



# PERFORMANCE OF INTERNAL AUDIT ASSIGNMENT

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## AREAS COVERED

SR.NO	PARTICULARS
1	IIA 2300 - Performing the Engagement
2	IIA 2310 - Identifying the Information
3	IIA 2320 - Analysis and Evaluation
4	IIA 2330 - Documentation
5	IIA 2340 - Engagement Supervision
6	SIA 320 - Audit Evidence

# SIAs and IIAs

## Standards on Internal Auditing (SIA)

- The Internal Audit Standards Board (IASB) of the ICAI has issued Standards on Internal Audit which provide guidance to the members on all important aspects related to internal audit, so that they adopt the best practices and processes in carrying out internal audit.
- The Standards assist in providing confidence in the quality and consistency of the internal audit work conducted, help to deliver internal audit services in an effective and efficient way.

## International Standards on Internal Auditing (IIA)

- International Standards of Internal auditing are introduced by The Institute of Internal Auditors (IIA) which was established in 1941 as an international professional association.
- It has global headquarters in Lake Mary, Florida, USA. According to IIA mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.



# IIA 2300

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PERFORMING THE  
ENGAGEMENT

# IIA 2300 – Performing the engagement



## Statement:



*Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.*



## Consideration for implementation



The 2300 series of standards encompasses performing the tests outlined in the planning phase and evaluating and documenting the results.



As internal auditors reflect on the information needed to accomplish the engagement objectives, they should consider the expectations of the board and senior management.



The engagement information should be collected and documented in such a way that a prudent, informed person could repeat the engagement and achieve similar outcomes.



Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.



As evaluations are completed, the results may be recorded in a column added to the risk and control matrix, which is typically documented as a workpaper.



The Chief Audit Executive(CAE) usually establishes a common approach to workpaper documentation in the internal audit activity's policies and procedures manual

# IIA 2300 – Performing the engagement

# IIA 2300 – Performing the engagement

## Considerations for Demonstrating Conformance

Conformance with Standard 2300 may be evidenced in the engagement workpapers that describe the actions, analyses, and evaluations performed during an engagement, as well as the logic supporting the conclusions, opinions, and/or advice.

Workpapers normally include a description of any CAATs or software that was used during the engagement. Additionally, final engagement communications typically demonstrate conformance.

## MCQ

**An objective for an audit of a medical research corporation is to evaluate management's controls to ensure that timely reports are submitted to sponsors of contracted research projects. In planning the audit to achieve this objective, the auditor should begin by:**

- A. Reviewing policies and procedures.
- B. Interviewing a group of research managers.
- C. Observing report preparation in a number of laboratories.
- D. Sending a questionnaire to a sample of research sponsors.



# Answers

## Answers

1. **A** . Reviewing policies and procedures



# IIA 2310

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## IDENTIFYING THE INFORMATION

## IIA 2310 – Identifying Information

### Interpretation:

- **Sufficient information** is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor.
- **Reliable** information is the best attainable information through the use of appropriate engagement techniques.
- **Relevant** information supports engagement observations and recommendations and is consistent with the objectives for the engagement.
- **Useful** information helps the organization meet its goals.

# IIA 2310 – Identifying Information

## Introduction

Internal auditors begin gathering information, which includes audit evidence, when planning the engagement.

A review of the engagement objectives and engagement work program helps prepare internal auditors to identify sufficient, reliable, relevant, and useful information.

The work program prescribes the procedures internal auditors use to perform the engagement.

The process of identifying information is facilitated by open and collaborative communication between the internal auditor and the organization's personnel,

Establishing and maintaining effective channels of communication is an important aspect of performing the engagement.

# IIA 2310 – Identifying Information

## Considerations for Implementation

- During engagement planning, internal auditors gather information about the audit client and document the information in workpapers. The level of analysis and detail applied during the planning phase varies by internal audit activity and engagement.
- According to Standard 2310, the reliability of the audit information depends on the use of appropriate engagement techniques. Some techniques take longer or require more resources than others because they enable a higher level of assurance.
- Some simple manual audit procedures include inspection, observation, monitoring of data via technology.
- The sufficiency and reliability of information increase when the information is current, corroborated, and/or obtained directly by an internal auditor or from an independent third party or from system where controls are operating effectively.

# IIA 2310 – Identifying Information

- It is also important for internal auditors to critically assess all of the engagement information as a whole, conclusions and advice are based on evidence that is persuasive, rather than absolute.
- As the engagement resources are limited , it is important for internal auditors to identify and prioritize the most relevant and useful information.

## Considerations for Demonstrating Conformance

- Conformance with Standard 2310 may be evidenced in the engagement work program and the supporting engagement workpapers, which may be stored electronically or in paper format .
- To confirm that the information provided was useful to the organization, surveys could be issued to personnel in the area under review.
- In addition, the CAE monitors the disposition of the engagement results communicated to management, which may provide evidence of the usefulness of the information communicated.

## MCQ

**1. Which of the following would provide the most reliable information on the risk associated with an auditable activity?**

- A. Event scenarios with regression analysis.
- B. Past audit findings and instances of management failures.
- C. Consequences and economic predictability of loss.
- D. Management assessment and corroboration by the internal audit activity.

# Answers

## Answers

**D.** Management assessment and corroboration by the internal audit activity.





# IIA 2320

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## ANALYSIS AND EVALUATION

# IIA 2320 – Analysis and Evaluation

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## Statement

*“Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.”*

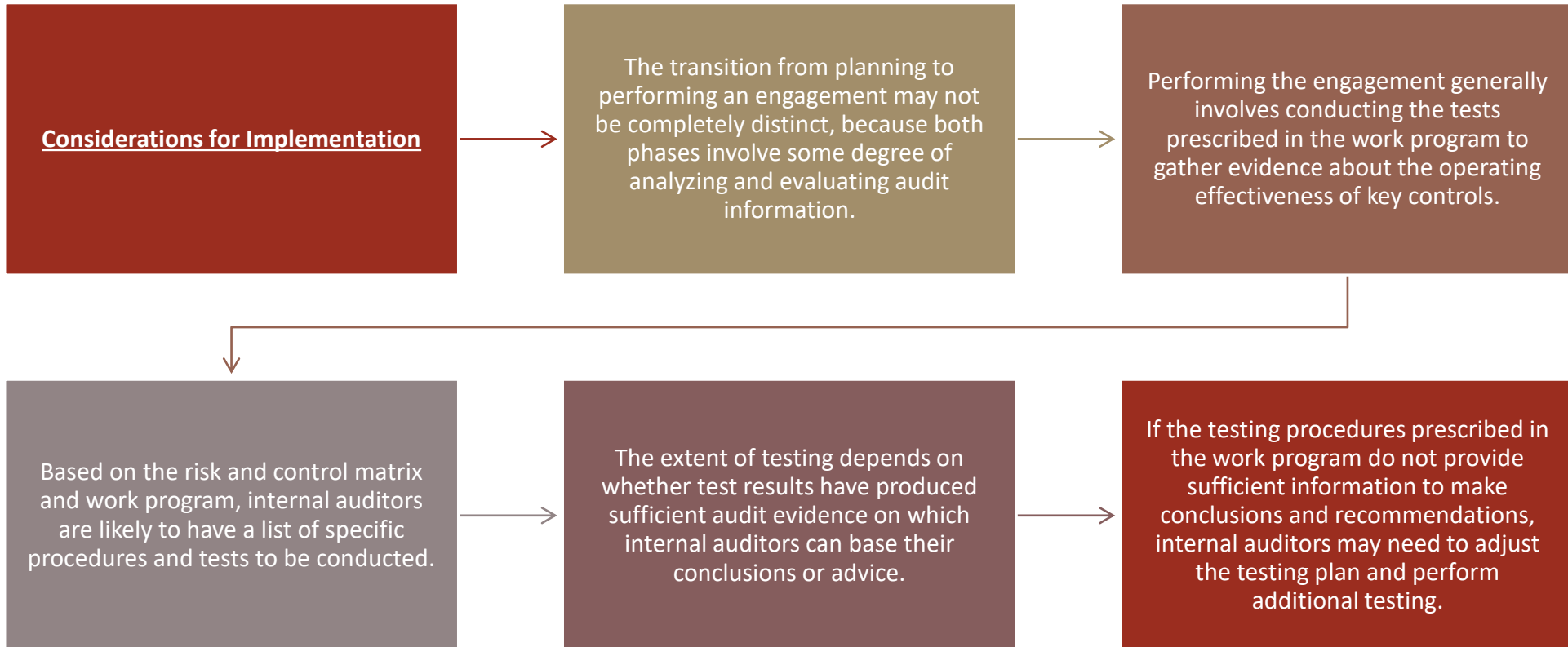
## Introduction

- Standard 2320 requires internal auditors to analyze and evaluate the information obtained during the engagement before drawing conclusions.
- When planning the engagement and creating the work program, internal auditors may have completed several engagement steps and generated important information, including a risk and control matrix and an evaluation of the adequacy of control design.
- The work program often links to workpapers that document the work completed, information produced, and resulting decisions.



# IIA 2320 – Analysis and Evaluation

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# IIA 2320 – Analysis and Evaluation

## Analysis

- Testing approaches often include a combination of manual audit procedures and computer-assisted audit techniques (CAATs).
- Internal auditors may test a complete population or a representative sample of information. If they choose to select a sample, they are responsible for applying methods to assure that the sample selected represents the whole population.
- The use of CAATs may enable the analysis of an entire population of information, rather than just a sample.
- Analytical procedures are used to compare information against expectations, based on an independent source. Examples of analytical procedures include ratio-analysis, reasonableness test, prior period comparisons etc.
- Unexplainable results may indicate a need for additional follow-up and may suggest the presence of a significant problem that should be communicated to senior management and the board.

# IIA 2320 – Analysis and Evaluation

## Evaluations

- At each step in the engagement process, they apply professional experience and professional skepticism to evaluate whether evidence is sufficient and appropriate to formulate conclusions and/or recommendations.
- Although complex issues may require more rigorous analyses, in certain circumstances a root cause analysis may be as simple as asking a series of “why” questions in an attempt to identify the root cause of a variance. For example:

The worker fell. Why? Because oil was on the floor. Why? Because a part was leaking. Why? Because the part keeps failing. Why? Because the quality standards for suppliers are insufficient.

- When the time frame or skill levels needed to complete the root cause analysis exceed that which is available within the internal audit activity, the chief audit executive (CAE) may recommend that management address the underlying issue and conduct further work to identify the root cause.

# MCQ

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## 1. Which one Statement about sampling is True?

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A. For a given sample size, a simple random sample always produces the most representative sample.

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B. For very large populations, the absolute size of the sample has more impact on the precision of its results than does its size relative to its population.

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C. A larger sample is always more representative of the underlying population than a smaller sample.

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D. The limitations of an incomplete sample frame can almost always be overcome by careful sampling techniques.

# MCQ



**2. An important difference between a statistical and a judgmental sample is that with a statistical sample,**



A. More accurate results are obtained.



B. Population estimates with measurable reliability can be made.



C. A smaller sample can be used.



D. No judgment is required because everything is computed according to a formula.



## Answers



1. C. A larger sample is always more representative of the underlying population than a smaller sample



2. B. Population estimates with measurable reliability can be made

Answers

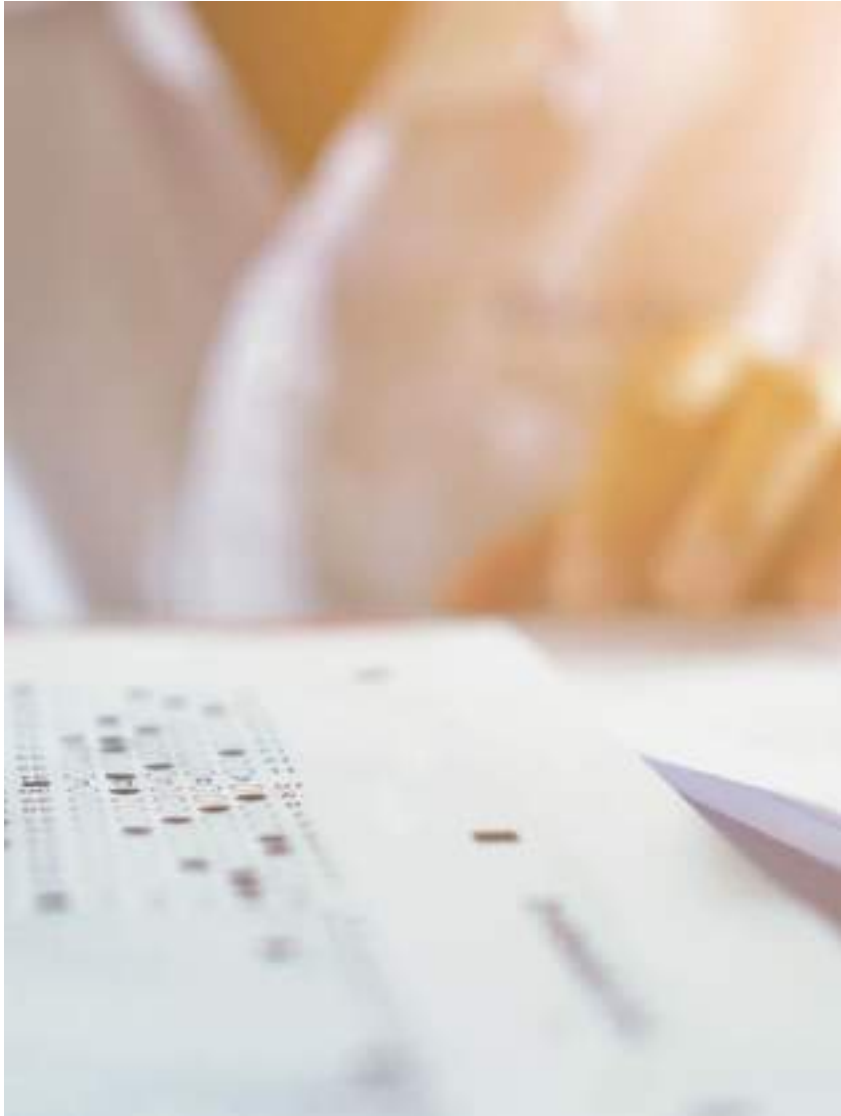




# IIA 2330

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## DOCUMENTING INFORMATION



# IIA 2330 – Documenting Information

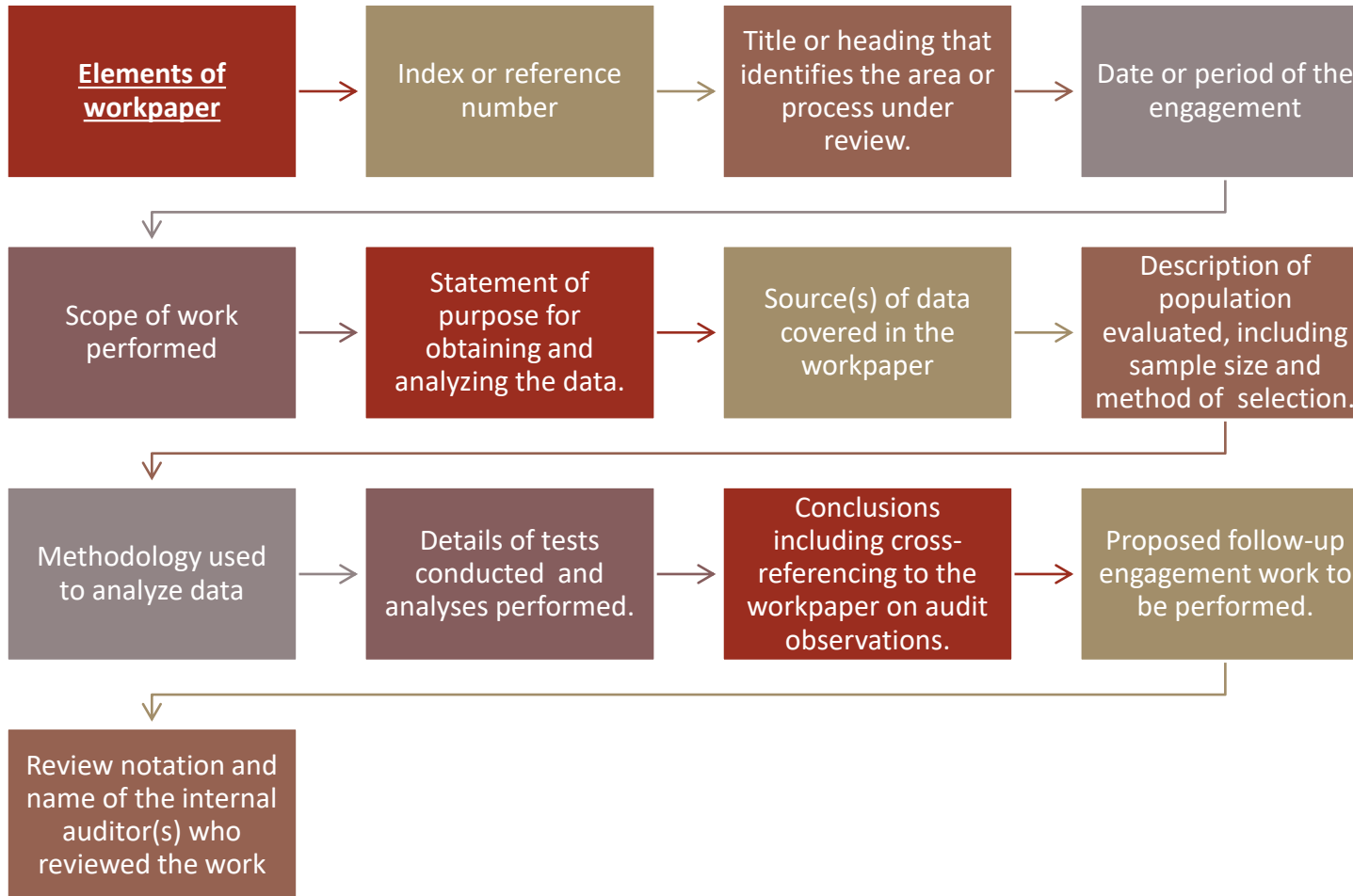
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## Statement

*“Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions”*

## Introduction

- Engagement workpapers are used to document the information generated throughout the engagement process, including planning; testing, analyzing, and evaluating data; and formulating engagement results and conclusions.
- The use of standardized , workpaper formats improves the efficiency and consistency of the engagement process.
- Effective workpapers contain information that is sufficient and relevant to the engagement objectives, observations, conclusions, and recommendations, which makes the information useful in helping the organization meet its goals.



# IIA 2330 – Documenting Information



## Considerations for Demonstrating Conformance



Evidence that the engagement information is sufficient, reliable, relevant, and useful may be demonstrated in management's effective implementation of recommended actions.



Similarly, post-engagement surveys of the individuals who received the engagement information may also evidence conformance.

# IIA 2330 – Documenting Information



**1. An adequately documented working paper should**



A. Be concise but complete.



B. Contain examples of all forms and procedures used by the engagement client.



C. Not contain copies of engagement client records.



D. Follow a unique form and arrangement.

MCQ

# Answers

## Answers

1.A. Be concise but complete.



# IIA 2340

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## ENGAGEMENT SUPERVISION

# IIA 2340 – Engagement Supervision

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## Statement

*“Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed”*

## Interpretation

- The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement .
- The CAE has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity but may designate appropriately experienced members of the internal audit activity to perform the review.





# IIA 2340 – Engagement Supervision

## Introduction

- CAE usually has developed internal audit policies and procedures to address how engagements are planned, performed, and supervised.
- Such policies and procedures may specify software programs or templates that internal auditors should use to establish consistent formats for work programs and workpapers.
- Similarly, policies and procedures may address opportunities for staff development, such as a policy requiring post-engagement meetings between the internal auditor(s) who performed the engagement and the CAE or designated engagement supervisor.

## Considerations for Implementation

- Engagement supervision is a process that begins with engagement planning and continues throughout the engagement.
- The engagement supervisor typically maintains ongoing communication with the internal auditor(s) assigned to perform the engagement and with management of the area or process under review.

# IIA 2340 – Engagement Supervision

- The supervisor evaluates whether the information, testing, and results are sufficient, reliable, relevant, and useful to achieve the engagement objects and support the engagement results and conclusions.
- Therefore, the CAE usually develops policies and procedures designed to minimize the risk that internal auditors will make judgments or take actions that are inconsistent with the CAE's professional judgment and could adversely affect the engagement.

## Considerations for Demonstrating Conformance

- Evidence of conformance with Standard 2340 may include engagement workpapers, either initialed and dated by the engagement supervisor (if documented manually) or electronically approved.
- Internal auditors may have the opportunity to provide feedback about the engagement supervisor through peer review mechanisms such as surveys

1. Supervision of an internal audit engagement should include

A. Appraising each internal auditor's performance on at least an annual basis.

B. Assigning staff members to the particular engagement.

C. Determining the scope of the engagement.

D. Determining that engagement working papers adequately support the engagement observations

MCQ

# Answers

Answers :D



# SIA 320

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INTERNAL AUDIT EVIDENCE

# SIA320 – Internal Audit Evidence

## Introduction

- **Internal Audit Evidence**” refers to all the information used by the Internal Auditor in arriving at the conclusions on which the auditor’s opinion is based.
- It includes both information collected from underlying entity records and processes, as well as information from the performance of various audit activities and testing procedures.
- Gathering appropriate and reliable audit evidence is a critical part of the internal audit process. This Standard explains certain key requirements in the process of collection, retention and subsequent review of internal audit evidence.
- This Standard applies to all internal audit assignments. However, the manner in which the audit evidence is to be gathered from the performance of audit activities and testing procedures are not subject matter of this Standard.

# SIA320 – Internal Audit Evidence

## Objectives

- Confirm the nature, timing and sufficiency of the audit procedures undertaken;
- Aid in the supervision and review of the internal audit work;
- Work performed is in conformance with the applicable pronouncements of the Institute of Chartered Accountants of India.

The overall objective of gathering appropriate and reliable evidence is to allow the Internal Auditor to **form an opinion on the outcome of the audit procedures completed.**

## Methods of Obtaining Internal Audit Evidence

- Inspection
- Observation
- Inquiry and confirmation
- Computation
- Analytical review

# SIA320 – Internal Audit Evidence

## Requirements

- Auditor shall obtain sufficient and appropriate audit evidence which can form the basis of audit findings and allow reliable conclusions to be drawn from those findings
- Evidence shall be obtained from reliable sources with consistency between various evidences collected
- Audit evidence collected shall be recorded and the internal audit function shall maintain a written process explaining the manner in which audit evidence is to be gathered, reviewed and documented.

## Nature of Evidence

- Evidence is collected either from the underlying company's books, records, systems and processes or through the performance of audit activities and testing procedures.
- Normally, the internal audit evidence is persuasive on its own and a number of evidential matters in aggregate, help make it conclusive in nature.





# SIA320 – Internal Audit Evidence

## Reliability and Consistency of Evidence

- The reliability of the audit evidence depends on its source - internal or external, its type and thoroughness and, may also depend on the timing of the audit procedures conducted.
- All audit evidence shall be recorded in such a manner that it can be reproduced (if in digital form) and reviewed independently of the Internal Auditor.

## Documentation

- Written policy and process on audit evidence, as part of the Internal Audit Manual.
- Details of the evidence collected, relevance to the audit findings and opinion being formed, cross referenced to the Internal Audit Program, where appropriate.

## MCQ

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Which source of audit evidence would provide the least value in flowcharting an organization's purchasing process?

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A. An interview with the purchasing supervisor.

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B. A review of a sample of purchase orders which were completed during the last month.

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C. A review of the purchasing policies and procedures manual.

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D. A walk-through of the process with a member of the purchasing staff.

# Answers

Answer:

**1.B.** A review of a sample of purchase orders which were completed during the last month

# Questions ?

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THANK YOU

**For any Queries, please feel free to connect**

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