भारतीय कम्पनी सचिव संस्थान
THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT
PROFESSIONAL PROGRAMME
(SYLLABUS 2022)

for

December, 2026 Examination

(Containing updates upto 31st May, 2026)

INTERNAL & FORENSIC AUDIT

GROUP 1

ELECTIVE PAPER 4.2

Index

Students appearing in Examination shall note the following:

Students appearing in December, 2026 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, RBI & Central Government upto 31st May, 2026.

The students are advised to acquaint themselves with the Subject Specific Updates published by the Institute.

This supplement is to be read with the Internal & Forensic Audit study material (Syllabus 2022) updated up to May, 2025.

Lesson 2

Practices related to Internal Auditing

STANDARDS ON INTERNAL AUDITING IN INDIA

Since the law has left the task of formulation of scope, functioning, periodicity, and methodology for conducting an internal audit to audit committees or the board of directors in consultation with internal auditor, there is a clear need for adoption of uniformly acceptable practices in this regard.

This is required to ensure that internal auditor as well as the board or audit committee can demonstrate the effectiveness of internal audit activity to various stakeholders such as regulators, statutory auditors etc. in a confident and objective manner, by following a set of minimum requirements that are followed widely by the industry within internal audit fraternity.

Considering that none of the internal audit related standards are mandated by law in India, the audit committee or the board needs to decide on which standards they plan to use. There are two standards that are widely used by companies in India:

- Standards on Internal Audit (SIAs), issued by Institute of Chartered Accountants of India.

- International Standards for the professional practice of Internal Auditing, issued by the Institute of Internal Auditors, USA.

Both these standards are based on similar principles about the concept of internal auditing. However, there are aspects which can be different from each other. Thus, an internal auditor needs to understand these standards well before making a proposal to adopt any of them by the audit committee or board.

Below is an overview of the national standards as formulated by ICAI. These standards are recommendatory for all the members of the Institute of Chartered Accountants of India. However, once a standard is adopted by a company's board or audit committee, then it becomes mandatory for that specific company.

SIAs Issued by ICAI
• **Section I: Preface** Preface to the Standards on Internal Audit
• **Section II: Quality Standards on Internal Audit** QSIA 1: Internal Audit Quality Aspects QSIA 2: Peer Review and Third-Party Assessment
• **Section III: Core Concepts and Principles (100 Series)**

SIA 110: Basics Principles of Internal Audit SIA 120: Terms of Internal Audit Engagement SIA 130: Managing the Internal Audit Function SIA 140: Internal Controls SIA 150: Risk Management SIA 160: Compliance with Laws and Regulations
• **Section IV: Audit Execution (200 Series)** SIA 210: Knowledge of the Entity and its Environment SIA 220: Internal Audit Planning SIA 230: Internal Audit Evidence SIA 240: Use of Tools SIA 250: Internal Audit Documentation SIA 260: Review and Supervision of Audit Assignments SIA 270: Experts and Third-Party Engagement SIA 280: Irregularities and Fraud SIA 290: Communication with Management and Those Charged with Governance
• **Section V: Internal Audit Reporting (300 Series)** SIA 310: Presentation and Communication of Internal Audit Report SIA 320: Issuing Assurance Reports SIA 330: Special Purpose Reports

STANDARDS ON INTERNAL AUDIT ISSUED BY ICAI

Quality Standard on Internal Audit (QSIA) 1: Internal Audit Quality Aspects

Internal Audit quality assurance is essential for ensuring that internal audit assignments comply with professional standards, stakeholder expectations and regulatory requirements. A robust quality assurance framework enhances the internal audit maturity level by rigorously focus on efficiency, effectiveness, credibility, consistency and reliability in audit execution. Quality is a combined measure of conformity with applicable Standards on Internal Audit (SIAs) and the achievement of the internal audit function's objectives.

This Standard applies to all internal audit engagements and to the internal audit function as a whole. It covers the essential quality assurance measures for internal audit engagements to ensure their efficiency, effectiveness and conformity with applicable Standards on Internal Audit and frameworks.

The objectives of this QSIA are to:

a) Establish a structured quality assurance process to improve audit effectiveness.
b) Maintain objectivity, consistency and accuracy in audit planning, execution and reporting.
c) Establish and adhere to review mechanisms for audit work at different levels and identify the area for improvements.
d) Conduct periodic evaluations of internal audit team performance.

e) Receive feedback about internal audit team's performance and identify opportunities for improvement.
f) Ensure sufficient appropriate functional knowledge and experience of the internal audit team and training.
g) Ensure that the internal audit function is continuously improving and conforming to the highest professional standards.

Quality Standard on Internal Audit QSIA 2: Peer Review and Third-Party Assessment

Peer review and third-party assessments are independent mechanisms to ensure the quality, credibility, objectivity and effectiveness of internal audit function. In case of peer review, an insider or peer conducts the review, while third party assessment is carried out by an independent professional. These reviews provide independent evaluations of whether internal audit processes comply with ICAI's Standards on Internal Audit (SIAs), best professional and ethical practices and regulatory requirements.

This Standard prescribes processes for conducting review of internal audit function and processes carried out by a peer reviewer or external assessment of the same by an independent professional with a view to enhance the quality of audits, strengthen internal controls and improve risk management processes.

The objectives of this QSIA are to ensure that:

(a) Internal audit function undergoes objective quality assessments through peer review or third-party professional evaluations.
(b) Peer review aims to confirm that the internal audit function has complied with auditing, technical and ethical Standards, has Quality control systems and has properly carried out documentation in line with regulatory requirements and Standards on Internal Audit.
(c) Internal audit methodologies, processes and reporting align with legal prescriptions regulatory requirements or industry best practices and Standards on Internal Audit.
(d) Auditee and stakeholders receive assurance on the effectiveness and reliability of internal audit function.
(e) Identified gaps or weaknesses in internal audit quality are addressed through corrective actions and continuous improvement.

SIA 110: Basics Principles of Internal Audit

Any function, in order to achieve its desired objectives, is required to adhere to some basic principles. Basic principles of internal audit provide threshold background for effective functioning of Internal Audit. These principles give understanding about expectations and deliverance from Internal Audit.

This Standard prescribes set of basic principles that are fundamental to the internal audit function and activities. These basic principles are critical to achieve the desired objectives of Internal Audit.

Basic Principles of Internal Audit

1. **Independence:** The Internal Auditor should remain independent and objective, both in mind and in appearance, and should be free from any influence direct or indirect that could impair professional judgment. Independence should be maintained throughout the planning, execution and reporting phases of an internal audit assignment. The Internal Auditor should firmly resist any undue influence or pressure that may alter the scope, methodology or conclusions of the audit engagement in a manner inconsistent with approved objectives and professional standards.

2. **Integrity and Objectivity:** The Internal Auditor should be honest, truthful and a person of high integrity. He should operate in a highly professional manner and be seen to be fair in all his dealings. He should avoid all conflicts of interest and not seek to derive any undue personal benefit or advantage from his position.

   The Internal Auditor should conduct his work in a highly objective manner, especially in gathering and evaluation of facts and evidence. He should not allow prejudice or bias to override his objectivity, especially in arriving at conclusions or reporting his opinion. Any threats to objectivity, whether arising from personal, professional or organisational relationships, should be identified, assessed and appropriately mitigated.

3. **Due Professional Care:** The Internal Auditor should exercise due professional care and diligence while carrying out the internal audit. "Due professional care" signifies that the Internal Auditor exercises reasonable care in carrying out the work to ensure the achievement of planned objectives.

   The Internal Auditor should pay particular attention to key audit activities, such as establishing the scope of the engagement to prevent the omission of important aspects, recognizing the risks and materiality of the areas, having required skills to review complex matters, establishing the extent of testing required to achieve the objectives within specified deadlines, etc. Professional judgement should be exercised in evaluating materiality and determining the extent of reliance to be placed on internal controls and other assurance providers.

   "Due Professional Care", however, neither implies nor guarantees infallibility, nor does it require the Internal Auditor to go beyond the established scope of the engagement.

4. **Confidentiality:** The Internal Auditor should at all times, maintain utmost confidentiality of all information acquired during the course of the audit work. He should not disclose any such information to a party outside the internal audit function and any disclosure should be on a "need to know basis".

The Internal Auditor should keep confidential information secure from others. Under no circumstance any confidential information should be shared with third parties outside the organisation, without the specific approval of the Management or Client or unless there is a legal or a professional responsibility to do so (e.g., to share information with Statutory Auditors). Internal audit reports should be addressed to specified auditee and distributed to only those who appointed or engaged the Internal Auditor and as per their directions. The Internal Auditor should also safeguard confidential or sensitive information even after the termination of the engagement, unless legally obligated otherwise.

5. **Skills and Competence:** The Internal Auditor should have sound knowledge, strong inter personal skills, practical experience and professional expertise in areas covered under internal audit and other competence required to conduct a quality audit. He should undertake only those assignments for which he has the requisite competence. The Internal Auditor should either have or should obtain, such skills and competencies, as necessary for the purpose of discharging his responsibilities.

6. **Ethical Behaviour:** The Internal Auditor should adhere to the highest standards of ethical behaviour while performing internal audit activities. He should conduct himself with honesty, fairness, transparency and respect for all stakeholders and should comply with applicable laws, regulations, professional standards and the organisation's code of conduct. The Internal Auditor should not knowingly engage in any activity that may discredit the internal audit function or the profession and should promptly report any unethical conduct, fraud or misconduct identified during the course of audit work through appropriate governance channels.

7. **System and Process Focus:** An Internal Auditor should adopt a system and process focused methodology in conducting audit procedures. It requires a root cause analysis to be conducted by adopting appropriate tools/methodology, on deviations to identify the core issue/problem and hence the suitable corrective/mitigation steps to be taken for system improvement or automation in order to strengthen the process and prevent a repetition of such errors.

8. **Risk Based Audit:** The Internal Auditor should identify the important audit areas through a risk assessment exercise and tailor the audit activities such that the detailed audit procedures are prioritised, focused and conducted over high-risk areas and issues, while less time is devoted to low-risk areas through curtailed audit procedures. Additionally, this approach should ensure that risks under consideration are more aligned to the overall strategic and organisation objectives rather than narrowly focused on process objectives. Also, the risks should be reviewed periodically to reflect changing internal and external risk landscapes and the audit plan should be updated accordingly.

9. **Providing Insights in Decision Making:** The focus of the Internal Auditor should remain with the quality and operating effectiveness of the decision-making

process and how best to strengthen it, such that the chance of flawed or erroneous decisions is minimised. However, the Internal Auditor is at full liberty to present the lessons which can be learnt from such past decisions. Where the Internal Auditor is consulted for input in strategic or operational matters, a formal record should be maintained to clarify advisory versus decision-making roles.

10. **Sensitive to Stakeholder Interests**: The Internal Auditor should evaluate the implications of his observations and recommendations on multiple stakeholders, especially, where diverse interests may be conflicting in nature. In such situations, the Internal Auditor should remain objective and present a balanced view but without compromising or undermining risks emerging from the observation. This would help senior management to make a decision to mitigate risks using all the information and balance the strategy and objectives of the organisation with the expectations and interests of its multiple stakeholders.

11. **Quality and Continuous Improvement:** The quality of the internal audit should be paramount for the Internal Auditor since the credibility of the audit reports depends on the reliability of reported findings. The Internal Auditor should have in place a process of quality control to ensure factual accuracy of the observations, to validate the accuracy of all findings; and continuously improve the quality of the internal audit processes and the internal audit reports.

12. **Deploying Technology and Tools**: The Internal Auditor should appropriately deploy technology, including audit tools, data analytics, artificial intelligence tools, etc. to enhance efficiency, effectiveness and coverage of internal audit activities. Use of such tools should enable continuous auditing, identification of trends, anomalies, emerging risks and deeper analysis of large volumes of data. The Internal Auditor should ensure that the technology and tools used are relevant, reliable and secure and that adequate skills are developed or obtained to effectively leverage such tools, while maintaining professional judgment and not relying solely on automated outputs.

SIA 120: Terms of Internal Audit Engagement

The objectives of defining the terms of Internal Audit engagement are to:

(a) Document the scope of the Internal audit function and the terms of any internal audit engagement.
(b) Provide clarity to the Internal Auditor and stakeholders of the entity regarding the expectations from the internal audit.
(c) Ensure linkage between what is expected of the Internal Auditor and plan internal audit accordingly.
(d) Promote clarity of understanding on key operational areas, such as, accountability and authority, roles and responsibility and such other functional matters.
(e) Prescribe conditions under which assurance can be expressed.
(f) Timelines for conduct and submission of internal audit report.
(g) Dealing with limitation on scope of internal audit and aspects like confidentiality.

SIA 130: Managing the Internal Audit Function

The Internal audit function performs a number of activities to achieve its objectives as outlined in its Charter/ Manual (or Terms of Engagement/ Scope of Internal Audit). A few of the critical activities are as follows:

(a) Define the overall objective and scope and accordingly devise the strategy of the Internal audit function.
(b) A decision on outsourcing and co-sourcing, either partly or fully, to be made by the Chief Internal Auditor/ Engagement Partner once the objective and scope are defined. The same should be approved by the Board or Audit Committee.
(c) Based on scope and strategy of internal audit, a plan and methodology is devised covering proposed timelines, resources and location(s) on a periodic basis.
(d) Monitor and supervise various audit assignments.
(e) Review the performance, training and development of professional staff, talent and other resources to achieve its objectives.
(f) Identify, source, engage and manage external experts and technical solutions, if required.
(g) Communicate and engage with all key stakeholders regarding progress and achievement of objectives.
(h) Develop and maintain a quality assessment and improvement program (QAIP).

SIA 140: Internal Controls

This Standard seeks to clarify the concept of internal controls and the responsibility of the Internal auditor, Management and other stakeholders, with respect to Internal Controls, keeping in mind their legal, regulatory and professional obligations.

The purpose of this Standard is to:

(a) Provide a common terminology on Internal Controls to prevent ambiguity or confusion on the subject matter.
(b) Define Internal Controls, how they mitigate risks and also how they are viewed from a legal perspective.
(c) Explain the responsibilities of management and auditors with regard to Internal Controls, as mandated by law and regulations and
(d) Specify certain requirements which need to be met to be able to provide an independent objective assurance on Internal Controls in the organisation under review.

SIA 150: Risk Management

This Standard seeks to clarify the concept of Risk Management and also the responsibility of the internal auditor, Management and other Stakeholders with respect to risk management, keeping in mind, the legal, regulatory and professional obligations.

The objectives of this Standard are to:

(a) Provide a common terminology on risk, risk management and its framework to prevent ambiguity and provide clarity on the subject matter.

(b) To evaluate whether the organisation has risk management framework & strategy in place that identifies and mitigates key risks (internal and external risks) on a continuous basis.
(c) To assess whether governance structures, including the Board of Directors and relevant Committees (such as Risk Management Committee or Audit Committee) are actively overseeing the risk management process to assess if risk management has been integrated into various organisational processes.
(d) Specify the requirements which need to be met to be able to provide an independent assurance of risk management framework in the organisation under review.

SIA 160: Compliance with Laws and Regulations

This Standard seeks to clarify both the concept of compliance with laws and regulations and the responsibility of the internal auditor, Management and other stakeholders, with respect to Compliance with Laws and Regulations (CLR), in line with their professional obligations.

The objective of this Standard is to:

(a) Explain the responsibilities of the Board of Directors and management with regard to compliance, as mandated by law and regulations and
(b) Specify responsibilities of the internal auditor, especially, when providing independent objective assurance on the compliance framework.
(c) Prescribe procedures for understanding applicable regulatory requirements and state of compliance thereof.

SIA 210: Knowledge of the Entity and its Environment

An internal auditor is required to obtain a comprehensive understanding of the entity's industry, operations, ownership, governance and regulatory environment, sufficient to identify and assess risks, review processes and controls and determine the nature, timing and extent of internal audit procedures. This further ensures that internal audit conclusions and recommendations are appropriate, relevant and add value to the entity.

This Standard on Internal Audit (SIA) establishes principles and provides guidance on the internal auditor's responsibility to obtain knowledge of the entity and the environment in which it is functioning. Such a knowledge is essential for effective planning, execution and evaluation of internal audit engagement.

The objective of this Standard is to:

(a) Establish the process for acquiring knowledge of the entity and environment in which it is functioning.
(b) Ensure effective application of such knowledge in identifying salient features of ownership functions and risks that arise or carried by the entity and employ this knowledge in planning and performing internal audit procedures.
(c) Mandate continuous updating and refinement of this knowledge throughout the engagement and factor such findings in refining planning and procedures of internal audit.

(d) Ensure appropriate documentation of the acquired knowledge in the internal audit working papers.

SIA 220: Internal Audit Planning

Effective internal audit planning ensures that audit activities are strategically aligned with the organization's objectives, risk profile and governance priorities. In an increasingly complex and dynamic business environment, internal audit planning should adopt an approach to become a continuous, risk-based and stakeholder focused exercise.

The objectives of an Internal Audit (Engagement) Plan are to:

(a) Ensure that the Internal Audit plan is in line with the objectives of the internal audit function, as per the internal audit charter/ manual of the entity (and terms of engagement, where it is an outsourced engagement) and also in line with the overall objectives of the organisation.
(b) Align the organisation's risk assessment with the effectiveness of the risk mitigation steps implemented through internal controls.
(c) Confirm and agree with those charged with governance the broad scope, methodology and depth of coverage of the internal audit work to be undertaken in the defined time-period.
(d) Ensure that overall resources are adequate, skilled and deployed with focus in areas of importance, complexity and sensitivity.
(e) Ensure compliance with laws and regulations.
(f) Ensure timely detection of irregularities.
(g) Ensure that the audits undertaken conform at all times with the applicable pronouncements of the Institute of Chartered Accountants of India.
(h) Ensure that the internal audit is being conducted systematically in accordance with the internal audit plan.

SIA 230: Internal Audit Evidence

"Internal Audit Evidence" refers to all the information used by the internal auditor in arriving at the conclusions on which the auditor's report is based. It includes both information collected from underlying entity records and processes, as well as information from the performance of various audit activities and testing procedures.

The objective of this Standard is to establish a structured and consistent approach to the execution of internal audit procedures that ensures consistency, comprehensiveness, efficiency, effectiveness and adherence to professional Standards. This Standard aims to ensure that internal audit procedures are conducted in accordance with the overall internal audit engagement plan, stakeholder expectations and the principles laid down by ICAI.

SIA 240: Use of Tools

The growing complexity of business operations, coupled with rapid digital transformation and increased regulatory oversight has significantly enhanced the role of technological tools in internal audit engagements. Technological tools - including data analytics platforms, computer-assisted audit techniques (CAATs), visualization tools and

audit management software as well as emerging technologies such as Artificial Intelligence (AI) and Machine Learning (ML) - enable internal auditors to enhance the efficiency, accuracy and relevance of their work.

The objectives of this Standard are to:

(a) Establish a structured and risk-responsive framework for the appropriate use of tools and softwares in internal audit.
(b) Enhance the quality of audit outcomes through the effective deployment of relevant technologies.
(c) Safeguard data integrity, confidentiality and compliance with applicable laws and regulations while using tools.
(d) Encourage periodic review and improvement of tools to ensure relevance in dynamic organizational and technological environments.

SIA 250: Internal Audit Documentation

"Internal Audit Documentation" refers to the written record (electronic or otherwise) of the internal audit procedures performed, the relevant audit evidence obtained and conclusions reached by the internal auditor on the basis of such procedures and evidence (Terms such as "work papers" or "working papers" are also used to refer documentation).

The objectives of preparing complete and sufficient audit documentation are to:

(a) Validate the audit findings and support the basis on which audit observations are made and conclusions are reached from those findings.
(b) Aid in the supervision and review of the internal audit work and
(c) Establish that work performed is in conformity with the applicable pronouncements of the Institute of Chartered Accountants of India.
(d) Serve as evidence to defend charge of negligence etc, against the internal auditors.

SIA 260: Review and Supervision of Audit Assignments

This Standard deals with the responsibility of the internal auditor to conduct the review and supervision of the internal audit assignment to ensure its effective performance and completion.

The objectives of review and supervision of audit assignments are to:

(a) Ensure audit coverage is as per the agreed scope with management (in concurrence with SIA 120, Terms of Internal Audit Engagement).
(b) Assess planned audit procedures, techniques, risk assessment and resource allocated and update the same.
(c) Evaluate the audit procedures undertaken, sufficiency and appropriateness of the evidence collected, proper documentation of audit workpaper and conclusions drawn.
(d) Address difficult situations faced by the internal audit team and providing guidance wherever necessary.
(e) Review the audit observations and draft the internal audit report.

(f) Ensure that work performed is in conformity with applicable pronouncements of the Institute of Chartered Accountants of India (ICAI). including Standards on Internal Audit.
(g) Resolve any conflicts in a timely manner with respect to scope, access to information or audit observations through escalation protocols wherever necessary.
(h) Assess sufficiency of documentation for internal audit reporting.

SIA 270: Experts and Third-Party Engagement

The objectives of using the work of an expert or third-party engagement are to ensure that:

(a) Technical assistance and support from competent experts are obtained where the internal audit team does not possess the necessary knowledge and expertise.
(b) Internal audit procedures conducted in complex and specialised areas meet expected quality Standards.
(c) Outcome of the internal audit work is credible and reliable.
(d) Work performed is in conformity with the applicable pronouncements of the ICAI.
(e) Where internal audit activities are outsourced to experts or third party, the engagement is conducted with due regard to independence, professional competence and adequate supervision, such that the internal auditor can rely on the outsourced work and integrate it meaningfully within the internal audit function.

SIA 280: Irregularities and Fraud

Irregularities and fraud can significantly impact an organization's financial stability, reputation and operational effectiveness. Internal auditors play a key role in assessing fraud risks and evaluating the adequacy of controls designed to prevent and detect fraud. However, the primary responsibility for fraud prevention and detection rests with management and those charged with governance.

The objectives of this Standard are to ensure that internal auditors:

(a) Assess entity's systems and processes to identify control gaps, inefficiencies and potential risks of irregularities and fraud.
(b) Understand nature, characteristics and implications of irregularities.
(c) Identify fraud risk indicators and assess the effectiveness of fraud prevention and detection controls.
(d) Apply appropriate audit procedures to identify and detect fraud related red flags-patterns of irregularities.
(e) Evaluate the robustness of the entity's Anti-fraud Policy and make recommendations, therein.
(f) Understand the specific techniques and schemes used to commit fraud.
(g) Communicate and report fraud-related findings to the appropriate levels of management and the Audit Committee.
(h) Determine irregularities and fraud Response plan and whether further corrective action is necessary.

SIA 290: Communication with Management and Those Charged with Governance

The internal auditor is required to have an effective two-way communication with the Management and Those Charged with Governance (TCWG), both while managing the internal audit function and while conducting an internal audit assignment. A continuous dialogue with management and TCWG, at various stages of the internal audit process, is essential for the achievement of internal audit objectives.

The objective of this Standard is to:

a) Establish the circumstances in which communication with management or TCWG is required.
b) Ensure that there exist a dialogue and free flow of information between the internal auditor and management or those charged with governance.
c) Resolve any confusion or conflicts in a timely manner with respect to scope, access to information or audit observations through escalation protocols wherever necessary.
d) Establishing a structured feedback process for management or those charged with governance to improve audit communication effectiveness and audit quality as a process of continuous improvement.
e) Ensure that this communication is independent, definite, effective and timely.

SIA 310: Presentation and Communication of Internal Audit Report

Reporting the results of internal audit activities is a core responsibility of the internal audit function and a key driver of its value to stakeholders. Effective communication of internal audit outcomes enhances transparency, accountability and informed decision-making. It facilitates oversight by management and those charged with governance and supports continuous improvement in governance, risk management and control processes.

The primary objectives of this Standard are to:

(a) Clearly communicate significant findings arising from audit procedures to the auditee.
(b) Provide actionable recommendations and devise agreed-upon action plans in concurrence with management to enable timely and effective remediation.
(c) Prescribe a uniform structure and format for internal audit reports that promotes clarity, transparency and consistency.
(d) Ensure that internal audit reports provide relevant, reliable and timely information to support informed decision-making by management and those charged with governance.
(e) Establish protocols for presenting internal audit reports to appropriate stakeholders.
(f) Reinforce the internal auditor's responsibility to uphold confidentiality, independence and professional judgment in the preparation and presentation of reports.

(g) Establish a framework for ensuring conformity with Standards on Internal Audit (SIAs).

SIA 320: Issuing Assurance Reports

An assurance report represents the formal communication of the internal auditor's independent and objective opinion on the subject matter under review based on the evidence obtained during the audit.

The objectives of this Standard are to:

(a) Establish a clear framework for issuing internal audit assurance reports.
(b) Ensure that assurance opinions are based on sufficient and appropriate audit evidence.
(c) Promote consistency, clarity and credibility in the expression of assurance.
(d) Safeguard the independence and objectivity of the internal auditor when providing assurance.
(e) Facilitate informed reliance by those charged with governance on assurance reports.

SIA 330: Special Purpose Reports

Special Purpose Reports are internal audit reports focusing on a specific area, event or compliance requirement requisitioned by management, regulators, customers, sponsors, donors or other stakeholders.

This Standard provides guidance on the principles, procedures and responsibilities related to preparation and issuance of Special Purpose Reports in internal audit.

The objective of this Standard is to establish a structured approach for internal auditors when preparing reports that serve a specific user, objective or regulatory requirement, ensuring clarity, reliability and adherence to professional Standards and the Code of Ethics issued by ICAI.

For Details: please refer Compendium of Standards on Internal Audit
https://internalaudit.icai.org/compendium-of-standard/

Lesson 12

Forensic Audit: Laws and Regulations

Fraud Reporting

Section 143(12): Notwithstanding anything contained in this section, if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud which involves or is expected to involve individually an amount of Rs. 1 Crore or above, is being or has been committed in the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed. In case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee constituted under section 177 or to the Board in other cases within such time and in such manner as may be prescribed.

Action of Fraud Reporting in good faith

Section 143(13): No duty to which an auditor of a company may be subject to shall be regarded as having been contravened by reason of his reporting the matter referred to in sub-section (12) if it is done in good faith.

Similar Provisions applicable to Cost Auditor and Secretarial Auditor:

Section 143(14): The provisions of this section shall *mutatis mutandis* apply to –

– The Cost Accountant in practice conducting cost audit under section 148; or

– The Company Secretary in practice conducting secretarial audit under section 204.

Punishment for default

Section 143(15): If any auditor, cost accountant or company secretary in practice do not comply with the provisions of sub-section (12), he shall be punishable with fine which shall not be less than 1 lakh rupees but which may extend to 25 lakh rupees.

Rule 13 of The Companies (Audit and Auditors) Rules, 2014 contains the operational procedure of Reporting of Fraud prescribed in Section 143(12) of the Act.

Reporting of fraud by Auditor

Rule 13(1): For the purpose of sub-section 12 of Section 143, if an auditor of a company, in the course of the performance of his duties as statutory auditor, has reason to believe that an offence of fraud, which involves or is expected to involve individually an amount of rupees one crore or above, is being or has been committed against the company by its officers or employees, the auditor shall report the matter to the Central Government and after following the procedure indicated herein below:

First Fraud Report to Board/Audit Committee

a. Auditor shall report the matter to the Board or the Audit Committee, as the case may be, immediately but not later than 2 days of his knowledge of the fraud, seeking their reply or observations within 45 days;

Final Fraud Report to Central Government on receipt of First Fraud Report

b. on receipt of such reply or observations the auditor shall forward his report and the reply or observations of the Board or the Audit Committee along with his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government within 15 days of receipt of such reply or observations;

Final Fraud Report to Central Government on failure of receipt of First Fraud Report

c. in case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of 45 days, he shall forward his report to the Central Government along with a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he has not received any reply or observations.

Mode/Format of dispatching Final Fraud Report to Central Government

The report shall be filed electronically in form ADT-4.

Rule 13(3): In case of a fraud involving lesser than the amount specified in sub-rule (1), the auditor shall report the matter to Audit Committee constituted under section 177 or to the Board immediately but not later than 2 days of his knowledge of the fraud and he shall report the matter specifying the following:-

(a) Nature of Fraud with description;

(b) Approximate amount involved; and

(c) Parties involved.

Similar Provisions of Fraud Reporting applicable to Cost Auditor and Secretarial Auditor.

Rule 13(5): The provision of this rule shall also apply, mutatis mutandis, to a cost auditor and a secretarial auditor during the performance of his duties under Section 148 and section 204 respectively.