

# The Institute of Chartered Accountants of India (Setup by an Act of Parliament)



## Women Members Excellence Committee

*Organises*

**यशस्विनी - An IDOL- Live Webinar**



**CA. Priti Paras Savla**  
**Chairperson, WMEC, ICAI**



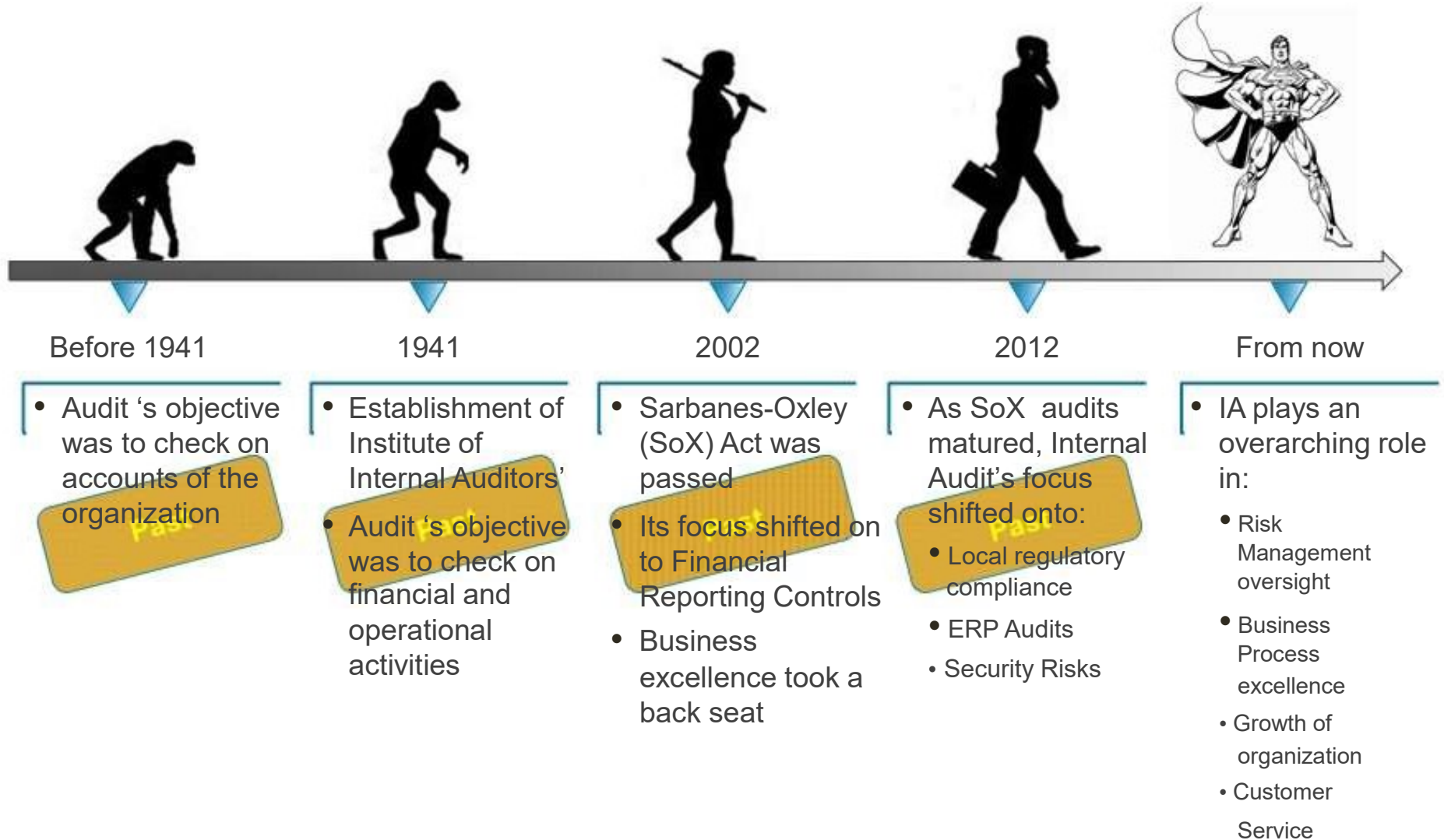
**CA. Kemisha Soni**  
**Vice Chairperson, WMEC, ICAI**

# RAISING THE BAR OF INTERNAL AUDIT AND REPORT WRITING SKILLS



- C.A. Jeenal Savla

# Journey of Audit



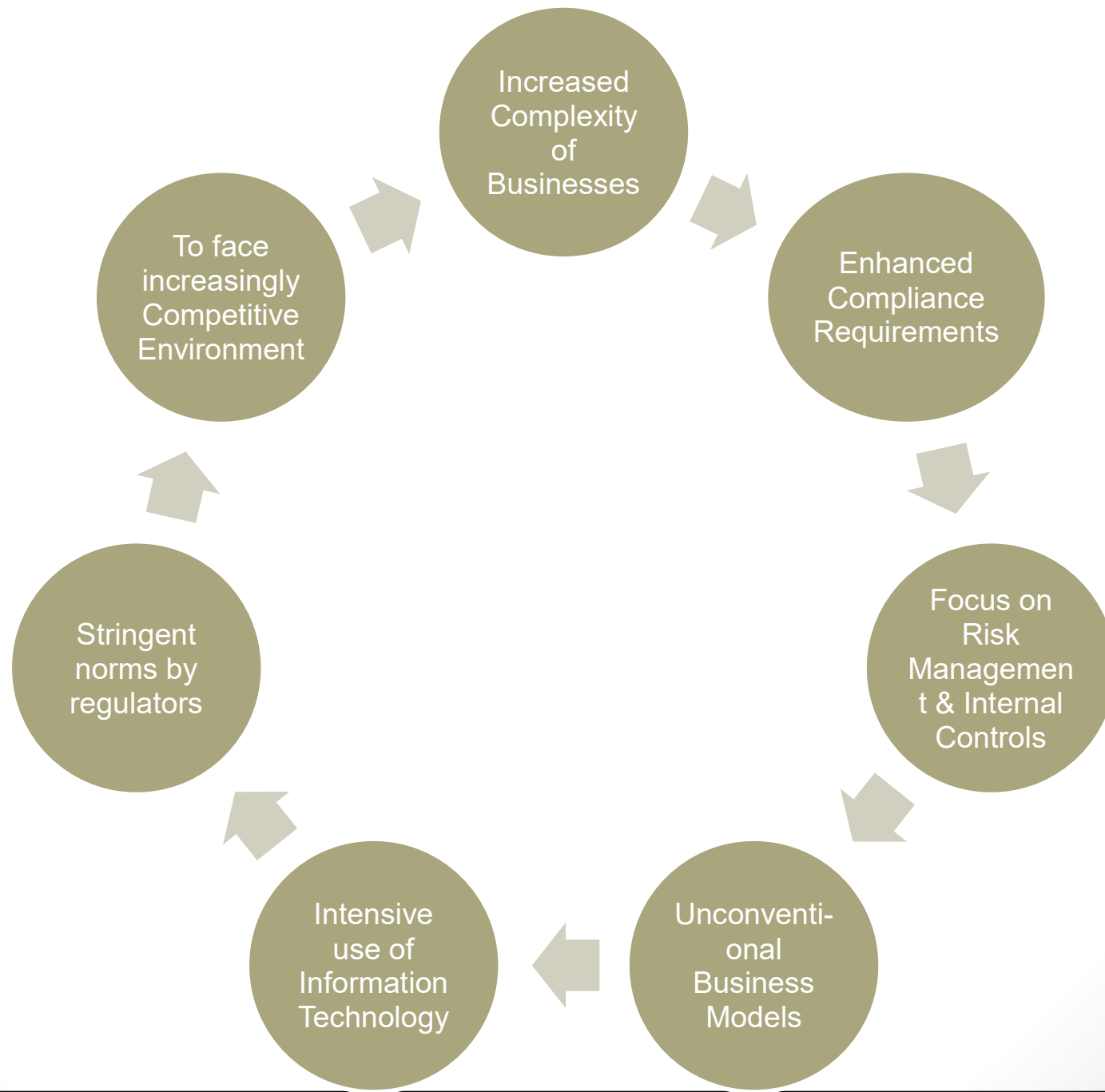
# Internal Audit



Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

It helps an organization **accomplish its objectives** by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

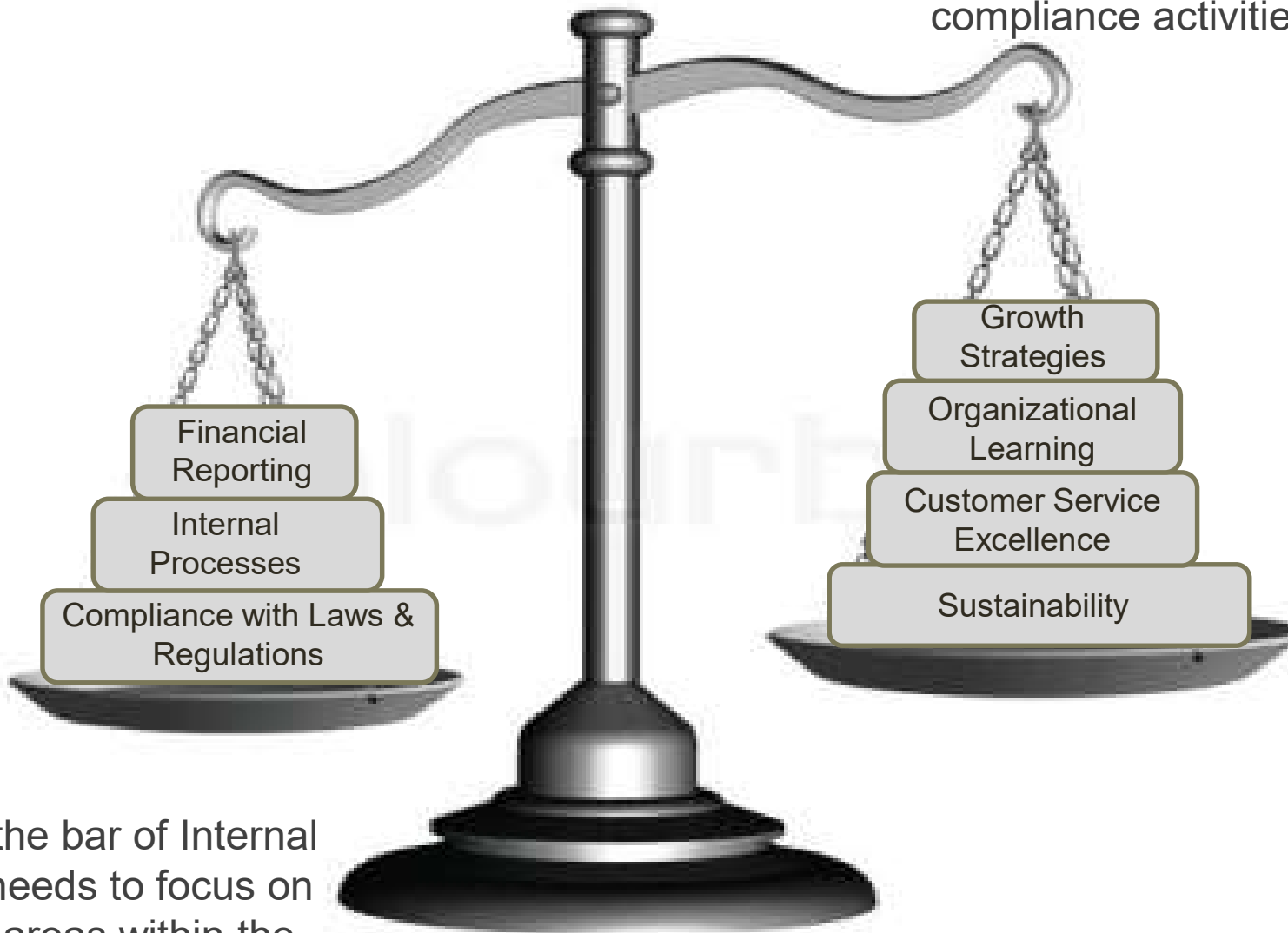
For Corporates- Internal audit is undeniably the backbone of a sound corporate governance system and has emerged as an inevitable service





# What creates value in an organization ?

Internal Audit have always focused on the financial and compliance activities



To raise the bar of Internal Audit, it needs to focus on strategic areas within the organization.



# How do you balance the Internal Audit See-Saw?



## Generate Bandwidth

Internal audit departments need to generate additional bandwidth for themselves by:

1. Automating controls testing where possible though Analytics tools. Co-source specialist skills.
2. Streamline audit processes, methodology through use of audit management tools, knowledge management and continual process improvement
3. Measure Audit efficiency and improve continually

## Renew Focus on Value Drivers

Internal audit departments need to refocus their priorities by:

1. Enhancing audit charter to include value drivers
2. Report on non-financial matters
3. Play the role of Board Advisors in risk areas for strategic initiatives





## 1.) Pre-Engagement Activity

Gathering Information on the Integrity,  
competence of the management

Past Experience, if any, with the  
management

Communication with previous Auditors

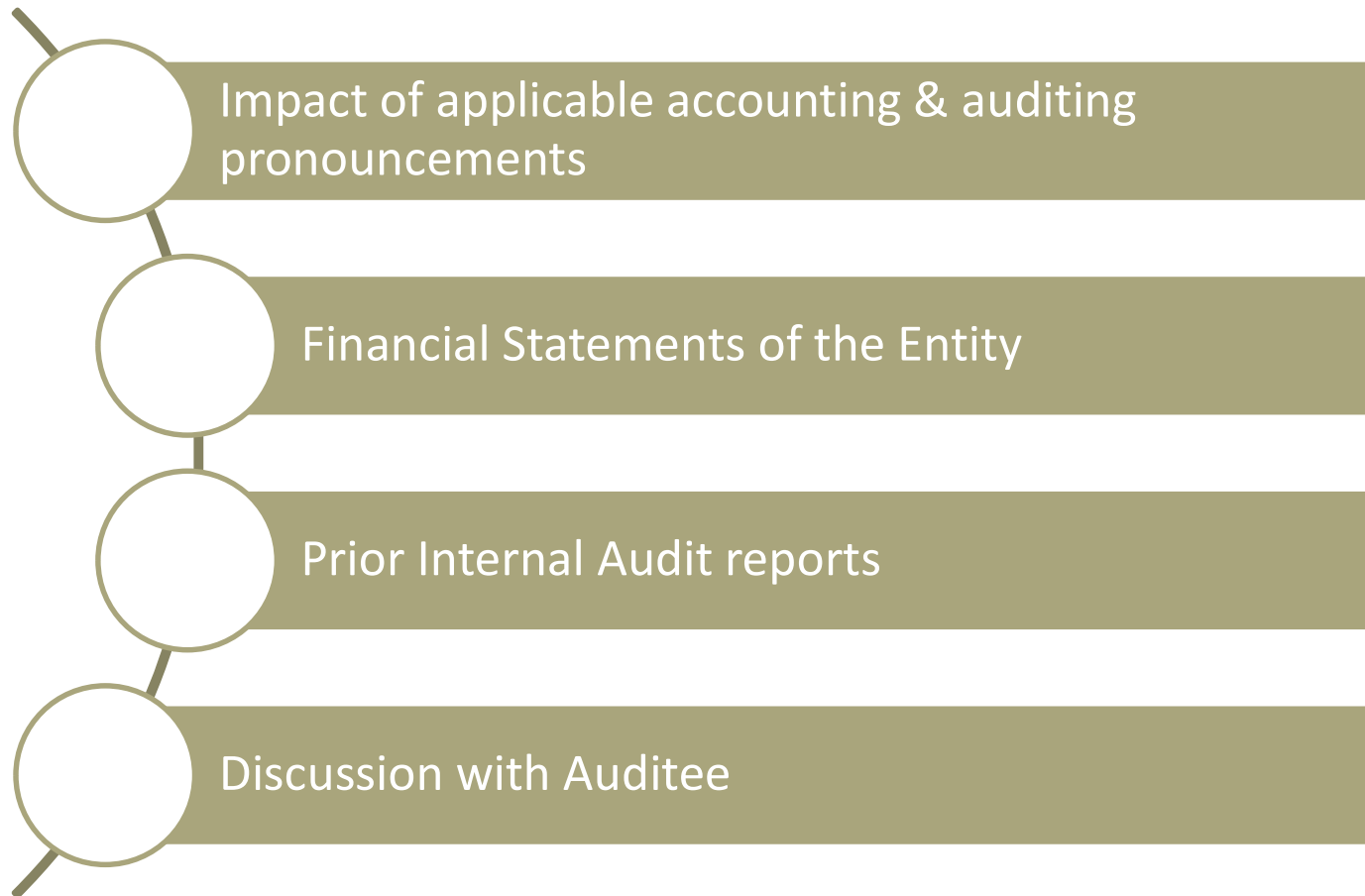
Significant Accounting Policies of the  
Client

Financial Viability of the entity

Nature of work and knowledge of  
business

Preliminary Judgment

## 2.) Understanding the Work



### 3.) Assurance Plan

The auditor plans the level of assurance that would be required taking into consideration:-

- Nature of the Organisation
- Nature of the business
- Level of Operations
- Organisation Structure
- Importance of Internal auditor in the organization

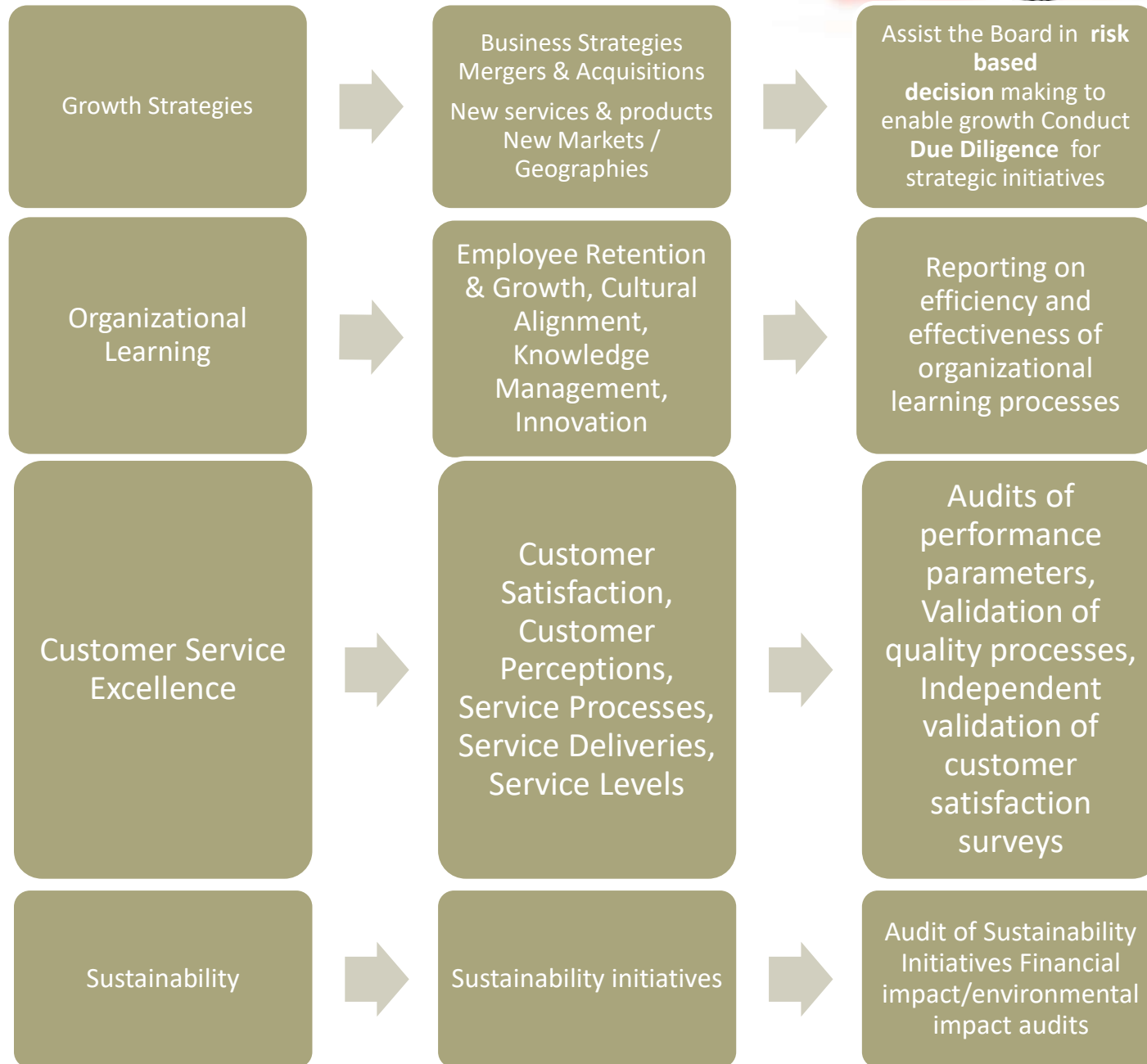
## 4.) Substantive Work

- Review and evaluation of Internal Control Environment
  - Review the internal control structure
  - Effectiveness & Efficiency of internal control
- Matters to be considered while evaluating internal controls
  - Identification of risks
  - Internal control structure
  - Functioning of internal control structure
  - Identification of weaknesses
- Procedures to Evaluate Internal Controls
  - Description of systems of internal control
  - Flowcharts
  - Internal Control Questionnaires
  - Test of Compliance to ensure controls are functioning as structured

## 5.) Report

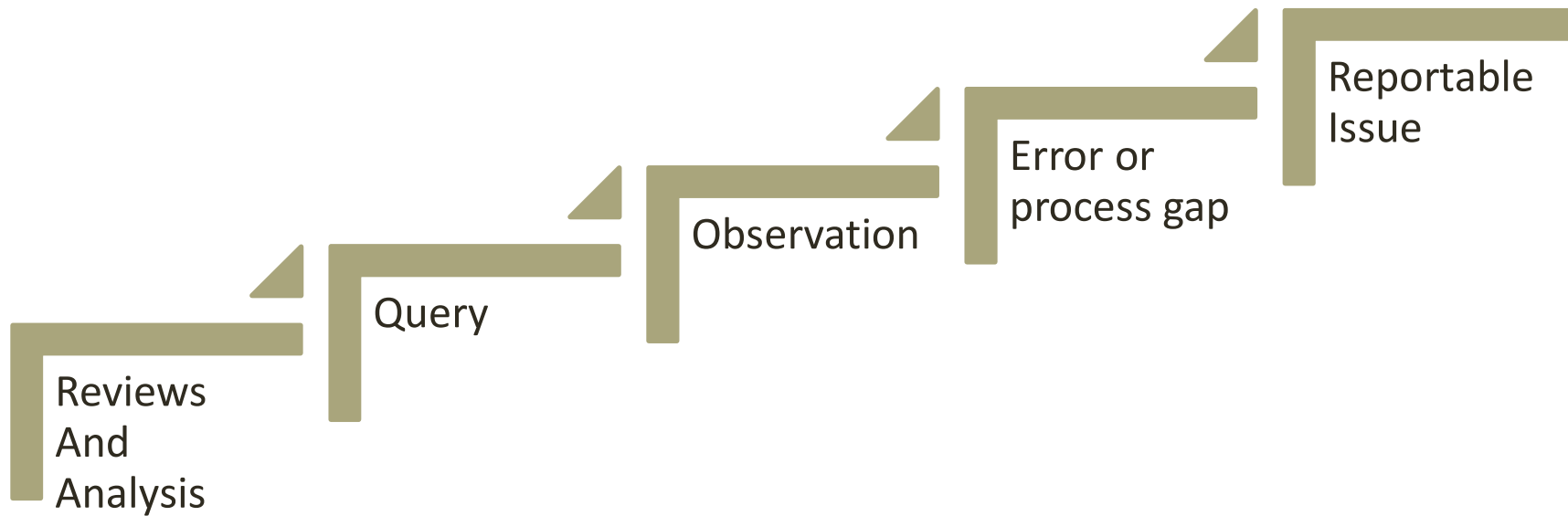
- The Internal Auditor must report his work and observations in a report to the top level management
- A report would generally include
  - Audit Name
  - Audit Report
  - Introduction- Background, Audit Perspective, Scope & Objectives
  - Executive Summary
  - Internal Audit Opinion
  - Detailed Report including Auditee Responses
  - Appendix

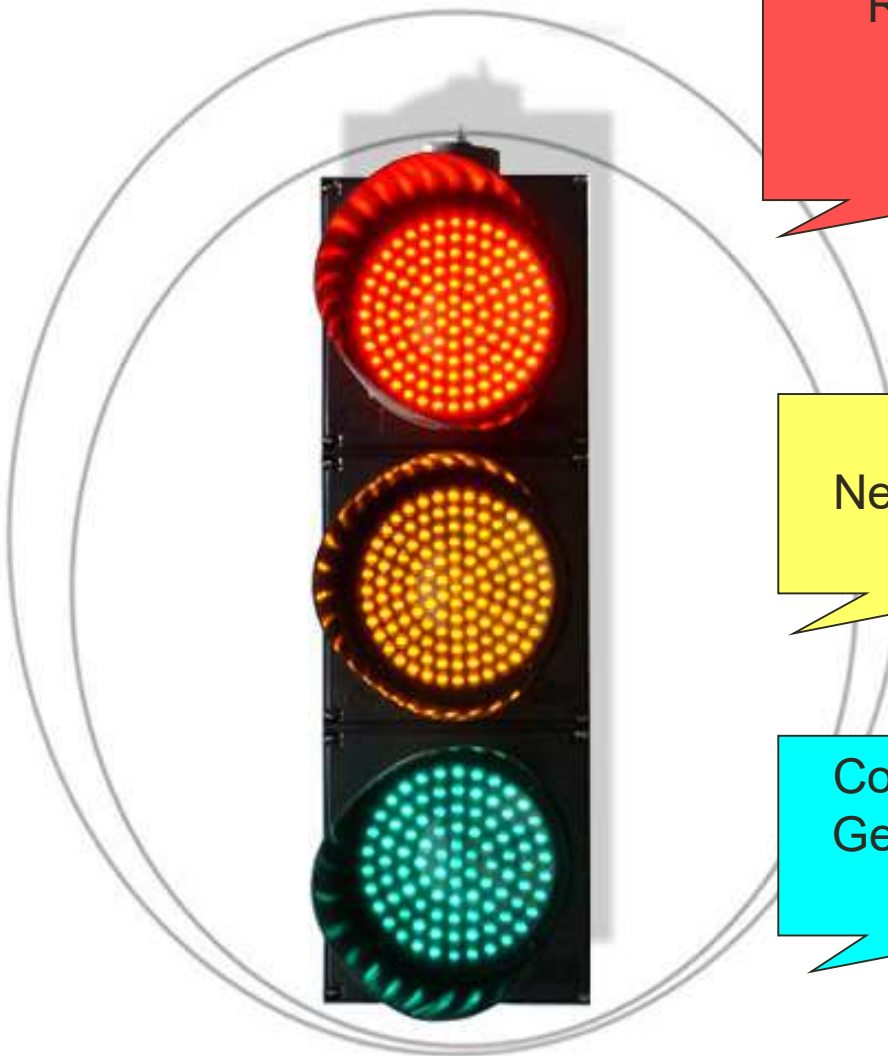
## Focusing on Value Drivers....





# THE JOURNEY FROM REVIEW TO REPORT





Red: Alarming  
position

Neutral  
Need strengthening  
for growth

Comfort/assurance:  
Geared for dynamic  
growth

# Definition- Audit Finding

- During the course of their work internal auditors identify conditions that require corrective action. These deviations from norms or accepted criteria are called audit findings



# Audit findings can be described as

- **Missed Action**
  - Action that should have been taken, but were not taken
- **Prohibited action**
  - Actions that should not have been taken, but were taken
- **Improper Action**
  - Action that is done differently than expected
- **Unsatisfactory systems**
  - E.g. equal efforts and weight age to an un equal item
- **Risk Exposure**
  - That needs to be considered

# Elements / format of audit findings

Background	
Criteria	
Conditions/Facts	
Cause	
Effect	
Conclusion	
Recommendations	

# ALL ABOUT INTERNAL AUDITORS AND REPORT WRITING SKILLS....

# WHY DO INTERNAL AUDITORS NEED WRITING SKILLS?





# WHAT DO INTERNAL AUDITORS WRITE?

Proposals

Reports

Working  
Papers

Minutes

Process  
Understanding

Manuals (SOP)

Letters

Emails



## SOME IDEAS TO ACHIEVE GOOD REPORTS...

- At the time of recruiting, assess the writing skills of the candidate
- At the time of scheduling, ensure that each audit team has at least one person whose organization and writing skills are above average
- At periodic supervisory review, convert audit queries to potential report observations
- Restructure the query sheet to capture query in reportable format
- Teach audit team members to use spell check and grammar help available on MS Word
- Identify writing skill improvement as a KRA
- Send team members for formal training workshops

# REPORT WRITING – FORMATS

AND EXAMPLES...



YOUR REPORT IS  
EIGHT PAGES TOO  
LONG!

BUT THE WHOLE  
REPORT IS ONLY  
EIGHT PAGES!



search-ID:mfln4522

© Original Artist

Reproduction rights obtainable from

[www.CartoonStock.com](http://www.CartoonStock.com)

# REPORT ESSENTIALS

## ● Level of details

- Detailed report for the functional heads/process owners
- Executive summary for the executive management
- Summary of audit issues and action points for the
- Audit Committee with clear reference to risk exposures and control gaps

## ● Format

- Checklist and standardized content – may be used for repetitive checking of transactions, concurrent audits, compliance reviews etc.
- Word format – very flexible, but tends to be text oriented; can be used creatively
- PowerPoint format – contemporary and concise

# REPORT CONTENT

- Covering letter/slide
- Introduction, scope, coverage and methodology
- Limitations and exclusions
- Inherent limitations of internal audit
- Key audit findings and agreed action
- Audit rating
- Detailed observations
- Annexures/exhibits
- Recommendations for management consideration



# REPORTING STYLES OVER TIME

- Traditional Method of reporting
- Reporting identifying the cause and giving action points & recommendation
- Reporting using Charts & Graphs
- Reporting briefly using PowerPoint & readily available technology





# SPECIMEN 1: TRADITIONAL REPORTING

## ➡ Observation No. 10:

- During our review, we observed that the branch has poor standards of basic hygiene and cleanliness and need immediate attention
- Although there is specific staff hired to maintain cleanliness and an annual contract for pest control, the place is unclean and infested with cockroaches. This is primarily on account of the increasing no. of files and lack of proper storage facilities as shown in the adjoining graph
- Improper file maintenance may lead to be a breeding ground for pests. Lack of hygienic working conditions would affect employee health and morale. Regular clean up and active pest control measures to be implemented  
*The auditee is of the view that Pest control is done four times in a month but considering the storage space as well as not having separate pantry / eating area.*
- *Separate eating area has to be created. Adequate separate storage facility adjacent to workplace has to be created for storage of such a huge quantum of files which do act as breeding grounds for cockroaches and insects. Presently we had pest controlled the current premises 4 times last month, but since we have large no. of files these do increase*

## SPECIMEN 2: REPORTING IDENTIFYING THE CAUSE AND GIVING ACTION POINTS

Observation No. 10:	The standards of basic hygiene and cleanliness at the Mumbai branch premises are very poor and need immediate attention. Although there is specific staff hired to maintain cleanliness and an annual contract for pest control, the place is unclean and infested with cockroaches
<b>Implication</b>	Lack of hygienic working conditions would affect employee health and morale
<b>Recommendation</b>	Regular clean up and active pest control measures to be implemented
<b>Auditee Feedback</b>	<i>Pest control is done four times in a month but considering the storage space as well as not having separate pantry / eating area.</i>
<b>Agreed Action</b>	<i>Separate eating area has to be created. Adequate separate storage facility adjacent to workplace has to be created for storage of such a huge quantum of files which do act as breeding grounds for cockroaches and insects. Presently we had pest controlled the current premises 4 times last month, but since we have large no. of files these do increase.</i>

## SPECIMEN 3:REPORT USING CHARTS & GRAPHS

Observation  
No. 10

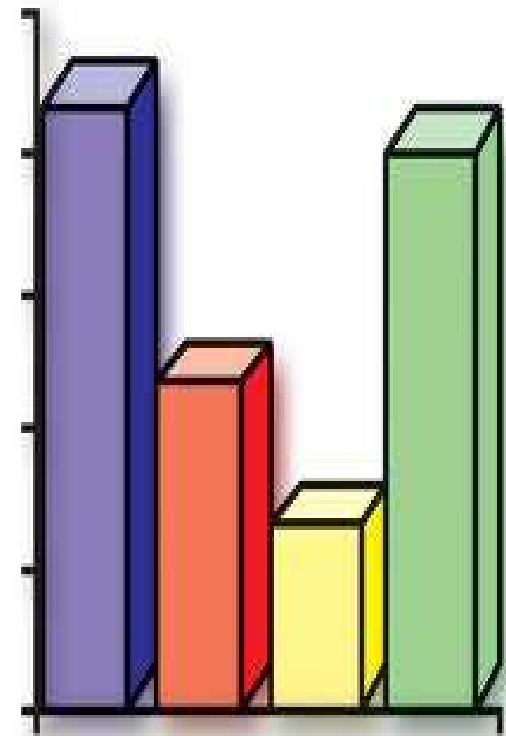
- The branch office is kept in unhygienic conditions

Cause

- This is primarily on account of the increasing no. of files and lack of proper storage facilities as shown in the adjoining graph

Implication

- Improper file maintenance may lead to be a breeding ground for pests. Lack of hygienic working conditions would affect employee health and morale



*Contd...*

# SPECIMEN 3:REPORT USING CHARTS & GRAPHS

Contd...

## Recommendation

- Arrange for proper storage of files and upkeep of the premises. Regular clean up and active pest control measures to be implemented

## Action plan of management

- *Pest control is done four times in a month but considering the storage space as well as not having separate pantry / eating area. Separate eating area has to be created. Adequate separate storage facility adjacent to workplace has to be created for storage of such a huge quantum of files which do act as breeding grounds for cockroaches and insects*

# SPECIMEN 4: REPORT USING POWERPOINT

## **Inadequate Hygiene standards at the Branch**

**Risk: Moderate**

Operations   Financial Reporting   Regulatory Compliance

### **Observation 1:**

*The branch office is kept in unhygienic conditions. This is primarily on account of the increasing no. of files and lack of proper storage facilities as shown in the graph and evidenced in the Exhibit attached*

### **Implications**

Improper file maintenance may lead to be a breeding ground for pests.

### **Recommendation:**

Improper file maintenance may lead to be a breeding ground for pests. Lack of hygienic working conditions would affect employee health and morale

### **Action plan of the management**

*Pest control is done four times in a month but considering the storage space as well as not having separate pantry / eating area. Separate eating area has to be created. Adequate separate storage facility adjacent to workplace has to be created for storage of such a huge quantum of files which do act as breeding grounds for cockroaches and insects*

**Target Date:**

**Responsibility:**

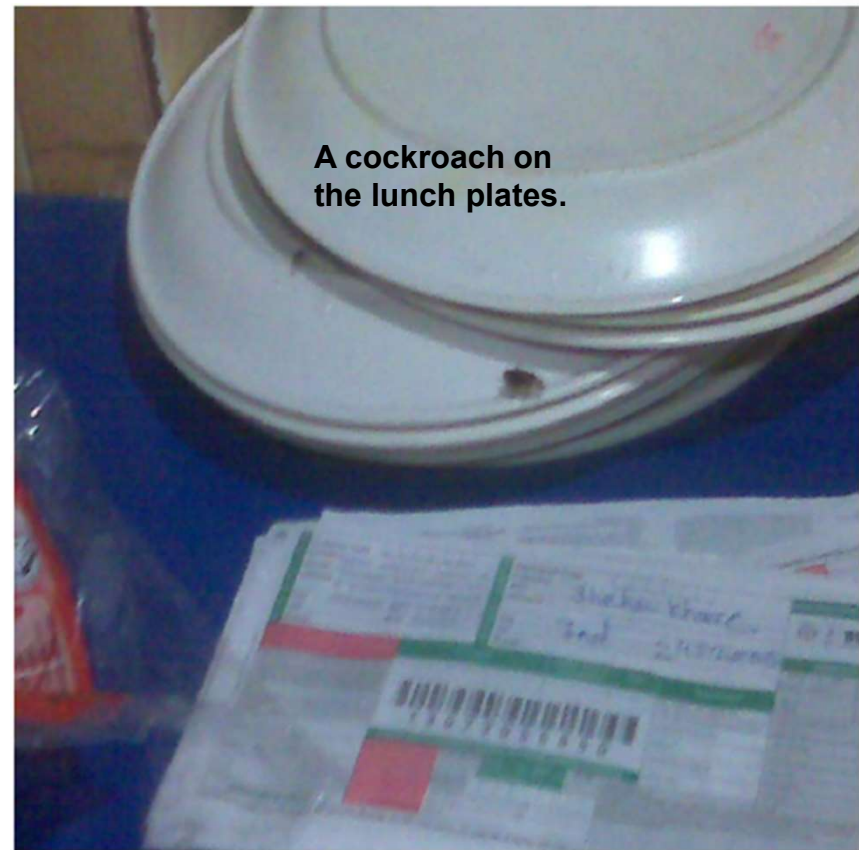


# EXHIBIT

## PROBABLE CAUSE



## EVIDENCE



## OBSERVATIONS- SPECIMEN FORMAT

- Observation
- Analysis/cause
- Implication
- Suggested recommendation
- Accepted recommendation
- Implementation plan – responsibility and schedule



## PRACTICAL HINTS

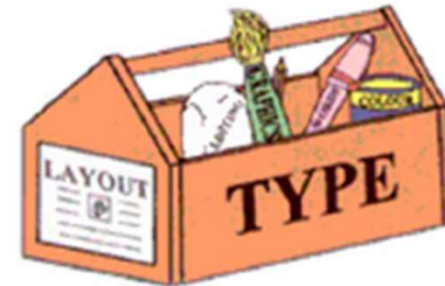
- Draw up a structure of the report in the early stages of engagement
- Build working papers to support the observations and conclusions
- Support general observations with specific findings
- Sign-off procedures at every stage



## PRACTICAL HINTS

- ☐ Minutes of discussion meetings held should be retained
- ☐ Provide an easy mechanism for follow-up
- ☐ Close the file immediately on issuing report ensuring that all relevant details are on record
- ☐ Have a system of formal closure of observations and reports
- ☐ Make your reports forward looking
- Introduce audit rating
- ☐ Exercise creativity in presentation, writing and structuring

### 10 Writing Tools



for writing  
easy-to-read materials

Thank You