

Risk Based Internal Audit (RBIA)

Background:

The evolution of financial instruments and markets has enabled banks and financial institutions to undertake varied risk exposures. In the context of these developments and the progressive deregulation and liberalization of the Indian financial sector, having in place effective risk management and internal control systems has become crucial to the conduct of banking/financing business. This has become more significant after Reserve Bank's move towards risk-based supervision (RBS) of banks. A similar supervision is therefore required for financial institutions other than banks. A sound internal audit function plays an important role in contributing to the effectiveness of the internal control system. The audit function should provide high quality counsel to management on the effectiveness of risk management and internal controls including regulatory compliance by the entity. Historically, the internal audit system has been concentrating on transaction testing, testing of accuracy and reliability of accounting records and financial reports, integrity, reliability and timeliness of control reports, and adherence to legal and regulatory requirements. However, in the changing scenario such testing by itself would not be sufficient. There is a need for widening as well as redirecting the scope of internal audit to evaluate the adequacy and effectiveness of risk management procedures and internal control systems in the entity.

To achieve above said objectives, entity needs to move towards risk-based internal audit which will include, in addition to selective transaction testing, an evaluation of the risk management systems and control procedures prevailing in various areas of a entity's operations. The implementation of risk-based internal audit would mean that greater emphasis is placed on the internal auditor's role in mitigating risks. While focusing on effective risk management and controls, in addition to appropriate transaction testing, the risk-based internal audit would not only offer suggestions for mitigating current risks but also anticipate areas of potential risks and play an important role in protecting the entity from various risks.

What is Risk Based Internal Audit

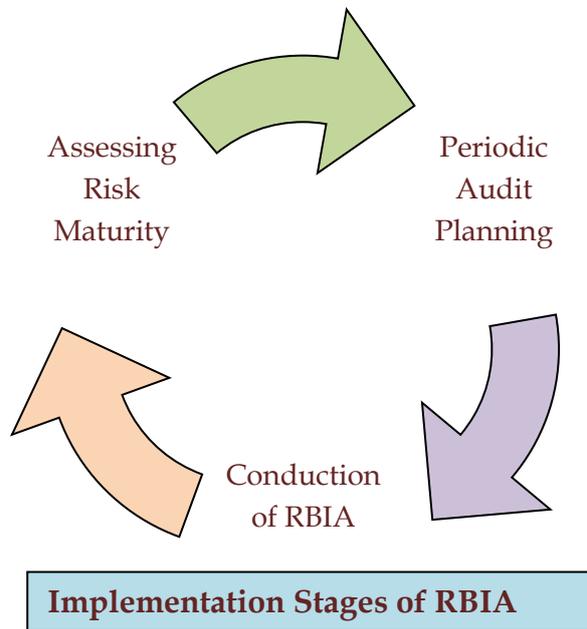
Risk based Internal Audit (RBIA) is an internal methodology which is primarily focused on the inherent risk involved in the activities or system and provide assurance that risk is being managed by the management within the defined risk appetite level. It is the risk management framework of the management and seeks at every stage to reinforce the responsibility of management and BOD (Board of Directors) for managing risk.

Risk based internal audit is conducted by internal audit department to help the risk management function of the company by providing assurance about the risk mitigation. RBIA

allows internal audit to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.

(Source: https://en.wikipedia.org/wiki/Risk_based_internal_audit)

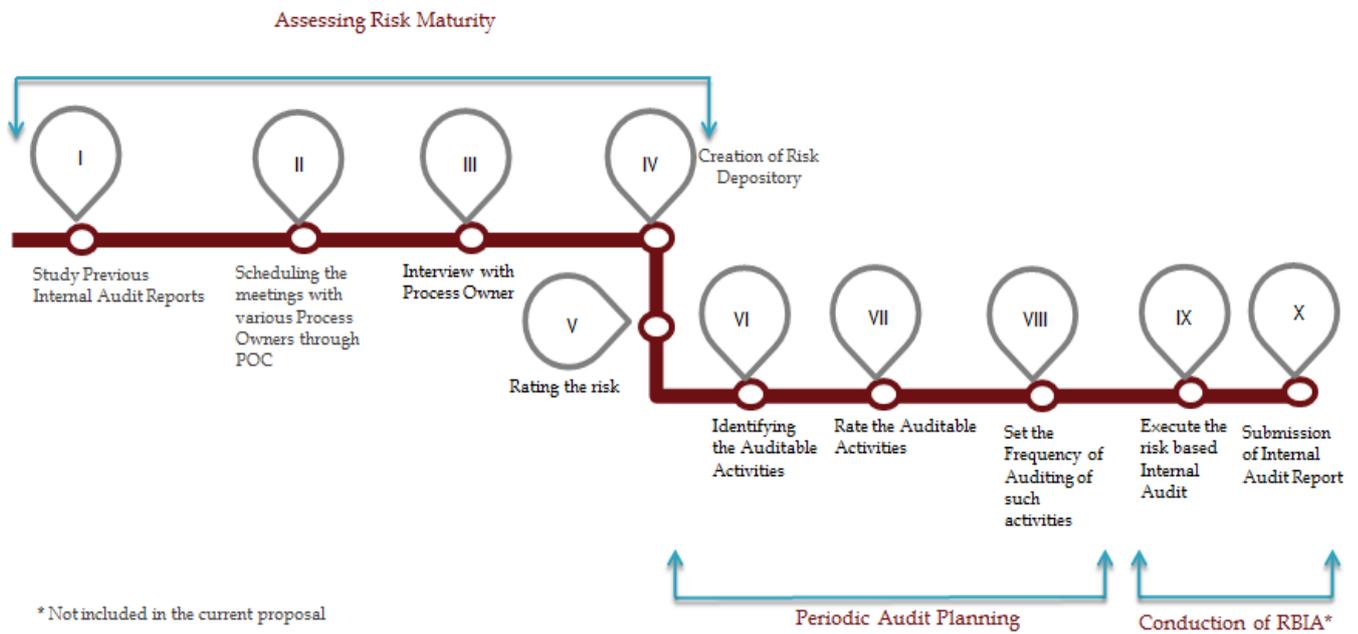
We define Risk Based Internal Audit as the integration of internal audit to entity's risk management framework



Our Methodology

Our time-tested methodology will ensure the timely and efficient completion of the assignment. Our methodology, work plan, timelines, miles stones and key staff to be deployed are given below:

Execution Process



We strictly follow two level review system in all of our assignments and have implemented the audit software in our firm to ensure the operating and efficiency of the said maker-checker concept. The snapshot of the said software are as follows:

Secure | https://ca.asquare.biz/web_pages/add_task_assignment.aspx?asgmt_code=871142017

Welcome Mr. Rajan Kumar 11/9/2017 3:47 PM

Client Name: [Redacted] Assignment Code: 871142017 Assignment Name: Statutory Audit Period End: 04/01/2017

Tab Name	Step Name	Applicable	Assign To	Reviewer	Special Guidance	Status	Submission Date	Review Date	TL Review Date	Partner Review Date
Audit Planning	Business Briefing	✓				Closed	08/12/2017	08/15/2017	08/22/2017	08/22/2017
Audit Planning	Ratio Analysis	✓				Closed	07/22/2017	08/08/2017	08/11/2017	08/11/2017
Audit Planning	Variance Analysis	✓				Closed	07/22/2017	08/08/2017	08/11/2017	08/11/2017
Audit Planning	Walk through	✓				Closed	08/15/2017	08/15/2017	08/22/2017	08/22/2017
Control Testing	Internal Financial Control	✓				Reviewed	09/19/2017	09/19/2017		
Control Testing	SSC	✓				Reviewed	08/19/2017	09/02/2017		
Financials	Financial Statements	✓				Reviewed	09/02/2017	09/19/2017		
Substantive Testing - Notes	Capital Commitments	✓				Reviewed	08/07/2017	09/19/2017		
Substantive Testing - Notes	Contingent Liabilities	✓				Reviewed	08/07/2017	09/19/2017		
Substantive Testing - Notes	Earning in Foreign Currency (Accrual Basis)	✓				Reviewed	08/17/2017	09/19/2017		
Substantive Testing - Notes	EPS & Deferred Tax	✓				Reviewed	08/08/2017	09/19/2017		
Substantive Testing - Notes	Expenditure in Foreign Currency (Cash Basis)	✓				Reviewed	08/17/2017	09/19/2017		
Substantive Testing - Notes	Lease Disclosure Requirements	✓				Reviewed	08/08/2017	09/19/2017		
Substantive Testing - Notes	Other Material Disclosures	✓				Reviewed	09/02/2017	09/19/2017		
Substantive Testing - Notes	Related Party Transaction	✓				Reviewed	08/08/2017	09/19/2017		
Substantive Testing - Notes	Segment Reporting	✓				Reviewed	08/17/2017	09/19/2017		
Substantive Testing - Notes	Value of Imported & Indigenous Raw Materials, Stores and Spares consumed	✓				Reviewed	09/02/2017	09/19/2017		

Each Auditable Activity is assigned to respective team member, which shall be further reviewed by respective senior team member. In case reviewer is other then the team leader, team leader also has to review the auditable activity and submit to Partner for final review.

Secure | https://ca.asquare.biz/web_pages/assignment_activity.aspx?asgmt_code=871142017

Welcome Mr. Rajan Kumar 11/9/2017 3:40 PM

Client Name: [Redacted] Assignment Code: 871142017 Assignment Name: Statutory Audit Period End: 04/01/2017

Audit Planning

- [Task Assignment](#)
- [Business Briefing - Closed](#)
- [Ratio Analysis - Closed](#)
- [Variance Analysis - Closed](#)
- [Walk through - Closed](#)

Control Testing

- [Internal Financial Control - Reviewed](#)
- [SSC - Reviewed](#)

Substantive Testing

- [Share Capital - Closed](#)
- [Reserve & Surplus - Closed](#)
- [Long Term Borrowings - Closed](#)
- [Short Term Borrowings - Closed](#)
- [Deferred Tax - Reviewed](#)
- [Other Long Term Liabilities - Closed](#)
- [Employee Benefits - Closed](#)

Substantive Testing

- [Others - Submitted](#)
- [Trade Payables - Closed](#)
- [Other Current Liabilities - Closed](#)
- [C.W.I.P. - Closed](#)
- [Depreciation / Amortization - Reviewed](#)

Substantive Testing

- [Loans & Advances \(Assets\) - Reviewed](#)
- [Other Non-Current Assets - Closed](#)
- [Inventories - Reviewed](#)
- [Trade receivables - Reviewed](#)
- [Cash at Bank - Closed](#)

Substantive Testing

- [Other Current Assets - Closed](#)
- [Prepaid Expenses - Closed](#)
- [Revenue from Operation - Manufacturing - Reviewed](#)
- [Revenue from Operation - Service - Closed](#)
- [Other Possible Revenue - Closed](#)

Client Contacts :

Name	Designation	Mobile No	Email Id

No record Found!

[Add Details](#)

Team's Contacts :

Name	Designation	Mobile
[Redacted]	[Redacted]	[Redacted]

Previous Assignments :

Allocated Clients	Asgmt Code	Assignment
[Redacted]	871142017	Statutory Audit

Step Page

Secure | https://ca.asquare.biz/web_pages/step_page.aspx?asgmt_code=7813132017&&step_name=Variance%20Analysis%20-%20Reviewed&&step_id=218

Bookmarks | BOS Articles Placem... | carajansingh - Yahoo... | BoS Knowledge Port... | ICAI Cloud Campus | International Taxatio... | Webmail Login | GST CBEC | Assignment Mapping | Other bookmarks

Step and Sub Step Page

Client Name: [Redacted] | Assignment Code: 7813132017 | Assignment Name: Statutory Audit | Period End: 03/31/2017

Step Name: Variance Analysis - Reviewed

Step Information :

Task	Work Done	Doc Ref
Perform Variance Analysis for Balance Sheet.	Refer above step.	
Perform Variance Analysis for Statement of Profit Loss.	Performed the variance analysis and attached the working for the same.	View

Coaching Notes :

Coaching Notes By	Coaching Notes	Reply	Doc Ref
Rajan Kumar	Template is not in correct format. It seems you have attached the client file only and have not worked on this.	working is attached in updated format.	View
Rajan Kumar	Reason in Fixed Assets is mentioned as FAR? is this may be the reason for change. Please mention the exact reason.	There are additions for computers in F.Y 2016-17 but overall	
Rajan Kumar	During the Year, as per variance Sheet, CWIP is transferred to Tangible assets for Rs. 62.01 lacs, however there is only increase for Rs. 20.26 lacs in tangible assets. Please mention the reason.	Yes there is increase of Rs. 20.26 lakhs rest is the effect of i	
Rajan Kumar	In Trade Receivable, reason is mentioned "Increase in Sales", however, sales have not increased in the ratio of Trade Receivable.		
Rajan Kumar	Please mention reason for the Income from Written Back?	Now it has been changed.	
Rajan Kumar	Provision is created for audit fees?	Yes in second draft provision has been created.	
Rajan Kumar	In long term provision head, reason is not specific, we are writing back the Expenses, this may be possible only in case of change in employee benefits policy. Please verify and mention the same in Variance sheet.	There is a huge decline in long term provision because there	

Mark as Closed | Add Observation

No record Found!!

Status: Closed | Preparer: Mr. Rahul Sikka | Reviewer: Mr. Rajan Kumar

List of Sub Steps

3:52 PM 11/9/2017

Detailed audit steps are pre-configured to each auditable activity. Team has to ensure that all the audit steps are completed in all respect. In case team perform additional audit step, team can enter the same as well other than the pre-defined steps.

Our unique approach clubbed with use of the audit software ensure the implementation of PDCA, a time-tested quality policy which stands for Plan, Do, Check & Act.