Internal Audit

Unique Approach, Superior Results
Introduction

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” The Institute of Internal Auditors

Recent events including global financial crises have emphasised need for internal auditing within corporate governance structures

Internal audit function is now mandatory for certain companies in accordance with Companies Act, 2013

Stakeholders increasingly demand improved accountability & financial transparency in the organization.

Furthermore, internal audit is considered good practice & advisable as part of underlying control framework & financial management capacity of an organization.
Objectives of Internal Audit

Primary objective of internal audit lies in helping the management attain maximum efficacy by providing an important source of review of operations and records for the assistance of all levels of management.

- Review of accounting system and related internal controls
- Examination for management of financial and operating information
- Examination of the economy, efficiency and effectiveness of operations including non-financial controls of an organization
- Physical examination and verification
- Adoption of standard accounting practices
- Prevention and detection of fraud
The following class of companies shall be required to appoint an internal auditor or a firm of internal auditors:

(a) Listed Companies

(b) every unlisted public company having-

(i) paid up share capital of 50 (fifty) crore rupees or more during the preceding financial year; or

(ii) turnover of 200 (two hundred) crore rupees or more during the preceding financial year; or

(iii) outstanding loans or borrowings from banks or public financial institutions exceeding 100 (one hundred) crore rupees or more at any point of time during the preceding financial year; or

(iv) outstanding deposits of 25 (twenty five) crore rupees or more at any point of time during the preceding financial year; and

(c) every private company having-

(i) turnover of 200 (two hundred) crore rupees or more during the preceding financial year; or

(ii) outstanding loans or borrowings from banks or public financial institutions exceeding 100 (one hundred) crore rupees or more at any point of time during the preceding financial year.
According to the Section 138 of Act, the internal auditor shall be either *Chartered Accountant or Cost Accountant or such other professional* as may be decided by the board. Such internal auditor may or may not be an employee of the company (Explanation to Rule 13 of Companies (Accounts) Rules, 2014).

The rules also specifically provide that the term ‘Chartered Accountant’ shall mean a Chartered Accountant, *whether engaged in practice or not* (Explanation to Rule 13 of Companies (Accounts) Rules, 2014). Thus, the members of The Institute of Chartered Accountants of India who are in service can take this opportunity to be appointed as Internal Auditor of their own employer company.

*Statutory auditor* appointed under section 139 of Act *is not eligible to provide the service of Internal Audit* whether rendered directly or indirectly to the company or its holding company or subsidiary company –Section 144 of the Companies Act, 2013.

The scope and functions of Internal Auditors has not been defined in Companies Act, 2013 nor in the Rules prescribed. *The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit* – Subrule 2 of Rule 13 of Companies (Accounts) Rules, 2014.

The report of Board of every listed company and every other public company having a paid up share capital of twenty five crore rupees or more calculated at the end of the preceding financial years shall contain the *details in respect of adequacy of internal financial controls with reference to the Financial Statement* (Subrules 4 & 5 of Rule 8 of Companies (Accounts) Rules, 2014).
Internal Audit Process

1. Departments identified for annual audit
2. Initial Audit performed
3. Department respond to audit
4. Report review by audit committee
5. Report including recommendations
6. Follow ups

Report review by audit committee
Internal auditor has a responsibility to cover financial, operational, information system, legal/regulatory and all other risks that may have significant impact on the business of an entity.
ProXcel is a specialized corporate advisory firm with a vision to deliver professional excellence in the field of corporate financial and management consultancy. We offer range of integrated professional services to help entrepreneurs set up businesses and constantly grow by leveraging all opportunities smoothly through advising them on the right financial and legal strategies for expansion. Our services include business set up services, project funding, business valuations for M&A, financial reporting, taxation and corporate law advisory and internal and external audit.

Our team of professionals consists of young and dynamic professionals who possess the acumen and wide experience in the business valuation domain.
How can we help you

Identify Risks & Find Better Ways and Best Practices

Partner With You to Find Solutions

Prevent Problems & strengthen Governance

Enhance internal control system & assist in strategic risk management

To assure transparency in reporting—both for internal MIS purposes and statutory purposes.
Our Audit Approach

Risk Based Audit Approach

- ProXcel is committed to provide best quality services to the clients within given timelines. In relation to internal audits, we follows “Risk based and objects oriented approach” which requires more focus on the critical areas of business.

- A risk-based audit approach is designed to be used throughout the audit to efficiently and effectively focus the nature, timing and extent of audit procedures to those areas that have the most potential for causing material misstatement(s) in the financial report. There are many types of risk – fraud, improper reporting, ineffective or inefficient use of resources, credibility loss, etc.

- The risk-based approach requires the auditor to first understand the entity and its environment in order to identify risks that may result in material misstatement of the financial report. Next, the auditor performs an assessment of those risks at both the financial report and assertion levels. The assessment involves considering a number of factors such as the nature of the risks, relevant internal controls and the required level of audit evidence.
# Our Audit Methodology

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<th>Step 1: Scope and Plan</th>
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<th>Step 3: Audit Execution</th>
<th>Step 4: Communicating Results</th>
<th>Step 5: Follow Ups</th>
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<td>Kick off meeting</td>
<td>Meeting with key process owners to evaluate existing systems and procedures followed</td>
<td>Performing walkthroughs and substantive testing with minimal disruption to operations of the company</td>
<td>Throughout the audit, all issues identified are validated with the customer</td>
<td>This phase evaluates whether management implemented the corrective measures agreed to the Final Audit Report</td>
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<td>Discussing and finalizing scope or works</td>
<td>Identify risks and specific audit objectives and scope</td>
<td>Test results are analyzed to determine if additional test work is required</td>
<td>Issuing Audit Report along with Audit recommendations and management responses</td>
<td>Report on the implementation of action plans</td>
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<td>Project Planning &amp; Preliminary survey</td>
<td>Assessment for adequacy of controls</td>
<td>Discuss with process owners and make changes, if required</td>
<td>Audit findings may be classified as high, medium and low priority</td>
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<td>Audit Programme development and selection of samples</td>
<td>Issues are communicated, validated, and drafted with the customer as they are identified</td>
<td>Action plans are immediately developed by management</td>
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<td>Code of Ethics</td>
<td>Description</td>
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<td>Integrity</td>
<td>The integrity of internal auditors establishes trust &amp; so provides the basis for reliance on their judgment.</td>
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<td>Objectivity</td>
<td>Internal auditors exhibit the highest professional objectivity in gathering, evaluating &amp; communicating information and make a balanced assessment of all relevant circumstances &amp; are not unduly influenced by their own interests or others in forming judgments.</td>
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<td>Confidentiality</td>
<td>Internal auditors respect the value and ownership of information they receive &amp; do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.</td>
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<td>Competency</td>
<td>Internal auditors apply knowledge, skills, &amp; experience needed.</td>
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Core Team Members

**Rajendra Prasad Bansal - B.Com, FCA**

Rajendra Prasad Bansal is a Fellow Chartered Accountant (FCA) and a commerce graduate. He has over twenty years of rich experience in the profession. He has been advising various clients in different areas including internal and external audits, direct and indirect tax consulting, financial planning, legal compliances etc.

**Naveen Goyal - B.Com, FCA, DISA, LLB, Certificate Course on Valuation by ICAI, Diploma in IFRS by ACCA – UK**

Naveen Kumar Goyal is a Chartered Accountant, a bachelor of law and commerce graduate. He also holds certificate on Valuation by ICAI, Diploma in IFRS by ACCA – UK and is an Information System Auditor certified by ICAI (DISA).

Naveen specializes in the area of internal & external audit and business valuation services. His experience with Grant Thornton has given him wide experience in handling audits of multinational clients. Naveen is an active member in the northern chapter of ICAI and has prepared the study material for the certificate course on valuation of ICAI. In addition, he also drafted the Business Valuation Practice Standards notified by the ICAI as guidelines for valuers in relation to valuation exercises.

**Shweta Goyal - B.Com, ACA**

Shweta is an Associate member of the Institute of Chartered Accountants of India and specializes in the area of external audit, internal audit and regulatory compliance. She has worked with Ernst and Young, a global advisory firm and has wide experience of handling work of MNCs.
Core Team Members

Rakshit Kochhar

Rakshit Kochhar is a Cost Accountant and has been trained with pioneer Cost Accountants and Consulting firms. His tenure with a leading cost accountant firm has also given him wide experience in handling cost audits of multinational clients. He has extensive experience in the area of Costing, MIS, Budgeting, cost audits, development of costing system and Maintenances of cost Records.

Sumit Goyal- B. Com, ACA

Sumit Goyal, an Associate member of the Institute of Chartered Accountants of India, specializes in the area of Indirect Taxation & compliance. His tenure with APRA and Associates, a specialized indirect taxation advisory firm has given him deep insight of various indirect tax related issues and advisory services.

Swati Agarwal- B.Com, ACA

Swati, an Associate member of the Institute of Chartered Accountants of India, specializes in the area of internal audits, Indirect Taxation & compliance. Her tenure with APRA and Associates, a specialized indirect taxation advisory firm has given him deep insight of various indirect tax related issues and advisory services.
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