



The Institute of Chartered Accountants of India

Internal Audit Refresher Course

"SIA 320 : Internal Audit Evidence"

"SIA 330 : Internal Audit Documentation"

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Outline

- Definition of Audit Evidence
- SIA 320 : Internal Audit Evidence
- Audit Evidence : Procurement Function
- SIA 330 : Internal Audit Documentation

Definition of Audit Evidence

Definition of Audit Evidence

- **SA 500 Audit Evidence:**

Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based.

Audit evidence **includes** both information contained in the **accounting records** underlying the financial statements and **other information**.

(Standards on Auditing of the ICAI)

Internal Audit Evidence

- SIA 320 : Internal Audit Evidence
- Internal Audit Evidence **refers** to all the **information** used by Internal Auditors in arriving at the conclusions, on which auditors' opinion is based.
- Evidence includes:
 - ✓ Information collected from **underlying entity records & processes**.
 - ✓ Information from **performance of various audit activities & testing procedures**.

Definition of Audit Evidence

FAIS 320 Evidence & Documentation:

Evidence **refers** to the **information, written or oral**, or contained in **electronic form**, relied upon by the Professionals to arrive at the conclusions on which the Professional's report is based.

Evidence **includes** information which is discovered both from **work procedures conducted** (such as observations, documentation and process reviews, data analysis, etc.) or **gathered from internal or external sources** (such as interviews, testimony, spoken recollections, etc.), to the extent suitable in the Court of Law.

(Forensic Accounting & Investigation Standards of the ICAI)

Definition of Evidence

- **Section 3 of Indian Evidence Act, 1872:**

Evidence means & includes:

1. All statements which the Court permits or requires to be made before it by witnesses, in relation to matters of fact under enquiry;

such statements are called oral evidence;

2. All documents including electronic records produced for the inspection of the Court;

such documents are called documentary evidence.

Data v/s Information

- Data can be a number, symbol, character, word, codes, graphs, etc.
- Data is a collection of raw, unorganised facts and details like text, observations, figures, symbols and descriptions of things etc. In other words, data does not carry any specific purpose and has no significance by itself.
- Information is data put into context. Information is utilised by humans in some significant way (such as to make decisions, forecasts etc).
- Information is processed, organised and structured data. It provides context for data and enables decision making.
- Data is an unorganised description of raw facts from which information can be extracted.

Internal Audit Evidence : SIA 320

SIA 320 : Internal Audit Evidence

- Standard deals with collection, review & retention of evidence.
- Objective of collecting evidence:
 - ✓ Audit procedures performed as per audit plan & engagement terms.
 - ✓ Supervision & review of field work
 - ✓ Compliance with Standards & pronouncements of the ICAI

Qualities of Audit Evidence

- Appropriate : Quantity
- Sufficient : Quality
- Reliable
- Relevant
- Useful
- Consistency between evidence collected from different sources
- Recorded properly & retained

Techniques to generate Audit Evidence

- Enquiry
- Inspection
- Observation
- External Confirmation
- Recalculation
- Reperformance
- Analytical Procedures

Types of Audit Evidence

- Physical evidence
- Documentary evidence
 - ✓ Generated & retained by entity
 - ✓ Generated by entity & sent outside
 - ✓ Generated by third parties & part of entity's system
 - ✓ Generated by third parties & directly shared with Auditors
- Oral evidence : Documentation thereof
- Arithmetical evidence
- Analytical evidence

Classification of Evidence

1. Direct evidence, Percipient evidence
2. Indirect or Circumstantial evidence
3. Primary & Secondary evidence
4. Oral evidence
5. Documentary evidence
6. Real evidence
7. Hearsay evidence
8. Presumptive / Conclusive evidence
9. Persuasive / Conclusive evidence

Audit Evidence : Procurement Function

Pre-computerization Era

- Purchase Register – hardbound register
- Files of Purchase Invoices
- Files of Purchase Orders
- Files of GRN / MRN (Goods / Materials Receipt Note)
- Files of Reports from Quality Control / Lab
- Files of Quotations from Vendors
- Files containing sheets of Comparative Analysis

Standalone Systems for Materials function

- Copies of Purchase Orders generated from CIS
- Copies of GRNs generated from CIS
- Copies of QC / Lab reports (either manual or from different CIS)
- Purchase Requisition, Purchase Order Registers from CIS
- GRN Register from Inventory CIS
- Purchase Register generated from Accounts CIS
- Files of Purchase Invoices
- Files of Quotations from Vendors
- Files containing sheets of Comparative Analysis

Integrated ERP System

- Functions handled : Production Planning, Materials, Logistics, Inventories, Accounts, Finance, Costing, MIS
- Data can be downloaded from ERP:
 - ✓ Vendor Master, Materials Master
- Transactions : Purchase Requisitions, Enquiries sent, Purchase Orders, GRNs, Quality Reports, Purchase Register, Payments made, Debit / Credit Notes, Vendor Ledgers
- From Document Management System: Quotations received, Comparative analysis
- Information from Public domain : GST, MCA, SEBI, Industry Associations, Exchanges (Stock, Metals & other products), State Govt. (Parivahan, Land records etc.)

Automated Tools used in Digitalised World

- Request for Quotations (RFQ)
- Bid Evaluation tools
- Supplier Negotiation tools
- Delivery challans
- Purchase invoices

Internal Audit Documentation : SIA 330

SIA 330 : Internal Audit Documentation

- Written records : audit procedures performed, audit evidence obtained & conclusions : Audit Working Papers.
- Collection, preparation, subsequent review & retention of WP.
- Objectives of **complete & sufficient** audit documentation:
 - ✓ Validate audit findings, observations, conclusions.
 - ✓ Supervision review of IA work.
 - ✓ IA work conforms ICAI Standards / pronouncements.

SIA 330 : Internal Audit Documentation

- Requirements of documentation / WP:
 - ✓ Written process – preparation, review, storing, discarding, compliance of IA standards
 - ✓ Record of completion of all IA activities & testing procedures.
 - ✓ Purpose of procedures, source of evidence, outcome of the audit work, team (performer / reviewer)
 - ✓ WP to be collated & arranged logically
 - ✓ Should undergo at least one Review
 - ✓ To be completed before issuance of Audit Report

Questions ???

Thanks !!!

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Thanks !!!