



RESPONDING TO INTERNAL AUDIT REPORTS

October 2015

INTRODUCTION

Managers are often asked to provide responses to internal audit reports. We need to ensure these responses are good quality ones. This short guide gives pointers on how to respond to these reports. This ensures responses are clear and tell report readers what we are going to do.

Auditors try to agree approaches to solving problems during the audit itself. They also give the overall conclusion to their work at the end of the audit. This should minimise the number of report alterations required. Occasionally, though, corrections need to be made. The guide explains how to deal with this.

The final part of the guide lists some 'Do's and don'ts' in responding to an internal audit report. This can also be used as a checklist. We hope this and the other advice in the guide is helpful to you.

If you have any suggestions to improve our guide, contact us at ac@usp.ac.fj.

Director of Assurance and Compliance

October 2015

RESPONDING TO RECOMMENDATIONS

Management responses to draft report recommendations can be categorized in the following way.

Response	What you should do
Management agrees with the recommendations	<ol style="list-style-type: none"> 1. State that you agree with the recommendation. 2. Say what corrective action you will take. This might be outlined in the audit recommendations. In these cases, it is satisfactory to say “We will implement the improvements stated in the recommendation”. 3. Say who is going to do the implementation. 4. State who the responsible officer for the implementation is. 5. State the timeline for implementing the recommendation.
Management agrees with the findings but not the recommendation.	<ol style="list-style-type: none"> 1. State that you agree with the finding 2. State why you disagree with the recommendation. 3. Say what alternative corrective action you will take. 4. Say who is going to do the implementation. 5. State the responsible officer for the implementation. 6. State the timeline for implementing the recommendation.
Management disagrees with the evidence for the recommendation.	The reasons for the disagreement should be clearly stated.

AN EXAMPLE OF EACH TYPE OF RESPONSE

Management agrees with the recommendations	<p>Recommendation agreed. We will implement a quarterly check of referral information. This will be undertaken by the Operations Officer. The results will be reported to the Director. Timeline: From June. Responsibility: Director.</p>
Management agrees with the findings but not the recommendation.	<p>Findings agreed We agree that there is a control weakness in the timely authorisation of cheques. We think the recommendation to expand the number of authorisers is not the best way to address the weakness. We propose to set up a forward diary of available authorisers. This will be the responsibility of the Accounts Receivable Manager. Timeline: From June. Responsibility: Head of Financial Operations.</p>
Management disagrees with the findings.	We disagree with the findings. The finding states reports on aged debtors do not get circulated. They are circulated on a monthly basis in accordance with procedures on debtor control.

RESPONDING TO THE OVERALL CONCLUSION IN THE REPORT

The reports contain an overall conclusion about the area audited. This overall conclusion is based on their assessment of the weaknesses the auditor has found.

It is very important that the overall conclusion reached by the auditor is assessed carefully. This is ultimately what they think of the way things you are responsible for are being controlled.

Sometimes the auditor may have a space for a comment to be inserted to say if the overall conclusion is agreed or not. Even if there is no space, you need to respond to the auditor's overall conclusion. This conclusion gets reported and discussed at the Audit and Risk Committee,

The conclusion of the report should be agreed with the auditor as well as the specific findings. This can be the subject of discussion and agreement, based on both parties' views about the overall risk. Below is an example of what can be said:

'We agree with the 'high risk' rating given by the internal auditors. We agree the recommendations made in the audit. The recommendations involve putting in additional controls over accounts payable and adding additional resources to the team. We plan to do this over the next twelve months. We will also monitor progress on high risk recommendations in our regular management meetings'.

DO'S AND DON'T'S IN RESPONDING TO INTERNAL AUDIT REPORTS

1. **DO write in plain English:** Long, rambling sentences are more difficult to understand. They also do not give the reader any consideration. Readers want the facts and what is going to be done to fix problems. They do not have time to work out unclear sentences.
2. **DON'T give a history lesson:** Don't give 'blow by blow' accounts of circumstances in a recommendation response. These matters should be part of the auditor's observations if they are relevant and important.
3. **DO avoid acronyms:** Avoid acronyms where you can (like SPOMS, SMART) or jargon words (such as 're-engineering'). Report readers may not know or understand such terms
4. **DO avoid clichés:** Avoid pointless clichés like 'our hard-working staff'. They don't tell the report reader what you're going to do to fix problems.
5. **DON'T volunteer others:** Do not say others will do things without discussing it with them or their line managers.
6. **DO avoid being non-committal:** Don't say implementations will be 'ongoing'. This cannot be monitored properly. State a time at which the rate of improvement will be formally reviewed.
7. **DON'T criticise staff:** Do not criticise USP or employees in your response. Examples are 'IT delayed purchasing the computer', or 'Payroll did not advise us'. A recommendation response should be about improving systems, not handing out blame. These examples can be written in the following way:

'Delays in acquiring computer equipment occurred. The Manager will work with the Computer Services Manager to improve this through stronger purchase order monitoring'.

'Improvements will be made to the process for obtaining timely advice from Payroll. The Financial Controller will agree a timeline and procedure with the Payroll Manager'.