

Standard on Internal Auditing (SIA) 110 : Nature of Assurance

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ELEMENTS & KEY ELEMENTS

QUESTIONS??

Why standard on Assurance?

45+ years been releasing IA report? Is it not an assurance?

Is there any value addition or its a mere documentation ?

Assurance for statutory auditors why internal auditors?

What precautions I need to take while giving assurance?

Is there a defined format for assurance?

Assurance is to be given to whom?

Are there any exclusions?

& so on.....

“A problem well stated is half solved”

Why SIA 110?

Internal Audit

We have

- Detailed Observations
- Risk
- Recommendations
- Root Cause
- Audit Rating





Internal Audit

Missing

- Conclusion to enhance confidence
- Outcome on subject matter
- Pre-defined Criteria

SIA 110 bridges this gap.

ASSIGNMENTS NOT COVERED UNDER SIA 110?

	Audit Assignments	Assignments with only summary of observations along with recommendations
	Agreed upon Procedures	They do not give opinions. They only report findings Clients need to make their own conclusions-“We found no differences” rather than “In our opinion...”
	Statutory Filing	Compliance report where only report on non-compliance is submitted
	Consulting	Advisory engagements such as operational, strategic reviews, due diligence etc

OBJECTIVE OF THE SIA 110

1

Conclusive Outcome:
Effectiveness of internal controls after comparing the subject matter of audit with a pre-defined criteria.

2

To provide clarity on whether the internal auditor can provide any assurance at all

3

To provide clarity on essential requirements which must be satisfied to be able to provide the assurance

4

To provide clarity on nature of assurance that can be provided and under what circumstances

ELEMENTS OF AN ASSURANCE ASSIGNMENT

A three-party relationship,
involving an Internal Auditor, An
Auditee and Assurance User

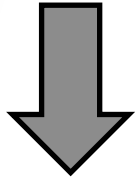


Presence of three key elements,
involving a Subject Matter, a Pre-
defined criteria, and a
Conclusive Outcome

A written Assurance (or No
Assurance) Report which
expresses an opinion, or
provides an overall rating, in a
standard format

TYPES OF AUDIT ASSURANCE ASSIGNMENT

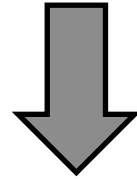
- This Standard identifies the objectives of three types of assurance assignments an internal auditor is permitted to perform. This Standard refers to these three as follows :



Reasonable assurance

To express an opinion over the whole subject matter after conducting an audit of the whole subject matter.

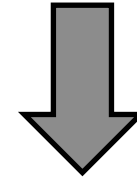
“In our opinion internal control is effective based on XYZ criteria...”



Limited assurance

to express an opinion over the whole or part of subject matter after conducting limited audit procedures over the subject matter.

“Based on our work described in this report nothing makes us believe that internal control is not effective based on XYZ criteria”



No assurance

To provide some type of evaluation or rating on individual findings (observations) noted, and/or an overall rating on the subject matter, but not to express an overall opinion over the whole subject matter

REASONABLE ASSURANCE - **Less than absolute assurance**

01

Selective testing

02

Inherent limitations of
Internal Controls

03

Evidences are persuasive rather
than conclusive.
Quality of available evidence

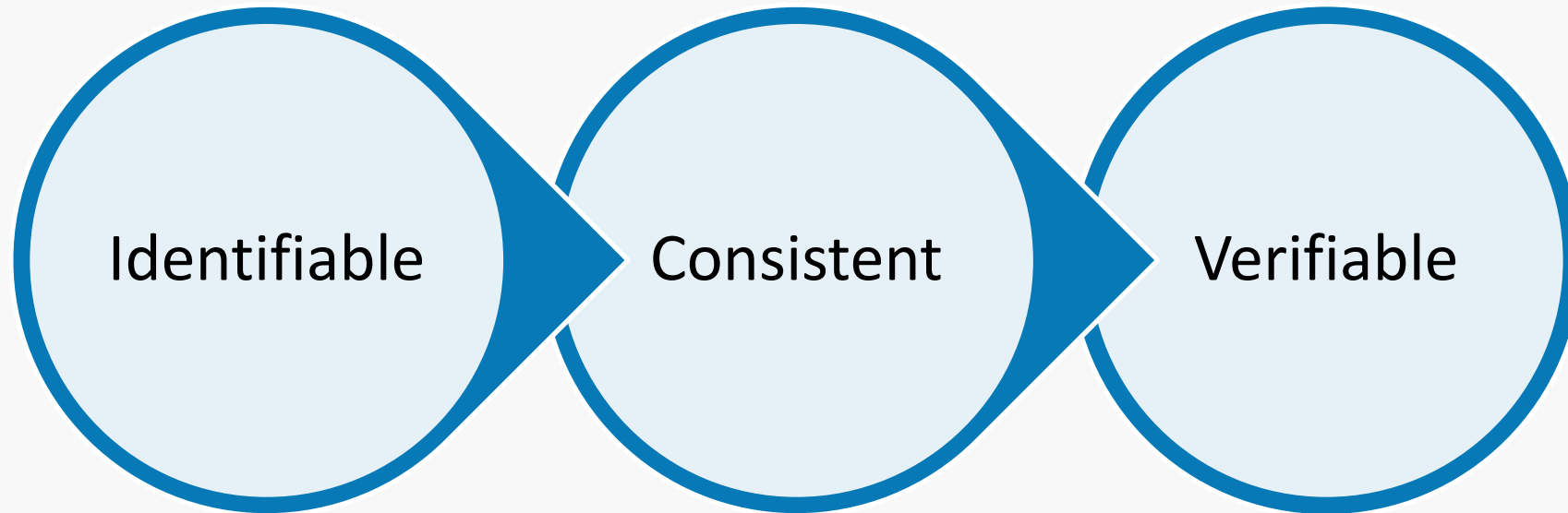
04

Use of judgement

05

Characteristics of
Subject Matter

Subject Matter (Key indicators of effectiveness)



Characteristics of a Suitable Criteria-benchmark to evaluate subject matter- Code of Conduct etc)

Completeness

Relevance

Reliability

Understandability

Neutrality

Quality of available
evidence

KEY ELEMENTS

FORMS

SUBJECT MATTER

PRE-DEFINED CRITERIA

(Pre-defined criteria are the benchmarks used to evaluate or measure the Subject matter)

CONCLUSIVE OUTCOME

(Following the completion of the audit activities and audit procedures, the Internal Auditor is in a position to deliver an outcome)

Financial performance or conditions (for example, the financial position, financial performance and cash flows).

Recognition, measurement, presentation and disclosure in financial statements

1. Formal, for example the Accounting standards

Internal Auditor plans and performs an assignment in accordance with the Standards on Internal Audit **to reach an outcome** which allows a conclusion to be reached on whether the **Subject matter meets the Pre-defined criteria**

Non-Financial Performance or conditions (operational output of a factory)

Key Indicators of efficiency and effectiveness

2. A factory manual

Internal Auditor plans and performs an assignment in accordance with the manual to reach an outcome which allows a conclusion to be reached on whether the Subject matter meets the Pre-defined criteria

Physical characteristics (for example, capacity of a facility)

Technical specification document

3. A framework, for example an established internal control framework or individual control objectives specifically designed for the assignment.

The Internal Auditor **concludes and provides either reasonable or limited assurance**, based on various factors such as – method of testing, inherent limitations, judgement, etc.

Systems and processes (for example, an entity's internal controls, or IT system)

Assertion about design & effectiveness

4. A mandate, for example the applicable

Statue, law, regulation or contract.

Assurance Report - The Internal Auditor provides a written report expressing an opinion that conveys the assurance obtained about the Subject matter.

Procedural compliance (for example, corporate governance, compliance with regulation, human resource practices).

Statement of Compliance or a statement of design & effectiveness

5. Informal criteria may be an internally developed code of conduct or an agreed level of performance

THANK
YOU