

# **STANDARD ON INTERNAL AUDIT (SIA) 350 REVIEW AND SUPERVISION OF AUDIT ASSIGNMENTS**

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**This Standard on Internal Audit (SIA) 350, “Review and Supervision of Audit Assignments,” issued by the Council of the Institute of Chartered Accountants of India should be read in conjunction with the “Preface to the Standards on Internal Audit,” “Framework Governing Internal Audits” and “Basic Principles of Internal Audit” issued by the Institute.**



## **1. Introduction**

- 1.1 This Standard deals with the responsibility of the Internal Auditor to conduct due review and supervision of the internal audit assignment to ensure its effective performance and completion.
- 1.2 In this Standard, the term “Review” refers to the examination of audit plan and procedures, collection of audit evidence, conclusions drawn therefrom and documenting the working papers. The term “Supervision” refers to the oversight of the audit activities and the provision of overall guidance for the achievement of audit objectives. Review is an exercise generally undertaken post completion of the work to be reviewed, whereas supervision is an on-going exercise.
- 1.3 Scope: This Standard applies to all internal audit assignments, conducted either by an in-house auditor and/ or an out-sourced auditor and also to any advisory assignments undertaken by the Internal Auditor.

## **2. Objectives**

- 2.1 The objectives of review and supervision of audit assignments are to:
  - (a) Confirm and update the audit assignment plan, including the planned audit procedures and the adequacy of the resources allocated;
  - (b) Evaluate the audit procedures undertaken, evidence collected, proper documentation and conclusions drawn by the audit staff;
  - (c) Help formulate the audit observations and draft the internal audit report; and
  - (d) Establish that work performed is in conformance with the applicable pronouncements of the Institute of Chartered Accountants of India (ICAI).
- 1.2 The overall objective of review and supervision of an audit assignment is to ensure the effective and efficient performance of the audit procedures in line with quality standards and to accomplish the objectives of the audit.

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### 3. Requirements

- 3.1 The Chief Internal Auditor (or the Engagement Partner) has the overall responsibility of review and supervision of the nature, timing and extent of all internal audit activities and testing procedures, and to ensure that evidence collected is sufficient and reliable. As indicated in para 4.2 (c), SIA 330, "Internal Audit Documentation" all documentation shall undergo at least one level of review (refer Para 4.1).
- 3.2 The periodicity and extent of the review shall be planned and documented at the audit planning stage taking into account the overall audit objectives, proficiency of staff, time and budget constraints, as per the professional judgement of the Chief Internal Auditor or Engagement Partner (refer Para 4.2).
- 3.3 A review of the audit workpapers shall be carried out to ensure that these are sufficient and appropriate to allow the reviewer to arrive at the same conclusions and formulate similar observations, as done by the audit staff. The documentation shall record the evidence of the supervision and review conducted, including the performance of any audit procedures subsequent to the review (refer Para 4.3).
- 3.4 The Internal Audit function (or out-sourced Firm) shall maintain a written process explaining the manner in which review and supervision shall be performed to ensure conformance to the quality as per Standards on Internal Audit (refer Para 4.4).

### 4. Explanatory Comments

- 4.1 **Nature of Review and Supervision (refer Para 3.1):** The extent of review and supervision varies for each assignment depending upon various factors such as the nature, objectives and scope of the assignment, its complexity, extent of automation, and the competency of the staff performing the audit. Nevertheless, it covers all audit activities such as, audit planning, sampling, audit testing procedures, collecting evidence, documentation, using the work of an expert and concluding audit observations in accordance with the pronouncements of the ICAI. Working papers prepared by the internal audit staff shall be reviewed at least one level up to ensure the completion of audit procedures in accordance with the audit plan and objectives.

## **Review and Supervision of Audit Assignments**

The review and supervision duties may be delegated by the Chief Internal Auditor (or the Engagement Partner) to a subordinate who is a person with requisite experience and proficiency in conducting internal audits or preferably a Chartered Accountant. However, as indicated in Para 3.1 above, the overall responsibility remains with the Chief Internal Auditor (or the Engagement Partner).

**4.2 Reviewing and Supervising the Audit Procedures (refer Para 3.2):**

The reviewer and supervisor shall ensure that the audit work is executed in accordance with the Internal Audit Programme and Audit Procedures are completed effectively and timely to help achieve overall objectives of the audit assignment. A review may indicate the need for additional or alternate audit procedures, which shall be performed, duly documented and communicated to the appropriate authority.

**4.3 Review and Supervision of Documentation (refer Para 3.3):**

The extent of the documentation reviewed is based on the professional judgement of the reviewer, and can include checking the name of preparer, date of preparation, relevance and reliability of audit evidence, conclusions formed, audit observations drafted, the sufficiency of documents, etc. The adequacy of the documentation is tested on the basis of the requirements of the applicable Standards on Internal Audit.

An indicative list of review and supervision activities is set out as **Annexure 1**.

**4.4 Documentation (refer Para 3.3 and Para 3.4):** To conform to the requirements of this Standard, the following documentation shall be maintained:

- (a) Process documentation on Review and Supervision, as part of the Internal Audit Manual.
- (b) Documentation indicating the signature and date of review undertaken on the working papers, follow-up points raised, and minutes of any review meetings held with the audit team.

## **5. Effective Date**

- 5.1** This Standard is applicable for internal audits beginning on or after a date to be notified by the Council of the Institute.

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**Annexure 1**

**Indicative List of Review and Supervision Activities**

Review	Supervision
<ul style="list-style-type: none"> <li>• Audit Objectives as per the Engagement Letter (SIA 230)</li> <li>• Audit Plan (SIA 310)</li> <li>• Audit Programme</li> <li>• Work allocation</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Objectives (SIA 230)</li> <li>• Audit Plan (SIA 310)</li> <li>• Priority and Sequence of planned audit procedures</li> </ul>
<ul style="list-style-type: none"> <li>• Sampling procedures and meeting of sampling objectives</li> <li>• Documentation evidencing performance of audit procedures with the identification of the performer (SIA 330)</li> <li>• Consideration of expert's work in the audit (SIA 240)</li> <li>• Sufficiency of quality and extent of audit procedures</li> <li>• Audit Observations with sufficient and appropriate audit evidence in reproducible form</li> </ul>	<ul style="list-style-type: none"> <li>• Documentation (SIA 330)</li> <li>• Audit observations</li> <li>• Reviewer's feedback to the audit team and its compliance</li> </ul>
<ul style="list-style-type: none"> <li>• Complex and technical audit issues</li> <li>• Drafts of audit observations with management comments, action plan and timelines</li> <li>• Audit report drafts and final audit report (SIA 370)</li> <li>• Follow up plan, procedures, timeline with concurrence of the management</li> </ul>	<ul style="list-style-type: none"> <li>• Complex and technical audit issues requiring supervisor's guidance</li> <li>• Rationale for excluding draft observations from audit reports</li> <li>• Final Audit report with follow up plan (SIA 370)</li> </ul>