

The background features a complex pattern of overlapping circles, arcs, and scales. Some scales are labeled with numbers like 50, 160, 170, 180, 190, 200, 210, 150, 140, 130, 120, 110, 100, 90, 80, and 0. There are also dashed lines and arrows, suggesting a technical or engineering theme. A large, light gray rectangular area is positioned on the left side of the slide, containing the main text.

# STANDARDS ON INTERNAL AUDIT (SIA)

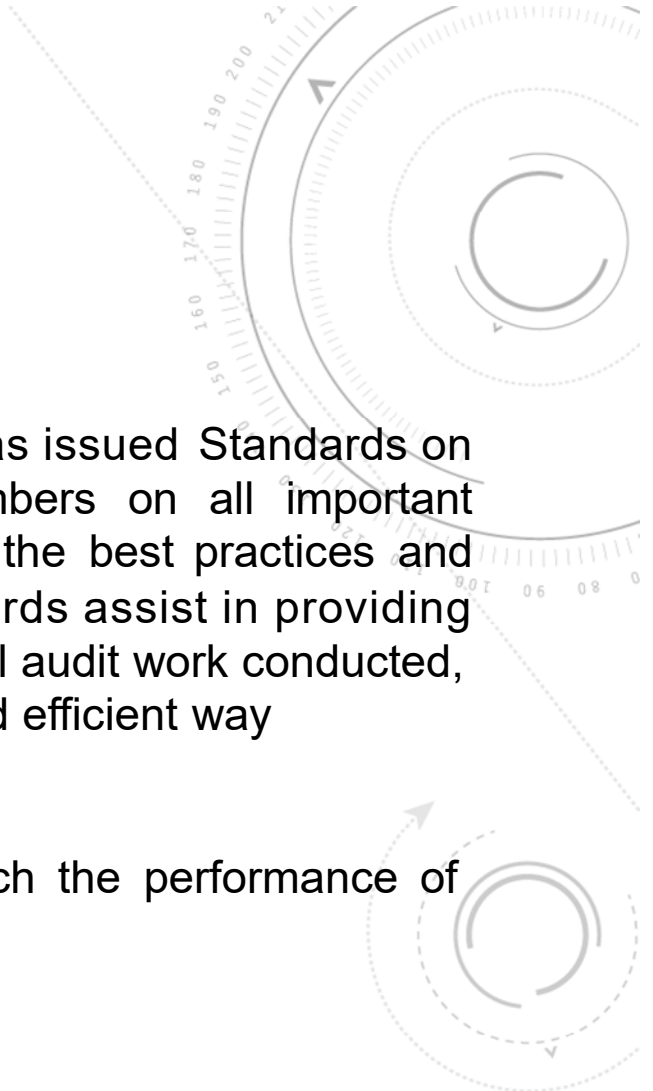
June 26<sup>th</sup> 2021

By C.A. Deepjee Singhal

---



## BACKGROUND & IMPORTANCE

- The Internal Audit Standards Board of the Institute has issued Standards on Internal Audit which provide guidance to the members on all important aspects related to internal audit, so that they adopt the best practices and processes in carrying out internal audit. The Standards assist in providing confidence in the quality and consistency of the internal audit work conducted, help to deliver internal audit services in an effective and efficient way
  - Establish requirements and benchmarks against which the performance of internal audit can be measured.
- 

## BACKGROUND & IMPORTANCE

- Standards, Guidance Notes and Clarifications are issued under the authority of the Council of the Institute.
- Scope of the Standards on Internal Audit; states that “the Standards on Internal Audit shall apply whenever an internal audit is carried out.”
- As per SIA background - *“Internal audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity’s strategic risk management and internal control system”.*

# STANDARDS ON INTERNAL AUDIT

**310 – PLANNING THE INTERNAL  
AUDIT ASSIGNMENT**

**320 – INTERNAL AUDIT EVIDENCE**

**330 – INTERNAL AUDIT  
DOCUMENTATION**

**5 - SAMPLING**

The background features a light gray technical drawing style with various circular gauges, arcs, and dashed lines. Some gauges have numerical scales, such as one on the left with markings from 160 to 260, and another on the right with markings from 80 to 240. The overall aesthetic is clean and professional, typical of a corporate or educational presentation.

# PLANNING THE INTERNAL AUDIT ASSIGNMENT

SIA 310

## OBJECTIVE OF STANDARD

This Standard on Internal Audit (SIA) covers the “Planning the Internal Audit Assignment” **for a particular part** of the entity. Standard on Internal Audit (SIA) 220, covers the “Conducting Overall Internal Audit Planning” of the **entity as a whole**.

**Objective:** The objectives of an Internal Audit Assignment Plan are as follows:

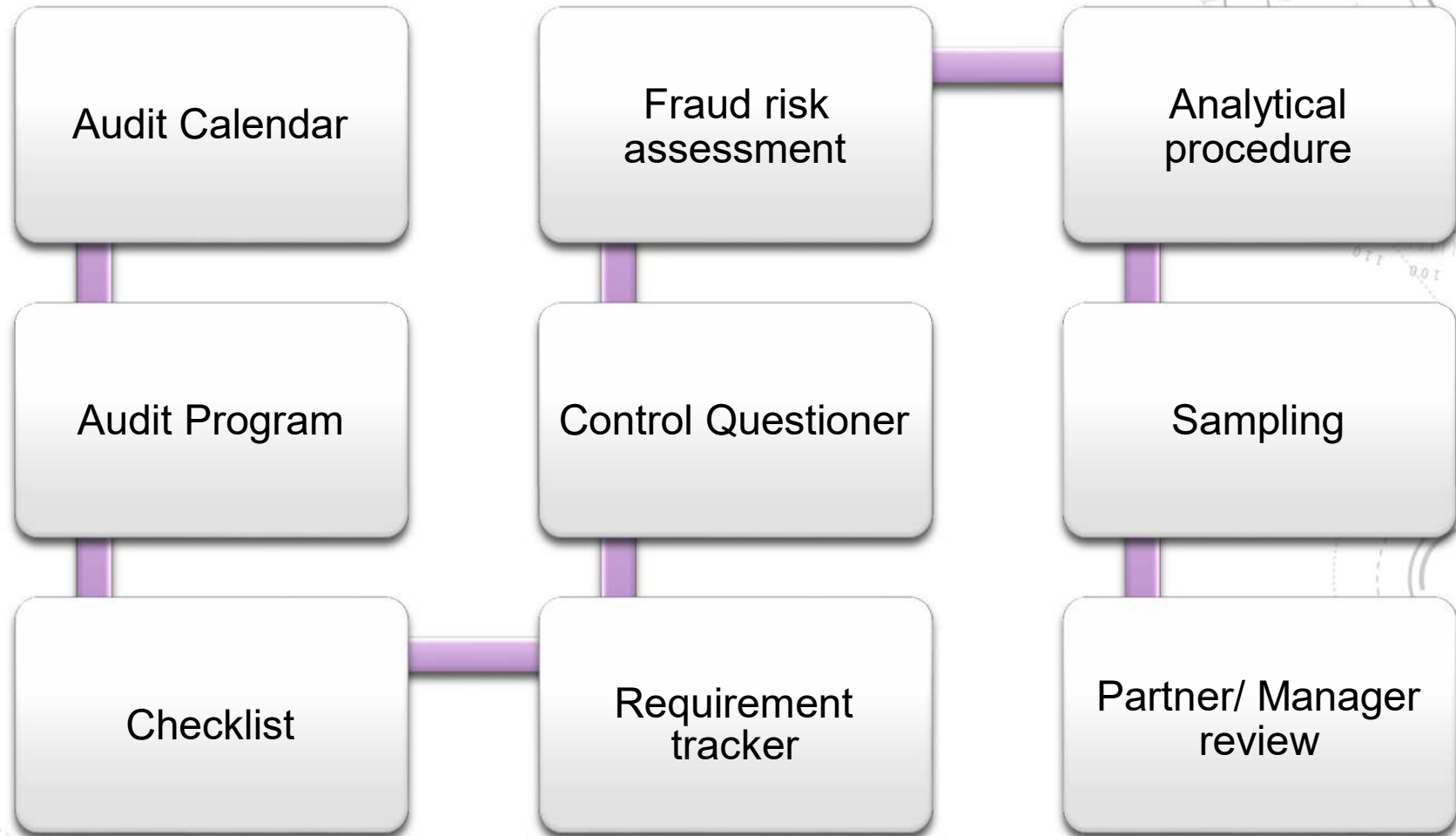
- Alignment with the objectives of the overall internal audit Plan and with stakeholder expectations.
- Ensure scope, coverage and methodology of the audit procedures will provide basis for reasonable assurance.
- Allocate adequate time, resources and appropriate skills to complex assignment/ area.
- Ensure audit procedures are conducted in an efficient and effective manner.

# REQUIREMENT OF STANDARD

**Requirements:** The assignment planning exercise shall follow a laid down process, the outcome of which shall be a comprehensive written document containing all the essential elements;

- The Internal Audit Plan shall be reviewed and approved by engagement partner;
- As part of the planning process, a discussion with management and process owners shall be undertaken to understand the intricacies of each process/ area considered for review;
- A risk based planning exercise shall form the basis of the Internal Audit Plan;
- Audit methodology together with detailed audit procedure shall be documented in Internal Audit Plan;
- Elements relevant for effective execution shall be prior communicated to the auditee;
- The Internal Audit Assignment Plan shall be continuously monitored during the execution phase.

# PLANNING PROCESS CHART





The background features a light gray technical drawing style with various circular and curved lines, some with arrows and numerical labels like 50, 160, 180, 190, 200, 210, 220, 230, 240, 250, 260, 80, 190, 200, and 21. A solid blue bar is at the bottom, with a thin blue line above it.

# INTERNAL AUDIT EVIDENCE

SIA 320

# OBJECTIVE AND REQUIREMENT OF STANDARD

**Objective:** The objectives of gathering appropriate and reliable audit evidence are to:

- Confirm the nature, timing and sufficiency of the audit procedures undertaken;
- Aid in the supervision and review of the internal audit work;
- Work performed is in conformance with the applicable pronouncements of the Institute of Chartered Accountants of India.

The overall objective of gathering appropriate and reliable evidence is to allow the Internal Auditor to form an opinion on the outcome of the audit procedures completed.

**Requirement:**

- Auditor shall obtain sufficient and appropriate audit evidence which can form the basis of audit findings and allow reliable conclusions to be drawn from those findings;
- Evidence shall be obtained from reliable sources with consistency between various evidences collected;
- Audit evidence collected shall be recorded and the internal audit function shall maintain a written process explaining the manner in which audit evidence is to be gathered, reviewed, documented and stored

# OBTAINING INTERNAL AUDIT EVIDENCE

The internal auditor obtains evidence by performing one or more of the following procedures

1 - Inspection

2 - Observation

3 - Inquiry and confirmation

4 - Computation

5 - Analytical review

The background features a complex pattern of light gray technical drawings, including circular arcs, dashed lines, and numerical scales. A prominent circular scale on the left side has markings from 160 to 260. Another scale on the right has markings from 80 to 240. The overall aesthetic is clean and professional, typical of a technical or engineering document.

# INTERNAL AUDIT DOCUMENTATION

SIA 330

A solid dark blue horizontal bar spans the width of the slide, positioned below the text. A thin, lighter blue line runs horizontally across the bottom edge of the slide, just above the footer area.

# OBJECTIVE AND REQUIREMENT OF STANDARD

**Objective:** The overall objective of preparing audit documentation is to allow the internal auditor to form an opinion on the outcome of the assignment. Furthermore the requirement of preparing complete and sufficient audit documentation is to:

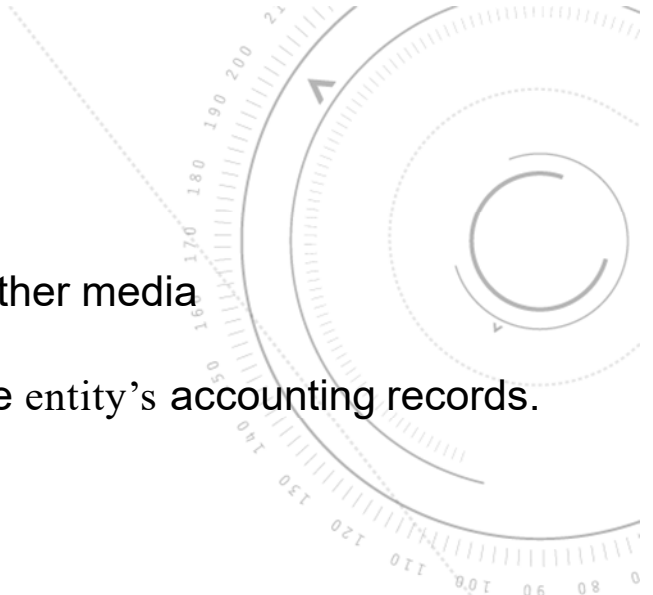

- Validate the audit findings and support the basis on which audit observations;
- Aid in the supervision and review of the internal audit work;
- establish that work performed is in conformance with the applicable pronouncements of the Institute of Chartered Accountants of India.

## **Requirement:**

- Internal auditor shall record the nature, timing and extent of completion of all internal audit activities and testing procedures
- Documentation shall be complete and sufficient to support the analysis conducted on the audit evidence, the identification of findings, the formulation of audit observations and shall clearly state the purpose of the procedure, the source of evidence, the outcome of the audit work.
- The internal audit work paper files shall be completed prior to the issuance of the final internal audit report.
- The ownership and custody of the internal audit work papers shall remain with the Internal Auditor

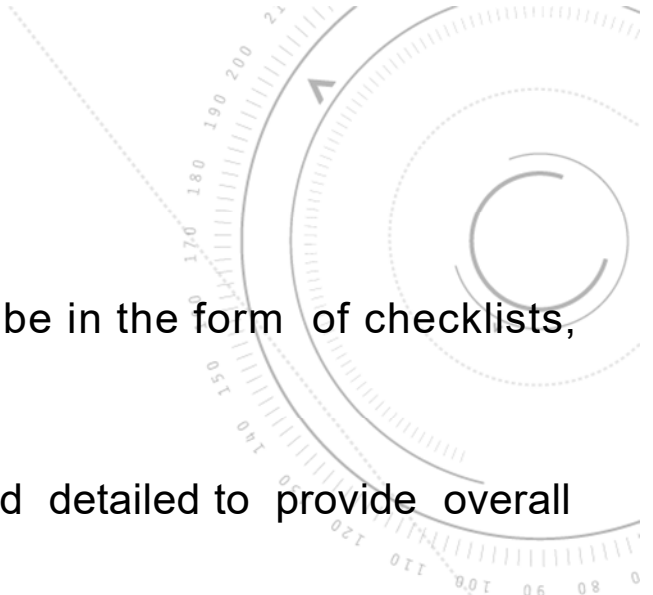



# FORM AND CONTENT

- ▶ Documentation may be recorded on paper or on electronic or other media
  - ▶ Internal audit documentation, however, is not a substitute for the entity's accounting records.
  - ▶ Internal audit documentation should record
    - Internal audit charter
    - Internal audit plan
    - Nature, timing and extent of audit procedures performed
    - Conclusions drawn from the evidence
    - A copy of the internal audit engagement letter (If Internal Audit is outsourced)
- 
- 



# FORM AND CONTENT

- 
- ▶ The documents must be standardized, means they may be in the form of checklists, specimen letters, questionnaires, etc
  - ▶ Documentation should be sufficient to provide complete and detailed to provide overall understanding of the audit
  - ▶ Documentation should enable an experienced internal auditor (or a reviewer) to understand:
    - Nature, timing and extent of the audit procedures
    - Results of the audit procedures and audit evidence obtained
    - Significant matters arising during the audit and the Conclusions
    - Terms and conditions of an internal audit engagement
- 

The background features a complex pattern of overlapping circular and semi-circular lines, some solid and some dashed, with small arrows indicating direction. Several circular scales are visible, with numerical markings such as 50, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, and 260. The overall aesthetic is technical and geometric.

# SAMPLING

SIA 5

A solid dark blue horizontal bar with a slightly wavy top edge, spanning the width of the page.

---



# SAMPLING

- ▶ When designing an audit sample, the internal auditor should consider:

- ▶ Specific audit objectives
- ▶ Population of the sample

Stratification (a process of dividing a population into sub-populations, each of which is a group of sampling units having similar characteristics)

- ▶ **Sample Size**

- ▶ When determining the sample size, the internal auditor should consider

- ▶ **Sampling risk**

**Tolerable error** - Maximum error in the population that the internal auditor would be willing to accept

**Expected error** - If the internal auditor expects error to be present in the population, a larger sample than when no error is expected ordinarily needs to be examined to conclude that the actual error in the population is not greater than the planned tolerable error

The lower the risk that the internal auditor is willing to accept, the greater the sample size needs to be

# SAMPLING

## ▶ Selection of the Sample:

- ▶ Sample should be selected in such a manner that it can be expected to be representative of the population. This requires that all items or sampling units in the population have an opportunity of being selected.

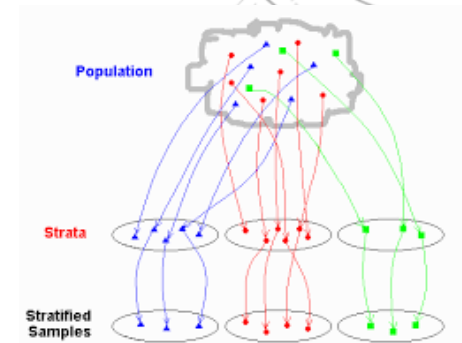
## ▶ Three methods of Sample selection:

- ▶ Random selection and use of CAATs
- ▶ Systematic selection
- ▶ Haphazard selection

## ▶ Evaluation of Sample Results, the auditor should:

- ▶ Analyse the nature and cause of any errors detected in the sample;
- ▶ Project the errors found in the sample to the population;
- ▶ Reassess the sampling risk; and
- ▶ Consider their possible effect on the particular internal audit objective and on other areas of the internal audit engagement.

- ▶ **Documentation** includes design of the sample, expected rate of error, sampling risk and the tolerable error, nature and cause of errors, Rationale for using a particular sampling technique, Effect of the sample results, Projection of sample results



The background features several technical diagrams, including circular gauges with numerical scales (e.g., 50, 100, 150, 170, 180, 190, 200, 210, 220, 230, 240, 250, 260) and various curved lines and arrows, suggesting a scientific or engineering context.

# YouTube Video Clip on Random Sampling through CaseWare IDEA Software

<https://www.youtube.com/watch?v=xJBmTdkPpPw>



# Q & A

