

TECHNICAL REQUIREMENTS
FOR APPOINTMENT OF INTERNAL AUDITORS FOR GIC RE.

REINSURANCE

- (i) The C.A. firm should be of Category 1 Chartered accountants' firms operating in India as per RBI/CAG empanelment
- (ii) Firm should be specialized in the work of Internal Audit and the turnover during the last financial year should not be less than ` 3.00 crores. It should be doing the work of Internal Audit for reputed and large clients.
- (iii) The firm should have minimum 10 years of Audit experience.
- (iv) 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.
- (v) The firm should not possess any place of profit in GIC Re.
- (vi) The firm should not have any relationship with the Reinsurance Intermediaries.
- (vii) The Internal Auditor shall not be eligible for re-appointment, with after serving three consecutive years or three years during the preceding five years.
- (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 :
 - a. The exhaustive details of the Audit firm, names and brief profile/resume of all its partners, their experience and area of expertise.
 - b. Work plan and methodology of its implementation
 - c. List of past and current clientele of the Audit firm, etc.
 - d. Evidence that they are on the panel of RBI under Category I audit.
 - e. Evidence that they are registered with CAG.
 - f. Balance Sheet of the Company, for the last 3 financial years.
- (x) 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.
- (xi) 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.

Structure, Scope & Audit Schedule

1. The scope of internal audit is best determined with reference to the Risk Management Framework adopted by the company, the business plan for the forthcoming period and the new initiatives proposed.
2. The internal audit scope is divided into the following broad categories:
 - Transactions & Compliance Audit and Spot Checks
 - Special Audits

A.1 *Transactions and Compliance Audit*

This audit is performed on an on-going basis to ensure that the accounting and financial systems are operating as planned, that there is due compliance with regulations and the loan documentation/ approval process is followed as planned. It covers the breadth of the organization to ensure:

- Propriety of transactions
- Validity and authorization
- Adequacy of documentation
- Proper accounting and MIS representation

A.2 *Spot Checks*

Spot checks are checks to be performed on surprise basis to confirm adherence to basic controls, defined policies/ practices and/or specific management directives. These are very specific and quick checks to confirm alertness of the Organization and to provide assurance regarding ongoing adherence to agreed policies/ direction.

The proposed coverage under Transactions and Compliance Audit and Spot Checks is presented in Annexure I.

B. *Special Audits*

Special Audits, in contrast, are checks to be performed on a one-time basis to evaluate the controls, the risk exposure and the operational efficiency. The focus of checking here is to assess the selected areas in terms of:

- Internal controls
- Operational efficiency
- Systems and procedures
- Documentation
- Accounting
- Risk exposure

Special audits cover the selected function/area in depth to provide a comprehensive analysis of the current processes/policies and identify gaps with reference to documented policies and/or best practices. The Special Audits, in addition to identification of control gaps, would also focus on areas where efficiency/resource optimization can be improved.

A list of areas for coverage under special audit is enclosed in Annexure II.

Annexure I**Scope, Coverage and Periodicity of Transactions and Compliance Audit -
Reinsurance and General Accounts (Other than Investments)**

Sr.No.	Department	Nature of Audit	Periodicity	Risk
R-1	Reinsurance [U/W& Claims]	TML Creation / Updation.	Concurrent	Critical
		Renewal of Acceptances with unfavourable past experience.	Concurrent	Critical
		Verification of variances in cover slips and final acceptance terms.	Concurrent	Important
		Checking of Cash Loss Calls (pending over 1 month - cause wise analysis)	Concurrent	Critical
		Life Re, Protection, Takaful, Motor Pool, Reserving (<i>except OSLR</i>), compliance and regulatory reporting.	Concurrent	Important
		Review of Retrocessions/Accumulation /Protection Trends/ undue variation in accumulation /Receipts /Settlement of Retrocession proceeds.	Concurrent	Critical
		Review of Declined cases.	Concurrent	Important
		Report on Risk being Underwritten.	Quarterly	Critical
		Confirmation of Underwriting guidelines & Policies have been followed – Exceptional Report.	Quarterly	Critical
		Recommendation on the changes required in the underwriting policy.	Half yearly	Critical
		Review of Annual Reinsurance Programme.	Half Yearly	Critical
		Analysis of Major Losses.	Quarterly	Critical
		Review of Run Off Proposals.	Annually	Moderate
		Review of Commutation Proposals.	Quarterly	Moderate

		Sub process	Periodicity	Risk
		(1)		(2)
R-2	Reinsurance [Accounts]	Booking of statement of accounts.	Concurrent	Critical
		Review of delays in receipt and settlement of accounts – Domestic & Foreign.	Quarterly	Critical
		Compliance with respect to Service Tax and TDS.	Concurrent	Critical
		Review of Brokers balances and reconciliation.	Quarterly	Critical
		Bank Reconciliation CTC-BAS Reconciliation BAS-GAS Reconciliation BAS-BAS Reconciliation GICI-Other Foreign Branches Reconciliation	Quarterly	Important
		M&D Deposit and final account settlement, to be verified along with interest, if any.	Quarterly	Important
		Reconciliation of Retrocession Accounts.	Annual	Important
		Reconciliation of obligatory sessions from domestic companies.	Annual	Critical
		Review of Treaty Reserves.	Annual	Critical
		Review of Booking of Profit Commission.	Annual	Critical

Scope of Spot Checks

There will be 3 rounds of spot checks in the year – each round covering 1-2 specific areas. The reports issued for these checks are brief and in nature of status reports – normally, auditee feedback is not sought for these reports.

Scope, Coverage and Periodicity of Special Audit

#	Area	Frequency
1	In depth analysis of Major Claims (` 10 Crore and above) : ▪ Review of Underwriting Contract. ▪ Coverage under retrocessions. ▪ Overall operational analysis (<i>since inception of particular treaty</i>)	
	Review of Present IT System : ▪ For Internal Control and Risk Assessment for E -Payments. ▪ Security measures.	
2	Recovery of Retro Claims: ▪ Analysis of Retro Coverage. ▪ Review of Recovery Process.	
3	Aviation Treaty/ Facultative.	
4	Swift Treaty	
5	Brokerage & Commission : ▪ Review of Process of Engagement of Brokers. ▪ Analysis of Brokerwise Business.	
6	Investments: ▪ In depth analysis of New Proposals sanctioned during the year ▪ Review of Post Sanctioned Monitoring Compliance and Performance for Last Two years Investments.	
7	Review of Run Off Business	
8	Recovery from Cedant	
9	Review of Process of Settlement of Old Claims	
	Human Resources: ▪ Confirming compliance with internal policies and procedures with processes followed ▪ Appraisal process ▪ Review of process of issuing Form 16 ▪ Sample review of employee files - new joiners ▪ Sample review of employee files – exits during the period ▪ Leave record updation ▪ Staff Loans and advances ▪ Medical Insurance	Once during the year
	Estate & Establishment ▪ Review of Capital Expenditure & Major Purchases costing more than ` 5 lakhs ▪ Review of Heads of Major Revenue Expenditure incurred [<i>AMC contracts etc.</i>] ▪ Review of procedures for updation of Fixed Assets Register and Verification of Assets ▪ Review of Major Hardware and Software purchases and Revenue Expenditure incurred for I.T. Maintenance.	Once during the year

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, along with 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.
- 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.