

## **ICAI wants standard norms for internal auditing by companies**

Accounting regulator Institute of Chartered Accountants of India has asked the government to standardise the internal auditing procedures adopted by domestic companies to prevent a repeat of Satyam-like frauds.

These benchmark norms would reduce corporate risk manifold and ensure a standard and robust internal audit procedure, ICAI president G Ramaswamy said. "We have written to the Ministry of Corporate Affairs for standardising the procedures," he added.

A company's internal audit system is considered to be the first check-post to detect any accounting fraud. Fraudulent internal bookkeeping was the main reason the Rs 10,000-crore Satyam scam remained under wraps for many years.

The ICAI has asked the ministry to make it mandatory for all companies to state in their internal auditor's report that the audit was conducted in accordance with the ICAI-issued Standards on Internal Audits.

The institute regularly issues these internal auditing standards, which codify the best practices in key areas such as terms of internal audit engagement, documentation, reporting and communication with management. Till date, the ICAI, the nodal chartered accountancy institute in India, has issued 17 such standards but these have been recommendatory in nature.

Internal auditors are expected to evaluate risk and assess ethics and values within the organisation and manage performance in order to facilitate a good governance process.

Experts say the move to frame standard rules will help reduce corporate risks and benefit investors and other stakeholders such as regulators, employees and providers of finance as balance sheets will become uniform.

"Making these norms mandatory will ensure that the internal audit process is more credible and this will reflect in more transparent balance sheets for investors," said Harinderjit Singh, Partner, PricewaterhouseCoopers.

"The basic objective of these standards is to raise the quality and standards of auditing," ICAI's Ramaswamy said.

However, many companies are of the view that ICAI standards help achieve uniformity in auditing procedures even when they are not must and making them mandatory will not lead to any great standardisation.

"Internal audits should be treated as independent management functions of companies. The ICAI guidelines are truly helpful and should remain as guidelines and not be used for regulation," said an executive with KPMG.