

**Office of the Comptroller and Auditor General of India**  
**Professional Practices Group**

**Guidance Note**

**No: 293 /12-PPG/2013**

**Date: 18 September 2017**

**To**

**The Heads of all Field Audit Offices**

**Subject: Drafting and presentation of Audit Reports**

## **I Introduction**

Audit reports are a medium for conveying an assurance on the various financial, compliance and performance audits undertaken by the Department. The assurance can be provided either explicitly or in other forms conveying the necessary degree of confidence to the intended users.

The Auditing Standards envisage that Audit Reports shall be easy to understand, free from ambiguity, complete, objective and fair, only including information which is supported by sufficient and appropriate audit evidence and ensuring that findings are put into perspective and context. The Style Guide provides guidance for achieving the general reporting principles and consists of advice on good writing, guidance on drafting, list of conventions, common errors and care in use of words and phrases. This guidance note is supplementary to the Style Guide and aims at providing implementation guidance on drafting and presentation of audit findings and conclusions in Audit Reports apart from reiterating the key features of the Style Guide.

## **II Reporting principles and features of Audit Reports**

The form and content of Audit Reports will depend upon the nature of audit, the intended users, the applicable auditing standards and legal requirements. The reporting principles envisaged in the Auditing Standards are summarised below:

- reporting on compliance audits shall be based on the principles of completeness, objectivity, timeliness and contradictory process (checking the accuracy of facts with the audited entity and incorporating responses);
- reporting on performance audits shall be comprehensive, convincing, timely, reader friendly and balanced; and
- in a financial audit, Auditors shall express an audit opinion, based on the nature and pervasiveness of material misstatements.

The purpose of an Audit Report is to communicate the results of audit to stakeholders and those responsible for governance to facilitate follow-up and corrective action. It is therefore essential that the audit reports are acceptable, credible and secure the trust of stakeholders and those responsible for governance.

i) **Acceptability:** The features that enhance acceptability of the Audit Report are:

- **Tone and balance:** The Audit Report should be impartial in tone and content. The facts should be presented and interpreted in neutral terms, avoiding biased information or language that can generate defensiveness and opposition. The effort should be to present both positive and negative aspects so that the Audit Report represents a remedial approach rather than a critical approach. In case of performance audits where different perspectives and viewpoints can legitimately be made, they need to be presented to ensure fairness and balance.
- **Clarity and conciseness:** The Audit Report should be brief and understandable to those who have no knowledge of the subject matter or programme being reported upon. The following aspects should be kept in view to enhance the clarity and conciseness of Audit Report.
  - a) Not repeating facts
  - b) Using only commonly used abbreviations and acronyms and spelling them out the first time they are used
  - c) Not using technical language or jargon, which are not generally understood outside a specific profession. If jargon or technical language is unavoidable, it has to be defined in a simple manner when it is first used
  - d) Using short sentences and paragraphs
  - e) Using active voice
  - f) Using bullets to avoid wordiness
  - g) Using data visualisation and infographics. This in no case means a complete substitution or replacement of text with graphs and diagrams. Effective reporting involves a judicious mix of text, tables, graphs, charts, and other diagrams in relation to the subject matter being reported upon and data visualisation is intended to complement the textual content to enhance the quality of reporting and presentation. The Practitioner's Guide for use of Data Visualisation and Infographics may be referred to for further guidance on the matter
  - h) Length: As envisaged in the Style Guide, the maximum length of a composite report comprising results of compliance and performance audits should be 120 pages (excluding overview and appendices/annexures), which can be relaxed where the number of reviews is four or more in bigger states. Overview should not normally exceed about eight to ten pages and the appendices/annexures shall not exceed 65 pages. Except all India performance audits, a Performance Audit Report should not normally exceed 25 pages. The Executive

Summary of a Performance Audit Report should not, generally, exceed three pages (the guidance note on Executive Summary of standalone Performance Audit Reports may be referred to in this regard).

- ii) **Credibility and trust:** Audit Reports should contain a dispassionate assessment against objective evaluation criteria, supported by sufficient and appropriate evidence so as to ensure that rational audit conclusions are drawn. The responses of the audited entity (ies) should receive a fair consideration and Audit's perspective has to be adapted appropriately and presented in such a manner that readers are able to understand why Audit is concurring or disagreeing with the comments of the audited entity (ies).

### **III Structure for presentation of audit findings**

The audit findings should be organised in a logical order into the following distinct sections:

**Topic sentence:** Audit findings should be organised in paragraphs and each paragraph should have a caption or a topic sentence that appropriately conveys the central idea of the paragraph or the nature of finding.

**Criteria:** The opening paragraph should identify the benchmarks that were used as audit criteria for evaluating the subject matter and prepare the reader for the results of evaluation. In determining the suitability of criteria, their relevance and usefulness to the intended users, their completeness, reliability and objectivity, as envisaged in the Auditing Standards and the individual auditing guidelines, should be considered.

**Cause and effect:** This section should broadly summarise the condition of the subject matter, observed in audit, as a deviation or variance from criteria correlating the cause of the deviation or variance and determining their effect. This section is the core of the audit finding and should clearly establish the cause and effect relationship of the deviation(s) /variance(s).

**Responses of the audited entity:** This section should summarise the responses of the audited entity in an impartial manner and suitably incorporate them in the audit findings without compromising the basic thrust and explanation and/or disagreement contained in the response. Audit's response to those views in terms of any resultant changes made in the report or the basis for sustaining the Audit's perspective needs to be briefly provided. When an entity disagrees with Audit, mere repetition of Audit's position needs to be avoided. Although sometimes no new information can be provided in response to the entity's comments, in most cases, Audit should be able to explicitly state why the response of the audited entity (ies) is non-persuasive.

**Audit conclusion:** This section is applicable to performance and compliance audits with defined audit objectives. The individual audit findings should be grouped or arranged together in the Audit Report so that, when collectively considered, they facilitate a broad audit conclusion. The broad theme emerging out of a group of such findings, may be summarised in the form of an audit conclusion against an audit objective.

**Recommendations:** This section is applicable to performance audits and compliance audits with defined audit objectives. The recommendations should address the underlying cause and have to be actionable, practical, implementable and cost effective. The guidance note on Developing Recommendations may be referred to for further guidance on the matter.

#### **IV Check list**

Enhancing the quality of drafting and presentation of audit reports would require a due diligence process to be addressed at three levels - Report, Paragraph and Sentence levels, to ensure adherence to the envisaged features and structure. The following check list would facilitate monitoring the quality of drafting and presentation of audit findings and conclusions in Audit Reports.

##### **Report level**

- Is the report's central message clear?
- Is it of the appropriate length?
- Does it have sufficient, clear headings?
- Does it have suitable data visualization or infographics?

##### **Paragraph level**

- Does the paragraph contain a topic sentence that accurately conveys the paragraph's central idea?
- Does the paragraph contain enough information to support the idea expressed in the topic sentence?
- Do the ideas presented in the sentences follow the envisaged structure for presentation of audit findings?

##### **Sentence level**

- Are all the words in the sentences necessary?
- Are the sentences easy to understand?
- Are the sentences in active voice?

**(Sudha Krishnan)**  
**Director General (PPG)**

**No: /12-PPG/2013 dated September 2017**

**Copy to**

- (i) All DAIs/ADAs**
- (ii) DGs/PDs in Hqrs office**
- (iii) Secretary to CAG**