



# A STUDY ON INTERNAL AUDIT PROCEDURES IN AUTOMOBILE SECTORE

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## ABSTRACT

The study focuses on the internal audit procedures within an organization, emphasizing its continuous monitoring role to alert management about deviations from regulatory frameworks and policy loopholes. The Internal Audit Department conducts year-round audits, highlighting areas for improvement and reporting findings to higher authorities. Specifically, it reviews income recognition practices and conducts periodic research using secondary data for recommendations. This project aims to provide MBA students with practical exposure in a business setting, allowing them to apply theoretical knowledge in real-life scenarios.

## INTRODUCTION

The title of study is internal audit procedure. Auditing is done throughout the year; they are there to alert the management for any deviation from the NRB framework likewise loopholes that are there in the policy and procedure are highlighted as Internal Audit Department constantly monitor the work and reports to the higher authorities for changes to be made. Internal Audit Department reviews the Income and recognizes it if not taken and realized. There is period research conducted by the Internal Audit Department where data are collected and examined for recommendation, the research in general will look at the secondary data's rather than primary ones.

Since the MBA program is an integrated set of practical and theoretical method of learning, the students of this program are required to have practical exposure in any kind of business organization as last term of this course. The primary goal of this project is to provide an on-the-job exposure to the student and an opportunity for translation of their theoretical conceptions in real life situation.

## Definition of Audit

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. The various types of auditing services provided by the organization are Statutory Audit, Due Diligence Audit, Internal Audit, External Audit, Financial Audit, Forensic Audit etc...

## REVIEW OF LITERATURE

Examined how internal audit quality, management support, organizational setting, auditee attributes, and the interplay among these factors, influence internal audit effectiveness. The findings of the study highlight that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong impact on audit effectiveness

## OBJECTIVE OF STUDY

- To examining the system of internal check
- To checking arithmetical accuracy of books of accounts, verifying posting, costing and balancing etc...
- To verifying authenticity and validity of transaction.
- To checking the proper distinction of capital and revenue nature of transaction.
- To confirming the existence and value of assets and liabilities.
- To verifying whether all the statutory requirements are fulfilled or not.
- To providing true fairness of operating results presented by income statements and financial position presented by balance sheet.

## SCOPE OF STUDY

I have been assigned in Mathews Mathew & Co. that gave me tremendous scope to familiarize with the audit procedure of the organization. Major parts of scope are point out below:

- Background of the host organization and also their position
- Audit procedure, which is followed by the organization for performing any audit.
- Nature and importance of it has depicted in this study.
- Audit methodology of firm which is followed by the organization for performing any audit.
- Background of host organization and also their position.
- Audit administration of firm, which is followed by the organization for performing any audit.
- Audit methodology of firm, which is followed by the organization for performing any audit

## LIMITATIONS OF STUDY

The study is conducted with an objective to make a thorough study of external audit procedure. I have availed many facilities and faced some obstacles during my study. These obstacles may be termed as limitation of the study. These limitations are as follows:

- Scheduled time span was not sufficient to cover all information.
- As an independent audit firm, the information of the case study is not adequate for this study.
- To some extent the exact audit procedure is not followed due to time and other constrains.
- As of time constrains, it was not possible for me to know all and everything of audit procedure.
- As an independent audit firm, the information of the case study is not adequate for this study.
- To some extent the exact audit procedure is not followed due to time and other constrains.
- As it was a limited time for practical experience, it was not possible for me to know all and everything of audit procedure
- Previous year's financial data was created by a chartered accountant firm, but those data was not accepted as authentic data source since those data was not supported by the source documents.
- Sometimes the client's employees are not ready to co-operate as auditors' adverse report may hamper their job.

## RESEARCH METHODOLOGY

In order to prepare the assigned project paper, I have collected necessary information from two types of sources as follows:

- Primary sources information.
- Secondary sources information.

### Primary sources information

- I have collected primary information by working with audit team.
- Discussing with engagement partner, audit staff and articled student.

### Secondary sources information

- I have also collected secondary information like annual audit report, management audit report, accounting system & audit working papers.
- The information was obtained from various corresponding files of the firm

**Table1****Response based on audience status**

	No. of Response	Percentage
Students	50	50
Working	45	45
Others	5	5
	100	100

**Interprtation**

From the above table it is shows that 50% of the respondents are belong to Students, 45% of the respondents are belong to Working and 5% of the respondents are belong to others. So, the majority 50% of the respondents are in the basis on Students.

**Table 2****Respondents on the basis of definition of internal auditing**

	No. of Response	Percentage
Process to detect fraud and errors	35	35
A process to evaluate and improve the effectiveness of risk management, control, and governance processes	60	60
A compliance requirement	0	0
Other	5	5
	100	100

**Interprtation**

From the above table it is shows that 60% of the respondents are belong to 'A process to evaluate and improve the effectiveness of risk management, control, and governance processes', 35% of the respondents are belong to 'Process to detect fraud and errors', 5% of the respondents are belong to 'a compliance requirement'. So, the majority 60% of the respondents are in the basis on 'A process to evaluate and improve the effectiveness of risk management, control, and governance processes'

**Table 3****Respondents on the basis of responsibility for conducting internal auditing (in organization)**

	No. of Response	Percentage
Internal Audit Department	75	75
External Audit Firm	10	10
Both	15	15
Other	0	0
	100	100

**Interprtation**

From the above table it is shows that 75% of the respondents are belong to Internal Audit Department,15% of the respondents are belong to both,10% of the respondents are belong to External Audit Firm. So, the majority 75% of the respondents are in the basis on Internal audit.

**Table 4****Respondents on the basis of frequency of conducting internal auditing (in organization)**

	No. of Response	Percentage
Annually	45	45
Semi-annually	20	20
Quarterly	15	15
Monthly	20	20
Other	0	0
	100	100

**Interprtation**

From the above table it is shows that 45% of the respondents are belong to Annually, 20% of the respondents are belong to Semi-annually and monthly, 15% of the respondents are belong to Quarterly. So, the majority 45% of the respondents are in the basis on Annually.

**Table 5****Respondents on the basis of primary objective of internal auditing (in organization)**

	No. of Response	Percentage
Evaluating and improving risk management processes	45	45
Ensuring compliance with laws and regulations	16	16
Detecting and preventing fraud and errors	23	23
Evaluating and improving the effectiveness of operations	16	16
Other	0	0
	100	100

**Interprtation**

From the above table it is shows that 45% of the respondents are belong to Evaluating and improving risk management processes,23% of the respondents are belong to Detecting and preventing fraud and errors, 16% of the respondents are belong to Ensuring compliance with laws and regulations and evaluating and improving the effectiveness of operations. So, the majority 45% of the respondents are in the basis on Evaluating and improving risk management processes.

**Table 6****Respondents on the basis of internal audit findings communicated (in organization)**

	No. of Response	Percentage
Written reports	65	65
Verbal communication	10	10
Presentation to senior management/board	20	20
Training sessions/workshops	5	5
Other	0	0
	100	100

**Interprtation**

From the above table it is shows that 65% of the respondents are belong to Written reports, 20% of the respondents are belong to Presentation to senior management/board,10% of the respondents are belong to Verbal communication, 5% of the respondents are belong to Training sessions/workshops. So, the majority 65% of the respondents are in the basis on Written reports.

**Table 7****Respondents on the basis of addressing the findings and recommendations from internal audits**

	No. of Response	Percentage
Immediate action is taken	45	45
Recommendations are considered and prioritized	45	45
No specific actions are taken	10	10
Other	0	0
	100	100

**Interprtation**

From the above table it is shows that 45% of the respondents are belong to Immediate action is taken and Recommendations are considered and prioritized,10% of the respondents are belong to No specific actions are taken. So, the majority 45% of the respondents are in the basis on Immediate action is taken and Recommendations are considered and prioritized

**Table 8****Respondents on the basis of effectiveness of internal auditing process**

	No. of Response	Percentage
Very effective	60	60
Somewhat effective	25	25
Neutral	10	10
Somewhat ineffective	5	5
Very ineffective	0	0
	100	100

**Interprtation**

From the above table it is shows that 60% of the respondents are belong to Very effective, 25% of the respondents are belong to Somewhat effective,10% of the respondents are belong to Neutral, 5% of the respondents are belong to Somewhat ineffective. So, the majority 60% of the respondents are in the basis on Very effective.

**Respondents on the basis of additional comments or suggestions regarding internal auditing**

 **Additional comments or suggestions regarding internal auditing**

- Good effectiveness
- Shoulder planned
- Should be done more frequently
- None

## FINDINGS:

- Learned the various operations carried out during my audit and the procedure that the department should followed in carrying out those operations
- Activity carried out in the automobile sector has to follow specific procedure, where these procedures were predefined so as to avert risk like fraud, operational risk, financial risk and the future risk.
- Discussing the problems of the departments are noted down, so as to resolve it taking the problems to the concerned authority, also the deficiency of the branches in terms of Human Resource, Training required for Employee are also discussed

## SUGGESTIONS:

- Technology and innovations:  
Review the company's investment in technology and innovation, including research and development processes, product development strategies, and technological advancements to maintain competitiveness in market.
- Environmental sustainability:  
This is to reduce its environmental impact, including energy efficiency initiatives, waste reduction programs, and sustainability manufacturing practices.
- Financial control:  
Assess the effectiveness of the company's financial controls, including budgeting, expense management and financial reporting to ensure accuracy, transparency, and compliance with accounting standards.

## CONCLUSION:

- From auditing point of view, there is proper follow up of work done in every organization there no misconduct of transactions is taken places for that purpose the auditing is very important aspect in today's scenario from company and point of view.
- Know how to conduct audit in a company, what are the various procedure through which audit of company should be done.