

Dear Sir

Greetings

As a member of ICAI, I want to positively contribute in developing important audit related framework. Internal Audit Definition proposed is one of the finest. I am expressing by sincere suggestions.

Highlighting important words where there is change and giving explanation for the same.

Internal audit provides “**objective**” assurance & “**value addition**” to internal control system components of organisation “**including risk management process & reporting**” covering “**financial or operational**” aspects and contributes to enhancing governance for achieving organizational objectives.

1. Use of word Objective rather than Independence: -

Independence means not being financially, professionally and personally dependent on client. And Objectivity means being unbiased in working and framing opinions irrespective of past behaviour, existing relations and future consequences. Independence helps to remain person objective. It is expected that statutory auditor remains independent as well as objective so that he can provide highest level of assurance. But in internal audit and many other assignments like agreed upon procedures and compilation of financial statements, practitioner can have low level of independence but still he has to maintain objectivity. Hence Objective word seems more appropriate. This is also a central theme as per SA 200 and SA 610

Further Company Act 2013 has allowed employees to conduct internal audit, now employee cannot be considered independent but he should definitely be objective. In company act there are no disqualifications for internal auditor which further indicates that being objective is given more importance.

2. Value Addition

Today apart from compliance chartered accountants add significant value to business operations. Currently majority of internal audit reports clearly provide suggestions and indicate value additions if suggestions are followed. Further IIA Australia / UK / North America and others have included word value addition in internal audit definition. Today client looks for value addition much more than mere compliance. Hence it seems very important matter and it can be included in main definition, rather than explanation.

3. Risk Management Process & Reporting

As per COSO framework for internal controls system, which is base framework as per SA 315 & SA 330 which related to internal control systems, Risk Management Process of entity and financial and operation reporting through IT systems is integral part of Internal Control System of Entity. As these two are part of internal controls system, we can cover them as inclusive part rather than specifying them as separate items.

4. Financial & Operational

Modern day internal audit scope has increased significantly, we not only cover financial controls but also operational controls. Including operational word will give more clarity to internal auditors and clients as to scope on internal audit.

Thanking You

CA Ravi Taori

ravitaori@gmail.com

9096000033