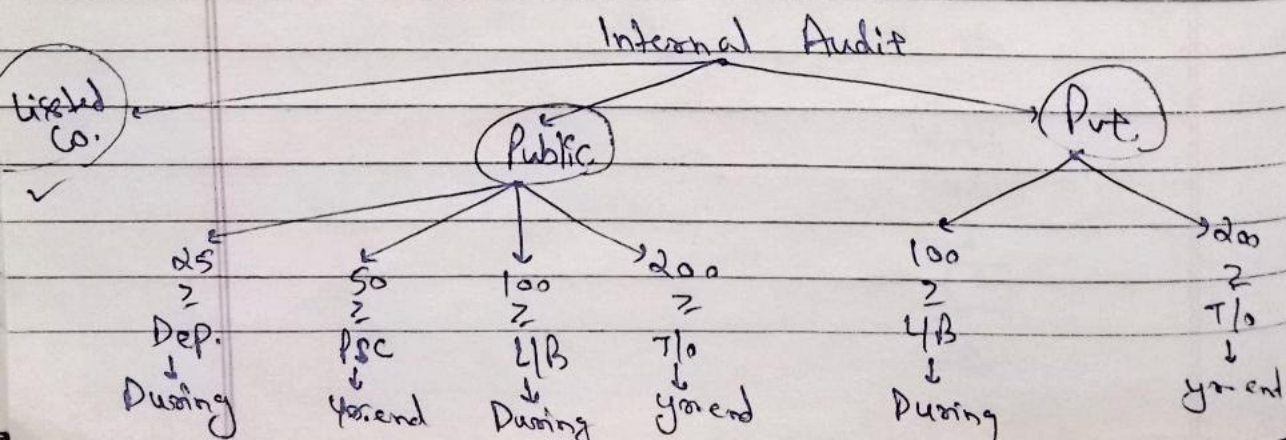
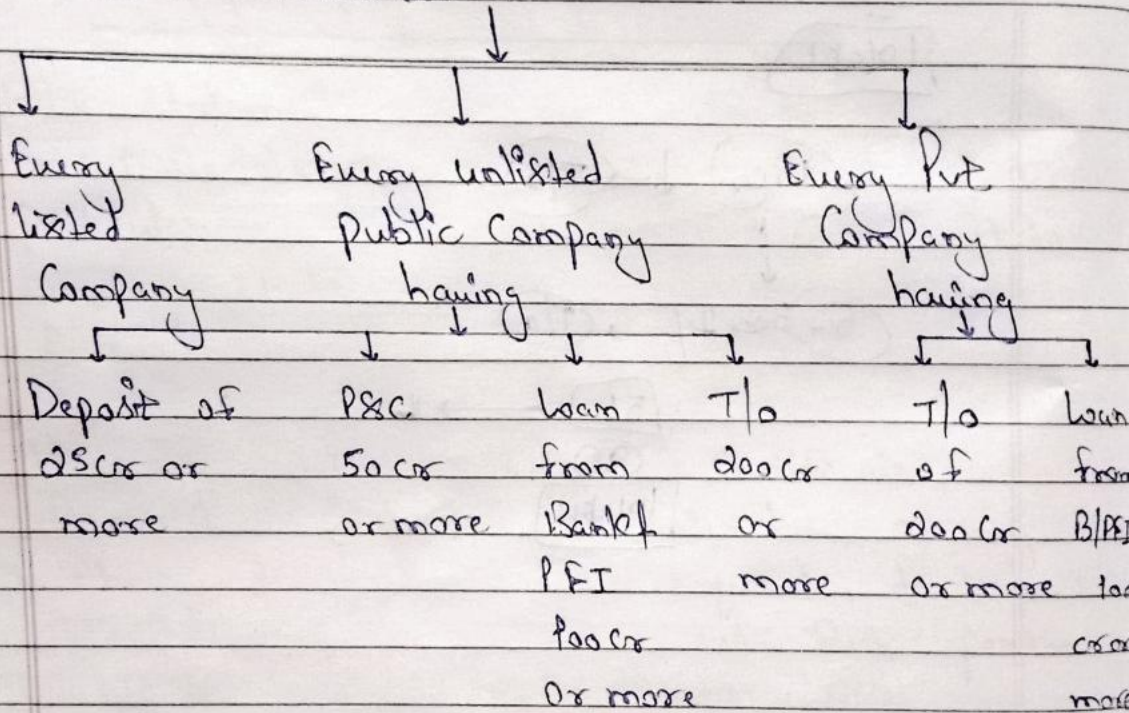


CHAPTER → 14

"INTERNAL AUDIT & PERFORMANCE AUDIT"

Internal Audit under Companies Act, 2013

u/s 138 of Companies Act, 2013 read with rule 13 of Companies (Accounts) Rules 2014, following classes of company shall be required to appoint an Internal Auditor -



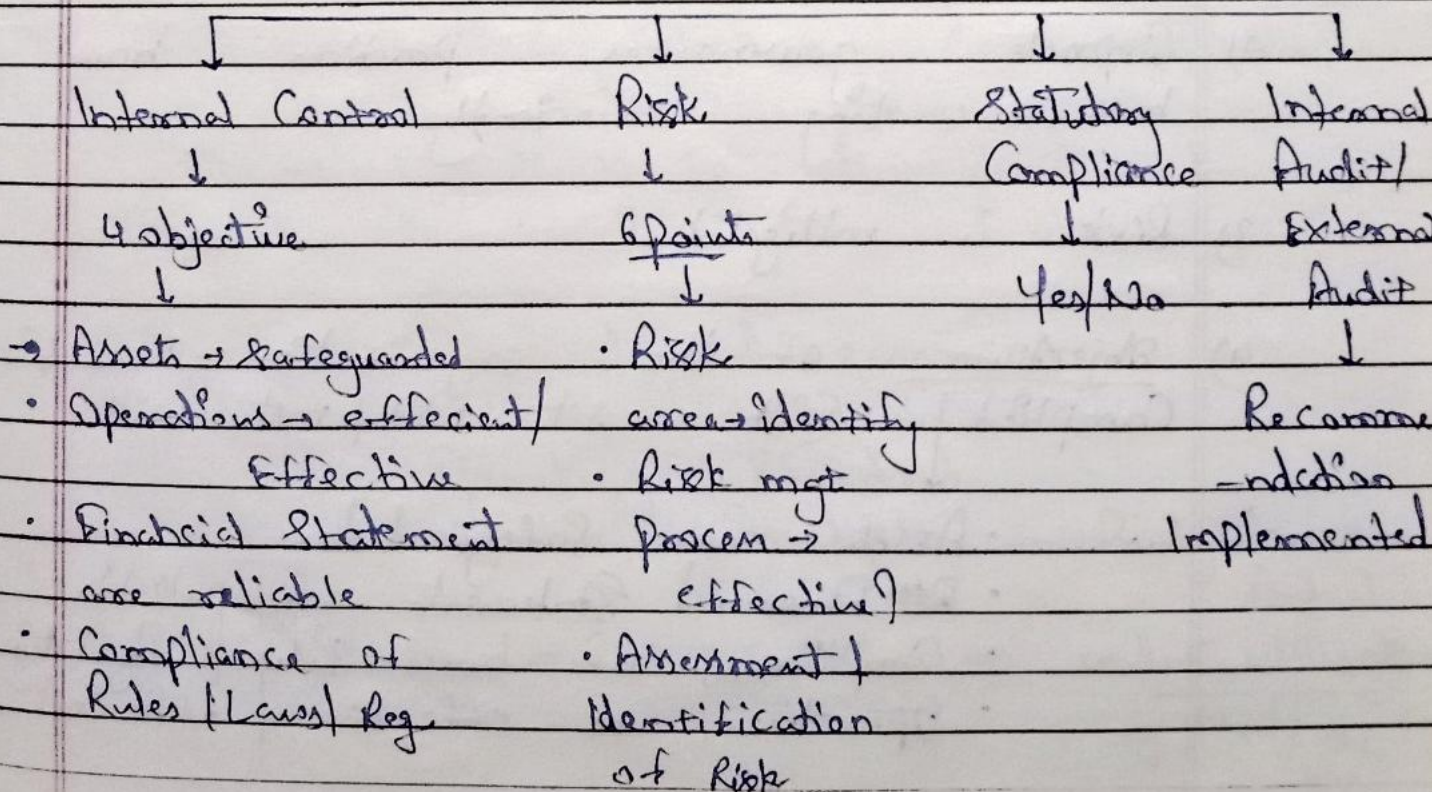
Acumen → ability to understand things quickly

Collat → Assemble kama / ib jagah pr ikkatha kama

Appointment of Internal Auditor -

- 1) Board Meeting
- 2) Resolution passed
- 3) Resolution to be filled with ROC → Form 14 within 30 days
- 4) Not mandatory for pvt company
 ↳ Resolution file

Objective of Internal Audit



- Assess potential threat

- IC → response to risk

- Risk mgmt framework?

2
10th April

* Internal Audit is the indepth checking performed by the professional having competent knowledge & expertise :-

1) To check whether internal control in company is effective working or not.

2) Corporate governances practices have been working efficiently.

3) Risk is mitigated.

4) Objectives of the organisation have been complied | (with) set with / met with

- Assets are safeguarded
- Financial statements are reliable
- Compliances of laws, rules & regulations
- Operations are effective / efficient.

Scope of Internal Audit (IA) :-

Common

- 1) Review of Internal Control System & procedure
- 2) Assets of the organisation are safeguarded
- 3) Financial & operational informational is reliable (integrity) checking.
- 4) Operations - efficient & effective?
 - ↳ objectives (goals) accomplishment
- 5) Laws - Compliances done or not?
- 6) Resources - use - properly or not?
- 7) Organisational structure - Review

New

A) Review of Internal Control -

- IC should be aligned with organisational structure
- IC is whether cost effective or not
- IC should be throughout the year - in use?

B) Resources : efficient & economical

- Operating Standards
- Variance analysis - Budgeted vs Actual
- Resource - Capacity → under utilisation
 - eg. Admin / Cash etc.

→ Over Staffing

C) Compliances with Law / Rules / Regulations / Policies / Procedures.

D) Organisation Structure:

→ This is in harmony with objective of the Company / Organisation.

→ Clear - Duplication of work will be avoided.

4
May-2024

Tools / Techniques - Internal Auditor will Perform

1) Review Operating Environment

→ Having a understanding of the Company operations, overall functioning etc.

2) Review of Control

→ Whether Company has installed the Internal Control or not.

→ What all Internal Control installed - listing of Inventory

3) TOC : Test of Control

→ Internal Control — effectively/efficiently working or not??

4) TOB : Test of Details :

→ Substantive Audit check
↓
Detailed checking

→ Account Balance & Disclosure
Material ↓ Misstatement — yes/no

→ eg Vouching & Verification