

Internal Audit Checklist for Foreign Companies

IN INDIA

1. CORPORATE GOVERNANCE & COMPLIANCE

1.1 Board and Management Structure

- ☐ Board composition meets Companies Act 2013 requirements
- ☐ Independent directors appointed as per regulations
- ☐ Board meetings held as per statutory requirements (minimum 4 per year)
- ☐ Board resolutions properly documented and filed
- ☐ Key Managerial Personnel (KMP) appointments in compliance
- ☐ Nominee director provisions (if applicable) properly documented
- ☐ Board committees constituted as required (Audit, Nomination, etc.)

1.2 Statutory Registers and Records

- ☐ Register of Members maintained and updated
- ☐ Register of Directors and KMP current
- ☐ Register of Charges properly maintained
- ☐ Minutes books for Board and General meetings complete
- ☐ Statutory books available at registered office
- ☐ Annual returns filed within prescribed timelines
- ☐ Financial statements filed with ROC on time

1.3 Annual Compliance

- ☐ Annual General Meeting conducted within statutory timeline
- ☐ Auditor's report addresses all compliance requirements
- ☐ Management Discussion and Analysis included in annual report
- ☐ Corporate governance report prepared (if applicable)
- ☐ Business Responsibility Report filed (if applicable)

2. FOREIGN EXCHANGE MANAGEMENT ACT (FEMA) COMPLIANCE

2.1 Foreign Direct Investment (FDI)

- ☐ FDI route compliance verified (automatic vs. approval route)
- ☐ Sectoral caps and conditions adhered to
- ☐ FC-GPR filing completed within 30 days of share allotment
- ☐ Annual Return on Foreign Liabilities and Assets (FLA) filed
- ☐ Downstream investment regulations followed
- ☐ Non-resident shareholding within permissible limits

2.2 External Commercial Borrowings (ECB)

- ☐ ECB guidelines compliance verified
- ☐ ECB-2 return filed quarterly (if applicable)
- ☐ End-use restrictions followed
- ☐ Hedging requirements met
- ☐ ECB utilization certificate submitted



2.3 Foreign Exchange Transactions

- ☐ Authorized Dealer bank relationships documented
- ☐ Export-import documentation complete
- ☐ Transfer pricing documentation for international transactions
- ☐ FIDR returns filed (if applicable)
- ☐ Liberalized Remittance Scheme compliance (for individuals)

3. TAXATION COMPLIANCE

3.1 Income Tax

- ☐ TAN registration current and valid
- ☐ Income tax returns filed within due dates
- ☐ TDS compliance - deduction, deposit, and filing
- ☐ Advance tax payments made as required
- ☐ Tax audit report filed (if applicable)
- ☐ Transfer pricing documentation complete
- ☐ Permanent Establishment (PE) analysis documented
- ☐ Double Taxation Avoidance Agreement (DTAA) benefits claimed properly

3.2 Goods and Services Tax (GST)

- ☐ GST registration obtained in all applicable states
- ☐ Monthly/Quarterly GST returns filed on time
- ☐ GST payments made within due dates
- ☐ Input tax credit reconciliation completed
- ☐ E-way bills generated for goods movement
- ☐ GST audit compliance (if applicable)
- ☐ Annual return and reconciliation statement filed



3.3 Other Tax Compliances

- ☐ Professional tax registration and payments
- ☐ Property tax compliance for owned premises
- ☐ Stamp duty paid on applicable documents
- ☐ State-specific tax compliances verified

4. LABOR LAW COMPLIANCE

4.1 Central Labor Laws

- ☐ Employees' Provident Fund (EPF) registration and compliance
- ☐ Employees' State Insurance (ESI) registration and compliance
- ☐ Payment of Gratuity Act compliance
- ☐ Contract Labour Act registration (if applicable)
- ☐ Shops and Establishments Act registration
- ☐ Minimum Wages Act compliance
- ☐ Payment of Wages Act compliance

4.2 Employment Documentation

- ☐ Employment contracts legally compliant
- ☐ Employee handbook updated with current laws
- ☐ Attendance and wage registers maintained
- ☐ Form 16 issued to employees timely
- ☐ Statutory deductions properly calculated
- ☐ Overtime payments compliance verified



4.3 New Labor Codes Compliance

- ☐ Compliance with Code on Wages, 2019
- ☐ Industrial Relations Code compliance
- ☐ Social Security Code requirements met
- ☐ Occupational Safety, Health and Working Conditions Code followed

5. REGULATORY LICENSES & APPROVALS

5.1 Business-Specific Licenses

- ☐ Industry-specific licenses current (SEBI, RBI, IRDA, etc.)
- ☐ Import-Export Code (IEC) valid
- ☐ Drug licenses (if pharmaceutical company)
- ☐ Environmental clearances obtained
- ☐ Pollution Control Board approvals current
- ☐ Fire safety certificates valid

5.2 Operational Permits

- ☐ Factory licenses and registrations current
- ☐ Trade licenses from local authorities
- ☐ Professional service registrations (CA, CS, etc.)
- ☐ Digital signature certificates valid
- ☐ Power of attorney registrations current



6. FINANCIAL CONTROLS & REPORTING

6.1 Accounting Standards Compliance

- ☐ Indian Accounting Standards (Ind AS) adoption verified
- ☐ Financial statements preparation compliance
- ☐ Related party transactions properly disclosed
- ☐ Segment reporting requirements met
- ☐ Consolidation procedures followed correctly

6.2 Internal Financial Controls

- ☐ Internal financial controls framework implemented
- ☐ Management certification on internal controls
- ☐ Fraud risk assessment conducted
- ☐ Whistleblower mechanism operational
- ☐ Related party transaction approvals documented

6.3 Banking and Treasury

- ☐ Bank account openings with RBI approval (if required)
- ☐ Bank reconciliations performed regularly
- ☐ Foreign currency exposures managed
- ☐ Investment guidelines followed
- ☐ Cash management policies implemented



7. DATA PROTECTION AND CYBER SECURITY

7.1 Data Privacy Compliance

- ☐ Personal Data Protection Bill compliance (when enacted)
- ☐ Data localization requirements met
- ☐ Cross-border data transfer compliance
- ☐ Employee data protection policies implemented
- ☐ Customer data security measures adequate

7.2 IT and Cyber Security

- ☐ Information security policies updated
- ☐ Cyber security incident response plan in place
- ☐ Data backup and recovery procedures tested
- ☐ Access controls and user management systems
- ☐ Third-party vendor security assessments

8. ENVIRONMENTAL, SOCIAL & GOVERNANCE

8.1 Environmental Compliance

- ☐ Environmental impact assessments completed
- ☐ Waste management compliance verified
- ☐ Carbon footprint reporting (if applicable)
- ☐ Water usage and discharge compliance
- ☐ Renewable energy adoption documented



8.2 Social Responsibility

- ☐ Corporate Social Responsibility (CSR) compliance
- ☐ CSR committee constitution and meetings
- ☐ CSR expenditure requirements met (2% of average net profit)
- ☐ CSR annual report preparation
- ☐ Diversity and inclusion policies implemented

9. RISK MANAGEMENT & INTERNAL CONTROLS

9.1 Risk Assessment

- ☐ Enterprise risk management framework established
- ☐ Business continuity planning completed
- ☐ Operational risk assessments conducted
- ☐ Regulatory compliance risk mapping
- ☐ Financial risk management policies

9.2 Internal Audit Function

- ☐ Internal audit charter approved by audit committee
- ☐ Risk-based internal audit plan developed
- ☐ Audit findings tracking and closure process
- ☐ Management action plans implemented
- ☐ External auditor coordination maintained

10. TRANSFER PRICING & INTERNATIONAL TAXATION

10.1 Transfer Pricing Documentation

- ☐ Master file and local file prepared and maintained
- ☐ Country-by-Country (CbC) reporting compliance
- ☐ Transfer pricing study updated annually
- ☐ Benchmarking analysis completed
- ☐ Related party agreements documented

10.2 International Tax Planning

- ☐ Thin capitalization rules compliance
- ☐ General Anti-Avoidance Rule (GAAR) impact assessment
- ☐ Tax treaty benefits optimization
- ☐ Permanent establishment risk mitigation
- ☐ Base Erosion and Profit Shifting (BEPS) compliance

