

Audience Q&A from the ACL/Chartered IIA webinar:

DELIVERING IMPACTFUL INTERNAL AUDIT REPORTS



Following the great interest and engagement generated by the webinar we held on February 13th, 2019 with Liz Sandwith, Chief professional practice adviser at Chartered IIA, Ben Kaye, European Senior IA Manager at Kellogg's and Nichol Deaddis, GRC Adoption Manager at ACL on delivering impactful internal audit reports, we have compiled the 30+ questions we received from the audience and answered them for you below.

You can watch the recording of the webinar and download the slides here: [On Demand - Audit Findings](#)

Question	Answer(s)
<p>1 How to deal with the auditee when the data is not provided on a timely basis, specifically for payroll audit?</p>	<p>Liz Sandwith, IIA Sometimes the issue around the client not providing information/data promptly is due to being given insufficient time. If possible, I detail the information/data required in the terms of reference so the client has longer to prepare.</p> <p>Ben Kaye, Kellogg's You can call out audit milestones within the report, i.e. notification date, ToR date, start fieldwork, end fieldwork, draft report, management response, final report. I see no reason to exclude information request date and information received date to demonstrate any bottlenecks. I would also escalate as appropriate if you are not receiving the information that you need.</p> <p>Nichol Deaddis, ACL This a very "human" issue. What I would say is that having access to the data directly would certainly help as, you won't be dependent on waiting for an extract from the auditee. ACL provides data connectors to any data source, this means you can get the information you need when you need it, and with no alterations. Aside from that, you can get automatic reminders and alerts in real time - whenever a request has been fulfilled certainly helps a lot. ACL's audit management solution provides reminders and alerting capabilities for both Auditor and Auditee as a standard.</p>
<p>2 Given that a terms of reference/audit planning memo is an IIA mandatory document, is there a plan for the ACL GRC automated report to generate this?</p>	<p>Ben Kaye, Kellogg's ToR/APM is NOT a mandatory document. The requirement is to formally agree on the objectives and scope. There is no prescribed format/forum for doing so.</p> <p>Nichol Deaddis, ACL Unfortunately a ToR is made of several data points in the tool, and each client uses a different format. It would be difficult to create a 'one-click' report that satisfies all use cases. However, you can use the Impact Report Functionality to actually collate all needed data points in a single report that can be used as ToR. In the ACL platform, auditees can access the ToR sections directly which completely remove the need for a report in the long run.</p>
<p>3 Scoping an audit: We sometimes hold a scoping meeting to agree the focus of the audit before issuing the ToR therefore helping to remove any changes later - it works well.</p>	<p>Liz Sandwith, IIA That is a really great idea. I have also done it to establish the key risks i.e. bring the functional team together and brainstorm the risks rather than simply relying of the manager or perhaps an out of date risk register.</p> <p>Ben Kaye, Kellogg's Great idea. Collaboration ensures agreement and alignment between the stakeholder and internal audit.</p>
<p>4 If quantifying the bottom line cost of the consequence is difficult or costly, how can you quantify the consequences in those situations?</p>	<p>Ben Kaye, Kellogg's If you cannot provide a financial impact provide a financial context and/or extrapolate.</p> <p>Nichol Deaddis, ACL Provided the audit is based on the risks in a particular process, the cost of not applying the recommendation could be calculated by providing a cost for the materialisation of the risk. Failing that a judgment based amount can be provided as a reference point.</p>
<p>5 What does MIN and SIN mean in the report rating?</p>	<p>Ben Kaye, Kellogg's Major Improvement Needed. Some Improvement Needed.</p>
<p>6 Is this just the executive summary? Do you have detailed findings as well as this?</p>	<p>Ben Kaye, Kellogg's If you refer to the slide with three pages of executive summary, yes this is just the executive summary, then I use 'finding on a page' for each internal audit finding.</p>

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<p>7 What would you expect to see in the management summary statement?</p>	<p>Ben Kaye, Kellogg's I like the auditor having some free form text to provide an opinion on the control environment and potentially the risk culture etc. This can be provided within the draft report and then allow the stakeholder to respond, and or provide any other information they may choose for example context, background, etc. It gives management a voice in the internal audit report and doesn't make it so one-sided.</p>
<p>8 Have any of the panellists successfully implemented "Agreed Actions" rather than recommendations and management responses (separately)? I have tried a number of times and find that it just leads to lengthy negotiations that don't really add value. Also, I find that it dilutes what the actual issues is and therefore makes the results of the audit unclear for other stakeholders, particularly the Audit Committee.</p>	<p>Liz Sandwith, IIA I tend to use the term 'observations' rather than 'findings' and then meet with the functional manager to discuss the observations. Once we have discussed the observations, I will then ask the manager to suggest an action that will fix whatever the observation has highlighted e.g. perhaps a lapsed or ineffective control. We will collaboratively agree on the action. One of the major benefits is that management takes responsibility for implementing the agreed action so, the backlog of overdue implementations disappears almost overnight much to the delight of the audit committee. Try it, I am certain it will work for you.</p> <p>Ben Kaye, Kellogg's I stopped using recommendations and management responses in 2010. Since then I have only used management action plans, in other companies I have seen them referred to as agreed remediation plans. The only question now is do you leave management to come up with their own management action plans or are these pre-populated and proposed to management to review, consider and propose changes as part of the negotiation/compromise process.</p>
<p>9 Audience of audit report varies from board members to managers. We therefore always struggle in the level of details we should put in the report. What is your experience on this?</p>	<p>Liz Sandwith, IIA I tend to create an executive summary that is pitched at the level of senior management i.e. it continues the amber or red actions and don't trouble them with the yellow or green actions. I have also used a heat map that has a hyperlink and it will take senior management to the particular action they are interested in thus saving them time. If it is a very technical audit then I will create a glossary of terms so they understand without me having to continually explain the terms.</p> <p>Ben Kaye, Kellogg's Create a strong executive summary brief, sharp and to the point, maybe like the three-pager I showed in the webinar. Then keep audit findings on a page. Any more detail the stakeholders should have, or can be provided to them, or can go in an appendix.</p>
<p>10 What technology & tools are out there to help this "agile" approach for us?</p>	<p>Ben Kaye, Kellogg's Agile is a way of working, I am not sure which tools can adapt to this way of working. I will leave that to Nichol, who I am sure will inform you that ACL's GRC tool can work in an agile environment. I would reach out to Andrew Spence, Director at Agile in Audit to get his take.</p> <p>Nichol Deaddis, ACL As Ben pointed out, the ACL platform is based on the Agile Audit concept, adopting conventions over customization. The aim is to make the life of the auditor as easy as possible by providing a tool that is not overly constrictive but that can adapt to the organization using it. The following link can give a better overview of what we mean by "Agile Auditing" in ACL https://www.acl.com/audit/agile-auditing/</p>
<p>11 What duration would you consider 'prompt' reporting balanced against the time needed to develop an effective action plan?</p>	<p>Liz Sandwith, IIA I have always tended to work to a KPI of 10 days from completion of the internal audit fieldwork to the issue of the first draft of the report. I circulate the first draft to line management for them to check for factual accuracy and then circulate the draft report to a wider audience for agreement to the actions discussed. In total, I tend to work to a maximum of 30 days from completion of the fieldwork to issuance of the final report.</p> <p>Ben Kaye, Kellogg's I always like to have audit milestones measured from prior to audit T-X and post audit E+Y. IA and the stakeholder should be measured against these and this can be reported somewhere in the report. I think it helps when IA provide the initial version of the management action plan in place of the recommendation and this starts the dialog. I have been in IA groups where audit findings are fully written up (including proposed management action plans) at the closing meeting. Regardless, I think the draft report should be presented to the stakeholder within two weeks of closing meeting, management should then have two weeks to turn it around and final report should then be published no more than two weeks later. This is ideal world and we know things are never really so simple, but I think six weeks is reasonable to strive for post closing meeting.</p>
<p>12 Would it be possible to share examples of template reports?</p>	<p>Ben Kaye, Kellogg's I can send some examples, but the report must tie in to the IA methodology which should conform to the standards. Please email me at ben@benkaye.net, I would be happy to respond.</p>

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<p>13 To whom should a report be addressed? Also to the 'owners' of audit findings?</p>	<p>Ben Kaye, Kellogg's The Chief Audit Executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the Chief Audit Executive delegates these duties, he or she retains overall responsibility. I like having an audit sponsor to whom the report is addressed with management action plan owners in copy.</p>
<p>14 Does anybody use reports purely in E-format?</p>	<p>Ben Kaye, Kellogg's I do and I am sure many other audit groups do. Are you meaning something other than Word, PowerPoint, .PDF etc?</p>
<p>15 Most reports are formatted to fit on regular paper. Nowadays people read on their tablet or phone. How to accommodate paper and tablet/phone view?</p>	<p>Ben Kaye, Kellogg's Create a .PDF. It seems like, MS Office online training could be used here.</p> <p>Liz Sandwith, IIA I agree with Ben all reports should be in .PDF and if so it can be read on anything.</p>
<p>16 The webinar has been useful for tips. However, I believe that we apply all of these (or at least the vast majority). What I would really have liked is examples of 'other' ways of visually communicating the results of audits that work for organisations. My concern is that by increasing variability, we reduce consistency - another issue with professional practice.</p>	<p>Ben Kaye, Kellogg's I would keep consistency, stakeholders really appreciate this. Why would you not canvass your stakeholders and present them with a number options and see what their preference would be?</p> <p>Nichol Deaddis, ACL There are multiple ways to make a compelling presentation and visualise the results of your audit. The main issue is where the data is sitting. One of the big components of the ACL platform is the visualisation engine we call "Results". We've seen quite few outstanding presentations from our clients that demonstrate the power of having all your data centralised in a single location. Aside of course from providing narratives on findings, visualising the data obtained as well as KPIs related to the audit and scenario analysis will certainly strick a cord with any executive. Having different ways of visualising or producing a report doesn't necessarily mean that the underlying principles behind the audit are not upheld.</p>
<p>17 Is it worth capturing management responses in the report?</p>	<p>Liz Sandwith, IIA Absolutely, I wouldn't issue a report without management responses being included, even if it is simply agreeing on the actions.</p> <p>Ben Kaye, Kellogg's I think it is great to have management responses on each finding and an overall management comment in response to one from IA. The best management comment on an audit finding is "Agreed" because everything else is covered in the 5C's.</p>
<p>18 From your experience, what is a good way to report culture/management control awareness ratings?</p>	<p>Ben Kaye, Kellogg's You can audit culture in a standalone audit (more tricky, better placed for FS organisations) or by incorporating into each individual audit and then analysing and reporting quarterly/yearly etc. Take a look at the slide with the blue bars as a starter for 10, otherwise there is lots of reading that can be done on auditing culture and I have done a previous webinar with ACL and the IIA on Risk Culture, take a look.</p>
<p>19 When employing Agile principles, interim reporting is absolutely necessary.</p>	<p>Nichol Deaddis, ACL A step forward from interim reporting is having access to the updated data and findings in real time all the time by both auditors and auditees.</p> <p>Ben Kaye, Kellogg's Agree, thanks!</p>
<p>20 Do we have to use a formal report to communicate findings?</p>	<p>Ben Kaye, Kellogg's "IPPF states: The Chief Audit Executive must communicate results to the appropriate parties. Interpretation: The Chief Audit Executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the Chief Audit Executive delegates these duties, he or she retains overall responsibility."</p>
<p>21 Do we incorporate in the report the auditee comments after the corrective action plan?</p>	<p>Ben Kaye, Kellogg's You can build it in to the template however you see fit. Achieving this with 'finding on a page' is difficult but can be done.</p>
<p>22 Report format: I have a simple rule that every recommendation MUST BE supported by evidence there is no hear say or management view/opinion or concern to be added in the report. This helps to keep IA out on office politics etc and also any challenge can be responded to.</p>	<p>Liz Sandwith, IIA Great piece of advice, thank you.</p>
<p>23 Reporting is where the work has the impact and management can become defensive of their service/performance and are not always happy to receive feedback highlighting "issues".</p>	<p>Liz Sandwith, IIA So true but then none of us likes to be criticised so we have a responsibility as internal audit to offer the observations in the most constructive manner possible. I also find balanced reporting softens the pill a little so give some credit for best practices, great controls, up to date policies and procedures etc. Spend some time with management and the functional team explaining what you have observed and why it presents a concern to internal audit. Remember, we are the business's trusted advisor and we are here to help!</p>
<p>24 Yes - quarterly follow-up audits undertaken and reported to each Audit Committee.</p>	<p>Liz Sandwith, IIA Great piece of advice, it shares the resource requirement and also provides the audit committee with updates at each meeting. I always find that follow-up is an area of particular interest to the audit committee as it demonstrates that management has engaged with the audit and improved processes, procedures etc.</p>

Question	Answer(s)
25 Surely there are no Audit Committee in this day and age who are not requesting information on audit recommendation progress.	Ben Kaye, Kellogg's You'd be surprised, really! Liz Sandwith, IIA I agree with Ben, you'd be surprised!
26 Should we prepare a report for a follow-up?	Liz Sandwith, IIA Yes, if the follow-up is a separate exercise and it's for an area that had a number of red or amber actions. But, if it only needs to be a relatively short report, it will reflect conversations and testing undertaken and your opinion based on the actions implemented i.e. did they address the observation as planned? Ben Kaye, Kellogg's If the follow-up is a separate follow-up engagement, YES. If the follow-up process involves tracking the remediation of agreed remediation plans, then yes but via dashboards or status reports of open/overdue remediation plans.
27 Surely yes, otherwise there won't be a formal record of the results?	Liz Sandwith, IIA Indeed, so correct and as internal auditors we do like to see a full audit trail!
28 We formally record the detail of the activity that closed the report and IA confirms that satisfied closed (only way can be formally closed) this is all included in a report to the AC. So no individual reports but details against each action as to what done to close.	Liz Sandwith, IIA Good approach and perhaps less resource needy than a more formal approach.
29 We have implemented a full tracking process for all follow-ups, which we report on monthly	Liz Sandwith, IIA Absolutely using a tool such as Symbiant perhaps or an Excel spreadsheet. Nichol Deaddis, ACL This is a good point where our customers see a tremendous value on using our tool. Having a good system to follow-up and track recommendations and actions is paramount to run an efficient audit shop. Unfortunately, Excel and emails are not as reliable as using a tool that can track down stakeholders, connect them to the relevant issue and most importantly automatically send reminder and follow-up.
30 We only follow-up/verify high/red risk recommendations in writing. Management assurance is accepted for medium and low recs. High recs reported to AC.	Liz Sandwith, IIA Similar to my comment above, good to hear a practical example, thank you for sharing. Ben Kaye, Kellogg's Just be careful for the high impact, low risk audit findings/observations. Black swan events do happen!
31 Likelihood and impact brings too much unnecessary discussion with auditee: how do you calculate? What are the basis?	Ben Kaye, Kellogg's In the slides, I provided an example that can help you. There is always a subjective nature to the rating of findings and audit reports. Bringing in structure just shifts where that subjectivity lies. Having said that, the risk of the finding is always about impact and likelihood otherwise how do you determine the risk/rating? Nichol Deaddis, ACL Likelihood and impact are not the only factors that can be captured/discussed. Lots of companies use different factors that resonate better with the process owner. Some of the factors can also be automated using KRIs. Also a qualitative analysis based on experience is always better than not having any judgment at all.
32 Does this kind of matrix take away IA's ability to have a feel for culture/consideration of whether an issue is recurring through separate audits?	Ben Kaye, Kellogg's There is a slide about culture included in the presentation, which we touched on briefly in the webinar. You can refer to it, it's the slide with the blue bars. Nichol Deaddis, ACL Having a qualitative analysis on the risk doesn't take away the Auditor judgment on that risk, each score can be integrated with narrative to explain how you got to that particular judgment.
33 Have you got any examples of audit reports (or other reporting docs) you think are particularly impactful you can share?	Nichol Deaddis, ACL Please email me at nichol_deaddis@acl.com and I will be able to provide some example reports from our demo environment.
34 Would it be possible to share examples of template reports?	Ben Kaye, Kellogg's I can send some examples, but the report must tie in to the IA methodology which should conform to the standards. Please email me at ben@benkaye.net , I would be happy to respond.
35 Any specific report format that you can suggest for advisory audits?	Ben Kaye, Kellogg's You can have a consistent approach to advisory engagements but due to their nature each advisory engagement will be different. Therefore, it is best to agree in advance with the stakeholder what the ideal/required output/format from a IA is, then you can ensure alignment between IA and the stakeholder.

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