



## AUDIT REPORT PROCESS

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### **Introduction**

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The audit report process actually begins during the fieldwork as potential comments are identified by internal auditors. Potential comments are noted in the workpapers and drafted in a style to facilitate compilation of the final audit report. Potential comments should be reviewed with key audit client contacts to confirm the accuracy of the findings and to avoid major surprises at the exit conference.

### **Discussion Document**

Potential comments are compiled in a discussion document to be reviewed with the audit client during an exit conference. At this stage all potential comments are preliminary and subject to change. Comment type, reporting level, and category may be changed based on new or additional information revealed during the exit conference. Refer to IAD's *Audit Report Ratings, Comment Priorities & Categories* document for guidance on determining potential priorities and categories for comments.

### **Exit Conference**

An exit conference with appropriate audit client personnel is scheduled in order to review the discussion document. Generally it is desirable to distribute the discussion document to audit clients in advance of the exit conference.

### **Draft Audit Report**

Following the exit conference a draft report is compiled. Comments prioritized as moderate or high are included in the main body of the draft audit report. Improvement opportunities prioritized as moderate or high are also included in the main body of the draft audit report.

Improvement opportunities are segregated in a separate report section and do not affect the auditing assigned to the report. Low priority comments, also called exit conference memo comments, are attached as an exhibit to the draft audit report. Low priority improvement opportunities can be included in a separate section of the exit conference memo comments.

Technical exceptions, which do not require a management response, are included as an additional exhibit to the draft audit report.

The draft audit report is circulated to the appropriate audit clients for response. The draft report is also circulated to executive management at this time.

### **Management Response**

A written response to the draft report from appropriate audit clients is required. Comments that are not resolved by the date of the written response must include a target date for resolution. A written response is required for both the audit report comments and the exit conference memo comments. No response is required for technical exception comments. A response to improvement opportunities is also required. The target date for returning written responses will vary depending on the length and complexity of the report comments. It may also be necessary to set separate target dates for audit report comments and exit conference memo comments.

Generally, no more than 2-3 weeks should be set for responses to audit report comments, and if a separate date is set for exit conference memo comments no more than 3-5 weeks should be allowed.

#### **Final Audit Report**

Once a written response is received a final report is compiled that includes the audit client's response and the overall rating for the audit. The final report is circulated to appropriate audit clients and executive management.

Note that different final reports are prepared for bank personnel and directors. Bank personnel – audit clients and executive management – receive a complete audit report that includes the exhibits with exit conference memo comments and technical exceptions. Directors' reports do not include the exit conference memo and technical exception exhibits as these only include low priority comments.

Depending on unique circumstances it may be necessary to distribute the final report in two stages. Due to timing considerations for upcoming audit committee meetings or size considerations for reports with a large number of exit conference memo comments it may be necessary to set separate target dates for responses. In some situations it may be possible or necessary to complete the directors' version of the final report prior to completing the bank personnel version of the entire report.

#### **Audit Committee Pending Items Report**

Audit report comments that are not resolved by the response date and must have a future target date set and will be added to the Audit Committee's Pending Items Report. Progress in resolving the comments will be monitored and the status reported at each subsequent Audit Committee meeting.

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