

# INTERNAL AUDIT OF OPERATIONS OF COMERCIAL RISK TO CREDIT INSTITUTIONS

Codruța PAVEL, Camelia HAȚEGAN

WEST UNIVERSITY OF TIMISOARA, FACULTY OF ECONOMICS AND BUSINESS  
ADMINISTRATION

**Abstract:**

*The audit specialist, is made by: credit and risk analyst in the group, participating in monitoring commitments, the evolution of risk analysis and prevention and by providing audit RISK commitments authorized network and the competence of individual directions from the central and subsidiary credit institution.*

*The main objective is the assessment of client legal commitments, including the problem and bad and detect early signals negative quality portfolio of bank commitments to reduce potential losses.*

**Key words:** *audit, risk, missions, credit institutions*

**JEL classification:** M41

Specialized audit is performed by the credit analyst and risk-level groups, participating in monitoring commitments, the evolution of risk analysis and prevention and by providing auditing RISC commitments authorized by the network and the competence of the individual directions from the central and the credit institution subsidiaries.

In the audit organization, powers and responsibilities are set out in RISC directives domestic credit institutions. To achieve the objectives of internal audit, RISC carry out audit :

1. Thematic evaluation consisting of legal commitments at the network level, the directions of the Central Bank and its subsidiaries;
2. Special request from Directorate General Coordinator of the activities of internal audit or the Council of Administration .

RISC staff with the specialized audit, verify and analyze: the implementation and observance of the normative documents of the bank's specific lending activities; the organization and functioning of the internal structures within the groups and units attached to a chain of risk; tracking how compliance notifications sent by the central bank's compliance with the program of "Knowledge of the customer" ;quality and training of personnel involved in filiere risk; portfolio quality development commitments of the bank.

Responsibility of the specializing auditor

1. To give a fair opinion based on: substantive proceedings - whether pursuing the management and control system of the commitments are so designed as to prevent, detect and correct (remedy) significant errors; control tests - which controls the selective test is performed to obtain sufficient information for the sample selected for the discovery of significant errors.

2. To comply with the Code of Ethics of the credit institution and the instructions issued in implementation thereof.

3. Inform the coordinator of audit, bank management the existence of serious deficiencies producing damage immediately - in the cases (serious) and after completion of audit by the audit report.

4. According to audit plan approved, to inform and present the audit report.

5. Enter in the audit report and data analysis sheets or factual record and all deficiencies.

Responsibilities of credit analyst and risk-level groups have the following responsibilities:

#### Operational

- In the process of authorization, examine the credit files of fill:
  - The Credit Group and the upper for issuing opinion;
  - Group Director, which opinion may be issued on request.
- After approval, the selectively examine the files of credit approved on individual skills;
- Check the accuracy of monthly data which formed the basis for the calculation of provisions;
- Monitor ongoing developments in the portfolio of loans and other commitments, both globally and roll, and anomalies that occur before the development portfolio of loans;
- Follow the writ to comply with measures established by the audit teams.

#### Functional

- Perform spot checks and selective preparation of dossiers on the existence of guarantees, provision, use and management of the credit;
- Check the conditions placed on approval of credit by the central
- Participate in team audit risk at auditing commitments from the groups;
- Advises staff on the implementation of risk prevention and participating in the training of staff in terms of risk;

Prepares monthly report of activity that is driving forward and RISC Management Directorate Appropriations Network.

The main objective is the assessment of client legal commitments, including the problem and bad and detect early signals negative quality portfolio of bank commitments to reduce potential losses.

To achieve this objective, the audit specialized missions focus primarily on:

- Evaluate legal commitments, including the problem of bad and detect in time sensitive commitments;
- Risks assumed by both the network and those who have been granted jurisdiction of the individual directions of the central decisions taken within the limits of jurisdiction granted;
- Portfolio quality commitment, quality of analysis and risk management, regulatory compliance documents specific business lending;
- Incorrect identification of decisions taken at group level, to avoid situations;
- Identify customers in financial decline and placing them on the list "clients under supervision" (sensitive);
- Tracking how the organization and functioning of the internal structures within the groups and units attached to a chain of risk.

Specialized audit assignments may be made on both the portfolio of commitments (standard missions), but may extend to other activities with implications in the credit risk (thematic missions) .

The audit missions conducted under a plan the audit, but can perform special missions and, at the request of the bank, the Internal Audit Coordinator and Board of Directors. Evaluation commitments are made by sampling on a representative sample of clients with commitments to allow issuance of a properly grounded opinions.

Missions in the standard include mandatory verification and analysis: integrity of the credit documentation and factual existence of all documents must be included in the credit and the knowledge necessary for the client (compliance audit); risk assessment undertaken on the credit facilities, letters of guarantee bank effects trade, factoring, letters of credit; compliance of approval; verification of credit and its accessories, a garantatiilor - coverage with warranties and quality; checking policy; checking how progress tracking facilities and credit; checking how facilities management credit; portfolio bad evolution; organization and the chain of risk; quality of personnel involved in this branch.

Missions commercial risk audit is performed at least once in 18 months and whenever necessary, at the level of network and power. Activity audit risk trade is conducted under the audit, prepared over a period of 1 year and is part of the audit plan from the bank, validatat Director of RISC and filed Coordinator Internal Audit activity, which will deliver for approval by the Audit Committee subject to approval in the Board. The audit shall be determined considering the plan and control inspection General.

The audit will include:

- entities scheduled to be audited;
- date of last audit activities;
- mission type of audit;
- the period during which the audit;
- composition of the audit team.

Any changes in the annual audit will be approved by the coordinator of the internal audit activity, the proposal RISK. Order of mission objectives and include the audit team and is approved by the director, coordinator of the activity of business risk audit of the Central Control Risk. The findings of the audit activities shall be recorded in an audit report which is attached evidence (chart analysis of individual client, annexes on the evolution of commitments proposed preconizarile). Upon completion of each audit activities, the audit team will prepare the following documents:

- Chart analysis of individual client, in 2 copies signed by the auditor and legal department clients or directory group
- Annexes to the report

The audit report presents the purpose and scope of the audit engagement, the audit, findings and recommendations made. The report may include recommendations related to state performance audit of previous missions. The audit report is prepared on the premises RISC based on analysis of documentation drawn up at the headquarters unit checked.

The audit report is submitted in 2 copies of the group itself and the signature, a copy will be returned to RISC. Any objections to the report are reviewed by the audit team members and coordinating director, before signing the report. Summary report of audit shall be made to RISC and contains the "key" and the main conclusions of the mission and specific information regarding the quality of branch staff on risk and not available to all beneficiaries meet the audit report.

Mission results and audit checks will capitalize by operative measures to remedy deficiencies during the take; processing with analysts and risk management unit audited results and audit measures, concrete measures agreed with management the audited units, with terms and responsibilities for shortcomings that could not be resolved during the control, proposals for specific directions from the central, including order methodological procedure.

Depending on the conclusions and proposals, management will communicate RISK:

- Coordinator of the internal audit activity, synthesis report, audit report and the annexes thereto
- Executive leadership of the bank, synthesis report, audit report and the annexes thereto: credit sensitive situation, the situation irregular credits;
- Directorate General Network administration, audit report;
- Directives of the Central Bank of specialty depending on the specific problems to be resolved by the audit report, descriptions of individual analysis of the client, copies of documents;
- General inspection, audit report and annexes Secetariatului General / Compartiment conduct, information on all aspects related to breach of the Code of Ethics contained in the audit report;

Tracking the implementation of measures set out in the actions of audit (both those carried out by RISC as well as those made by analysts and credit risk) will be made by:

- field verification of its implementation (in case of findings of serious consequences);
- verification of measures to achieve the following mission, as planned.
- Annexes on the state achievement measures ordered in audit, prepared by risk controllers monthly activity reports.

Analysts with the audit responsibilities of central, which have oversight groups will follow the monthly development programs measures during checks carried out. Head structure will have audited the implementation of recommendations of the measures.

Quarterly, RISC activity presents Coordinator Internal Audit Report of an activity that includes:

- the program audit, the main issues arising from the checks
- stage realization measures ordered by Preconizari
- significant changes occurred in the internal control system focusing in particular on the evolution of activity and risk Half is presented to the Board the audit report that includes the specialized RISC, with the Audit Committee Half will be the coordinator of audit and internal executive management of the bank, issues resulting from monthly activity reports of the controllers of risk .

In auditing the portfolio of commitments to the group attached units, risk controllers will use the audit procedures described in Instruction.

The audit report completed inspectors risk will be presented to the director of group risk and Analysis Directorate Lending Network, with the monthly report of activity.

#### REFERENCES

1. **Dobroțeanu, Laurențiu, Dobroțeanu Camelia Liliana** – Audit - concepte și practici: abordare națională și internațională, Editura Economică, București, 2002
2. **Spencer Pickett, K.H.** – Auditing the Risk Management Process, Ed. Wiley, 2005
3. **Spencer Pickett, K.H.** – The Essential Handbook of Internat Auditing, Ed. Wiley, 2005
4. \*\*\* Norma 17/2003 privind organizarea și controlul intern al activității instituțiilor de credit și administrarea riscurilor semnificative, precum și organizarea și desfășurarea activității de audit intern a instituțiilor de credit