CHECKLIST FOR AUDIT OF LIC

Areas to be verified	Points to be checked	Checked By Whom
Premium		
	Internal control procedures to determine than correct premium is calculated collected and recorded before acceptance of any risk.	
	Premium of risks incepted whether accounted for.	
	Methods of collection, and its calculations	
	Whether Premium receipt is deposited in a separate account or not. Further Check that any withdrawal is not done out of such a/c for general expense.	
	As per the policy of the Insurance company, the collections are transferred to the Regional office or Head office.	
	Any Risk regarding premium 1. Premium not collected 2. Any cheque dishonoured	
	Cover Notes:	
	Serial Number, Time, and Date should mentioned on every cover note. It should be stamped and with all policy documents.	

	Period of the policy and risk coverage area should be mentioned on it.
	Any Forfeiture of premium during the year.
	Premium is recorded in accounts in Gross Figure without any reinsurance adjustment
	Checking of service tax charged on premium and deposited at time limit as per service tax rules, verify that all the figures of premium mentioned in registers should tally with respective ledgers.
	Check that collections remitted by agents immediately after the cut-off date to verify the risk assuming during the year.
	If any premium is refunded then commission given to the agency is recovered or not.
	Check whether register of premium maintained chronologically department wise.
	Premium outstanding during the year or received after 31st March2014.
	1. Instalments of premium which are falling due before balance sheet date whether received or not. 2. Advance receipt of premium should be recorded in account in "Premium Receipt in Advance A/c"
	Any amount holding by agent then what is the limit of amount and time period for which he can hold.

Internal control on agents that they are not using the amount of premium for his own purpose and depositing it at cut-off date decided by LIC.

Modes of payments receiving:

Offline

Electronic clearance system(ECS) for health insurance policies

Direct Debit (at present direct debit is enabled through only ICICI bank)

Electronic bill Presentation and payment(EBPP)(Via banks)

Premium collection through Empowered agents

Claim

Claims expenses required to be disclosed separately in a schedule prescribed by IRDA.

Claims which are settled in current year are accounted properly and paid or not.

Checking of records and registers which include:

Claim intimation register, claim paid register, claims disbursement Bank book. & salvage register.

Claim documents (claim form, survey report, police report, photographs showing damages, claim

	satisfaction note, salvage report, claims discharge voucher, etc.
	Checking of **IBNR (**claims incurred but not reported) by the insured the provision should be made for it or not. Whether provision made, than basis of recognition of such provision. Either based on past experience or based on assumptions. If based on assumptions then what is the parameter of those assumptions?
	Amount of claim should also include direct expenses related to the claim like survey fees and etc.
	Provision to be made only of such claims for which the company is legally liable.
	Claim payment are required to be duly sanctioned by the authority concern and duly acknowledged by the claimants.
	Check that the average clause has been applied in case of under insurance by parties.
	Partially and fully settled claims should be duly vouched.
	It must be noted that no advance payment of claim pertaining to next F.Y. is accounted in current Year.

	As per closing circular march 2014 'amount of claims settled and remaining unpaid for a period of more than 6 months should be shown in schedule 15B Separately.
	At maturity of the policy or Death/ check if payment made through NEFT.
	Any complain of Wrong Account or wrong amount during the year in case of transfer through NEFT.
	Claim payments duly sanctioned or not by the authority and payment are duly acknowledged by the claimant.
	Control measures on Transaction done through NEFT Test checking of correct transfer of funds through IFSC codes of Branches.

Commission	
	Commission paid should be debited in **"commission on Direct Business" a/c** and it is accounted with the whole amount which is paid during the year.
	Commission rate on premium for agents.
	Payment methods of commission.
	Scrutiny of ledgers and balances of agents having debit balances.

Register of agents
Premium register & Agent commission register.

As per section 40 of insurance act 1938, commission paid to agent only.

Check whether vouchers are authorised by the officer in charge as TDS is also deducted.

Investments

Check whether investments are classified as investment out of policyholders fund or out of shareholders fund

Income on investment out of policyholders fund should be credited to revenue account.

Income on investment out of grant of vehicle loans, housing loans, deposits with banks, rent received should be credited to P/L A/c.

Income from rent should include only realised rent not notional rent.

As per IRDA Regulation 2002 Real estate -investment property should be revalued at least once in every three years.
Last valuation was done in F.Y. 2010-11 .so in current year such valuation is done or not.

As per amended Regulation 4 on investment of the insurance act 1938 prescribes that every insurer carrying on general insurance business should invest and keep at all time its total assets in the following manner:

1. In Govt. Securities **Not less than 20% of investment Assets**

2. Govt. Securities and other approved securities **Not less than 30% of investment assets including(1. above)**

3. (a) Approved investments and other investments (out of 3a other investments shall not exceed 25% of investment assets.) **Not exceeding 55%**

(b) Housing and loans to state government **Not Less than 5%**

(c) Investment in infrastructure **Not less than 10%**

Approved investments for the point 3, are like Debentures of hudco, national housing insurance company or national housing banks, for house building activities, duly guaranteed by govt. Or current fating of not less than 'AA' by an independent and recognized agencies.

Test checking of investment records and their physical verification.

Any change in valuation of investments done or not if yes then what are the effects on financial statements of it.

	Maintaining and receiving of TDS certificates.
Fixed Assets	
	Depreciation should be provided on SLM basis
	Check that every asset is showing in the Schedule at Gross Value + /- addition or deletion during the year
	Check that balance of amount is transferred in A/c in another account (112071) (Asset account)from(112067) which is made for when the construction is running.
	F.A. register should be updated.
	Individual Assets costing less than 5000 should be charged to revenue. This rule is applicable to all type of assets including books.
	Physical verification is done or not. If yes then certificate of it.
Management Exp	
	As per closing circular March 2014 Corporation contribution to staff Provident fund' or 'pension fund' together should not exceed 10% of the amount appearing under Basic salary.

	Test checking of Expenses that there is no negative balance of any expenditure a/c.
	Any medical fees incurred towards the maintenance of healthcare policies are required to be debited under the medical fees head.
	Rates of depreciation should be applied as per companies' act 1956.
	Managerial remuneration will be calculated as per companies act 1956.
	Check expenses not related to General insurance business, should be shown in the P/L a/c.

Internal Control & Internal Audit	
	Review of internal audit report for current year and Last year.
	Action taken against observations of internal auditors.
	To whom it submitted.
	Is the internal audit report includes Risk management or not.
	Internal control on Expenses, Cash, petty cash, and other Internal areas where management

	cannot take control regularly.
	Timely verifications of inventory, Assets, and balances of cash and banks.
	Internal control of Bank transactions through NEFT or ECS or other modes.
	There should not be single person control at anywhere. As per SA 310, auditor means a statutory auditor may review the internal audit report and can use the information and observations given in said report. Further he can take explanation for that report and actions taken by the management to avoid such mistake.
Cash & Bank	
	Physical verification of cash of each branch.
	Who is the responsible for handling of cash.
	Huge cash balances.
	Physical verification of term deposit receipts.
	Bank reconciliation statements.
	Accrued interest is recognised in the books of accounts.
	Cheques which were received at the last day of financial year are recorded or not.

	Internal control on Cash department.
Loans against policies	
	Policy to be assigned absolutely in favour of the company.
	Receipt of loan amount should be checked.
	Documents are properly maintained of such investments or not.
	Maximum loan amount Available under the policy should be 90 % of the surrender value (85% of paid up policies) including cash value of Bonus.
	Interest payment schedule issued by the financial institution and Interest paid on it as per the interest schedule and accounted properly.
	Disclosure of such loans in financial statements.
	The minimum period for granting of loan should not less than 6 months from the date of its payment. Otherwise interest has to be pay for the minimum 6 months.

Note: The checklist is prepared as per regulations of IRDA and guidelines with the Institute of Chartered Accountants of India.