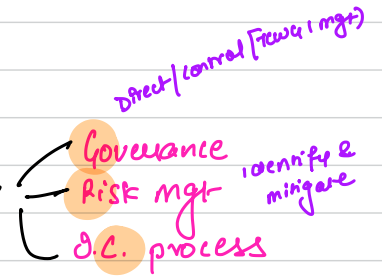


Internal Audit function

Refers to a **function** of entity that

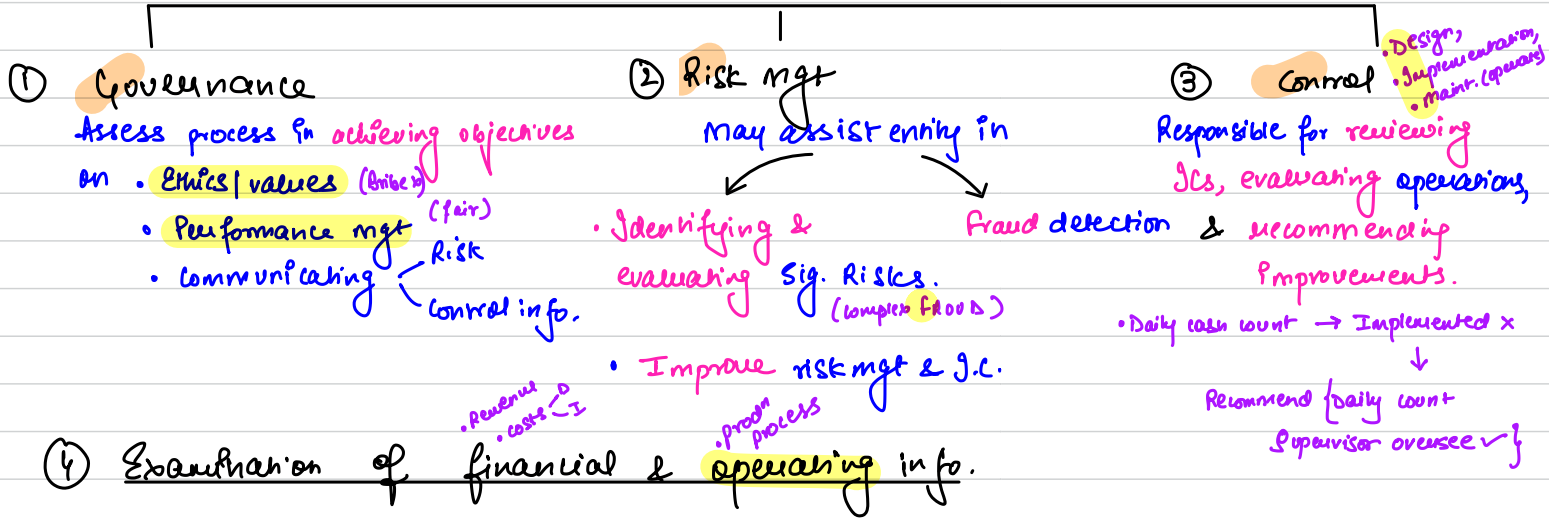
• performs **assurance** & **consulting** activities

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



Objective & Scope of IIA fⁿ

Activities related to:



④ Examination of financial & operating info.

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 → check I control (saare)

Stat. Auditor (F.S.) → J.C. check [Relevant to F.R.] (Audit)

EA → External Auditor | IA → Internal Auditor

Ways in which EA may use work of IA fn *

(RAP)

i) to obtain info.

relevant for assessing Romm (FIR)

(FAP)

(GIA dept)

ii) May decide to use work of GIA fn as partial substitute of A.E. to be obtained by EA.

(GIA Auditor as Control)

iii) may use G.A. to perform A.pro. under his direction,

- S upervision &
- R eview

if not prohibited by L/R.

SA GIO: Using the work of Internal Auditor

• Sole Responsibility for opinion on As. : EA.

obtain SAAE that work of

GIA fn or Internal Auditor is adequate for audit.

Objective

• Determine if work of GIA fn or DIA of GIA can be used → if so, in what Area & Extent

If using

(GIA fn)

work of GIA fn, check if pts adequat.

I

(DIA) S

GIA to provide DIA, to D/S/R their work.

II

G/A fⁿ

① whether work can be used?

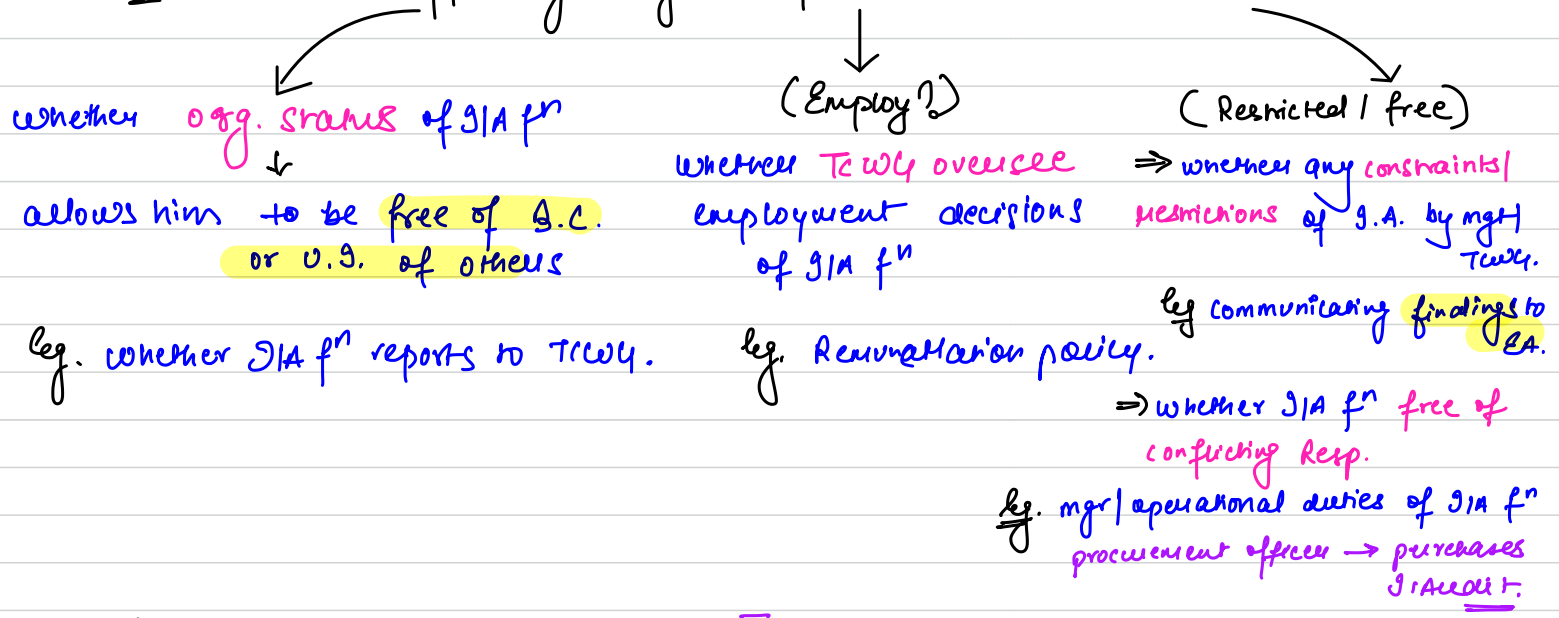
- a) Extent to which
 - G/A fⁿ org. status^o Report ^{Audit comm.} & ^{CEO (mgt)}
 - P&P [Area f^r work → Review x] support his **Objectivity**.
- b) level of **competence**. (Qualified/Exp.)
- c) whether G/A fⁿ applies **Systematic & disciplined** approach, including **Quality Control**.
(Plan → Execute (Testing) → Reporting) ↳ Review

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

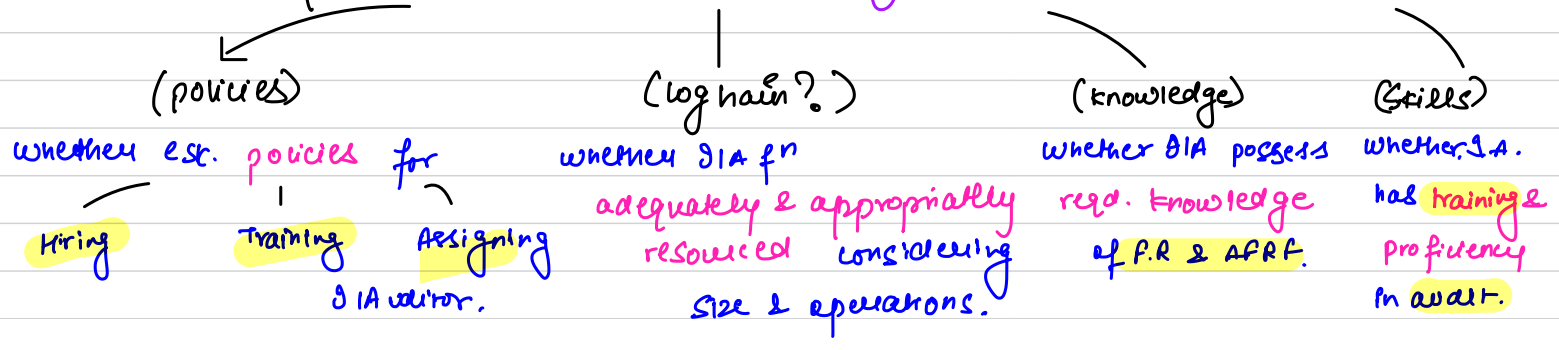


DISCO → SASO! L&ES → "for meeting" → ELC (3 cases)

A. Factors affecting "Objectivity"



B. Competence & evaluation [Knowledge + skills]



C. Systematic & Disc. Approach

- Documented GIA procedures/guidance as per entity.



- Q.C. P&P.

2. Eq. 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

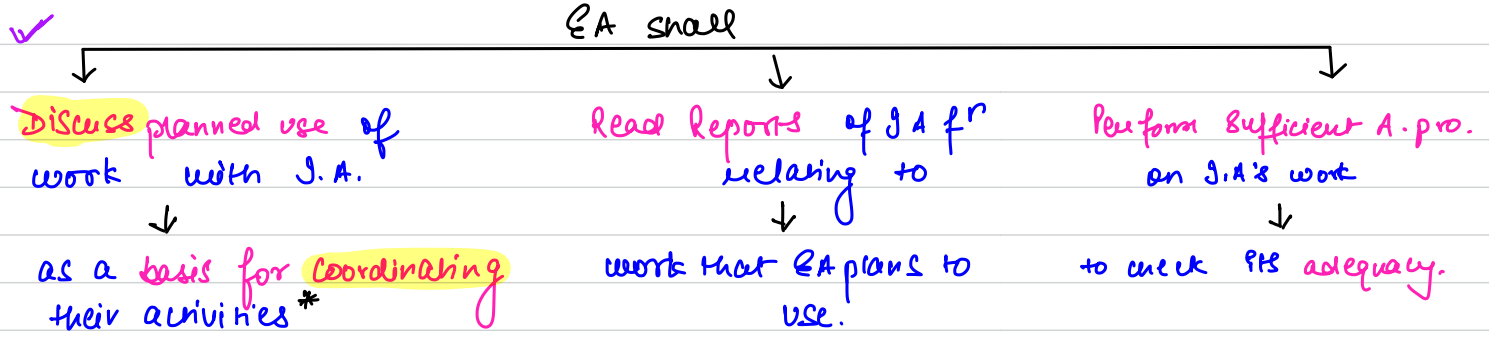
eg. Acc Estimation
→ Inv Ageing Analysis
Provision

- 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?



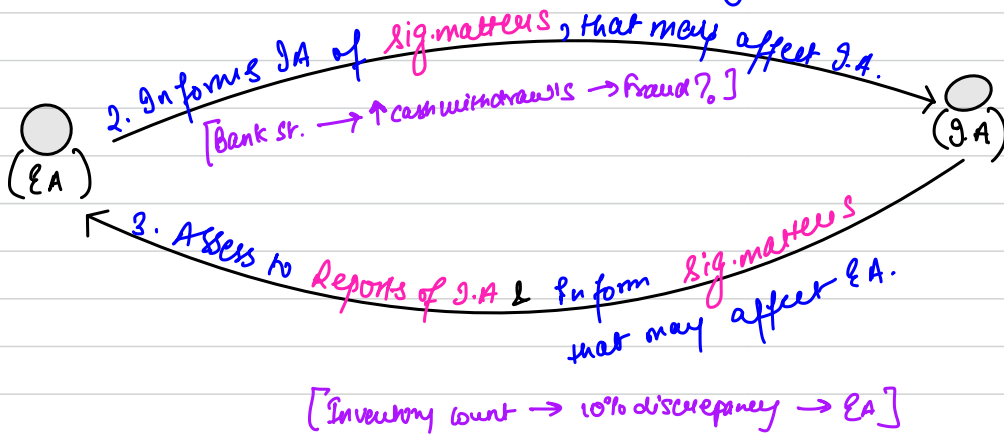
eg. observe Inv. Count → Read Report → check

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

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

✓ When is coordination effective?

1. Discussions happen at appr. intervals throughout period.

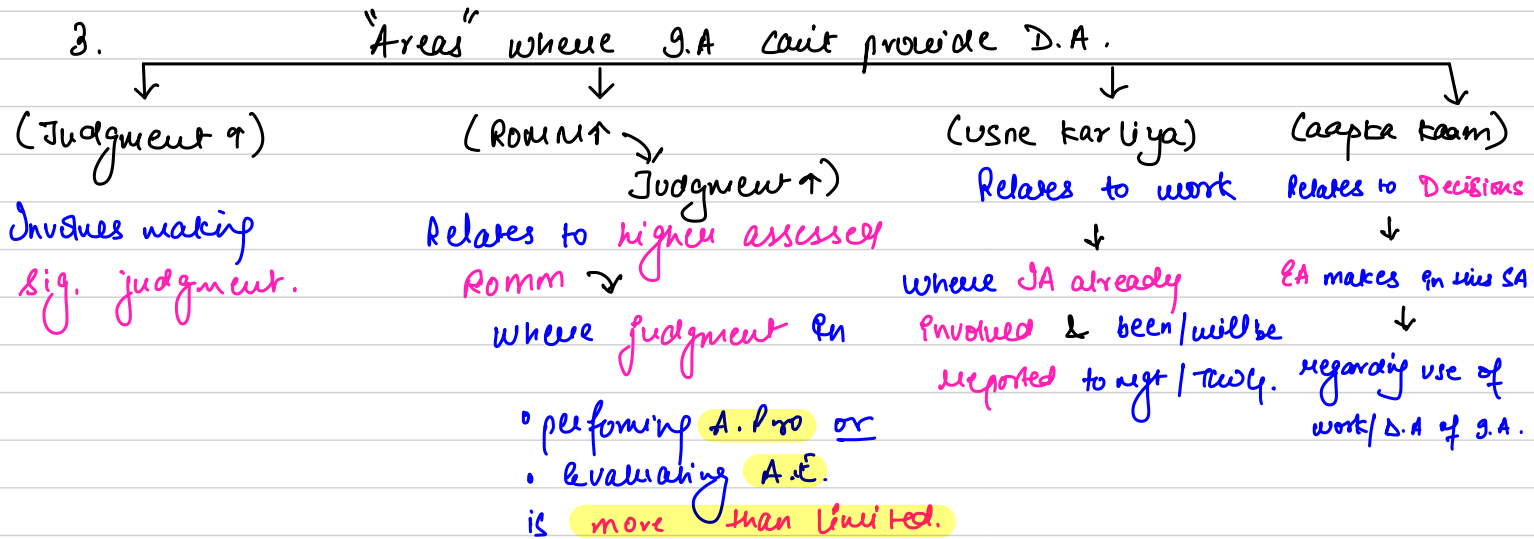
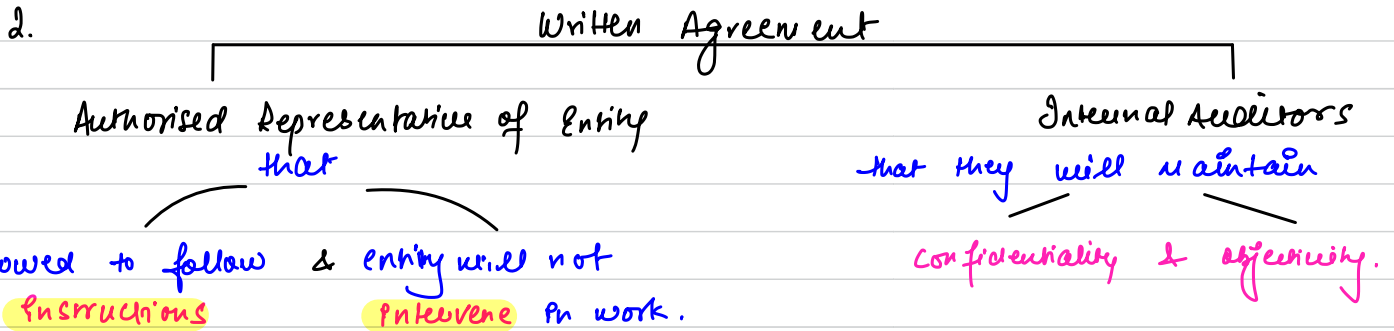


II

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

Judgment ✗

kitna % prov. Baran?

J.A & SAGIO

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

- **Objectives & Scope of JA.**
 - Acts related to GRC
 - Review — op. Acts.
 - Examine F&O Info.
 - ↳ compliance with LIR

• ways in which EA can use JA work

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

SAGIO: Using work of Internal Auditor

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

- **objectives**
 - check if JA fⁿ work / DIA of JA used? → Yes
 - ↳ Areas
 - ↳ Extent
 - ↓
 - use ← JA fⁿ work adequate?
 - ↳ DISIR work of JA → 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.
- Acq. & 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 JA
• Access to Reports of JA + sig. matters

DIA by JA 1. **use?** → Co 2. **Written Agreement** (Entity → Instructions Intervene^x
IA → objectivity + confidentiality)

3. **Areas → DIA x**
- Judgment ↑
 - A.Pro. ↑ → Judgment (A.Pro. / A.E.) ↑
 - work JA → involved + Reported
 - Decisions EA → use of JA fⁿ or DIA.

JFCs → P&P → ensure SCORE

ICFR → Auditor → opinion → effectiveness of ICFR.

COS Act provisions

<p>Sec 134(5) DAS</p> <ul style="list-style-type: none"> • IFC ✓ • Adequate + op. effectively 	<p>149(B) G.D. [Schedule IV]</p> <p>Code</p> <ul style="list-style-type: none"> • check F.I.S + Risk mgt 	<p>177 Audit Comm.</p> <ul style="list-style-type: none"> • Evaluate IFCs + Risk mgt Syst. 	<p>143(3) (F) ATR on ICFR</p> <p>[Small OPC / Priced Co. T10 < 5000 (L105) + 0 (BIFD) < 2500 (F4)]</p>
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