



RISK ADVISORY UPDATE

BOOSTING AUTOMOTIVE DEALERSHIP SUCCESS: THE
ROLE OF INTERNAL AUDITORS

India's rapid growth in the automotive sector has positioned it as a key player in the global economy. However, the fast-paced nature of the industry demands that businesses not only innovate but also protect themselves from risks. In this complex landscape, Internal auditors serve as vital protectors of operational integrity and risk management. Their role extends beyond traditional financial reviews, focusing on ensuring operational efficiency, regulatory compliance, and customer satisfaction.

1. Ensuring Excellence in After-Sales Service

After-sales service is crucial in retaining customer loyalty and building long-term relationships. However, the process is riddled with risks that can undermine quality and customer satisfaction.

- **Auditing repair processes:** Internal auditors evaluate whether repair work aligns with internal standards and warranty claims, ensuring that the customer experience remains positive.
- **Invoicing accuracy:** A high-risk area, auditors ensure that invoicing matches actual services rendered and payments are received in full.

By refining after-sales service procedures, internal auditors help dealerships maintain customer satisfaction while minimizing operational risks.

2. Enhancing Parts Management Efficiency

Parts management is a vital yet complex component of automotive operations. Internal auditors assess the entire supply chain, from procurement to inventory control and issuance.

- **Supply chain monitoring:** Ensuring that parts are always available when needed without excess inventory.
- **Inventory audits:** Auditors regularly check inventory accuracy to prevent delays, losses, or unnecessary costs.

A robust parts management system, monitored by internal auditors, helps dealerships run efficiently while keeping customers happy.

3. Safeguarding Revenue in Vehicle and Parts Sales

The sale of vehicles and parts is a primary revenue driver in the automotive sector. However, this process is also fraught with risks, particularly in order management, invoicing, and revenue recognition.

- **Order and dealer management:** Internal auditors focus on aligning dealer operations with head office policies, ensuring proper budget monitoring and compliance.
- **Vehicle transfers:** Ensuring documentation is thorough to avoid discrepancies in compliance and internal audits

Auditors ensure transparency in revenue generation, safeguarding the financial integrity of the dealership.

4. Mitigating Risks in Warranty Management

Warranty management presents a significant risk area, especially in cases where claims might be rejected due to non-compliance with manufacturer guidelines.

- **Warranty claim audits:** Internal auditors review communication and processes with manufacturers to ensure proper documentation and claim submission.
- **Policy adherence:** Ensuring dealers follow manufacturer policies, which reduces the chances of rejected claims.

By scrutinizing warranty management processes, internal auditors minimize financial risks and maintain operational integrity.

5. Overseeing Special Claims for Recalls and Service Campaigns

In cases where manufacturers require dealerships to perform recall repairs, internal auditors play a crucial role in managing the financial and operational aspects of these campaigns.

- **Claim accuracy:** Auditors verify that recall repairs are accurately recorded and promptly submitted for reimbursement.
- **Timely submissions:** Ensuring prompt communication with the parent company reduces the risk of denied claims or cash flow issues.

6. Managing Insurance Claims Effectively

Insurance claims related to vehicle accidents or damages can create financial and operational risks for dealerships.

- **Incident documentation:** Internal auditors verify that each claim is backed by sufficient evidence, ensuring claims are legitimate.
- **Claims settlement:** Auditors review settlements to ensure insurance payouts are accurate and recorded correctly in the dealership's financial records.

Conclusion: The Evolving Role of Internal Auditors in Automotive Risk Management

In the automotive industry, internal auditors are not merely compliance enforcers; they are integral to creating a risk-resilient organization. By focusing on operational efficiency, compliance, and strategic risk management, internal auditors help dealerships thrive in a highly competitive and evolving market.

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