

# Internal Audit

## **Internal Audit provisions in Companies Act 2013 – Section 138:**

As per Section 138 of the 2013 Act, such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a [chartered accountant](#) or a [cost accountant](#), or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

Further, it is also stated that the Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

### **Following class of companies are required to appoint an internal auditor or a firm of internal auditors, namely:-**

(a) Every listed company;

(b) Every unlisted public company having-

(i) Paid up share capital of fifty crore rupees (50 cr.) or more during the preceding financial year;  
or

(ii) Turnover of two hundred crore rupees (200 cr.) or more during the preceding financial year;  
or

(iii) Outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees (100 cr.) or more at any point of time during the preceding financial year;  
or

(iv) Outstanding deposits of twenty five crore rupees (25 cr.) or more at any point of time during the preceding financial year; and

(c) Every private company having-

(i) Turnover of two hundred crore rupees or more during the preceding financial year; or

(ii) Outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more at any point of time during the preceding financial year.

**For an existing company covered under any of the above criteria shall, it shall then comply with the requirements of section 138 and this rule within six months of 1st April, 2014.**