

STANDARD ON INTERNAL AUDIT (SIA) 320 INTERNAL AUDIT EVIDENCE*

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This Standard on Internal Audit (SIA) 320, “Internal Audit Evidence,” 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.

***Note:** This Standard on Internal Audit (SIA) supersedes *Standard on Internal Audit (SIA) 10, Internal Audit Evidence*, issued in January, 2009.

1. Introduction

- 1.1 “Internal Audit Evidence” refers to all the information used by the Internal Auditor in arriving at the conclusions on which the auditor’s opinion 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.
- 1.2 Gathering appropriate and reliable audit evidence is a critical part of the internal audit process. This Standard explains certain key requirements in the process of collection, retention and subsequent review of internal audit evidence.
- 1.3 Scope: This Standard applies to all internal audit assignments. However, the manner in which the audit evidence is to be gathered from the performance of audit activities and testing procedures (e.g., sampling techniques, data analytics, etc.) are not subject matter of this Standard and the Internal Auditor should refer to specific Standard on Internal Audit for that subject. Types of audit evidence and its possible sources are therefore not covered in this Standard.

2. Objectives

- 2.1 The objectives of gathering appropriate and reliable audit evidence are to:
 - (a) confirm the nature, timing and sufficiency of the audit procedures undertaken as per the internal audit plan and terms of engagement;
 - (b) aid in the supervision and review of the internal audit work; and
 - (c) establish that the work performed is in conformance with the applicable pronouncements of the Institute of Chartered Accountants of India.
- 2.2 The overall objective of obtaining appropriate and reliable evidence is to allow the Internal Auditor to form an opinion on the outcome of the audit procedures completed. The evidence collected must stand on its own and not require any follow-up clarification or additional information to arrive at the same conclusion.

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3. Requirements

- 3.1 The Internal Auditor shall obtain sufficient and appropriate audit evidence which can form the basis of audit findings and allow reliable conclusions to be drawn from those findings. Evidence collected through various audit procedures shall be complementary and relevant to the objectives of the audit procedure conducted. (refer Para. 4.1).
- 3.2 The evidence shall be obtained from reliable sources with consistency between various evidences collected. (refer Para. 4.2).
- 3.3 All audit evidence collected shall be recorded and the internal audit function shall maintain a written process explaining the manner in which audit evidence is to be gathered, reviewed, documented and stored as per Standards of quality and in conformance to the Standards on Internal Audit. (refer Para. 4.3).

4. Explanatory Comments

- 4.1 **Nature of Evidence (refer Para. 3.1):** Evidence is collected either from the underlying company's books, records, systems and processes or through the performance of audit activities and testing procedures. Documents supporting transactions (e.g., bills/invoices) or business arrangements (e.g., contracts/agreements) are evidences in the nature of the former. Evidences for the latter are collected by performing one or more of the following audit procedures, i.e., checking, inspection, observation, inquiry, confirmation, computation, re-performance, analytical review and using the help of experts.

Sufficiency and appropriateness are inter-related and apply to evidence obtained. Sufficiency refers to the quantity or quantum of evidence gathered while appropriateness relates to its quality or relevance and reliability. Normally, the internal audit evidence is persuasive on its own and a number of evidential matters in aggregate, help make it conclusive in nature.

- 4.2 **Reliability and Consistency of Evidence (refer Para. 3.2):** The reliability of the audit evidence depends on its source - internal or external, its type and thoroughness and, may also depend on the timing of the audit procedures conducted. When the Internal Auditor has doubts over the reliability of information collected, or the internal audit evidence obtained from one source is inconsistent with that

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obtained from another, the Internal Auditor shall evaluate how the audit procedures need to be modified or expanded to resolve the doubt or conflict.

4.3 Evidence Collection and Recording Process (refer Para. 3.3): All audit evidence shall be recorded in such a manner that it can be reproduced (if in digital form) and reviewed independently of the Internal Auditor. It shall meet certain basic standards of quality to achieve internal audit objectives. Details of these quality standards, the manner in which audit evidence shall be gathered, reviewed for sufficiency and appropriateness, validated for authenticity and reliability and stored as part of internal audit documentation, shall be written in the form of an internal audit process (as part of the Internal Audit Manual).

4.4 Documentation: To confirm compliance of audit procedures with this SIA, the list of the documents required is as follows:

- (a) Written policy and process on audit evidence, as part of the Internal Audit Manual.
- (b) Details of the evidence collected, relevance to the audit findings and opinion being formed, cross referenced to the Internal Audit Program, where appropriate.

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.