

# WRITING AUDIT REPORTS

MAKING REPORTS READER FRIENDLY

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# THE AUDIT REPORT

- Audit Findings
- Corrective action required
- A management opportunity

# IIA STANDARD 2420

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

# GOVERNMENT AUDITING STANDARDS

- Accurate
- Objective
- Clear
- Concise as the subject permits
- Convincing
- Complete
- Timely

# REPORT WRITING STAGES

1. Plan the report
2. Draft the report
3. Revise the draft

# AUDITOR/WRITER VS. READER MINDSET

## AUDITOR

- I want to show you lots of data!
- Accuracy
- Linear explanations (Inductive reasoning)

## READER

- Just enough, and try to make it interesting
- Accurate, but brief and clear
- Bottom line first, then supporting details (Deductive reasoning)

# ANALYZING THE AUDIENCE

1. Who will be the most important readers of the report?
2. How much do they know about the subject?
3. How do they plan on using the report?
4. How interested are they in the report?
5. What's their reaction going to be to the report's message?

# IIA STANDARD 2410

Engagement communications should include:

- Objectives
- Scope
- Conclusions
- Recommendations
- Action plans

# GOVERNMENT AUDITING STANDARD

## 8.07

- Objectives
- Scope
- Methodology
- Findings
- Conclusions
- Recommendations
- Compliance with GAS statement
- Views of responsible officials
- Privileged and confidential information omitted

# THE RIB STATEMENT

- Should appear at the front of the report
- List the report's:
  - Objectives
  - Conclusions

# SAMPLE RIB CONCLUSION

- Our review of U.S. diplomatic posts in nine countries showed that the State Department had not routinely investigated, as required, the backgrounds of many foreign nationals with regular access to U.S. facilities and officials overseas. In particular, foreign nationals providing routine services, such as janitorial work, had not been adequately investigated at some posts.

# SAMPLE RIB CONCLUSION

- These shortcomings represent not only non-compliance with State Department regulations but more importantly, a gap in the U.S. efforts to reduce the risk of espionage and terrorism at overseas posts.

# PLANNING YOUR DRAFT

1. Analyze your audience to decide on the best report format.
2. Develop a central message (e.g., RIB).
3. “Top Down” method
4. Elements of a finding
5. “Bottom Up” yellow stickies

# “TOP DOWN” METHOD

1. Think of the newspaper headline that would accurately summarize the report's message.
2. Write a paragraph that summarizes the report's key points.
3. Write paragraphs that explain and provide evidence for the statements made in the summary paragraph.

# PHASE TWO: DRAFTING THE REPORT

- Writer's block
- The importance of finding the drafting method that suits you best
- Things you can do to make a report easier to read (summary, headings, change paragraphs, topic sentences in paragraphs)

# WRITER'S BLOCK FACTORS

- Unrealistic concept of the writing process
- Unreasonable goals such as immediately producing the perfect draft
- Lack of preparation
- Frequent interruptions
- Missing information

# DEALING WITH WRITER'S BLOCK

- Be REALISTIC about the writing process.
- Separate the creative process of writing from the critical perspective you adopt during the editing process.
- Break the writing process into manageable chunks via methods like a RIB or outline.

# DEALING WITH WRITER'S BLOCK

- Schedule time for writing and let others know about your schedule and request their cooperation to minimize interruptions.
- Make notes of missing information, but move ahead using available information.

# DEVICES FOR EASIER READING

- Summaries
- Headings
- Topic sentences
- Graphics
- Repetition of key phrases, terms

# PHASE THREE: REVISING THE DRAFT

- Benefits of having others review the draft
- Levels of draft reviews
- Tips on what to look for at each level of review

# THREE LEVELS OF REVIEW

1. Report
2. Paragraph
3. Sentence

# REPORT LEVEL

- Is the report's central message clear?
- Is it the appropriate length (i.e., too short or too long)?
- Does it have a summary of the report message up front?
- Does it have sufficient, clear headings?
- Does it have suitable graphics (e.g., pictures, tables, graphs)?

# PARAGRAPH LEVEL

- Does the paragraph contain a topic sentence that accurately conveys the paragraph's central idea?
- Does the paragraph contain enough information to support the idea expressed in the topic sentence?
- Does the paragraph contain too much information so that it will overwhelm the reader?
- Do the ideas presented in the sentences following the topic sentence flow logically (i.e., are they in the correct order)?

# GEORGE ORWELL: “POLITICS AND THE ENGLISH LANGUAGE”

- “Never use a long word where a short one will do.”
- “If it possible to cut a word out, always cut it out.”
- “Never use the passive when you can use the active.”

# SENTENCE LEVEL BASIC QUESTIONS

- Are all the words in my sentences necessary?
- Are my sentences easy to understand?
- Do the sentences contain action verbs and actors (active vs. passive construction)?

# TONE

- Avoid biased language!
- IIA Practice Advisory 2420-1 states, “Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances.”

# TONE

- Be conscious about whether you want to take a positive or negative tone.
- For example, “Proper control can not be achieved unless reconciliations are performed.”
- Versus “If reconciliations are performed, proper control can be achieved.”

# JARGON

- Technical terms within a specific field or overly complex terms used to describe something simple.
- Avoid jargon unless a) you know the reader will understand it, or B) there are no simpler terms to describe something.
- You can deal with jargon by either A) substituting simpler terms, or B) defining it first.

# MODIFIERS

- Misplaced or dangling modifiers. A dangling modifier is a phrase or clause that—because of its proximity—seems to modify a word it could not logically modify. A misplaced modifier can change the meaning of a sentence. So a writer should place the modifier in a place where the reader can clearly recognize the word or phrase that the writer wants to modify.

# MODIFIERS

- A common mistake involving a dangling modifier: “Hopefully, the project will succeed.”
- “Hopefully” is an adverb that appears to modify the noun “project,” the subject of the sentence. But how can a project be hopeful?
- It should read: “We hope that the project will succeed.”

# ACTIVE VS. PASSIVE VOICE

- While these are both grammatically correct, you should know when it is appropriate to use each. In general, it is better in audit reports to use the active voice because it clearly identifies who is responsible.

# ACTIVE VS. PASSIVE VOICE

## ACTIVE

- Focused on “doer” who is subject of sentence (e.g., “Bill hit the ball.”)
- Shorter sentence length
- Active agent is included in the sentence.

## PASSIVE

- Recipient of action becomes the sentence’s subject (e.g., “The ball was hit by Bill.”)
- Longer sentences
- Active agent may disappear (e.g., “The ball was hit.”)

# PASSIVE O.K. WHEN...

- The object of the action needs emphasis (e.g., the auditor was bitten by the dog, not the Mayor).
- When the actor is unknown or unimportant (e.g., describing a process).
- When key ideas can be passed more effectively from sentence to sentence (e.g., a list.) “Because the demand for funding exceeds available funding, the office can’t fund every application. Applications are prioritized for funded on three criteria...”

# SHORTEN SENTENCES BY...

- Eliminating phrases joined with some form of the verb “to be”.
  - Change “The engineers are inspecting the power plant.”
  - To “The engineers inspect the power plant.”

# SHORTEN SENTENCES BY...

- Eliminating unnecessary prepositions.
  - Change “The son of Hank”
  - To “Hank’s son”

# HOW TO GET RID OF THEM

The Management Letter – read it and talk to your auditor

Understand the problem

Understand the recommended corrective action

Plan the corrective action steps

Assign overall responsibility

Assign specific action step responsibilities

Establish a time line

Follow up – sustained attention

Verify completion and effectiveness

Report to management

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# HOW TO AVOID AUDIT FINDINGS

- Establish Policies and Procedures
  - Ethics
  - Conflict of Interest
- Institute Internal Controls
  - Financial
  - Operational
  - Compliance
  - Cash Management
- Do you need an Audit Committee
  - A future discussion

# POLICIES AND PROCEDURES

- Ethics
- Conflict of Interest
- Personnel
- Financial Management
- Procurement

# ETHICS POLICY

- Issues to Address
  - What is a conflict of interest?
  - Accepting gifts or favors
  - Appointment and supervision of family and/or friends
  - Influence over subordinates
  - Use of confidential information
  - When to recuse
  - How to address complaints/potential violations

# CONFLICT OF INTEREST

- A situation where someone in a position of trust or responsibility has competing professional or personal interests
- A conflict of interest exists even if no improper or unethical act results from it
- A conflict of interest can create an appearance of impropriety that can undermine confidence and trust

# TYPES OF CONFLICT OF INTEREST

- Self Dealing
- Family Interests
- Gifts or favors from individuals doing business with the town

# WAYS TO MITIGATE CONFLICT OF INTEREST

- Removal
- Disclosure
- Recusal
- Third-party evaluations
- Code of ethics

# PERSONNEL AND OTHER POLICIES

- Write them
- Follow them
- Review and up-date them as needed

# INTERNAL CONTROLS

- Effective internal controls prevent fraud, waste, and abuse
- So..... Develop internal controls to address the risks identified during your “risk assessment process”
- Review and adjust your control activities to ensure they are working

# WHAT ARE INTERNAL CONTROLS

A process designed to provide reasonable assurance about the achievement of an entity's objectives concerning:

- Financial reporting

- Effectiveness of operations

- Compliance with laws and regulations

# FIVE ELEMENTS OF INTERNAL CONTROLS

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

# CONTROL ENVIRONMENT

- Tone at the Top
- Commitment to Competence
- Management's Philosophy/Integrity
- Management's Direction/Assignment of Responsibility
- Human Resources Policies and Procedures

# RISK ASSESSMENT

- Identify the Risks to Achievement of the Town's Objectives in relation to:
  - Financial Reporting
  - Cash Management
  - Town Operations
  - Compliance with laws and regulations
- Prioritize them (Probability X Impact)
- Develop a plan to manage them

# CONTROL ACTIVITIES

SPECIFIC TO YOUR OPERATION AND MAY INCLUDE  
THE FOLLOWING:

- Policies and procedures to protect against fraud, waste, and abuse
- Authorizations and approvals
- Verifications
- Reconciliations
- Segregation of duties
- Review operational performance

# INFORMATION AND COMMUNICATION

- Financial Reporting
- Operational Reporting
- Accounting Manual
- Compliance Reporting
- Codes of Conduct
- Keep the communication lines open

# MONITORING

- Budget to Actual
- Internal Audits
- Reconciliations to General Ledger
- Management review of controls
- Review of exception reports
- External Audit
- Audit Committee