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Risk-Based Audit Approach In The  
Internal Audit Department  
Of A Financial Institution  
(A Qualitative Study)

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## **ABSTRACT**

Traditionally, the internal auditing approach has been very procedures or process driven. Lately, however, there is greater emphasis on the risk-driven approach in an attempt to achieve greater effectiveness and efficiency in internal auditing. This new approach which is risk-driven is called Risk Based Auditing. A risk-based audit focuses on the organization's business risks, that is, risks which can affect a company's profitability and which hold the key to its survival. To analyze this risk, the internal auditor has to look into the working of the company to understand how it operates, and the short and long term business risks the company faces. In doing so, the auditor can also provide management with an independent assessment on the way risks exposed by the company are being managed and mitigated based on all of the risk factors affecting a particular business.

This research paper evaluates the differences between the traditional audit approach and the risk based auditing approach. In addition, it reviews the problems and challenges faced in the implementation of the risk based auditing approach in a local financial institution. This research paper also provides possible recommendations to enable a smoother transformation from a traditional audit approach to a risk based auditing approach. From the study, it is concluded that the internal audit profession, like many other professions, is confronted with the challenge of reinventing itself as a result of powerful external environmental and organizational forces. The underlying rudder for the transformation from a process or procedures driven audit approach to a risk-based auditing approach is that internal auditors should seek to add value to the organization by embracing these forces of change and expanding their role of internal auditors in organizations.

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