

INTERNAL AUDIT NEWSLETTER

ISSUE #RRCO-IA02

Differentiating Statutory Audit & Internal Audit

Let's take a brief introduction of the topic:

What does Statutory Audit mean?

A Statutory Audit is an independent examination of the financial statements of a company, conducted in accordance with the requirements of the Companies Act 2013. It deals with books of accounts and the Financial aspects of a company to give a true and fair view of the company.

How is Internal Audit different?

It is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity including entity's strategic risk management and internal control system.



Rathi Rathi and Co.

Chartered Accountants

Saturday, October 05, 2024



LET'S UNDERSTAND OBJECTIVE

Internal Auditor's Objective is to assesses the company's processes to ensure that policies are followed, and potential errors or fraud are detected early.

In contrast, Statutory Auditor's objective is to provide an opinion on whether the financial statements present a true and fair view of the company's financial position and performance, in compliance with accounting standards and legal requirements.

01/08

Quote of the day

"We all need people who will give us feedback
that's how we Improve"

-Bill Gates

KEY DIFFERENCES: INTERNAL AUDIT AND STATUTORY AUDIT



INTERNAL AUDIT

STATUTORY AUDIT

OBJECTIVE

To provide assurance on the effectiveness of internal controls, risk management, and governance processes, efficiency and to identify areas for improvement and help to prevent fraud and mismanagement.

To provide an independent opinion on the accuracy and fairness of financial statements and to ensure compliance with legal and regulatory requirements.

SCOPE

It has broader scope that can include operational, compliance, and financial reviews, also it can be tailored to specific areas of concern or risk within the organization.

It has limited scope to financial statements and accounting records and focuses on verifying the accuracy and completeness of financial reporting.

STAKE-HOLDERS

Primary Internal Stakeholders such as Management, Audit Committee and the Board of Directors.

Additionally Include External Stakeholders such as shareholders, Investors and regulatory bodies.

FREQUENCY

Conducted throughout the year based on the internal audit plan as agreed with Management. It can be adjusted according to emerging risks or operational needs.

Conducted Annually as required and specified by Companies Act, 2013

INTERNAL AUDIT APPLICABILITY

LISTED COMPANIES

Every company listed on the stock exchange in India

Company fulfilling any of the following criteria:

- Turnover of ₹200 Crore or more in the previous financial year.
- Outstanding loans / borrowings over ₹100 Crore from banks / financial institutions at any time.
- Paid-up share capital of ₹50 Crore or more in the previous financial year.
- Outstanding deposits exceeding ₹25 Crore at any time.

UNLISTED PUBLIC COMPANIES

PRIVATE COMPANIES

Company fulfilling any of the following criteria:

- Turnover of ₹200 Crore or more in the previous financial year.
- Outstanding loans/borrowings exceeding ₹100 Crore from banks/financial institutions at any time.

STATUTORY AUDIT APPLICABILITY

Under the Companies Act 2013, all companies, regardless of their turnover, must undergo a statutory audit. This requirement ensures that every company's financial statements are reviewed for accuracy and compliance with legal standards. The statutory audit aims to uphold transparency and accountability in financial reporting across all companies.

**Non Compliance with provisions
of MSMED Act, 2006**

During Audit of Procurement to Pay Process, it was observed that the company's vendor management system did not include a required classification of vendors as Micro, Small, and Medium Enterprises (MSMEs).

In accordance with the MSMED Act, companies are required to make payments to MSME vendors within 45 days from the date of acceptance of goods or services.

Due to the absence of proper classification for MSME vendors, the company has encountered difficulties in effectively allocating and managing its payment system in alignment with both its creditors policy and the requirements set forth by the MSMED Act.



**INTERNAL
AUDITOR**

**STATUTORY
AUDITOR**



सूक्ष्म , लघु एवं मध्यम उद्यम
MICRO, SMALL & MEDIUM ENTERPRISES

RISK INVOLVED

The non-classification of MSME vendors may result in interest and penalties for late payments, as stipulated by the Micro, Small, and Medium Enterprises Development Act, 2006 (MSMED Act).

This non-compliance could necessitate the creation of provisions for unpaid interest, which would adversely impact the company's financial statements.

**HOW IT HELPED
STATUTORY AUDITOR**

Previously, the Statutory Auditors faced challenges in identifying MSME vendors and assessing the provisions for interest on delayed payments.

With the implementation of MSME vendor classification, Statutory Auditors can now effectively verify the provisions made by the company for interest on delayed payments to MSME vendors.

OUR SERVICE LINES



**Risk Management
& Corporate
Governance**



**Internal Audit
Process
& Operational Audit**



**Fraud Investigation
& Forensic
Accounting**



Fixed Asset Audit



**Internal Financial
Controls**



**Inventory
Management
Audit**



Due Diligence



**Financial Control
Audits**



**Cost Control
Management
& Saving Opportunity**

MEET OUR TEAM



CA Suraj Khandelwal
Senior Partner

With over 15 years of work experience, he is a specialist in process review, risk management services, and corporate governance.

He has a passion for helping businesses improve their performance, efficiency, and compliance through internal and forensic audits, fraud investigations, and business advisory.

Follow him - [!\[\]\(950a62bbddad88d64435fd35607dfc42_img.jpg\) suraj-khandelwal1212](#)

As an Internal Audit Manager, has been at the forefront of leading and executing internal audit processes within organizations.

His meticulous approach and keen attention to detail have helped organizations strengthen their internal controls and processes.



CA Somesh Shinde
Audit Manager

Follow him - [!\[\]\(d5d7044e5caf6907399af2dced8d6ff8_img.jpg\) someshinde](#)



Audit Team

We are thrilled to shine a spotlight on the powerhouse that is our Internal Audit Team!

With a dedicated team of 20 diligent professionals, our audit squad is the backbone of our commitment to excellence and integrity.

OTHER SERVICES WE OFFER AT RRCO



**Accounting,
Compliances and
Statutory Audit**



**Family Office
Management**



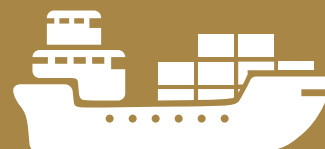
**Direct Tax
& International
Taxation**



**Transaction
Support Advisory &
Valuation**



**Indirect Taxation:
GST & Others**



**Export-Import
Incentives &
Subsidies**



**Global Account
Outsourcing &
Taxation**



**Corporate and
Business Law
including
Business Support**



**Licensing, Permissions
& Business Set-Up
Related Support**

" FOCUSED ON VALUE ADDITION "



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08/08

RRCO Corner

Team Building Retreat



*Unplug, Unwind & Reconnect...
A Perfect Day for Team Bonding and Fun!*