

NHBS LLP

Internal Audit

Internal Audit

Purpose of Internal Auditing

- Is an independent, objective assurance and consulting activity
- Adds value and improve an organization's operations.
- Brings a systematic, disciplined approach to evaluate risk assessment and controls.
- Accordance with the section 138 of Indian Companies Act 2013 - with **Rule 13 Of Companies (Accounts) Rules, 2014**



Internal Audit

Accordance with Section 138(1) of the Companies Act, 2013

- Internal Audit can be conducted by
 - ✓ Chartered Accountant or
 - ✓ Cost Accountant or
 - ✓ Such Other Professionals as prescribed by Board to conduct.
- Internal Auditor may or may not be an employee of the company.
- The Audit committee or board shall in consultation with the **Internal Auditor** formulate the scope, functioning, periodicity and methodology for conducting the internal audit.



Internal Audit

Key Points for Internal Audit

- Listed companies has to comply with section 138 of companies act 2014 irrespective of above limit.
- For Private unlisted companies : There are two limits to check out the applicability of aforesaid section, **i.e Income & Loan**

| | Listed Companies | Unlisted Companies | |
|-------------|-------------------|---------------------|----------------------|
| | | Public (in Crores) | Private{(in Crores) |
| I → Income | Always applicable | 200 | 200 |
| L → Loan | Always applicable | 100 | 100 |
| C → Capital | Always applicable | 50 | N.A |
| D → Deposit | Always applicable | 25 | N.A |

Decreasing in Same Proportion

For the purpose of checking the aforesaid limits , it may be noted that Preceding Financial year to be considered.

Internal Audit

Code of Ethics

Internal auditors apply and uphold the following principles:

- Integrity
- Objectivity
- Confidentiality
- Competency



Internal Audit

Independence and Objectivity



- The internal audit activity is an independent activity, and internal auditors are quiet objective in performing their work.
- The internal audit activity would work freely from interference in determining the scope of internal auditing, performing work, and communicating results.
- Internal auditors would have an impartial, unbiased attitude and avoid any conflict of interest.
- Audit findings and recommendations in the audit report are designed to facilitate organization to achieve financial, management and regulatory compliance objectives.

Internal Audit Controls

Controls to be reviewed:

- Policies and procedures
- Management reviews and approvals
- Assignment of authority and responsibility
- Physical safeguards
- Authorization of transactions
- Segregation of duties (organizational structure)
- Human Resource policies and practices
- IT Security (e.g. passwords, access logs, etc.)
- Information processing / application controls



Internal Audit

Audit Process



Audit Cycles:

- Engagement Planning
- Fieldwork
- Report Writing
- Follow Up

Internal Audit

Audit Process (Continued)

- Planning
 - Background Review (authoritative references, contractual requirements, budgetary information)
 - Policy and Procedure Review
 - Process Mapping and
 - Risk & Control Assessment
- Fieldwork
 - Scrutinising of supporting documents
 - Testing of controls
- Report Writing
 - Draft and Approval
 - Management Discussion
 - Management Response (7 working days)
 - Final Report Issuance with Management Response
- Follow Up (Quarterly intervals)
 - Corrective Action Status Updates
 - Verification
 - Status/Final Report Issued



Internal Audit

Elements contain in Report

01

- Title Page
- Addressee
- Report Distribution List
- Period of Audit Covered

02

- Table Of Contents

03

Executive Summary:

- Report Rating Audit
- Issues
- Status of Management Remediation Plan

04

Audit Issues Highlighting:

- Key Finding
- Root Cause of Issue
- Business Impact/Risk
- Issue Severity - Risk Rating
- Recommendation
- Management Comments
- Issue Owner
- Target Date of Action

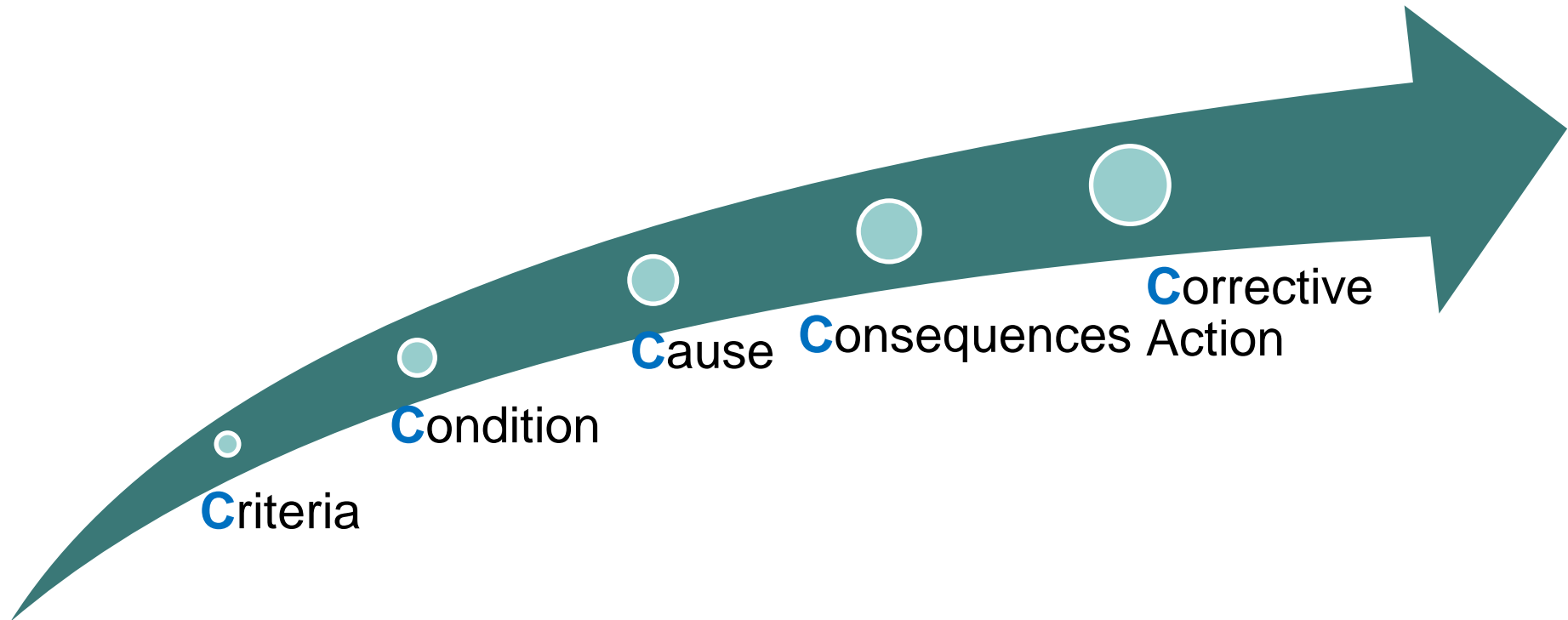
05

- Assurance Limitation Disclaimer
- Annexures

Internal Audit

Key Check Points to be considered in Report Writing

- Observation to contain 5C's



Internal Audit Risk Assessments



Internal Audit

Essentials of Internal Audit Report

Accurate

Free from errors and distortions and faithful to the underlying facts

Objective

Fair, impartial, and unbiased and is a result of a fair-minded and balanced assessment of all relevant facts and circumstances

Clear

Easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information

Concise

To the point, avoid unnecessary elaboration, superfluous detail, redundancy, repetitiveness and wordiness

Constructive

Helpful to the auditee /client and the organization and leads to improvements where needed

Complete

Lacking nothing that is essential to the target audience and includes all significant and relevant information and observations to support recommendations and conclusions

Timely

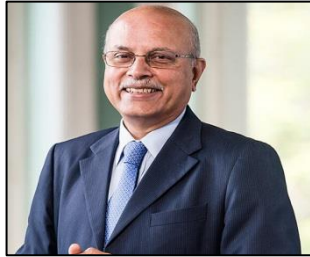
Opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action

Why nhbs LLP?

- **nhbs** is a business consultancy and innovative services firm providing services to help companies improve operating efficiencies and achieve business and operational excellence
- Headquartered in **Mumbai** and having presence in Bengaluru, Gurgaon, Hyderabad, Pune, Chennai, Kolkata, Goa and in emerging metros across India
- Services includes credit monitoring, financial, technical and legal due diligence, fixed asset and inventory verification, process re-engineering, SOP writing, MIS and accounts outsourcing
- Strength of **150+ professionals** comprising of Chartered Accountants (CA), Company Secretary (CS), MBAs, Attorneys, Engineers, Bankers and support staff having wide sectorial experience
- Market leader in retail chain outlets for inventory verification, **600+ credit monitoring cases/month** for Micro and SME borrowers for major banks in India and due diligence (financials & legal) for large corporates requiring large credit exposure

Internal Audit

Key Management



Shailesh Haribhakti
Mentor

FCA, CMA, CFE

He has represented India on the Standards Advisory Council (SAC) of the International Accounting Standards Board (IASB). He worked with PBAS, an affiliate of IFC Washington, to establish Activity-based costing and Strategic Planning Processes in Polish SMEs. He has been part of making number of policies and has presented papers for corporate sectors and for Govt. of India. He is a part of various policy making committees of GOI. He is on the board of various public & private companies.



Vipul Thaker
CEO

CA, CIA, Six Sigma Black Belt, Alumni of IIMA

Has experience of over 25 years across various industries including automobile, banking and retail. He has been associated with Mr. Shailesh Haribhakti and Haribhakti group since 1991. During his stint with the group, he has been associated with various projects in varied industries to help build Strategy, systems, processes and controls. He has worked with various **domestic and International clients** for helping them **built strategy, improve processes or financial information systems.**



Chetan Parekh
Partner – Banking Large Corporates

CS, LLB, MBA (Finance)

Has experience of over 15 years in Banking, Finance, insurance, Legal and Secretarial. Having worked across various sectors including manufacturing, real estate, retail, mining, power, etc. Has good experience in handling assignments pertaining to Forensic Audit, Special Audit, Monitoring activity (Agency for Special Monitoring), Compliance and due diligence.

Internal Audit Key Management



Anagha Khade
Partner

MBA (Finance)

Having more than 14 years of rich experience in the field of Banking and Financial Services, wherein she has supported Credit & Risk Team of Banks & NBFCs in mitigating risk by carrying out audit at various stage like Due Diligence & Credit Monitoring of Small/Medium & Large Corporate Borrower accounts. She is also assisting International, National and Private Banks for conducting Due Diligence for Securitization.



Babita Rana
Partner

CA, FAFD

She is a qualified Chartered Accountant, with 15 years of experience involving stints with leading audit firm (PWC) in audit and assurance division and research firm as Heading their Corporate data base and research team.

She has expertise in Risk based audit, financial data analysis, Forensic audit and financial due diligence.



Deepika Vaidyanathan
Partner

CA, CMA (ICWA)

Having more than 6 years of experience in Audit, financial analysis, compliance, due diligence and Taxation (Direct and indirect).

She has worked with Ernst & Young (E&Y) in the past.

Internal Audit Key Management



Shriharsh Kothari
Partner

CA

Has over 14 years of experience (Pre and Post qualification) of serving corporate & semi-corporate clients in multiple sectors ranging from Pharmaceuticals, BFSI, Electronic Manufacturing Industries, Petrochemicals and Infrastructure Development companies.

He has substantial experience in Statutory Audits of Banks. He also possesses extensive experience in Individual and Corporate Taxation, Representation and Audits. He has handled various Compliance assignments of companies including Exports compliances, etc.



Hemant Parikh
Business Head

B.E, MBA

Veteran banker with techno commercial background. He has experience of 40 years (28 years in a Nationalized bank, majorly in project finance & credit areas covering different industry & infrastructure funding). On RBI panel for funding framing policy.

Post banking parts of risk advisory, internal audit, process re-engineering, technical & financial due diligence

Team lead for credit manual for infrastructure companies



Darshan Pathak
Sr. Financial Analyst

CA, FAFD

CA having experience more than 6 years of experience in Foreign Trade Policy, Due Diligence, Financial Analysis, Process improvement, Preparation of SOP, Restructuring, Investigation, Transaction Audit.

He has been associated with Deloitte in the past.

Internal Audit Key Management



Harshwardhan Lohati
Partner

CA, CFA, FAFD

Has over 10 years of experience (Pre and Post qualification) of serving large and mid-sized clients in multiple industries including Financial Services, Engineering, Manufacturing industries, Hospitality and Real Estate Developers. His principal areas of expertise include Assurance, Risk management, Valuation and Process Consulting. He also has worked across diverse industries in various leadership roles with contribution in financial and management accounting functions, Working Capital



Heema Sangani
Deputy Manager

MBA

Having an overall 12+ years of experience in her professional career in Compliance, Banking Sector and Finance. She is a qualified MBA Finance with specialization in Chartered of Finance and Inter CS. Having an experience in Financial Due Diligence assignments in various sectors such as Textile, Manufacturing, Real Estate, Power, Forensic Audit.



Mit Thaker
Team Member

CA

Having an experience in her professional career in Statutory Audit, Special Purpose Audit and Tax Audit. Having an experience in various sectors such as Industry of Cash Management, Logistics (including Aviation Logistics), BPO (Automobile Insurance, Health and Security Services), Supply Chain Services & Investment, Information Technology and Software Development, E-Commerce Logistics Warehouse.

Internal Audit

Key Management



Smrati Sharma
Senior Manager

Semi Qualified

Has a rich experience of 6+ years in managing supply chain finance project with expertise in due-diligence. She is accomplished in the field of credit, financial restructuring, statutory audits, concurrent audit, special audit and supervising other diversified portfolios.



Sneha Patil
Team Member

CA, FAFD (cert.)

She has 8+ years of experience as Chartered Accountant handling variety of assignment which includes Forensic Audit, Concurrent Audit, Branch Audit, Stock Audit, Government Audit, Direct and Indirect taxation etc.



CA Deepakkumar Joshi
Team Member

F.C.A, FAFD

Having an overall 12+ years of experience in her professional career in Compliance, Banking Sector and Finance. She is a qualified MBA Finance with specialization in Chartered of Finance and Inter CS. Having an experience in Financial Due Diligence assignments in various sectors such as Textile, Manufacturing, Real Estate, Power, Forensic Audit.

Contact Information



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