



Seminar on

**Risk Based Internal Audit and enhancement of
internal control and information systems
environment in commercial banks**



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Risk Based Internal Audit in Commercial Bank

Delegation of greater autonomy in financial operations, increase in volume of cross border business, greater international financial linkages, wider range of products and services and the growing diversities and complexities of banking business have increased the risks faced by banks manifold. Risk management and risk mitigation techniques have therefore acquired paramount importance in banking business.

The Bank Regulators and the Bank Management need an assurance in risk management compliance. Modern internal audit must add demonstrable value in the current competitive banking environment and the increasing expectations of regulators, governments and professional bodies reflect the growing importance placed on the function.

The Basel Committee on Banking Supervision's Internal Audit Principles, and the Standards from the Institute of Internal Auditors show two of the most significant developments to affect bank internal audit in recent years. Add to this the implications of Basel II Capital Accord and the requirements for the formal management of operational and other types of risk, the various challenges facing the banking sector become obvious.

Considering these important facts, we have designed a five day seminar on internal audit, internal control and information systems.

Key Learning Objectives:

The key learning objectives of the training course are:

- Understanding the implications of the **latest developments in internal audit** for your bank and the various influences and pressures on the function
- Authoritative guidance on the **Basel Committee's Best Practice Principles** for internal audit
- Up-date on the very **latest professional internal audit standards** and what they mean in practice
- How to develop your internal audit service in line with **international best practice**
- Techniques of risk profiling of business locations, products and activities – techniques of risk rating of branches and compilation of risk matrix.
- Analysis of risk profile to target audit work
- Modalities for conduct of risk based internal audit and documentation of risk based internal audit reports.
- Confidence in using cost-effective techniques to evaluate your bank's internal control systems in accordance with both local demands and international models such as **COSO Integrated Control Framework** and Basel requirements

- Understanding the current and **future requirements for risk management**, corporate governance, management control and risk-based auditing, and being in a position to assess your organisation's current level of compliance
- Ability to **apply the essential principles and practices** of modern audit
- techniques in managing, planning, performing and reporting on a wide range of audit assignments
- Knowledge of latest corporate governance and risk management developments, including the just published **COSO Framework for Enterprise Risk Management**

Who is it for:

- Senior staff of bank's internal inspection department, responsible for switchover from transaction based audit to risk based internal audit and establishing, directing or developing internal audit functions within banks
- Audit managers charged with improving the audit service, leading audit teams, supervising assignments and reporting results
- Audit staff responsible for performing audit work in accordance with in-house standards, regulatory requirements and international best practice
- Senior staff of bank's information technology departments responsible for strengthening the IT function to meet the upcoming challenges.
- External auditors, regulators, central bank officials and others with a duty to evaluate the quality of banks' internal audit functions and enhance their utility.
- Members of bank audit committees
- Members of faculty at national level and bank level training institutes/colleges.

Tentative Training Course Content

Modern Internal Audit in Commercial Banks

- Nature of modern internal audit, developing role of internal audit: from an inspection to a consulting role
- Forms of internal auditing
- Objectives, responsibilities, scope and contribution of modern internal audit
- Auditing standards and other guidance
- Concept of value-added internal audit

Internal audit environment

- Developments in other countries and regulators views
- Challenges and opportunities for internal audit
- Corporate Governance, control assurance and risk management
- Implications for internal audit
- Basel Committee on Banking Supervision: Best Practices in internal audit
- Changing role of internal auditor

Professional Development

- Best Practices in Internal Audit
- Institute of Internal Auditors (IIA) Professional Practices Framework
- Understanding and implementing the revised IIA standards and other guidance
- Practical aspects

Identification of Risks and Risk Control for Commercial Bank

- Risk Identification and Risk Control
 - Credit Risk
 - Market Risk
 - Operational Risk
 - Other Risks
- Role of Internal Audit in risk identification and risk control

Risk Assessment

- Identification, measurement and mitigation of various risks faced by a commercial bank
- Risk Assessment of various commercial banking functions
- Review and evaluation of risk management and risk control process

Internal Control Framework

- What are internal controls and what should they achieve
- Internal control limitations
- Control assurance: who provides the assurance and how
- Understanding COSO, COCO, COBIT, Turnbull guidance and other important internal control frameworks
- Use of control frameworks in practice
- Relation between internal audit and internal control

Basel Committee on Banking Supervision

- Background to and nature of guidance
- Generally observed internal control weaknesses
- Basel Committee on Banking Supervision: Understanding 13 principles of internal control framework in banks
- Management oversight and control culture
- Risk recognition and assessment
- Control activities and segregation of duties
- Information and communication
- Monitoring activities and correcting deficiencies
- Evaluation of control systems by supervisory authorities
- Implementation : practical aspects

Concept and conduct of Risk Based Internal Audit

- What is risk based internal audit
- Why switch-over to risk based internal audit
- Basic principles and elements of risk based audit framework
- Objectives of risk based internal audit
- Scope and functions of risk based internal audit
- Design of risk based internal audit
- Policy for risk based internal audit
- Risk profiling of auditee units and classification into various risk categories
- Compilation of risk matrix for audit planning
- Conduct of risk based internal audit—the auditing process
- Formulation of risk based audit plan
- Design and development of audit report formats and templates
- Deployment of internal audit resources.

Process of Risk Based Internal Audit

- Risk based audit planning and understanding the system
- Assessing the controls and other risk mitigation techniques
- Testing controls and performance
- Evaluating findings and reporting

Auditing strategic activities

- Risk based audit planning
- Resource and other implications of audit plans
- Auditor's authority, competence and confidence
- Design of risk based internal audit report formats
- Auditing risk management
- Reliability of MIS and management and financial reporting
- Evaluation of policies and procedures for discharge of responsibilities
- Bank's compliance with Government laws, rules and regulations
- Adequacy of control over assets, liabilities, claims and contingencies
- Risk in communication and publication—quality control
- Auditing other strategic functions, risks and processes
- How to perform effective branch audit

Audit risk, audit process documentation and working papers

- Audit risk concept comprising control risk, inherent risk and detection risk
- Identification of audit risk—risk in audit strategy, audit planning and audit process
- Maintenance of working papers
- Audit process review and quality assurance report
- Audit performance evaluation

Audit Report Writing

- Recording of Audit findings-formulation of recommendations –management response-- implementation of suggestion

Control Self Assessment

- Concept of control self assessment
- Levels of control self assessment
- Comparison of traditional internal audit and control self assessment
- Approaches to control self assessment

Information Technology

- Enhancement of information technology for risk management and risk control
- Aligning IT functions in line with regulatory requirements, business requirements and customer requirements
- Strengthening information systems, data warehousing and data mining for risk based internal audit requirements
- Issues in implementation of Real Time Gross Settlement (RTGS) System

Introduction to Information Systems Auditing

- Concept of information systems
- Need for information systems audit
- Information technology for risk management
- Best practices in information technology
- Organizational, administrative, procedural control and data processing
- Adequacy of physical security measures for computer systems and records
- Accuracy and validity of the information/data processed by computer systems

Communication

- Communication with Bank Management
- Liaison and communication with External Auditors, other Banks, International organizations

The above contents are indicative. The courses are normally designed in consultation with the specific needs of client bank.



Main Faculty - Profile

Mr. Amalendu Ghosh, Former Head of Project Implementation Group in Reserve Bank of India for Risk Based Supervision and Former Chief General Manager of Reserve Bank of India, with responsibilities for banking sector reforms, bank regulations and risk based supervision. He has vast experience in bank regulation, on-site and off-site bank regulation, risk based internal audit techniques, risk management and internal control framework. - He is a Senior Consultant at MVL Consulting and also consultant to Bank of Maharashtra for integrated risk management and also consultant to a nationalized bank. He is on the board of national level asset reconstruction company. He is also a visiting faculty to RBI training colleges and other national level training institutes.

Mr. M. V. Lonkar, Chartered Accountant and Certified Information Systems Auditor, Director of MVL Consulting. He has several years of experience in audits of large complex banking organizations, corporate auditing, evaluation of internal audit systems and information system audit. He specializes in corporate governance, risk management, risk based internal audit and implementation of internationally accepted integrated internal control frameworks such as COSO, COCO, Turnbull Guidance etc. He is also a visiting faculty to national level training institutes and bank training colleges on various areas such as Risk Based Supervision, Risk Based Internal Audit, Credit Risk Management, Concurrent Audit, Monitoring of Corporate Borrowers, NPA Management, Activity Based Costing in Banks, Bond Pricing etc.

Mr. S. R. Mittal, is a former Chief General Manager- Department of Information Technology Reserve Bank of India and also a former Advisor to the Department of Information Technology in of RBI for payments and settlement systems related projects as an external consultant. He was responsible for the major Information Technology initiatives of the Reserve Bank in the banking sector. These include prioritisation of needs and computerisation of various departments, implementation of payment systems including the Real Time Gross Settlement (RTGS), introduction of SWIFT and internet banking, technology up gradation, ensuring smooth Y2K transition etc.

Mr. Vishwas Takale, Forex Risk Management Consultant of international repute with actual field level experience. He is also a visiting faculty to national level training institutes and bank training colleges. He is currently attached to several corporates as consultant on their foreign exchange exposure and hedging techniques. -Senior Consultant at MVL Consulting.



MVL Consulting recently conducted the following seminars:

“How to Build an Internal Rating System” for designing, building and implementing credit risk rating of borrowers in compliance with New Basel 2 Capital Accord. The seminar was held at Hotel Taj Mahal, Mumbai on September 15-16, 2003 and was attended by delegates from ICICI Bank Ltd, Infrastructure Development and Finance Corporation Ltd., IDBI, Development Credit Bank Ltd. etc.

“Risk Based Supervision and Risk Based Internal Audit in Banks” The seminar was held at Hotel Le Meridien, Pune on February 09-11, 2004 and was attended by delegates from State Bank of India, Bank of India, Punjab National Bank, Dena Bank, ING Vysya Bank Ltd, Bank of Rajasthan Ltd., United Western Bank Ltd. etc. and also by delegates from banks in Sri Lanka and Africa.



About Us

MVL Consulting Private Limited (MVLCO) is a group of banking, finance and industry professionals having accumulated expertise of hundreds of man years. We bring to bear a wealth of practical experience of directly operating in and regulating financial markets, and of providing relevant training. We and our Associates have gained this experience in senior positions in central bank, large commercial banks, merchant banks, fund management companies, stock exchange and its leading member firms, other international consulting firms etc. MVLCO has a very experienced senior advisory board who have worked at national and international levels in banking industry

International recognition

MVL Consulting is registered as a consultant with the World Bank, Asian Development Bank, Food and Agricultural Organisation of the United Nations.

MVLCO is accredited as a Training Centre for imparting classroom learning, by the Indian Institute of Bankers (IIB) for its Diploma in Banking and Finance.

Benefits

We offer a variety of seminars which can be geared towards your employees' needs. We have quality programs and expert instructors to give your bank an edge in today's competitive market. Our in-house bank training provide following benefits:

- ✓ All employees to be in one place at one time.
- ✓ Consistent and targeted training for all employees.
- ✓ Alignments with internal policies, systems and procedures.
- ✓ A group of employees can be trained for a set fee.
- ✓ Provides targeted training to the employees.
- ✓ Convenience - Schedule your seminar when it's most convenient for you and your staff - at your office or the location of your choice.

Customised Training

We offer in-house bank specific training programmes on receipt of request from bank. The benefits of such programs will be Our customized in-house training programs are a convenient, cost-effective way to provide your staff with critical information that will immediately add value to your organization.

For further information on the training course, kindly contact us at:

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