

Internal Audit Checklist

For Public Companies

1. REGULATORY COMPLIANCE AUDIT

Companies Act, 2013 Compliance

- ☐ Verify appointment of internal auditor as per Section 138
- ☐ Check qualification and independence of internal auditor
- ☐ Review Board resolutions for internal auditor appointment
- ☐ Verify internal audit scope and frequency as per rules
- ☐ Check compliance with mandatory CSR spending (Section 135)
- ☐ Review related party transactions compliance (Section 188)
- ☐ Verify loans to directors compliance (Section 185)
- ☐ Check managerial remuneration limits (Section 197)
- ☐ Review dividend distribution compliance
- ☐ Verify maintenance of statutory registers and records

SEBI Regulations (for Listed Companies)

- ☐ Review LODR compliance requirements
- ☐ Check insider trading regulations compliance
- ☐ Verify disclosure obligations and timelines
- ☐ Review corporate governance compliance
- ☐ Check unpublished price sensitive information handling
- ☐ Verify composition and functioning of board committees

Tax Compliance

- ☐ Review GST compliance and returns filing
- ☐ Check income tax compliance and advance tax payments
- ☐ Verify TDS deductions and deposits
- ☐ Review withholding tax on foreign payments
- ☐ Check transfer pricing documentation
- ☐ Verify tax provisions and contingencies

2. FINANCIAL CONTROLS AUDIT

Revenue Recognition and Sales

- ☐ Test revenue recognition policies and procedures
- ☐ Verify cut-off procedures for sales transactions
- ☐ Check credit approval and collection procedures
- ☐ Review pricing controls and discount approvals
- ☐ Verify sales return and allowance procedures
- ☐ Test accounts receivable aging and provisions
- ☐ Check sales tax and GST calculations
- ☐ Review contract terms and revenue implications

Purchase and Procurement

- ☐ Review vendor selection and approval process
- ☐ Check purchase authorization limits and approvals
- ☐ Verify three-quote system implementation
- ☐ Test goods receipt and invoice matching
- ☐ Review purchase commitments and contracts
- ☐ Check duplicate payment controls

Inventory Management

- ☐ Test physical inventory counting procedures
- ☐ Verify inventory valuation methods
- ☐ Check slow-moving and obsolete inventory provisions
- ☐ Review inventory security and storage controls
- ☐ Verify inventory insurance coverage
- ☐ Test cycle counting procedures
- ☐ Check inventory reconciliation with books
- ☐ Review inventory cut-off procedures

Cash and Bank Management

- ☐ Verify bank reconciliation procedures and timeliness
- ☐ Test cash handling and custody controls
- ☐ Review cheque signing authorities and limits
- ☐ Check online banking access controls
- ☐ Verify investment authorization and monitoring
- ☐ Test petty cash management procedures
- ☐ Review foreign exchange risk management
- ☐ Check cash flow forecasting and monitoring



3. OPERATIONAL CONTROLS AUDIT

Human Resources and Payroll

- ☐ Review employee hiring and termination procedures
- ☐ Test payroll calculation and approval controls
- ☐ Verify statutory deductions and deposits (PF, ESI, TDS)
- ☐ Check employee master data accuracy
- ☐ Review overtime calculation and approvals
- ☐ Verify leave management and accruals
- ☐ Test expense reimbursement procedures
- ☐ Review employee loans and advances

Information Technology Controls

- ☐ Review user access management and periodic reviews
- ☐ Test password policies and authentication controls
- ☐ Verify data backup and recovery procedures
- ☐ Check system change management controls
- ☐ Review cybersecurity policies and incidents
- ☐ Test business continuity and disaster recovery plans
- ☐ Verify software licensing compliance
- ☐ Check data privacy and protection measures

Fixed Assets Management

- ☐ Verify fixed asset additions and approvals
- ☐ Test depreciation calculations and methods
- ☐ Review asset disposal procedures and approvals
- ☐ Check physical verification of assets



- ☐ Verify asset insurance coverage
- ☐ Test asset transfer and location tracking
- ☐ Review capital expenditure budgets and variances
- ☐ Check asset impairment assessments

4. GOVERNANCE AND RISK MANAGEMENT

Board and Committee Governance

- ☐ Review Board composition and independence
- ☐ Check Board meeting procedures and quorum
- ☐ Verify committee formations and functioning
- ☐ Review Board evaluation processes
- ☐ Check director appointment and remuneration
- ☐ Verify disclosure of interests by directors
- ☐ Review Board resolution implementations
- ☐ Check succession planning procedures

Risk Management Framework

- ☐ Review enterprise risk management policy
- ☐ Test risk identification and assessment procedures
- ☐ Verify risk mitigation strategies and controls
- ☐ Check risk reporting to Board and committees
- ☐ Review business continuity planning
- ☐ Test crisis management procedures
- ☐ Verify insurance coverage adequacy
- ☐ Check regulatory risk monitoring

Internal Financial Controls (IFC)

- ☐ Review IFC framework design and documentation
- ☐ Test operating effectiveness of key controls
- ☐ Verify control deficiency identification and remediation
- ☐ Check management's assessment of IFC effectiveness
- ☐ Review auditor's testing of IFC
- ☐ Verify IFC reporting to Audit Committee
- ☐ Check integration with risk management
- ☐ Review IFC training and awareness programs

5. SPECIALIZED AREAS

Related Party Transactions

- ☐ Review related party identification procedures
- ☐ Test transaction approval processes
- ☐ Verify pricing policies and arm's length nature
- ☐ Check disclosure compliance in financial statements
- ☐ Review Audit Committee approvals
- ☐ Verify quarterly compliance certificates
- ☐ Test related party register maintenance
- ☐ Check material RPT shareholder approvals

Corporate Social Responsibility

- ☐ Review CSR policy and Board approval
- ☐ Verify CSR committee formation and functioning
- ☐ Check CSR spending calculations and requirements
- ☐ Test project selection and approval procedures



- ☐ Verify CSR expenditure monitoring and reporting
- ☐ Review impact assessment procedures
- ☐ Check CSR annual report disclosures
- ☐ Verify unspent CSR fund utilization

Subsidiary and Joint Venture Controls

- ☐ Review subsidiary oversight and monitoring
- ☐ Test consolidation procedures and eliminations
- ☐ Verify intercompany transactions and balances
- ☐ Check subsidiary compliance monitoring
- ☐ Review joint venture agreements and compliance
- ☐ Test management fees and service agreements
- ☐ Verify subsidiary audit coordination
- ☐ Check transfer pricing documentation

6. REPORTING AND DOCUMENTATION

Audit Documentation

- ☐ Maintain comprehensive audit working papers
- ☐ Document audit procedures and testing performed
- ☐ Record audit findings and management responses
- ☐ Prepare detailed audit reports for each area
- ☐ Document follow-up on previous audit findings
- ☐ Maintain audit file organization and retention
- ☐ Record time spent and resource utilization
- ☐ Document audit committee interactions



Management Reporting

- ☐ Prepare quarterly internal audit reports
- ☐ Submit reports to Audit Committee timely
- ☐ Include executive summary and key findings
- ☐ Provide management responses and action plans
- ☐ Track implementation of audit recommendations
- ☐ Report significant control deficiencies
- ☐ Communicate emerging risks and issues
- ☐ Provide annual internal audit summary

7. AUDIT QUALITY AND FOLLOW-UP

Quality Assurance

- ☐ Review audit work by senior personnel
- ☐ Maintain professional standards and ethics
- ☐ Update audit procedures for regulatory changes
- ☐ Conduct post-audit reviews and lessons learned
- ☐ Maintain continuing professional education
- ☐ Review audit methodology and tools
- ☐ Benchmark against industry best practices
- ☐ Seek feedback from auditees and stakeholders



Follow-up Procedures

- ☐ Track implementation of audit recommendations
- ☐ Conduct follow-up audits for significant findings
- ☐ Report status to Audit Committee regularly
- ☐ Escalate overdue items to senior management
- ☐ Update risk assessments based on findings
- ☐ Revise audit plans based on emerging risks
- ☐ Coordinate with external auditors on findings
- ☐ Document closure of audit recommendations

