



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(SET UP BY AN ACT OF PARLIAMENT)
THRISSUR BRANCH (SIRC)

Merry
Christmas

AND A HAPPY NEW YEAR



2024 DECEMBER E-NEWSLETTER

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EDITOR'S NOTE

Dear Professional Colleagues,

As we approach the end of 2024, it is a time to reflect on the year gone by and look forward to the opportunities and challenges that lie ahead. This year has been a testament to the resilience, dedication, and spirit of the members of our branch.

The Thrissur Branch has made remarkable strides in fostering professional growth and camaraderie among members. From insightful seminars to engaging workshops and events, our branch has consistently worked towards enhancing the knowledge and skills of our members. These initiatives not only contribute to professional excellence but also strengthen the bonds within our community.

The festive season is also a time for gratitude. I extend my heartfelt thanks to all the members, faculty, and staff who have contributed their time and effort to make our branch activities successful. Your unwavering support and enthusiasm are the backbone of our collective achievements.

Looking ahead to 2025, let us continue our journey of excellence. With the evolving dynamics of the accounting profession, it is imperative to stay updated and adaptable. The upcoming year promises to be filled with new learning opportunities, and I encourage all members to actively participate in the branch's programs and initiatives.

I also take this opportunity to wish you and your families a joyful and prosperous New Year. May 2025 bring health, happiness, and success to all.

Let us move forward together with renewed energy and determination to make the Thrissur Branch a beacon of professional excellence.

Happy Reading!

Jai Hind, Jai ICAI.

Warm regards,

CA. Jeen Paul
Newsletter In Charge

CHAIRPERSON'S MESSAGE

Dear Professional colleagues,

As we near the close of another eventful year, it brings me immense pride and joy to reflect on the impactful initiatives and programs conducted by our ICAI Thrissur branch. November 2024 has been a particularly vibrant month, marked by events that have significantly contributed to the professional development of our members and the holistic growth of the student community.

A CPE Workshop on Zoho Books was conducted on 26th November 2024, led by Mr. Sushil M. R. Ravani and Mr. Syed Naazer. The workshop offered participants an in-depth understanding of Zoho Books, equipping them with the skills to effectively utilize this cloud-based accounting tool.

On 30th November 2024, a One-Day Seminar on GST was held, featuring CA. Nikhil B. Jain and CA. Vinay Karthik C. D from Bengaluru as the resource persons. The seminar focused on recent updates and practical aspects of GST, ensuring participants were well-informed about the latest developments in this dynamic taxation domain.

The District Commerce Carnival, held on 2nd November 2024 in collaboration with the Commerce Teachers Association, brought together over 300 enthusiastic +1 and +2 students. The event featured interactive activities such as a Commerce Quiz, Best Manager competition, and an Accounting Aptitude Test, fostering a spirit of learning and healthy competition. Following this, the State Commerce Carnival, conducted on 16th November 2024 in association with the Kerala Commerce Forum (KCF), was inaugurated by Shri K. Rajan, the Honorable Minister for Revenue and Housing, Government of Kerala. With more than 500 students showcasing their talents, the event provided an excellent platform for young minds to excel, marking it as a grand success.

I extend my heartfelt gratitude to the organizing teams, faculties, and participants for making these events highly successful. The dedication and enthusiasm demonstrated by all have truly elevated the stature of our branch.

As we step into December, I urge our members to actively engage in the upcoming programs and continue contributing towards professional excellence and community growth.

Warm regards,

Jai ICAI Jai Hind

CA. ANOOP V FRANCIS
CHAIRPERSON

RELYING UPON THE WORK OF INTERNAL AUDITOR : STANDARD ON AUDITING (SA) REVISED 610

Need and Possibility of use of work of Internal Auditor by Statutory Auditor: Like In other activities of life in audit also the main constraint is scarcity of resources, but here the most important resources are time & availability of competent persons. As the most of the work performed/techniques used/resources used by internal auditors and external (Statutory) auditors are normally same, this more specific to the matters related with assessment of internal control framework. Thus there emerges a possibility of elimination of possibility of duplicity of activities already undertaken/to be undertaken by internal Auditors.

Knowledge and experience of the internal audit function can inform the external auditor's understanding of the entity and its environment and identification and assessment of risks of material misstatement. Effective communication between the internal and external auditors also creates an environment in which the external auditor can be informed of significant matters that may affect the external auditor's work.

The external auditor expects to use the work of the internal audit function as part of the audit evidence obtained. Such use of the work modifies the nature timing and extent, of audit procedures to be directly by the external auditor. This is to kept in mind that – while the external auditor has sole responsibility for his report and for the determination the nature, timing and extent of the audit procedures.

SA 610 not applies if :

- If entity not under Internal Audit
- If activity under internal audit is not relevant for statutory audit
- In accordance with SA 315 Statutory Auditor is not expected to use the work of the function in obtaining audit evidence – Where limited checking should not be carried out by the Statutory Auditor.
- If restricted

The external auditor shall make all significant judgments in the audit engagement and, to prevent undue use of the work of the internal audit function, shall plan to use less of the work of the function and perform more of the work directly: (Shall avoid using work of internal auditor in following ares)

- (a) The more judgment is involved in: (i) Planning and performing relevant audit procedures; and (ii) Evaluating the audit evidence gathered; (Ref: Para. A18–A19)
- (b) The higher the assessed risk of material misstatement at the assertion level, with special consideration given to risks identified as significant; (Ref: Para. A20–A22)
- (c) The less the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors; and (d) The lower the level of competence of the internal audit function.

Internal Auditor's Work can be used in following ways by the statutory Auditor:

1. Using Internal Auditors to provide direct assistance
 2. Assessing the work already done by internal auditor and using that to derive assurance level while determining the nature, timing and extent of the audit procedures
- Prior to using internal auditors to provide direct assistance for purposes of the audit, the external auditor shall:

- (a) Obtain written agreement from an authorized representative of the entity that the internal auditors will be allowed to follow the external auditor's instructions, and that 9 SA 260, paragraph 11. 8 the entity will not intervene in the work the internal auditor performs for the external auditor; and
- (b) Obtain written agreement from the internal auditors that they will keep confidential specific matters as instructed by the external auditor and inform the external auditor of any threat to their objectivity.

The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with SA 220. In so doing:

(a) The nature, timing and extent of direction, supervision, and review shall recognize that the internal auditors are not independent of the entity and be responsive to the outcome of the evaluation of the factors in paragraph 29 of this SA; and

(b) The review procedures shall include the external auditor checking back to the underlying audit evidence for some of the work performed by the internal auditors. The direction, supervision and review by the external auditor of the work performed by the internal auditors shall be sufficient in order for the external auditor to be satisfied that the internal auditors have obtained sufficient appropriate audit evidence to support the conclusions based on that work. (Ref: SA 610)

General Evaluation of Internal Audit Function :

The external Coordination between Statutory and Internal Auditors: It is desirable that that the external auditor ascertains the internal auditor's tentative plan for the year and discusses it with him at as early a stage as possible to determine areas where he considers that he could rely upon the internal auditor's work. Where internal audit work is to be a factor in determining the nature, timing and extent of the external auditor's procedures, it is desirable to plan in advance the timing of such work, the extent of audit coverage, test levels and proposed methods of sample selection, documentation of the work performed and review and reporting procedures.

Coordination with the internal auditor is usually more effective when meetings are held at appropriate intervals during the year. It is desirable that the external auditor is advised of, and has access to, relevant internal audit reports and in addition is kept informed, along with management, of any significant matter that comes to the internal auditor's attention and which he believes may affect the work of the external auditor. Similarly, the external auditor should ordinarily inform the internal auditor of any significant matters which may affect his work.

General Evaluation of Internal Audit Function: The external auditor's general evaluation of the internal audit function will assist him in determining the extent to which he can place reliance upon the work of the internal auditor. The external auditor should document his evaluation and conclusions in this respect. The important aspects to be considered in this context are:

a) **Organizational Status :** Whether internal audit is undertaken by an outside agency or by an internal audit department within the entity itself, the internal auditor reports to the management. In an ideal situation he reports to the highest level of management and is free of any other operating responsibility. Any constraints or restrictions placed upon his work by management should be carefully evaluated. In particular, the internal auditor should be free to communicate fully with the external auditor.

b) **Scope of Function:** the external auditor should ascertain the nature and depth of coverage of the assignment which the internal auditor discharges for management. He should also ascertain to what extent the management considers, and where appropriate, acts upon internal audit recommendations.

c) **Technical Competence:** The external auditor should ascertain that internal auditor should ascertain that internal audit work is performed by persons having adequate technical training and proficiency. This may be accomplished by reviewing the experience and professional qualification of the persons undertaking the internal audit work.

d) **Due professional Care:** The external auditor should ascertain whether internal audit work appears to be properly planned, supervised, reviewed and documented. An example of the exercise of due professional care is by the internal auditor is the existence of adequate audit manuals, audit programmes and working papers.

If the external auditor plans to use the work of the internal audit function, the external auditor shall discuss the planned use of its work with the function as a basis for coordinating their respective activities. (Ref: Para. A24–A26)

If the external auditor plans to use the work of the internal audit function, the external auditor shall discuss the planned use of its work with the function as a basis for coordinating their respective activities. (Ref: Para. A24–A26)

The external auditor shall read the reports of the internal audit function relating to the work of the function that the external auditor plans to use to obtain an understanding of the nature and extent of audit procedures it performed and the related findings.

The external auditor shall perform sufficient audit procedures on the body of work of the internal audit function as a whole that the external auditor plans to use to determine its adequacy for purposes of the audit, including evaluating whether:

(a) The work of the function had been properly planned, performed, supervised, reviewed and documented; 7 SA 260, Communication with Those Charged with Governance, paragraph 11. 6

(b) Sufficient appropriate evidence had been obtained to enable the function to draw reasonable conclusions; and

(c) Conclusions reached are appropriate in the circumstances and the reports prepared by the function are consistent with the results of the work performed. (Ref: Para. A27–A30) 24.

The nature and extent of the external auditor’s audit procedures shall be responsive to the external auditor’s evaluation of:

(a) The amount of judgment involved;

(b) The assessed risk of material misstatement;

(c) The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors; and

(d) The level of competence of the function

The External auditor should also test the work of the internal auditor on which he intends to rely. The nature timing and extent of the external auditor’s tests will depend upon the judgment as to the materiality of the area concerned to the financial statements taken as a whole and the results of his evaluation of the internal audit function and of the specific internal audit work. His test may include examination of items already examined by the internal auditor, examination of other similar items, and observation of the internal auditor’s procedures.

CA. Rahul Sharma

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