

INTERNAL AUDIT & ASSURANCE STANDARDS OF ICAI: A MILE STONE IN THE HISTORY OF INTERNAL AUDIT.

CMA Sivakumar. A, Assistant Professor of Commerce, Sree Neelakanta Govt. Sanskrit College, Pattambi, Kerala.

Meghana R., Yuvakshetra Institute of Management Studies(YIMS),Ezhakkad, Mundur, Palakkad.

Haritha Ravi., Assistant Professor, Department of B.Com CA and Economics, Thiruthangal Nadar College, Selavayal, Chennai.

ABSTRACT

Standards are the recent origin in commerce and management. International Accounting standards, INDAS, Cost Accounting Standards and secretarial Standards are some of the important standards which give much impetus to the already growing accounting and finance profession in the world wide. Internal audit is very significant in the corporate world .Recently The Institute of Cost Accountants of India has published standards for internal audit. The common framework established by the Institute is a mile stone in the accounting and commerce profession. Therefore, the researchers analyzed internal audit and the assurance standards of the Institute of Cost Accountants of India. Besides the researchers collected data to understand about perception of the Commerce people about the important internal Audit and Assurance Standards of the Institute of Cost Accountants of India .Chi-Square has been applied to analyze the primary data. It is found that qualification has no impact on the understanding of the internal audits issued by the professional institute.

Key Words: *Internal Audit, Assurance Standards, ICAI, mile stone, internal audit.*

INTRODUCTION

Companies Act 2013 is a significant event in the history of the corporate world in India. It includes many provisions relating to the formation, share capital, administration, meetings and winding up of the companies. Insolvency and Bankruptcy Code 2016 was a major amendment on Companies Act 2013. After the implementation of the Insolvency and Bankruptcy Code 2016,

companies enjoy an another option for survival through a resolution process coined by resolution professional with the help of Committee of Creditors .Companies Act 2013 has given a new dimension to the internal audit activities of the companies. Therefore the researchers try to understand about different dimensions of the internal audit. As per the Companies Act 2013,a

Cost Accountant as per the Institute of Cost Accountants of India Act 1959 can perform internal auditor. Internal Auditing and Assurance Standards Board is the agency of the Institute of Cost Accountants of India and it deals with various aspects of internal auditing profession. Internal Auditing and Assurance Standards Board has designed the internal audit and the internal audit & assurance standards which is effective from 01/04/2022.

OBJECTIVES

1. To analyse the important internal Audit and Assurance Standards of the Institute of Cost Accountants of India.
2. To understand the perception of Commerce people about the important internal Audit and Assurance Standards of the Institute of Cost Accountants of India.

METHODOLOGY OF THE STUDY

Secondary data is collected from various sources including website of Ministry of Corporate affairs, Government of India and the website of the institute of the Cost Accountants of India. No primary data has

Following class of the companies have to appoint internal auditors

- a. Every listed company;

b every unlisted public company and every private company subject to the following conditions.

Table 1

been used in the research. To understand the perception of commerce people, following type of research methodology has been applied by the researcher

Population-Commerce people of Kerala, Tamilnadu (Commerce Students, Teachers of Colleges and Universities, Accountants) Sample-A sample Size of 387 has been selected by using Stratified Random Sampling Method.

Inferential Statistical Method used-Chi-Square Test.

DATA ANALYSIS.

Following paragraph shows the details about internal audit and the Internal Audit and Assurance Standards of the Institute of Cost Accountants of India.

Internal Audit

Sec 138(1) and Rule 13 (1) of the Companies (Accounts) Rules, 2014 deals with the internal audit of the joint stock companies.(CA DEEPAK RATHORE,2015) (1)

Unlisted Public Company having (with respect to the preceding financial year)	Private Company having (with respect to the preceding financial year)
Paid up share capital is fifty crore rupees or more	-----
Turnover of two hundred crore rupees or more	turnover of two hundred crore rupees or more
Outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more	Outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more
Outstanding deposits of twenty-five crore rupees or more	-----

(Source: <https://icmai.in/upload/IAASB/IAA-181021-Full-Book.pdf>)

Qualifications of the Internal Auditors

- i. Chartered Accountant
- ii. Cost Accountant
- iii. Other Professional as may be decided by the board

The internal auditors may be

- i. Individual
- ii. Partnership firm
- iii. Body corporate

Manner and Intervals

The Central Government may prescribe the manner and intervals with respect to the internal audit

Internal Audit and Assurance Standards of the Institute of Cost Accountants of India.

Following are the important Internal Audit and Assurance Standards of the Institute of Cost Accountants of India (Institute of Cost Accountants of India, nd.)(2)

Category-I: Standards on General Principles of Internal Audit

IAAS-1: Objectives, Authority and Charter

Internal audit charter is the most basic document as far as an internal audit is concerned. An internal auditor should read it carefully as it contains the objectives and authority of the internal auditor. Besides, it contains the responsibilities of the internal auditor. Internal audit plan and other processes should be based on internal audit charter. The Internal audit charter is an extensive document so that it can contain various aspects of the internal audit.

IAAS-2: Internal Audit Engagement

Internal audit engagement letter is very important and significant as it defines the scope of internal audit. The letter may vary from entity to entity. Besides, it should be in consistent with the internal audit charter

approved by audit committee/board of the entity.

IAAS-3: Independence, Integrity and Objectivity

An internal auditor should be independent in all aspects. Objective examination of the transactions is expected from the auditor. He/she should be free from all types of bias. Chief internal auditor should be very much careful in performing his/her role as a captain of the team.

IAAS-4: Proficiency and Due Professional Care

Internal audit is a value added/value created function to the entity. Therefore, one person as an internal auditor should obtain proficiency through ordinary education and professional education and the application of maximum professional care is expected from the internal auditor.

IAAS-5: Using the work of an Expert

The chief internal auditor may seek the help the expert outside his/her team. The expert opinion may be in specialized areas and the chief internal auditor should do all those activities with utmost confidential manner and reliability of the information provided should be subject to the verification by chief internal auditor.

IAAS-6: Quality Assurance and Continuous Improvement

The chief internal auditor should supervise the activities of the internal auditor .Both internal and assessment of the quality of internal audit is essential and significant .Besides ,Continuous professional development and improvement is must for an internal auditor to perform his/her internal audit engagements satisfactorily.

IAAS-7: Communication and Confidentiality

Chief internal auditor should communicate with audit committee/director board in regular intervals to discuss about various aspects of the internal audit. Communication to the parties outside the entity should be made only after getting sanction from the proper authorities of the entity.

IAAS-8: Risk Based Internal Audit

Internal auditor has to review the entity's risk management & internal control system to understand the effectiveness of the system.

IAAS-9: Technology Driven Internal Audit

The internal auditor should understand the IT Environment of the entity to understand about the potential risks which may creep in the entity .Besides, the chief internal auditor can use Information Technology to analyze data related with the internal audit processes.

IAAS-10: Enhancing Governance through Internal Audit

Internal audit activities should evaluate governance procedures of the entity .Besides ,proper recommendations to improve governance of the entity is expected from the internal audit team .Actually ,Internal audit is value added process with respect to the governance procedure of the entity.

IAAS-11: Internal Audit of Cost Records

Internal audit should include the internal audit of cost records and cost accounting system. Besides, Chief internal auditor should report the effectiveness of the cost accounting system to the audit committee/director board of the entity where the internal audit is performed on the basis of internal audit charter and the internal audit engagement letter.

Category-II: Standards on Principles related to Internal Audit Process

IAAS-21: Internal Audit Planning

Chief Internal auditor cannot prepare an internal audit plan in isolation. As per the Companies Act and significant rules associated with the companies act 2013, internal audit plan should be by-product of the consultations of the different stake holders relating to the internal audit .The audit committee has a significant role in it.

IAAS-22: Internal Audit Sampling

Auditing is a process which is based on sampling. Internal audit is not an exception to that popular principle. Therefore, this standard deals with the selection of audit sample from an audit population.

IAAS-23: Analysis and Evaluation

An Internal auditor should use significant and sufficient analytical procedures to derive information from the audit and thereby reach a conclusion based on the internal audit

IAAS-24: Internal Audit Evidence

Audit evidence is very relevant as far as an internal audit is concerned. Therefore, the chief internal auditor should design audit procedures which helps the entire team to get the audit evidence.

IAAS-25: Internal Audit Documentation

This standard deals with responsibility of the chief internal auditor with respect to the audit document preparation

IAAS-26: Disclosure and Reporting

Every standard deals with different aspects of the preparation of the internal audit report and disclosure requirements in it. The internal report should be addressed to the chairman of the audit committee/board of directors.

IAAS-27: Monitoring Progress.

The responsibility of the chief internal auditor should not end with the completion of the internal audit. He should monitor the action taken by the entity based on the recommendations and observations contained in the internal audit report.

Besides the above mentioned standards, the standard document includes the following:

- i. Glossary to the Internal Audit & Assurance Standards
Appendices
- ii. Appendix-I: Model Internal Audit Charter
- iii. Appendix-II: Model Internal Audit Engagement Letter
- iv. Appendix-III: Illustrative Internal Audit Plan
- iv. Appendix-IV: Internal Audit Report Template.

STATISTICAL TESTS APPLIED

Chi-Square Test.

H₀: There is no statistically significant association between the gender and the awareness of the commerce people about INTERNAL AUDIT & ASSURANCE

STANDARDS of Institute of Cost Accountants of India.

H₁: There is statistically significant association between the gender and the

awareness of the commerce people about
INTERNAL AUDIT & ASSURANCE

STANDARDS of Institute of Cost
Accountants of India.

Table 2:Chi-Square Test Results

Gender * Awareness Cross tabulation

		Awareness		Total
		Yes	No	
Gender	Male	144	25	169
	Female	158	60	218
Total		302	85	387

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	9.001 ^a	1	.003		
Continuity Correction ^b	8.274	1	.004		
Likelihood Ratio	9.278	1	.002		
Fisher's Exact Test				.003	.002
Linear-by-Linear Association	8.978	1	.003		
N of Valid Cases ^b	387				

*level of Significance =0.05.

(Source: Computed from Primary Data)

Here **p** value is 0.03 which is less than 0.05. Therefore, the researchers rejected the Null hypothesis. Hence the researchers concluded that there is statistically significant association between the gender and the awareness of the commerce people about INTERNAL AUDIT & ASSURANCE STANDARDS of Institute of Cost Accountants of India.

H₀: There is no statistically significant association between the qualification and the awareness of the commerce people about INTERNAL AUDIT & ASSURANCE STANDARDS of Institute of Cost Accountants of India.

H₁: There is statistically significant association between the qualification and the awareness of the commerce people about INTERNAL AUDIT & ASSURANCE STANDARDS of Institute of Cost Accountants of India

Table :3
Qualification * Awareness Cross tabulation

		Awareness		Total
		Yes	No	
Qualification	Plus Two	7	1	8
	Commerce			
	B.Com/BBA	221	63	284
	M.Com	50	11	61
	Professional Degree	13	5	18
	Ph.D	8	4	12
	12	3	1	4
Total		302	85	387

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.258 ^a	5	.812
Likelihood Ratio	2.233	5	.816
Linear-by-Linear Association	.334	1	.564
N of Valid Cases	387		

a. 5 cells (41.7%) have expected count less than 5. The minimum expected count is .88.

*level of Significance =0.05.

(Source: Computed from Primary Data)

Here p value is 0.812 which is greater than 0.05. Therefore, the researchers accepted the Null hypothesis. Hence the researchers concluded that there is no statistically significant association between the qualification and the awareness of the commerce people about INTERNAL AUDIT & ASSURANCE STANDARDS of Institute of Cost Accountants of India.

FINDINGS

1. A Cost Accountant is eligible to do internal audit as per the companies Act 2013
2. Internal Audit and Assurance Standards of the Institute of Cost Accountants of India provides a framework for the internal audit.
3. Twenty seven Internal Audit and Assurance Standards help various stakeholders to understand various aspects of internal audit
4. There was statistically significant association between the gender and the

awareness of the commerce people about INTERNAL AUDIT & ASSURANCE STANDARDS of Institute of Cost Accountants of India.

5. There was statistically significant association between the gender and the awareness of the commerce people about INTERNAL AUDIT & ASSURANCE STANDARDS of Institute of Cost Accountants of India.

REFERENCES

1. CA DEEPAK RATHORE. (2015, February 8). Internal Audit under Section 138 of Companies Act 2013. One moment, please... Retrieved October 25, 2022, from <https://taxguru.in/company-law/internal-audit-section-138-companies-act-2013.html>.

2. Institute of Cost Accountants of India. (n.d.). THE INSTITUTE OF COST ACCOUNTANTS OF INDIA. Retrieved October 25, 2022, from <https://icmai.in/upload/IAASB/IAA-181021-Full-Book.pdf>