

# Exposure Draft

## Standard on Internal Audit (SIA) 340

### Special Purpose Reports

The Internal Audit Standards Board of The Institute of Chartered Accountants of India (ICAI) invites comments on the draft Standard on Internal Audit (SIA) 340, Special Purpose Reports.

Comments are most helpful if they indicate relevant paragraph number, a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments can be submitted at link:

<https://forms.gle/P4AJcQ9rRnfowx8J6>

Last date for sending comments is October 23, 2025.

# Standard on Internal Audit (SIA) 340 Special Purpose Reports

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**This Standard on Internal Audit (SIA) 340, “Special Purpose Reports” 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,” issued by the Institute.**

## **1. Introduction**

- 1.1 Special Purpose Reports are non-standard internal audit reports focusing on a specific area, event, or compliance requirement requested by management, regulators, customers, sponsors, donors or other stakeholders.
- 1.2 This Standard provides guidance on the principles, procedures, and responsibilities related to the preparation and issuance of Special Purpose Reports in internal audit.
- 1.3 Unlike general internal audit reports, Special Purpose Reports require tailored reporting formats, specific disclosures, and focused conclusions based on the intended purpose. Internal auditor must ensure that these reports are objective, fact-based, and clearly define the scope and limitations of the review.
- 1.4 Scope: This standard applies to all internal auditors and internal audit functions (IAF) responsible for preparing Special Purpose Reports in response to management requests, regulatory requirements, or other specific needs not covered under any other statutory framework.

This standard applies whether the report is intended for internal use or external stakeholders (e.g., regulators, government authorities, or lenders).

## **2. Effective Date**

- 2.1 This Standard is applicable for internal audits beginning on or after a date to be notified by the Council of ICAI.

## **3. Objectives**

- 3.1 The objective of this Standard is to establish a structured approach for internal auditors when preparing reports that serve a specific user, objective, or regulatory requirement, ensuring clarity, reliability, and adherence to professional standards and the Code of Ethics issued by ICAI.

## **4. Requirements**

The internal auditor shall comply with the following requirements while issuing Special Purpose Reports:

#### 4.1 Structure and Content of Special Purpose Reports (Refer Para. A1)

The Special Purpose Report shall include the following components:

- **Title and Addressee:** Clearly state that it is a Special Purpose Report and identify the intended users.
- **Executive Summary:** Summarize key findings, probable root causes, conclusions, and recommendations.
- **Scope and Methodology:** Define the coverage, audit period, limitations, exclusions and methodologies applied.
- **Findings, Observations & Conclusions / Opinion:** Present data-supported findings, risks identified, and impact analysis, the probable root causes in further detail. Annexures may be given to include further full details and audit evidence, as required to substantiate and/ or better understand the observations.
- **Conclusion and Recommendations:** Provide conclusion and actionable suggestions based on findings.
- **Management Response** (if applicable): Include comments from management on findings and proposed corrective actions, people responsible for implementation and due dates, if relevant.
- **Limitations and Disclaimers:** Disclose any scope limitations, data access limitations, methodology limitations or inherent constraints impacting conclusions.
- **Date of the Report and Signature:** Clearly mention date of signing the report and it must be duly signed by the Internal Auditor.

The format must align with stakeholder expectations while maintaining objectivity and professional standards.

Sometimes a flash report may be required in case of fraud, or any important finding is to be immediately reported / escalated. This may be in format and manner as specified in the engagement letter or in the relevant law or regulation.

#### **4.2 Reporting Clarity, Objectivity, and Compliance (Refer Para. A2)**

- The report must be clearly titled as “Special Purpose Internal Audit Report” to distinguish it from other regular audits.
- The Special Purpose Report must be clear, unbiased, and objective, ensuring findings are based on verifiable evidence and professional judgment.
- If the report is prepared for regulatory or legal compliance, internal auditors must ensure it meets the specific regulatory reporting requirements.

#### **4.3 Issuance, Distribution, and Confidentiality (Refer Para. A3)**

- Internal auditors shall define the distribution and circulation policy of the Special Purpose Report, ensuring that it is shared only with authorized recipients.
- If the report contains sensitive or confidential information, appropriate security measures and disclaimers must be included.
- Proper documentation and working papers related to the Special Purpose Report shall be maintained for future reference and legal compliance.

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### **Application and Other Explanatory Material**

#### **A1. Structure and Content of Special Purpose Reports (Refer Para. 4.1)**

- The report should be well structured, reader-friendly, clear & concise and action-oriented. Including a management response section improves the usefulness of the report by providing clarity on the corrective actions planned.
- A draft report should be issued, discussed thoroughly with the stakeholders and then a final report should be issued unless the circumstances warrant otherwise.

**A2. Reporting Clarity, Objectivity, and Compliance (Refer Para. 4.2)**

- If compliance with regulatory requirements is involved, internal auditors must ensure the report meets statutory formats and legal disclosures.
- Using data visualization techniques (e.g., charts, tables, etc.) enhances clarity and impact.
- The reporting language should be concise, i.e. to the point and without jargons; abbreviations should be elaborated at the start of the report and the report should be uncluttered.

**A3. Issuance, Distribution, and Confidentiality (Refer Para. 4.3)**

- Special Purpose Reports often contain sensitive business information; therefore, restricted distribution policies and confidentiality clauses should be considered.
- The internal auditor must ensure report copies are securely stored and unauthorized access is prevented.
- If within the report, there are parts which the entire distribution list should not be made aware of; the report may be appropriately split and then distributed.
- A report distribution list should be agreed upon and included in the engagement letter.