

International Seminar on *Risk Based Supervision and Risk Based Internal Audit*

Seminar Report

With the objective of introducing the best international practices in bank risk management and risk based internal auditing, MVL Consulting, an internationally active banking and financial sector consulting company based at Pune, India organized a three-day seminar “**Risk Based Supervision and Risk Based Internal Audit**” at Hotel Le Meridien, Pune on February 9-11, 2004.

Seminar Faculty:

The seminar faculty consisted of:

- **Mr. Amalendu Ghosh**: Former Chief General Manager of Reserve Bank of India, DBOD, Head of RBI Project Implementation Team for Risk Based Supervision – Senior Consultant with MVL Consulting
- **Mr. M. V. Lonkar** : B. Com, FCA, Grad. CWA, CISA – Director of MVL Consulting
- **Mr. S. N. Sawaikar** : Former Deputy Managing Director of State Bank of India, Currently Director of Discount and Finance House of India Ltd. and Advisory Board Member of Bank of Tokyo-Mitsubishi
- **Mr. S. R. Mittal** : Former Chief General Manager of Reserve Bank of India, Department of Information Technology, Member Secretary of RBI Committee on Internet Banking – Senior Consultant with MVL Consulting.
- **Mr. V. B. Takale** : Foreign Exchange Risk Management Consultant

Seminar Participants:

Senior executives from large nationalized banks, domestic private sector banks, urban co-operative banks and banks from Sri Lanka and Africa participated in the Seminar.

Seminar Coverage:

Seminar Sessions were mainly conducted by Mr. Amalendu Ghosh and Mr. M. V. Lonkar.

Mr. Ghosh gave his views on Risk Based Supervision Process, Risk Profiling and Risk Analysis. He explained in detail, the intricacies of New Basel 2 Capital Accord and the strategies for development of internal capabilities. He detailed the process for design of Credit Risk Rating Framework, Design of Internal Rating Model and Design of Risk Based Internal Audit

Mr. Lonkar dealt with the portfolio approach on credit risk management and various internal rating development issues. He explained the COSO, COCO and Cadbury models of internal control framework, modalities for evaluation of internal control and methodology for switch over to risk based internal audit system. Control assessment methods of Federal Reserve of USA and FSA of UK were explained by him. Importance of Control Self Assessments and Self Audit was highlighted. His sessions also covered audit risk and its components viz. control risk, inherent risk and detection risk. Importance of internal audit plans, process documentation, maintenance of working papers was elaborated by Mr. Lonkar. He also explained the use of GAAPs and GAAS in risk management and risk based internal audit.

Mr. Sawaikar provided substantial inputs on operational risk management. Mr. V. B. Takle explained the importance of management of Market Risk and Forex Risk and dealt in detail with various derivative products for risk mitigation. Mr. S. R. Mittal deliberated on the importance of Information Technology in Risk Management. His session on RTGS implementation in banks was lauded by the participants.

Seminar Coverage:

The Seminar provided participants with an in-sight to the complexities of credit risk, market risk and operational risk management systems and strategies for setting up internal models on risk measurement.

Techniques of Risk Profiling, Design of Branch Rating System, Compilation of ARF templates were discussed in detail.

The participants had deliberations on Basel 2 and Risk Based Supervision implementation issues and formulation of recommendations towards a smooth transition process.

The seminar also reviewed key topics that concern bank supervisors and regulators of financial information, and provided an update on the latest developments in the drive towards implementation of international standard risk management practices.

The Seminar included group deliberations on “Transition Process to Risk Based Internal Audit” and “Road Map for Organisational Preparedness – Human Resources and IT”. The deliberations were moderated by Mr. S. A. Bhagali, Former Chief General Manager of State Bank of India and Former Principal of State Bank Staff College Hyderabad.

Seminar Delegates’ Feed back:

On conclusion of the Seminar, the delegates were requested to provide a feed back in respect of the seminar content, faculty performance, course material quality, seminar arrangements etc. The summarized result of the feed back received from delegates in respect of the seminar is as follows:

Ratings	Excellent	Very Good	Good	Fair	Poor	Total
Percent	57.14%	25.71%	17.14%	Nil	Nil	100.00%

Delegates’ Suggestions:

Some delegates suggested that design of the risk templates for branch audit may be dealt with in more details. This suggestion is accepted by us and additional emphasis would be given to discussion on methodology for risk profiling of branches for internal audit.

Some of the delegates have suggested holding similar “In-company” Seminars for banks. This suggestion is also accepted by us and we would take up the matter with respective banks for such “In-company” Seminars.

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