Risk Based Internal Audit

Gain more control and efficiency of your Risk based Internal Audits with Azilon Risk Auditor.
With the progressive deregulation and liberalization of the financial sector, banks are increasingly exposed to various kinds of risk - both financial and non-financial. Efficiency of every bank depends on how effectively it manages the risks and in ensuring a competitive risk adjusted return on capital. A sound internal audit function plays an important role in contributing to the effectiveness of the internal control system. It provides the management with accurate information on the effectiveness of risk management and internal controls including regulatory compliance by the bank.

Banks currently depends on Score Based Rating system, which deals with verification of data accuracy and transaction testing but does not provide any opinion on the qualitative dimension of business management including risk management. As such, there is a need for redefining and redirecting the scope of audit so as to take care of adoption of modern tools of risk management, adequacy and effectiveness of such tools, as well as to assist the business units to mitigate the risks. All these objectives are achieved with implementation of Azilon Risk Auditor system.

Azilon Risk Auditor

Azilon Risk Auditor is RBIA (Risk based Internal Audit) compliant and focuses on risk identification, prioritization of audit areas and allocation of audit resources in accordance with the risk assessment. While focusing on effective risk management and controls, in addition to appropriate transaction testing, Azilon Risk Auditor offers suggestions for mitigating current risks and also anticipates areas of potential risks and plays an important role in protecting the bank operation from various risks.

Azilon Risk Auditor enables risk calibrated planning, execution and management of audit process. It identifies risk in a systematic manner thus reducing the likelihood of failure in the auditing process. The focus is on auditing resources where the impact of risk may be high. Azilon Risk Auditor minimizes unwarranted audit intervention resulting in smoother workflow leading to effective audits.
Azilon’s Risk based Internal Audit streamlines and supports the following processes:

**Entity Definition:**
This enables the administrator to define entities, maintain all details and lay down hierarchical structure for product line, geographical units and organization (including matrix reporting structure).

**Content Development:**
This allows Audit Content Manager to define the content of audit including the Business Risk Template, Control Risk Template, Processing Format and the Audit Unit profile Templates.

**Identifying Significant Business Entities:**
The Program Manager can select significant business entities based on initial set of data, returned by respondents associated with various entities. Based on past audit dates, Program manager can decide on taking up selected entities for further investigation and assign auditors to specific units.

**Auditor Assessment:**
Auditors analyze the data/response, after collection and then assign rating to each parameter. To facilitate the process, the Auditor has been given access to analytics tools, including rating capability for quantitative parameters based on certain predefined rules. These rules would have to be defined by the Program Manager and are extremely flexible. The Auditor also rates individual incidents, based on the data and feedback collected, about severity and frequency.

**Audit Reviewing:**
Higher authorities including the Process Manager with Competent Authority reviews and finalizes the audit.

**Risk ranking:**
Analysis leads to generation of BC Matrix (Business risk versus Control risk matrix), FSI/ZTL Reports, Irregularity Reports, RBIA final reports.

**Managing Irregularities:**
The Processing Manager with Competent Authority handles the irregularities upon escalation process. The auditor and the processing manager are involved to discuss about the irregularity.

**Carry over of Audit Details:**
The Audit Unit profile Data as well as reported irregularities gets automatically carried over to the next audit.
Core Features

Simple and User Friendly
Designed to offer a user-friendly operating process. Segment accessible to the administrator, Program Manager, Auditor and User are clearly delineated through user specific screen displays.

Comprehensive Approach
Risk assessment process supports an exhaustive list of audit queries, rating parameters, risk incidents, and list of supporting documents to be attached. Program Manager can further add to this list, based on the ongoing feedback from the end users.

Process Driven Risk Assessment
This solution makes the risk identification and assessment process more objective by fixing up the defining parameters associated with specific risk events.

Audit Reports
Summarizes reports with graphical representation of key risks and facilitates senior management to manage risks and implement incremental strategies, as required.

Planning, Scheduling and Resource Allocation
Comprehensive risk assessments facilitate decision-making and integration of risk information into planning, reporting and resource allocation. Readily available risk data provides valuable input to Risk Profiles, Risk-Based Audit Frameworks (RBAF) and Risk-Based Audit.

Stakeholder Interface
This system provides a user interface for involving stakeholders at multiple levels in the auditing process. It also provides for self-assessment of the risk factors by stakeholders.

RBI stipulated RBAF
Outputs the BC matrix required under RBI guidelines.

Stepping Stone for ORM
Design is based on the preparatory steps suggested under Operational Risk Management Guideline in BASEL II framework.

Benefits

- Fully RBIA Compliant and allows banks to move towards the Advanced Measurement Approach for Operational Risk under Basel II
- Based on Inspection Manual & Risk analysis methodology of the Bank
- Calibrates auditing to risk
- Optimizes resource utilization
- Reduces auditing overheads
- Increases auditor’s efficiency
- Provides on-line monitoring/built in alerts
- Lower audit cost
- Proven RBIA solution with successful implementations