



# WICASA Pimpri Chinchwad Branch of WIRC of ICAI

**Students E-Newsletter March - 2018**

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## Index

Sr. No.	Particulars	Page No
1.	WICASA Chairman Communication	4
2.	Student Article	5
3.	Events in Month of March 2018	13
4.	Forthcoming Events in month of April 2018	14
5.	Events Snapshot	15



## MANAGING COMMITTEE MEMBERS



CA. Amod Bhate  
Chairman



CA. Yuvraj Taware  
Vice - Chairman & WICASA Chairman



CA. Prajakta Chincholkar  
Secretary & Treasurer



CA. Ravindra Nerlikar  
Immediate Past Chairman



CA. Suhas Gardi  
Past Chairman



CA. Santosh Sancheti  
MCM



CA. Sachin Bansal  
MCM



CA. Anil Agarwal  
MCM

## WICASA COMMITTEE MEMBERS



CA. Yuvraj Taware  
WICASA Chairman



Mr. Mrugank Salunke  
Vice-Chairman



Mr. Raj Badiyani  
Secretary



Ms. Rucha Kulkarni  
Treasurer



Mr. Kunal Phadtare  
Member



Ms. Veena Pujari  
Member

## WICASA Chairman's Communication

Dear Students,

With an immense gratitude, I take the pleasure to address all my young and dynamic Chartered Accountant students.

In month of February 2018, we enjoyed visit to sugar factory and in month of March, we had visited to heart of Indian economy i.e. National Stock Exchange (NSE) Mumbai. Further, we also visited WIRC office of Mumbai, where valuable guidance was provided to students by WIRC Chairman CA Sandip Jain. Excellent feedbacks were received from the students for visit to NSE and WIRC.

In the month of March, WICASA Pimpri Chinchwad branch hosted mock test for foundation, IPC and final course students, which will continue in the month of April 2018 for final examination students. Students should appear for mock test to improve their confidence level for final examination.

We have also planned many activities throughout the year for overall development of the students, by organising innovative programs like seminars, workshop, industrial and educational tour, RRC, two days students' conference, cultural events and many other social activities.

Request to all of you to take maximum participation in all the seminars and activities of WICASA.

Thank You

With Warm regards

CA. Yuvraj Taware  
WICASA Chairman (2018-19)  
WICASA Pimpri Chinchwad Branch of WIRC of ICAI.

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## Internal audit –Banks

### Introduction

Internal audit is part of the ongoing monitoring of the bank's system of internal controls and of its internal capital assessment procedure. Internal audit provides an independent assessment of the adequacy of, and compliance with, the bank's established policies and procedures. As such, the internal audit function assists senior management and the board of directors in the efficient and effective discharge of their responsibilities.

### Scope of an Internal Audit Function

From a general point of view, the scope of internal audit includes

- ✓ the examination and evaluation of the adequacy and effectiveness of the internal control systems
- ✓ the review of the application and effectiveness of risk management procedures and risk assessment methodologies
- ✓ the review of the management and financial information systems, including the electronic information system and electronic banking services
- ✓ the review of the accuracy and reliability of the accounting records and financial reports
- ✓ the review of the means of safeguarding assets
- ✓ the review of the bank's system of assessing its capital in relation to its estimate of risk
- ✓ the appraisal of the economy and efficiency of the operations
- ✓ the testing of both transactions and the functioning of specific internal control procedures
- ✓ the review of the systems established to ensure compliance with legal and regulatory requirements, codes of conduct and the implementation of policies and procedures
- ✓ the testing of the reliability and timeliness of the regulatory reporting.

### Independent function

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- ✓ The bank's internal audit function must be independent of the activities audited and must also be independent from the every day internal control process. This means that internal audit is given an appropriate standing within the bank and carries out its assignments with objectivity and impartiality.
  - ✓ The internal audit department must be able to exercise its assignment on its own initiative in all departments, establishments and functions of the bank. It must be free to report its findings and appraisals and to disclose them internally. The internal audit department operates under the direct control of either the bank's chief executive officer or the board of directors or its audit committee (if one exists).
  - ✓ The head of the internal audit department should have the authority to communicate directly, and on his/her own initiative, to the board, the chairman of the board of directors, the members of the audit committee (if one exists) or the external auditors where appropriate, according to rules defined by each bank in its audit charter. This reporting may cover, for example, bank management's making decisions, which are contrary to legal or regulatory provisions.
  - ✓ Independence also requires that the internal auditors should not have a conflict of interest with the bank. The compensation scheme for internal auditors should be consistent with the objectives of the internal audit. The internal audit function should be subject to an independent review. An independent party such as an external auditor can carry out this review, or it can be done by the audit committee, if one exists.

## Impartiality

- ✓ The internal audit function should be objective and impartial, which means it should be in a position to perform its assignments free from bias and interference.
  - ✓ Objectivity and impartiality entails that the internal audit department itself seeks to avoid any conflict of interest. To this end, staff assignments within the internal audit department should be rotated periodically whenever practicable. Internally recruited auditors should not audit activities or functions they performed within the last twelve months.
  - ✓ Impartiality requires that the internal audit department is not involved in the operations of the bank or in selecting or implementing internal control measures. Otherwise it would have to assume responsibility for these activities, which would impair its judgmental independence
  - ✓ However, the need for impartiality does not exclude the possibility that senior management may request from the internal audit department an opinion on specific matters related to the internal control principles to be complied with. Such a consultative function constitutes an ancillary task, which should in no way impede the basic tasks or the responsibility and independence of the internal audit department. Subsequent internal audit reports can contain recommendations relating to deficiencies and weaknesses and suggestions for improving internal controls.
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- ✓ Each bank should have an internal audit charter that enhances the standing and authority of the internal audit function within the bank.
  - ✓ An internal audit charter establishes at least:
    - ✓ The objectives and scope of the internal audit function
    - ✓ The internal audit department's position within the organisation, its powers, responsibilities and relations with other control functions and
    - ✓ The accountability of the head of the internal audit department.
  - ✓ The charter should be drawn up - and reviewed periodically - by the internal audit department; it should be approved by senior management and subsequently confirmed by the board of directors as part of its supervisory role. The audit committee, if one exists, can provide this confirmation.
  - ✓ In the charter, the bank's senior management gives the internal audit department the right of initiative and authorises it to have direct access to and communicate with any member of staff, to examine any activity or entity of the bank, as well as to access any records, files or data of the bank, including management information and the minutes of all consultative and decision-making bodies, whenever relevant to the performance of its assignments.
  - ✓ The charter should state the terms and conditions according to which the internal audit department can be called upon to provide consulting or advisory services or to carry out other special tasks.
  - ✓ The charter should be communicated throughout the organisation.

### Professional competence

- ✓ The professional competence of every internal auditor and of the internal audit function as a whole is essential for the proper functioning of the bank's internal audit function.
  - ✓ The professional competence of each internal auditor as well as his/her motivation and continuing training are prerequisites for the effectiveness of the internal audit department. Professional competence must be assessed taking into account the nature of the role and the auditor's capacity to collect information, to examine, to evaluate and to communicate. In this respect, account should also be taken of the growing technical complexity of banks' activities and the increasing diversity of tasks that need to be undertaken by the internal audit department as a result of developments in the financial sector.
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- ✓ specific activity or entity of the bank. Such departments are part of the internal control system and therefore their existence does not relieve the internal audit department from examining those specific activities or entities. However, for the sake of efficiency, the internal audit department may, in carrying out its tasks, use the information reported by the various control departments. Nonetheless, the internal audit department remains responsible for the examination and evaluation of the adequate functioning of the internal control of the bank's activity or relevant entity.
- ✓ If a bank has a significant branch abroad, the internal audit department should consider establishing a local office to ensure efficiency and continuity of its work. Such a local office should be part of the bank's internal audit department and should be organised in such a way as to comply with the principles set out in this document.
- ✓ As separate legal entities, banking or non-banking subsidiaries are responsible for their own internal control and their own internal audit function in accordance with the provisions of this document. At these subsidiaries, the internal audit function may be performed by the internal audit department of the parent company. When subsidiaries have their own internal audit departments, they should report to the parent company's internal audit department. In this situation, the parent company should take all necessary measures, without prejudice to local legal or regulatory provisions and instructions, to ensure that its own internal audit department has unlimited access to all activities and entities of the subsidiaries and that it carries out on-site audits at sufficient intervals.

For branches abroad as well as for subsidiaries, the parent bank should establish the internal auditing principles centrally without prejudice to local, legal and regulatory provisions and instructions. The parent bank should draw up the auditing instructions for the whole group. The parent bank's internal audit department should participate in recruiting and evaluating local internal auditors.

- ✓ In the case of more complex group structures than what is described above, the internal audit function should be organised in such a way as to comply with the principles set out in this document.

## Audit Committee

### Definition

The audit committee is normally regarded as a committee of the board of directors and usually consists of non-executive directors who are independent of management. Its features and importance may, however, vary across entities.

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The creation of a permanent audit committee is a solution to meet the practical difficulties that may arise from the board of directors' task to ensure the existence and maintenance of an adequate system of controls. An audit committee reinforces the internal control system and the internal and external audit. Therefore, banks are encouraged to set up a permanent audit committee, especially if they are involved in complex activities. Banks' subsidiaries should also consider the appropriateness of setting up an audit committee within their board of directors.

### Composition, powers and functioning

- ✓ Upon setting up an audit committee, the board of directors should draw up a written charter indicating the audit committee's composition, authority and duties, as well as the way of reporting to the entire board of directors. This document should be approved by the board of directors and reviewed and updated periodically.
- ✓ An audit committee should include at least one member of the board of directors. It is at the discretion of the bank to appoint the most appropriate individuals to serve as the other members of the committee. The members should have a background that is compatible with committee duties. For efficiency, the following persons may be allowed to attend regularly the meetings of the audit committee: the chief executive officer or a member of senior management, the head of the internal audit department and the external auditor.
- ✓ The audit committee may request access to any necessary data or records and order any investigation to be performed. The audit committee regularly reports to the board of directors.

### Relevant aspects

- ✓ The audit committee should encourage communication between the members of the board of directors, senior management, the internal audit department, the external auditor and the Monetary Authority.
  - ✓ The audit committee confirms the internal audit charter and the audit plan as well as the resources required (both personnel and tools). It receives the activity reports and the summary of the significant internal auditor's individual recommendations and management's plans for their implementation.
  - ✓ The external auditor presents his audit work plan to the audit committee and informs the audit committee of his/her audit conclusions and recommendations.
  - ✓ The audit committee regularly discusses:
    - a) The functioning of the internal control system
    - b) The activities of the internal audit department
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Risk areas of the institution's operations to be covered in the scope of the internal and external audits that year

- a) The reliability and accuracy of the financial information provided to management and external users
- b) Any material accounting or auditing concerns identified as a result of the external or internal audits and
- c) The bank's compliance with legal and regulatory provisions, its articles of association, charter, and by-laws, and the rules established by the board of directors.

## Internal Bank audit report

Internal auditors typically issue reports at the end of each audit that summarize their findings, recommendations, and any responses or action plans from management. An audit report may have an executive summary—a body that includes the specific issues or findings identified and related recommendations or action plans, and appendix information such as detailed graphs and charts or process information.

- a) Condition: What is the particular problem identified?
- b) Criteria: What is the standard that was not met? The standard may be a company policy or other benchmark.
- c) Cause: Why did the problem occur?
- d) Consequence: What is the risk/negative outcome (or opportunity foregone) because of the finding?
- e) Corrective action: What should management do about the finding? What have they agreed to do and by when?

The recommendations in an internal audit report are designed to help the organization achieve effective and efficient governance, risk and control processes associated with operations objectives, financial and management reporting objectives; and legal/regulatory compliance objectives.

Audit findings and recommendations may also relate to particular assertions about transactions, such as whether the transactions audited were valid

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*authorized, completely processed, accurately valued, processed in the correct time period, and properly disclosed in financial or operational reporting, among other elements.*

Under the IIA standards, a critical component of the audit process is the preparation of a balanced report that provides executives and the board with the opportunity to evaluate and weigh the issues being reported in the proper context and perspective. In providing perspective, analysis and workable recommendations for business improvements in critical areas, auditors help the organization meet its objectives.

- a) **Quality** of Internal Audit Report
- b) **Objectivity** - The comments and opinions expressed in the Report should be objective and unbiased.
- c) **Clarity** - The language used should be simple and straightforward.
- d) **Accuracy** - The information contained in the report should be accurate.
- e) **Brevity** - The report should be concise.
- f) **Timeliness** - The report should be released promptly immediately after the audit is concluded, within a month.

By  
Name-Rohit Shivaji Kadu  
Registration Number-WRO0525881

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**Events of the Month March 2018**

DATE	EVENTS	SPEAKERS	VENUE
20.03.2018	CA Students Educational Tour	<b>1.Mr Harish Sethia</b> Trainer	NATIONAL STOCK EXCHANGE, Mumbai
17.03.2018	<b>Mock Test Paper – series 1</b> Foundation, Intermediate & IIPC & Final (Old Course)		ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI

### FORTHCOMING EVENTS IN MONTH OF APRIL 2018

DATE	EVENTS	SPEAKERS	VENUE
02.04.2018	How to be a successful Examinee ?	CA. S.B. ZAWARE	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
12.04.2018 to 20.04.2018	<b>Mock Test Paper – series 2</b> Foundation, Intermediate & IIPC & Final (Old Course)		ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
16.04.2018	Counselling Session - Intermediate & IIPC	CA. KOMAL BAHETI	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
17.04.2018	Counselling Session - Final ( New & Old Course)	CA. KOMAL BAHETI	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
17.04.2018	How to face IPCC/ Final Exam ?	CA. KOMAL BAHETI	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI

**Events Snapshot**



Educational Tour at National Stock Exchange, Mumbai



CA Students visit to WIRC Mumbai.



Mock Test Paper



Mock Test Paper

## Editorial Board

**CA. Amod Bhate**  
Chairman

**CA. Yuvraj Taware**  
WICASA Chairman

**Raj Badiyani**  
WICASA Secretary

### **WICASA PIMPRI CHINCHWAD BRANCH OF WIRC OF ICAI**

**ICAI Bhawan Plot No. 17/8 A, at Nigdi, Dattanagar, Near Bhakti Shakti chowk, Dehuroad  
Cantonment Board, Behind Indian Oil Petrol Pump, Pune 411044.**

**Contact No: 8237119977**

**Email:- [pimpri.chinchwad@icai.org](mailto:pimpri.chinchwad@icai.org), [pimpriicai@gmail.com](mailto:pimpriicai@gmail.com)**

**Website:-<http://pimprichinchwad-icai.org/>**

### **Instructions**

- **Update Contact Number and e-mail ID with the branch.**
- **Please contribute to Students Newsletter in the forms of Articles, Compilations or any other useful information.**

### **DISCLAIMER**

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