High impact reporting
Today’s session...

Where are we now?
Discuss the purpose of our reports, what’s important to your stakeholders, and what impact you want your reports to have

Where do we want to be in the future?
- Explore high impact reporting principles, the tools and methodologies that could help you achieve higher impact reports
- Share examples of leading practices and discuss the art of the possible
- Identify and align on the areas which you want to take forward as you work towards higher impact reporting

How will we get there?
- Discover a path forward to achieving your vision for higher impact reporting.
Polling question 1

How do you believe that your primary stakeholder(s) would rate the impact of your Internal Audit teams' final deliverables?

1. Very effective
2. Somewhat effective
3. Neutral
4. Somewhat ineffective
5. Not effective
Stakeholders often comment that Internal Audit functions can increase the impact of their reporting.

Yet few proactively improve or innovate how they report.

But with focus, Internal Audit functions can create clearer, more engaging, insightful reports, which lead to positive and sustainable change.

**Content**
- What you write
  - Business understanding
  - Commerciality and practicality
  - Root Cause Analysis
  - Prioritization and focus

**Approach**
- How you write it
  - Structure
  - Inductive/deductive
  - Style & tone
  - Grammar

**Format**
- How you present it
  - Media
  - Visualizations
  - Design thinking
  - Business Chemistry

**Communication**
- How you communicate it
  - Context
  - Timing
  - Sequence
  - Empathy
Purpose & Identity
In your view, what is the primary purpose of the Internal Audit report?

1. Meet IIA Standards and/or fulfill your Internal Audit Charter requirements
2. Document a full record of work performed and detailed findings identified during the audit
3. Influence actions that results in positive changes in the risk and control environment
4. Communicate findings/observations to the Audit Committee
5. Demonstrate that great work we are doing
6. None/other

Polling question 2
If I had more time, I would have written less.

- Mark Twain
Content
If you can’t explain it simply...
... you don’t understand it well enough.
What you write

Content

- Do we truly understand the risks we are highlighting?
- Do we understand the root cause of the problem?
- Do we understand the context and impact of our recommendations?
- Do we take a systems approach to solutions?
- Do we elevate the most important findings in the context of the business?
- Do we understand the business area; its strategy, objectives, etc.?
### Practical steps which functions can take to improve content...

<table>
<thead>
<tr>
<th>Business understanding</th>
<th>Commerciality and practicality</th>
<th>Root Cause Analysis</th>
<th>Prioritization and focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Recruitment &amp; resourcing strategy – Guest auditors, rotational secondments, appointments from the business, use of Subject Matter Experts</td>
<td>• Transparency – Be open on risk ratings and views on impact</td>
<td>• Ask the ‘5 Whys’</td>
<td>• Do you need to report every single exception? Keep the purpose of the report in focus</td>
</tr>
<tr>
<td>• Training and development designed around getting to know the business</td>
<td>• Collaboration – Discuss early and frequently, with practicality of recommendations / management actions with the business but focus on outcomes, not process</td>
<td>• Categorize findings and themes in your report – People, process, technology</td>
<td>• Avoid the sea of Amber – Ensure you have rating scales that allows enough room to prioritize</td>
</tr>
<tr>
<td>• Attendance to management meetings/committees/MI</td>
<td>• Consultation with broader stakeholders – You may need to consider wider context/ initiatives</td>
<td>• Categorize sub-categories e.g., People – Training, competence, human error, etc.</td>
<td></td>
</tr>
<tr>
<td>• Relationship management strategies to keep informed with business developments</td>
<td>• Hold review and challenge sessions internally to leverage the power of the team</td>
<td>• Elevate RCA into their own reports and discuss with management</td>
<td></td>
</tr>
<tr>
<td>• Knowledge sharing between the function members and business</td>
<td></td>
<td>• Use RCA to input to potential audits</td>
<td></td>
</tr>
</tbody>
</table>
Approach
Structure
Approach
How you write it

Our brains perceive and process information in similar ways...

**Law of Proximity** – we naturally look for themes and groupings to make sense of information

1, 2, 3, 4, 5, 6, 7, 8, 9, ...

**Magic number 7 (+/- 2)** – we have a limit to how much information we can hold in short term memory

Source: Wertheimer, Kohler, and Koffka

Source: Miller, 1956
Understanding the question we are answering puts everything in context

Understanding what the reader really wants to know will help structure your executive summary and report.

The main **purpose of the introduction** is to raise a question and the **pyramid structure** provides a logical way to answer that question.
You’ve already seen this in action...

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What steps can Internal Audit functions take?
Inductive vs Deductive
Approach
How you write it

Inductive writing is generally more engaging...

**Inductive writing**
- **Recommend that we switch vendors to ABC Co.**
  - Offers unit cost savings of $2mm
  - Improves quality of materials ordered
  - Increases customer response time

- Gets to the point quickly
- Creates a question answer dialogue – why, how, where, etc.

**Deductive writing**
- **You must redesign the manufacturing process to fit today’s skills**
  - The manufacturing process requires a complex set of skills to operate
  - These skills are fast disappearing from our labor pool and cannot be replaced
  - Therefore we need to redesign the way the process operates

- Requires the end user to read and retain all context and additional information to deduce the logic and point made
- Provides lots of detail. Which can create a false sense that the point has been communicated
- Slow to get to the point
Most Internal Audit functions use deductive techniques...

<table>
<thead>
<tr>
<th>Executive summary</th>
<th>Detailed findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background</td>
<td>What we expected</td>
</tr>
<tr>
<td>Scope</td>
<td>What we found</td>
</tr>
<tr>
<td>Approach</td>
<td>The root cause</td>
</tr>
<tr>
<td>Summary Findings</td>
<td>The risk/impact</td>
</tr>
<tr>
<td>• Repeat of detailed findings</td>
<td>Recommendations</td>
</tr>
<tr>
<td>• Ordered by priority</td>
<td></td>
</tr>
<tr>
<td>• Illogical grouping of ideas – not linked to the objective</td>
<td></td>
</tr>
</tbody>
</table>
Approach (cont’d)
How you write it

But it’s a tradeoff, and you need to consider what’s right for the context

The information/cost trade off

Reducing uncertainty

**Pro’s**
- Longer reports let you give more info

**Con’s**
- Words are costly to:
  - Write
  - Edit
  - Read

"JFK is dead, killed by a sniper in Dallas. Police are hunting three men."

"Police are hunting three men after a shooting incident in Dallas left JFK dead."

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Format
(Paul & Neil Real-life Examples)
Polling question 3

What tools does your Internal Audit team primarily use to report *final audit results*?

- Word/PowerPoint/Excel
- Data Visualization (PowerBI, Tableau, etc.)
- Direct Access to Audit Management System
- Mobile-First Delivery (Tablet, Mobile Phone)
- Other
Form can elevate user experience...

- Attachment
- Email report
- Mobile enabled
- Interactive
- Audio
- Visual
Communication
Communication

How you communicate it

“

The single-biggest problem in communication is the illusion that it has taken place.

- George Bernard Shaw

“
Impactful reporting considers the audience and the different needs of stakeholders. Internal Audit has limited opportunities to make an impression on senior stakeholders and drive real change once issues and potential improvement areas have been identified.

**Audit committee**
- Thematic/Organisation Wide
- Principal Risks
- External Benchmarking

**Executive & SMT**
- Understand Risk Appetites
- Optimal Control
- Internal Benchmarking

**Business**
- Practical Recommendations
- Real Time
- Process People Technology

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**Context is key**

Impactful reporting considers the audience and the different needs of stakeholders. Internal Audit has limited opportunities to make an impression on senior stakeholders and drive real change once issues and potential improvement areas have been identified.
Communication (cont’d)
How you communicate it

Landing the message

Quarterly meetings with relevant executives and their teams to share themes and insights from individual audits

Forum meetings with each division provide an opportunity to:
• Give context behind the work of IA and discuss insights into how the business can improve management of their risks.
• Hear updates, context and risk information from the business.
• ATTENDED by leaders from the business as well as the CAE and their direct reports

Relevant items are reported to the sub-committees of the board – Audit Committee, Safety, Ethics and Environment Assurance Committee
Polling question 4

What area of reporting innovation do you think that you can implement in the next 6 months to increase the impact of your reporting?

1. Content, Structure, & Messaging
2. Impactful Format
3. Mode of Delivery
4. No change needed; reports are highly impactful
5. I’m not at a level to influence change or not sure where to start