Reporting and rating of recommendations

PEMPAL IACOP plenary meeting – 5 October 2022

Internal Audit in Transition: The Public Sector Perspective

Unit 01 Quality Assurance, IAS

Overview

- **Reporting process**
  - Findings → report
  - Validation and meetings
  - Disagreement

- **Rating of recommendations**
  - Methodology
  - Other forms of reporting

- **Action plan**
  - Process
  - Assessment

Practice in **Commission** only (different for decentralised agencies and other autonomous bodies)

Only **assurance process** covered (not consultancy for example)

IIA Standards covered

- 2400 – Internal auditors must communicate the results of engagements.
- 2410 – Communications must include the engagement's objectives, scope, and results.
- 2410.A1 – Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans.
  - Interpretation: Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results.
- 2420 – Communications must be accurate, objective, clear, concise, constructive, complete, and timely.
- 2440.A1 – The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.
- 2500.A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

ippf-standards-2017-english.pdf (theiia.org)

European Commission

Reporting process: from finding to report

QUALITY ASSURANCE

Findings

- Multiple findings
- Asses risks
- Identify possible recommendations
- Continuous communication with auditees
- Remote auditing

QUALITY ASSURANCE

Findings document

- Focusses on findings, risks and recommendations
- No rating of recommendations
- Issuance 10 days prior to formal validation meeting

QUALITY ASSURANCE

Draft report

- Scope and objective of the audit and executive summary
- Findings, risks, recommendations and rating
- Issuance 5 days after validation meeting
- Request for comments on draft report

Final report

- Same as draft
- Different addressees
- Includes auditees comments or disagreement
- Issuance 5 days after receipt of comments
- Includes comments or disagreement

European Commission

Reporting process: validation and meetings

Continuous validation

- Discuss findings

- No formal meeting

- Operational level

Findings validation meeting

- Discuss findings document

- 10 days after findings document

- Management level

Exit meeting

- Discuss draft report

- Optional, at request of auditee

- 10 days after draft report

- Senior management level

No meeting

- No validation for final report

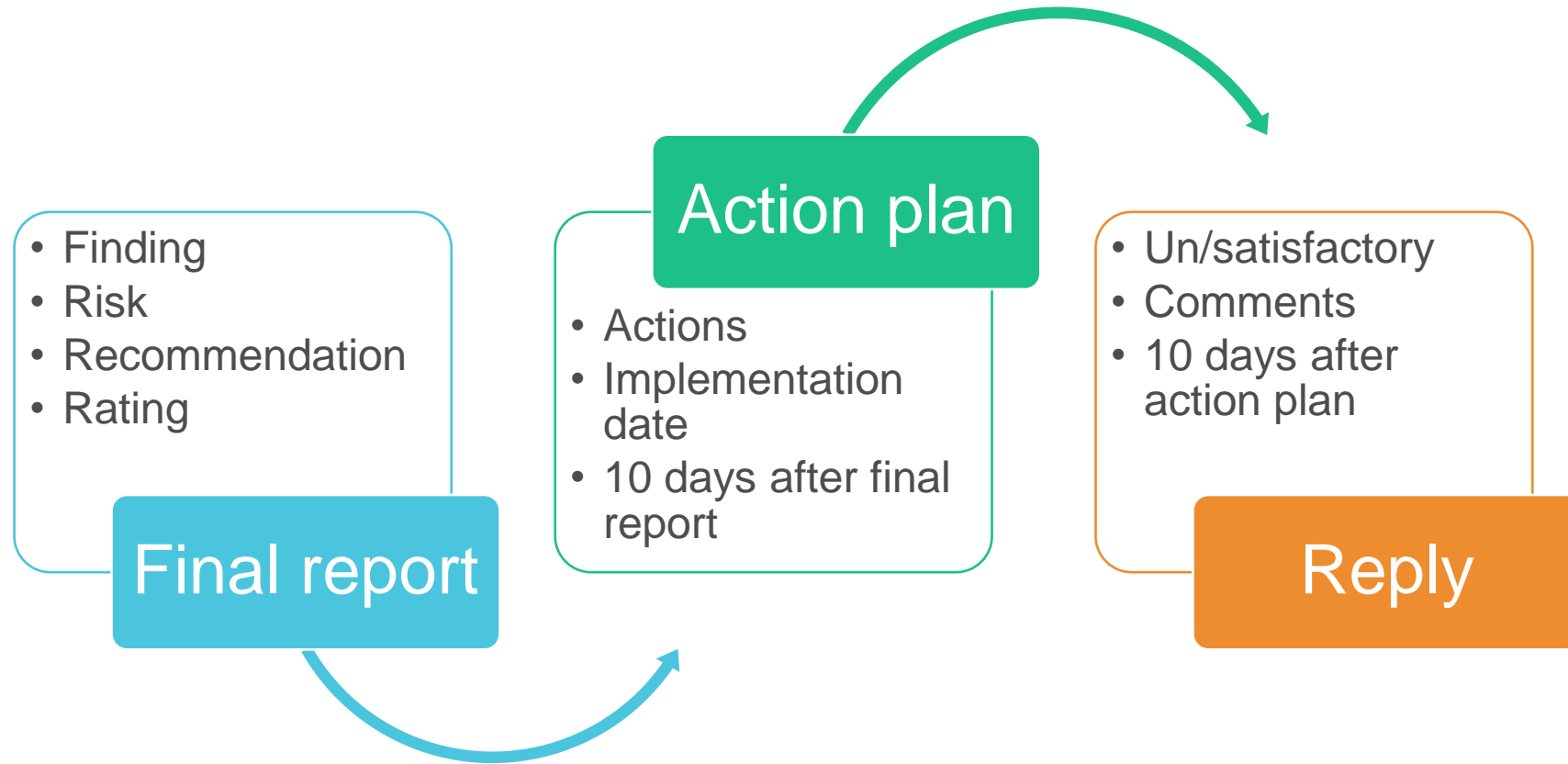- Satisfaction survey

European Commission

Reporting process: disagreement

- <u>EXCEPTIONAL</u>: in case of disagreement regarding content of recommendation or its rating:

  - Formal objection in final audit report

  - Performance indicator: acceptance rate of recommendations (%)

  - Reporting to Audit Progress Committee

    - Disagreement on substance for critical and very important recommendations

    - Not or partially accepted recommendations

  - Encoding of acceptance status in tracking system

Rating of recommendations: other forms of reporting

- Issues for consideration, not subject to follow up

- Management letter: corporate issues or of cross-cutting nature, not subject to follow up

European Commission

Action plan: process

Final report
- Finding
- Risk
- Recommendation
- Rating

Action plan
- Actions
- Implementation date
- 10 days after final report

Reply
- Un/satisfactory
- Comments
- 10 days after action plan

European Commission

Action plan: assessment

- Assess content

  - All issues identified in the final report are addressed

  - Including root causes

  - Mitigate attendant risks

- Assess reasonable timeframe

- Conclusion is communicated in a formal reply:

  - Satisfactory in terms of adequacy and deadlines

  - Unsatisfactory: reasons and request for revised action plan

European Commission

Action plan: process

Encoding in tracking system

Changes in status and implementation date

Follow up

European Commission