



# Improving the Effectiveness of Internal Audit in the Government of India

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# *Outline of Presentation*

- ➊ Progress in India
- ➋ Challenges Remaining
- ➌ WBG and GoI Collaborative Efforts
- ➍ What am I doing here?
- ➎ IA in Govt Capability Maturity Model
- ➏ The Kenya experience
- ➐ Potential for IA in Government of India
- ➑ Questions?

# *Incredible India!*

- ➊ **Steady progress in Social Indicators**
  - ▣ Poverty reduction
  - ▣ Life expectancy
  - ▣ Birth rates & infant mortality
  - ▣ Primary & secondary school enrollment
  - ▣ Literacy in both men and women
- ➋ **GDP at US\$692B in 2004**
  - ▣ World's 10<sup>th</sup> largest economy; exports up
  - ▣ Emerging leader in Info Tech boom

## *Incredible Challenges!*

- ❖ Fiscal deficits, despite many reforms
- ❖ Labour laws, regulatory systems remain a drag on economic growth
- ❖ 390 million still live on less than \$1/day
- ❖ Disparities between urban & rural areas
- ❖ Delivery of basic services (health, education) to vulnerable segments
- ❖ HIV/AIDS (even at <1% of adults) is a growing threat to productivity

## *Incredible Plans!*

- ➊ India's poverty reduction strategy in Tenth Five-Year Plan & World Bank Group action plan closely aligned
- ➋ Consultative effort targets resources where welcomed and most effective
- ➌ Focuses increasingly on practical advice & sharing good practices from within and abroad
- ➍ FY05 ye 64 projects US\$13B committed

# *Institutional Development Fund*

- **IDF Grant to Assist Controller General of Accounts (CGA) in India's Finance Ministry, with three objectives:**
  - **Revamping accounts classification to promote better financial decision-making**
  - **Moving toward accrual accounting for more effective resource management & reporting**
  - **Strengthening internal controls & internal audit to promote accountability for results, economy, and efficiency**

## *Why am I here?*

- ❖ 25 years 'evolving' as an internal auditor
- ❖ Honest belief in IA value proposition
- ❖ Still encouraging evolution, CICA model
- ❖ Certain characteristics produce greater value
- ❖ IIA capability maturity model & Global Capacity Development Task Force efforts
- ❖ The Kenya experience as an example of collaboration at work

# IA Capability Maturity Model

<b>Core Elements</b>	<b>1. Entry</b>	<b>2. Managed Function</b>	<b>3. Meets Some Stds</b>	<b>4. Meets All Stds</b>	<b>5. Mature World Class</b>
<b>Governance</b>	<i>Ad Hoc reporting at mgmt discr.</i>	<i>Mgmt support annual budget Mgmt A/C</i>	<i>Mandatory Rep Dept Hd Sr Mgmt A/C</i>	<i>Cabinet Order A/C Chair DH A/C Budget</i>	<i>Legislated Indept A/C Central Budget</i>
<b>Standards</b>	<i>No Stds, Policies, Measures</i>	<i>Some Stds, Review, Basic Measures</i>	<i>Manuals, Stds, QA, E/E Measures</i>	<i>Full Stds, Int &amp; Ext QA, track outcome</i>	<i>Legislated Compliance, rep outcomes</i>
<b>Structure</b>	<i>Ad Hoc Temporary Discretionary</i>	<i>Middle Mgr Units Decentralized</i>	<i>Sr Mgr Decentralized Some Core</i>	<i>Deputy Level Central Core + Decentralized</i>	<i>AC involved in hiring/assessin 9 Central + Integ</i>
<b>People Mgmt</b>	<i>Basic Skills &amp; Tools, no PD required</i>	<i>Some PD &amp; core audit competency</i>	<i>PD supported, provide tools &amp; software</i>	<i>Diverse skills, CAE is CIA, PD provided</i>	<i>Specialized skills, plus OS, CIA required</i>
<b>Service Focus</b>	<i>Transactions, forensic, &amp; compliance</i>	<i>Add Fin Controls, some performance</i>	<i>Assurance on Processes, systems; risk assessed plan</i>	<i>Risk mgmt, consulting, &amp; assurance; Strategic Plan</i>	<i>+ Governance, ethics, accountability; Full access; Adding value</i>

## *The Kenya Experience*

- Pilot to implement risk-based IA in Govt.
- WB/IIA collaboration
- One-on-one meetings with key PMs
- High-level forum to encourage leadership
- Training provided to 35 internal auditors plus assistance in developing plans
- Follow-up to sustain capability (ongoing)
- Roll-out to other auditors & departments

## *Incredible Potential for IA!*

- ✚ Tone at the Top a critical success factor
- ✚ Initiative and support of Key Executives
- ✚ Every small step produces big value!
- ✚ Processes mapped, key controls, excess controls identified
- ✚ Real savings, reputation/opportunity risks
- ✚ Enhanced accountability and results through Assurance & Advice that Bring *Our Dream* closer!



*Questions?*