



**The Fiduciary and Investment Risk
Management Association
May 1, 2023**

**Audit Issue Management
and Report Writing**

Anthony M. Palma CAMS, CFE, CFSA



“Auditors should keep in mind that they are, in a sense, Journalists on an assignment. Their beat is The health of the organization, and as recent Events at Enron, Tyco and WorldCom have Shown, audit work – and audit writing – is a beat With very important consequences.”

- Joanne Feierman, President ,
Seminars in New York Communication,
Internal Auditor Magazine, February 2006



STRATEGY



STRATEGY

Who is your audience?

What do you want your audience to know after reading the report?

What do you want your audience to do after reading the report?



STRATEGY

What knowledge does my audience have about my content?

What does the audience need to know?

How much detail does my audience expect?

How can my report serve multiple audiences?



STRATEGY

What is the message I want the reader to remember and act on?

Is there documented support for my message?

Audience=Message=Purpose



OBJECTIVE



OBJECTIVE

An Objective will always include **WHAT** you are reviewing **AND WHY** you are reviewing it.

The Objective should be concrete and measurable:

The Objective of reviewing Systems Access was to determine....



THE 5 C's



THE 5 C's

1. Condition

Statement of the issue.

What is the key point you want to communicate to **AND** inform the reader about?

Example:

Individuals whose employment has been terminated and contractor staff who are no longer providing services still have active access to servers, databases and systems.



THE 5 C's

2. Criterion

Description of what should be.

What is the policy, standard, principle or business practice you are evaluating against?

Does that policy, standard, principle or business practice **MAKE SENSE?**

Example:

Systems access should be promptly disabled upon termination of employment or services.



THE 5 C's

3. Consequence

Explanation of the significance or impact.

What is the impact or materiality?

What has gone wrong or could go wrong as a result of the condition?

Example:

Inadequate management and oversight of access to servers, databases and systems places data at risk of misuse, loss or theft.



THE 5 C's

4. Cause

Explanation of what allowed the condition to occur.

What is the root cause of the problem?

Why was the condition not detected or corrected?

Example:

The Business Unit does not have procedures to disable employees' and contactor's systems access upon termination of employment or services, respectively.



THE 5 C's

5. Corrective Action

Description of action necessary to correct the condition.

What will fix the current condition?

What will prevent it from occurring in the future?

Example:

Business Unit Management will develop and implement procedures to disable employees' and contractor's access promptly upon termination of employment or services. Procedures will be developed no later than March 31, 2019 and implemented no later than May 31, 2019.



THE 5 C Summary

Condition:

Individuals whose employment has been terminated and contractor staff who are no longer providing services still have active access to servers, databases and systems.

Criterion:

Systems access should be promptly disabled upon termination of employment or services.

Consequence:

Inadequate management and oversight of access to servers, databases and systems places data at risk of misuse, loss or theft.

Cause:

The Business Unit does not have procedures to disable employees' and contractor's systems access upon termination of employment or services, respectively.

Corrective Action:

Business Unit Management will develop and implement procedures to disable employees' and contractor's access promptly upon termination of employment or services. Procedures will be developed no later than May 31, 2023 and implemented no later than August 31, 2023



ORGANIZATION

ORGANIZATION

Writer's logic organizes information by presenting details that lead to a message. The reader is forced to examine details before relating them to key points.

Reader's logic organizes information by presenting the message followed by details. Leading with your conclusion will make your analysis more authoritative; unnecessary detail will be eliminated resulting in shorter and more focused documents.

ORGANIZATION

Writer's logic forces the reader through your analysis:

Story.....to.....Message

Reader's logic shows the results of your thinking. Your story answers the reader's questions:

Message.....to.....Story



ELIMINATE REPORT WRITING **WEAKNESSES**

ELIMINATE REPORT WRITING WEAKNESSES

Get to the point: Write an effective opening line.

“The process is not functioning effectively.”

“The following exceptions were noted.”

“Certain practices are informal and applied
inconsistently.”

What do these have in common?

ELIMINATE REPORT WRITING WEAKNESSES

Your effective opening line should be attention-getting and contain concrete language that is:

- **Factual**

- **Precise**

- **Descriptive**

The opening sentence is NOT an opinion!

ELIMINATE REPORT WRITING WEAKNESSES

Local Area Network (LAN) passwords for eleven user IDs have been set to “Never Expire.” These user IDs have “Supervisor” access rights which grants them access to and control over the entire LAN system. Because the system has been set to “Never Expire” and the system does not require or prompt them to change their passwords, users may forget to or may delay changing their passwords. When passwords are not changed, there is a risk of a password becoming know and the risk of unauthorized access is thus greater.

Rewrite this issue using the 5C method.

Condition

Criterion

Consequence

Cause

Corrective Action

ELIMINATE REPORT WRITING WEAKNESSES

Make your writing persuasive:

Don't write to read; Write to get results!

What Results?

- Acceptance of your conclusions!
- Implementation of your recommendations!

ELIMINATE REPORT WRITING WEAKNESSES

Avoid hypothetical or ambiguous consequences.

A writer needs to be clear and convincing.

“The remote job entry site is basically a remote data entry and printing site with limited remote job entry and distributed processing functions.”

Capitalize on actual consequences

State the consequence in realistic and relevant terms

ELIMINATE REPORT WRITING WEAKNESSES

Describe or quantify the impact of issues.

Show the size or degree of the issue and put in in perspective:

“As of January 31, 2023, 40 individuals whose employment had been terminated as long ago as April 2021 still had active systems access. In addition, 25 contractors, whose services had been terminated as long as July 2019, still had active systems access.”

ELIMINATE REPORT WRITING WEAKNESSES

Obtain commitment to key points.

Avoid writing recommendations that repeat the issue or ambiguous recommendations. Make value-added recommendations.

“In addition to developing and implementing procedures, Business Unit Management should perform an annual review of employee and contractor system access.”



ELIMINATE REPORT WRITING WEAKNESSES

Describe the benefits of recommendations:

“System access of employees and contractors no longer providing services will be revoked, reducing the risk of misuse, loss or theft of data.”



ELIMINATE REPORT WRITING WEAKNESSES

Value-added recommendations focus on the underlying cause and should address two questions:

1. What will fix the problem now?
2. What will prevent the problem from recurring in the future?

Focus on a few action items.

Don't overwhelm with too many action items.



STYLE



WRITE TO YOUR AUDIENCE (*From STRATEGY*)

Who is your audience?

What do they need to know?

How much detail does my audience expect?

How can my report serve multiple audiences?



REPORT WORDINESS

Aka: “7 Examples of Dead Wood”



REPORT WORDINESS

1. FILLER PHRASES

“During the review of the procurement process, we noted that.....”

Remove Unnecessary Words!



REPORT WORDINESS

2. REDUNDANT MODIFIERS

Unnecessary adjectives or adverbs that turn a simple adjective into a long phrase:

“In the month of June”

or

“In June”



REPORT WORDINESS

3. DRAWN-OUT VERBS

Simple action verbs are turned into a noun phrase.

“Perform a reconciliation of”

or

“Reconcile”



REPORT WORDINESS

4. OVERSTATED LANGUAGE

Longer more complicated words are used when simpler, shorter words suffice:

“Due to the fact that”

or

“Because”



REPORT WORDINESS

5. EMPTY WORDS

Empty words offer generalizations and do not stand alone:

“It appears that”

or

“Improvement is needed”



REPORT WORDINESS

6. PASSIVE VOICE

Uses a form “to be” followed by the past participle and usually a prepositional phrase:

“A management review will be completed of the account”

or

“The manager will review the account”



REPORT WORDINESS

7. REPETITION

Using the same word within the sentence or repeating it from one sentence to the next:

“Our test of expense reports revealed that expense reports contained exceptions”

or

“Expense reports contained exceptions”



SEVEN PITFALLS OF REPORT WRITING



SEVEN PITFALLS OF REPORT WRITING

1. PRIDE

Focusing on what you did and not what you found: “During the course of our review, Internal Audit noted that...”

Understand the audience.

Emphasize the findings rather than the activities that led up to the finding.

The order in which the audit is performed is not the order in which findings are presented.

All Information Is Not Created Equal



SEVEN PITFALLS OF REPORT WRITING

2.SLOTH

Throwing everything into the finding, whether or not it seems important.

Not asking: “What are the top three issues here? What are the next three?”

Not asking: Do any of these findings group together?

Are there common themes here?

What common threads unite these issues?

Not understanding that editing is part of writing.



SEVEN PITFALLS OF REPORT WRITING

3. LUST FOR THE KILL

Writing findings in a negative way.

Not acknowledging that the auditee has taken action to fix the problem.

“Our test identified” or “our testing disclosed ,” “the company failed to credit accounts within five days.”

Not: Our review revealed that rate increases are not always signed by the supervisor.



SEVEN PITFALLS OF REPORT WRITING

4. NOT BEING SOLICITOUS OF THE READER'S TIME

Reading online vs. hard copy

Informing ourselves to death

Traditional report format vs. PowerPoint



SEVEN PITFALLS OF REPORT WRITING

5. WASTING THE FIRST LINE OF THE FINDING

Controls need to be strengthened

This process does not meet best practices

Approvals do not meet policy standards



SEVEN PITFALLS OF REPORT WRITING

6. USING OVERLY COMPLEX LANGUAGE

“Not all contracts were signed by the appropriate officer,
and some legal agreements were not kept in one area,”

or

“Not all contracts
were signed by the appropriate officer and kept in one place.”



SEVEN PITFALLS OF REPORT WRITING

7. NOT TYING THE RECOMMENDATION TO THE FINDING

Will the recommendation remedy the problem going forward?



SUCCESS IN REPORT WRITING

Clarity and Concisely

Keep it short and declarative

Keep Language Simple

Write it in Active Voice

Have a GREAT Editor



Exercise 1 - Vendors

Management does not have assurance that in the event of a contingency situation, the systems provided by the vendor could recover, nor that information maintained on the vendor system is adequately protected.



Exercise 2 – MIS Review

Reports utilized by management do not have sufficient granularity to enable management to perform reviews.



Exercise 3 – Systems Access

The notification for terminating employee access to systems for 7 out of 11 employees was not submitted within the 24 hour timeframe as required by policy.



Exercise 4 – Database Administration

A process does not exist to perform periodic reviews of access entitlements for Administrators supporting the Money Movement System.



QUESTIONS?