WIRC of ICAI

Standards on Internal Auditing (SIA)

SIA 330 - Internal Audit
Documentation

SIA 350 – Review and Supervision of
Internal Audit

Table of Contents

Standards on Internal Auditing (SIAs)

OVERVIEW

Meaning

The SIAs are set out to provide guidance to the auditors on all internal audit related matters so that they can conduct the audit procedures and various other activities in the best manner. The SIAs provides certain basic principles which aid in the activity of internal audit.

Need

The Standards on Internal Audit (SIAs) enables uniformity in methods, processes and practices to be followed in audit. The Standards form the basis for conducting all internal audit activity and assist the auditor to execute his responsibilities related to the audit.

Scope

The different SIAs apply to different audits depending upon their respective scope.

Any departures from the Standards applicable in performance of Internal Audit shall be appropriately disclosed in the internal audit report or other similar communication.

SIA 330 – Internal Audit Documentation

Meaning, Objectives and Content of Audit Documentation

Meaning

It is a normal practice to write down whatever we do or learn. This is what basically documentation is. Internal Audit Documentation means the written record of the entire audit i.e., the internal audit procedures performed, the relevant audit evidence obtained, and conclusions reached by the Internal Auditor based on such procedures and evidence.

All of this should be written down so that it provides a record for future reference or even acts as an evidence.

01

Objectives

The objectives of Documentation are:

- To support the audit procedures performed, evidences obtained, and the observations made
- To authenticate the Audit findings
- To draw conclusions from the findings and observations
- To confirm that work performed is in accordance with the standards issued by ICAI
- To ease the review of the work done, which is required by SIA 350.

02

Content

The Documentation shall contain information regarding:

- Internal Audit Plan
- Internal Audit Charter
- Internal Audit Engagement letter, if applicable (including various terms and conditions)
- Audit Procedures performed
- Audit Evidence gathered
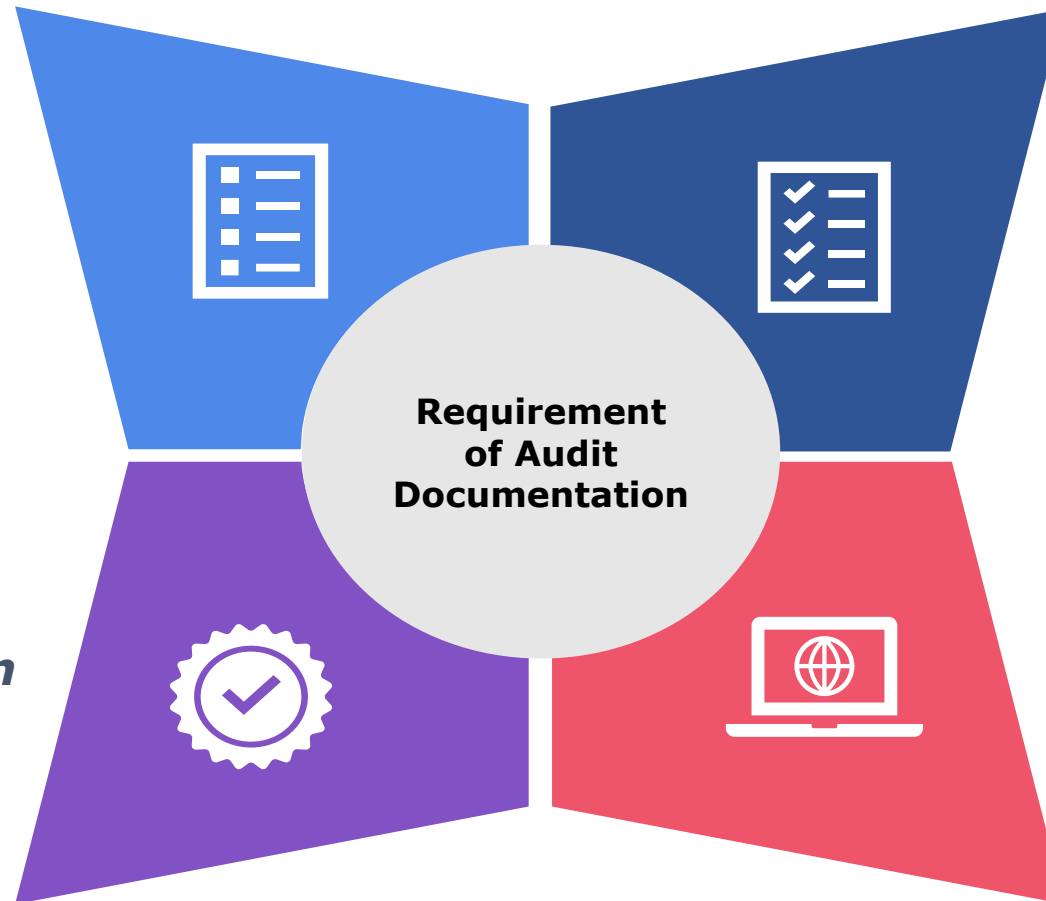- Conclusion drawn by Auditor based on evidence and other information.

03

Requirements of Audit Documentation

Document Inclusions

The Documentation shall include the nature, extent and timing of completion of Internal Audit procedures, the evidences collected, and notes taken during the activity.

Sufficiency

Documentation should be sufficient to include all significant matters such as supporting for audit evidence, source of evidence, objective of procedure, audit observations and auditor's conclusion.

Requirement of Audit Documentation

Filing & Timely Completion

The audit work papers shall be arranged in files / soft copies should be saved in proper manner in a timely manner before issuing the final report.

Ownership & Retention

The work papers shall be considered in the ownership of the Internal auditor, and he shall retain them to support the work performed and evidence obtained.

Form and Content of Audit Documentation

01 NATURE

Record may be maintained on paper or in electronic mode or any other media.

02 STAND-ARDISED

The Documents must be standardized in the form of Checklists, questionnaires, letters.

03 UNDER-STANDING

The Documentation shall provide an overall understanding of the audit.

04 NOT SU-BSTITUTE

Entity's accounting records need to be maintained separately. Documenting is not a substitute for that.

05 COLLA-TION

Documentation must be concluded and collated in a file in form of working papers.

Practical Illustration and Working Papers

Scope Finalization

Audit Plan	Quarter	Proposed (22-23)	2021-22
HR And Payroll: i. Attendance and Leave review ii. Payroll register verification iii. Statutory deductions iv. Compliance regarding hiring to discharging of employees	Q1	✓	✓
Information Technology: i. System controls review ii. IT General Controls	Q1	✓	
Plant operations: i. Production planning ii. Plant & Labour utilisation iii. Maintenance of Plant & Machinery iv. Quality check & material rejection management	Q2	✓	✓
Finance and Accounts: i. Credit limit management ii. Monthly provisioning iii. TDS and GST Compliances	Q3	✓	
Sales & Marketing (Incl. Outbound Logistics) i. Discount Management ii. Receivables review and management iii. Review of sales and marketing expenses	Q4	✓	✓

Audit Engagement Letter

Date: ____**<Date of letter>**____

To,

XYZ Pvt. Ltd. <Name of Company>

GIFT City, Gandhinagar <Address of company>

Sub: Engagement Letter for ____**<Scope of services agreed>**_____

Dear ABC <Name of Head audit coordinator of company>,

1. Background and our understanding of your requirement:

Give a brief description of the company, what it expects from the audit, and what we as auditors are will to accomplish for the company.

2. Scope of Services, Deliverables, Timeline, Team and Fees:

Based on the above, provide details regarding the scope of services, deliverables, timeline, scope limitation, the engagement team and the schedule of fees.

For PQR & Co.,

Chartered Accountants

I have read the contract set out in this Engagement Letter dated _____ (along with the Engagement Terms). I accept the terms set out herein and represent that I am authorised to do so.

Acknowledged and Agreed

For XYZ Pvt Ltd

Audit Planning

Audit Plan should be prepared before initiation of any audit. In audit plan, team members are identified, allocation of audit area has been done and planning of total days required for the execution of an audit has been decided. This helps in monitoring the actual time taken for the audit against the budgeted one.

Audit Plan
(F-INT-03)

Part-A Plan

Name of the Client	ABC Ltd.	
Audit period	Q1, April to June 2021	
Audit commenced on	23-06-21	
Audit Coordinator (Client)	Mr. M & Mr. N	
Audit Team	**Team Leader**	**Team Members**
	Mrs. X	Mr. P
	Mrs. Y	Mr. Q
Scope for the period (tick)	**Process** ✔	**Substantive Checking** ✔
Total Days Planned for Audit	13 days	
Total Man-days	52 days	

Part-B Programme*

Sr. no.	Scope of work	Process Review	Substantive checking	sample	Date	Team Member
1.	Procurement to Pay	✔	✔	✔	23-06-2021 to 08-07-2021	Mrs. X, Mr. P
2.	Expense Review	✔	✔	✔	23-06-2021 to 08-07-2021	Mrs. X, Mr. P
3.	Inventory Management	✔	✔	✔	23-06-2021 to 08-07-2021	Mrs. Y, Mr. Q
4.	Legal Compliance Review	✔	✔	✔	23-06-2021 to 08-07-2021	Mrs. Y, Mr. Q

Audit Schedule

Activity	Tentative Date	Team Involved	Mode (via MS Teams / E-mail / In person / NA)
Operating Meeting with Department Head and Team			
Sending Initial Data Request			
Provide information sought			
Process understanding and walkthrough			
Analysis of data provided			
Clarification and queries on data provided			
Share the samples for testing			
Provide documents related to samples			
Test the Samples			
Share the draft report and discuss the same with process owners			
Provide management comments			

Documentation of Audit Procedures (1/2)

One should document the following :

• Identified potential risk areas in the scope of work

• Analysis / document verification to be conducted / verified against the risk areas identified

• Testing performed on the documents verified

Documentation of above-mentioned points in a single document will ensure the following:

• Analysis to be conducted / verification of documents has been performed / verified

• All testing performed has been properly documented

Preparation of above-mentioned document will help in :

• Showing working papers to seniors / clients

• Used as a proof of execution of work during the peer review / internal quality assurance team

Scope of Work	Risk	Existing Process	Controls	Data Analytics	Testing Procedure	Testing conducted	Testing Script Sample
Preventive Maintenance schedules Compliance to O&M plan	**Breakdown / non identification of problem at early stage due to:** 1. Lak of proper planning for yearly maintenance may lead to non maintenance of equipment's 2. Non updation of plan on periodic basis may lead to non maintenance of new equipment's added during the year 3. Non adherance ot the AOMP	1. Annual Maintenance plan is prepared by the TS Team from HO. The same is being sent to the respective GA. 2. Deputy Manager - Technical updates the plan on quarterly basis to ensure all newly added equipment's are covered under maintenance 3. O&M Departmetn prepares planned v/s actual sheet on monthly basis and monitors the adherance to the AOMP	1. Annual maintenance plan is approved by the GA Head 2. Quarterly updated plan is approved by GA Head 3. Plan V/s actual maintenance work is monitored on monthly basis in a monthly meeting with GA Head 4. Approval of Ops Head is obtained for any deviation from the AOMP	NA	1. Verification of Annual and updated plan to ensure the same is approved by the GA Head 2. Regular monitoring has been done for Budget V/s Actual and necessary action plans are being initiated to ensure timely completion of O&M Activities	1. Approval of GA Head fo Annual and Updation is verified 2. Monthly monitoring for Planned v/s actual has been verified	Testing Script 1

Documentation of Audit Procedures (2/2)

Sub Process:	Annual Maintenance Plan
Risk:	Breakdown / non identification of problem at early stage due to:
Control Reference:	3
Control Frequency:	Monthly
Control Operating	No

Control Description	
1. Rates is as per Contract 2. Penalty is properly deducted or not 3. Payment Release Note is approved by the Competent Authority as defined in Financial Delegation of Authority 4. Compliance Audit is carried out by the Third Party Agency	

Test Procedure

Sr. No.	Month	Name of Contractor	Invoice Amount	A	B	C	D
1	Apr-17	Shubham Construction	650,734	Yes	Yes	Yes	NA
2	Aug-17	Shubham Construction	678,624	Yes	Yes	Yes	NA
3	Oct-17	Shubham Construction	642,709	Yes	Yes	Yes	Yes
4	Dec-17	Shubham Construction	625,045	Yes	Yes	Yes	Yes
5	Jan-18	Sopan O&M Co. Pvt. Ld	17,433	Yes	Yes	Yes	Yes
6	Feb-18	Shubham Construction	1,001,293	Yes	Yes	Yes	Yes

Documentation of Probable Observations (1/3)

Name of the Company
HR and Payroll audit
FY: 2021-22

Sr. No.	Title	Check Point	Observation	Annexure
1	Manpower requisition form	To ascertain timely closure of manpower vacancy	Manpower requirement not closed by HR team within the turnaround time prescribed	Annexure 1
2	Date of joining and leaving	To ensure same date of joining and leaving in different software	Dates in Attendance software and Salary software not matching	Annexure 2
3	Background verification	To verify receipt of BGV report within stipulated time and ensure no person having obtained Red report is in employment	BGV report was not obtained within time and, employees with Red report continued to work	Annexure 3
4	Leave encashment	To confirm leave encashment is paid on the leave balance available	Leave encashment was either done in excess of balance available or not done at all	-
5	Loan to employees	To make sure loan is given to employees as per policy	Loan was given in excess of maximum amount allowed, and repayment was not received as per fixed schedule	-
6	Appraisal	Check the % of appraisal given and whether it is reasonable and as per policy	Very high amount of appraisal given to both existing and re-joining employees, which exceeds the maximum limit as per policy	-

Documentation of Probable Observations (2/3)

Annexure 1 – Manpower requisition not closed within time

MRF ID	Job Title	Date of requisition	Band	Tech / Non Tech	No. Of Positions	Closure time as per policy	MRF Closure date as per TAT working	Actual Closure Date	Difference
1501	Quality Analyst	02-Apr-21	E	Non Technical	3	30	05-May-21	10-Jul-21	-66
1521	Team Leader	07-Apr-21	M	Non Technical	1	60	20-Jun-21	19-Nov-21	-152
1522	Trainer	08-Apr-21	E	SME	1	90	26-Jul-21	4-Dec-21	-131
1523	Sr. Software Engineer	08-Apr-21	E	Technical	1	60	22-Jun-21	27-Jul-21	-35
1532	Support Executive	13-Apr-21	E	Non Technical	2	30	21-May-21	24-Jun-21	-34

Annexure 2 – Difference in Date of joining in different software

`	Employee Name	Date of Joining as per Attendance software	Date of Joining as per Salary software	Difference in days	Designation	Grade
24279	Aditya Dutta	16-Sep-21	30-Sep-21	-14.00	CSR	E1
24512	Hitendrakumar Parmar	19-Oct-21	18-Nov-21	-30.00	Jr. Process Associate	E1
24513	Rajsinh Parmar	19-Oct-21	18-Nov-21	-30.00	Jr. Process Associate	E1
25484	Shoeb Modan	24-Feb-22	15-Mar-22	-19.00	CSR	E1

Documentation of Probable Observations (3/3)

Annexure 3a – Manpower requisition not closed within time

Verification Agency	Emp Code	DOJ	Report Status	Case Initiation Date	Case Completed/ Report Received Date	Days in which report should be received	Report received with in days	Designation	Grade
Crystal Screening Services Pvt. Ltd.	23365	27-Apr-2021	Green	08-May-2021	05-Jul-2021	30	69	CSR	E1/A1
Genius Consultants Ltd	23382	04-May-2021	Green	10-May-2021	11-Jul-2021	30	66	Software Engineer	E1/A1
Genius Consultants Ltd	23392	04-May-2021	Orange	12-May-2021	05-Jul-2021	30	58	CSR	E1/A1
Genius Consultants Ltd	23446	20-May-2021	Green	24-May-2021	25-Jun-2021	30	36	Jr. Software Test Analyst	E1/A1

Annexure 3b – Person working in company even after receiving red report

Verification Agency	Emp Code	DOJ	Report Status	Case Initiation Date	Case Completed/Report Received Date	Designation	Grade
Genius Consultants Ltd	24335	28-Sep-2021	Red	06-Oct-2021	10-Jan-2022	Team Leader	M1
Genius Consultants Ltd	24456	07-Oct-2021	Red	20-Oct-2021	29-Mar-2022	Jr. Software Test Analyst	E1/A1
Vleader Verification Services Pvt. Ltd	24634	09-Nov-2021	Red	16-Nov-2021	06-Dec-2021	Quality Executive	E1/A1
Vleader Verification Services Pvt. Ltd	24668	09-Nov-2021	Red	16-Nov-2021	06-Dec-2021	CSR	E1/A1

SIA 350 – Review and Supervision of Internal Audit

Detailed Breakup of Terms

Review

- The term in common parlance refers 'To look back' or 'To re-visit again'.

- With reference to Internal audit perspective, the term refers to have a retrospective effect or to look back to the following aspects prior to expressing of an opinion:

  - Examine audit procedures;
  - To collect audit evidence;
  - To draw conclusions;
  - To document working papers.

- It is an exercise to be carried out post-commencement of the audit.

01

Audit Assignment

Supervision

- The term in common parlance refers 'to inspect' or 'to oversight'.

- While few folks may confuse the term with that 'To observe' but they both are different. Observe refers to 'Notice something' while Supervise is an extended arm of observe which refers to 'Notice and Direct'.

- With reference to Internal audit perspective, the term refers to direct or manage the following aspects prior to the expression of an opinion:

  - Audit activities;
  - Audit objectives.

- It is carried continuously during an on-going audit process.

02

Meaning, Nature and Scope of Audit Review & Supervision

Nature and Extent

- The extent of review and supervision is not same for all audit assignments. It varies from audit to audit, depending upon various factors like objectives, scope, complexity, staff availability.

- However, the review shall cover all the activities, as already discussed (i.e., audit planning, sampling, procedures, evidence, documentation).

- Review of working papers shall be done by a person who is at least 1 level above the person who prepared them to ensure its correctness.

01

Supervision

- This SIA applies to every Internal Audit procedure.

- After review, in case if Engagement partner identifies a need for additional procedures to be performed, then they shall be performed and documented.

- The ultimate motive is that the review shall ensure that audit procedures are performed correctly and completed in a timely manner to achieve the objectives of audit.

02

Objectives of Review and Supervision of Internal Audit

OBJECTIVES

01

Validate Audit Plan

Review is necessary to validate the Audit Plan, the audit procedures to be performed and resources allocated for the same.

02

Verify procedures and evidence

The review shall ensure the reliability of audit procedures performed, evidence obtained, and conclusions drawn.

03

Audit Documentation

Another objective is to authenticate that Documentation done is proper and sufficient.

04

Statutory Compliance

Verify that the work performed is in accordance with the applicable standards issued by ICAI.

05

Audit Report

Review and supervision would facilitate to finalize conclusions and draft the Internal audit report.
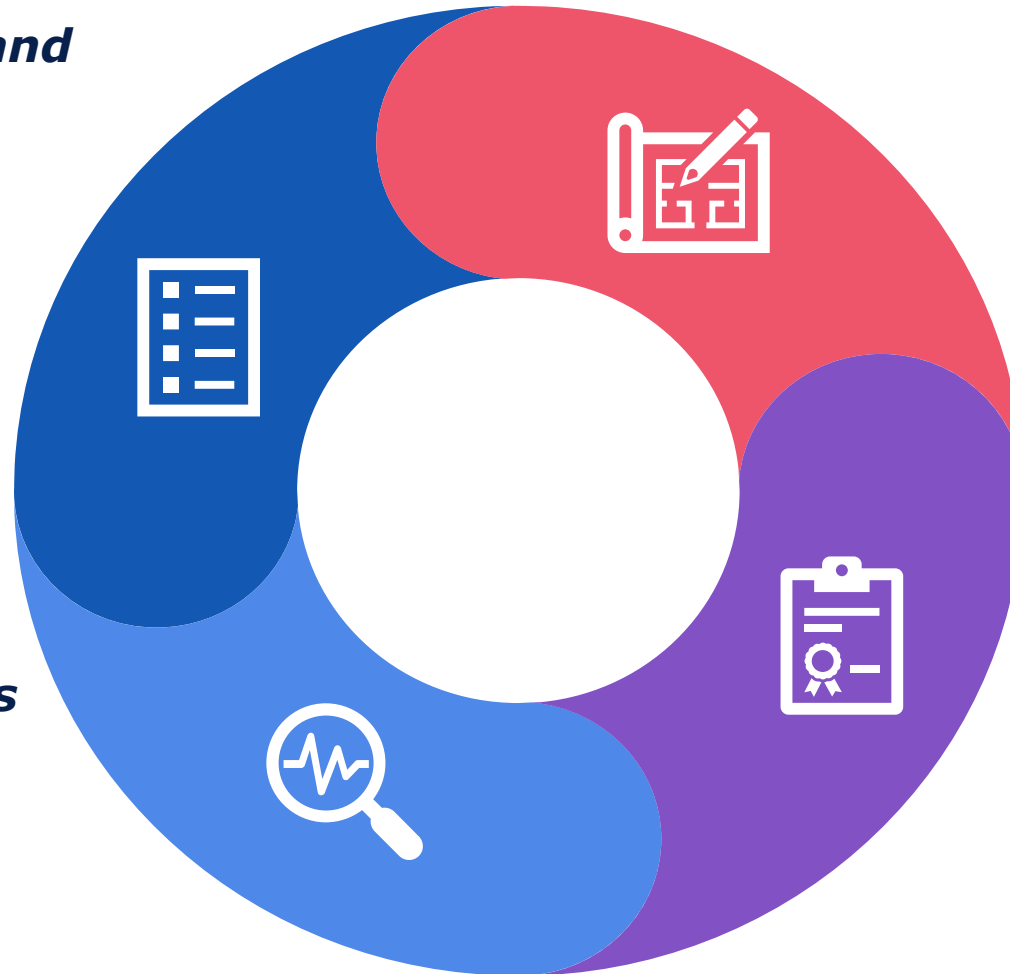
Requirements of Review and Supervision of Audit

Review of Audit Evidences and Documentation

The nature, extent and timing of all activities and procedures must be reviewed and supervised by the Engagement Partner to ensure that all Evidences obtained, and Documentation done is correct and sufficient.

Periodicity and Extent of Review

The Audit Plan should incorporate the planning with respect to the extent and periodicity of the review to be conducted, after considering audit objectives, budget, staff availability, time constraint, etc.

Review of Audit Workpapers

The Audit Work papers need to be reviewed to ensure that they are sufficient and correct as to provide the same conclusion to someone else as arrived by the audit team.

Conformity to Standards

The Review and Supervision shall conform to the Quality as required by the Standards on Internal Audit (SIAs). A written process shall be documented which elaborates the method to review and execute the process.
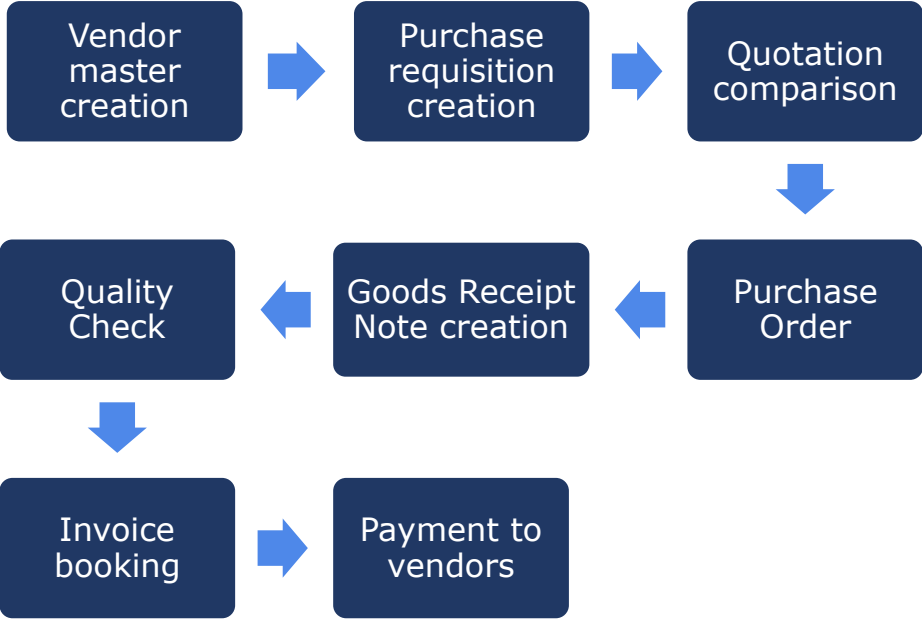
Practical Illustration and Working Papers

Supervision of Audit

Supervision of audit on a continuous basis is very important to ensure the following:

- To ensure work is progressing as per the schedule defined at the beginning of the audit
- To escalate the required matters to clients

Name of the Client					
Review Period:					
Audit Status as on _____					

Legend:
- Yellow: Process Discussion Pending
- Red: Data Not received
- Blue: Audit Execution In-Process
- Green: Completed

Sub-Process	Location 1	Location 2	Location 3	Observations (Yes/No)	Actionable
Procurement to Pay					
Vendor Master Creation and Maintenance	Completed	Completed	Completed	Yes	
Purchase Order Management	Completed	Process Discussion Pending	Process Discussion Pending	Yes	
Return to Vendor	Completed	Data Not received	Data Not received	Yes	Escalate non-receipt of data to the HOD
Invoice Booking	Audit Execution In-Process	Audit Execution In-Process	Audit Execution In-Process	No	
Three way matching (PO-GRN-Invoice)	Audit Execution In-Process	Audit Execution In-Process	Audit Execution In-Process	No	
Vendors Aging	Audit Execution In-Process	Audit Execution In-Process	Audit Execution In-Process	Yes	
Vendor Evaluation	NA	NA	NA	No	
Inventory Management					
Material Master Management	Process Discussion Pending	Process Discussion Pending	Process Discussion Pending	Yes	
Receipt of Material	Completed	Completed	Completed	Yes	
QC Inspection	Completed	NA	Completed	Yes	
Rejection of Material	Completed	NA	Completed	Yes	

Review of Audit Execution

Procurement to Pay	Review of Work conducted by the Team
	• Data obtained / downloaded against the scope of work • Documentation around process understanding and system walkthrough • Data analysis conducted on the data and accuracy of the data analysis conducted • Exceptions noted during the data analytics and justification / reasons obtained for the same • Selection of Samples and documents verified for those samples • Potential observations noted and working related to the same

IIA 2500 MONITORING PROGRESS

2500.A1- The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking the action.

Considerations for Implementation :
Monitoring processes can be sophisticated or rather simple, depending on number of factors, including the size and complexity of the audit organization and the availability of exception tracking software. Whether sophisticated or simple, it is important for the CAE to develop a process that captures the relevant observations, agreed corrective action, and current status. For outstanding observations, the information tracked and captured typically includes:

- The observations communicated to management and their relative risk rating.
- The nature of the agreed corrective actions.
- The timing/deadlines/age of the corrective actions and changes in target dates.
- The management/process owner responsible for each corrective action.
- The current status of corrective actions, and whether internal audit has confirmed the status.

Implementation status of past audit observations

Sr. No.	Business Process	Total Observations	Implemented	Work in progress	Overdue for implementation	Not due for implementation
1	Procurement to Pay	-	-	-	-	-
2	Production Planning & Control	-	-	-	-	-
3	Statutory & Legal Compliances	-	-	-	-	-
4	HR Management	-	-	-	-	-
5	Finance & Accounts	-	-	-	-	-
6	ITGC	-	-	-	-	-
	Total	-	-	-	-	-

Particulars	High	Medium	Low	Total
Overdue for implementation	-	-	-	-
Not due for implementation	-	-	-	-
Total	-	-	-	-

Overdue for implementation - past audit observations

Observation	Progress in current quarter	Process Owner	Original Timeline	Updated Timeline	Status
Procurement to Pay : Process Gap : • In case of services procurement amounting to less than 1 Lakh, process of preparing service orders and service entry in SAP is not followed. Invoices are directly booked as expenses through Finance Module.	• We are introducing blanket agreement in SAP for service procurement		30-10-2021	31-12-2021 30-06-2022 **Revised Timeline:** ==Not Provided==	Open
Production & Inventory : Consumption : • System is not configured to restrict closure of production orders if consumption recorded in the production orders is not in line with the BOM. • No Approval process for excess consumption compared to BOM. • Production order (batches) are created, and consumption entries are done on same day when batch output is received • Actual consumption is recorded in SAP for which there are no supporting reflecting actual consumption available.	All preparation has been done with to implement given suggestions, we will be Migrating to updated module by 15th of May, 2022.		30-11-2021	31-03-2022 31-05-2022 **Revised Timeline:** ==Not Provided==	Open

Questions ???

Thank You

CA Abhishek Mittal
📞 : 97390 31214