

No. G-25014/106/12/MFCGA/IAD/446 to 525
Government of India
Ministry of Finance
D/O Expenditure
O/O Controller General of Accounts
Internal Audit Division
Lok Nayak Bhawan, Khan Market
New Delhi-110003

Dated 06-11-2012

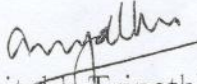
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OFFICE MEMORANDUM

Subject :- Internal Audit Report Template.

As part of the initiative to strengthen the Internal Audit function in Civil Ministries it is desirable that Ministries adopt a risk based approach to internal audit engagements. This approach should get reflected in a uniform and consistent manner in the Internal Audit reports.

Accordingly an Internal Audit Report Template (copy enclosed) has been prepared by the Internal Audit Division of this office. It has been decided that w.e.f. 1.12.2012 Internal Audit Reports for the Civil Ministries shall be issued in the prescribed format.


(Amitabh Tripathi)

Deputy Controller General of Accounts

Enclosure : As above

To: All Pr.CCAs/CCAs/CAs/Dy.CAs



**Government of India
Ministry of Finance
O/o Chief Controller of Accounts
Internal Audit Wing
New Delhi**

IAR No. MoF/01/2012

**Internal Audit Report
of (Name of Unit / Scheme audited),
Department of _____,
Ministry of _____, New Delhi
for the period _____ to _____**

Internal Audit conducted by

(Write names of Auditors)

From _____ to _____

Report Issued on _____

Executive Summary

1. Introduction

- 1.1 Name of the Auditee (unit audited)
- 1.2 Period covered under current audit
- 1.3 Brief description of duties/functions of Auditee
- 1.4 Sanctioned strength and working strength
- 1.5 Budget / Expenditure of the auditee unit

2. Objective and Scope

The objectives of this internal audit engagement were:

- i.
- ii.
- iii.

The scope of this Internal Audit engagement included:

- i.
- ii.
- iii.

Individual audit engagement(s) should identify the key risks of audit units and evaluate the adequacy and effectiveness of controls designed to mitigate these risks. The audit engagement should detail the strengths and weaknesses in design and operation of the internal control systems and provide guidance for removing deficiencies noted during audit.

3. Methodology

This section should refer to the methodology adopted for conduct of internal audit engagement viz. Interview, Observation, Sampling, Sample size used for checking records, the number of records checked, type of records checked. It should also include checklists (if any) used during the engagement.

4. Results and Findings

4.1 Strengths observed during the audit engagement.

4.2 Weaknesses observed in the functioning of office, maintenance of records etc. observed during the audit engagement.

The comments under these two categories should summarize each significant Audit observation in the order of materiality. The summary should be as brief as possible and draw on the observations under the Para on Consequence / Effect / Impact of each Audit observation. It should also include a summation of outstanding statutory and internal audit observations.

5. Opinion

Overall opinion of Audit Team about the functioning of Auditee Unit.

6. Audit Recommendations

The recommendations of Audit Team on the observed weaknesses.

This could be presented in a box of highlighted print.

7. Acknowledgement

This section could acknowledge in brief the cooperation, acceptance of the criteria / findings and recommendations by the auditee (or otherwise). The observations should be stated in a factual and not in the form of an opinion (praise / accusation).

Detailed Audit Report

1. Introduction

- 1.1 Name of the Auditee (unit audited)
- 1.2 Period covered under current audit
- 1.3 Duration of Internal Audit (*Indicate dates*)
- 1.4 Brief description of duties/functions of Auditee
- 1.5 Sanctioned strength and working strength
- 1.6 Budget / Expenditure of the auditee unit
- 1.7 Status of outstanding Statutory Audit observations
- 1.8 Status of outstanding Internal Audit Observations

2 Objective and Scope

Elaborate on the objective and scope of the audit engagement

3 Methodology

Elaborate on the methodology employed during the audit engagement.

4 Audit Observations

Each Audit Observation may be structured as described below

Audit Objective: *To which Audit Engagement objective does this observation relate?*

Criteria: *What should exist? The rules / regulations / procedures / expectations are the basis against which Audit evidence is compared.*

Condition: *What exists? The condition identifies the nature and extent of deviation from the criteria i.e. deviation from what should exist. This should be supported by*

factual evidence. A statement of condition would be formed on the basis of Auditor's comparison of actual evidence against the appropriate criteria.

Consequence / Effect / Impact: *What effect did it have? The effect establishes the actual or potential impact of the condition and can be both quantitative and qualitative. It is the likely effect/ impact which would determine the significance of the condition.*

Cause: *Why did it happen? The possible or likely reason for the difference between the expected and actual condition.*

Corrective Action / Recommendation: *What should be done? The actions suggested or required to correct the situation and prevent future occurrences.*

Wherever possible, the audit findings should be accompanied by graphs and charts to improve the visibility of the analysis and findings. Photographs could also be used as corroborative evidence.

5 Recommendations

This section will have general recommendations if any which are not covered as part of recommendations in the specific Audit Observations

6 Conclusion

This would constitute the auditors' overall opinion about functioning of the Auditee Unit. The strengths of the Auditee Unit may be highlighted in this section along with areas needing attention and corrective action.

7 Glossary

This section would have a Glossary of terms explaining technical and uncommon terms used in the Internal Audit Report.

8 References

This section should list all published material utilized and referred to in developing the Internal Audit Report.

9 Action Taken Report

This is to be completed by the auditee unit and forwarded to Internal Audit Wing of the Ministry/Department within 4 weeks of receipt of the Audit Report.

Suggested format of the Action Taken Report is given below

S. No	Areas needing improvement	Time proposed by Internal Audit to bring about necessary improvements	Time frame accepted by Auditee Unit for effecting required changes	Remarks of Audit (on receipt of completed ATR)
1.				
2.				
3.				
4.				

Guidance Notes

- i. The Executive Summary should be restricted to a few (2-3) pages. Considering that brevity in presentation is desirable, the entire Internal Audit Report should ideally not be more than 10 pages. However, there may be cases which may necessitate a longer report for some audit engagements. Final decision in this regard may be taken by the Head of the Internal Audit Wing in each Ministry.*
- ii. The detailed Audit evidence (all data / information / documents in support of Audit observations) form part of the working papers for each audit engagement and should **not** be annexed to the Internal Audit Report. These however, should be linked / indexed properly and kept in safe custody for any future reference and examination.*
- iii. Each Internal Audit report should follow the numbering format indicated on the cover page of the draft report template. Audit observations should be so numbered as to facilitate simple referencing subsequently.*