

## **INSPECTION DEPARTMENT CENTRAL OFFICE**

Inspection Department was set up along with the formation of the Reserve Bank of India in 1935.

### **Objectives**

The objectives of the Department are:

- ❖ To assess in clear terms the achieved and achievable performance of the Offices/branches and Central Office Departments with the available resources.
- ❖ To suggest appropriate improvements so that performance level could be enhanced further.
- ❖ To oversee the overall Audit function and its various mechanisms put in place.
- ❖ To give feedback to the Top Management on the performance of Offices and Central Office Departments.

### **Streams of Inspection in the Bank**

Presently, the following types of inspections are carried out/co-ordinated by the Inspection Department as per the periodicity indicated against them.

- Management Audit & System Inspection
- Information System Audit
- Snap Audit
- Concurrent Audit
- Control Self Assessment Audit

### **Management Audit & System Inspection**

Under the Management Audit and System Inspection (MA & SI), the inspection teams examine, evaluate and report on the adequacy and reliability of the existing systems and follow-up to ensure that laws, regulations, internal policies and procedures are meticulously followed and the work is carried out as per defined procedures and Central Office instructions. Apart from conducting systems inspection, the teams also conduct management audit under which the effectiveness of organisational goals, delegation of power, customer service in the department/office, management efficacy, etc., is judged. As per the current practice, inspection of regional offices and training establishments are taken up once in 15-18 months and that of central office departments/associate institutions (Bharatiya Reserve Bank Note Mudran Limited and Deposit Insurance and Credit Guarantee Corporation) are taken up once in 24-30 months. Sensitive critical departments, viz., Department of External Investments and Operations and Internal Debt Management Department are inspected annually.

### **Information System Audit**

Information Security (IS) audit is also carried out concurrently with Management Audit and System Inspection.

### **Snap Audit**

Inspection Department, Central Office, oversees the functioning of the internal audit systems with a view to consolidating and co-ordinating all the activities relating to Concurrent Audit (CA) and Control Self Assessment Audit (CSAA) undertaken at all the offices of the Reserve Bank and ensure its smooth functioning. To achieve the objectives, the Department undertakes off-site monitoring as well as on-site scrutiny, wherever necessary. Off-site monitoring is undertaken by obtaining periodical returns from offices, scrutinising the same and initiating follow-up as deemed appropriate. By way of on-site scrutiny for overseeing the arrangement of concurrent audit and CSAA System in the Reserve Bank, the snap audit is conducted in all the regional offices/central office departments/training establishments periodically (say once in a year).

### **Concurrent Audit**

As a part of internal control mechanism, all the regional offices/central office departments/training establishments were advised by the Department to get their transactions (mainly financial transactions) audited by an external chartered accountant firms, concurrently with the occurrence of such transactions. The regional offices/central office departments/training establishments need to get approval from Inspection Department for appointment of such chartered accountant firms.

### **Control Self Assessment Audit**

To enable all the regional offices/central office departments/training establishments to carry out regular health check-ups and assess weaknesses, so that timely reviews are made and corrective action taken/initiated, CSAA was introduced by the Department in 1999. All regional offices/central office departments/training establishments were advised to carry out the exercise twice in a year, i.e., for the half-year ended June and December every year. The compliance in this regard is seen during snap audit/MA & SI.

### **Risk Based Inspection/Audit (RBIA)**

The Department may undertake risk based internal inspections with a view to providing an independent and objective opinion to the Management as to whether the Bank's business processes and risks are being properly managed. The RBIA methodology and procedures would be developed and reviewed from time to time to provide:

- i) Assurance about the management of business processes based on risk focused assessments to review the availability, appropriateness and effectiveness of controls and reporting thereof.
- ii) Assurance that the processes used to identify, monitor and report all significant risks are effective, risks are correctly assessed and mitigation measures are in place.
- iii) Necessary support to development and establishment of an appropriate risk management framework.

### **Technology Audits**

The Department may carry out Technology Audit of systems, platforms, services, and technologies etc. as per directions of Central Board/ IASC/ Top Management, on receipt of request from Business owner Departments/User Departments/DIT, CO or,

as felt necessary by Inspection Department considering the criticality/importance of operations/system, with external assistance, wherever warranted/required, with due approvals.

### **Certifications**

The Department is entrusted with the task of co-ordinating the efforts for outsourcing Certifications as per international standards like, International Standards Organization (ISO) across selected work areas/Departments with effect from September 2004. The various activities undertaken by the Department in this regard are:

(a) To arrange and co-ordinate the implementation of various international standards in the domain of Quality Assurance, Management, Risk Assurance, Information Technology/Information Security etc. as decided by the Bank from time to time.

(b) To arrange sustenance of (a) above through implementation of necessary internal controls and audits as appropriate.

(c) To engage in research and development activities relating to the implementation of various international standards in the domains of quality assurance, management, risk assurance, information technology/information security etc, so as to keep the Bank's internal control, quality and risk assurance systems at par with international standards/best practices/methodologies (e.g. development of a risk based internal inspection methodology).

(d) To arrange for implementation of standards/best practices as mentioned in (c) above, as considered appropriate, with requisite approvals.

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