

Write It Right the First Time

A series of best practices can help guide auditors toward more effective audit reporting.

BY JOANNE FEIERMAN

WHEN CONDUCTING A WRITING workshop for internal auditors, I often ask, "How satisfied are you with your audit reports?" Typically, the answer I receive is something like, "The final reports we issue are generally good, but it takes us too much time to get there."

The first step in getting "there" more quickly, particularly for new staff members, is to realize that the kind of writing required for an audit report is not at all like the style required for a college paper. In an academic setting, instructors may value long papers and flowery language. But in the corporate world, kudos go to those who get to the point quickly, stay focused, and express their thoughts simply.

A sound approach to audit reporting can help facilitate the writing process and ensure reports deliver information clearly and effectively. The following guidelines can help auditors compose informative, concise audit reports, without spending excessive time to get it right.

1. STATE THE CRITICAL ISSUE FIRST

Because auditors spend a great deal of time collecting information, they are naturally eager to share what they've learned. For this reason, practitioners often begin their audit comments with background information. Readers, on the other hand, want the writer to state the main point immediately. Clients, senior executives, and audit committee members want a succinct description of the issue, its level of risk, and the recommended mitigating or corrective actions. Presenting background first is unhelpful to busy readers — it delays bottom-line information and impedes communication.

As shown in the following example, sequence plays an important role in the delivery of information:

BACKGROUND FIRST: *The agency purchased computers for \$34,310.90, furniture for \$17,785.00, and carpeting for \$3,275.00. However, management did not obtain bids before acquiring these items.*

ISSUE FIRST: *Management made over \$55,000 in purchases for the agency without obtaining bids. Specifically, they spent \$34,310.90 on computers, \$17,785.00 on furniture, and \$3,275.00 on carpeting.*

The issue-first version enables readers to get to the point much more quickly. Moreover, it increases the likelihood that the main message will be understood.

Good writers know that readers are impatient. Therefore, unless the writer consciously decides to bury or soften a finding, the issue should be stated right away.

2. ILLUSTRATE THE RISK

Audit reports need to communicate the severity of risk in a way that clients can easily grasp. If the stated issue could lead to decreased revenues, the report should quantify the potential loss in a dollar amount. If the issue could result in production delays, the report should specify potential consequences, such as customer service problems or cost overruns. For example, instead of saying, "Poor customer service could result in reduced revenue," a more direct and descriptive approach would be to say, "Poor customer service could cause customers to work with other vendors." Or, instead of the routine, "Ineffective inventory procedures could result in reduced revenue," auditors could say, "Ineffective inventory procedures can result in stock-outs and reduced sales."

Auditors should avoid bringing highly theoretical risks to management's attention, unless the organization requires such information for regulatory purposes. Even

then, auditors should explain the risk in ways that are meaningful to the reader.

3. FOCUS ON THE FINDINGS, NOT THE AUDITOR

Auditors should avoid describing their findings with phrases such as, “During our review we noted that,” or “it was noted that.” Instead, the report should simply tell readers what the audit revealed. Notice the difference, for example, between the following two statements:

ORIGINAL: *During the course of our review, it was noted that five staff members share a password.*

REVISED: *Five staff members share a password.*

The point is clearer without the extra words. Ideally, auditors should write no more than necessary to communicate their ideas.

4. AVOID JARGON

Internal auditing, like all professions, has its own jargon. Although most auditors would understand the term *segregation*

of duties, those without an accounting background may not be familiar with it. Report writers need to translate their technical language for nonauditors.

For example, instead of writing, “There is no segregation of duties for the reimbursement of entertainment expenses,”

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auditors should say, “The individual responsible for bookkeeping also signs reimbursement checks for entertainment expenses.” The nontechnical version ensures readers will understand this important message.

Information technology auditors must be particularly careful about the terms they use. Some clients probably know what a LAN (local area network) is, but the same individuals may not be familiar with WANs (wide area networks). When

in doubt, auditors should define any acronym or term the first time it appears in the report; after that, the acronym or term alone can be used.

5. DON'T RELY ON THE THESAURUS

High school and college instructors often tell students never to use the same word twice in a paragraph — internal auditors should forget this advice when writing audit reports. Although word repetition may be inappropriate for many types of writing, it's perfectly acceptable practice for business documents.

In an audit report, clarity should be the No. 1 priority. Because no two words have exactly the same meaning, auditors should always choose the word that most accurately describes what they want to say, without fear of repeating that word elsewhere in the audit comment.

When reporting on contracts, for example, internal auditors should refer to *contracts* as *contracts* throughout the audit comment and avoid using synonyms like *legal agreements* or *legal instruments*. Similarly, when discussing income, the document should not use the term *profits*

interchangeably. Employing synonyms just for the sake of word variety can often cloud meaning and lead to miscommunication.

6. USE CONCRETE NOUNS

Some writers mistakenly think they can impress readers by starting their sentences with long, abstract nouns. However, as illustrated in the following examples, readers are best served by more concrete sentences.

ORIGINAL: *The credit management decision-making process is performed with systems that are not sufficiently developed.*

REVISED: *Credit decisions are not based on a formal policy.*

ORIGINAL: *Inclusion of a service-level agreement is not always provided for in the contract.*

REVISED: *Contracts do not always contain a service-level agreement.*

The phrase *credit decisions* is more concrete than *credit decision-making process*. Moreover, the word *contracts* as a sentence starter is far less daunting than the phrase *inclusion of a service-*

level agreement. In each revision, the subject of the sentence consists of a noun that readers can easily visualize and quickly understand.

7. DON'T OVERSTUFF SENTENCES

Cramming too many ideas into one sentence can compromise document readability and confuse readers. Whenever possible, writers should break information into shorter, more digestible units.

The following example demonstrates the value of concise sentences:

ORIGINAL: *Unnecessary manual entering of payments results from the failure of the system to recognize payments made in excess of the monthly amount due and causes customer accounts to require time-consuming manual adjustments.*

REVISED: *The system does not accept payments for more than the exact monthly payment due. As a result, excess payments must be entered manually, a time-consuming task.*

In the original version, the writer includes the issue, cause, and risk in a single, 33-word sentence — this is simply too

much information to absorb in one reading. As a general rule, sentences should contain no more than 24 words.

8. SIMPLIFY IDEAS WITH LISTS

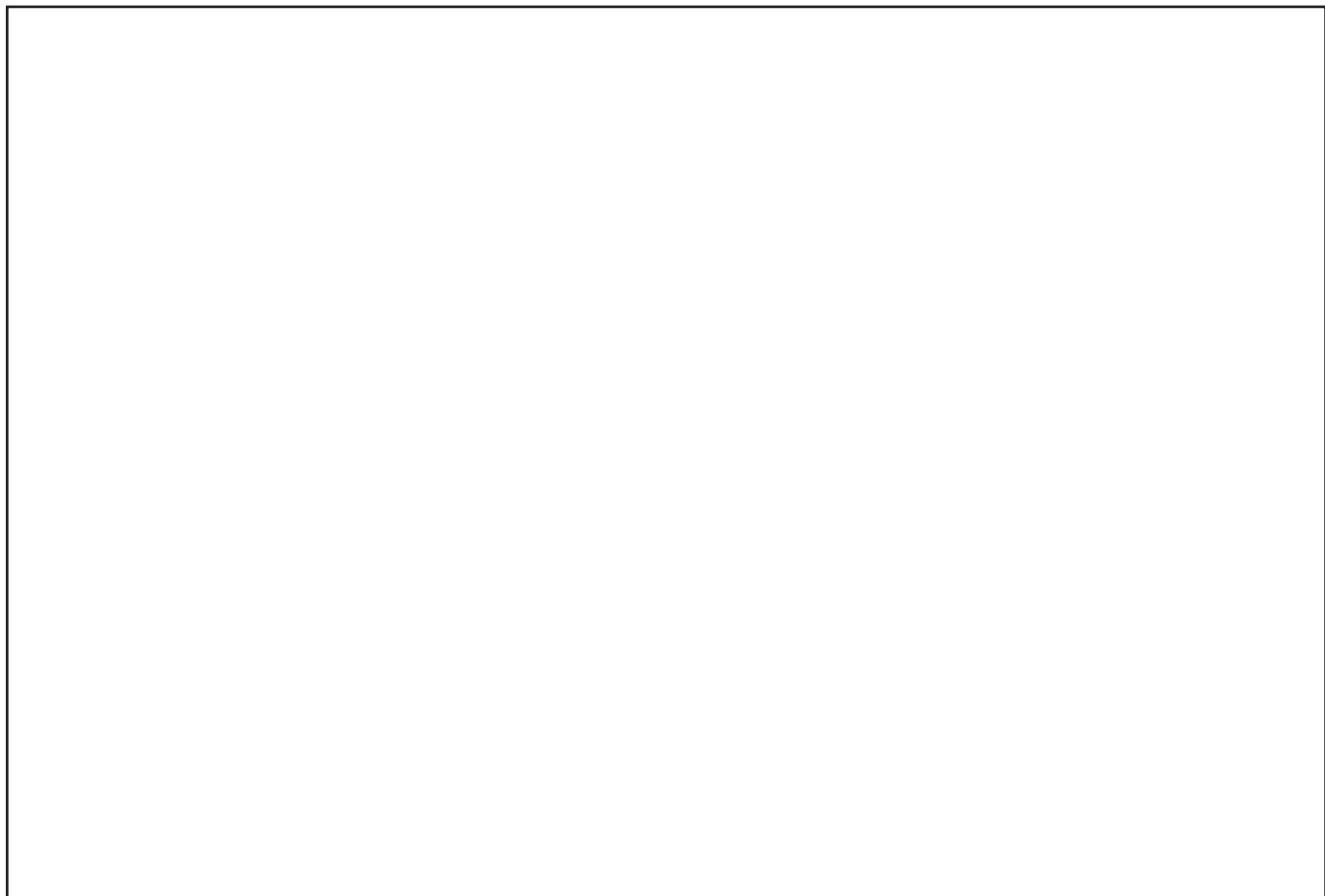
Ideas come into focus when writers use lists to streamline their ideas. The following example shows how lists can help improve clarity and increase efficiency of expression.

ORIGINAL: *The overstatement of \$557,000 in the account resulted from a \$125,000 error in adjusting the expenses in fiscal years 2002, 2003, and 2004. In addition there was an improper classification in balance sheet accounts in 2004, resulting in an overstatement of \$432,000.*

REVISED: *The overstatement of \$557,000 in the account resulted from two errors:*

- *A \$125,000 error in adjusting the expenses for 2002, 2003, and 2004.*
- *A \$432,000 error in classifying account balances in 2004.*

List constructions can help readers digest information, enabling them to process short items one at a time. With financial data, the list format highlights



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bottom-line findings and presents numbers in a logical, consistent manner. Auditors should keep in mind that each item in a list — as in the previous example — should contain the same sentence pattern, or what grammarians call parallel structure. This device helps readers to proceed without breaking stride and facilitates comprehension.

9. EMPHASIZE POTENTIAL FOR IMPROVEMENT

Reports can motivate readers to take action in one of two ways: the carrot or the stick. Internal auditors often rely on the latter approach, explaining in their reports that if corrective action is not taken, revenues will decline, customers will be lost, proprietary information will be comprised, and so on. Instead of emphasizing the possibility of failure, auditors can often achieve better results by pointing out the potential for improvement.

Note the difference between the following two sentences:

ORIGINAL: *The company fails to take advantage of volume discounts that could be applied*

to the approximately \$400,000 worth of supplies it buys yearly.

REVISED: *The company can save money by taking advantage of volume discounts of up to 3 percent on the approximately \$400,000 worth of paper supplies it purchases yearly.*

Stressing benefits can produce a more positive, consultative tone — one that will make readers more inclined to accept the auditor’s recommendations.

10. AVOID NEGATIVE LANGUAGE

Using words with a pejorative tone can immediately raise reader defenses. Negative words have a tendency to antagonize and may dissuade rather than convince audit clients. Auditors should avoid such language in their reports.

Phrases such as “the department *failed* to report” or “the manager *claimed* that three bids were obtained,” for example, can be off-putting. Neutral wording, such as “the department *did not* report,” and “the manager *stated* that three bids were obtained,” produces less “sting” and is more likely to elicit cooperation.

SUCCESSFUL REPORTING

Following these guidelines can help practitioners write more effective, informative audit comments. The right techniques can ensure reports are direct, objective, and convincing, and that the intended message is delivered with clarity.

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.

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