



Godavari Foundation's

Dr. Ulhas Patil Homoeopathic Medical College and Hospital, Jalgaon Kh.

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6.4.2: Institution conducts internal and external financial audits regularly.

Financial audits are essential processes conducted by institutions to ensure the accuracy, integrity, and compliance of their financial records. These audits, whether internal or external, play a crucial role in maintaining transparency, accountability, and trust among stakeholders. Here, we'll explore the significance of both internal and external financial audits and how they contribute to the overall financial health of an institution.

Internal Financial Audits:

Internal financial audits are conducted by an institution's own personnel or an internal audit team. These audits are designed to review the organization's financial processes, systems, and controls. The primary objectives of internal audits include:

1. **Ensuring Compliance:** Internal auditors assess whether the institution adheres to internal policies, procedures, and regulatory requirements. They identify areas of non-compliance and recommend corrective actions to mitigate risks.
2. **Risk Management:** Internal audits help identify and evaluate financial risks inherent in the institution's operations. By assessing risks such as fraud, errors, and inefficiencies, auditors assist in implementing measures to mitigate these risks and strengthen internal controls.
3. **Process Improvement:** Through detailed examination of financial processes and procedures, internal audits identify opportunities for improvement. This could involve streamlining workflows, enhancing efficiency, and reducing costs, ultimately contributing to better financial performance.
4. **Detecting Fraud:** Internal auditors play a crucial role in detecting and preventing fraudulent activities within the organization. By conducting thorough examinations of financial transactions and records, auditors can uncover irregularities and instances of fraud, protecting the institution's assets and reputation.
5. **Management Accountability:** Internal audits provide management with insights into the institution's financial health and performance. By holding management accountable for financial decisions and actions, audits promote transparency and responsible stewardship of resources.



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External Financial Audits:

External financial audits are conducted by independent, third-party auditors, typically certified public accounting firms. These audits provide an objective assessment of an institution's financial statements and are often required by external stakeholders such as investors, lenders, and regulatory authorities. The key objectives of external audits include:

1. **Ensuring Financial Accuracy:** External auditors examine the institution's financial statements to verify their accuracy and reliability. By confirming that the financial information presented is free from material misstatements and errors, external audits enhance the credibility of the institution's financial reporting.
2. **Compliance Verification:** External auditors assess whether the institution complies with relevant accounting standards, regulations, and legal requirements. By conducting thorough examinations of financial records and transactions, auditors ensure that the institution's financial reporting is in accordance with applicable guidelines.
3. **Stakeholder Assurance:** External audits provide assurance to stakeholders, such as investors, creditors, and regulators, regarding the integrity of the institution's financial statements. By offering an independent opinion on the fairness and accuracy of the financial information presented, audits instill confidence and trust among stakeholders.
4. **Identifying Risks:** External auditors identify potential risks and weaknesses in the institution's internal controls and financial reporting processes. By highlighting areas of concern, auditors assist management in implementing corrective actions to mitigate risks and strengthen controls.
5. **Enhancing Transparency:** External audits promote transparency by providing an independent assessment of the institution's financial performance and position. By disclosing any significant findings or issues identified during the audit process, auditors contribute to greater transparency and accountability.

In conclusion, both internal and external financial audits are vital components of an institution's governance and control framework. While internal audits focus on internal processes, compliance, and risk management, external audits provide independent assurance to external stakeholders regarding the accuracy and integrity of financial reporting. Together, these audits



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help safeguard the institution's assets, promote transparency, and maintain stakeholder confidence in its financial operations.



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