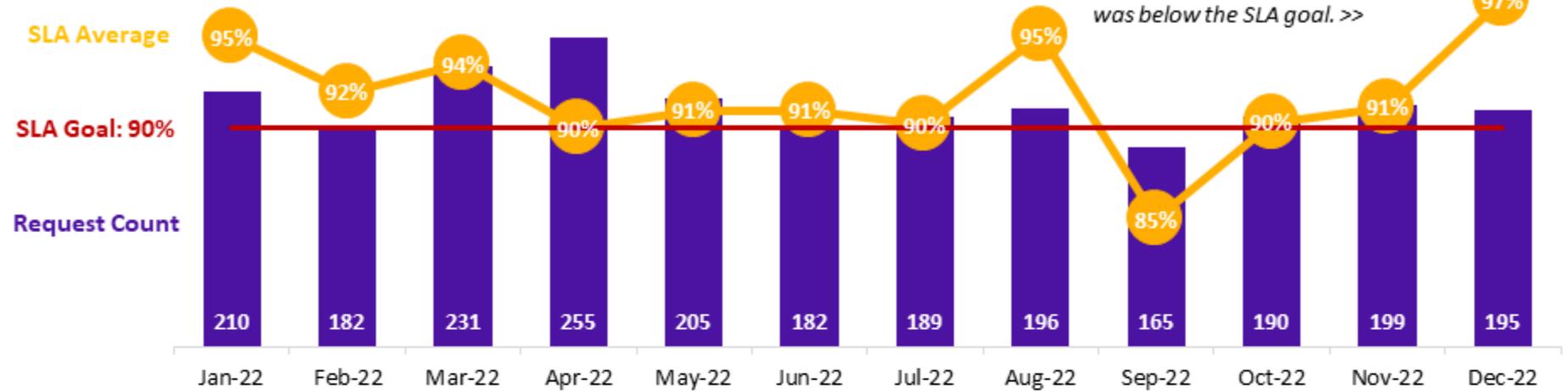
Quality Scores | January 2022 through December 2022

Month	Score
Dec-22	99%
Nov-22	97%
Oct-22	97%
Sep-22	88%
Aug-22	73%
Jul-22	81%
Jun-22	83%
May-22	80%
Apr-22	86%
Mar-22	75%
Feb-22	72%
Jan-22	72%
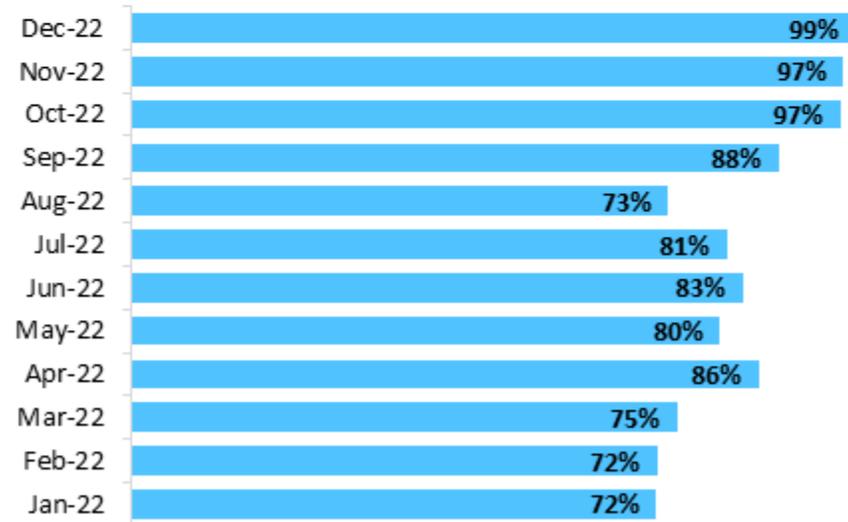
<< This note can be used to describe why the quality scores increased. >>

The Team | as of December 2022

Location of Employees

23 Employees

13 Virtual   10 Hybrid
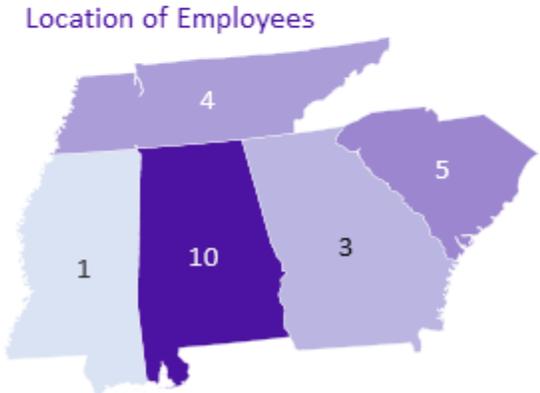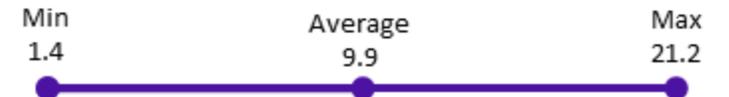
| 4 | | 5 |
| 1 | 10 | 3 |

| Tenure of the Team | Min 1.4 | Average 9.9 | Max 21.2 |

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20XX | <<NAME OF AUDIT >>

FINDINGS:

Finding Level	Current (20XX) Number of Findings:	Last Audit (20XX) Number of Findings:
1 | Severe	0	0
2 | Major	0	0
3 | Moderate	3	1
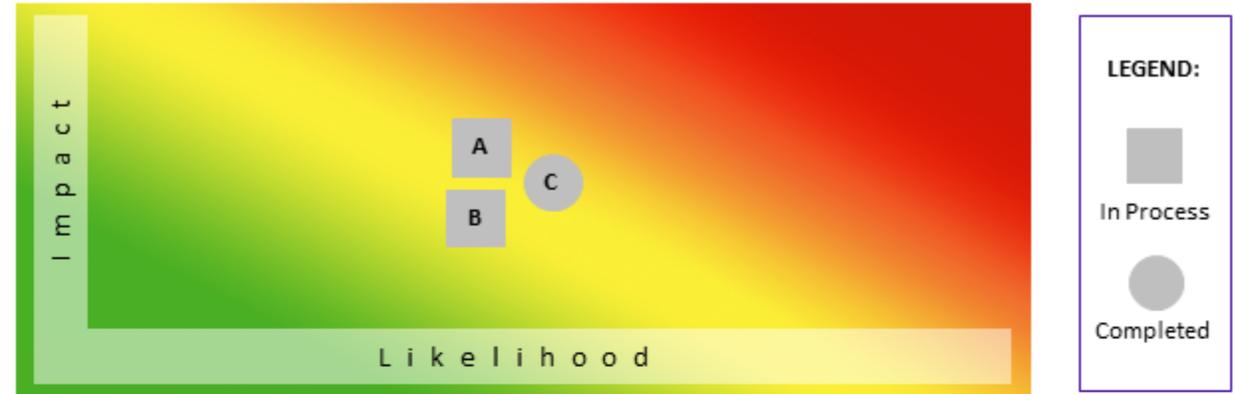
Impact / Likelihood

A B C

Legend	Level	Observation	Business Response	Estimated Completion Date & Owner
A	3	<< Observation title >> • Observation description	<< Business response to the observation >>	<< Date >> << Owner Name >>
B	3	<< Observation title >> • Observation description	<< Business response to the observation >>	<< Date >> << Owner Name >>
C	3	<< Observation title >> • Observation description	<< Business response to the observation >>	<< Date >> << Owner Name >>

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Download & share these helpful tools!
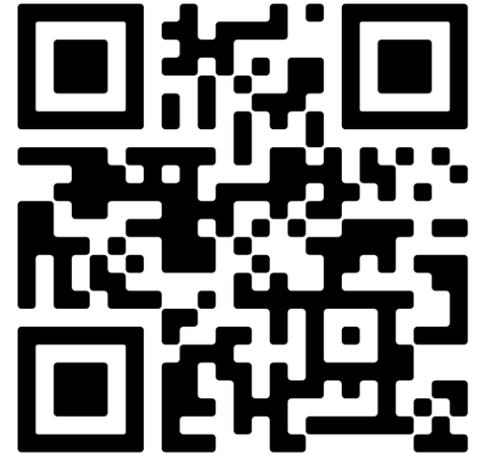
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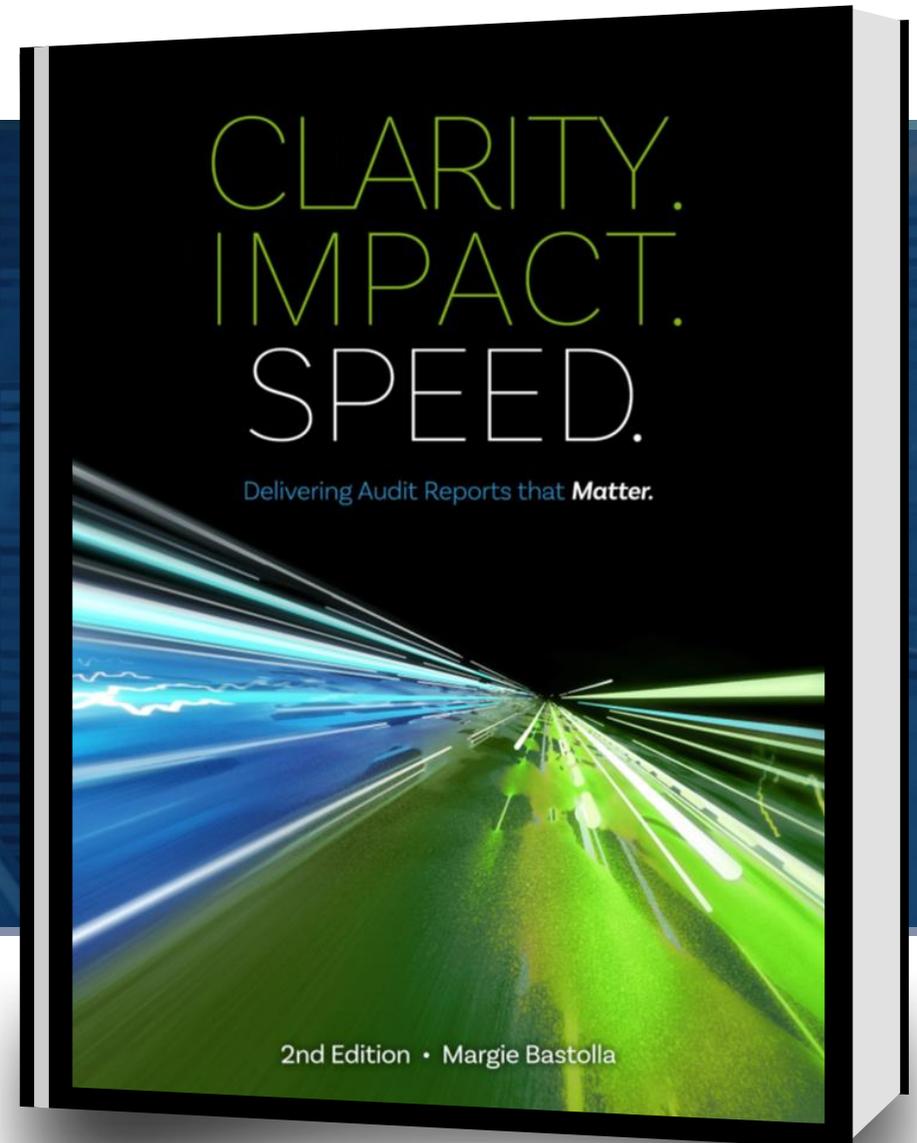
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IMPACT.
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2nd Edition • Margie Bastolla

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Speaker Bio

Margie Bastolla, CIA, is an Orlando-based trainer who helps internal auditors write clear, impactful reports; reduce report revisions; and quicken report issuance. She is author of the 2023 book *Clarity, Impact, Speed: Delivering Audit Reports that Matter, 2nd Edition,* published by The IIA.

Margie has taught thousands of auditors in hundreds of organizations to think critically and write clearly. She also teaches auditors how to build productive, supportive relationships in the workplace. Margie's clients include the Fortune 500, the U.S. military, the international agencies, and many private and public organizations globally. She has worked in over 40 countries.

Before forming her training company, Margie spent 20 years in executive and leadership roles at The Institute of Internal Auditors in Lake Mary, Florida. To learn more about her training, consulting, and executive coaching services, visit www.auditreportwriting.com.