



**RISK  
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## Key things to know about Internal Audit

### What is internal audit?

Internal audit is an independent, objective assurance and consulting activity mandated for all listed companies and certain unlisted companies in India and designed to add value to an organization by improving its operations and helping it accomplish its objectives through adequate and effective internal controls.

Internal audit in practice today is a wider one encompassing internal controls over risk mitigation, operational efficiency, and the successful meeting of strategic objectives. The meaning of internal audit, therefore, also includes adequate and effective controls over such operational variables as productivity and cost savings, or special projects such as process reengineering, IT infrastructure overhaul, or mergers and acquisitions.

### Internal Audit Applicability in India

Internal audits are **mandatory for all publicly listed companies in India**. It is also mandated for certain other types of business as follows

#### ***Internal audit applicability for unlisted public companies***

- Paid-up share capital of Rs 50 Crores or more during the preceding financial year
- Turnover of Rs 200 Crores or more during the preceding financial year
- Outstanding loans and borrowings from banks and public Financial Institutions exceeding Rs. 100 Crores at any point in time during the preceding financial year
- Outstanding deposits of Rs. 25 Crores or more at any point during the preceding financial year

#### ***Internal audit applicability for private companies***

- Turnover of Rs 200 Crores or more during the preceding financial year
- Outstanding loans and borrowings from banks and public Financial Institutions exceeding Rs. 100 Crores at any point in time during the preceding financial year

Irrespective of mandate, the many benefits of internal audit recommend it to any organization as a key tool for business success.

### Advantages of internal audit

There are many advantages of internal audit for an organization. Internal audits enable organizations to identify priority and/or concern areas for appropriate action and remedial measures. These include:

#### ➤ **Internal Control Check**

Design and effectiveness of controls are being checked through internal audit even before happening of disruption to the organization on account of fraud, loss of asset, cost of non-compliance.

#### ➤ **Corporate Governance Check**

Internal audit plays an important role in corporate governance by internally monitoring and tracking key governance elements such as management responsibilities, transparency, and accountability, ensuring compliance, and flagging concerns on issues that may be against stakeholder interests.

➤ **Cost saving opportunities**

Evaluate internal controls set up for tracking, monitoring, and conserving expenses to identify opportunities for cost-cutting and better cost management as well as overall financial management, finance operations, and financial reporting.

➤ **Compliance Check**

Identify areas of non-compliance and/or reporting errors and ensure reliability and accuracy of financial and accounting statements, correct computation and payment of taxes, and so on.

➤ **Operational Excellence**

Identify and correct operational inefficiencies across non-financial functions such as marketing, IT or HR and thereby boost productivity, achieve cost savings, and drive higher topline.

➤ **IT and System Controls**

Identify and fix vulnerabilities in IT systems and networks, as well as monitor both hardware and their compliance with security policies.

These are only few indicative benefits of internal audit, with many more that can be detailed under each header area. Overall, the combination of benefits across strategic, financial, operational, and regulatory makes internal audit control and quality internal audit services must-haves for business organizations.