

STANDARD ON INTERNAL AUDIT (SIA) 360

COMMUNICATION WITH MANAGEMENT*

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.

***Note:** This Standard on Internal Audit (SIA) supersedes *Standard on Internal Audit (SIA) 9, Communication with Management*, issued in January 2009.

1. 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 essential to the achievement of internal audit objectives.
- 1.2 “Communication” refers to any information exchange between the Internal Auditor and management, either through written or verbal means. “Management” refers to persons(s) with executive responsibility to run the company’s operations. The focus of this Standard is on the need for important communication to 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”.

2. Objectives

- 2.1 The objectives of this Standard to ensure the following:
 - (a) There is clarity and consensus between the Internal Auditor and the management with regard to the scope, approach, objectives and timing 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. 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 timelines. (refer Para 4.1)

Standard on Internal Audit (SIA) 360

- 3.2 The process documentation shall outline the various modes and channels of communication (refer Para 4.2), the periodicity and timelines for communication (refer Para 4.3), and also cover certain essential information required to be communicated (refer Para 4.4). Where essential matters (refer 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) or their designate, shall play an active role in resolving conflicts through timely communication with management.

4. Explanatory Comments

- 4.1 **Communication Process and Protocol (refer Para 3.1):** A process-based communication will stipulate all the key elements (e.g. protocol, mode, channel, timelines, content, etc.) 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 (refer 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 (refer 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 (refer Para 3.2):** Various Standards on Internal Audit (SIA) includes reference to 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 4.1 of SIA 110, "Nature of Assurance", requires the Internal Auditor to consult with the Auditee and Assurance User regarding the type of assurance to be provided. This would have to be communicated in writing prior to the commencement of the audit work.

Communication with Management

Similarly, 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”*. Also, in 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 reference to the Internal Audit Program, where appropriate.

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.