

STANDARD ON INTERNAL AUDIT (SIA) 210

MANAGING THE INTERNAL AUDIT FUNCTION

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This Standard on Internal Audit (SIA) 210, “Managing the Internal Audit Function”, issued by the Council of the Institute of Chartered Accountants of India (ICAI) 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. Introduction

- 1.1 The Internal Audit Function, generally, comprises of the Chief Internal Auditor and a team of individuals performing internal audits in an organisation.
- 1.2 The Internal Audit Function performs a number of activities to achieve its objectives as outlined in its Charter (or Terms of Engagement). A few of the critical activities are as follows:
 - (a) Define the overall plan, scope and methodology of the Internal Audit Function on a periodic basis.
 - (b) Oversee and monitor various audit assignments, their proper planning, execution, reporting of findings and subsequent closure of reported observations.
 - (c) Plan, acquire, engage and review the performance, training and development of professional staff, talent and other resources to achieve its objectives.
 - (d) Identify, source, engage and manage external experts and technical solutions, if required.
 - (e) Communicate and engage with all key stakeholders regarding progress and achievement of objectives.
 - (f) Develop and maintain a quality evaluation and improvement program.
- 1.3 Completion of the above activities are part of the responsibility of the Chief Internal Auditor or the person who has been designated to coordinate and manage the overall performance of above-mentioned activities.
- 1.4 Scope: For companies subject to internal audit under Companies Act, 2013, the individual (or firm) notified by the Company to the Government as the officially appointed internal auditor as per Section 138 of the Companies Act, 2013, is expected to act as the Chief Internal Auditor. In other cases, it is the person appointed by the Company to perform a similar role. Where the internal audit activity is partly outsourced, the external engagement partner may not be able to assume the overall responsibility of managing the internal audit activity for the whole Company. This limitation, if applicable, shall be

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documented in the terms of engagement with the Company. In such situations, this SIA will apply to members only to the extent of the outsourced part of the internal audit activity.

2. Objectives

- 2.1 The objectives of this Standard on Managing the Internal Audit Function are to ensure the following:
- (a) The achievement of overall objectives of internal audit (as outlined in the Internal Audit Charter or Engagement Letter).
 - (b) Adequate skilled resources and expertise are in place and deployed well, to provide the required level of assurance.
 - (c) Internal audit assignments are undertaken in a systematic, disciplined and professional manner.
 - (d) Quality of the work performed forms a sound basis for reporting and is supported by evidence and documentation.
 - (e) Work is conducted in conformance with the Standards on Internal Audit and other related pronouncements issued by the ICAI.

3. Requirements

- 3.1 The Chief Internal Auditor has the overall responsibility to ensure the achievement of the objectives of the internal audit function through a well documented internal audit process (refer Para. 4.1).
- 3.2 A resourcing plan shall be prepared to ensure that the internal audit function has the required professional skills either internally, or acquired externally and assigned to conduct all internal audit assignments effectively (refer Para. 4.2).
- 3.3 Internal audit assignments shall be executed as per the documented internal audit process. The internal audit process shall be adequately reviewed, monitored and supervised to achieve the planned objectives (refer Para. 4.3).
- 3.4 The internal audit function shall have in place a formal quality evaluation and improvement program designed to ensure that all the internal audit activities undertaken by the function are conducted in

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conformance with the pronouncements and Standards on Internal Audit (refer Para. 4.4).

4. Explanatory Comments

- 4.1 **Internal Audit Process (refer Para. 3.1):** An internal audit process helps to execute internal audit activities and assignments in an effective and efficient manner. It documents the policies and procedures for conducting internal audit in a disciplined, time-bound and professional manner. It provides guidance on how each audit assignment is to be undertaken: the key inputs required, significant steps to be completed, milestones to be achieved, and essential output to be generated for desired quality of outcome. Various elements of an internal audit process shall be collated in a comprehensive internal audit manual used as reference material by the internal audit staff performing the assignments.

- 4.2 **Resourcing Plan (refer Para. 3.2):** The resourcing plan shall map the skill requirements of the planned internal audits with the capabilities of the available resources of the internal audit function. These resources shall be organised and structured into audit teams such that they have the necessary knowledge, experience, expertise and skills required to conduct the planned audit assignments. If such expertise or skills are not available in-house, it shall be outsourced.

The resourcing plan shall ensure proper deployment of the talent as well as the manner in which they are periodically evaluated for performance and skill development through education and training programs.

- 4.3 **Monitoring Progress and Achievement of Objectives (refer Para. 3.3):** The Internal Auditor shall deploy a set process for monitoring and reviewing the progress by continuously tracking the assignments underway. Using time budgets and deadlines, and monitoring them constantly, helps to ensure that the progress is on track. A continuous review of the nature of findings and emerging issues helps to ensure that the audit work remains focused on the objectives.

Monitoring includes conducting periodic meetings for sharing of progress dash-boards. The Chief Internal Auditor shall engage in periodic meetings with the staff, the outsourced internal audit firm,

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executive management and key stakeholders to ensure progress is on track and concerns, if any, in this regard, are addressed immediately.

- 4.4 **Quality Evaluation and Improvement Program (refer Para. 3.4):** A documented quality evaluation and improvement program shall be designed and implemented to confirm the reliability of the audit work performed by internal audit staff. This program shall be drafted in line with the pronouncements and Standards on Internal Audit issued by the ICAI.

The quality evaluation and improvement program shall be implemented and monitored by a person having the requisite knowledge and skills as well as the authority to intervene in areas of non-compliance. It shall be supported with a system of identifying and reporting key quality parameters periodically, and corrective actions taken in case of deviations from Standards.

- 4.5 **Documentation:** To confirm compliance with the Standard, all key activities which form part of the internal audit process shall be documented to confirm their timely completion.

Key elements of documentation are as follows:

- (a) The Internal Audit Process, in the form of an Internal Audit Manual.
- (b) Resourcing Plan, showing staff competencies, assignments conducted, performance evaluation and skill development.
- (c) Progress Monitoring Reports showing the various assignments underway, their progress against budgets and anticipated time for completion.
- (d) Quality Evaluation and Improvement Program appropriately cross referenced to the SIAs, where applicable.

5. 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.