

Practice Advisory 2410-1: Communication Criteria

Primary Related Standard

2410 – Criteria for Communicating

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

1. Although the format and content of the final engagement communications varies by organization or type of engagement, they are to contain, at a minimum, the purpose, scope, and results of the engagement.
2. Final engagement communications may include background information and summaries. Background information may identify the organizational units and activities reviewed and provide explanatory information. It may also include the status of observations, conclusions, and recommendations from prior reports and an indication of whether the report covers a scheduled engagement or is responding to a request. Summaries are balanced representations of the communication's content.
3. Purpose statements describe the engagement objectives and may inform the reader why the engagement was conducted and what it was expected to achieve.
4. Scope statements identify the audited activities and may include supportive information such as time period reviewed and related activities not reviewed to delineate the boundaries of the engagement. They may describe the nature and extent of engagement work performed.
5. Results include observations, conclusions, opinions, recommendations, and action plans.
6. Observations are pertinent statements of fact. The internal auditor communicates those observations necessary to support or prevent misunderstanding of the internal auditor's conclusions and recommendations. The internal auditor may communicate less significant observations or recommendations informally.
7. Engagement observations and recommendations emerge by a process of comparing criteria (the correct state) with condition (the current state). Whether or not there is a difference, the internal auditor has a foundation on which to build the report. When conditions meet the criteria, communication of satisfactory performance may be appropriate. Observations and recommendations are based on the following attributes:
 - **Criteria:** The standards, measures, or expectations used in making an evaluation and/or verification (the correct state).
 - **Condition:** The factual evidence that the internal auditor found in the course of the examination (the current state).
 - **Cause:** The reason for the difference between expected and actual conditions.

- Effect: The risk or exposure the organization and/or others encounter because the condition is not consistent with the criteria (the impact of the difference). In determining the degree of risk or exposure, internal auditors consider the effect their engagement observations and recommendations may have on the organization's operations and financial statements.
 - Observations and recommendations can include engagement client accomplishments, related issues, and supportive information.
8. Conclusions and opinions are the internal auditor's evaluations of the effects of the observations and recommendations on the activities reviewed. They usually put the observations and recommendations in perspective based upon their overall implications. Clearly identify any engagement conclusions in the engagement report. Conclusions may encompass the entire scope of an engagement or specific aspects. They may cover, but are not limited to, whether operating or program objectives and goals conform to those of the organization, whether the organization's objectives and goals are being met, and whether the activity under review is functioning as intended. An opinion may include an overall assessment of controls or may be limited to specific controls or aspects of the engagement.
 9. The internal auditor may communicate recommendations for improvements, acknowledgments of satisfactory performance, and corrective actions. Recommendations are based on the internal auditor's observations and conclusions. They call for action to correct existing conditions or improve operations and may suggest approaches to correcting or enhancing performance as a guide for management in achieving desired results. Recommendations can be general or specific. For example, under some circumstances, the internal auditor may recommend a general course of action and specific suggestions for implementation. In other circumstances, the internal auditor may suggest further investigation or study.
 10. The internal auditor may communicate engagement client accomplishments, in terms of improvements since the last engagement or the establishment of a well-controlled operation. This information may be necessary to fairly present the existing conditions and to provide perspective and balance to the engagement final communications.
 11. The internal auditor may communicate the engagement client's views about the internal auditor's conclusions, opinions, or recommendations.
 12. As part of the internal auditor's discussions with the engagement client, the internal auditor obtains agreement on the results of the engagement and on any necessary plan of action to improve operations. If the internal auditor and engagement client disagree about the engagement results, the engagement communications state both positions and the reasons for the disagreement. The engagement client's written comments may be included as an appendix to the engagement report, in the body of the report, or in a cover letter.
 13. Certain information is not appropriate for disclosure to all report recipients because it is privileged, proprietary, or related to improper or illegal acts. Disclose such information in a separate report. Distribute the report to the board if the conditions being reported involve senior management.

14. Interim reports are written or oral and may be transmitted formally or informally. Use interim reports to communicate information that requires immediate attention, to communicate a change in engagement scope for the activity under review, or to keep management informed of engagement progress when engagements extend over a long period. The use of interim reports does not diminish or eliminate the need for a final report.
15. A signed report is issued after the engagement's completion. Summary reports highlighting engagement results are appropriate for levels of management above the engagement client and can be issued separately from or in conjunction with the final report. The term "signed" means the authorized internal auditor's name is manually or electronically signed in the report or on a cover letter. The chief audit executive determines which internal auditor is authorized to sign the report. If engagement reports are distributed by electronic means, a signed version of the report is kept on file by the internal audit activity.
