

EXPOSURE DRAFT

STANDARD ON INTERNAL AUDIT (SIA) 360

COMMUNICATION WITH MANAGEMENT*

The Internal Audit Standards Board of The Institute of Chartered Accountants of India (ICAI) invites comments on Standard on Internal Audit (SIA) 360, *Communication with Management*.

Comments are most helpful if they indicate a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments can be e-mailed either at cia@icai.in; or at concurrentaudit@icai.in

Last date for sending comments is **March 28, 2019**.

* This Standard on Internal Audit seeks to revise and supersede Standard on Internal Audit (SIA) 9, *Communication with Management*, issued in January 2009 (in recommendatory form). This SIA is being issued in its place as a mandatory standard from its effective date.

STANDARD ON INTERNAL AUDIT (SIA) 360

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Contents

	Paragraph(s)
Introduction	1
Objectives	2
Requirements	3
Explanatory Comments	4
Effective Date	5

This Standard on Internal Audit (SIA) 360, *Communication with Management*, issued by the Council of the Institute of Chartered Accountants of India should be read in conjunction with the “Preface to the Standards on Internal Audit,” “Framework governing Internal Audits” and “Basic Principles of Internal Audit” issued by the Institute.

1.0 INTRODUCTION

- 1.1 The Internal Auditor is required to have an effective two-way communication with the management, both while managing the internal audit function, and also while conducting an internal audit assignment. A continuous dialogue with management, at various stages of the internal audit process, is critical to the achievement of internal audit objectives.
- 1.2 Communication refers to any information exchange between the Internal Auditor and management, either through written media or verbal means. The focus of this Standard is on the need for quality communication required to help execute effective internal audits.
- 1.3 **Scope:** This Standard applies to all internal audit activities and audit assignments. The communication required for the Internal Auditor to report his findings in the form of a formal presentation or written report is the subject matter of another Standard (SIA 370 "Reporting Results to Management").

2.0 OBJECTIVES

- 2.1 The objectives of this Standard on Communication with Management are to ensure the following:
- (a) There is clarity between the Internal Auditor and the management with regard to the scope, approach and objectives of an internal audit.
 - (b) To help inform, persuade and act on matters important to the conduct of an internal audit by promoting a continuous dialogue and free flow of information between the Internal Auditor and management.
 - (c) To help resolve any conflicts in a timely manner.

3.0 REQUIREMENTS

- 3.1 The Internal Auditor shall establish a written communication process and protocol with management, which is shared and agreed with them. All communication shall be clear, appropriate and in line with the agreed process and deadlines. (Para 4.1)

- 3.2 The process documentation shall outline the various modes and channels of communication (Para 4.2), the periodicity and timelines for communication (Para 4.3), and also cover certain essential information required to be communicated (Para 4.4). Where essential matters (Para 4.4) are concerned, any verbal communication should subsequently be confirmed in writing and maintained as audit documentation.
- 3.3 The Chief Internal Auditor (or the Engagement Partner, in case of external service provider), shall play an active role in resolving conflicts through timely communication with management.

4.0 EXPLANATORY COMMENTS

- 4.1 **Communication Process and Protocol (Para 3.1):** A process-based communication will stipulate all the key elements required for accurate, complete and timely communication. A communication protocol will clarify who will communicate with whom during the duration of the assignment, including escalations required for timely intervention.
- 4.2 **Modes and Channels of communication (Para 3.2):** The manner in which information is exchanged (e.g., verbal, written, picture, video, etc.) is the mode of communication. The medium used to exchange information (e.g., through phone, hard-copy (paper), email, file exchange, etc.,) is the channel of communication.
- 4.3 **Periodicity and time-line of communication (Para 3.2):** The Internal Auditor, jointly in consultation with management, shall determine the nature and timing of communication. It is necessary that certain matters are conveyed during, or by a certain point in time, of the internal audit.
- 4.4 **Essential information for communication (Para 3.2):** Standards on Internal Audit (SIA) on a particular subject also includes any information which is considered essential for conduct of the internal audit. Such communication requirements shall be noted for compliance in written form.

For example, para 4.3 of SIA 210 "Managing the Internal Audit Function" mentions that *"the Internal Auditor shall engage in periodic meetings with (management) to ensure progress is on track and concerns, if any in this regard, are*

addressed immediately". Similarly, para 4.3 of SIA 310 "Planning the Internal Audit Assignment" requires a "*Discussion with Management*" as part of the planning process. This exchange of information is considered important and essential for conduct of internal audits.

4.5 Documentation: To confirm compliance of audit procedures with this SIA, the list of documents required is as follows:

- (a) Written Communication process and protocol, as part of the Internal Audit Manual.
- (b) Written details of essential exchange of information, as required by other SIAs, cross referenced to the Internal Audit Program, where appropriate.

5.0 EFFECTIVE DATE

5.1 This Standard is applicable for internal audits beginning on or after a date to be notified by the Council of the Institute.