

Chapter 6

How do you develop findings, conclusions and recommendations?



The purpose of developing audit findings is to compare the audit criteria to your condition, determine cause and effect (if relevant), assess your evidence, ensure your findings are based on sufficient and appropriate evidence and develop conclusions and recommendations (if applicable).

This chapter will answer the following questions:

- What is an audit finding?
- How do you compare audit criteria to condition?
- How do you determine cause and effect?
- How do you assess your evidence?
- How do you develop conclusions and recommendations?
- How do you prepare for drafting your report?

Developing your audit findings can occur simultaneously while you are collecting your evidence or sequentially after you have collected it. It can be helpful to begin to identify the elements of potential findings while you are still conducting audit work because this can help you identify any gaps in your evidence and the need for additional audit work.

What is an audit finding?



The Standard

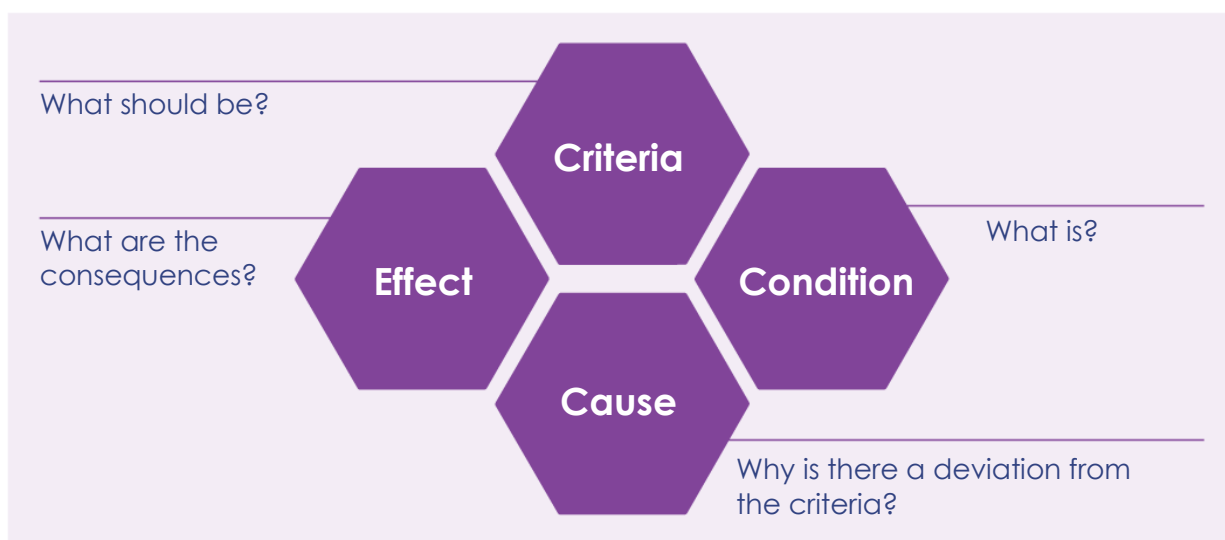
The auditor shall analyse the collected information and ensure that the audit findings are put in perspective and respond to the audit objective(s) and audit questions, reformulating the audit objective(s) and audit questions as needed.

Source: ISSAI 3000/112

Once you have collected and analysed your evidence, it is important to turn your attention to assessing the evidence to develop audit findings. According to GUID 3920/79, the audit finding is 'what is' compared to 'what should be'.

Throughout the audit, the analytic process involves continuously analysing and assessing the evidence and how it relates to the audit questions. This creative, iterative and collaborative analytic process will help your team develop quality audit findings. Some audits address different thematically-related issues, where the full story on each issue can be presented as one finding. In these cases, an audit finding can be described as containing four elements, as shown in **Figure 34**.

Figure 1: Elements of a finding



Source: GUID 3920/84

However, when different findings are linked to each other, the full story may be presented in the audit report as a whole, as opposed to individual findings. In such cases, it is the report as a whole that needs to cover the four elements.



In developing a finding, you need to ensure the finding: (1) is consistent with the evidence on which it is based; and (2) answers the audit question.

Your audit questions can also help organise the information you have collected, and your analysis of that information can help you determine what it all means.

The nature and significance of a finding will often determine the type of evidence needed. The more significant a finding is, the stronger the evidence that is needed to support it.

Source: IDI/PAS Development Team

It is important to consider these four elements throughout your audit. They can provide a framework that helps inform how much evidence needs to be collected and how it can be analysed. Also, once you begin assessing your evidence, you will need to determine what information is most pertinent to your audit questions and how the separate pieces of information relate to each other. This evidence assessment helps you determine what the evidence means. It is important that teams consider and refine potential audit findings, as needed throughout this process.

Audit findings have to be constructed using a clear and logical framework that will allow for your supervisor, management and stakeholders to easily understand the audit criteria applied as well as the conditions and the analysis of the nature, significance and causes of the situation found. Do not forget to consider your findings in the context of **economy, efficiency** and/or **effectiveness**, as this can provide a way to

demonstrate the need for corrective action. Your findings should also be objective and fair.

To ensure the audit report is complete, it is important to include both good and bad points and give credit where it is due. This is because findings should be placed in context: assessing an audited entity's activities or programmes will usually mean that some things work well. An objective and fair assessment must reflect this totality and not solely focus on deficiencies.

It is also important to consider **materiality** and apply **professional judgement** throughout this process (these elements are discussed in greater detail in Chapter 2). As stated in International Standards of Supreme Audit Institutions (ISSAI) 3910/112, findings are considered material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions taken by intended users on the basis of the auditor's report. The auditor's consideration of materiality is a matter of professional judgement and is affected by the auditor's perception of the common information needs of the intended users.



Balance is important in developing the audit findings. Ask yourself these questions to ensure you are providing a fair and balanced picture:

- What would a reasonable person expect the audited entity to be able to achieve?
- What is the audited entity doing well relative to the audit questions?
- What positive actions has the audited entity taken to address any negative circumstances found through the audit?

Source: IDI/PAS Development Team

Example of an audit finding

Finding statement. There is a shortage of psychiatric inpatient beds in most of country X's regional areas.

Criteria. The number of needed psychiatric inpatient beds established by the World Health Organization is 0.43 per thousand inhabitants.

Condition:

- The country has an average of 0.37 psychiatric inpatient beds per thousand inhabitants.
- Uneven distribution of beds between geographic regions (the south eastern region has 0.53 beds per thousand inhabitants, while in the northern region, the rate is 0.04) means their number of beds does not meet the World Health Organization's population criteria.

Causes. Country X did not consider how many beds it was distributing in each geographic region because it does not have municipal and state mental health plans.

Effects:

- Deficiency of service in places with low bed rates.
- Migration of people with mental disorders among municipalities or states, complicating the planning of healthcare.

Source: IDI/PAS Development Team

How do you compare audit criteria to condition?



The Standard

The auditor shall identify the audit criteria and their sources in the audit report.

Source: ISSAI 3000/122

The backbone or core of your audit findings is the criteria and the condition. Condition is the situation found, the most relevant occurrences identified in the fieldwork. To develop findings, you will need to:

1. review the totality of information collected during your audit;
2. decide which items are most important to answering the audit questions; and
3. determine how the items logically relate to each other.

This evidence assessment process consists of combining information from the different data sources to gain information and knowledge about the actual conditions. This means that: information from interviews may be combined with analysis of statistical records; information from case studies may be combined with information from surveys, and some information may come from field studies in one province while other information refers to another province. Combining this information is like completing a jigsaw puzzle, where the pieces are the different elements of information and analysis. Assessing your evidence allows you to compare your criteria to the factual situation or condition.

If there is a deviation between the criteria and the condition, then an audit finding that could lead to a recommendation is generated. For example, if your evidence assessment shows the audited entity or entities are not meeting the criteria, this could indicate an area where improvement is needed. It is important to base the comparison of the criteria to your condition on what a reasonable person would expect, considering the audited entities' circumstances.

If there is no discrepancy between the condition and the criteria, then the audited entity has done what was expected based on the criteria. If your assessment of the criteria and the condition shows the audited entity is meeting or exceeded the criteria, then that could potentially indicate a positive finding. It is important to include positive findings in your report when your evidence supports them.

However, if a deviation between the criteria and the condition is identified, or the audited entity is not acting consistent with the criteria to which you assess them. The next step after this assessment is to analyse and confirm causes – that is, why there is a deviation from the criteria. This could lead to a potential recommendation. For example, for an audit question related to the sufficiency of training for customs inspectors, if you find that customs inspection training given to new inspectors does not meet the training curriculum guidance, this could indicate an area where the audited entity needs to improve.

Sometimes, the lack of information about your audit objective(s) or questions can be a finding in itself. For the same audit question related to sufficient training for customs inspectors, you may find that the audited entity does not collect information about whether the customs inspectors that took the training believe the training prepared them for their jobs. This could then indicate that the audited entity may need to collect this information so that it can make more informed decisions about the training.

How do you determine cause and effect?

Ideally, you will have sufficient and appropriate evidence for determining cause and effect (or consequences). To some extent, you can also use evidence on performance problems as a springboard for determining both cause and effect. The cause is the factor or factors responsible for the difference between the condition and the criteria and may also serve as a basis for recommendations for corrective actions. Common factors include poorly-designed policies, procedures or criteria; inconsistent, incomplete or incorrect implementation; or factors beyond the control of programme management. It is important to note that establishing cause and effect does not necessarily imply causation. It will be necessary to use enhanced analytical techniques to answer questions on cause and effect. Because

determining cause and effect is very challenging from a methodological standpoint, it is important to consult with a methodological expert or statistician during this process.

Correctly identifying the cause will sometimes require you to develop a causal ‘chain’ – that is, moving further and further backward in your analysis until you can identify the specific thing that most needs to be fixed. For example, ascribing poor evidence to inadequate planning may be insufficient. What was the reason for inadequate planning? Was it misplaced priorities? Something else? If you do not believe the cause is reasonable or credible, you may want to explain your concerns to the audited entities and hold further discussions. Frequently asking the question ‘Why?’ during data collection can enable you to identify and analyse causes for identified performance problems.

You can determine the effect by comparing the actual condition to the ideal situation, had the criteria been met. You can identify effect as either what has already occurred or a likely future impact based on logical reasoning. You can also identify positive effects (by doing this action, the audited entities will be able to achieve a particular economy, efficiency and effective outcome) or negative effects (without doing this action, the audited entities will not be able to achieve a particular economy, efficiency and effective outcome). Do not forget that other external factors can also influence the observed effect.

It is also important to understand the nature of any relationships that may exist between cause and effect. For example, it is not always the case that inadequate funding causes worse conditions. It could be due to the poor quality of care that funding was reduced for a particular organisation.

Different types of relationships between cause and effect

- **Direct cause-and-effect relationship:** for example, if a university has a set number of students it can take each year and increases its intake of part-time students, it must reduce its intake of full-time students.
- **Reverse cause-and-effect relationship:** for example, poor examination results could be due to poor attendance, but equally, poor attendance could be due to poor examination results.
- **Coincidence:** for example, there may be a relationship between the quality of healthcare in a local authority and examination results in that same area, but it is difficult to know whether one causes the other.
- **Confounding effect:** for example, the relationship between quality of health care and exam results could be due to effective use of resources within the local authority, which may not have been considered part of the fieldwork.

Source: Adapted from GUID 3920, Box 7

How do you assess your evidence?

There are several techniques you can use to assess your evidence. The nature of your audit and the information collected will help you determine the most appropriate way to do so. Your audit team must work systematically and carefully in interpreting the evidence and the data collected. As stated in Chapter 5, assessing and ensuring the sufficiency and appropriateness of evidence is also critical throughout the audit. It is an important first step before you assess your evidence to help determine findings. In addition, combining data from a range of sources, methods and analysis (corroborating data) allows you to overcome any bias that can come from using a single source of information. This section describes some common methods for assessing evidence.

Grouping and labelling evidence

One technique to assess evidence is to group and label information to identify logical categories. To group information, you would place information into logically related groups so that the information in each group all closely relates to each other. Grouping helps you identify ways in which information collected from different sources may be connected.

After analysing the relationship between the information in a group, you can then label each group with a heading: either a phrase or a sentence that expresses this relationship as the main theme. A label can simply be a heading that expresses what the individual information adds up to.

Your audit documentation can be used to help you populate this information. For example, for information collected to answer an audit question related to the sufficiency of training for customs inspectors, you could potentially group the information collected into categories such as 'resources', 'benefits' or 'challenges'. To label the information, you could review the information contained in that group to say: "Attendance is low at the inspection training academy."

Using visual displays or linkages

Another technique is to use visual displays to make connections within and across audit questions. Options include a mind map, a fishbone chart, or an organisational chart. See **Figures 35, 36 and 37**, which have a portion of the information completed to give you an understanding of how you might go about populating the boxes based on your evidence. These options can also be used during other audit phases, such as the design phase.

The diagram is a mind map with a central purple circle labeled "Training curriculum". Four main branches radiate from this center to other purple circles: "Agricultural inspections" (top-left), "Drug inspections" (bottom), "Customs laws" (right), and "Use of canines" (top-right). Each of these four branches further subdivides into smaller, lighter purple circles, representing a hierarchical structure of training topics. For example, "Agricultural inspections" branches into three sub-topics, "Drug inspections" into four, "Customs laws" into five, and "Use of canines" into three.

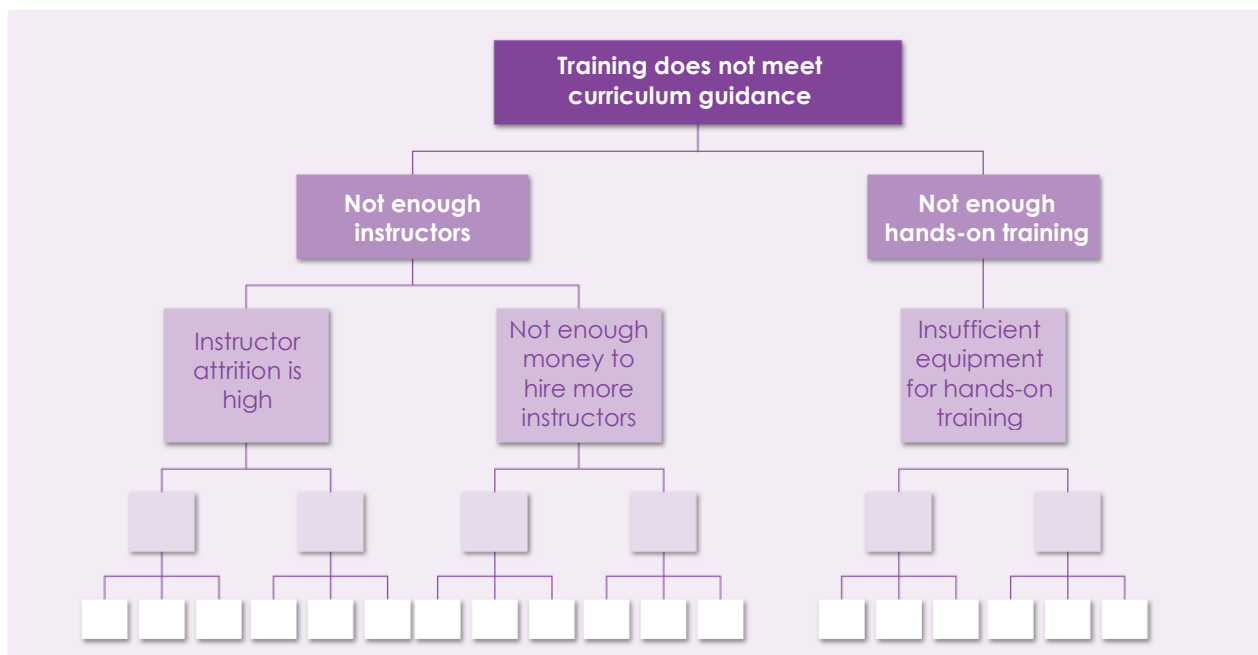
A mind map helps visualise and display all the information related to a specific topic or question. For example, for an audit question related to the sufficiency of training for customs inspectors, you could use the topic of training curriculum as the central anchor or idea and use each surrounding box to display one of the topics the curriculum covers.

The diagram illustrates factors contributing to training not meeting curriculum guidance. It features a central horizontal arrow pointing right, labeled "Training does not meet curriculum guidance". Above this arrow, three boxes are connected by arrows pointing down to the central arrow: "Not enough instructors", "Not enough hands-on training", and "Outdated training scenarios". Below the central arrow, three boxes are connected by arrows pointing up to the central arrow: "Not enough hands-on training", "Outdated training scenarios", and "Not enough instructors".

A fishbone chart can be used to graphically identify and organise possible causes of a problem so that you can develop recommendations aimed at the root cause. Taking the previous

example of the sufficiency of training for customs inspectors, you could use the problem statement that customs inspection training given to new inspectors does not meet the training curriculum guidance. You can then use the bones of the chart to describe potential causes, such as challenges associated with personnel, equipment or policies.

Figure 4: Organisational chart



Source: Adapted from US GAO

An organisational chart can help you display how each piece of evidence is related to the others. Using the previous example, you could use the problem statement that customs inspection training given to new inspectors does not meet the training curriculum guidance at the top of the organisational chart. You could use the next level of boxes to describe the different instances of how the training does not meet the guidance.

Writing on walls

Another way to assess the evidence as a team is a technique sometimes referred to as 'writing on walls'. This is a technique where the entire team and its internal stakeholders and supervisor assemble in a room (or gather virtually). With the help of a trained facilitator, the team talks through their audit questions and what evidence they have collected that addresses each of those questions. Teams then visually display the evidence, using sticky notes on a wall or via a computer, so everyone on the team can see the weight of evidence and what themes develop from that evidence. Over a few days, the team then discusses the various evidence, often moving around the notes and developing a visual display of the audit findings. The facilitator plays an important role in asking the team and stakeholders about the supporting details of the evidence, the reasons (causes) for any deficiencies and the effects.



Tips for preparing for a writing on walls session:

- Allow at least two weeks between data collection and holding a writing on walls session so that all documentation is collected and reviewed prior to the session.
- Review all of your audit documentation to be familiar with materials and pay particular attention to those you believe may be particularly relevant to your audit questions.
- Try to keep an open mind: it is best not to come to the writing on walls session with preconceived notions of the findings and recommendations.

How do you develop conclusions and recommendations?

Source: IDI/PAS Development Team

Assessing your evidence may lead to audit findings and, based on these findings, you may be able to reach conclusions and recommendations. Findings and conclusions must be supported by sufficient and appropriate evidence.

How do you develop conclusions?



The Standard

The auditor shall obtain sufficient and appropriate audit evidence in order to establish audit findings, reach conclusions in response to the audit objective(s) and audit questions and issue recommendations when relevant and allowed by the SAI's mandate.

Source: ISSAI 3000/106

Conclusions allow you to make a concise and persuasive argument that action is needed to address a deficiency or take advantage of an opportunity for improvement and set up the basis for any recommendations. Conclusions also allow you to: present your opinion anchored in your evidence; clarify and add meaning to the specific findings, and go beyond restating the findings that will be presented in your audit report. The conclusions also reflect the auditor's explanations and opinion based on these findings; for instance, conclusions might include identifying a general topic or a certain pattern in the findings or an underlying problem that explains the findings (adapted from GUID 3920/93). When drafting conclusions, it is vital that the audit team critically consider the conclusions in relation to the audit findings,

evidence, and audit criteria. It is also important to link the conclusions with the audit objective.

Communication is essential for developing your findings because it is important for the auditor to consider the context, all relevant arguments, and different perspectives before conclusions can be drawn. For this reason, the auditor needs to maintain effective and proper communication with the relevant stakeholders within your SAI and the audited entities (adapted from GUID 3920/100-124). This communication is discussed later in this chapter and in Chapter 7.

Conclusions

Check that the conclusion:

- ✓ states the degree of economy, efficiency and/or effectiveness through an overall view on aspects of the 3Es or by providing specific information on a range of points related to the 3Es;
- ✓ is clear and concise – you do not need to repeat all of the findings in the conclusions section;
- ✓ reflects the audit criteria;
- ✓ is quantified where possible (for example, states how far performance has fallen short of the expected or ideal standard);
- ✓ reflects changes over time (for example, states whether risk to performance is due to increase soon due to new developments);
- ✓ is balanced in tone, is deduced from the audit findings and reflects fairly the audit findings;
- ✓ provides a clear linkage to the recommendations of the report. Some SAIs may not require all conclusions to be directly linked to a recommendation.

Source: IDI/PAS Development Team

Tips for developing effective conclusions

- ✓ Link the conclusions back to the audit objective and explain why the audit is important.
- ✓ Ensure that the conclusions are balanced, highlighting the significance (positive and negative) of the audit findings and the audited entity's progress (if any) in dealing with problems raised.
- ✓ Make sure that the conclusions flow logically from the audit findings.
- ✓ Do not merely summarise or restate the findings, but explain their significance and why recommendations are needed.

Source: Adapted from US GAO

How do you develop recommendations?



The Standard

The auditor shall provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit, whenever relevant and allowed by the SAI's mandate.

Source: ISSAI 3000/126

ISSAI 3000 addresses recommendations in the reporting stage of an audit. Still, we have included developing recommendations in this section to help auditors understand the connection between findings, conclusions, and recommendations.

Recommendations to correct deficiencies and other findings identified during the audit are developed if needed. It is helpful to show the linkage between your audit findings and recommendations by using consistent keywords and phrases. The features of a good recommendation can be represented by the acronym SMART: Specific, Measurable, Attributable, Relevant and Time-bound. In some circumstances, discussions with the audited entity can help the team determine the 'Time-bound' piece of SMART or timeframes for implementation of a recommendation.

Any recommendations developed should address causes of the deficiencies identified and help to improve the audited entities' programmes, operations and performance, without encroaching on the audited entities' management responsibilities. You should also discuss your potential recommendations with the audited entities before drafting the report, as discussed further in this chapter and in Chapter 7.

Recommendations are often aimed at eliminating the deviation between the evidence and the audit criteria. Recommendations are most effective when they clearly demonstrate that they are worthy of action, reasonable and cost-effective. Such constructive recommendations are (adapted from GUID 3920/127):

- directed at resolving the causes of weaknesses or problems identified;
- practical;
- value-added;
- well-founded and flow logically from the findings and conclusions;
- phrased to avoid truisms or simply inverting the audit criteria or conclusions;
- neither too general nor too detailed. Recommendations that are too general will typically risk not adding value, while recommendations that are too detailed could restrict the necessary flexibility of the audited entities. Additionally, SAI policy and procedures may require that recommendations made to an audited agency may not be so prescriptive and detailed that the SAI might be seen as consultants as opposed to independent and impartial auditors; and

- addressed to those responsible for taking the actions, and clearly state the actions recommended.

When possible, consider:

- if any of the recommendations could take priority (be implemented first) over others;
- what resources might be needed to carry out the recommendations;
- if the benefit to be derived from the recommendation is worth the cost to implement;
- how to follow up the recommendations. See Chapter 8 for more information on follow-up.

Recommendation

- | | |
|---|---|
| <ul style="list-style-type: none"> ✓ Think about potential recommendations early in the audit process and frequently ask actors what can be done to improve performance. ✓ Write the recommendations in a way that allows the Supreme Audit Institution to evaluate whether they have been implemented. | <ul style="list-style-type: none"> ✓ Discuss recommendations with the audited entity to identify the necessary changes and practical ways of implementing them. This will lead to a realistic implementation of the recommendations. |
|---|---|

Source: IDI/PAS Development Team

Audit findings matrix

One tool you can use for assessing your evidence and developing conclusions and recommendations is an audit findings matrix, as shown in **Figure 38**. This tool allows you to determine whether your findings and recommendations, if applicable, are based on sufficient and appropriate evidence. A well-developed audit findings matrix can also help as you write your report.

Figure 5: Audit findings matrix template

Audit objective: Clearly and objectively express what the audit is about.

Audit question (the same stated in the audit design matrix): For each audit question (or sub-question), repeat each of the items mentioned in the table.

Finding	Situation found (Condition)	Most relevant occurrences identified in the fieldwork.
	Criteria	Information used to determine if the expected performance of the audited object is satisfactory, exceeds expectation or is unsatisfactory.
	Evidence and analysis	Result of applying data analysis methods or assessing your evidence. The techniques used to handle the information collected during fieldwork and the results achieved can be indicated.
	Causes	Reasons for the situation found. May be related to operation or design of the audit object. May be out of the control of the manager. Any recommendations should be related to the causes.
	Effects	Consequences related to causes and corresponding evidence. It may be a measure of the finding's relevance.
Is the evidence sufficient and appropriate? If not, what remaining work is necessary to address any gaps?		Consider the evidence you have for each element of the finding and whether it is sufficient and appropriate. If your current evidence is not sufficient and appropriate for each element, what remaining work is necessary to address any gaps in the evidence?
Good practices		Actions identified that lead to good performance. May support the recommendations.
Recommendations		Proposals to address the causes (or deficiencies) identified.

Source: Adapted from US GAO and SAI Brazil

Figure 39 shows an illustration of one finding of an audit findings matrix for a performance audit.

Figure 6: Illustration of one finding of an audit findings matrix

Audit objective: Examine growing concerns about sexual violence – unwanted sexual acts – in the United States, particularly involving populations such as university students, incarcerated individuals and military personnel.

Audit question: To what extent are government agencies addressing any challenges posed by the differences across existing data collection efforts on sexual violence?

Finding	Situation found (Condition)	Agencies' efforts to lessen differences between data collection on sexual violence have been fragmented and limited in scope.
	Criteria	The Committee on National Statistics' <i>Principles and Practices for a Federal Statistical Agency</i> requires federal agencies that produce similar federal statistics with different missions to: (1) coordinate and collaborate to meet current information needs; and (2) provide new or more useful data than a single system can provide.
	Evidence and analysis	There are five agency efforts that are intended to increase harmonisation across data collection efforts. Coordination for these efforts is bilateral (generally involve two of the ten data collection efforts at a time), and scope is limited.
	Causes	Office of Management and Budget does not plan to form an interagency group on harmonising data on sexual violence. They cited that they plan to focus on other priorities instead, such as redesigning the National Crime Victimization Survey.
	Effects	Sexual violence data is inconsistent, incompatible and there is confusion about the data. There is a lack of understanding about the scope of sexual violence in the United States.
Is the evidence sufficient and appropriate? If not, what remaining work is necessary to address any gaps?		Yes.
Good practices		None.
Recommendations		To the Director of the Office of Management and Budget to establish an interagency group on sexual violence statistics that considers the differences across the data collection efforts to assess which differences enhance or hinder the overall understanding of sexual violence in the United States.

Source: Adapted from a US GAO audit

How do you prepare for drafting your report?

Discussions within your SAI

After you have developed your findings, conclusions and recommendations, as applicable, it is helpful to describe these findings, refine the key messages and themes you want to emphasise, and reach an agreement within your SAI to prepare for drafting your report. You may want to consider holding a meeting with all the auditors, internal stakeholders and managers that have worked on the performance audit so that agreement is reached about the audit findings. Another option is to discuss emerging findings as part of your ongoing work and interaction with the members of the audit team, internal stakeholders and managers.

To reach an agreement about your audit findings and prepare for report drafting, the audit team can discuss the findings for all audit questions, considering the strength and reliability of evidence for each answer, and identify and address any ambiguities or uncertainties within the evidence. For any uncertainties, it may be necessary to collect additional evidence.

Discussions with the audited entities

As a final step before you begin to draft your report, it is important that you **communicate** and discuss your audit findings with the audited entities. This may help you determine if any refinements may be necessary based on the audited entities' perspectives and any actions that have occurred since you collected your evidence. If you have been in close communication with the audited entities during the study, this step will likely be smooth, as there would probably not be any surprises.

You can use the audited entities' initial reaction to:

- gauge if your conclusions are reasonable;
- request additional evidence, as needed;
- identify and correct any factual errors in the draft audit findings;
- add new material to the draft audit findings to reflect the audited entities' view; and
- refine any recommendations (if they could be more specific, feasible and thereby more likely to be implemented by the audited entity).

Keeping your **independence** and **professional scepticism** in mind, you may need to make changes to your prospective draft report following these discussions with the audited entities and the receipt of any additional evidence. This is not a bad thing – it is all part of the process of producing a high-quality report. It is essential that all such changes are based on good-quality evidence.

When developing audit findings, conclusions and recommendations (if applicable), remember to:

... reconsider the initial assessment of risk in light of the evidence collected and determine if additional audit work needs to be performed;

... work systematically and carefully to analyse your evidence and the data collected, ensuring that the audit findings are put in perspective and respond to the audit objective(s) and audit questions;

... ensure that audit findings are objective, fair and balanced – maintain independence, include both good and bad points and give credit to the audited entity when it is due;

... consider the materiality of the findings and apply professional judgement in interpreting how the findings affect the audited entity's performance;

... analyse and confirm causes – why there is a deviation from the criteria – if a mismatch between the criteria and the evidence was identified;

... identify either positive or negative effects if a mismatch between the criteria and the evidence was identified;

... ensure that any conclusions and recommendations you develop (if applicable) flow logically from the audit findings and are balanced and reasonable; and

... communicate and discuss your preliminary findings, and your conclusions and recommendations (if applicable), with the audited entity(ies).

Source: IDI/PAS Development Team