AMENDMENTS IN INSURANCE AUDIT:

IRDA NOT TO HAVE PANEL OF AUDITORS FOR STATUTORY AUDIT

- The Insurance Regulatory and Development Authority (IRDA) has refrained from directly appointing statutory auditors, by retaining the practice of prescribing eligibility criteria for appointment of auditors by insurers.
- IRDA would not have a panel of auditors and would not appoint auditors, as demanded by accounting regulator ICAI.
- The regulator has not been maintaining panel of auditors since 2005 and instead prescribing the requirements for their appointment by insurers.
- In the backdrop of inflated balance sheet of Satyam Computer, chartered accountant body ICAI had pitched for the appointment of statutory auditors for insurance firms by IRDA.
- As per the circular, IRDA asked insurers to ensure that statutory auditors appointed by them should meet the criteria like existence of such a firm for at least 15 years.

". . .all insurers while appointing/reappointing the statutory auditors must ensure compliance with stipulations. . .," the circular stated.

Stipulations provide that auditor appointed by an insurance company will have to be from a firm which has been in existence for a period of 15 years.

SATYAM EFFECT: IRDA MAY FACE C&AG AUDIT

IRDA may soon be put under scrutiny of the Comptroller and Auditor General (C&AG) for their failure to detect irregularities in corporate governance such as the one discovered in Satyam Computers. After the lid was blown off the Satyam scam, the CAG sent a strongly-worded letter to the finance ministry stating that Sebi and IRDA had failed to put their funds under government accounts despite instructions issued by the government to do so.

The finance ministry had as early as 2005 instructed all government bodies and regulators to ensure that their funds were maintained in the Public Accounts. The orders were issued with a view to achieve fiscal objectives set out under the Fiscal Responsibility and Budget Management (FRBM) Rules.

The CAG, in its latest communication to the government, is believed to have said that the refusal by regulators to bring their funds under government accounts was not only violative of government instructions but also inconsistent with constitutional provisions.

The finance ministry had in its draft action taken note to the Public Accounts Committee in November 2004 also assured the panel that regulators had been asked to deposit its funds in the Public Accounts, sources said.
However, despite all such instructions and assurances made by the government, IRDA, has been maintaining its funds running into hundreds of crores outside the government accounts.

APPOINTMENT OF STATUTORY AUDITORS:

- It is reiterated that all insurers while appointing/re-appointing the Statutory Auditors must ensure compliance with the stipulations on the "Appointment of Statutory Auditors" as contained in the circular.
- The Authority must be informed such appointments/re-appointments within a week thereof with a certification to the effect that the said stipulations have been met, as per the Format 1.
- Insurers are also advised to file a Return on an annual basis as per the Format 2 giving details of Chartered Accountant firms engaged in various capacities like Statutory Auditors, Internal Auditors, Concurrent Auditors, Tax Auditors and other Auditors (to be specified)
- Both Format are signed by Chief Executive Officer.

Format 1:

Date:
Name of the Insurer:

1. Appointment of Statutory Auditors:
This is to inform that the following audit firms have been appointed as Statutory Auditors for (Name of the Insurer) for the financial year________

Sl.No.	Name of the Audit Firm	Address
1		
2		
3		

2. Past Records:
Statutory Auditors of (Name of the Insurer) for the past 5 years is as under:

	Year – 4	Year -3	Year – 2	Year -1	Current Year
Name of the Audit Firm					
1					
2					

Format 2:

Name of the Insurance Company:

Return of Auditors engaged for the financial year___________

Sl.No.	Auditors engaged as	Name of the Firm	Address
1	Statutory Auditors		
	1		
	2		
2	Internal Auditors		
	1		
	2		
3	Concurrent Auditors		
	1		
	2		
4	Tax Auditors		
	1		
	2		
5	Any Other Capacity (to be specified)		
	1		
	2		