

The 5 C's of INTERNAL AUDIT REPORTS

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Internal audit reports are often known for adhering to the 5 C's reporting requirement.

A complete, sufficient internal audit often ends with a summary report that communicates answers to the following questions

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01 Criteria

- ▶ What particular issue was identified, and why was the internal audit necessary?
- ▶ Is the internal audit in preparation for a future external audit?
- ▶ Who requested the audit, and why did this party request the audit?

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02 Condition

- ▶ How is the issue in relation to a company target or expectation?
- ▶ Does the company have a policy that was broken, a benchmark that was not met, or other condition that was not satisfied?
- ▶ Is the company confident no issue exists, or do they believe an issue is at hand?

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03 Cause

- ▶ Why did the issue arise?
- ▶ Who was involved, what processes were broken, and how could the issue have been avoided?

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04 Consequence

- ▶ What is the outcome of the problem?
- ▶ Are issues limited to internal matters, or are there risks of external consequences?
- ▶ What is the financial implications of the issue?

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05 Corrective Action

- ▶ What can the company do fix the problem?
- ▶ What specific steps will management take to resolve the issue, and what type of monitoring or review will occur after solutions have been put in place to ensure a fix has been implemented?