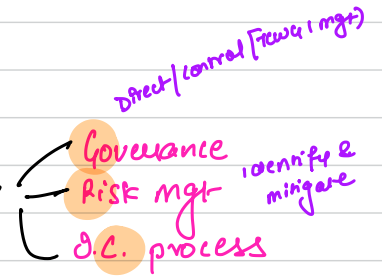


Internal Audit function

Refers to a **function** of entity that

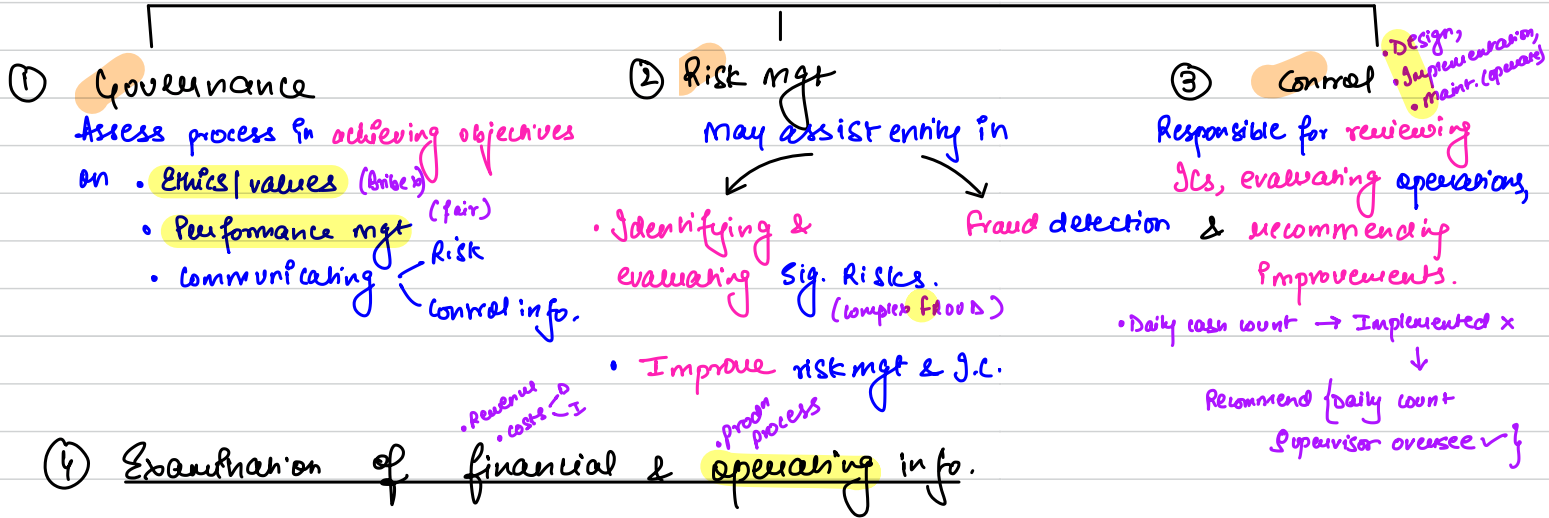
• performs **assurance** & **consulting** activities

• to **evaluate** & **improve** effectiveness of Entity's



Objective & Scope of IIA fⁿ

Activities related to:



Review the "means" to identify, measure, classify & report F&O info, & make specific inquiry into individual items. (wastage % → v. high)

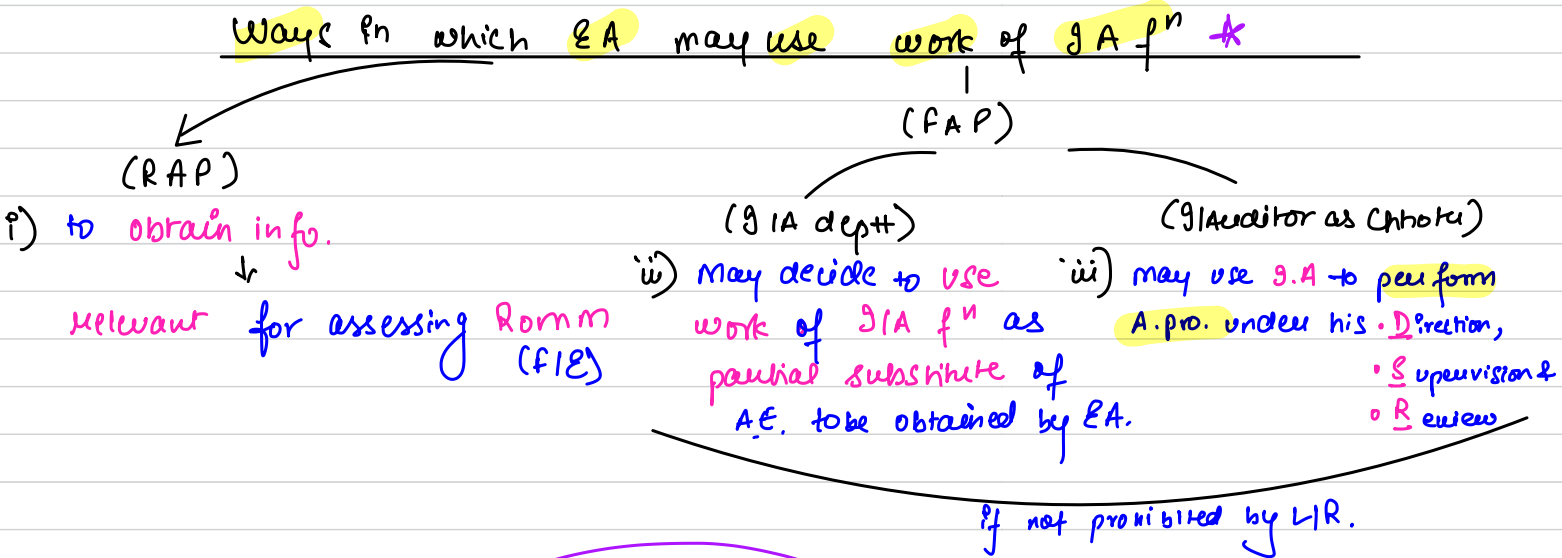
⑤ Review operating Activities: Review E/E/E of operating acts.

⑥ Review compliance with LIR & other external requirements

④
 mgt policies / directives & other internal requirements. (R.M. → daily check)

IA Auditor $\xrightarrow{\text{use}}$ check IA control [saare]
 Stat. Auditor (F.S.) $\xrightarrow{\text{use}}$ J.C. check [relevant to F.R.] (Audit)

EA \rightarrow External Auditor | IA \rightarrow Internal Audit / Auditor

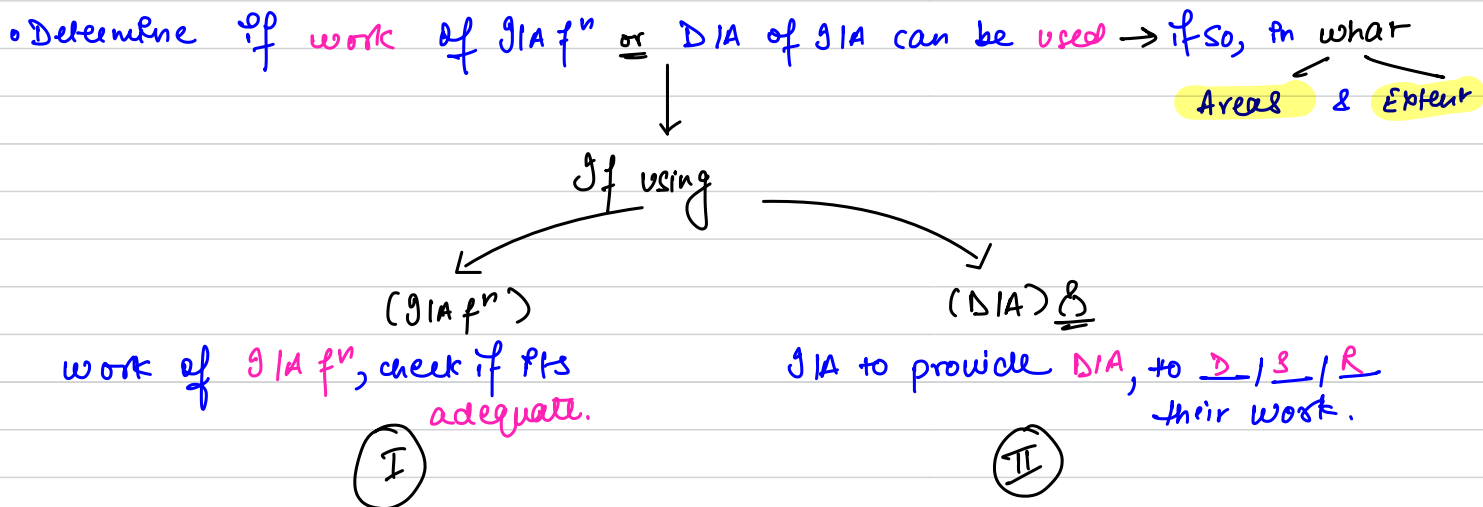


SA 610: Using the work of Internal Auditor

• Sole Responsibility for opinion on As. : EA.

obtain SAAE that work of $\left\{ \begin{array}{l} \text{GIA fn} \\ \text{or} \\ \text{Internal Auditor} \end{array} \right.$ is adequate for audit.

Objective



G/A fⁿ

① whether work can be used?

a) Extent to which

- G/A fⁿ org. status^o Report ^{Audit comm.} (EOR (mgmt))
- P&P [Area f^r work → Review x] support his **Objectivity**.

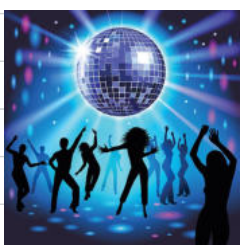
b) level of **competence**.

(Qualified/Exp.)

c) whether G/A fⁿ applies

Systematic & disciplined approach, including **Quality Control**.
 (Plan → Execute (Testing) → Reporting)
 ↳ Review

Note: If above qualities not present → then work **can't be used**.



DISCO → SASO! L&ES → "f^r meeting" → ELC (3 cases)

A. Factors affecting "Objectivity"

whether **org. status** of G/A fⁿ
 ↓
 allows him to be **free of A.C.**
 or **U.S.** of others

eg. whether G/A fⁿ reports to T&W.

(Employ?)

whether **T&W** oversee
 employment decisions
 of G/A fⁿ

eg. Remuneration policy.

(Restricted / free)

⇒ whether any **constraints / restrictions** of G.A. by mgmt
 T&W.

eg. communicating findings to EA.

⇒ whether G/A fⁿ **free of conflicting resp.**

eg. mgr/operational duties of G/A fⁿ
 procurement officer → purchases G/Audit.

B. Competence & evaluation [Knowledge + skills]

(policies)

whether est. **policies** for
 Hiring Training Assigning
 G/A auditor.

(log hair?)

whether G/A fⁿ
 adequately & appropriately
 resourced considering
 size & operations.

(knowledge)

whether G/A possesses
 reqd. **Knowledge**
 of P.R & AFRF.

(Skills)

whether G.A.
 has **training & proficiency**
 in audit.

C. Systematic & Disc. Approach

- Documented GIA procedures/guidance as per entity.



- Q.C. P&P.

2. Eg. of work EA can use?

TOC

Test of controls

Test of compliance with regulations.
eg TDS challan testing.

Substantive Pro. with limited judgment.

(TDS → Expenses → Invoice testing)

- observing Inventory count.

- Tracing transⁿ in Info. System relevant to F.R (acc system)

[ledger → screenshot]

3. Circumstances → EA

use (✓) less work of GIA fn

do (✗) more work directly

(2x High)

- a) More judgment involved in
- planning & performing A.Pro. $\frac{1}{2}$
 - evaluating A. Evidence

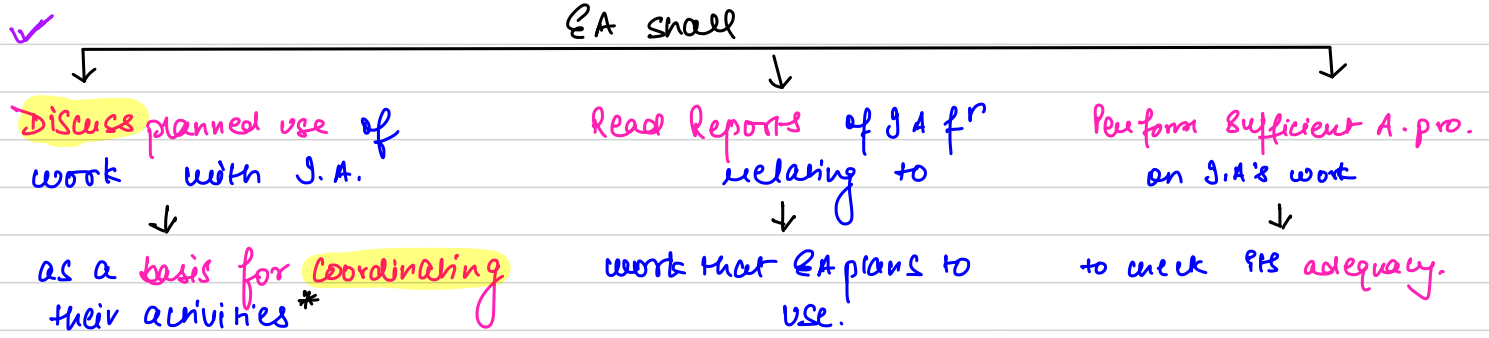
sig. Acc estimate
→ Drs Ageing Analysis
Provision

- b) Higher assessed R.O.M.M at assertion level with sp. focus on sig. Risks.
(Complex = FROD)

(2x Low)

- c) less the org. status & P&P support objectivity of GA.
d) lower the competence of J.A.

4. How to use work of JA fⁿ?



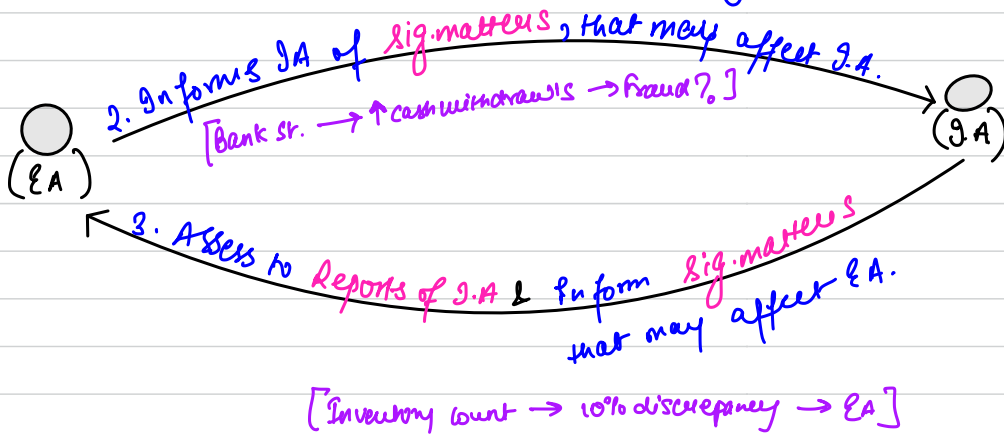
eg. observe Inv. Count → Read Report → check

- Scope (RM/WIP/FY)
- Areas (warehouse/factory)
- Method

- * What to discuss?
- NTE
 - documentation } of work
 - Materiality (FS/AB.C.D)
 - Review & Reporting. procedures

✓ When is coordination effective?

1. Discussions happen at appr. intervals throughout period.

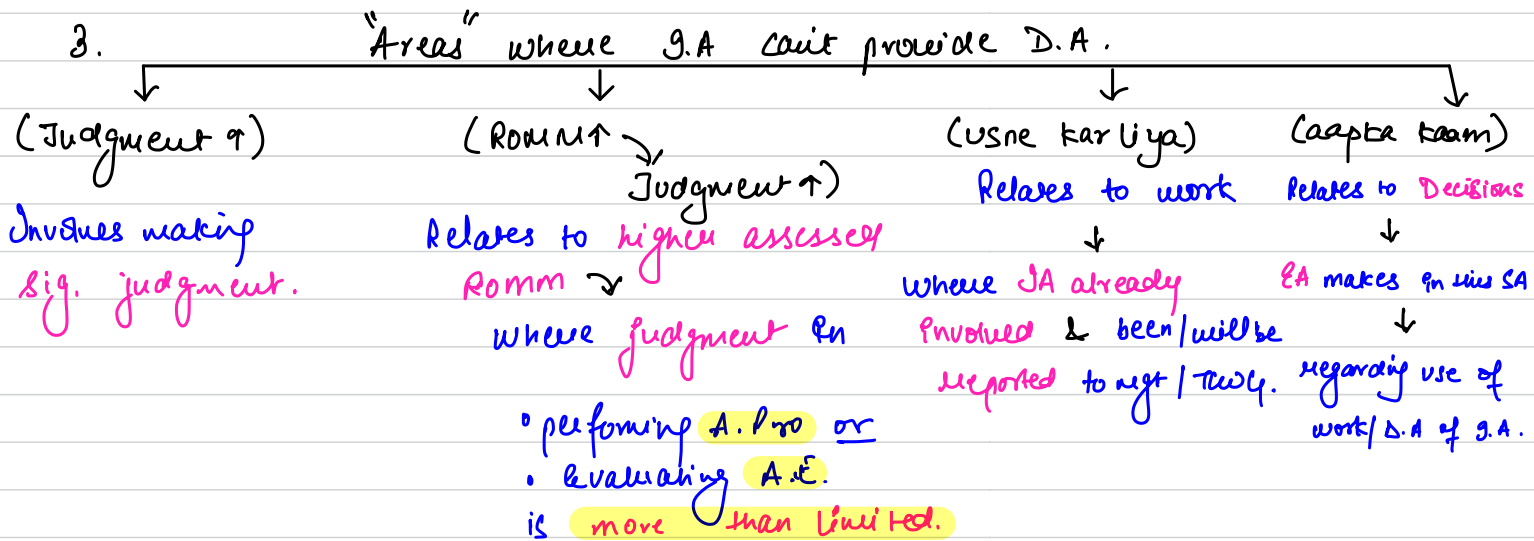
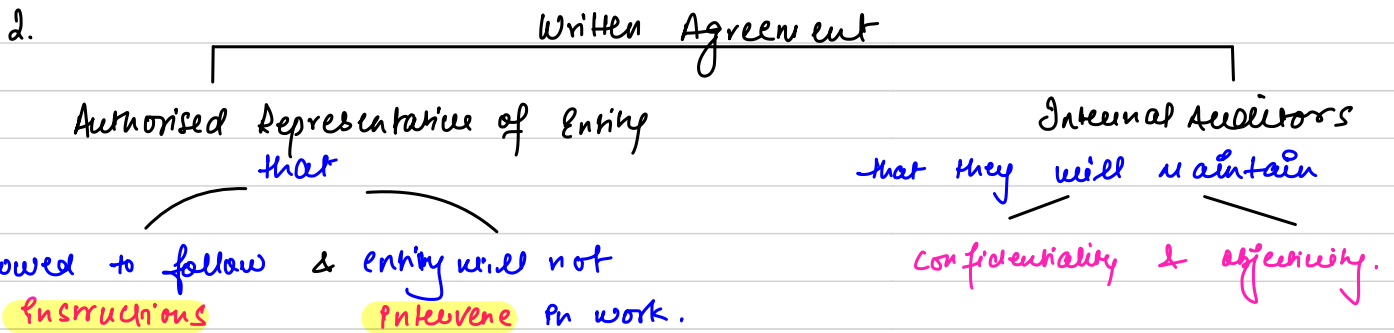


II

Direct Asst. by GIA

1. Can we take DIA? Evaluate Co
(DISIR)
 Evidence & sig. of threats to objectivity*
&
level of competence of G.A providing D.A.

* It includes Inquiry of Intds/Relations causing threats.



Q4

"valuation" of TIR (High Risk)

check Accuracy of Aging of TIR

✓ Judgment

0-6 m	x x x
6-12 m	x x x
1-2 y	x x x
2-3 y	x x x
> 3 y	x x x

evaluate Adequacy of Provision on basis of Aging

X Judgment ↑

kitna % prov. Barau?

J.A & SAGIO

• J.A → fⁿ → Assurance & consulting Acts → Evaluate & Improve Entity's GRC.

• Objectives & scope of J.A. • Acts related to GRC • Review — op. Acts.
• Examine F&O Info. — compliance with LIR

• ways in which EA can use J.A work

① (RAP) obtain info → Assess ROMM ② may use work J.A fⁿ (partial substitute) ③ DIA of J.A underlies DISIR.

SAGIO: Using work of Internal Auditor

• Sole Resp. for opinion → EA [SAAE → IA work → adequate]

• Objectives • check if J.A fⁿ work / DIA of J.A used? → Yes
 ↓
 use ← J.A fⁿ work adequate?
 DISIR work of J.A → DIA

J.A fⁿ → 1. work use? DISCO [Syst. & Disc. approach + Comp. + Objectivity]

2. leg of work • TOC (controls + compliance)
• Subs. pro. (Jtr)
• observe Inv. count
Trace Transⁿ SS RFR

• policies (HITIA) org. status.
• Accr. & Appt. • Employ → TCW4
• Knowledge & FR AFRF • Resigned / free
• Trained → Audit

3. circumstances (↑ work EA & ↓ work IA) → ↑ Risk / Judgment (A.Pro. + A.E.)
→ ↓ Competence / Objectivity

4. How to use work? EA shall • Discuss planned use ⇒? NTE / Doc / Materiality / Report
• Read Reports
• A.Pro. → work adequate?

⇒ coordination efficiency? • Discuss appt intervals • Inform sig. matters to J.A
• Access to Reports of J.A + sig. matters.

DIA by J.A 1. use? → Co 2. Written Agreement
 Entity → Instructions Intervene
 IA → Objectivity + Confidentiality

3. Areas → DIA x • Judgment ↑
• A.Pro. ↑ → Judgment (A.Pro. / A.E.) ↑
• work J.A → Involved + Reported
• Decisions EA → use of J.A fⁿ or DIA.

Jfcs → P&P → ensure SCORE

ICFR → Auditor → opinion → effectiveness of ICFR.

COS Act provisions

Sec 134(5) DAS • IFC ✓ • Adequate + op. effectively	149(B) G.D. [Schedule IV] Code • check F.I.S + Risk mgt	177 Audit Comm. • Evaluate IFCs + • Risk mgt Syst.	143(3) (F) ATR on ICFR [Small / OPC / Private Co. T10 < 5000 (L105) + 0 (BIFD) < 2500 (F4)]
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