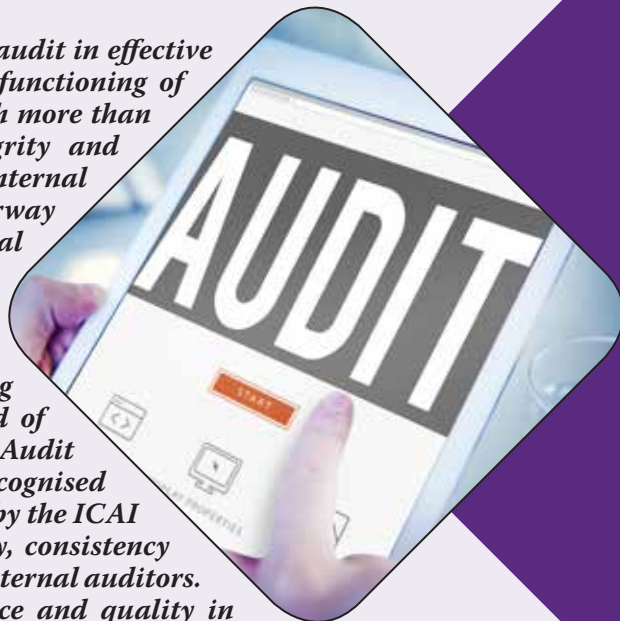


## Taking the Challenge of Internal Audit Function in Stride: ICAI Initiatives

*In today's challenging times, the role of internal audit in effective governance has become highly essential in the functioning of businesses. Internal auditors are delivering much more than providing basic assurances on financial integrity and regulatory compliances. At the same time, internal auditors need to stay abreast of the changes underway in the professional environment to play a vital role in the core areas of risk management and corporate governance.*

*The Institute of Chartered Accountants of India (ICAI) continuously strives to stay at the cutting edge of best practice including those in the field of Internal Audit. Therefore, to be effective, Internal Audit must be conducted in accordance with a set of recognised Standards. Standards on Internal Audit issued by the ICAI aim at increasing the overall quality, credibility, consistency and comparability of the work performed by the internal auditors. The members attain a high level of performance and quality in internal audit by applying Standards on Internal Audit and thereby, meet the expectations of relevant stakeholders. Read on...*



The ICAI has initiated the process of revising SIAs and making them mandatory for certain class of companies in a phased manner. Mandatory status of SIAs will enhance the credibility, visibility and value-recognition of Chartered Accountants as internal auditors. Mandatory status of SIAs will act as a starting point for ICAI to chalk out road map for enhancing relevance of internal audit profession. Once SIAs are mandated, ICAI can actively support and assist the members in the implementation of Standards on Internal Audit.

Further, this proposal gains more relevance in the light of the fact that The Companies Act, 2013, has changed the way internal audit is positioned in corporate India. Apart from mandatory requirement for internal audit function for certain classes of companies, the Companies Act, 2013, also specifically requires Audit Committee or Board to formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

Contributed by ICAI's Internal Audit Standards Board.  
Comments can be sent to [cia@icai.in](mailto:cia@icai.in) or [eboard@icai.in](mailto:eboard@icai.in)

### Standards on Internal Audit— Codifying Best Practices

The Companies Act, 2013, has shaped the way forward for internal audit function in India and has provided a strong legal mandate for the crucial role of internal audit in the corporate governance structure. The ICAI has initiated the process of revising the Standards to make them principles based and eventually, to make them mandatory for certain class of companies, in a phased manner. Revised Standards have been re-numbered and classified in the categories:

**The Companies Act, 2013, has shaped the way forward for internal audit function in India and has provided a strong legal mandate for the crucial role of internal audit in the corporate governance structure. The ICAI has initiated the process of revising the Standards to make them principles based and eventually, to make them mandatory for certain class of companies, in a phased manner.**

Standards on Key Concepts (100 series), Standards on Internal Audit Management (200 series), Standards on the Conduct of Audit Assignments (300-400 series), Standards on Specialized Areas (500 series), Standards on Quality Control (600 series) and Standards on Miscellaneous Matters (700 series). These principle-based Standards provide a framework for internal audit activities, establish the basis for evaluation of internal audit performance, and foster improved organizational processes and operations.

The ICAI had revised Definition of “Internal Audit”, including an explanation which provides additional clarity on the key terms used in the revised definition. The ICAI has also revised Preface to the Framework and Standards on Internal Audit, Framework Governing Internal Audit and Basic Principles of Internal Audit in March 2018. Following revised Standards have also been issued by the ICAI:

## **Standard on Internal Audit (SIA) 210, *Managing the Internal Audit Function***

This Standard deals with the responsibility of the Chief Internal Auditor or a person who has been assigned to coordinate and manage the overall performance of activities related to an internal audit function/department.

## **Standard on Internal Audit (SIA) 220, *Conducting Overall Internal Audit Planning***

This Standard deals with the internal auditor's responsibility to prepare the Overall Internal Audit Plan covering the entire entity.

## **Standard on Internal Audit (SIA) 310, *Planning an Internal Audit Assignment***

This Standard covers the second level of planning i.e. planning the Internal Audit Assignment for a particular part of the entity.

## **Standard on Internal Audit (SIA) 320, *Internal Audit Evidence***

This Standard explains certain key requirements in the process of collection, retention and subsequent review of appropriate and reliable internal audit evidence.

## **Standard on Internal Audit (SIA) 330, *Internal Audit Documentation***

This Standard explains certain key requirements in the process of preparation, retention and subsequent review of complete and sufficient internal audit documentation.

## **Issued as Exposure Draft**

These Standards on Internal Audit are issued by the Institute and constitute an important tool in helping the internal auditors provide effective and efficient internal audit services to the clients and/or employers.

## **Standard on Internal Audit (SIA) 110, *Nature of Assurance***

This Standard deals with assurance assignments performed by internal auditors. The main objective of this Standard is to provide clarity on:

- (a) Whether the internal auditor can provide an opinion/assurance;
- (b) Essential requirements which must be satisfied to be able to provide the assurance; and
- (c) Nature of assurance that can be provided (Reasonable or Limited) and under what circumstances.

## **Standard on Internal Audit (SIA) 230, *Objectives of Internal Audit***

This Standard requires the Internal Auditors to have complete clarity on the objectives and scope of work, either in the form of an Internal Audit Charter or through an Engagement Letter.

## **Standard on Internal Audit (SIA) 240, *Using the Work of an Expert***

This Standard applies to all internal audit assignments where part of the internal audit work is completed by an Expert and relied upon by the Internal Auditor to conduct his Internal Audit.

## **Standard on Internal Audit (SIA) 360, *Communication with Management***

This Standard requires the Internal Auditor to ensure a two-way communication and a continuous dialogue for an effective internal audit activities and audit assignments.

# Internal Audit

## Standard on Internal Audit (SIA) 370, *Reporting Results*

This Standard deals with the internal auditor's responsibility to report his findings in the form of a formal presentation or written report is the subject matter.

## Technical Guides on Internal Audit

The ICAI has been bringing out Technical Guides of both generic and industry specific nature for the guidance of the members. The basic objective of these Technical Guides is to help the members and other readers in understanding the basic operations undertaken in the relevant industry and understand various unique aspects. The ICAI has, till date, issued 26 Industry-Specific and 17 Generic Internal Audit Guides.

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## Certificate Course on Internal Audit

"Certificate Course on Internal Audit" has been completely revamped with new topics and heavy dose of information technology. The main thrust of the course is to educate the participants on the theory and concepts of internal audit, especially its linkage with risk management and governance concepts, provide practical exposure to the design and conduct of internal audit, especially through the deployment of information technology and specialized tools, understand the current best practices and the way to deploy these to mitigate risks and address business challenges, and help the members acquire all the skills and knowledge required to conduct highly professional, best-in-class internal audit, which not just provides basic assurance but seeks to add tangible value to their organizations. The batch of this Course would be announced soon.

## Certificate Course on Concurrent Audit of Banks

The ICAI is conducting Certificate Course on "Concurrent Audit of Banks" to enable members to understand the intricacies of concurrent audit requirements. The Board has successfully completed 356 batches of the Certificate Course on Concurrent Audit of Banks at various places and around 17,820 members have successfully qualified the Course.

## Virtual Certificate Course on Concurrent Audit of Banks

Virtual Course would be conducted at the location where a minimum batch size of 35 participants is not achieved. The classes would be conducted through blue jeans link as provided to Participants by the Board. Participants would login with their own laptops/ computer system. There is no need to visit the venue or Branch premises to attend the class. Through BlueJeans, participants and speakers would be connected virtually from anywhere. The Board had successfully conducted first batch of virtual Course at Anantapur in December 2018.

## E-learning of "Certificate Course on Concurrent Audit of Banks"

With a view to provide easy access to the members, the Board has also taken up the project of development of e-learning modules of "Certificate Course on Concurrent Audit of Banks" which would include quizzes and case studies on practical aspects of concurrent audit.

- Assisted in preparation of Verification Report Format of Completed Toilets Blocks/ Units constructed/ repaired under Swachh Vidyalaya Abhiyaan of Ministry of Power, Coal, New and Renewable Energy.
- Organised Seminar on "Strengthening Internal Audit Functions in Ministries/ Departments" Jointly with Office of the Controller General of Accounts.
- Conducted Government Internal Audit Certificate Program Jointly with Office of the Controller General of Accounts.
- Organised a series of Seminars/ Conferences on Internal Audit across India for members working as internal auditors. ■