

Communicating Results of Internal Audit Services

Global Practice Guide

Companion IIA Audit Tool:

- *Determining Results of Internal Audit Services*

Aligns with the Global Internal Audit Standards



The Institute of
Internal Auditors

GENERAL GUIDANCE

Acknowledgements

Guidance Advisory Group

Verra Marmalidou, CIA, CRMA, Greece

Laura Saviciene, Lithuania

Eugene Whitehorn, CIA, CRMA, CCSA, CFSA, Australia

Global Guidance Council Reviewers

Nicolas Denewet, CIA, CRMA, Belgium

Hik Park, CIA, CRMA, Peru

Muriel Uzan, CIA, CRMA, Spain

International Internal Audit Standards Board Reviewers

Maciej Piófunowicz, CIA, Poland

Harriet Richardson, CIA, CRMA, CGAP, United States

IIA Standards and Guidance

Benito Ybarra, CIA, CFE, CISA, CCEP, Executive Vice President

Katleen Seeuws, CIA, CRMA, CGAP, CFSE, CISA, Vice President

Angela Douglas, CIA, CRMA, Senior Manager (Project Lead)

The IIA would like to thank the following oversight bodies for their support: Global Guidance Council, International Internal Audit Standards Board, and the International Professional Practices Framework Oversight Council.

About the IPPF

A framework provides a structural blueprint and coherent system that facilitates the consistent development, interpretation, and application of a body of knowledge useful to a discipline or profession. The International Professional Practices Framework® (IPPF)® organizes the authoritative body of knowledge, promulgated



**International
Professional Practices
Framework®
(IPPF)**

by The Institute of Internal Auditors, for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards™, Topical Requirements, and Global Guidance.

The IPPF addresses current internal audit practices while enabling practitioners and stakeholders globally to be flexible and responsive to the ongoing needs for high-quality internal auditing in diverse environments and organizations of different purposes, sizes, and structures.

Global Guidance

Global Guidance supports the Standards by providing nonmandatory information, advice, and best practices for performing internal audit services. It is endorsed by The IIA through formal review and approval processes.

Global Practice Guides provide detailed approaches, step-by-step processes, and examples on subjects including:

- Assurance and advisory services.
- Engagement planning, performance, and communication.
- Financial services.
- Fraud and other pervasive risks.
- Strategy and management of the internal audit function.
- Public sector.
- Sustainability.

Global Technology Audit Guides® (GTAG®) provide auditors with the knowledge to perform assurance and advisory services related to an organization's information technology and information security risks and controls.

[Global Guidance](#) is a benefit of IIA membership.

Contents

Executive Summary	1
Introduction	2
Expressing Results of Internal Audit Services	4
Assurance Engagement Finding Significance.....	4
Assurance Engagement Conclusions.....	6
Advisory Engagement Conclusions	9
Conclusions Across Multiple Engagements	11
Nonconformance with the Standards	15
Determining Significance or Priority in Expressing Internal Audit Results	16
Other Considerations	18
Appendix A. Relevant IIA Standards and Guidance	20
Appendix B. Glossary	21



Executive Summary

This guide supports the implementation of Standards 11.3 Communicating Results and 14.5 Engagement Conclusions by covering four key types of results of internal audit services, including (1) the significance of assurance engagement findings, (2) assurance engagement conclusions, (3) advisory engagement conclusions, and (4) conclusions across multiple engagements.

By following this guidance, internal auditors will be able to:

- Determine the significance or priority of findings using well-defined criteria.
- Effectively communicate a conclusion based on an aggregation of the findings, and for assurance engagements, provide an assessment regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed.
- Develop a summary of the results or advice provided when performing advisory engagements.
- Recognize how the results of multiple engagements can yield conclusions at the level of the business unit or organization.

This guide supersedes “Formulating and Expressing Internal Audit Opinions,” published in 2009.



Introduction

The need for internal audit conclusions and the ability of internal auditors to express them depend on several important factors. Understanding the needs of **stakeholders** is key; the **chief audit executive** should clarify with the **board** and **senior management** what they expect in terms of communicating the **results of internal audit services** and the level of **assurance** required. Additionally, determining the scope, nature, timing, and extent of audit work required is crucial. Auditors must ensure that the **engagement objectives** and scope are designed such that sufficient evidence can be obtained to support an **engagement conclusion**. Adequate resources and **competencies** must be in place to complete the work because robust conclusions should include thorough fact gathering and analysis (Standard 3.1 Competency).

When performing **engagements**, internal auditors continuously assess the results of the work performed to form sound conclusions. The ability to provide a meaningful conclusion is built on carefully planning and performing engagements in alignment with stakeholder expectations. During annual audit planning, the chief audit executive should explicitly discuss with the board and senior management their requirements and expectations for internal audit results, including engagement conclusions and the desired level of assurance.

The final communication for assurance engagements must include a conclusion regarding the effectiveness of **governance, risk management, and control processes** of the activity reviewed (Standard 15.1 Final Engagement Communication). This requirement means internal auditors need to approach engagements with the end in mind, planning and performing work such that a well-supported conclusion can be expressed. It also means **methodologies** and report templates should include a dedicated conclusion

Note

Terms in **bold** are defined in the glossary in Appendix B.

The Global Internal Audit Standards use certain terms as defined in the glossary. To understand and implement the Standards correctly, it is necessary to understand and adopt the specific meanings and usage of the terms as described in the glossary.

The Standards use the word “must” in the Requirements sections and the words “should” and “may” to specify common and preferred practices in the Considerations for Implementation sections.

IIA Resources

The [Global Practice Guide “Communicating Final Engagement Results”](#) and its companion tools provide information and templates for audit reports and presentations.



section. Even in **advisory services**, auditors are required to summarize the results relative to the engagement objectives and management’s objectives.

Not all conclusions are alike. The form and wording of an engagement conclusion will vary depending on the type of service (assurance versus advisory) and the objectives and scope of work. For instance, an assurance engagement that evaluates internal **controls** over the accounts payable process might state an engagement conclusion of satisfactory if controls are generally effective, or unsatisfactory if controls are ineffective. In contrast, an advisory engagement, such as a consultation on improving the design of a process, might conclude with the advice and note that no assurance is provided.

According to Standard 11.3 Communicating Results, “The chief audit executive must communicate the results of internal audit services to the board and senior management **periodically** and for each engagement as appropriate. The chief audit executive must understand the expectations of the board and senior management regarding the nature and timing of communications.” Early communication with stakeholders can prevent misunderstandings.

In the sections that follow, the guide delves deeper into communicating the results of internal audit services across various contexts. It outlines how to formulate the **significance** of individual **findings** and conclusions for assurance and advisory engagements, as well as for high-level themes that span multiple engagements. The guide discusses the process, the importance of **criteria** and consistency, and examples of how to phrase each type of conclusion. These guidelines aim to help internal auditors at all experience levels ensure their communications are accurate, objective, clear, concise, constructive, complete, and timely (Standard 11.2 Effective Communication). By integrating these practices into their methodology, **internal audit functions** can improve the quality and impact of their reporting, thereby providing greater value to their organizations.



Expressing Results of Internal Audit Services

Expressing internal audit engagement conclusions involves synthesizing all the evidence and findings from an engagement and articulating what they mean in relation to the engagement objectives and the organization’s goals. Conclusions may be expressed at multiple levels. At the individual finding level, auditors conclude on the priority of each issue, often by assigning significance (Standard 14.3 Evaluation of Findings). At the engagement level, auditors provide an engagement conclusion that considers all the engagement findings in aggregate.

Finally, when looking across multiple engagements, chief audit executives may communicate themes and even issue overall conclusions about a business unit or the entire organization’s governance, risk management, and control processes. Each type of conclusion serves a different purpose, but collectively, the conclusions give clarity and context to internal audit results.

In the sections below, this guide explores communicating the results of internal audit services in detail, including how to develop conclusions and how the concepts are implemented in practice.

IIA Audit Tool

The “[Determining Results of Internal Audit Services](#)” tool provides examples of rating definitions.

Assurance Engagement Finding Significance

For assurance engagements, internal auditors must evaluate each audit finding and make a judgment about the finding’s severity and how urgently it needs management’s attention. Categories such as high, medium, and low are commonly used. The process for determining the significance begins with gathering information for analysis.

According to Standard 14.3 Evaluation of Findings:

“Internal auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the **root causes** when possible, determine the potential effects, and evaluate the significance of the issue.

To determine the significance of the **risk**, internal auditors must consider the **likelihood** of the risk occurring and the **impact** the risk may have on the organization’s governance, risk management, or control processes.”



By analyzing these elements, auditors can form a view on the importance of a finding relative to the organization’s objectives.

Evaluation Criteria

Using suitable criteria and a consistent methodology is critical when determining the significance of findings. A conclusion is more meaningful when auditors judge the observed conditions against a benchmark or standard.

According to Standard 13.4 Evaluation Criteria, “Internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the **activity under review** defined in the engagement objectives and scope.”

For **assurance services**, if the board or senior management have established adequate criteria (such as policy requirements, regulatory standards, and performance targets), the auditors use them for the evaluation. If criteria are lacking or inadequate, auditors must work with the board or senior management to define appropriate criteria. For example, if internal auditors are evaluating the effectiveness of **compliance** training, the engagement criteria might include the completion rates of training mandated by regulations or industry best practices.

Risk Appetite

Another critical input is the organization’s **risk appetite**, which is based on a mutual understanding of the risk exposure. Even if the risk appetite for a control process has not been formally documented, it may be generally understood, allowing it to be factored in when determining a finding’s significance or prioritization.

According to Standard 11.5 Communicating the Acceptance of Risks, “When the chief audit executive concludes that management has accepted a level of risk that exceeds the organization’s risk appetite or **risk tolerance**, the matter must be discussed with senior management. If the chief audit executive determines that the matter has not been resolved by senior management, the matter must be escalated to the board. It is not the responsibility of the chief audit executive to resolve the risk.”

Methodologies

The chief audit executive should establish a methodology (often documented in the **internal audit manual**) for prioritizing findings (Standard 9.3 Methodologies). Such a methodology might define a high priority finding as one that exposes the organization to an unacceptable risk, meaning risk that could significantly impact the achievement of organizational objectives. Examples include a high likelihood of a material financial misstatement, a violation of law or regulation, or a serious operational breakdown). Medium-priority findings could indicate moderate risk exposures or control gaps that could become high risk if they are not addressed. Findings rated low could represent minor issues or isolated inefficiencies with minimal impact. Establishing the criteria framework in advance establishes a basis for **objectivity** and consistency, so that two different auditors within the internal audit function would categorize similar findings in the same way.

IIA Audit Tool

The “[Enterprise and Business Process Risks](#)” tool and user guide provide details about determining the significance of risk.



Once auditors analyze the details of the condition against the criteria, a finding's significance or priority can be assigned. It typically appears in the final engagement communication, for example an audit report, as part of the finding description or within the table that summarizes the findings. Explicitly communicating the significance of the risk exposure resulting from the finding aids the board and senior management in focusing their attention and resources. High-priority issues warrant prompt corrective action and possibly increased monitoring, whereas low-priority issues may be addressed as part of continuous improvement.

Standard 14.3 Evaluation of Findings

Excerpt

“Internal auditors must prioritize each engagement finding based on its significance, using methodologies established by the chief audit executive.”

It is also important to note that not all potential findings become reported findings. As part of determining significance, internal auditors might identify some issues that are low risk and therefore decide not to formally report them, depending on established methodology. Internal auditors apply judgment to determine whether to report lesser risks as formal findings. Communicating even minor issues informally to management without labeling them as findings can still be useful, but anything documented and reported as a finding in the final communication must carry a prioritization representing a conclusion about its significance.

Example of Finding Significance

During an audit engagement to assess the accounts payable process, internal auditors discovered that three-way match controls (matching purchase orders, receiving reports, and invoices) are often bypassed for the sake of speed. The finding description notes the practice and its potential consequences.

Because the finding increases the likelihood of inadvertent mistakes or intentional errors (such as **fraud**), its significance might be stated as “high.” If left unchecked, the finding could lead to substantial financial loss and undermine management’s objective of ensuring payment accuracy.

In this example, the finding is explicitly tied to the organization’s objectives (preventing financial loss, ensuring accuracy) and signals that management should take prompt corrective action. Internal auditors should communicate with management to identify and resolve differences in judgment with the goal of agreeing on the finding’s significance before the final communication (such as an internal audit report) is issued.

Assurance Engagement Conclusions

Beyond individual findings, internal auditors must form a conclusion at the engagement level for assurance engagements (Standard 14.5 Engagement Conclusions). This engagement conclusion is essentially the auditors’ professional judgment about the activity reviewed based on an aggregated view of the findings (and any positive observations) relative to the engagement’s objectives. According to Standard 15.1, the final communication for an assurance engagement



must include a conclusion on the effectiveness of governance, risk management, and control processes for the activity under review. It gives readers a concise view of whether the audited activity is in a healthy state or needs significant improvement.

Developing an assurance engagement conclusion involves the following:

- Revisiting the engagement objectives and scope (Standard 13.3 Engagement Objectives and Scope).
- Framing the conclusion in the context of the activity examined and the criteria used. For example, if the engagement objective is to assess the effectiveness of the IT change management process in preventing outages, the conclusion should clearly state whether the process is effective, partially effective, or ineffective and specify the extent to which objectives are being met.
- Weighing all the evidence gathered, such as the number, significance, and pervasiveness of the findings, as well as any compensating controls or areas without findings. Per Standard 14.5, “The engagement conclusion must summarize the internal auditors’ professional judgment about the overall significance of the aggregated engagement findings.” Professional judgment is crucial as a single high-rated finding, such as a major security vulnerability, may outweigh multiple low-rated findings when forming the engagement conclusion. One significant issue may indicate that the process is ineffective overall, even if other controls appear to be sound.

The chief audit executive’s methodologies for the internal audit function may provide a rating scale (though the Standards do not require it) that indicates the effectiveness of controls. For example, a three-tier scale may indicate “satisfactory,” “needs improvement,” or “unsatisfactory,” depending on the internal auditors’ assessments (Standard 14.5, in the “Considerations for Implementation” section). The ratings correspond to the auditors’ evaluation of the control environment of the activity reviewed.

“Satisfactory (or effective)” could indicate that the governance, risk management, and control processes within the scope are adequate and effective overall. There may be minor issues, but none of significant risk. Objectives are likely to be achieved.

“Needs improvement” could indicate the identification of notable weaknesses or moderate risks, partially effective controls, or gaps in risk management processes that may hinder the achievement of objectives if not addressed. Management needs to take corrective action, but the issues are not catastrophic.

“Unsatisfactory” (or “ineffective”) could indicate that controls are largely ineffective or risk management is inadequate, leaving the activity reviewed exposed to high risks or leaving objectives unmet. While the specific wording and number of categories may vary, major improvements are required quickly.

It is imperative to define the criteria for each rating category in the scale, no matter which scale is used. The chief audit executive should determine a threshold of findings that indicate an overall unsatisfactory rating. For example, the threshold could be the presence of one or more high-rated findings or of multiple medium issues in combination. These criteria should be



established in the internal audit methodology and communicated to the board and senior management. The scale acts as a summary and should be explained fully in the final engagement communication.

When crafting an engagement-level conclusion, auditors may acknowledge the positive along with the negative when applicable. For example, if many controls were functioning well except for a few issues, the conclusion might state that overall processes are effective except for certain areas. On the other hand, if the engagement discovered serious problems, the conclusion should be direct. Because the assurance engagement conclusion must reflect the auditors' professional judgment about the overall significance of the aggregated findings, auditors should not downplay a critical issue in the overall conclusion. In fact, Standard 15.1 requires the findings and their significance to be included in the final communication with a conclusion regarding the effectiveness of governance, risk management, and control processes. Thus, the overall engagement conclusion is inherently linked to those individual finding ratings. If a final communication has one high and two medium findings, one would expect the overall engagement conclusion to be "unsatisfactory" or at best "needs improvement," depending on context. It would be inconsistent (and potentially misleading) to declare the activity "satisfactory" overall if significant issues were found.

Assurance Engagement Conclusion, Example 1

The assurance engagement conclusion is a key element in a final engagement communication (such as an internal audit report). Thus, the conclusion should be noted in an executive summary and may be the first item presented. It is essential to tie the overall conclusion back to organizational objectives.

For example, instead of stating "Engagement Conclusion: Needs Improvement," the statement should be expanded:

"Engagement Conclusion: Needs Improvement. The controls over the procurement process are partially effective. We noted significant control weaknesses in vendor due diligence and contract approvals that could allow fraudulent or unauthorized contracts, undermining the organization's objective of cost-efficient and compliant procurement."

These statements communicate the rating and the reasoning, linked to the impact on the business, addressing Standard 14.5's requirement that the engagement conclusion summarize the **engagement results** relative to the engagement objectives and management's objectives.



Assurance Engagement Conclusion, Example 2

An internal audit engagement to assess the IT change management process has yielded one high-priority finding (inadequate testing of changes, causing incidents) and two low-priority findings (minor documentation issues). The engagement conclusion could be written as:

“Conclusion: Needs Improvement. Change management processes are partially effective in controlling IT risks. While the basic framework is in place, the occurrence of a major incident (due to failure to perform required testing) indicates that risk management and control processes in this area need improvement to provide reasonable assurance that IT changes will not negatively impact system stability.”

This conclusion acknowledges that a framework exists (so the conclusion is not completely unsatisfactory) but emphasizes the gap that must be fixed. The conclusion also aligns with the requirement to comment on the effectiveness of governance, risk management, and/or control processes for the activity under review (Standard 14.5).

Documentation supporting an engagement-level conclusion is also important. The **workpapers** should include the auditors’ assessment process: weighing the findings, considering the scope limitations (if any), and arriving at the conclusion. In a quality review, the workpapers provide evidence that the conclusion is sound. If there were any scope limitations or reliance on other assurance providers’ work, these should be factored in and disclosed. (See also Standard 9.5 Coordination and Reliance, the [Global Practice Guide “Coordination and Reliance: Working with Other Assurance Providers,”](#) and related tools.)

Advisory Engagement Conclusions

Advisory engagements differ from assurance engagements in purpose and results. Thus, the way results are expressed also differs. In an advisory engagement, internal auditors do not provide an assurance conclusion or formal assessment of governance, risk management, and control processes. Instead, they provide advice, observations, and recommendations to assist management with a particular objective. Examples of advisory services include advising on the design of a new process or system implementation or providing insight into best or leading practices. Because of this consultative nature, the “conclusion” in an advisory engagement is often more of a summary of the results or advice provided, rather than a satisfactory/unsatisfactory judgment.

An advisory conclusion could be structured around recommendations or a summary of work performed. Final communications for advisory engagements benefit from a clear conclusion that tells the reader what was accomplished and the auditors’ overall advice. Stakeholders of advisory services, including the board and senior management, will want to know whether the engagement met its objectives and what the key takeaways were.

To develop an advisory engagement conclusion or summary, auditors should focus on the engagement’s objectives and scope as agreed. For example, if the objective is to evaluate and



recommend improvements to the company’s business continuity plan, the advisory engagement’s results would briefly describe the plan’s overall state (without using assurance terms like “satisfactory” or “unsatisfactory”) and summarize the advice given.

In writing advisory conclusions, internal auditors should avoid terms such as “audit” and “assurance” that imply an assurance engagement conclusion. The distinction is important because of liability and expectations; if an advisory engagement is mistaken for one from an assurance engagement, stakeholders might rely on it or misinterpret the level of work done. To manage expectations, some internal audit functions include a disclaimer in advisory final communications, with verbiage such as “This review was conducted as an advisory service and does not constitute an assurance engagement. No assurance is provided herein.”

An effective advisory engagement conclusion may include the status of management’s response. Since many advisory projects are collaborative, the final communication might note management’s reaction or plans. For example, “Management has acknowledged the results and is developing an action plan to implement the recommendations.” Including such a statement gives the reader closure that the advisory recommendations are being considered or acted upon.

Example of Advisory Engagement Conclusion

The internal audit function has performed an advisory review of the company’s new project management framework to compare it to industry best practices and identify improvements. An example of reporting the advisory engagement results could be:

“The project management framework recently implemented is well structured and aligns with many industry best practices. Internal auditors provided advisory input on a few areas for enhancement, notably strengthening the project’s **risk assessment** procedures and clarifying roles in project governance. Management has acknowledged these suggestions and will integrate them into the framework. This advisory review was consultative in nature; accordingly, no assurance rating is provided, but the recommendations are aimed at improving the overall project management process.”

This example underscores the engagement’s advisory nature: it praises what is good, points out what could be better, and sets the correct expectation by explicitly stating that no assurance or rating is given.



Conclusions Across Multiple Engagements

The internal audit function is in a unique position to observe patterns and themes that emerge across multiple engagements. Often, the findings of individual engagements, when viewed collectively, point to patterns, trends, a broader issue, or systemic root causes in the organization. Developing themes across multiple engagements means stepping back and looking at the audit results holistically, beyond a single project.

These higher-level conclusions also may provide insights at the business unit or organizational level and can inform the board and senior management about overarching strengths or weaknesses in governance, risk management, and control processes. According to Standard 11.3, “The chief audit executive may be required to make a conclusion at the level of the business unit or organization about the effectiveness of governance, risk management, and/or control processes, due to industry requirements, laws and/or regulations, or the expectations of the board, senior management, and/or other stakeholders.” Communicating themes and conclusions based on the results of multiple engagements ensures that high-level risks or opportunities for improvement are not lost in the individual reports.

Developing a thematic conclusion starts with aggregation and analysis. The chief audit executive (and other designated audit function leaders) should periodically aggregate findings and conclusions from individual engagements and ask: Do multiple findings point to a common cause? Are there trends across business units or time periods?

The chief audit executive should clearly specify the time period, activities covered, and any limitations that apply to the conclusion. All relevant engagements (and even results from other assurance providers) related to the scope should be considered. For instance, to give an overall conclusion on the effectiveness of compliance controls organizationwide each year, the chief audit executive would gather results from that year’s internal audit engagements covering compliance and consider any regulatory inspections or external audit findings in that area. This comprehensive approach helps build a complete picture and ensures the conclusion is well founded and defensible.

Standard 11.3 Communicating Results

Excerpt

“When the chief audit executive identifies themes related to the organization’s governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.”



It is also critical to identify and use consistent criteria, such as a framework, at this higher level. For an organizationwide control assessment, criteria could be an internal control framework like the one published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The chief audit executive should state the basis used for evaluating effectiveness. For example, the chief audit executive could state that “This overall conclusion is based on the COSO *Internal Control – Integrated Framework* components, assessed across multiple audit engagements.” Using established frameworks lends credibility and consistency to the overall conclusion.

After analysis, the chief audit executive draws the overall conclusion for the thematic area. Often, the same scale used for engagement conclusions (satisfactory/needs improvement/unsatisfactory or a similar scale) can be applied at this higher level. In effect, the chief audit executive is issuing an assurance conclusion that spans multiple units or the whole entity. Some organizations refer to this as an “overall audit conclusion” or an “annual audit conclusion” if it is given yearly. Indeed, some regulators or governing bodies require an annual overall conclusion from the internal audit function on the state of internal controls.

Communicating themes and overall conclusions can significantly enhance the value provided by the internal audit function. When systemic issues are identified, senior management can address root causes rather than isolated symptoms. However, chief audit executives should use these powerful, broad conclusions wisely and ensure they are well supported. Done correctly, summarizing themes across engagements helps drive organizational improvements and informs strategic discussions at the highest levels.

Standard 11.3 Communicating Results

Excerpt

“When communicating such a conclusion to the board or senior management, the chief audit executive must include:

- A summary of the request.
- The criteria used as a basis for the conclusion, for example a governance framework or risk and control framework.
- The scope, including limitations and the period to which the conclusion pertains.
- A summary of the information that supports the conclusion.
- A disclosure of reliance on the work of other assurance providers, if any.”



Example 1 of Themes Across Multiple Engagements

Themes and conclusions may be articulated in an annual audit report or a special communication to the board. For example, the conclusion could state:

“This year, the internal audit function observed a recurring theme of insufficient user access controls. This theme emerged in five separate audit engagements (covering finance, human resources, and IT processes) where access rights were not properly restricted or reviewed.

Overall Conclusion (Enterprise Level): Needs Improvement.

In the judgment of the chief audit executive, the prevalence of access control issues indicates that the organization’s user access management practices are not fully effective and present a moderate risk to achieving its information security objectives. This conclusion is based on the aggregate of related engagement findings and evaluated against the criteria of the organization’s internal IT security policies and the National Institute of Standards and Technology (NIST) security framework. Management has initiated a task force to address this theme globally.”

In this example, the chief audit executive identifies the theme, provides an overall rating (“needs improvement”) at the enterprise level, and ties it to objectives and criteria (information security objectives, NIST framework).



Example 2 of Themes Across Multiple Engagements

A thematic conclusion at the level of the business unit or division could state:

“Over the past year, three audit engagements were conducted in the retail banking division (covering branch operations, lending, and compliance). Each engagement resulted in individual findings and conclusions. When these elements are considered together, a pattern emerges: controls around customer data privacy are weak.

Overall Division Conclusion: Unsatisfactory.

The chief audit executive concludes that the retail banking division’s risk management and control processes over customer data privacy are unsatisfactory, as evidenced by repeated high-risk findings. This overall conclusion considers all related engagement results and external regulatory findings, and it reflects a level of risk exposure that exceeds the organization’s tolerance. Division management is aware of these issues and has committed to a remediation program, the implementation of which will be verified by the internal audit function.”

In this example, a specific theme (customer data privacy) led to an overall negative conclusion for a division, demonstrating how multiple engagement findings within a division combine into a bigger picture warning.



Nonconformance with the Standards

According to Standard 4.1 Conformance with the Global Internal Audit Standards, “Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards,” as demonstrated through the **quality assurance and improvement program** (Standard 8.3 Quality). This means that every engagement should adhere to the requirements set forth by the Standards.

One such requirement is that a conclusion is included in the final engagement communication for each engagement (Standards 14.5 Engagement Conclusions and 15.1 Final Engagement Communication). If an internal audit engagement is completed without an engagement conclusion or if the methodology used to develop the conclusion does not conform to the Standards’ expectations, then the internal audit function is not in full conformance with the Standards for that engagement. In such cases, the Standards mandate transparency about the nonconformance.

Standard 15.1 explicitly states: “If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the nonconformance:

- Standard(s) with which conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement findings and conclusions.”

Thus, if a final communication omits an engagement conclusion or the auditors cannot provide a conclusion due to a scope limitation or lack of appropriate criteria, the final engagement communication must describe the deviation from the Standards. The key is for the chief audit executive to address the issue as a serious matter. If the reasons for nonconformance are systemic (for example, if the audit methodology has not been updated to include conclusions at all), the chief audit executive should address the root cause, perhaps by updating procedures or providing training to restore full conformance. The Standards place responsibility on the chief audit executive to manage and report conformance, reinforcing the internal audit function’s commitment to quality and transparency.

The internal audit function’s quality assurance and improvement program should note instances of nonconformance and ensure appropriate disclosures are made. Additionally, internal audit functions should take corrective actions via their quality assurance and improvement program. By doing so, they maintain credibility and trust, demonstrating that even when things do not go perfectly, the internal audit function holds itself accountable to the highest standards of practice.



Determining Significance or Priority in Expressing Internal Audit Results

A recurring theme in communicating results of internal audit services is the notion of “significance” and “priority.” Whether for individual findings or engagements overall, internal auditors need a systematic way to determine an issue’s significance and the priority it deserves. This is typically done through rating scales or ranking systems, for example, which classify findings (and sometimes engagements overall) by risk level or impact. Using such scales helps ensure consistency in conclusions, a critical aspect when multiple auditors and teams are involved in providing assurance. According to Standard 14.5 Engagement Conclusions, in the “Considerations for Implementation” section:

“The chief audit executive’s methodologies for the internal audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls. For example, a scale may indicate satisfactory, partially satisfactory, needs improvement, or unsatisfactory depending on the internal auditors’ assessments. (See also Standard 14.3 Evaluation of Findings.)”

When establishing rating scales or other systems of prioritization, the chief audit executive should strive for a mutual understanding across the internal audit function and with stakeholders. The terminology (such as high/medium/low) must be clearly defined. For example, a “high” rating for a finding may indicate that the organization is exposed to an unacceptable risk, meaning a risk that could significantly impact the achievement of organizational objectives. Examples include a high likelihood of a material financial misstatement, a violation of law or regulation, or a serious operational breakdown. A “medium” rating for a finding may indicate moderate risk exposures or control gaps that could become high risk if not addressed. A “low” rating on a finding would be minor issues or isolated inefficiencies with minimal impact. The board should concur with the criteria for rating an issue as significant.

Once the methodology for prioritization is established, it should be documented and used consistently. Training the internal audit function on these criteria is important so that similar findings are not rated differently, for instance, one auditor’s “medium” is not another’s “high.”

Also, these scales should be communicated to management, usually in the final engagement communication or in a methodology appendix. When everyone understands the criteria, discussions when communicating engagement results become more objective, focused on facts rather than subjective or biased. According to Standard 14.4 Recommendations and Action Plans, if there is a disagreement between internal auditors and management about action plans, especially the significance or prioritization of the risk exposure, internal auditors must follow an established methodology that allows both parties to express themselves and determine a resolution.



An important aspect of defining significance is that it should guide management’s response and internal auditors’ follow-up activities (Standard 15.2 Confirming the Implementation of Recommendations or Action Plans). Findings with high significance should have shorter remediation timelines and perhaps direct oversight by senior management, whereas low ones might be corrected as part of normal operations. By articulating the priority in the conclusion, auditors help ensure the appropriate sense of urgency. It is also common to see the board pay particular attention to engagements rated as “unsatisfactory” or findings rated as “high” risk, resulting in asking the management responsible for addressing the findings to present action plans. This underscores why getting the significance right matters.

There is also a balance to strike because using too many gradations (such as a ten-tier scale) can lead to unnecessary debates, while too few (just high/low) might force an oversimplification of the findings. Three levels is the most basic (high/medium/low or satisfactory/needs improvement/unsatisfactory), providing differentiation without overcomplication. The specific labels are less important than the clarity of their definitions.

Additionally, communicating significance and conclusions can be sensitive. A few basic guidelines can improve the chances of positive interactions with stakeholders. Predetermining and agreeing on the criteria helps prevent the appearance that unsatisfactory engagement ratings are personal to a specific manager or activity. Instead, comparing the condition to the criteria for an unsatisfactory rating provides the basis for an objective assessment (Standard 13.4 Evaluation Criteria).

Similarly, regular communication throughout the engagement prevents those responsible for the activity under review from being surprised by the final engagement results. In fact, some chief audit executives discuss the likely conclusion with management during the exit meeting to ensure they understand the reasoning. Transparency and consistency are imperative to gaining acceptance of engagement conclusions, even unpleasant ones (Standard 13.1 Engagement Communication).

Determining significance or priority depends on establishing clear scales, aligning them with stakeholder expectations, and applying them fairly. By doing so, internal auditors lend credibility to their conclusions. Stakeholders can trust that a “high” rating really represents a significant risk exposure, and a “needs improvement” engagement conclusion truly reflects an opportunity to improve the likelihood of achieving organizational objectives. Clarity in findings and conclusions also enhances the decision-making that follows final engagement communications, ultimately contributing to better governance, risk management, and control processes.



Other Considerations

Internal auditors must remain cognizant of their responsibility to comply with local laws and regulations that apply to their work, as stated in Standard 1.3 Legal and Ethical Behavior. In practice, this means that while crafting engagement conclusions as described, internal auditors must also consider any jurisdiction-specific requirements. For example, government auditors may have mandated grading schemes or certain industries may have reporting rules. The IIA's International Professional Practices Framework strengthens internal audit practices globally, but auditors should always ensure that adopting these practices does not inadvertently put them at odds with legal requirements in their country or sector. Where a conflict might arise, consultation with legal counsel or regulators is prudent, and the internal audit methodology should document how such conflicts are resolved (Standard 9.3 Methodologies.)

The use of conclusions when communicating the results of internal audit services in reports can increase stakeholders' reliance on those reports. A clear conclusion, especially for assurance engagements, may result in final communications that better align with the priorities of the organization, providing more value to readers. The conclusion clarifies the level of assurance or the significance of the findings in aggregate, which can guide decision-making.

However, the presence of a conclusion might create the perception of a guarantee and increased reliance can carry legal and reputational ramifications. If management or a third party relies on an internal audit conclusion and a significant issue arises later that contradicts the conclusion, questions may follow. This could occur, for instance, if an audit conclusion was satisfactory for an activity where serious fraud is discovered after the report has been issued. For this reason, internal auditors provide reasonable but not absolute assurance, and the internal audit function does not guarantee the absence of unreported issues. Additionally, Standard 11.4 Errors and Omissions provides instructions for chief audit executives to address errors and omissions.

It states, "If a final engagement communication contains a significant error or omission, the chief audit executive must communicate corrected information promptly to all parties who received the original communication."

To manage the potential ramifications of errors or omissions, chief audit executives are strongly encouraged to use appropriate language and disclaimers in final engagement communications, including audit reports. Conclusions should be carefully worded to avoid any implication of absolute assurance, and a clear disclaimer about the level of assurance is advisable, meaning using phrases like "reasonable assurance" and reminders of the scope limitations. For example, the chief audit executive could state that internal audit engagements are not designed to identify all possible deficiencies and that conclusions are based on sampling and other techniques.

When issuing an engagement conclusion, especially one that is public or distributed outside the organization, consulting with legal counsel can be wise. Standard 11.3 Communicating Results



advises the chief audit executive to seek legal advice before releasing final communications to parties outside the organization, unless otherwise required or restricted by laws and/or regulations. This would include instances where a conclusion might be shared with regulators or published. The goal is not to avoid giving conclusions, which add value, but to manage expectations and limit unnecessary legal risk through thoughtful communication. If the chief audit executive communicates the internal audit function's conclusions with the proper context (scope, criteria, and level of assurance), then the report's users clearly identify and understand what the information covers and excludes and what actions to take.

By being transparent about audit scope and assurance limitations when communicating results of internal audit services, the chief audit executive can enhance the usefulness of conclusions while protecting the organization and the internal audit function from potential negative consequences. Clear communication, alignment with laws, and managing expectations help ensure that formal engagement conclusions increase the value of internal audit results without exposing the function to undue risk. Ultimately, well-crafted conclusions will increase stakeholders' confidence in the internal audit function, as stakeholders realize they can inform process improvements based on the function's honest, professional judgments.



Appendix A. Relevant IIA Standards and Guidance

The following IIA resources were referenced in this guide.

Standards

Standard 1.3 Legal and Ethical Behavior

Standard 3.1 Competency

Standard 4.1 Conformance with the Global Internal Audit Standards

Standard 8.3 Quality

Standard 9.3 Methodologies

Standard 9.5 Coordination and Reliance

Standard 11.2 Effective Communication

Standard 11.3 Communicating Results

Standard 11.4 Errors and Omissions

Standard 11.5 Communicating the Acceptance of Risks

Standard 13.1 Engagement Communication

Standard 13.3 Engagement Objectives and Scope

Standard 13.4 Evaluation Criteria

Standard 14.3 Evaluation of Findings

Standard 14.4 Recommendations and Action Plans

Standard 14.5 Engagement Conclusions

Standard 15.1 Final Engagement Communication

Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

Global Guidance and Other IIA Resources

Global Practice Guide “Communicating Final Engagement Results” and tools

Global Practice Guide “Coordination and Reliance: Working with Other Assurance Providers” and tools

IIA Audit Tool “Enterprise and Business Process Risks” and user guide

IIA Audit Tool “Determining Results of Internal Audit Services”



Appendix B. Glossary

Definitions are taken from the “Glossary” within The IIA’s publication, [Global Internal Audit Standards, 2024 Edition](#), unless otherwise noted.

activity under review – The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

advisory services – Services through which internal auditors provide advice to an organization’s stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. “Advisory services” are also known as “consulting services.”

assurance – Statement intended to increase the level of stakeholders’ confidence about an organization’s governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.

assurance services – Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational or performance, and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

board – Highest-level body charged with governance, such as:

- A board of directors.
- An audit committee.
- A board of governors or trustees.
- A group of elected officials or political appointees.
- Another body that has authority over the relevant governance functions.

In an organization that has more than one governing body, “board” refers to the body or bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.

If none of the above exists, “board” should be read as referring to the group or person that acts as the organization’s highest-level governing body. Examples include the head of the organization and senior management.



chief audit executive – The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards. The specific job title and/or responsibilities may vary across organizations.

competency – Knowledge, skills, and abilities.

control processes – The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization’s risk tolerance.

criteria – In an engagement, specifications of the desired state of the activity under review (also called “evaluation criteria”).

engagement – A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives. See also “assurance services” and “advisory services.”

engagement conclusion – Internal auditors’ professional judgment about engagement findings when viewed collectively. The engagement conclusion should indicate satisfactory or unsatisfactory performance.

engagement objectives – Statements that articulate the purpose of an engagement and describe the specific goals to be achieved.

engagement results – The findings and conclusion of an engagement. Engagement results may also include recommendations and/or action plans.

finding – In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review. Other terms, such as “observations,” may be used.

fraud – Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.

governance – The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

impact – The result or effect of an event. The event may have a positive or negative effect on the organization’s strategy or business objectives.

internal audit function – A professional individual or group responsible for providing an organization with assurance and advisory services.

internal audit manual – The chief audit executive’s documentation of the methodologies (policies, processes, and procedures) to guide and direct internal auditors within the internal audit function.

likelihood – The possibility that a given event will occur.

methodologies – Policies, processes, and procedures established by the chief audit executive to guide the internal audit function and enhance its effectiveness.



objectivity – An unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise.

periodically – At regularly occurring intervals, depending on the needs of the organization, including the internal audit function.

quality assurance and improvement program – A program established by the chief audit executive to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

results of internal audit services – Outcomes, such as engagement conclusions, themes (such as effective practices or root causes), and conclusions at the level of the business unit or organization.

risk – The positive or negative effect of uncertainty on objectives.

risk appetite – The types and amount of risk that an organization is willing to accept in the pursuit of its strategies and objectives.

risk assessment – The identification and analysis of risks relevant to the achievement of an organization's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

risk management – A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

risk tolerance – Acceptable variations in performance related to achieving objectives.

root cause – Core issue or underlying reason for the difference between the criteria and the condition of an activity under review.

senior management – The highest level of executive management of an organization that is ultimately accountable to the board for executing the organization's strategic decisions, typically a group of persons that includes the chief executive officer or head of the organization.

significance – The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

stakeholder – A party with a direct or indirect interest in an organization's activities and outcomes. Stakeholders may include the board, management, employees, customers, vendors, shareholders, regulatory agencies, financial institutions, external auditors, the public, and others.

workpapers – Documentation of the internal audit work done when planning and performing engagements. The documentation provides supporting information for engagement findings and conclusions.



About The Institute of Internal Auditors

The IIA is an international professional association that serves more than 270,000 global members and has awarded more than 200,000 Certified Internal Auditor® (CIA®) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit theiia.org.

Disclaimer

The IIA publishes this document for informational and educational purposes. This material is not intended to provide definitive answers to specific individual circumstances and as such is only intended to be used as a guide. The IIA recommends seeking independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this material.

Copyright

© 2025 The Institute of Internal Auditors, Inc. All rights reserved. For permission to reproduce, please contact copyright@theiia.org.

December 2025 (This version supersedes "Formulating and Expressing Internal Audit Opinions," published in 2009.)



The Institute of
Internal Auditors

Global Headquarters

The Institute of Internal Auditors
1035 Greenwood Blvd., Suite 401
Lake Mary, FL 32746, USA
Phone: +1-407-937-1111
Fax: +1-407-937-1101