

Internal Audit Plan: 2026–2027

Company: ABC Manufacturing Ltd. (BSE/NSE Listed)

Approved By: Audit Committee on March 28, 2026

Period: April 1, 2026 – March 31, 2027

1. Audit Areas to be Covered

Main Business Areas

- Finance & Accounting
- Procurement & Inventory Management
- Sales & Distribution
- Production & Quality Control
- Human Resources & Payroll
- IT Systems & Cybersecurity
- Regulatory Compliance
- ESG & Sustainability

Legal Requirements

- Internal Financial Controls (IFC)
- Fraud Prevention & Detection
- Related Party Transactions
- CSR Compliance

2. Risk Assessment

Top Risk Areas (High to Low Priority)

Rank	Risk Area	Risk Drivers
1	Cybersecurity	Increasing online threats, data protection laws
2	Procurement	Vendor fraud, GST input credit issues
3	Financial Controls	Complex accounting standards, system errors
4	Tax Compliance	GST rules, multiple state operations

5	Related Party Transactions	SEBI disclosure requirements
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3. Quarterly Audit Schedule

Q1 (April - June 2026)

Focus: Basic Controls & Security

Audit Area	What We'll Check	Days	Lead
Cybersecurity	Password policies, data backup, system access	20	IT Auditor
Procurement	Vendor approval, purchase orders, payments	25	PKC Auditor
Bank & Cash	Bank reconciliation, cash handling, approvals	15	CA

Q2 (July - September 2026)

Focus: Financial Controls

Audit Area	What We'll Check	Days	Lead
Financial Reporting	Monthly accounts, journal entries, reviews	30	CA + Team
Inventory	Stock counting, valuation, storage controls	20	PKC Auditor
Sales Process	Customer orders, billing, collections	15	PKC Auditor

Q3 (October - December 2026)

Focus: Compliance & Taxes

Audit Area	What We'll Check	Days	Lead
GST Compliance	Return filing, input credits, documentation	25	Tax Expert
Labor Compliance	PF, ESI, wages, working hours	15	HR Auditor

Environmental	Pollution clearances, waste disposal	10	External Expert
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Q4 (January - March 2027)

Focus: Governance & Reporting

Audit Area	What We'll Check	Days	Lead
Related Party Deals	Board approvals, pricing, disclosures	20	CA
CSR Activities	Spending, documentation, impact	10	PKC Auditor
Fraud Check	Expense claims, vendor payments, conflicts	15	PKC Auditor

4. Audit Team & Budget

Team Structure

- **Chief Audit Executive:** 1 person
- **Chartered Accountants:** 2 people
- **PKC Auditors:** 3 people
- **IT/Cyber Expert:** 1 person
- **More Experts:** As needed

Budget: ₹25 Lakhs

- External experts: ₹20 lakhs
- Training: ₹2 lakhs
- Technology/Tools: ₹3 lakhs

5. Legal & Regulatory Requirements

Must-Do Audits (Required by Law)

Requirement	Law/Regulation	When to Complete
Internal Financial Controls	Companies Act 2013	Before September 30
Fraud Reporting	Companies Act 2013	Ongoing/As needed

Related Party Transactions	SEBI Rules	Every 6 months
CSR Audit	Companies Act 2013	March 31

6. Local Business Considerations

Timing Around Indian Festivals

- **No major audits in October:** Diwali production peak
- **Avoid Holi week:** March production planning
- **Plan around regional festivals:** Different states have different holidays

Multi-State Operations

- **Different GST rules** in Tamil Nadu, Maharashtra, Karnataka
- **Local labor laws** vary by state
- **Language considerations** for local staff interviews

Common Indian Business Practices

- **Cash transactions** in smaller vendors
- **Festival bonuses** and timing
- **Monsoon impact** on transportation and deliveries

7. Monthly Activities

Every Month

- Review bank reconciliations
- Check high-value transactions
- Monitor cybersecurity alerts
- Track audit plan progress

Every Quarter

- Present results to Audit Committee
- Update risk assessment
- Review regulatory changes
- Plan next quarter activities

8. Key Reports & Deliverables

For Audit Committee

- Quarterly audit reports
- Annual audit plan review
- Risk updates and new issues
- Compliance status reports

For Management

- Monthly dashboard with key issues
- Process improvement suggestions
- Cost-saving opportunities
- Training needs identification

For Statutory Auditors

- Internal Financial Controls report
- Fraud assessment results
- Key audit findings
- Coordination meeting notes

9. Performance Measures

Targets

- **100% coverage** of high-risk areas
- **90% completion** of planned audits on time
- **At least 80%** of recommendations implemented
- **Zero** missed legal deadlines
- **Audit Committee satisfaction** of 4/5 or better

Tracking

- Monthly progress reports
- Quarterly score cards
- Annual effectiveness review
- Feedback from stakeholders

10. Emergency Procedures

1. **Immediate Response** (Same day)
 - Inform Chief Audit Executive
 - Secure evidence and documents
 - Stop further damage if possible
2. **Within 48 Hours**
 - Investigate and understand the problem
 - Report to Audit Committee Chairman
 - Decide if external help is needed
3. **Within 1 Week**
 - Complete investigation
 - Prepare action plan
 - Implement immediate fixes
 - Report to relevant authorities if required

Types of Emergencies

- **Fraud discovered**
- **Cyber security breach**
- **Major compliance violation**
- **Whistleblower complaint**
- **Regulatory inquiry**

11. Tools & Technology

Basic Audit Tools

- **Tally/SAP data extraction** for testing transactions
- **Excel analysis** for data review
- **Bank statement matching** software
- **GST return checking** tools

Simple Dashboards

- Monthly expense trends
- Vendor payment analysis
- Bank reconciliation status
- Compliance checklist tracking

12. Success Factors

- **Management support** at all levels
- **Clear communication** with all departments
- **Regular training** for audit team
- **Good coordination** with external auditors
- **Timely reporting** to Audit Committee

Potential Challenges

- **Staff availability** during busy periods
 - **System access** and data extraction
 - **Coordination** across multiple locations
 - **Keeping up** with regulatory changes
 - **Limited budget** for external experts
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Key Contacts

Chief Audit Executive: [Name & Contact]

Audit Committee Chairman: [Name & Contact]

CFO: [Name & Contact]

Company Secretary: [Name & Contact]

External Auditors: [Firm Name & Contact]

Plan Prepared by: Chief Audit Executive

Reviewed by: CFO

Final Approval: Audit Committee Chairman

Next Review Date: March 31, 2027
