Standard on Internal Audit-3

DOCUMENTATION

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Internal Audit Standards

The Council of the Institute of Chartered Accountants of India had constituted the Committee on Internal Audit (a non standing Committee of the Institute).

The main function of the Committee on Internal Audit, among other things, was to review the existing internal audit practices in India and to develop Standards on Internal Audit (SIAs).

So far **18 SIA** have been issued under the authority of the council.

All these standards are recommendatory in nature.

In the coming slides we are going to discuss about SIA-3 which is on ***Documentation*** in Internal Audit

SIA-3 DOCUMENTATION

DOCUMENTATION

SIA-3 DOCUMENTATION
Introduction

Introduction:

The purpose of this Standard on Internal Audit (SIA) is to establish Standards and provide guidance on the documentation requirements in an internal audit.

Paragraph 10 of the Standard on Internal Audit (SIA) 2, Basic Principles Governing Internal Audit, states as follows:

"10. The internal auditor should document matters, which are important in providing evidence that the audit was carried out in accordance with the Standards on Internal Audit and support his findings or the report submitted by him."

SIA-3 DOCUMENTATION
Introduction

In addition, the working papers also help in planning and performing the internal audit, review and supervise the work and most importantly, provide evidence of the work performed to support his findings or report(s).

"*Internal audit documentation*" means the record of audit procedures performed, including audit planning as discussed in SIA 1, Planning an Internal Audit(covered in different presentation), relevant audit evidence obtained and conclusions the auditor reached."

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Introduction

Internal audit documentation should be designed and properly organized to meet the requirements and circumstances of each audit and the internal auditor's needs in respect thereof.

The internal auditor should formulate policies that help in standardization of the internal audit documentation. The standardization may be in the form of checklists, specimen letters, questionnaires, etc.

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Contents

<u>Internal Audit (IA) documentation should record:</u>

1. If carried out by yourself:

the internal audit charter, the internal audit plan, the nature, timing and extent of audit procedures performed, and the conclusions drawn from the evidence obtained.

(It includes, for example, analyses, issues memoranda, summaries of significant matters, letters of confirmation and representation, and correspondence (including e-mail). Abstracts or copies of the entity's records, significant and specific contracts and agreements, may be included as part of internal audit documentation, if considered appropriate)

SIA-3 DOCUMENTATION
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<u>Internal Audit (IA) documentation should record:</u>

2.If internal audit is outsourced:

The documentation should contain a copy of the internal audit engagement letter, containing the Terms & Conditions of appointment, giving comprehensive idea about the scope of audit to be carried out.

SIA-3 DOCUMENTATION

Contents

AUDIT PLAN

AUDIT CHECKLIST

WORKING PAPERS AND FILES

SIGNIFICANT MATTERS

SIA-3 DOCUMENTATION Form

Internal audit documentation may be recorded

a) On paper or

b) On electronic or

c) Other media.

Internal audit documentation, however, is not a substitute for the entity's accounting records. The internal audit documentation for a specific internal audit engagement is assembled in an audit file.

SIA-3 DOCUMENTATION
Effective and Reliable

To ensure effectiveness and reliability of documentation, the following requirements of SIA should be adhered.

- IA documentation should be **sufficiently complete** and detailed for an internal auditor **to obtain an overall understanding of the audit.**

- All the significant matters which require **exercise of judgment,** together with the internal auditor’s conclusion thereon should be included in the **IA documentation.**

SIA-3 DOCUMENTATION
Effective and Reliable

To ensure effectiveness and reliability of documentation, the following requirements of SIA should be adhered.

- The documentation prepared by the **Internal auditor** should be such that enables an experienced Internal auditor (or a reviewer), **having no previous connection** with the internal audit to understand :

  a) The nature, timing and extent of the audit procedures performed to comply with SIAs and applicable legal and regulatory requirements;

  b) the results of the audit procedures and the audit evidence obtained;

SIA-3 DOCUMENTATION
Effective and Reliable

To ensure effectiveness and reliability of documentation, the following requirements of SIA should be adhered.

c) significant matters arising during the audit and the conclusions reached thereon; and

d) terms and conditions of an internal audit engagement/ requirements of the internal audit charter, scope of work, reporting requirements, any other special conditions, affecting the internal audit

SIA-3 DOCUMENTATION
Effective and Reliable

To ensure effectiveness and reliability of documentation, the following requirements of SIA should be adhered.

- The **extent of documentation** is a matter of **professional judgment** since it is neither practical nor possible to document every observation, finding or conclusion in the IA documentation.

SIA-3 DOCUMENTATION
Effective and Reliable

To ensure effectiveness and reliability of documentation, the following requirements of SIA should be adhered.

- The **IA file** should be assembled **within 60 days after the signing** of the internal audit report. Assembly of the IA documentation file is only an administrative process and does not involve performance of any new audit procedures or formulation of new conclusions.

- Changes may be made to the audit documentation file only if such changes are administrative in nature.

SIA-3 DOCUMENTATION
Retention and Access

- The internal auditor should formulate policies as to the custody and retention of the internal audit documentation within the framework of the overall policy of the entity in relation to the retention of documents

SIA-3 DOCUMENTATION
Retention and Access

- The internal auditor retains the ownership of the internal audit documentation.

- Management and other designated personnel may seek access to the internal audit documentation of the internal audit Standard on Internal Audit (SIA) 38 department subject to the approval of the internal auditor and client or such other third party may seek access if there is any legal or regulatory requirement or as may be permitted by the client.

THANK YOU

The above presentation was prepared and presented on the basis of Standard of Internal Audit 3 – Documentation issued by ICAI Council for Internal Audit.

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