



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Organised by: **Internal Audit Standards Board**

Hosted by: **Eastern India Regional Council**

TWO - DAY NATIONAL CONFERENCE



**INTERNAL
AUDIT**



3rd October 2026

The Report Writing Clinic

@ ICAI Centre of Excellence, Kolkata

CA Nikhil Kenjale

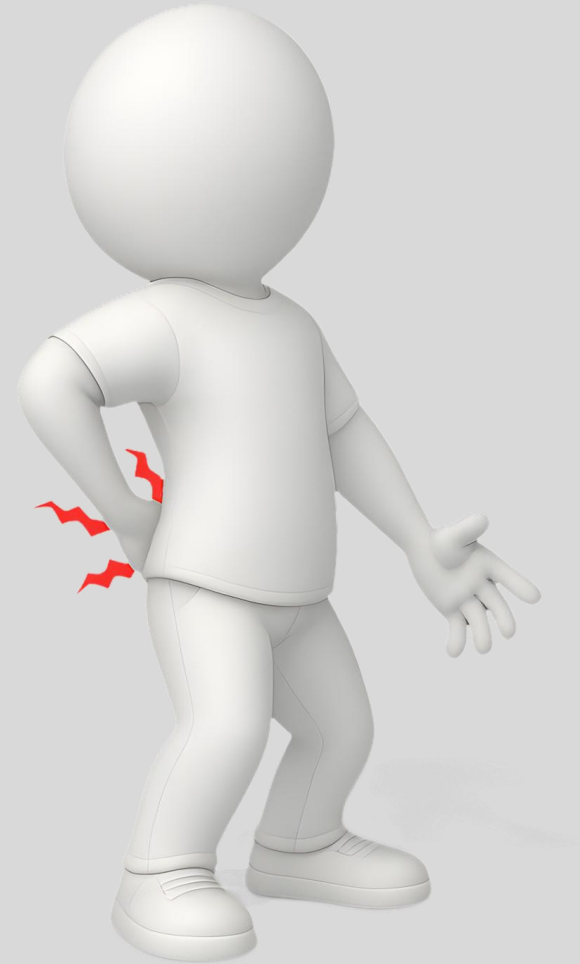


Disclaimer: This presentation is prepared only for your academic purpose. It is not a guidance / advisory about the topic covered and not intended to replace / suggest alternative to the related official pronouncements. Therefore, using this presentation for any specific purpose requires a reasonable application of judgement and contextualization. The information used in the presentation is sourced from the public domain. There is no intention of violating the IP rights, if any, contained in such information.

Index

- Patient's pain points
- Patient visiting the Expert
- Conclude before patient becomes impatient

Patients' Pain Points



Story telling and articulation (1 / 3)



- Purpose?
- Length?
- Audience?

Story telling and articulation (1 / 3)



- Auditee to Auditor
- Management to Auditor
- Board / Audit Committee to Auditor
- Audit Team to Signing Partner
- Auditor to Stakeholders / Regulators

Story telling and articulation (2 / 3)

Articulation

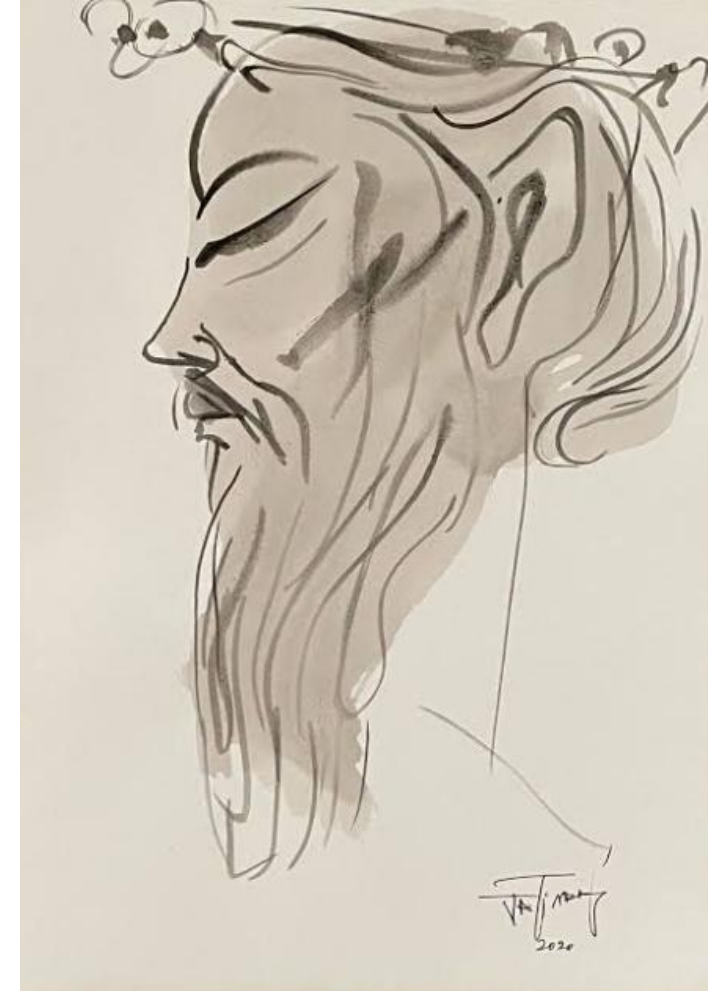
- Most people struggle with the
 - Language; or
 - Expression; or
 - Both
- Linkage to the facts
- Objectivity and independence aligned to the scope of work

Less but effective words and other tools / techniques.....

Story telling and articulation (3 / 3)



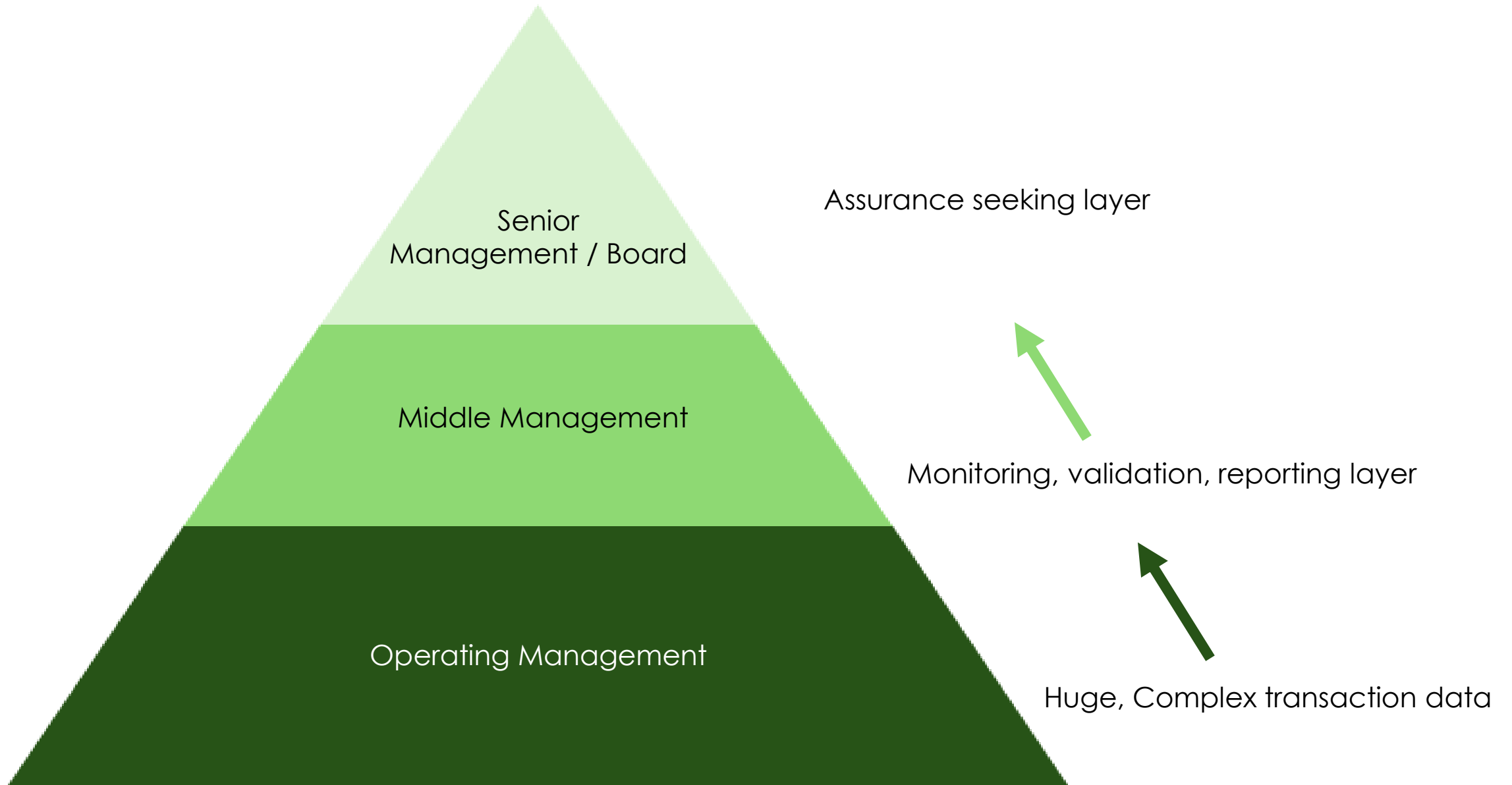
V/s



“Less” could be “more”.....

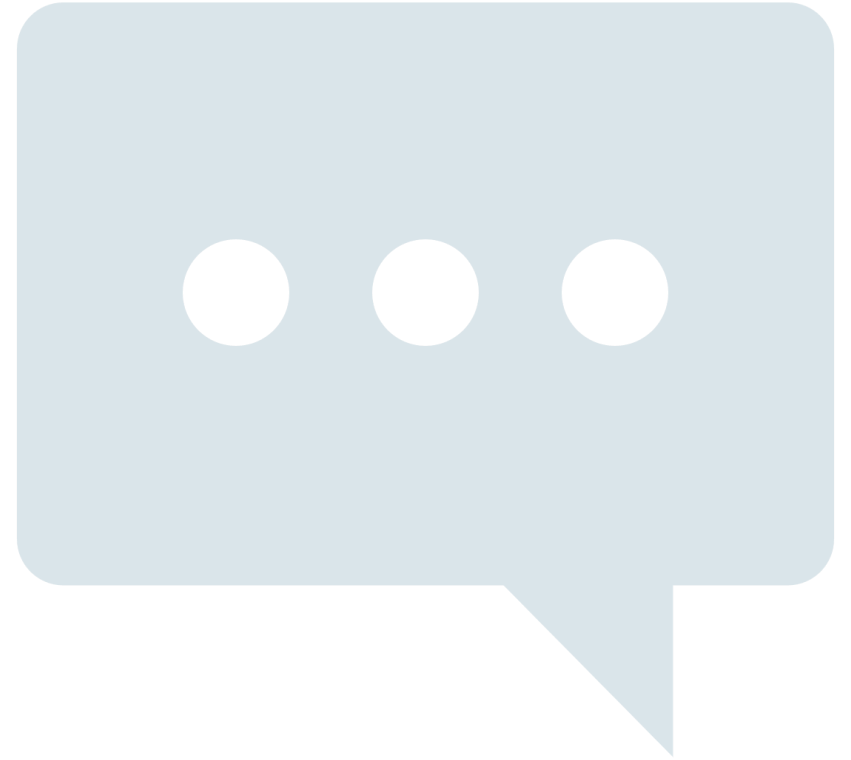
Internal Audit is a formal story told to Those Charged with Governance, following established standards and compliance requirements

Internal Audit Context





Human retention of conversation / what is heard



“Good audit writing is not about writing more. It is about converting imperfect human memory and large volumes of audit evidence into a clear, objective and decision-useful message.”

“What do you remember from yesterday's conversation?”

“Now imagine that conversation contained the most important explanation management gave you during an audit.”

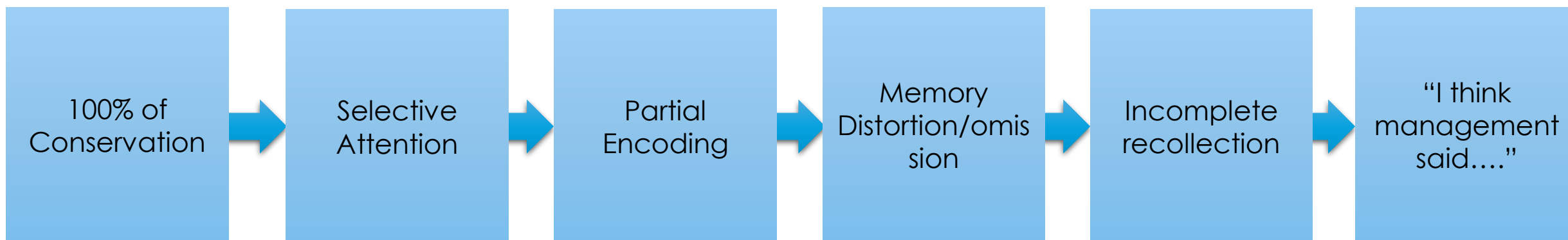
If only 10% to 30% of a conversation is retained after a single day, can we afford corporate decisions to be based on the 70% to 90% that is forgotten?

MEMORY IS NOT AN AUDIT TRAIL.



‘An oral conversation is not a reliable permanent record.’

CONSERVATION → MEMORY → AUDIT FINDING



‘If a finding is important for an audit report, it has to be documented.’

Forgetting is natural and aging enhances it

Overall pain points

- Huge efforts in developing the report
 - Wasteful / un-productive time spent on the job
 - Re-writing
 - Re-audit? If yes, it's a disaster
- Points are not based on audit objectives and facts
- Real point / issue not coming out
- Challenges in managing stakeholders expectations

Patients Visiting the Expert



Gathering overall information

Doctor's Questions

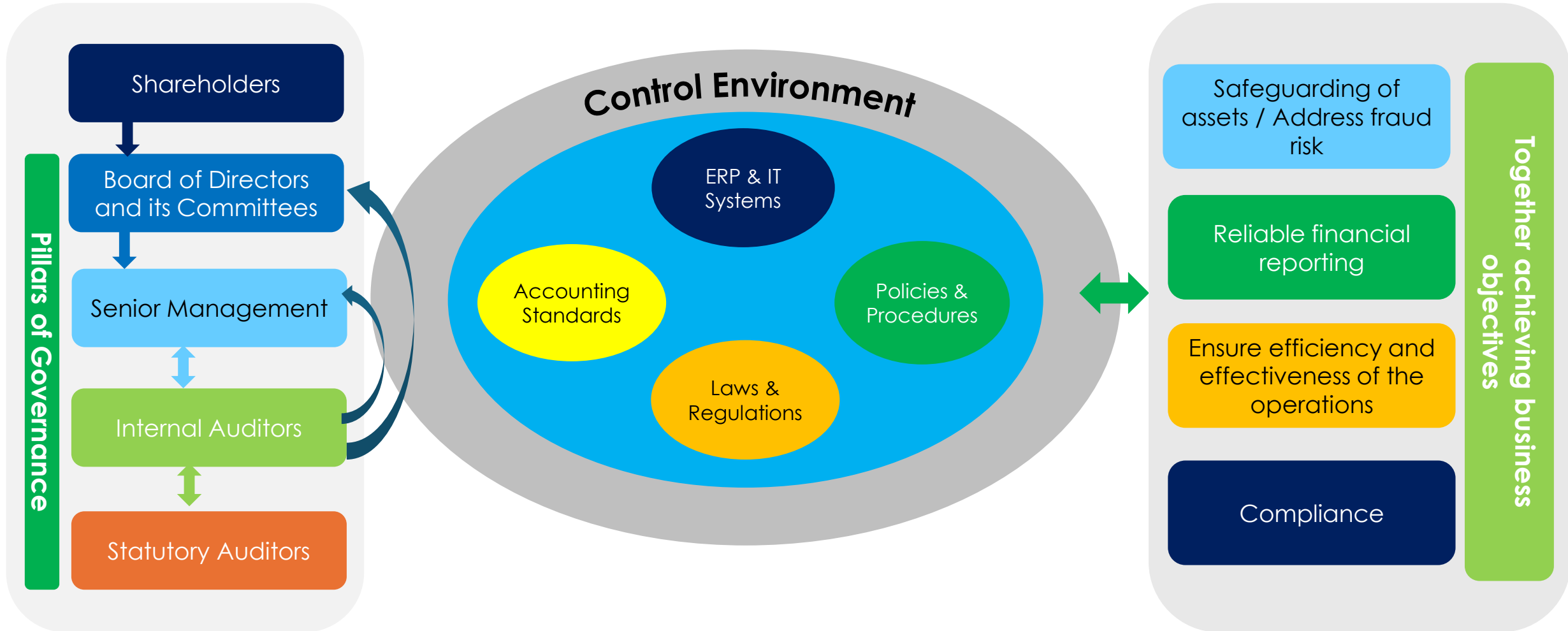
- What you do?
- Family background?
- Eating / drinking habits - What, when and how much?
- Exercise / work out schedule?

Reframed in internal audit context:

- Assurance or Advisory?
- Team size, client portfolio, experience etc.
- Methodology, documentation – its timing and review?
- Specific and special training / certification?

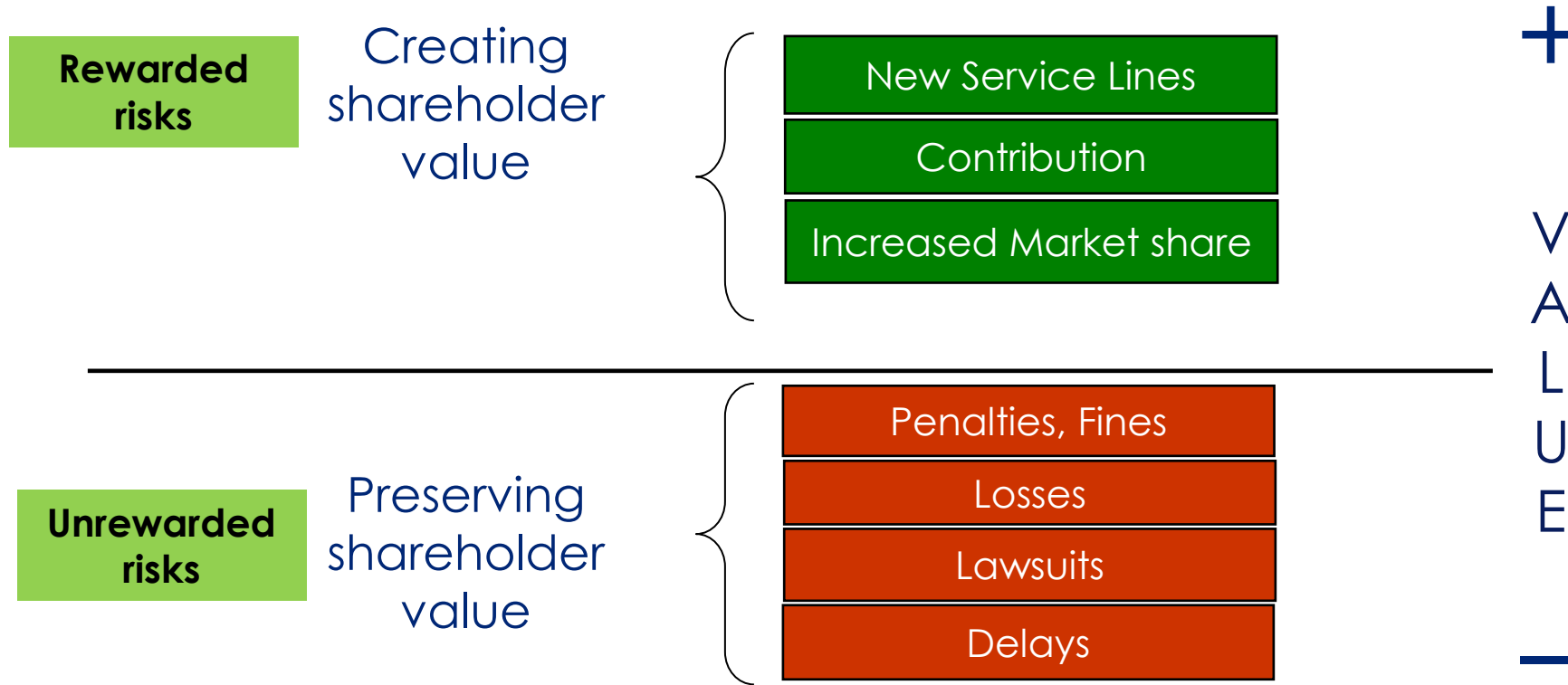
Back to basics

- Clear fundamentals – Risk based internal audit is well understood



Back to basics

Risk and control basics:



Back to basics

Ask most people why cars have brakes and they'll say, "It's so you can slow down"

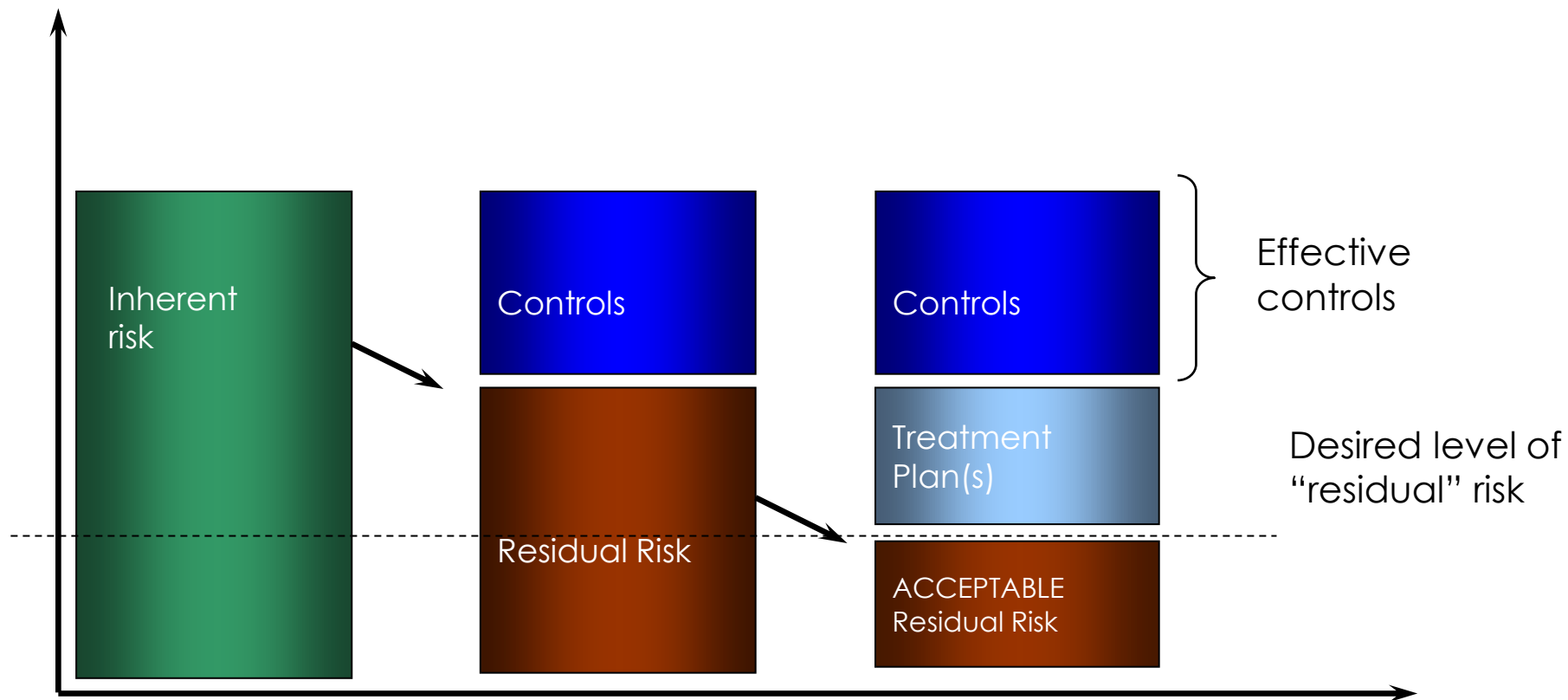
But the real reason is so you can go faster, and still be in control



Back to basics

Risk and control basics – Risk Management

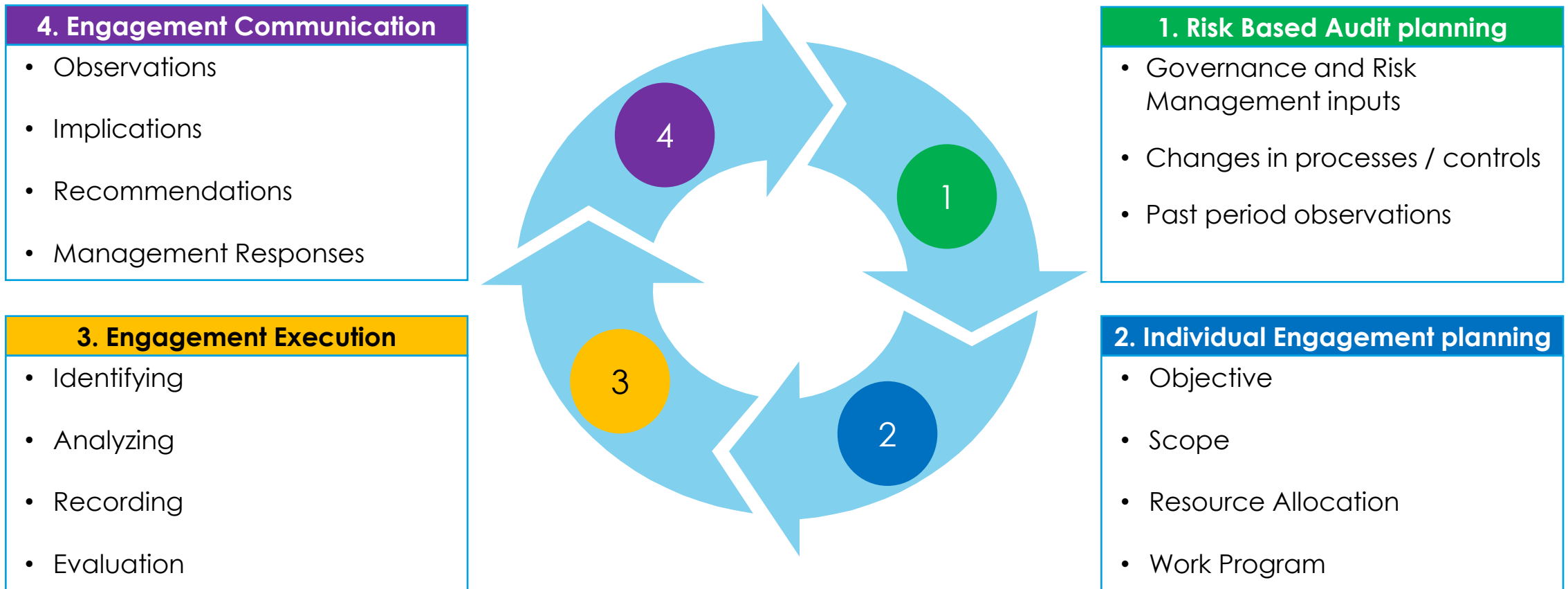
Objective of risk management process is to bring the inherent level of risks to a desired level of acceptable risks



Back to basics

Internal Auditing process:

An Internal Audit Charter approved by the Board / Audit Committee and Senior Management serves as a foundation to undertake the internal audit activities



Check if the above aspects appropriately reflect in the Internal Audit Reports?

Reflect – can there be some automation to capture and accumulate the issues from their field work source and transform them into an observation? This will enable review and reduce risk of missing out an important observation

Reflect – there cannot be a good painting out of a bad drawing

- Inadequate Team size ✓
- Inadequate Internal Audit Training / no training ✓
- Field staff not clear of scope and client context ✓
- Data not collected in line with the scope objectives ✓
- Review and documentation happening after the field work ✓

**Can an internal
audit report be still
effective and
meaningful?**

No

X

Why reviewers' get irritated?

Issue Title: Performance of Contractors is not monitored		C	Ma	Mi
Area : Contracts	Issue No: 04			
Observation: It is found that the performance of contractor is not monitored. Instances are noticed where payments are made without confirming the completion of contract terms. Details of non monitoring of Contractor performance in case of Transport contracts and IT support contract is covered in Annexure – 4. Implication: No penalties or damages claims can be made in case <u>non performance</u> of contracts. Root Cause: Proper process of contractor performance evaluation are not initiated.	Suggestion: Specified procedures should be made and implemented for verification of contractor performances <u>on the basis of</u> nature of contracts. Why penalties? Actual Implication?	Management Response: Action Plan: Target date for Implementation: Responsibility:		

Performance = ?
Detailing?
Why Annexure?

Too generic..

Intensifier

Which situation below is better to develop an appropriate internal audit report?

- Scenario: Audit of Revenue area
- Revenue value FY 2025-26: 2,000 Cr.
- Systems: Order booking system + SAP HANA
- Segments: Products, Services and After Market
- Sales distribution: through Channel Partners

Situation 1

Sales Register for FY 2026-26 - Spreadsheet

Testing of 25 random samples
- Spreadsheet

- Few emails from Client side confirming or challenging some of the testing observations from testing of 25 samples.
- Some rough notes in word files / excel prepared after field work is over

Situation 2

Sales Register for FY 2026-26 - Spreadsheet

Walkthrough documentation along with primary queries resolved relating to design of controls

Risk assessment and test procedures designed to address each risk (either through enquiry, sample testing and / or analytical procedures)

Each work paper captures:

- Test objectives
- Work performed
- Queries along with their conclusion as to satisfaction of query or an observation

All documentation happening concurrently with the field work and reviews are also happening concurrently

Actual reporting and its literature....

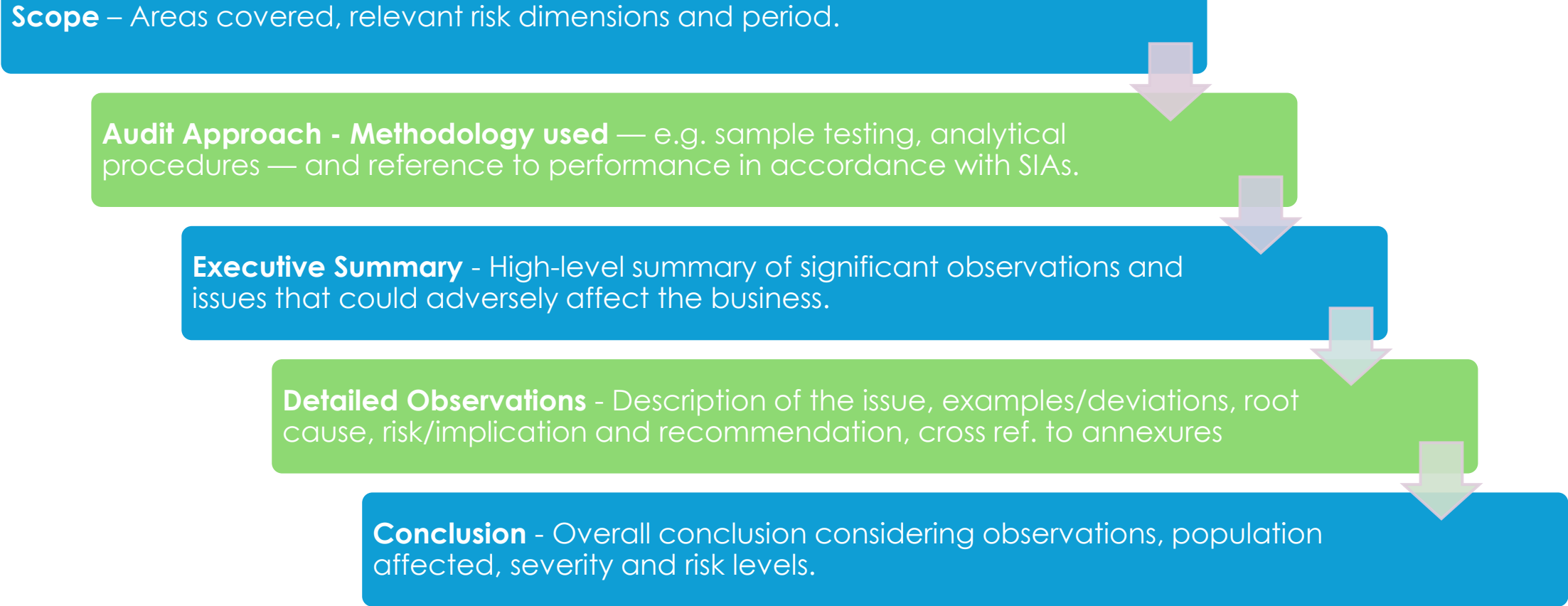
Internal Audit Reporting (300 Series)

- Standard on Internal Audit (SIA) 310 - Presentation and Communication of Internal Audit Report
- Standard on Internal Audit (SIA) 320 - Issuing Assurance Reports
- Standard on Internal Audit (SIA) 330 - Special Purpose Reports

What does SIA 310 expect from an Internal Audit Report?

Based on the revised ICAI Technical Guide, amongst other things, the internal audit report to contain:

Scope – Areas covered, relevant risk dimensions and period.



Audit Approach - Methodology used — e.g. sample testing, analytical procedures — and reference to performance in accordance with SIAs.

Executive Summary - High-level summary of significant observations and issues that could adversely affect the business.

Detailed Observations - Description of the issue, examples/deviations, root cause, risk/implication and recommendation, cross ref. to annexures

Conclusion - Overall conclusion considering observations, population affected, severity and risk levels.

5Cs provide the “**STRESS RELEASE FRAMEWORK**”

When an Internal auditor is struggling with an observation, instead of repeatedly thinking -
“**Something is wrong here**”

Write it down through the 5Cs



**“The 5Cs do not just structure the report;
they structure the auditor's thinking.”**

Language and styles....

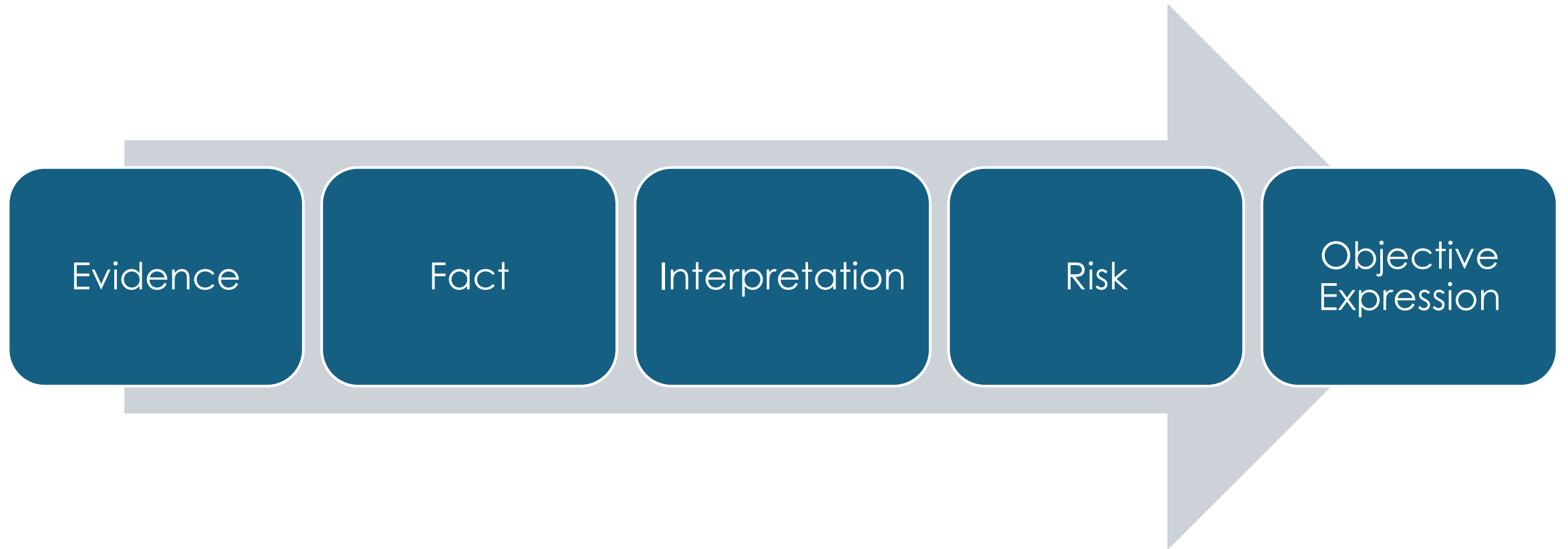
**Difference
between writing
facts and object –
oriented expression**

From “What I observed” to “How I communicate what I observed”

The key point is that facts and objective expression are not the same thing.

- **Facts** = what the auditor can substantiate through evidence.
- Objective expression = communicating those facts without **emotion, assumption, exaggeration or personal judgement**, while explaining their significance.

A good audit report therefore moves through:



Let's try to understand with the help of an example....

FACT

“12 of 80 purchase orders tested did not have the evidence of approval”

(This is factual because it can be traced to audit evidence.)

SUBJECTIVE EXPRESSION

“The procurement team does not follow the approval process properly”

(This may be the auditor's interpretation, but it is broad and potentially judgmental..)

OBJECTIVE EXPRESSION

“12 of 80 purchase orders tested did not have evidence of the prescribed approval, indicating instances of non – compliance with the defined approval process”

(The third statement doesn't dilute the finding. It makes the finding more defensible..)

EXPRESSION DESIRED BY THE AUDIT COMMITTEE

“12 of 80 purchase orders tested **(valuing Rs. XX Cr. i.e. 10% of total purchases)** did not have evidence of the prescribed approval, indicating instances of non – compliance with the defined approval process”

Writing style – intensifiers:

- Intensifiers are words like: clearly, special, key, inadequate, lapse, well, reasonable, significant and very.
- Their use should be limited because they frequently lack precision, reflect personal values and fill space for no real purpose.
- Intensifiers raise questions such as "significant compared to what?" and "clearly according to whose criteria?"

Writing Style:

Brief writing style

- Omit needless words
- Combine sentences
- Rewrite

Original:

- *Campus Jewellers' main objective is to increase sales. Specifically, the objective is to double sales in the next five years by becoming a more successful business.*

Plain English:

- *Campus Jewellers' objective is to double sales in the next five years.*

Use of AI in internal audit report writing

- Be careful
- Respect data sensitivity, legal requirement and compliance with organization's own policies
- If in doubt, consult



Reporting to Senior Management / Audit Committee / Board of Directors

How long should an Audit Committee / Board presentation be?

Key success factors for a good presentation

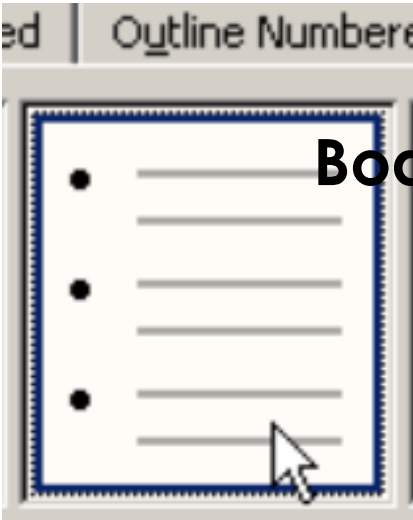
1. Understanding the issue without reading the annexures
2. Immediate identification of the most significant risks
3. Quickly understand what the management is doing about the issue
4. Audit committee / Board can determine what action/challenge/oversight is required from them

The real objective is:

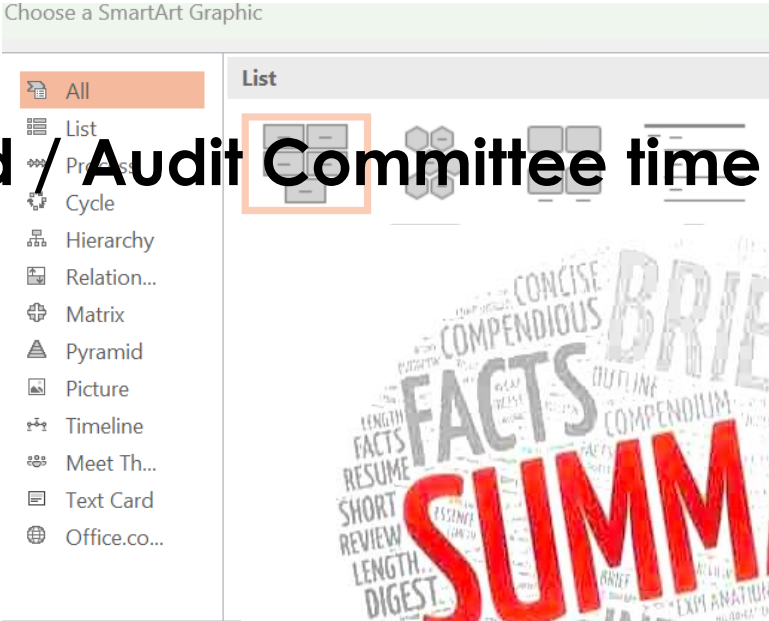
“Maximum decision-enabling, and not maximum information.”

Some ways to make the message effective

Bullets



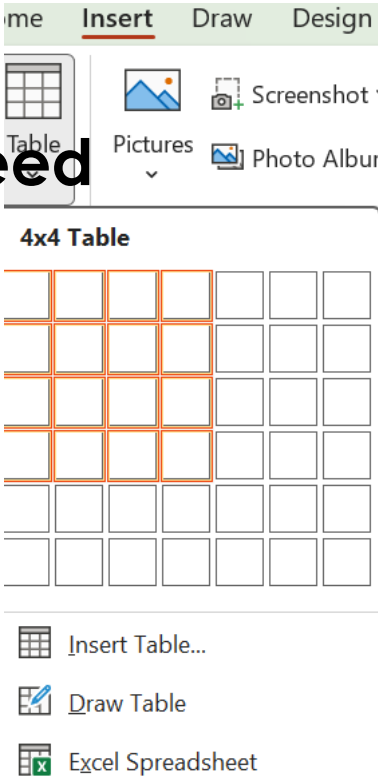
Smart Graphics



Designer – leveraging AI



Tables for trends, comparisons

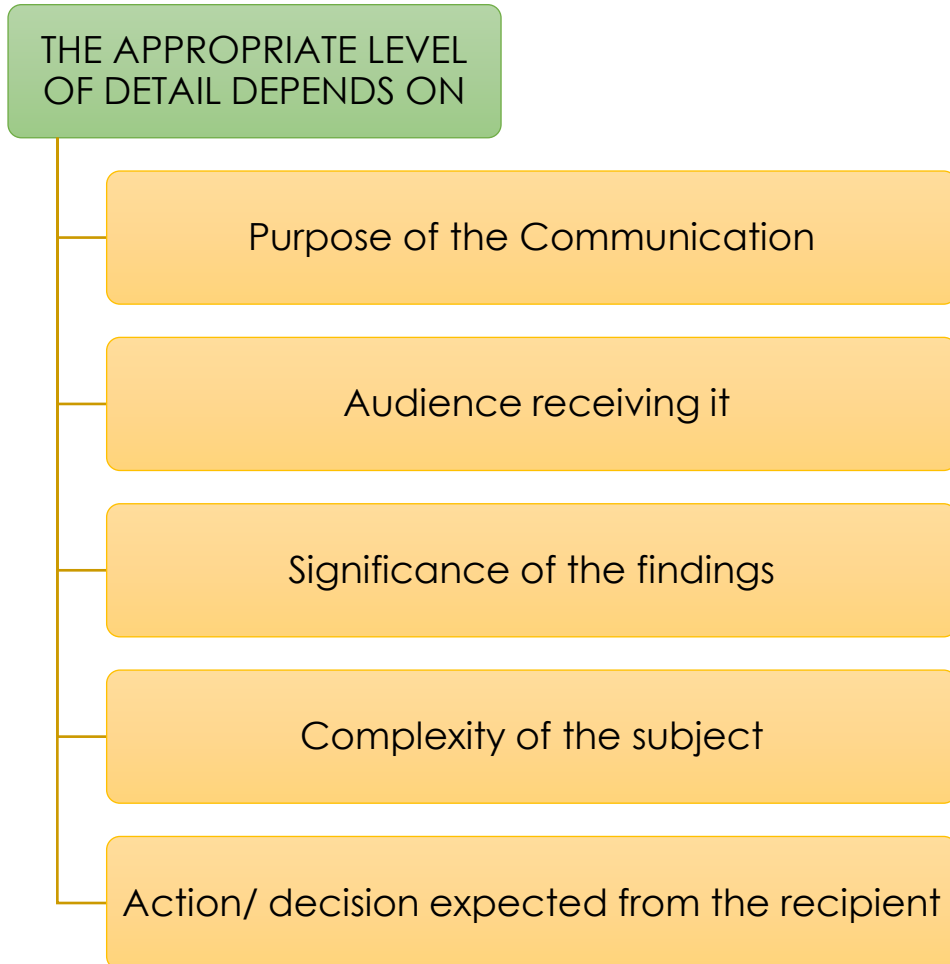


Board / Audit Committee time is precious, so they need

How Much Should We Tell the Board / Audit Committee?

Not everything we know. Everything they need to know!

How long should an Internal Audit Report should be? - **There is no prescribed universal page limit.**



The length of the report should be driven by the information requirement of the reader → not by the volume of audit work performed.

Before you enter the board room....

- Work performed and work papers support the observations / summaries to be presented
- Assurance for the business process risks is achieved through the audits
- Outlining new opportunities / risks which are not yet transparent
- Assurance work is closely aligned to the strategic risks and objectives
- Coordination to ensure that nothing major is left out from assurance, legal and risks management frameworks
- Use of technology – data analytics
- Choose appropriate and agreed upon layout. Layout can make or break a report.
- Rehearse, rehearse and rehearse

Concluding notes:



- Value of your work is demonstrated by your report
- Report reflects your domain knowledge, experience, mindset, vision, clarity of thoughts – **so, it is one of the means to prove your work**
- There is no mathematical solution for good report writing. Individual perspective is going to be one of the influencing factors.
- **Daily documentation and concurrent reviews are important aspects for creating a good internal audit report**

Credits –

- Technical-Guide-on-Risk-Based-Internal-Audit
- Compendium of Standards on Internal Audit