



Improving your audit reports & delivering added value

Who should attend?

- This course will be particularly useful for delegates that have previously attended the Certificate in Internal Audit 1 – Essentials of Internal Audit
- It will also be very beneficial to any auditor or other assurance professional who need to significantly improve their reports or implement value for money audits
- Personnel in other functions who need a wider understanding on the modern internal audit role or improve their reports

Why you should attend

Writing effective audit reports must be the most important aspect of the Internal Audit process. It is the main deliverable and the only written information audit customers receive

The risk-based focus being increasingly adopted is universally accepted as the new benchmark for Internal Audit.

The flip side of risk however, is opportunity.

Specifically targeting significant areas of business opportunities in the audit programme can deliver major measurable benefits to the organisation whilst at the same time reducing the associated risks.

This 5 day course is designed to challenge your thinking about the whole approach to writing and reviewing audit reports and to understand the benefits of a focussed VFM audit process and how to effectively measure the value added.

Course Level

- This is an intermediary level course it is advisable that delegates have 6 months experience in Internal Audit or other assurance functions
- There are no minimum educational requirements
- No advance preparation is required
- Delivery method – Group-live (with exercises to simulate audit scenarios and situations that delegates will encounter)

After completing this course you will be able to

- Simplify your reports and enhance their readability
- Significantly enhance the impact of your reports
- Make your reports easier to write, easier to review and easier for management to implement
- Improve the acceptance and implementation of your recommendations
- Reduce the lead time for their issue
- Avoid unnecessary words and phrases
- Benchmark your audit reports against worldwide best practice
- Influence management more effectively
- Apply the theory and practice of VFM auditing
- Plan VFM assignments effectively
- Develop testing plans to ensure optimum coverage
- Plan VFM pre-meetings, audit interviews and clearance meetings with confidence
- Provide overall assurance on the VFM assignment
- Establish performance measures

CPE credits

- Participants can earn 30 CPE credits in the Auditing field of study

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<h2>Day 1 Audit reports – your shop window</h2>
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- The 5 dilemmas of audit reporting
- Video from IIA president
- What is a best practice report?
- Who do you need to convince?
- Top tips – communicating results
- The challenges of audit reporting
- Grabbing attention
- Getting the message across
- Getting action
- The need for impact
- Which of 6 reports shown would you be likely to read
- Ideas on creating impact
- How do you know a good report when you see one?
- What Management expect – recent survey of chief executive
- IIA professional standards
- Who are the reports really for?

Exercise 1 What are the factors that separate an excellent report from the rest?

The problems with audit reports

Exercise 2 Thirty five questions about your audit reports

- The 35 questions (all based on best practice) – how did you score?
- What are the factors preventing the achievement of these best practice measures
- **30** Tips, techniques and ideas to help you score a maximum
 - How to get 95% of recommendations implemented
 - Use of charts and photos
 - Dealing with minor issues
 - Future focus
 - Order of importance of the issues
 - Actions rather than recommendations
 - Action plans
- Discussion of the implications
- How to assess the needs of the audit customers

Analysis of actual reports

- Explanation of a proven method to evaluate audit reports
- The need to determine success criteria
- Who should you involve?

Exercise 3 Analysis of 4 actual reports

Assessment and evaluation of your own reports

- A model for assessing reports will be outlined

Exercise 4 Self-evaluation against the model provided
(delegates are requested to bring along 2 recent reports- purely for their own reference)

- Discussion of key issues and identification of opportunities for improvement

The Executive Summary

Exercise 5 Comparison of 3 executive summaries

- The role of the Executive summary
- **20** tips for writing better summaries
- Targeting the Executive summary to the reader
- The benefits of writing the Executive summary before the main report.
- Asking a non-technical person to read it

Exercise 6 Role-play a meeting with senior management to discuss the report

- **Feedback and discussion of the issues**

Day 2 Best practice internal audit reports

Writing the Executive summary

- **Reflecting on the issues raised yesterday from the role-play**
- **The need to cover the following issues**
 - **How many key issues are there?**
 - **What led to the control failures?**
 - **What did it or could it cost the business?**
 - **Were there any other impacts**
 - **Will the actions agreed deal with the risk?**
 - **What confidence will this give senior management**

Exercise 7 Write the Executive summary

Developing a Collaborative, Consultative style

- **The psychological problem with reports**
- **The need to meet and hopefully exceed management expectations**
- **The need to focus on benefits rather than problems**
- **10 ways to market the audit reporting process**
- **An example presentation will be shared**
- **Relationships with management**
- **Expressing yourself effectively**
- **The need to drive action**
- **Creating rapport with your customers – tips and techniques**
- **The need to understand the people receiving the reports**

Exercise 8: The psychology of reports

Writing reports with impact

- **Why audit reports are taken as a criticism of management**
- **Messages rather than content**
- **Outcomes rather than output**
- **Solutions not problems**
- **Auditor and reader mind-sets**
- **Ways to make the reports more positive**
- **Benefits and deliverables**
- **Conclusions**
- **Language and impact**
- **Simple and Complex language**
- **The use of ‘power words’ in your communications**
- **How to get on the same wavelength as your customer**
- **Highlighting the issues that matter**

- Audit observations
- New paper on audit observations will be shared
- Causes and effects
- **35** ways to draft a report with impact

Exercise 9 Writing a draft report – taking account of the issues raised

Ideas on improving the review process

- **10** ways to improve the review process
- The need for a positive approach
- Techniques for effective review
- Putting yourself in the position of the writer and recipient
- Avoiding the use of the 'red pen'
- Encouraging the auditor
- Avoiding making changes for change sake
- Messages rather than content
- Outcomes rather than output

Exercise 10 The review process

Day 3 Keeping the report as simple as possible

The main report

- **25** ideas for improving the main report
- Keeping it simple
- The report process
- Writing the main report
- Dealing with writers block
- Audit Objectives
- Scope
- Forming and expressing the audit opinion
- Wording tips
- Tone
- Writing effective coherent sentences and paragraphs
- The editing process – tips for success
- The power of Senior management comments
- Circulation lists
- Formatting ideas
- How to avoid repeating any sections in the Executive summary
- Words and phrases to avoid
- How to reduce the number of words
- Why the spellchecker sometimes does not help you
- Dealing with the difficulties of the English language

Exercise 11 Picking the biggest paragraph from a report and rewriting it in one third of the words originally used.

Finalising the report

- **5** ideas to finalise the report more effectively
- Recommendations and actions plans
- Management Comments
- How to reflect the right issues for the Audit Committee
- Audit Committee report examples
- The need to be on your customers side
- Follow up audits – using the action plan
- How to get management to take responsibility for actions
- **5** Ways to improve the follow-up process

Exercise 12 Follow up of reports

- Issuing the report
- Presenting or issuing reports (including use of e-mail and the Intranet)
- Alternative methods of reporting e.g. PowerPoint
- Examples of excellent reports will be provided
- The need to be on your customers side
- Reporting performance indicators
- Tracking actions
- **10** other Steps to success

Exercise 13 Tracking actions

Day 4 The modern approach to VFM auditing

What is VFM auditing?

- How does it differ from other audit approaches?
- VFM questions
 - Does your Internal audit function add measurable added value to your organisation?
 - Do you specifically evaluate and report this added value?
 - Are you happy with this process?
 - Do you measure the value of monetary savings made as a direct result of your audits?
 - Have these savings been at least double the cost of your function in each of the past 2 years?
 - Are these savings known to and recognised by management?
 - Does your audit programme target areas of opportunity as well as risk?
 - Do you carry out any specific value for money audits?
 - Do VFM assignments account for more than 5% of the annual work programme?
- How did you score on the questions?
- The relationship between VFM and other types of Audit
- The benefits of VFM auditing
- Other outcomes
- The associated dangers e.g. trying to quantify non-quantifiable savings

Exercise 14 The challenges

The 3 E's

- The 3 E's – the cornerstone of VFM auditing
- Economy and how it can be evaluated
 - Minimising the cost of resources whilst maintaining acceptable quality
 - Examples of poor economy
- Efficiency and how it should be assessed
 - The relationship between inputs and outputs and the use of resources
 - Why it is critical to evaluate efficiency – with examples
- Effectiveness and how it can be assessed
 - The degree to which the goals or objectives are met
 - The measurement of that achievement
- Identification of inputs and outputs
- How to measure the 3 E's

Exercise 15 Assessing the 3 E's in a customer service area of the business

Key steps in completing a VFM review

- How to select VFM topics
- The research phase
- Objectives, methodology and techniques
- Establishing terms of reference
- Defining the boundaries of the review
- Gathering of information
- Evaluation of data and effectiveness of management processes
- Evaluation of performance and cost saving potential

Exercise 16 Determining the VFM audit objectives/scope

VFM Audit techniques

- The range of techniques
- Comparative analysis
- Evaluating effectiveness, efficiency and economy
- Evaluating productivity in practice
- Working with other specialists
- Measuring opportunities
- VFM audits of line functions
- VFM reviews of projects
- VFM as an investigative tool
 - A VFM Audit template will be shared
 - Developing a terms of reference

Exercise 17 Planning the audit approach

Identifying over-managed risks

- Risks can be over-managed as well as under-managed
- Low level residual risks can be opportunities
- Fruitful areas for review
- Using an opportunity matrix
 - Red Hot opportunities
 - Hot and Warm opportunities
 - Very quick and quick wins
 - Cool and Cold opportunities
- Prioritising the actions to deal with over-managed risks
 - Linking the heat of the action with the potential to reduce the risk
 - Measuring the risk reduction achieved
- The Opportunity register
- Helping management to focus on opportunities

Exercise 18 Identifying areas of over-managed risks

Day 2 VFM auditing in practice

Choosing the VFM Audit

- Risk and opportunity approach
- VFM audits should be prioritized as other audits
- Most common VFM topics
 - Travel management
 - Mobile communications
 - Insurance
 - Stationery
 - Energy management
 - Budgeting
 - Meetings management
 - Office furniture

Performance measures

- How to determine performance measures
- Good KPI's
- SMART measures
- Auditing performance measures
- Audit programme

Exercise 19 – Performance measures

Case Studies -with hints tips and practical advice

1. Mobile Telecommunications

- What are the objectives
- What are the risks
- How to compare bills, tariffs and added value benefits.
- Hardware versus airtime costs - how to evaluate.
- Understanding the trends in the market.
- Identifying the inputs and outputs
- What measures of the 3 E's would you expect?

2. Travel Management

- Building a picture of travel costs - travel recording and management reporting.
- How to gauge the effectiveness of a travel policy.
- Evaluating policy compliance and its financial impact.
- Evaluating the service provided by a travel agent.
- The need to get the best from suppliers.
- How to evaluate savings potential.

3. Budgeting

- Evaluating the costs and time involved in preparing a budget
- Steps in agreeing a budget
- Buy in to the budget process and the final budget
- The Forecasting process and the link to budgets
- Ways to improve the process
- How to evaluate savings potential.

4. Insurance

- Evaluating current spend.
- Assessment of number of claims.
- Evidence of controls required by the insurer
- Use of captives
- Assessment of self-assurance.
- Could any areas be over insured?

Exercise 20 VFM audits will be chosen by the delegates

Performing the VFM assignment

- Audit programmes with examples
- Walk through tests
- VFM Fieldwork techniques
- Audit testing – how to decide the type and depth of testing
- IIA guidance on testing

- **VFM Audit working papers**

Exercise 21 The VFM audit in practice

Audit conclusions

- **Drawing specific conclusions**
- **Developing recommendations**
- **Determining the level of assurance**
- **Getting commitment to action**
- **Tips for success**

Exercise 22 – The Clearance Meeting – Role Play

Open Forum

- **Practical applications for VFM – open discussion with opportunity for delegates to raise specific concerns and ideas**

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