

Controller General of Accounts

Date: 18.06.07.

Dear

As you are aware, of late there have been significant developments in the field of Internal Audit, and we are faced with lot of expectations and challenges from various stake-holders for strengthening Internal Audit and Controls in Government of India.

While we have taken significant steps in reinforcing the Internal Audit function in Ministries/Departments, there is lot of scope for improvement. In an attempt to harmonize the internal audit function in Civil Ministries, I have outlined some points that have to be addressed immediately in order to augment the existing internal controls and audit functions in our preview.

- 1. Training on Internal Audit at INGAF:** It has been decided to organize training programmes for Group 'A', 'B' and 'C' Officials of the Civil Accounts Organisation. While the training of Group 'A' officers would be notified separately, at this moment I would like to focus on the long neglected training aspect of Group 'B' and 'C' Officials. We are in the process of designing a four month certificate program for these Officials on Internal Audit at INGAF in consultation with IIA. This program will be suitably structured with a judicious mix of classroom teaching, case studies and field experience. I know that it is difficult to spare AO's and Sr. Accountants for a lengthy duration, and therefore I seek your cooperation in nominating 2-3 AOs/AAOs/Sr. Accountants from your Ministry/ Department for this course. The detailed programme would be sent to you by Director INGAF.
- 2. Identification of Weak Links in Control Environment:** I would like you to identify risk prone schemes/ programmes in your Ministry/ Department, and make the audit plans accordingly, in order to cover

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the units/divisions which have lesser controls and which are more prone to systematic failure on a priority basis.

3. **Areas of Concern:** Finance Secretary, in his letter to Secretaries of June and September, 2006 had highlighted the significance of Internal Audit. I would like you to assess the progress made on the issues raised in the letters and analyze the gap which needs to be addressed so that suitable action is taken at the appropriate level.

4. **Diversity in Audit Techniques:** I would like to mention that the audits we conduct today are to a large extent compliance based, which check the rules and accounts. I would like to add a mix of other techniques like physical inspections, performance evaluations, statistical analysis, process reviews, risk analysis etc. and for this I request you to be more innovative in adopting different techniques based on the conditions in your line Ministries.

For physical inspections, I would like you to procure digital cameras for the Internal Audit wing and insist that actual sites photographs are attached with every audit report.

More specifically, I would like you to look into safeguarding of assets, logistics management, human resource planning and other operational issues while conducting the audit.

5. **IT and systems audit:** As this is a specialized area, I would like you to outsource the IT and Systems audit, wherever required through INGAF, where we are in the process of developing a pool of trained manpower to conduct this type of audit.
6. **Follow up of audit report:** This is the most important and yet neglected part of auditing in our Ministries. There should be adequate stress on effective report writing, and systematic follow up of the Audit Reports. There should be peer review of the audit report by which the audit report should be sent from the field to the headquarters and three officers (Sr. AO/ACA/DCA/CA) should vet the report and send it back to the team in the field. To the extent possible, e-mail can be used for the peer review and it can even be done while working papers are being prepared.

The auditee should get a copy of the report and it should also be sent to a level higher authority. The auditee should be asked to give

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(3)

his comments within 6 weeks. If no response is received in a quarter, then a reminder should be issued to the next higher authority. A subsequent reminder in the next quarter should be addressed to the HOD, if there is still no response.

The audit report should also be sent to Head of the Department and selective reports should be sent to the Secretary every quarter.

Suitably selected paras should go into Secretaries report, along with a status report on internal audit, which could form a part of the annual internal audit review. A list of Offices who have defaulted in giving replies to Internal Audit should also be included in the Status report.

I seek your cooperation and support in bolstering the internal audit function in Government Departments.

With best wishes,

Yours sincerely,

(V N Kaila)

DO No. MF-CGA/ IDF/04

Controller General of Accounts

Date: 18.07.07

Dear

This is in continuation with my earlier DO letter of even No, dated 18th June 2007, on the issue of strengthening Internal Audit in Government Departments. I would welcome your feedback and the action taken on the issues mentioned in my DO letter.

I would further request you to conduct a model internal audit in your Ministry/ Department, keeping the following points in view:

1. Identifying two Schemes/ Areas pertaining to your Ministry/ Department, based on the criteria of budgetary allocation, existing internal controls of monitoring and evaluation, release of funds and their utilization etc.,
2. Drawing up an Audit modality involving an Audit Plan and Audit Strategy,
3. Conducting a Performance Audit or Risk based Audit on the Schemes/ Areas identified,
4. Writing a model report on the Audit, along with actual site photographs.

I would appreciate the completion of this exercise, and the submission of the report to this Office within three months.

With best wishes,

Yours sincerely,

Sd/
(V N Kaila)

G.25014/48/07/MF.CGA/Insp. 1390
Controller General of Accounts
Department of Expenditure
Ministry of Finance
7th Floor, Lok Nayak Bhawan, New Delhi

Dated: August 22, 2007.

OFFICE MEMORANDUM

Subject : **Establishment of a "Centre of Excellence" for Internal Audit**

Government's investments in various programmes and schemes have grown enormously and the Eleventh Plan will undoubtedly see further increases in investments in key areas. In order to reinforce the commitment to continuous management improvement and move towards a strengthened and better-positioned internal audit system, it has been decided to establish a *Centre of Excellence for Internal Audit* in the office of Controller General of Accounts.

2. The objectives of the *Centre of Excellence* would be to
 - develop into a repository of technical resource and guidance centre for advising internal audit wings of line Ministries on effective, independent and objective internal audit functions, procedures, and "best practices". The approach of COE will be to cover important aspects of risk management strategy and the management control framework and practices;

Contd....

- enhance the quality of internal audit so that the results of internal audit become an input into the processes of planning, project formulation and implementation.
- provide an assurance to the management that the “controls” in place provide adequate protection against likely “risks”.

3. This scheme of risk based internal audit will be developed gradually, evolving over time, as the capacity to meet the objectives gets enhanced and standards and practices to carry out modern risk based internal audit are firmed-up.

4. To be effective, the Centre of Excellence/ Internal Audit Wings would require the active involvement and support of all programme managers.



(Smt. Sonali Singh)

Jt. Controller General of Accounts

Tel : 24624613

All Chief Controller of Accounts / Controllers of Accounts

G.25014/48/07/MF. CGA/CoE/Inspection /425
Controller General of Accounts
Department of Expenditure
Ministry of Finance
7th Floor, Lok Nayak Bhawan, New Delhi.

Dated 31st August 2007.

OFFICE MEMORANDUM

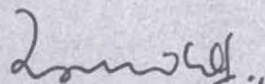
This is with reference to the CGA's DO letters dated 18.6.07 and 18.7.07 to all CCAs/CAs regarding the conducting of model internal audit of any two identified schemes/Areas in their respective Ministries. It is expected that the CCAs would have already taken steps in this direction and initiated measures for the identification of the schemes and planning for carrying out the model risk based audits through an Audit Plan.

The Audit Plan must summarize the key provisions of the scheme viz the aims, targets methods and modalities (e.g. relating to sanction/implementation) etc along with the key outputs of the scheme/programme. It should also document the significant risks that have been identified on the basis of preliminary assessment of the scheme/programme and the key controls that are in place. A draft-testing outline (that may be subject to changes during the process of audit) may also be included in this document to the extent possible.

The enclosed paper chalks out a suggestive plan of action to aid the CCAs in the planning, performing and reporting on risk based Internal audits. This is expected to serve as a guidance note only and suitable changes/ modifications as per requirements and grounds of feasibility in the schemes/programmes are expected to be carried out, based on the judgements of the CCAs and as per the requirements within their own Ministries.

It is requested that the CCAs may complete the task of Internal audit planning and preparation of Audit Plan and Strategy initially for the two identified schemes in consultation with the scheme administering authorities, wherever required. This may later on become the basis of the exercise of internal audit to be carried out.

It is also suggested that if considered appropriate the programme planners and administrators could be co-opted with the audit teams to provide a more complete perspective to the audit findings.


(Smt. Sonali Singh)
Jt. CGA

All Pr. CCAs/CCAs/CAs.

Guidance for Planning, Performing and Reporting on Internal Audit Engagements in the Government:

Purpose:

The overall purpose of this guidance note is to assist in providing a direction to the Internal Audit Wings of the Ministries in carrying out scheme audits through risk-based assessments. Based on systematic risks and controls' assessment the end objective of scheme audits is to provide a positive assurance to the Ministries/Departments that the performance and implementation of the schemes' are on course; that the controls and checks laid down in the schemes are functioning well; and that the schemes are likely to achieve their aims and targets as spelt out. The scheme audits will also help in throwing up the potential risk areas, deficiencies or gaps in the laid down controls/ checks or their implementation mechanisms that may affect the outputs that have been set out for the schemes. Such systematic audits will also aid in identifying the cause/s of deficiencies/gaps and recommend suitable corrective actions based on the objective evidence based assessment of the schemes.

This Note is intended to aid internal auditors in the offices of Chief Controllers' of Accounts with practical guidance on how to plan and carry out a proper and systematic audit of Government schemes. The steps and procedures that are required to be followed, the mechanism and tools to be used for the purpose and the method of assessing risks in the schemes have been broadly outlined towards this end in the document. This has also been framed with the purpose of providing a course of direction to the Internal audit Wings for a more uniform system of audit planning, performing and reporting on audit engagements. However the differential positions and responsibilities of the Ministries and the aims and objectives of various Government schemes', which may require different forms of audit engagement or professional judgement in the conduct of their work, needs to be kept in view. This Guidance Note is not intended to be therefore prescriptive though.

Mandate:

Every Internal audit organization needs a mandate. In the case of Internal Audit Wings of the Civil Ministries, the mandate for risk based Assurance audit flows directly from the revised charter of Financial Advisers issued by Secretary (Exp), wherein, risk based internal audit has been indicated as a responsibility of the CCAs. It has been outlined that internal audit/performance audit has to move beyond the narrow myopic confines of compliance/regularity audit to focus on:

- Assessment of adequacy and effectiveness of internal controls in general, and the soundness of financial systems and reliability of financial and accounting reports in particular;
- Identification and monitoring of risk factors (including those contained in the Outcome Budget);
- Critical assessment of economy, efficiency, and effectiveness of service delivery mechanism to ensure value for money; and

- Providing an effective monitoring system to facilitate on course corrections.

The scheme audits performed by Internal Audit Wings must primarily focus on the above mandate to determine whether the scheme formulation/design, risk management approach and measures, controls and governance processes provide reasonable assurance that the scheme objectives and targets will be achieved.

The Internal Auditing Process:

The IA process can be divided into three main phases of planning, performing and reporting.

Planning:

As the starting point on Planning, the Internal Audit Wings may take steps to draw up the list of entities/programmes and schemes/ procedures etc that are required to be audited.

After updating and firming up of the audit universe, the internal audit sections are required to do a risk assessment of each of such entities/schemes etc. Such risk assessment is generally done on the basis of the likelihood of significant or pervasive risks/deficiencies for each process, entity or scheme and rated against the likely impact of each of the risks. Impact and Likelihood can be quantified on the basis of Risk Rating Scale say on the scale of one to ten in order to identify the programs and schemes with higher risk ratings. This tool enables decisions relating to audit prioritization by the internal audit wings of the Ministry/Department. Other factors like the duration since last audit, nature and number of audit observations or issues outstanding may also be used subsequently when sufficient number of audits have been performed. At times the CCAs or internal audit wings may require to rely on judgemental assessments based on domain knowledge or on the basis of consultation with the scheme implementing wings.

Since the Government schemes and programmes have either not been audited or they have not been assessed over a long period of time, the assessment on risk rating and judgemental decision is suggested, to arrive at the list of schemes/processes that need to be audited on priority. On completion of this process the audit engagements that are required to be undertaken are identified and decided upon. Since risk based audit is a new area, CGA has required CCAs CAs of each Ministry to identify two schemes to begin with.

After identification of the schemes/programmes/processes that are to be audited, the Chief Controller of Accounts/Controller of Accounts may identify and appoint the 'Auditor In charge' (AIC) for each of the proposed audits as also the team members that will be a part of each of the audits. The Auditor in charge is expected to be in-charge of the entire audit process, and he will take suitable guidance/support from the Chief Controller of Accounts/Controller of Accounts as per requirements. It is suggested that

the Chief Controllers of Accounts will closely monitor the audit process till its completion, in view of the fact that the process of risk based audit is entirely different and will require plenty of application when compared to compliance audits performed by the internal audit wings till now.

The AIC should start by preparing an Overview and Planning Memo. The Audit Overview will be in the form of a brief note on the subject of audit (scheme that is to be audited) bringing out the audit objective, salient features of the scheme, its purpose and mechanism of implementation, potential risk areas etc. AIC may also get a Planning Memo approved by CCA/CA, summarizing the planning information, assumptions and decisions made on the basis of initial study and assessment of the scheme, so as to ensure that an effective audit is performed. These documents aid the audit team in demonstrating its understanding of the subject of audit engagement before finalizing the objectives and scope of the audit.

After getting the Overview and Planning Memo approved by CCA/CA, the Auditor In-charge should take up the job of confirming the specific objectives of the audit engagement, identify the detailed scope or the areas that are planned to be assessed through audit, audit criteria or the basis (in the case of schemes it will be the Government procedures/rules/orders etc that may apply), the approach that will be followed viz details regarding sampling, field visits etc and the resource requirements (both funds and manpower).

AIC should carefully consider the audit engagement 'Objectives' since the audit is expected to draw a conclusion with respect to each engagement objective identified. For example, if audit objective includes an item on say to assess that the "scheme will meet its objectives"- the audit observations/paras should relate to this audit objective. There may be a number of Audit objectives in a particular audit determining the areas of risks that is planned to be assessed. AIC should therefore determine the objectives carefully keeping in mind that the audit observations/paras on the subject matter can be concluded with sufficient evidence when the audit is completed. In most cases the internal audit of schemes will focus on determining whether the Government's risk management, control (checks/procedures/rules etc), and governance processes provide reasonable assurance on the achievement of scheme objectives. Audit objectives will primarily be a variation of the following -

- the financial, managerial, and operating information provided for the scheme is largely accurate, reliable, and timely;
- resources for the scheme are acquired economically and used efficiently;
- assets created under the scheme are safeguarded;
- actions of the scheme approving, managing and implementing organizations are in compliance with policies, procedures, contracts, and applicable laws and regulations; and
- significant programs, plans, and objectives of the scheme are likely to be achieved.

During this phase when the Auditor In Charge is engaged in finalizing the audit objectives and Terms of Reference in consultation with the CCA/CA, the other audit team members must familiarize and develop a good working knowledge and

understanding of the scheme- its objectives, processes, operations and associated risks, so as to identify and document the significant risks and key controls (rules/roles, policies/procedures etc). The assessment in these aspects of both, entity that is to be audited and the program/scheme is required to arrive at a more realistic assessment of the scheme, effectiveness of the controls/checks laid down for its implementation and the implementing systems itself. The method of carrying out Risk Assessment is dealt later in this Note.

In order to apprise the Ministry/Department about the plan of audit, a brief Terms of Reference for the audit engagement is required to be prepared. This TOR should be approved by the CCA/CA and sent to the concerned scheme implementing wing of the Ministry at a sufficiently high managerial level. This serves both the purpose of announcing the audit engagement, as well as apprising the concerned administrators of the scheme on the audit objective and plan of action. The TOR includes at a minimum the audit engagement's objectives, scope, approach and details of the auditors along with the proposed timing of the audit. The scheme administering management in the Ministry may have their own suggestions on the audit objectives, risk areas etc. The inputs of the management on the scope of audit and TOR are also important and should form part of the final TOR. Required amendments to the TOR can be agreed to by CCA keeping in perspective the suggestion of the administrative wing and the revised TOR as finalized issued to announce the commencement of audit.

Understand and Prepare on the Subject of Audit Engagement:

The AIC and the other audit team members should initiate a detailed and in depth study of the scheme in order to develop a sound understanding of the scheme aims and targets, scheme management and related business processes and practices e.g. relating to approvals/implementation etc, policies and procedures, and external and internal environment within the Ministry/Department as well as the scheme implementing agencies. It is important for the audit team to gather information on significant, recent or proposed changes relating to scheme or its implementation or the issues that are of concern to management, to have a better and updated perspective.

The Audit team will require to obtain detailed information pertaining to the scheme, its operations, processes, performance etc through all the requisite sources in the Ministry/implementing agencies etc in the form of documents/data reports etc. For better access to information on the schemes the communication channels of all kinds may be used as per the requirements of the scheme under audit which may be in the form of meetings, interviews, research or review of documents and records to gain sufficient knowledge about the scheme. It may be useful to visit sites and observe operations for the purpose.

It is important that the auditors have regular dialogue with Ministry/implementing agencies and other sources of information as required during this review, in order to confirm that their understanding of the subject of the engagement and of any emerging issues is correct. Once the auditors and the audit team as a whole have gained a good understanding of the subject of the audit engagement/scheme – its business processes and its overall environment – they will be in a better position to identify the risks, document

key controls and evaluate their design effectiveness at both the audit engagement entity level and at the scheme level.

**Identify Risks, Document Key Controls and Evaluate Design Effectiveness:
(At Entity (Ministry/implementing agency)/Scheme level)**

The underlying premise of risk management in any scheme is that every entity participating in the running and operating of the schemes exists to provide value for its stakeholders. All entities and operations face uncertainties, and the challenge for the scheme-administering department is to determine how much uncertainty to accept as it strives to grow value for the scheme operations. A proper risk management of the scheme enables the scheme-administering department to effectively deal with the uncertainties and associated risks and opportunities, enhancing the capacity to build value for the outputs.

Any scheme will have broadly four objectives-

1. Strategic- the higher goals of the scheme aligned with and supporting the mission of the scheme;
2. Operations – effective and efficient use of resources;
3. Reporting – reliability of reporting;
4. Compliance – compliance with applicable laws and regulations.

The objectives relating to reliability of reporting and compliance with laws and regulations are within the scheme administrator's controls, and therefore risk management on these can be expected to provide reasonable assurance of achieving these objectives. However, the achievement of Strategic and Operations objectives are subject to external events and not always within Ministry's/scheme administrator's control. For these objectives, the scheme risk management can provide reasonable assurance that the Ministry/Department in its oversight role are made aware, in a timely manner, of the extent to which the scheme is moving towards achievement of objectives.

Based on the Integrated Risk Management and Application Technique of COSO – ERM Model (The Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management), there are eight components of any enterprise risk management, which can be largely applied to the Government schemes also. These are derived from the way management runs an enterprise (Ministry runs a scheme) and are integrated with the management process of the schemes. These components are-

- *Internal Environment-* The internal environment reflects the tone of an organization, and sets the basis for how risk is viewed and addressed by the entity's people, their risk management philosophy and appetite, integrity and ethical values, and the environment in which they operate.
- *Objective Setting-* Objectives of the scheme must exist before the Ministry/administrators of the scheme can identify potential events affecting their achievement. Scheme risk management will ensure that the Ministry has in place

a process to set objectives and that the chosen objectives support and align with the scheme's mission and are consistent with the Government's risk appetite.

- *Event Identification* – Internal and external events affecting achievement of the scheme must be identified and distinguished between risks and opportunities.
- *Risk Assessment* - Risks to the scheme should be analyzed, considering the Likelihood and Impact, as a basis for determining how they should be dealt with and managed.
- *Risk Response* – The Ministry/Department selects from the possible responses of avoiding, accepting or reducing or sharing the risk, and thereafter develops a set of actions to align with the scheme's decide risk policy.
- *Control Activities*- Policies and procedures for any scheme are established and implemented to help ensure that the risk responses decided upon are effectively carried out.
- *Information and Communication* – Every scheme is required to ensure that the relevant information are identified, captured and communicated in the form and timeframe that enables people to carry out their responsibilities.
- *Monitoring* – The totality of scheme risk management is monitored and modifications made in the schemes or its policies/procedures etc as necessary. Monitoring is achieved through ongoing supervision, evaluations etc.

Risk management for any scheme will not be strictly a serial process where one component will affect only the next. It is a multi-directional and iterative process in which almost any of the above components can and does influence others.

For a comprehensive risk based audit assessment of the Government schemes, the Internal auditors should review the schemes and their operations to identify the most significant risks to the achievement of the objectives of the scheme, and the key controls that management needs to integrate into its management processes to mitigate the identified risks. The results of the evaluation of the effectiveness of the scheme design and procedures against each of the 8 key components should be recorded in the working papers of internal audit.

The auditors must next identify the actual checks in the form of rules/procedures/policies etc (key controls) that management has established to mitigate these risks. This can be done through the review of relevant documentation as well as through interviews and discussion with the scheme administrators and implementing agencies. The purpose is to evaluate whether the laid down key controls are effective in ensuring safeguards for the identified risks to the scheme. The results of the assessment of the effectiveness of key controls for the risks identified should be also recorded in the working papers. This assessment would form one of the basis for reporting on the audit findings and

recommending on further actions required by the Ministries for better risk management of the scheme.

Develop Plans to Test the Operating Effectiveness of Key Controls at the Audit Entity Engagement Level and Activity Level

Once the key risks and controls of the scheme have been identified, the auditors are required to develop detailed audit plans and procedures to test the operating effectiveness of such key controls at the implementing agency and scheme administrator level. Effort should be directed at those areas where significant risks exist and key controls have been identified to be lacking or deficient. In most cases, the testing of key controls itself will bring out the significant risks to the scheme. The internal auditors should be careful to design the detailed testing outlines/ questionnaire for examination of controls in a scheme in a way, that would lead to sufficient evidence for drawing sound conclusions. The auditors are required to exercise due diligence and use professional judgment in this respect.

Test the Operating Effectiveness of Key Controls and Document and Validate Audit Engagement Observations

This constitutes the main fieldwork part of the internal audit which is taken up after all the initial preparation and risk assessment. The testing of operating effectiveness of key controls of the scheme are done to verify the operating effectiveness of the key controls that have been identified. Operating effectiveness refers to the effectiveness of the operation of an internal control activity at either the scheme implementing agency level or activity/process level.

The results of the audit tests will form the basis for drawing up audit observations/paras on the performance and effectiveness of the schemes, identifying the main risk areas. The audit observations can then be summarized to form a conclusion with respect to one or more audit objectives that was decided upon. The results of each audit test and the evidence gathered should be documented with reference to the supporting criteria of the rules/procedures/policies etc against "what exists" (the audit evidence) against the laid down criteria.

When there is a difference between "what exists" and "what should exist," the audit team should analyze the effect or the impact and the cause that is leading to such variance. Each such case where there is a variance between what exists and what should exist must be documented as an audit observation. The analysis of all the audit observations arrived at after the detailed testing outlined above, helps the audit team in firming up the scheme audit conclusions and recommendations, audit rating and report. In formulating audit observations and corresponding recommendations, the auditors must draft every audit observation with the following components to bring out effectively the observations as well as their causes and recommendatory actions.

- **Audit objective:** *To which audit engagement objective does this observation relate?*
- **Criteria:** *What should exist?* The standards, rules, procedures, benchmarks or expectations out of the scheme that are identified as the basis against which audit evidence is compared.
- **Condition:** *What exists?* The factual evidence found in the course of the audit reflecting the ground position obtaining. The condition identifies the nature and the extent of deviation from the condition or as it should exist. A clear and accurate statement of condition evolves from the auditor's comparison of actual evidence against appropriate criteria.
- **Consequence/Effect/Impact:** *What effect did it have?* The risk or exposure to the scheme or the organization as a result of the difference between the criteria and the condition. The effect establishes the actual or potential impact of the condition. The significance of a condition is usually judged by its effect. It can be expressed in quantitative terms. To be fit enough for reporting, an effect should be sufficiently serious to justify the action recommended to correct the deficiency.
- **Cause:** *Why did it happen?* The possible or likely reason for the difference between the expected and actual condition. The cause may be obvious or may be identified by deductive reasoning. The identification of similar causes for a number of observation may highlight an underlying theme that requires corrective action and the audit recommendation should appropriately address the issue. Identification of the cause of an unsatisfactory condition is a prerequisite to making a meaningful recommendation for corrective action.
- **Corrective Action/Recommendation:** *What should be done?* The actions suggested or required to correct the situation and prevent future occurrences. The relationship between the audit recommendation and the underlying cause of the condition should be clear and logical. In developing sound recommendations, the internal auditors must ensure that the recommended action is within the scope of the client, addresses the cause and not just the symptoms, and is at least intuitively viable. The cost of implementing and maintaining the recommendations should always be compared to the existing risk of a scheme for a more meaningful decision on the corrective actions.

During the entire process of audit, the audit observations that are coming up should be validated on an ongoing basis either orally or in writing with the concerned scheme administrators/implementing agency. In this way, the auditor can gain additional information and insight as well as get an opportunity to have a better understanding of possible options to address the observations. As required the AIC may interact formally with client management to either confirm issues noted during the audit or seek additional information.

On finalization of the audit observations, the audit team management (Chief Controller of Accounts/Controller of Accounts) should send a written communication forwarding the list of audit observations and requesting a written response from the Scheme

administrator for their comments regarding the audit observations, as well as the required corrective action that is being taken or planned to appropriately address each audit observation. Ongoing communication with the client while performing the audit helps ensure facts are properly interpreted and observations are fully validated, and may reduce the actual number of observations reported. It also contributes to the development of reasonable and practical recommendations to address the audit observations.

Summarize Audit Engagement Results and Propose Rating

Once the audit observations have been fully validated with the management or the scheme administrator, the audit team should complete the audit report. It must be ensured that the draft audit report includes the observation, its impact and the proposed recommendation. The draft audit report should be reviewed by the AIC and the relevant Chief Controller of Accounts, and appropriate rating to the audit report of the scheme may be decided.

The rating may be based upon the following criteria.

Satisfactory

Risk management, control and governance processes are adequate and effective to provide reasonable assurance regarding the achievement of control and/or business objectives of the scheme under review. Minor opportunities for improvement may exist.

Needs Improvement

Deficiencies exist in risk management, control or governance processes, such that reasonable assurance regarding the achievement of controls and/or business objectives of the scheme under review may be at risk.

Unsatisfactory

Significant or pervasive deficiencies exist in risk management, control or governance processes such that reasonable assurance regarding the achievement of control and/or business objectives of the scheme under review cannot be provided.

Management Team Provides Input to Engagement Results and Clears the Proposed Rating

The AIC should prepare an Audit Report *Presentation*, for (with the audit team) the CCA and the internal audit management on the Internal Audit Report of the scheme. The presentation shall include the audit objectives and scope, recommended audit engagement rating with the rationale, the engagement results – the key observations and recommendations, the time and resources – planned and actual, and the lessons learned as a result of the audit.

The relevant CCA/audit management must review all applicable audit engagement working papers. Once the CCA/audit management have reviewed and concurred with the engagement results, the audit reports can be issued.

Government of India
Ministry of Finance
Department of Expenditure
Controller General of Accounts
Lok Nayak Bhawan
New Delhi.

Dated: 19 March, 2008

OFFICE MEMORANDUM

Subject: Constitution of a Working Group to plan and formulate the future course of Centre of Excellence in the O/o Controller General of Accounts.

Controller General of Accounts has constituted a Working Group of Officers to plan and formulate the future course of the Centre of Excellence in the O/o Controller General of Accounts.

The composition of the Group is as follows:

- | | | |
|----|---|------------------|
| 1. | Sh. H.N. Nayer, Addl. CGA | Chairman |
| 2. | Smt. Sonali Singh, Jt. CGA | Member Secretary |
| 3. | Smt. Vibha Pandey, CCA | Member |
| 4. | Sh. A.S. Chauhan, CCA | Member |
| 5. | Dr. D.N. Pathak, CCA | Member |
| 6. | Sh. Sanjeev Mishra, CCA | Member |
| 7. | Sh. Rokhum Lalremruata, Jt. Director, INGAF | Member |
| 8. | Smt. Deepika Jain, CA | Member |
| 9. | Sh. Dhruv Kumar Singh, Dy. CA | Member |

The Group will:-

1. Evolve guidelines and scope for the functioning of the Centre of Excellence.
2. Examine the current and future needs and charter the future course of the Centre of Excellence.
3. Suggest improvements which could be brought about in the scheme of Internal Audit being conducted by the Ministries/ Departments.

4. Periodically evaluate the performance of audit and suggest changes for constant improvement in relation to the changing scenario.
5. Harness technological developments to aid the objectives of audit.

OFFICE MEMORANDUM

(RENU C. DESHPANDE)

Dy. Controller General of Accounts

o/c
18.3.08

Copy to :

1. Sh. H.N. Nayer, Addl. CGA
2. Smt. Sonali Singh, Jt. CGA
3. Smt. Vibha Pandey, CCA
4. Sh. A.S. Chauhan, CCA
5. Dr. D.N. Pathak, CCA
6. Sh. Sanjeev Mishra, CCA
7. Sh. Rokhum Lalremruata, Jt. Director, INGAF
8. Smt. Deepika Jain, CA
9. Sh. Dhruv Kumar Singh, Dy. CA
10. PS. To CGA

19/3