



# **INTERNAL AUDIT : THE ROAD AHEAD**



**CIVIL ACCOUNTS DAY  
1<sup>st</sup> MARCH 2012**



# MISSION STATEMENT

**Develop new paradigms of internal audit  
for  
improved transparency and accountability.**



# STRUCTURE OF THE PRESENTATION

- **Imperative for Change**
- **Recommendations of the Working Group**
- **Recent Initiatives**
- **The Road Ahead**



# IMPERATIVE FOR CHANGE

- **Governments, worldwide, are responding to increasing demands for accountability and transparency by strengthening controls, monitoring and evaluation mechanisms.**
- **Internationally, the Internal Audit function, has also evolved and moved beyond compliance audit to provide information on efficiency and effectiveness of programs, schemes and delivery of services.**



# IMPERATIVE FOR CHANGE

- In India, the 2<sup>nd</sup> ARC recommended strengthening of internal audit mechanism within government.
- Ministry of Finance, accordingly constituted a Working Group to lay down the roadmap for strengthening and modernisation of Internal Audit practice in Central Government.



# KEY RECOMMENDATIONS OF THE WORKING GROUP : STAFFING

- **Each Department must have a dedicated Internal Audit Wing staffed by auditors and supervisors in adequate numbers.**
- **Internal Audit practice should continue to be manned by officials of organized accounting services but there should be segregation of duties so that objectivity of internal auditor is ensured at all times.**



# KEY RECOMMENDATIONS OF THE WORKING GROUP : STAFFING

- **The internal audit function should be led by an officer of the organized accounting services ..... (HAG/HAG+ level) in bigger Ministries and at SAG level in other ministries/departments.**



# STAFFING PARAMETERS

- (a) number of audit units,**
- (b) number of employees in each audit unit**
- (c) budget of each audit unit,**
- (d) inherent risks in functioning of each audit unit,**
- (e) time required by internal audit team to complete an audit engagement (including travel time),**
- (f) time required for report writing,**
- (g) amount of time reserved for training and continuous professional education and**
- (h) period that may be spent on leave etc.**

**Additionally, the nature and breadth of additional special audits that may be required to be undertaken should be factored in.**





# KEY RECOMMENDATIONS OF THE WORKING GROUP : CAPACITY BUILDING

- **Continuous Professional Development of Internal Auditors should be a priority. The auditors should be trained on each dimension of internal audit including in the use of CAATs (Computer Assisted Audit Techniques).**
- **Internal Auditors should be encouraged to acquire professional certification in the area of government audit, internal audit and IT audit.**
- **Heads of Accounting Organisations should encourage internal auditors to acquire such certifications by reimbursing the associated costs.**



# KEY RECOMMENDATIONS OF THE WORKING GROUP : GOVERNANCE

- **Internal Audit function should transition to Standard based practices in a time bound manner. Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (International Standards) should be adopted in Government of India.**



# KEY RECOMMENDATIONS OF THE WORKING GROUP : GOVERNANCE

- **An Audit Committee should be constituted in each Ministry to provide an effective oversight of the Internal Audit Wings.**
- **The Audit Committee would also approve the internal audit charter, internal audit manual, annual audit plan of the Ministry and evaluate performance of the Internal Audit Wing.**
- **There should also be an independent assessment of internal audit function in civil ministries by CGA.**



# KEY RECOMMENDATIONS OF THE WORKING GROUP : AUDIT PROCESS

- **Ministries and Departments should develop a comprehensive Internal Control-Risk Management framework with risks being evaluated on impact and likelihood of occurrence.**
- **Annual Audit Plan should be developed in the context of the IC-RM framework.**




# KEY RECOMMENDATIONS OF THE WORKING GROUP : AUDIT PROCESS

- Individual audit engagements should be carried out with reference to key risks of identified audit units and to evaluate adequacy and effectiveness of controls designed to mitigate these risks.
- Adequate supervision of the audit staff should ensure delivery of quality in individual audit assignments.



## RECENT INITIATIVES

- **Staffing : Parameters have been circulated to all CCAs.**
  - **Capacity Building: A comprehensive training and certification programme has been drawn up and over 200 Group B officers have been trained in concepts of RBIA, report writing skills and use of computer tools for audit. The feedback has been encouraging and suggestions of participants were included in subsequent programmes.**
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# RECENT INITIATIVES : CAPACITY BUILDING

<b>Training programme and duration</b>	<b>Number of persons trained (2011-12)</b>	<b>Agency which conducted training</b>
<b>Basic concepts in Risk based Audit (5 days)</b>	<b>76</b>	<b>INGAF in association with IIA</b>
<b>Report writing techniques (5 days)</b>	<b>91</b>	<b>INGAF in association with IIA</b>
<b>Computer assisted audit tools (5 days)</b>	<b>115</b>	<b>INGAF - Guest Faculty</b>
<b>Internal Audit and Controls (2 months)</b>	<b>65</b>	<b>NIFM – Guest Faculty</b>
<b>Diploma in Government Accounting and Internal Audit (1 year)</b>	<b>90</b>	<b>NIFM</b>



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# The Road Ahead





# THE ROAD AHEAD

- **Change of mindset:** The organisation, as a whole, needs to accord far greater importance to the Internal Audit function than is being done at present .
- **Effective Leadership:** Group A officers must acquire professional certifications and provide effective leadership in a changing scenario.



# THE ROAD AHEAD

- New types of Audit and a new approach requires building a critical mass of professionally trained officials.
- Professional qualifications : CGAP, CIA, CISA.
- IAD in O/o CGA needs to be strengthened to assess performance of internal audit wings in Ministries.



# THE ROAD AHEAD

	People	Processes	Technology	Governance
<b>2012</b>	<p>Staffing of IAW wings</p> <p>Train 300 Gr. B officials in concepts of risk, control, RBIA and Report Writing</p> <p>Train 15 -20 Gr. A &amp; Gr. B officers (certification)</p>	<p>Annual Audit Plan (March 15, 2012)</p> <p>Annual Audit Report 2011-12 (May 15, 2012)</p>	<p>Train 100 Internal Auditor in use of CAATs</p> <p>Ensure use of CAATs in at least 10 ministries</p>	<p>Issue of IA Manual &amp; Checklists</p> <p>Oversight of IA activities by CGA's office</p>

# THE ROAD AHEAD

	People	Processes	Technology	Governance
<b>2013</b>	CGAP & CIA mandatory for ICAS probationers	Annual Audit Plan (January 31, 2013)  Annual Audit Report 2012-13 (May 15, 2013)	Use of CAATs in all IAWs	Issue of Internal Audit Manual & IA Charter in at least 10 ministries
<b>2014</b>	CISA certification for 10 JAG/ STS level officers	Annual Audit Plan (January 31, 2014)  Annual Audit Report 2013-14 (May 15, 2014)	Use of Audit Software for audit planning, documentation etc.  Introduction of System Audit	Commence transition to Standards Based Internal Auditing  Issue of Internal Audit Manual & IA Charter in all ministries

Thank You

