

**TECHNICAL REQUIREMENTS
FOR APPOINTMENT OF INTERNAL AUDITORS FOR GIC RE.**

INVESTMENT & OTHERS

- (i) The C.A. firm should be of Category 1 Chartered accountants' firms operating in India as per RBI/CAG empanelment.
- (ii) The firm should have minimum 10 years of experience in the audit field and minimum 3 years' experience in investment audit.
- (iii) The Audit firm should not be owned by any of the relatives of the GIC Re Officials. Also, none of the officials of GIC Re should have vested interest in the applicant audit firm.
- (iv) The firm should not possess any place of profit in GIC Re.
- (v) The firm should not have any relationship with the Investment Intermediaries.
- (vi) The Internal/Concurrent Auditor shall not be eligible for re-appointment, after serving three consecutive years or three years during the preceding five years.
- (vii) The Internal/Concurrent Auditor appointed for the first time should not have conducted the following assignments for the same Insurer proposing to be appointed as Internal or Concurrent Auditor for investment functions during a period of two years immediately preceding his appointment as Internal or Concurrent Auditor:
 - a. Statutory Audit
 - b. Any Internal Audit
 - c. Any Concurrent Audit
 - d. Any consulting assignment, whether or not related to Audit Functions and Reviews or Certification of Investment Risk Management Systems & Process.
- (viii) The Audit firm should have their office in Mumbai, from where the Internal Audit work will be carried out.
- (ix) Profile of the C.A. firm should include the exhaustive details of the Audit firm, names and brief profile/resume of all its partners, their experience, area of expertise, Work plan and methodology of its implementation
- (x) The C.A. firm should also provide following information:
 - (i) List of past and current clientele of the Audit firm, etc.
 - (ii) Evidence that they are on the panel of RBI under Category I audit.
 - (iii) Evidence that they are registered with CAG.
 - (iv) Balance Sheet of the Company, for the last 3 financial years.
- (xi) The audit firm should be adept in compliance of Indian laws. They should be well versed with compliance of all the relevant IRDA Guidelines, CAG procedures and various other Acts applicable to our company, especially pertaining to Investment.
- (xii) The Firm should depute an Audit Team consisting of minimum one Chartered Accountant, duly assisted by minimum five Assistants, on a full time basis, exclusively for Audit of GIC Re.

**Scope, Coverage and Periodicity of Internal Audit-
Investment and Others**

INVESTMENT

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	<i>(1)</i>		<i>(2)</i>
1.	Secondary Market Transactions [equities, bonds, Govt. Securities]	Concurrent	Critical
2.	Verification of broker wise limits	Concurrent	Critical
3.	Primary Market Transactions	Monthly	Critical
4.	Reconciliation of Demat / SGL Accounts	Monthly	Critical
5.	RBI Certification of reconciliation & transactions	Monthly	Moderate
6.	Review of booking of Corporate Entitlements	Monthly	Critical
7.	Review of deployment of Surplus accounts	Monthly	Important
8.	Test Check computation of profit and loss of sale of investments	Quarterly	Important
9.	Review of NPAs and follow up of recovery	Half Yearly	Important
10.	Review of valuation of Debt Instruments	Annual	Important
11.	Verifying creation of Security for Loans and Debentures	Annual	Important
12.	Follow up Audit of Investment Risk Management System and Process, Internal/Concurrent Audit as per IRDA Guidelines	Quarterly	Critical
13.	Concurrent Audit of Investment Management Systems, Process and Transactions as stipulated in Annexure III of IRDA Circular Ref.: IRDA/INV/CIR.008/2008-09 dated 22 nd August, 2009.	Quarterly	Critical
14.	Random checking of Voice Recording in Dealing Room	2 per week	Important

ERM

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	<i>(1)</i>		<i>(2)</i>
1.	Develop a detailed Internal Audit (IA) Review calendar for the risk management process.	Quarterly	Critical
2.	Identify the mitigation plans and Risk and Mitigation Plan Owners to be reviewed under each period.	Quarterly	Critical
3.	Selection of review areas spontaneously for verification of the effectiveness of controls.	Quarterly	Critical
4.	While developing the annual internal audit plan, allocation of resources for the relevant risk management processes.	Quarterly	Critical

IT (Information Technology) GROUP

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	<i>(1)</i>		<i>(2)</i>
1.	Review of Major Hardware and Software purchases and Revenue Expenditure incurred for I.T. Maintenance.	Annual	Critical
2.	Report on SAP implementation	Quarterly	Critical
3.	Report on E-thru implementation	Monthly	Critical
	Total		
	%		

HUMAN RESOURCE GROUP

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	<i>(1)</i>		<i>(2)</i>
1.	Review TDS, PF, Pension contribution, FBT, Service Tax, Recoveries, payments & Reconciliation	Annual	Critical
2.	Review systems for payment of salaries, allowances & reimbursements	Annual	Critical
	Total		
	%		

ESTATE AND ESTABLISHMENT GROUP

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	(1)		(2)
1.	Review of Capital Expenditure & Major Purchases costing more than ` 5 lakhs	Annual	Critical
2.	Review of Heads of Major Revenue Expenditure incurred [AMC contracts etc.]	Annual	Important
3.	Review of procedures for updation of Fixed Assets Register and Verification of Assets	Annual	Important

COMMUNICATION, PUBLICITY & CUSTOMER RELATIONS

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	(1)		(2)
1.	Review of Communication Policy with regard to Major Media Campaigns and expenditure incurred.	Annual	Important

GENERAL ACCOUNTS

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	(1)		(2)
1.	Review of payment of Service Tax.	Monthly	Critical
	Total		
	%		

COMPLIANCE

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	(1)		(2)
1.	Any other issues which is identified by the Management/ Board /IRDA /CAG/ Other Statutory Authorities from time to time.	To be decided on case to case basis	Critical
	Total		
	%		

GENERAL

	Sub process	Periodicity	Risk (Important/ Critical/ Moderate)
	(1)		(2)
1.	The above scope and coverage are only indicative, the Management may review and revise the scope from time to time (and finalise).		Critical
	Total		
	%		

2. **Reporting methodology:**

- Concurrent Audit report in respect of Investment shall be put up to the Management for Information on a monthly basis.
- Quarterly summary, alongwith the Action Taken Note (ATN) shall be submitted to the Audit Committee of the Board.
- The Auditors shall be required to submit the quarterly report as mandated by IRDA. The Auditors shall also submit to the Audit Committee of the Board, the summarized detailed analysis report on the activities covered under audit and also any other matter as directed by the Audit Committee of Board.
- Reconciliation of CSGL/SGL balances and filing certification report with RBI shall be on a monthly basis.
- Internal Audit Preliminary Report on Findings in the form of inspection queries may be initially reported and discussed with the concerned Heads of respective Department. Final Reports prepared based on the conclusions arrived at and incorporating the corrective actions taken and also audit recommendations etc., should be put up to the FA/Management and Audit Committee.

3. **Monitoring and Control by Audit Committee of Board (ACB)**

- The Final Audit reports are put up to the Audit Committee of Board for consideration, periodically.
- Action taken Report (ATR) on implementation of approved recommendations and also the directions by the Audit Committee of Board be made mandatory and integral part of this process. The Action Taken Report detailing the status shall be reported to the Audit committee from time to time.

The periodicity of the activities will be finalized later.