



# Getting to the point

**Improving internal audit  
reporting for maximum impact**

November 2020

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## Why the need to change?

**Too time consuming. Too many words.  
And not enough focus on outcomes and driving change.**

The concept of 'sticky' messaging and its ability to create change and spur action is explored by Malcolm Gladwell in his book *The Tipping Point*. Effective, sticky messaging keeps the audience in mind and ensures messages can be easily remembered. Perhaps most surprisingly, Gladwell notes the stickiest information is often simple and unoriginal, getting straight to the point.

A KPMG 2019 survey on the current state of internal audit (IA) reporting found that less than 40 percent of participants felt their audit reports provided high value to readers.<sup>1</sup> The good news is that there is a roadmap to help evolve your IA reporting from a point of pain to a point of impact. Through this evolution, IA can recover time to refocus on other value-add aspects of the audit while providing reporting in a way that makes it stick.

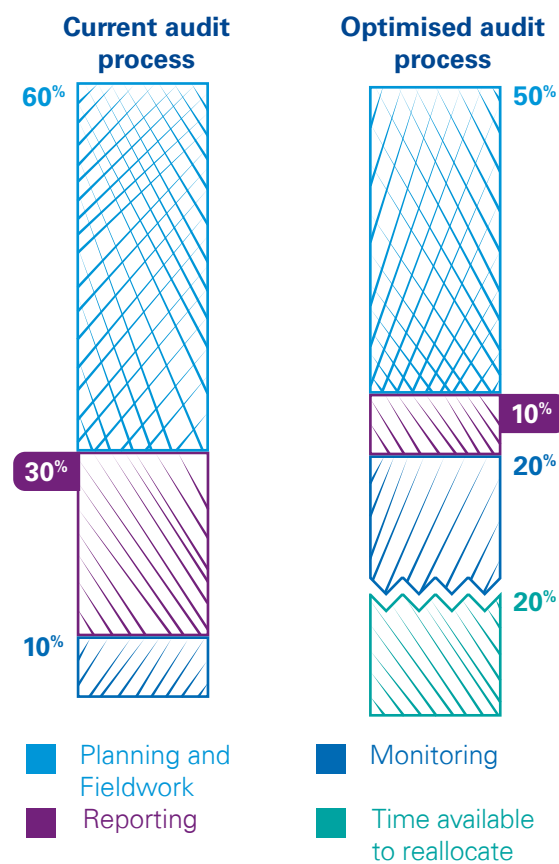
**"There is a simple way to package information that, under the right circumstances, can make it irresistible. All you have to do is find it."**<sup>2</sup>

Now with internal audit functions adapting to a post-COVID-19 operating environment, the mandate to improve IA reporting is even stronger. Application of pragmatic and agile approaches will provide timely and succinct reporting for internal audit customers.

The journey to improve reporting will involve a team effort by internal audit, the audit committee and organisational management. It is critical to have customer buy-in on the value of change as well as to have their needs in mind when changes are considered.

This piece provides a multiphase roadmap to improve IA reporting with your end customer in mind that can be implemented no matter where you are in your journey.

For many, audit effort is mostly consumed between fieldwork and reporting. This leads to less time available for planning and monitoring. If we could spend more time planning, and less time reporting, this would leave time to add value through activities otherwise missed. This piece focuses on how to gain efficiencies in reporting to both reduce time spent on reporting while increasing its impact.



## What do customers want?

The target audience of most IA reports – audit committees, executive teams, and business management – are busy multitasking, short on time, and understandably impatient. They need audit information delivered quickly and in a way that is easy to interpret. A meaningful IA report for this audience may mean fulfilling the following.



**Focus on the high-priority findings:** Research has shown that individuals can retain information from three to four concepts at a time.<sup>3</sup> With consideration of this research, reports should highlight a few high-priority findings and identify only the most meaningful opportunities that "enhance and protect organisational value."<sup>4</sup> When reports go into detail of all potential findings, high-priority ones get buried in a sea of information.



**Deliver it the way they want it:** The report should be delivered in the most efficient and simplistic way that appeals to the audience's working style. For example, many people access information on their mobile devices. This means you might want to consider distributing the audit report in a mobile-ready format.



**Provide frequent updates:** Reporting doesn't need to be limited to the final report. It is important to meet with customers frequently and provide disciplined status updates that incorporate action planning. This boosts the likelihood that the final report will be on target and completed more efficiently.

**Understanding your customers' personas is key to determining what they want.**

The common differences in wants based on customers' roles in the organisation appear below.



<sup>1</sup> "Reimagining internal audit reporting: Insights from the industry," study by KPMG, 2019

<sup>2</sup> *The Tipping Point*, by Malcolm Gladwell

<sup>3</sup> Thomas Jefferson, Steve Jobs, and the Rule of 3 (*Forbes*, 7/2/12)

<sup>4</sup> IIA mission statement



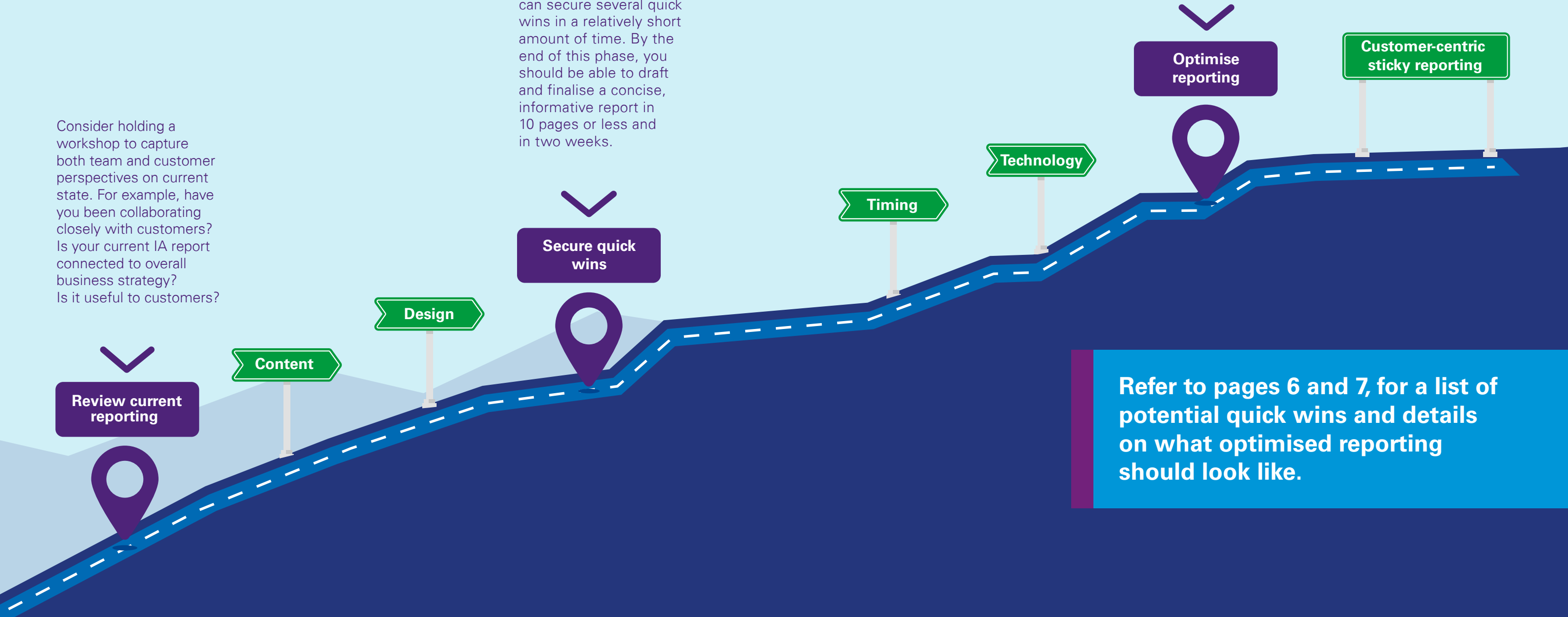
# Starting the journey

**Evolving IA reporting does not happen overnight; it is a journey. There are small, attainable steps you can take to get the ball rolling and generate quick wins. These quick wins will build the momentum for you to reach optimal reporting.**

Consider holding a workshop to capture both team and customer perspectives on current state. For example, have you been collaborating closely with customers? Is your current IA report connected to overall business strategy? Is it useful to customers?

Identify easy changes you can implement first. Most IA departments can secure several quick wins in a relatively short amount of time. By the end of this phase, you should be able to draft and finalise a concise, informative report in 10 pages or less and in two weeks.

Get more aggressive with your enhancements and integrate technology. Although this phase may take more than a year, your IA report ultimately will be a concise, readable one to two page deliverable.







# Detailed guidance for your journey

There are four categories to consider when assessing improvements to current reporting. Ideas within each of these categories have been organised between quick wins and optimised reporting.



## Content

Securing quick wins

- **Focus on highest priority findings and their details, placing them up front:** Research finds that individuals can retain three to four concepts at a time. The final IA report should strive to focus on the top three to four findings to make it stick. Lower priority findings can be documented in a more summarised manner and discussed in real time or placed in an appendix.
- **Scale back on nonessential audit information:** Content related to audit input such as process overviews and procedures is usually communicated at the onset of the audit and does not need to be recomunicated in final reporting. Best practices and additional information (e.g., benchmarking, data-driven insights, audit metrics) can be placed in the appendix or shared separately.

Optimising reporting

- **Prioritise findings in real time:** Formalise a real-time reporting protocol to routinely discuss possible findings and their significance, so that final reporting does not need to include all findings.
- **Limit final reporting to top findings/ action steps:** Once the report is shortened and real-time reporting is established, final reporting can focus on deeper insights on themes and solutions. Summaries can be provided for what was identified and remediation already taken.
- Provide a dashboard view of key performance indicators (KPIs) and key risk indicators (KRIs) in lieu of additional text.

Refer to the Additional materials section for illustrative examples.



## Timing

- **Introduce frequent real-time reporting:** Meet with customers every week or two to discuss internal audit findings as they arise. These frequent meetings will give you a clearer idea of the findings that concern customers.
  - Begin drafting the final report before fieldwork is over. Offer a work-in-process, early draft for management to see and react to.
  - Be disciplined about real-time reporting. Ensure meetings are scheduled ahead with customers, are detailed, and have assigned action items and due dates.

- **Achieve final reporting within two weeks or less:** The final report should only be a short summary of the overall audit. Real-time reporting should be the primary channel of audit communication allowing for final reports to be completed faster.
  - Most of the details (e.g., findings, strategies) should have been gathered during the real-time reporting process and discussed in meetings with customers.
  - Ideally, you could reduce the time spent preparing the final report by 20 percent by reporting on top findings and providing solutions that mainly focus on these findings.



## Design

- **Structure your communication in order of importance:** Consider when, where, and how your customers will read the report and what is most important to get across first if they do not read all the way through. Assume you only have two minutes to get the message across.
- **Shorten length of report:** Strive to have 10 pages or less including appendix.
- **Use graphics to tell the story:** The old adage, “a picture is worth a thousand words” applies to IA reports, too. Instead of just words, use dashboards, charts, and infographics to convey key performance indicators (KPIs), key risk indicators (KRIs), and audit insights to make it stick.

- **Limit the final report to no more than two pages.**
- **Provide a visualisation of how findings have been prioritised:** For example, a heat map or simple table will help to emphasise the findings that need the most immediate attention. Additionally, this provides context on other findings observed and logic behind prioritisation.
- **Integrate written reporting with data-driven reporting:** Data-driven dashboards provide a complementary view of what is most critical to the audit area.

Refer to the Additional materials section for illustrative examples.



## Technology

- **Take advantage of data visualisation tools:** This technology is readily available for a reasonable cost (e.g., Tableau, Power BI). Consider utilising interactive dashboards, allowing the customer to interrogate or ‘drill-down’ on data analytic results for greater insight.
- **Distribute your report in a way that is mobile device friendly** (e.g., email friendly format such as PDF, considering appropriate size and layout of the material presented).
- **Move away from text based to visual.**

- **Leverage technology to develop and deliver status and final reporting:**
  - Fully automated continuous monitoring process dashboards utilising data extraction from internal data sources.
  - Integration of software that supports real time finding management, through integration of GRC technologies or finding management tools.
  - Leverage project management software to support real-time status reporting.

Securing quick wins

Optimising reporting



## Overcoming roadblocks

As with many journeys, roadblocks are to be expected. One of the most notable will be overcoming the IA team and its customers' reluctance to change and their desire to see all the details in the final IA report. There is also IA's self-imposed fear that management won't appreciate all the work that it does unless it explains everything in the final IA report.

Below are some actions that can overcome these potential roadblocks:

**Act with confidence.** Don't be afraid to explore making sensible changes to the IA report and the IA reporting process.

- There is only so much you may be able to do initially without the support of senior management and other customers. But keep on pushing; find a way to activate change because sticking with the status quo is unacceptable.

**Be disciplined about real-time reporting.** Schedule meetings with customers ahead of time. During these meetings, provide them with updates on IA status, project plans, and findings that have been identified. This allows you to focus only on a few high-priority findings that customers are most concerned with in the final IA report.

- Customers will be aware of all the work IA has done during the year as a result of your frequent meetings.

**Get comfortable with imperfection and be ready to "fail fast."** Your real-time reporting sessions and new reporting format may not hit the mark the first few times. That is okay. Regroup. Get a better sense of what customers are focused on, and move on to the next iteration.

- Customers will realise that you are looking at IA from a business perspective, boosting IA's reputation as a true business partner.

**Do not wait to report until the end.** Versions of the report and management actions should be circulated to management throughout the audit rather than waiting until the end. The benefits of circulating throughout the audit are:

- Shorter reporting times. The report has been shown to the customers and agreed upon.
- Greater acceptance of report changes. The customers are familiar with the report and can provide input throughout.

**Offer options when considering a new format of the final IA report.** Provide customers with different ways and information to present in the final IA report.

## Take action today

It is likely your organisation and/or industry is experiencing enormous transformation. By adapting the ideas discussed in this whitepaper, your IA reporting should begin shifting from a point of pain to a point of impact that supports transformation and delivers value. We encourage you to reach out to our KPMG team for any support you may need to help you on this journey.

Our IA services range from transformation support and single audit projects to cosourcing and full outsourcing. We work with organisations to help improve IA quality and oversight, increase value while keeping an eye on costs, and enhance risk and controls management.

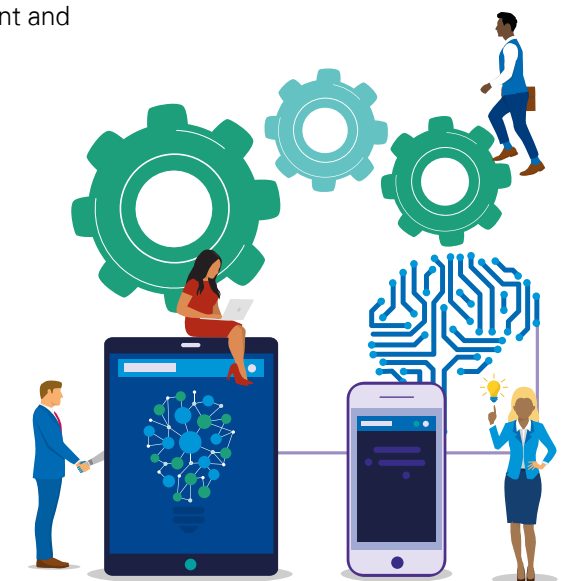
Our global team of professionals brings passion and a fresh approach to internal audit. They focus on balancing the need for core competencies with the imperative of infusing innovative techniques into the process. They understand that achieving effective IA capabilities requires a significant level of investment in skilled resources, training, and technical infrastructure. They'll help design a framework for enhancing your IA reporting system and work with you to implement that strategy.

We encourage you to review [Enhancing Internal Audit Effectiveness](#) for additional ideas on how to drive efficiency beyond reporting through implementation of Agile Internal Audit techniques. It sets out the core principles and benefits of this methodology, across the end to end IA process.

You may also want to leverage our publication "[Reimagining internal audit reporting: Insights from the industry](#)" for benchmarking data on current and future reporting approaches.

**Eager to get started on your journey?**

**Call KPMG to request a brainstorming session regarding your specific environment. See the back page for our contact information.**








# Additional materials

Following is a sample template intended for illustrative purposes. Each organisation will have its own perspective on where a standard template would be beneficial and which attributes and elements to incorporate, based on its audit program.

**Project-level reporting**


For illustrative purposes only, as each organisation will consider what makes sense in its environment.



### Objective

The objective of this internal audit was to consider the design and operating effectiveness of customer feedback and complaints processes to confirm appropriate controls exist to:

- manage service quality and complaints resolution,
- mitigate reputational risk associated with complaints; and
- Check compliance with regulatory requirements.



### Data analytic insights

Data analytics over customer feedback in the 12 months to September 2020, through multiple platforms including survey responses, email and phone, online enquiries (including chat functionality) and social media.

53%


of feedback is received through surveys following an interaction with ABC.

7 DAYS


average time to close a complaint.

Only 72%

complaints handled within regulatory timeframes.




### Summary of observations




**1. High:** Incomplete capture of customer feedback and complaints from non-traditional communication channels.

*Gaps were identified in the identification and recording of customer feedback through social media and online chat functionality.*


- Social media feedback is not consistently recorded in systems.
- Insufficient evidence retained of complaints received and/or resolved through website chat functionality.



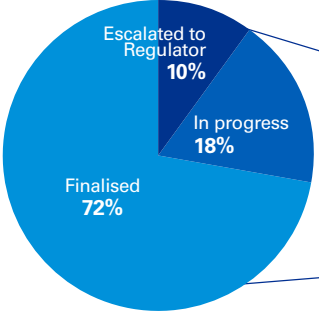


**2. Moderate:** Complaints handling is decentralised, with consolidation of processes required

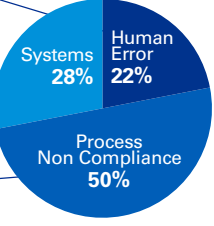
- Segregation of responsibilities for complaints across frontline business areas, with inconsistent and/or duplicated guidance documentation and KPIs. Further, there is no forum to coordinate activities between teams.



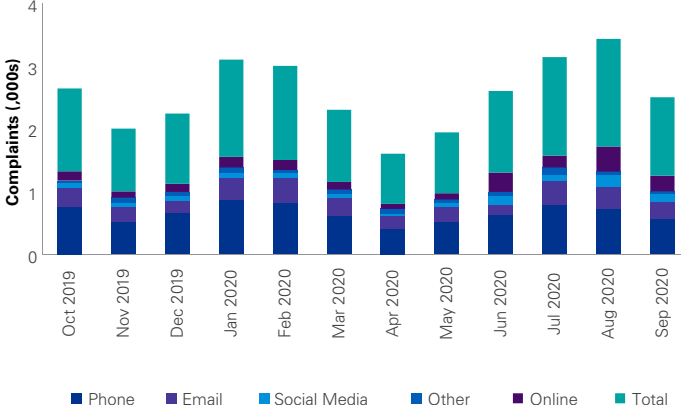
### Status of Complaints



### Root cause



### Volume of Complaints by Month



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