



# Efficient Auditing

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To the Institute of Internal Auditors

Virginia Training Academy

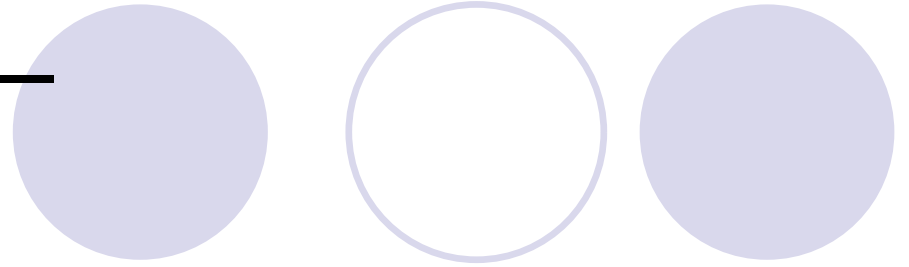
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# Making Audits More Efficient

- We'll reveal time-saving and effort-maximizing tools to help you audit more efficiently!
- Efficiency happens in all stages of the audit, from planning and scoping through reporting



# Techniques and Tools – Use What Works



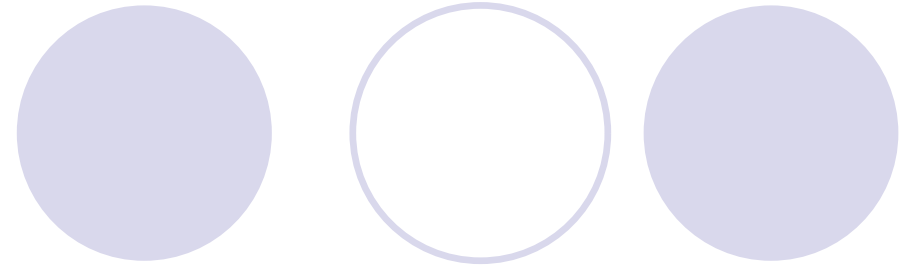
- I'd like to discuss an overture and set of techniques at both micro and macro levels to add to this tool kit.
- After this session, you may have more tools than you have room for! Use what works for your office in your situation.



# Our Overture

- Like baseball, how more “at-bats” can help auditors effect organizational change
- From Star Wars to Lord of the Rings, how movie trilogy production can inform auditing
- Why the audit process should work more like Southwest than Northwest
- Why audits should read more like Hemingway than Michener

# Today's Sponsor



- 15 Tools for Efficiency
- Today's presentation is brought to you by the number 15 and the letter "E"





# Improving Audit Efficiency

- “Efficiency” is the ratio of inputs per output:
  - Hours spent per audit report
  - Years spent per audit report
- Highly efficient auditors and offices have “traction” to create audit yield with each hour of audit time invested
- Core idea: Make each time investment count in your audit office
- This work needs to lead to reports!

# Improving Audit Efficiency

- Key assumption: Every hour and day spent are leading the office toward a product – an audit report
- Eliminate dead-ends and wheel-spinning so that each audit effort has traction to propel us toward finished audit reports



# Initial Tool Kit



- Develop clear objectives near beginning of audit. For unclear or new areas, slate a specific amount of time for survey and don't exceed it without a "scoping meeting"
- Set and stick to a clear scope for the audit
- When scope is fulfilled and objectives are met, write the report!
- Objectives can met even when literal fulfillment is impossible (examples)



# “La Mancha” Principle



If audit objective can't be met, that's a reportable condition.

- “Determine which laws govern the State's practices” – no laws mean that we've determined that “no laws govern practices”, NOT that additional audit work is needed right then.
- “Determine whether State policies are properly reported” – if not, that's the finding.
- “Determine whether expenses are properly supported” – if the auditor can't tell, that's the finding.

# Whose Fault is it, Anyway?

- “We were unable to determine. . .” can also be worded as “Management may lack the information it needs. . .” – and not just from the report , but from their own mechanisms!!!
- Remember that data limitations aren’t the same as scope limitations! (Data not answering your objective is different from someone restricting your access to that data)

# Whose Problem is Missing Data?

Consider these examples:

1. “Data on the audit objective was lacking. Therefore, we were unable to conduct our audit or determine the condition that we sought to review” (No Finding)
2. “Data on the audit objective was lacking. Therefore, neither auditors nor management have the information they need to make good decisions.” (Finding!)

# Missing Data Finding Structure “1”

- Condition: Management data lacking or missing
- Criteria: To do an audit, we need data as auditors
- Cause: We can't find the data
- Effect: Audit on hold or cancelled
- Recommendation: None – no published report

# Missing Data Finding Structure “2”

- Condition: Management data lacking or missing
- Criteria: Data was needed to make good decisions (decisionmaking, accountability)
- Cause: Too expensive, not available, etc.
- Effect: Audit ended early, management proceeding without complete information
- Recommendation: Improve data!

# Use the Information You Find



- If management data is missing, report it!
- If management can't use its own information, report it!
- If data and analysis could be improved, report it!
- If data, processes, and analysis are accurate, report what they show!

# Boosting “Yield”

- Use and bolster an “Objectives, Scope, and Methodology” (OSM) section
- Tell the reader about all the work you did
  - Interviewed officials, reviewed data, analyzed information, compared/evaluated, reached conclusions – using your work to boost yield in the audit report.
  - This builds credibility and confidence in the report by users because they can “see inside” your work!

# Increase “Plate Appearances”

- Specific audits on specific subjects are easier to scope, plan, conduct, write, and review!
- More specificity = more reports better tailored to each audience





# Increase “Plate Appearances” Part 2

- More reports allows your office to show a series of efforts on a topic, rather than bunching related findings into one report.
- Consider “capstone” reports.
- Examples



# “Quick Response” and Efficiency



- Briefly, “quick response” audits limit scope and fieldwork to focus only on the objectives of the audit.
- So should all audits!!!
- Consider your scope early on – it will dictate fieldwork, writing, and review!

# Which Works Better?

- Major airline with high costs
- Charged for snacks
- Charged for bags
- Merged with another airline



# Which Works Better?

- National airline with low costs
- Free snacks
- Free checked bags
- \$59 fares and still makes money!



# Which Works Better for Auditing?

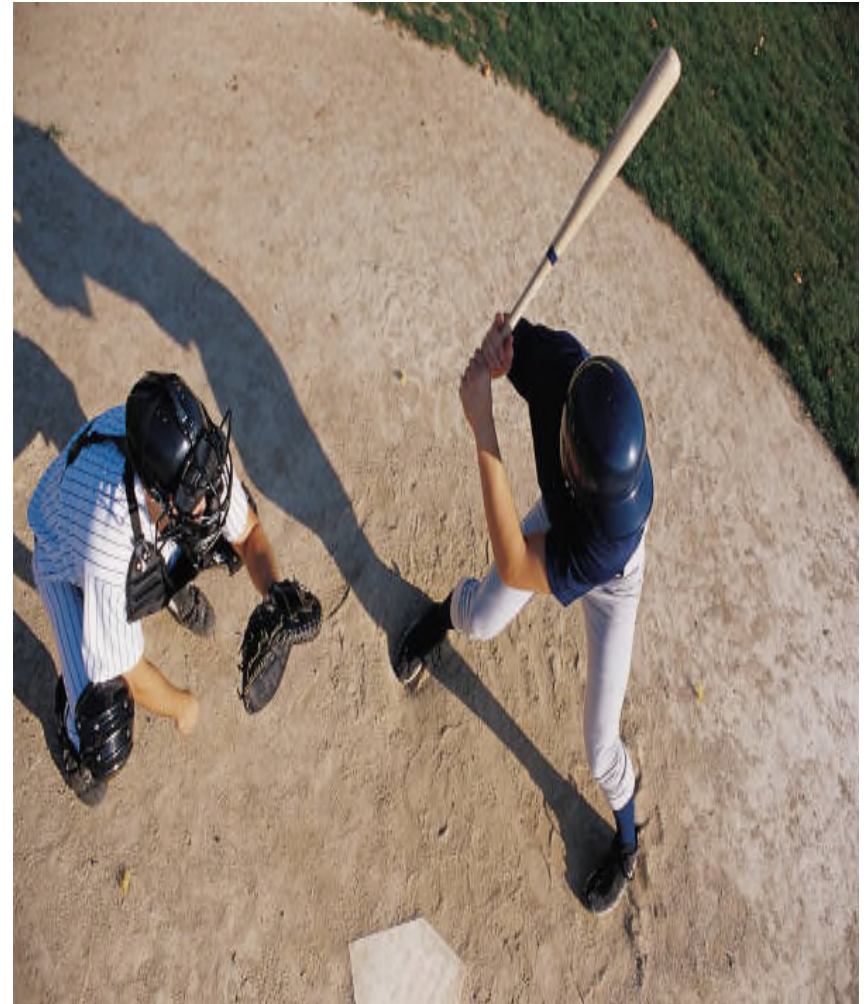
- Producing just a few large reports and contacts per year?

OR

- Producing more short reports, leading to many more contacts per year?
- “Contacts” include public, council, media, and other audit report users
- More reports may enhance meeting our goal of informing the public and enhancing decision-making

# Efficient Audit Reporting

- “Three drafts or it’s out!”
- Focus report on key objectives, defer other issues to future reports (can mention this in current report)
- Use visuals – photos, charts, maps, sketches to explain



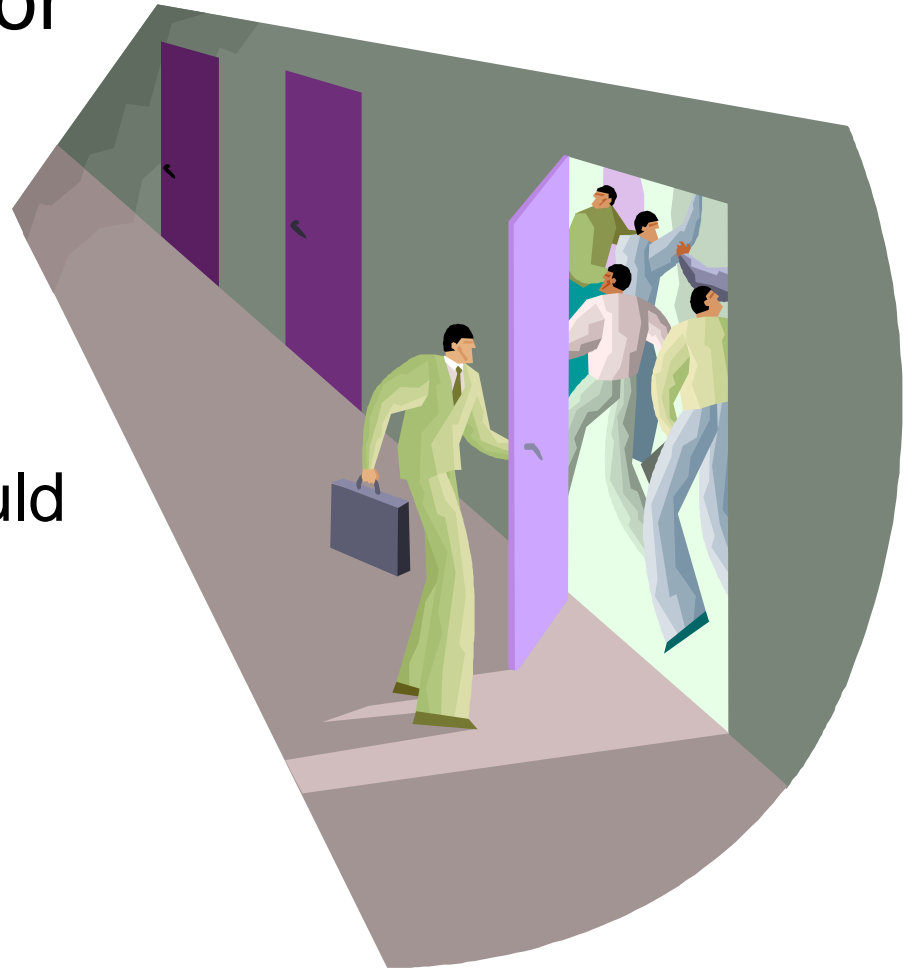
# Efficient Audit Reporting



- Die Hard-style reporting (no opening credits to slow reader)
- Movie-making and audit-making
- Star Wars trilogy vs. Lord of the Rings – packaging and timing of products vs. timing of fieldwork

# Efficient Audit Reporting

- Consider “action” titles for reports that describe major finding --
  - “Audit of Police Bureau”
  - “Police: Crimes Unsolved”
  - “Police: Crimesolving Could be Improved with Policy Changes”
- Which do you prefer?





# Presenting Results

- Think about the “elevator speech” – your main points of the audit distilled into 30 seconds
- Consider use of summary with elected officials, media, and public
- Focus on findings



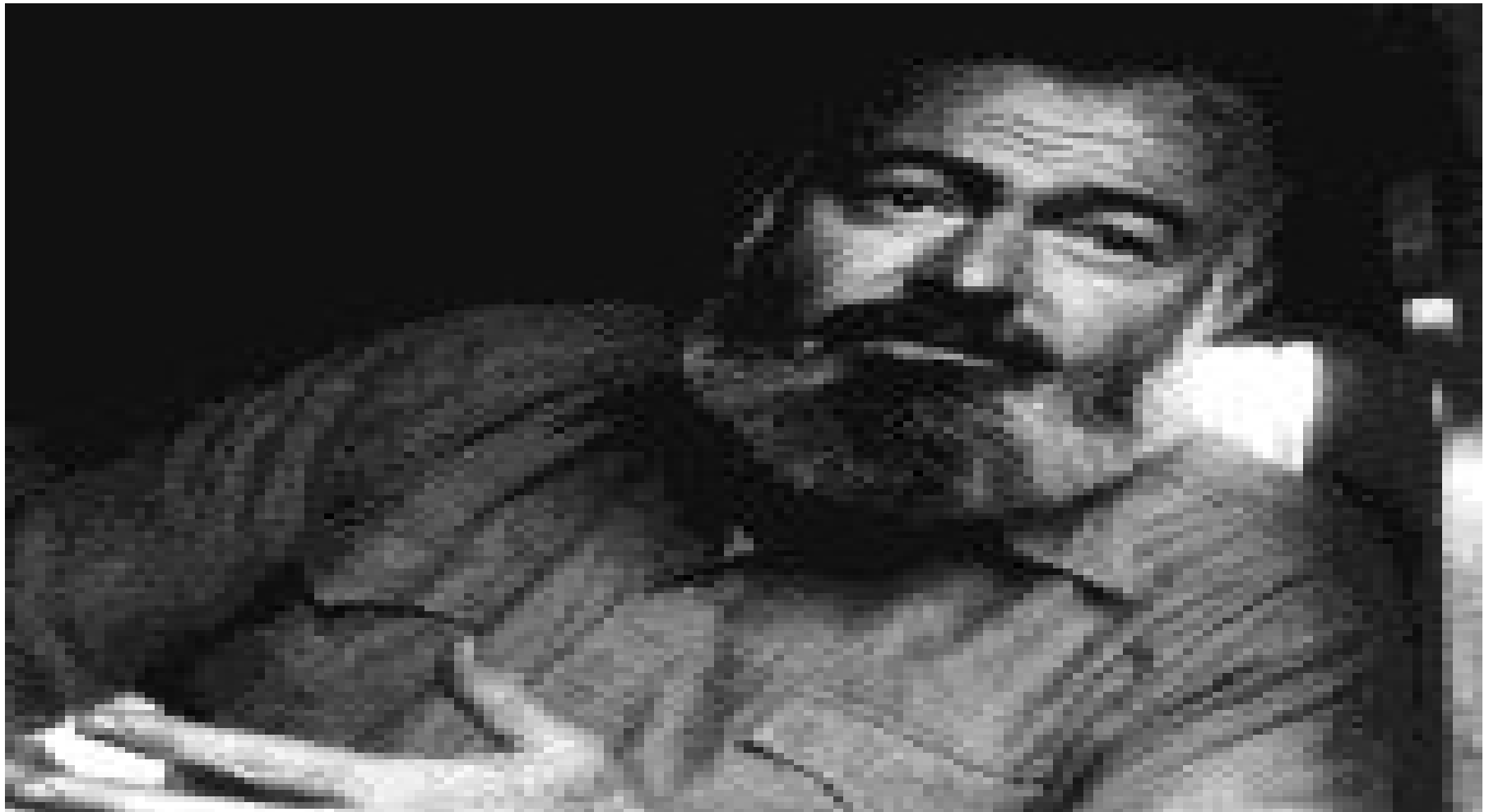
# Remember Your Audience

- Audit readers tend to be busy
- State main point in title, in summary, and throughout the report
- Write at 8<sup>th</sup> grade level with short sentences
- Focus on results of audit



# Hemingway, not Michener

- Keep sentences short



# Long Reports May Not Be Read!

- Nothing is wrong with a long novel for your summer reading –
- Audit reports, though, should be reasonably easy to digest!
- Brevity is the soul of an audit report that's used!





# Summary of Tools Discussed

- Set and stick to a clear scope
- Limit fieldwork to that scope
- When objectives are met (or it's determined that they can't be), start writing
- Use high-yield OSM sections
- Place the focus on the auditee, not on the auditor, when data is limited
- Write more, shorter reports (plate appearances)



# Summary of Tools Discussed

- Consider capstone reports to summarize a body of work from multiple audits
- Focus on “quick response” by limiting scope, fieldwork, and reporting to a specific issue
- Consider low-cost, high-frequency audits rather than high-cost, low-frequency to maximize contacts and efficiency/yield



# Summary of Tools Discussed

- Be visual
- Cap draft reviews at three
- Die Hard, Star Wars vs. Lord of the Rings:  
How to best package a body of audit work
- Use “action” titles for reports and in your  
short descriptions of your work
- Know thy audience, simplify

# Questions and Contact Information

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