

## MODULE SPECIFICATIONS

### Bank Audit Practices (BKA)

**Level of Study:** Specialist (Level 2) — Specialised Module

**Effective date:** 1 September 2023

**Version:** 3.1

*Inclusion of qualification time limit in Section F and module time limit in Section G*

#### A. Module Aim

The Bank Audit Practices (BKA) module aims to equip bank internal auditors with the essential tools and techniques used for various purposes in the audit process and includes practical guidance on sampling, handling resistance, decision-making and issues. Contents cover core framework and methodology in the critical areas of Credit, Treasury, IT, Governance, Liquidity, Strategy, AML, Compliance, etc. In addition, a comprehensive chapter on IT risks and audit is included to elaborate the risks and cyber threats to banks and the internal controls that need to be in place against such risks.

#### B. Learning Outcomes (LO)

Upon completion of this module, candidates will be able to:

LO1 – Relate the interplay of the international banking regulatory system in relation to the Malaysian regulatory system

LO2 – Demonstrate knowledge on the main Basel and Malaysian central bank regulations which will come into force by 1 January 2023 and the regulations during the transitory phase before that date

LO3 – Recognise the values, philosophy and practice set out in the International Professional Practices Framework (IPPF) comprising the Definition, Mission, Code of Ethics, Core Principles and Standards of Internal Auditing

LO4 – Relate the knowledge of the international internal auditing standards in conjunction with the internal control framework to identify the robustness of corporate governance, risk management and internal control

LO5 – Apply the knowledge of the internal audit and internal control frameworks to plan and carry out an internal audit engagement which is in accordance with IIA Standards and current best practice

LO6 – Explain the tools and techniques applicable to audit fieldwork and control analysis

LO7 – Explain how Shariah Audit process is integrated with other audits

LO8 – Explain the risks in Investment Banking Services

LO9 – Apply the principles of an integrated internal control framework to an end-to-end audit process on Credit Management and Operations

LO10 – Relate the principles of an integrated internal control framework to an end-to-end audit process on the WFM function

LO11 – Evaluate the robustness of the bank's risk management system against fraud

LO12 – Relate an end-to-end audit process based on the principles of an integrated internal control framework to evaluate the compliance against regulatory standards of the bank's Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT)

LO13 – Explain how the risk audit assists banking organisations to evolve an effective approach to the identification, measurement, monitoring, and control of risks

LO14 – Explain the control measures in the management of Information Technology (IT) risks and cyber security threats in banking.

### C. Learning Method

A combination of methods can be adopted that includes but not limited to:

- Workshops
- Discussions
- Seminars
- Self-study

### D. Assessment

Examination (Pearson-Vue Online)	MCQ	Written	Assignment
Duration	3 hours		
Format	75 questions <ul style="list-style-type: none"> <li>• 50 independent MCQs, and</li> <li>• 25 scenario-based MCQs</li> </ul>		
Passing mark	60%		

### E. Syllabus Outline

#	Learning topics	Learning outcomes (LO)	Assessment criteria
1	The Basel Accords 1.1 Pillar 1 minimum capital requirements 1.2 Pillar 2: Basel II Supervisory Review 1.3 Pillar 3 of Basel III: Public disclosure (market discipline) 1.4 Basel III (2010 – 2011)	LO1 – Relate the interplay of the international banking regulatory system in relation to the Malaysian regulatory system. LO2 – Demonstrate knowledge on the main Basel and Malaysian central bank regulations which will come into force by 1 January 2023 and the regulations during the transitory phase before that date.	1. Illustrate the main thrust in developing regulatory environment and the requirements that banks need to prepare to meet the new capital requirements. 2. Identify current main elements of Basel II and Basel III requirements and the transitory applications in Malaysia until 1 January 2023. 3. Plan the audit framework using the COSO framework to assess the effectiveness of the capital adequacy system’s compliance with the new regime.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
2	<p>Overview of the professional practices and principles of internal auditing</p> <p>2.1 The approach of this updated syllabus</p> <p>2.2 Code of ethics and professional conduct (COE)</p> <p>2.3 Overview of the international standards</p> <p>2.4 Standards requiring extended commentaries</p> <p>2.5 Limits</p> <p>2.6 Internal audit policies and procedures manual</p> <p>2.7 International standards for the professional practice of internal auditing (Standards)</p> <p>2.8 Performance Standards</p>	<p>LO3 – Recognise the values, philosophy and practice set out in the International Professional Practices Framework (IPPF) comprising the Definition, Mission, Code of Ethics, Core Principles and Standards of Internal Auditing.</p>	<ol style="list-style-type: none"> <li>1. Explain the nature of the internal audit’s systematic and risk-based approach in evaluating an organization’s core areas of governance, risk management and control.</li> <li>2. Apply the International Professional Practices Framework and the International Standards for the Professional Practice of Internal Auditing.</li> <li>3. List what are the Core Principles, Code of Ethics and Standards issued by IIA to guide the practice of internal auditing.</li> <li>4. Describe the mandatory requirements of an internal audit and consultancy engagement.</li> </ol>
3	<p>Corporate governance</p> <p>3.1 Corporate governance</p> <p>3.2 Governance and the control environment</p> <p>3.3 Internal control frameworks</p> <p>3.4 Introduction to governance audit</p> <p>3.5 Determining the scope of the governance audit</p> <p>3.6 Objectives of the governance audit</p> <p>3.7 The governance audits</p> <p>3.8 Additional duties of the board</p>	<p>LO4 – Relate the knowledge of the international internal auditing standards in conjunction with the internal control framework to identify the robustness of corporate governance, risk management and internal control.</p>	<ol style="list-style-type: none"> <li>1. Explain what effective governance is in banks.</li> <li>2. Describe the internal auditor’s role in the governance process.</li> <li>3. Describe how COSO and BNM Guidelines relate to each other</li> <li>4. Relate the principles and guidelines of BNM and COSO to identify required improvement areas in governance, risk management and internal control.</li> <li>5. Illustrate how governance auditing can set the scope of an effective control environment.</li> <li>6. Summarise the findings in a recommended format.</li> </ol>

#	Learning topics	Learning outcomes (LO)	Assessment criteria
4	<p>The internal audit processes</p> <p>4.1 The risk universe analysis</p> <p>4.2 Collaborative auditing</p> <p>4.3 The audit engagement steps</p> <p>4.4 Preventing audit risks by using disciplined approach</p> <p>4.5 Establishing and reporting internal control deficiencies</p> <p>4.6 Meeting resistance during fieldwork</p> <p>4.7 Setting out the audit findings</p> <p>4.8 Coverage of the audit</p> <p>4.9 The internal audit reports</p> <p>4.10 Good auditing: A quick checklist</p>	<p>LO5 – Apply the knowledge of the internal audit and internal control frameworks to plan and carry out an internal audit engagement which is in accordance with IIA Standards and current best practice.</p>	<ol style="list-style-type: none"> <li>1. Construct the sequence of main steps in the audit process.</li> <li>2. Recognise the considerations and the use of the COSO framework to plan and carry out an effective internal audit engagement.</li> <li>3. Explain the components, structure, and the reason behind each step of an audit and their links to the final audit report.</li> <li>4. Report an audit finding in a collaborative internal audit approach.</li> </ol>
5	<p>Internal audit tools and techniques</p> <p>5.1 Useful audit tools and techniques</p> <p>5.2 Risk identification</p> <p>5.3 Fieldwork tools</p> <p>5.4 Risk summary analysis and presentation</p> <p>5.5 Sampling</p>	<p>LO6 – Explain the tools and techniques applicable to audit fieldwork and control analysis.</p>	<ol style="list-style-type: none"> <li>1. Illustrate the various types of tools and techniques for use in audit fieldwork.</li> <li>2. Use the appropriate tool(s) and technique(s) at various stages of the audit process.</li> <li>3. Explore the modified tools required in the wake of the Covid-19 Pandemic.</li> <li>4. Explain the analysis of the audit findings and conclusions using the COSO framework.</li> </ol>
6	<p>Audit process in Islamic banking</p> <p>6.1 Islamic banking</p> <p>6.2 Islamic banking legislation</p> <p>6.3 Introduction</p> <p>6.4 Islamic banking in Malaysia</p> <p>6.5 The Shariah Governance Framework</p> <p>6.6 Shariah procedure manuals</p>	<p>LO7 – Explain how Shariah Audit process is integrated with other audits.</p>	<ol style="list-style-type: none"> <li>1. Interpret the main Shariah contracts and their requirements.</li> <li>2. Explain the main Shariah risks.</li> <li>3. Explain the structure for managing Shariah risks.</li> <li>4. Plan how Shariah Audit process is conducted.</li> </ol>

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	6.7 Integrating the Shariah audit and other audits 6.8 Shariah non-compliance reporting 6.9 Shariah audit process 6.10 Shariah new product development 6.11 Resolutions of Shariah Advisory Council of Bank Negara Malaysia		
7	Audit process in investment banking 7.1 Definition of investment banking 7.2 Areas of operations 7.3 The risks in investment banking services 7.4 Excessive bonus remuneration 7.5 Famous investment banking failures and scandals 7.6 Malaysian investment banking guidelines 7.7 Applicable BNM guidelines 7.8 Auditing investment banks	LO8 – Explain the risks in Investment Banking Services.	1. Explain the risks in Investment Banking Services. 2. State the Malaysian Investment Banking Guidelines including those on climate change.
8	The credit management and operations audit 8.1 Objective and importance of the credit function 8.2 Framework for the establishment of credit objectives and operations 8.3 Governance and the credit risk appetite 8.4 The credit plan process 8.5 Assessing the department's control environment 8.6 An end-to-end audit 8.7 Part A: Credit management system audit	LO9 – Apply the principles of an integrated internal control framework to an end-to-end audit process on Credit Management and Operations.	1. Use Bank Negara Malaysia (BNM) guidelines on risk governance, credit risk and IIA standards to prepare risk assessment fieldwork on credit management. 2. Interpret the detective internal controls for compliance to lending rules. 3. Evaluate the objectives and performance of the lending and credit control functions in commercial and corporate lending.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	8.8 Part B: Controls and results audit 8.9 Part C: Integrating the findings from Part A (System) and Part B (Results) 8.10 Auditing the credit function 8.11 The final report 8.12 Writing the audit summary		
9	The wholesale financial markets (WFM) internal audit 9.1 Introduction 9.2 Part A 9.3 Control environment and risk assessment 9.4 Part B 9.5 Part C – Bringing the findings in Part A (System) and Part B (Results) together 9.6 Writing the audit summary 9.7 IFRS9 (MFRS9)	LO10 – Relate the principles of an integrated internal control framework to an end-to-end audit process on the WFM function.	<ol style="list-style-type: none"> <li>1. Explain the governance and risk assessment in the WFM Process</li> <li>2. Explain the audit of the WFM Management System</li> <li>3. Explain the internal control activities to be audited</li> <li>4. Determine communication and monitoring activities</li> <li>5. Evaluate the performance of the banking institution’s WFM operations to establish the WFM objective.</li> </ol>
10	Fraud prevention management internal audits 10.1 What is fraud risk? 10.2 The impact of financial fraud 10.3 Difference between internal control and fraud prevention 10.4 Fraud prevention coverage by internal controls 10.5 Why and when do we need a fraud prevention audit? 10.6 Organising and executing the fraud prevention management audit	LO11 – Evaluate the robustness of the bank’s risk management system against fraud.	<ol style="list-style-type: none"> <li>1. Explain how the Institute of Internal Auditors (IIA), Committee of Sponsoring Organization (COSO) and Bank Negara Malaysia (BNM) guidelines on fraud risk can be applied to fraud prevention and detection.</li> <li>2. Explain the segments in the audit of the fraud prevention risk management system.</li> <li>3. Apply the principles to conduct a Fraud Risk Management Audit.</li> <li>4. Apply the principles to conduct an investigation.</li> </ol>

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	<p>10.7 The investigation processes</p> <p>10.8 Writing the fraud prevention management audit report</p>		
11	<p>The Anti-Money Laundering (AML) internal audit</p> <p>11.1 Auditing the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) System</p> <p>11.2 A systems audit</p> <p>11.3 The objective and importance of the AML function</p> <p>11.4 Governance and the AML risk appetite</p> <p>11.5 Part A – Auditing the AML/CFT management system</p> <p>11.6 Part B</p> <p>11.7 Writing the AML/CFT report</p> <p>11.8 Presentation using a HEAT map</p>	<p>LO12 – Relate an end-to-end audit process based on the principles of an integrated internal control framework to evaluate the compliance against regulatory standards of the bank’s Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT).</p>	<ol style="list-style-type: none"> <li>1. Interpret the regulatory guidelines on AML and CFT.</li> <li>2. Appraise the IIA standards and the integrated internal control framework to ascertain effectiveness of risk management, governance structure and internal control activities.</li> <li>3. Explain the internal controls activities of risk mitigation, technological support, and policies and procedures for compliance to AML and CFT.</li> <li>4. Explain the components of an audit report.</li> <li>5. Outline the BNM/RH/PD 030-3 “transactions that should trigger suspicion”.</li> </ol>
12	<p>The risk management audit</p> <p>12.1 Definition of risk management</p> <p>12.2 The need to audit risk management</p> <p>12.3 Lessons from the global financial crisis</p> <p>12.4 Starting the internal audit of risk management</p> <p>12.5 Part A: The control environment</p> <p>12.6 Part B: Auditing the core body of the risk management process</p> <p>12.7 Part C: Review of information,</p>	<p>LO13 – Explain how the risk audit assists banking organisations to evolve an effective approach to the identification, measurement, monitoring and control of risks.</p>	<ol style="list-style-type: none"> <li>1. Explain the nature of risk management and the main areas and classifications of risk in the banking industry.</li> <li>2. Explain the importance of effective risk management in identifying and managing bank risk, including the benefits of the enterprise risk management approach.</li> <li>3. Apply the international standards when setting objectives for the risk management audit.</li> </ol>

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	<p>communication, and monitoring</p> <p>12.8 Stress testing</p> <p>12.9 Model validation</p> <p>12.10 Setting out the risk management audit findings</p> <p>12.11 The audit conclusion or opinion</p>		<p>4. Review the effectiveness of the risk management framework and the system of bank using the COSO Framework.</p> <p>5. Explain Risk Management Information and Reporting</p> <p>6. Explain the basic elements of stress testing and model validation.</p>
13	<p>Information technology (IT) Risks and Audit</p> <p>13.1 Introduction to IT audit</p> <p>13.2 Banking and IT</p> <p>13.3 IT Risk Management Framework</p> <p>13.4 Cybersecurity</p> <p>13.5 The New Risks – Working From Home</p> <p>13.6 COBIT 2019 Overview</p> <p>13.7 Other IT Framework and Standards</p> <p>13.8 Conclusion</p>	<p>LO14 – Explain the risks of information technology applications in banking operations, of cyber –security applications and how to audit the effectiveness of the governance and management controls put in place to manage these risks.</p>	<p>1. Describe information system and its application in banking.</p> <p>2. Describe the role of an IT auditor and IT risks in banking.</p> <p>3. Describe the Difference between IT General Controls and Application Controls.</p> <p>4. Describe Business Continuity Management Readiness, Business Impact Analysis, BCP and Crisis Management.</p> <p>5. Describe cybersecurity and the risk of cyber threats to banks.</p> <p>6. Know what Enterprise Governance over Information and Technology (EGIT) is.</p> <p>7. Evaluate application of the new COBIT 2019 framework and methodology for auditing EGIT.</p> <p>8. Describe the main IT risks using the COBIT 2019 framework.</p> <p>9. Prepare an overall IT Audit Engagement Plan.</p> <p>10. Identify the annual main IT audit and its adjunct IT audits.</p> <p>11. Identify a consistent audit rating system to rate IT processes in an EGIT.</p>



## F. Qualification Time Limit

The qualification time limit refers to the time allocated to candidates to complete all the required modules for a certificated programme at the respective level of study. Candidates must complete the programme within the stipulated qualification time limit upon enrolment, failing which they will lose all the passes accumulated and must re-apply to the programme.

The qualification time limit for Level 2 Specialised Certificated Programmes is **24 months**.

## G. Module Time Limit

The module time limit refers to the time allocated to candidates to complete and pass the module after successful registration.

The module time limit starts once candidates have successfully registered to a module. The module time limit for this module is **12 months**. Please make sure you complete your module before the module time limit expires. Candidates who did not complete within the module time limit are required to re-register the module with full payment.

For more information on the qualification and module time limit, please refer to the [AICB Membership and Qualification Regulations](#).