REPORTING AUDIT FINDINGS IN INTERNAL AUDITS: PROCESSES AND BEST PRACTICES

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Abstract. Reporting audit findings is a crucial stage in the internal audit process. This phase communicates the results of the audit, highlights key observations, and provides actionable recommendations to improve organizational governance and performance. This article explores the structure of an effective audit report, the key elements it should include, and best practices to ensure clarity, accuracy, and impact.

Keywords: Internal audit, audit reporting, findings, recommendations, governance

Introduction. Internal audits play a vital role in assessing an organization's governance, risk management, and operational efficiency. However, the value of an audit lies not only in identifying issues but in effectively communicating these findings to stakeholders. The audit report serves as the primary tool for this communication, summarizing the audit's results and offering recommendations for improvement.

An effective audit report provides clear, evidence-based findings that stakeholders can understand and act upon. It bridges the gap between the auditors' technical analyses and the decision-makers' strategic goals. This article examines the critical components of an audit report, the process of compiling and presenting findings, and best practices for ensuring that the report adds value to the organization.

Key elements of an audit report

An audit report serves as the formal communication of an internal audit's findings, conclusions, and recommendations. It is the cornerstone of the audit process, providing stakeholders with the insights they need to make informed decisions and address identified issues. Below are the key elements that comprise an effective audit report, each designed to convey information in a structured and actionable manner.

Executive Summary. The executive summary is the opening section of the report and provides a concise overview of the audit. This section includes the audit's objectives, scope, and key findings, highlighting significant issues and recommendations. It is designed for senior management and other stakeholders who may not have time to review the entire report but need to understand its critical outcomes. For example, the summary may note major compliance violations or operational inefficiencies that require immediate attention.

Introduction. The introduction establishes the context of the audit. It outlines the purpose, scope, and objectives, explaining why the audit was conducted and what areas were reviewed. This section also describes the methodologies used, such as document reviews, interviews, and sampling techniques, giving readers an understanding of how the findings were derived. For instance, an audit on payroll processes may explain that the review covered the past fiscal year and included both manual and automated payroll systems.

Detailed Findings. This section is the heart of the audit report, presenting the observations in a clear and organized manner. Findings are typically

categorized by theme or department, such as financial management, procurement, or compliance. Each finding should include the following components:

- A description of the issue or non-compliance.

- Evidence supporting the observation, such as transaction records or interview notes.

- An analysis of the impact or risks associated with the finding, such as financial loss, reputational damage, or regulatory penalties.

For example, a finding in procurement might state that competitive bidding procedures were not followed in 30% of transactions, supported by documentation of sole-source contracts and their financial implications.

Recommendations. Recommendations are one of the most actionable components of the audit report. They provide specific steps that management can take to address the identified issues and improve processes. Each recommendation should be:

- Practical and achievable within the organization's context.

- Prioritized based on the severity and urgency of the associated finding.

- Supported by a clear rationale linking it to the observed issue.

For instance, if an issue involves weak access controls in IT systems, the recommendation might suggest implementing two-factor authentication and regular access reviews.

Management Responses. Including management's responses to the audit findings adds depth and accountability to the report. This section captures how management views the findings, their agreement or disagreement, and their

planned actions to address the issues. It may also include timelines for implementing corrective measures. For example, management might commit to revising procurement policies within three months to address identified non-compliance.

Conclusion. The conclusion summarizes the overall assessment of the audited area. It reiterates the key takeaways and emphasizes the importance of addressing the recommendations. The conclusion may also highlight positive observations, such as areas where the organization is performing well, to provide a balanced perspective.

Appendices. The appendices contain supplementary information that supports the main report. This can include detailed data analyses, charts, audit checklists, or specific transaction samples reviewed during the audit. Appendices ensure that the report remains concise while providing additional context for stakeholders who require deeper insights.

An effective audit report incorporates these elements to communicate findings in a clear, structured, and actionable manner. By addressing the needs of diverse stakeholders and providing evidence-based recommendations, the report serves as a vital tool for improving organizational governance, compliance, and operational performance.

Best practices for reporting audit findings

1. **Clarity and Simplicity.** Audit reports should be written in clear, concise language, avoiding technical jargon. Visual aids such as charts, graphs, and tables can help illustrate complex data.

2. **Focus on Actionability.** Recommendations should be specific and achievable, providing a clear path for improvement. For example, instead of stating that "controls need to be strengthened," a recommendation might specify implementing dual authorization for high-value transactions.

3. **Prioritize Findings.** Categorize findings by their severity or impact to help management focus on critical issues. A risk matrix can be used to visualize the prioritization.

4. **Engage Stakeholders Early.** Involving stakeholders throughout the audit process ensures that the report reflects organizational realities and increases the likelihood of implementing recommendations.

5. **Follow-Up Mechanism.** Include a follow-up plan to monitor the implementation of recommendations. This reinforces accountability and helps track progress.

Sample Structure of an Audit Report

Section	Content
Executive Summary	Overview of objectives, scope, findings, and recommendations.
Introduction	Background, purpose, scope, and methodology of the audit.
Detailed Findings	Categorized findings with evidence, impact analysis, and risks.
Recommendations	Specific actions for addressing findings, with prioritization.
Management	Reactions and planned actions from management

Responses	for each finding.
Conclusion	Overall assessment and key takeaways from the audit.
Appendices	Supporting documents, data analyses, and additional details.

Conclusion. The audit report is the culmination of the internal audit process, translating technical analyses into actionable insights. By clearly communicating findings, prioritizing issues, and providing practical recommendations, the report enables organizations to strengthen governance, mitigate risks, and enhance operational efficiency. Following best practices ensures that the report is not only informative but also a catalyst for meaningful improvements.

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