The internal auditing contribution to tax non-compliance risk management in the banking sector

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Abstract :
This research aims to understand the internal auditing contribution to tax non-compliance risk management in the bank. To this end, an exploratory study was carried out using a questionnaire. The results indicate that internal auditing represents a monitoring tool that ensures the ongoing effectiveness of the process established to control the risk of tax non-compliance within the banking institution.

Keywords: InternalAuditing;taxnon-compliance risk; Bank.

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1. Introduction

To ensure the economy stability, it is essential to continually monitor the equilibrium of banking sector that provides financing to it, especially in developing countries where financial markets are not yet sufficiently efficient.Past financial crises, which quickly turned into economic crises[1],have already highlighted this close connection. Furthermore, by providing financial intermediation, banks face a variety of risks, both financial and non-financial. In addition, banking institutions have also to deal with systemic risk generated by financial globalisation, which has increased their vulnerability.

In this regard, and to control these various banking risks, internal and external mechanisms have been put in place. Knowing that all these mechanisms represent the banking governance system, the main component of which is the banking supervisory authority. As a result, the bankmust set up an appropriate system to comply with legislative and regulatory framework that governing banking activity. In this context, it remains essential to continuously ensure the existence, effectiveness, and adaptability of this system for banking non-compliance risk management. To achieve that, the governance bodies involve other control instruments designed especially to reinforce the control system already in place.

Based on the above, this research aims to answer the following question**: “how does internal auditing contribute to non-compliance risk management in banks?”**. This question encompasses a set of sub-questions which are the following:

- Is internal auditing important for the banking risks control?
- Is the non-compliance risk one of the major banking risks?
- What are the tasks assigned to internal auditing to improve tax non-compliance risk management within banks?

Therefore, the fundamental objective of this study is to understand how internal auditing contributes to the tax non-compliance risk managementprocessin banking practice.

To carry out this research, we considered it necessary to first present a review of the literature to introduce basic notions on “the tax non-compliance risk in banks” and “internal auditing”. Then, for the empirical section, we conduct an exploratory survey with a well-identified group of participants.

1.1. the tax non-compliance risk management in banks:

To understand the notion of « tax non-compliance risk in banks", it is important to define some fundamental concepts.

1.1.1. Definitions :

1.1.1.1. The risk :

First, etymologists have not yet agreed on the origin of the term "risk". For some researchers, it comes from the Italian word "*risco*" which means "*danger*". For others, it is derived from the Latin word "*resecum*" which means "*the good or bad luck of a soldier*" (MAGNE, 2009).

Secondly, for the meaning of this concept, (BESSIS, 1995) considers that risk is "*the uncertainty that weighs on the results and losses that are likely to occur when environmental changes are adverse*". Then, the COSO II standard had defined it as "*the possibility that an event will occur and have an adverse impact on the achievement of objectives*" (REDING, 2015). Therefore, risk is mainly related to two factors:"uncertainty" and "loss".

1.1.1.2. Riskmanagement :

On the one hand, (Baye, 1992)&(Meier, 2017)believe that risk management first appeared in 1916, with Fayol's organisation theory (the controlling function). On the other hand, for (Dionne, 2013), the risk management arrived in 1956, with the appearance of the first forms of insurance.Over time, this notion has expanded its intervention field to align itself with economic development.

According to the COSO[2] framework of 2004, translated by IFACI in 2005, risk management is a "*process implemented by the organisation employees to identify risks that threaten the objectives achievement*"(REDING, 2015).

In other words, risk management is a process set up within the organisation, at different hierarchical levels to identify, assess and control risks that may endanger the achievement of its objectives. Hence, it's a control mechanism.

1.1.2. Banking risks:

As mentioned in the introduction, the bank is exposed to a variety of risks that are generated mainly from its financial intermediation activity. Therefore, it mustimplement a risk management systemto achieve the desired profitability.

Based on our research, banking risks could be classified according to different criteria. Among them, we adopt, in this research paper, the criterion of “triggering event”. In other words, we distinguish between risks generated by voluntary position taken by the banking institution and risks that are not.

For that, banking risks can be classified into two categories as follows:

1.1.2.1. Financial risks :

This first category covers the risks resulting from the various positions taken by the bank as part of its normal activity[3]. In other words, these risks are voluntary taken by the bank in order to optimise its resources profitability.

This first family mainly encompasses the following risks: liquidity risk (Basel committee on banking supervision, 2008), solvency risk (BESSIS, 1995), credit risk (SARDI & JACOB, 2001), global interest rate risk, market risk and foreign exchange risk (SARDI & JACOB, 2001).

1.1.2.2. Non-financialrisks:

Contrary to the previous one, this second category gathers the risks to which the bank is exposed during the different banking transactions, arising from endogenous or exogenous factors (Charles-Edouard, 2018). This second group includes: operational risk (Basel committee on banking supervision, 2008), non-compliance risk, strategic risk (PIERANDREI, 2019), governance risk and notoriety risk (Siliadin, 2019).

Since this research focuses on the risk of tax non-compliance within banking institutions, we will attempt to define it and present its different control measures.

1.1.2.2.1. The risk of tax non-compliance at banks:

As we have just explained, the banking risk of tax non-compliance is a non-financial risk occurred by the bank when making its different transactions. It is a potential sanction resulting from non-compliance with legal provisions that governing the bank’s activity.

- **Banking non-compliance risk:**

The banking non-compliance risk has been defined by the Bank of Algeria as “*the risk of legal, administrative or disciplinary sanction, and the risk of significant financial loss or damage to reputation, which arises from non-compliance to necessary provisions specific to the activities of banks and financial institutions, whether legislative, regulatory or in the form of professional and ethical standards, or instructions from the executive body* *taken in particular in application of deliberative body guidelines*" Art. 02 : (BA, 2011).

As explained above, a sound banking sector is essential to economic balance and growth. For this reason, the regulatory authorities ensure its ongoing stability by means of a regulatory framework known as "prudential rules". This framework is essentially made up of a set of legislative and regulatory provisions, professional standards, ethical rules, internal instructions, and notes, etc.

On the one hand, several international institutions seek to standardise the regulatory framework for banking institutions. In this context, the Basel Committee, created in 1974, is considered as the main international reference for prudential standards governing banking activity. For that, the committee has published a framework, called "the Basel Accords", which consolidate minimum prudential standards, best practices, and guidelines. This framework has been revised several times (Basel I: 1988, Basel II: 2004 et Basel III: 2010) (VISNOVSKY, 2017, p. 02).

The first multinational agreement issued by the Basel Committeeintroduced the 1st solvency ratio, known as Cooke ratio [4], representing a liquidity margin. Then, some reforms were made (Basel II) to align the framework with economic development. According to BIS[5], theseagreementscombinedthreepillars :

- 1st pillar: minimum capital requirements (McDonough ratio [6], operational risk, etc).
- 2nd pillar: prudential supervision (internal assessment and monitoring methods).
- 3rd pillar : market discipline (financial communication).

Finally, (Titilokpé, 2018, p. 70) points out that the subprime crisis required another revision which had been introduced by the Basel III. Indeed, among other problems, the 2007 crisis caused: liquidity problems that turned into solvency problems, a decrease of the government revenue and an increase of sovereign debt risk. In order to reinforce bank's resilience, the Basel III established a set of recommendations (Basel Committee of banking supervision, 2010).

Certainly, the Basel committee efforts are of major importance in establishing an international framework for prudential standards specific for banking activity. However, the optional nature of these provisions requires the collaboration of local regulatory authorities to implement them at national banks and financial institutions. Furthermore, within each country, the main authority empowered to regulate the banking sector is “the central bank”.

In Algeria, Ordinance 03-11 of 26 August 2003 on money and credit provides the following three banking supervisory authorities: the Bank of Algeria, the CMC[7] and the CB[8]. Also, it sets out, among other things, the organisation, and responsibilities of each of these authorities and the general requirementscontrolling banking activities in Algeria.

As part of banking risk management, these supervisory authorities ensured that banks and financial institutions comply continually with legal minimum standards. On the one hand, the CMC is the deliberative body responsible for regulating the money market and activity requirementsfor banks and financial institutions. On the other hand, the Bank of Algeria is responsible for implementing the provisions already defined by the CMC. Finally, the CB acts as the disciplinary authority to ensure permanent compliance with these standards.

Consequently, banks, each at their own level, are required to guarantee their activity compliance with a legislative and regulatoryspecific framework. Hence, the permanent compliance with prudential standards will allow these institutions, on the one hand, to control the risks inherent in their business. On the other hand, to avoid possible disciplinary sanctions resulting from non-compliance which must be managed through specific systems.

- **Banking non-compliance risk management systems:**

According to (SARDI & JACOB, 2001), the banking risk management approach essentially includes six stages: identification, assessment, decision-making, operational management, monitoring, and reporting. These stages are carried out at different hierarchical levels within the bank through a set of specific systems. The same applies to non-compliance risk.

Therefore, in accordance with the legislative and regulatory banking framework, banks must establish a permanent compliance monitoring structure. Its main responsibilities are :

- Participating in the development of the bank’s internal control system.
- Implementing financial security measures (preventing, detecting, and combating money laundering, terrorist financing and fraud).

- Ensuring compliance with regulatory deadlines (periodic declarations or obligations).
- Ensuring the proper application of non-compliance risk control procedures within all bank's structures.
- Determining deontology and ethics rules applicable to employees.
- Communicate periodic activity reports to General Management and the Periodic control department.
- Monitor the implementation of recommendations made by supervisory and control bodies.
- Monitor regulatory changes and inform different structures of any significant update.
- collaborate with other structures to adjust in time the control system already established.
- Collaborating with other structures in validating new products and services.

To this end, various control mechanisms have been established at operational level of the bank to examine the new customers identity (KYC[9]), to trace international transfers (Solution integrated into SWIFT[10] / LAB-FT[11] system), to report suspicious to the CTRF[12] and to introduce hierarchical validation limits according to the transaction importance (e.g. credits). In addition, it is extremely important to sensitize and provide training for employees related to financial security.

- **The risk of tax non-compliance in banks:**

As well as complying with banking regulations, the bank, as a taxpayer, must also comply with **tax** laws and regulations. In this respect, it ensures that appropriate mechanisms are in place to control the resulting risk.

At this level of analysis, the risk of tax non-compliance withing banking institutions can be defined as the risk arising from non-compliance with tax regulations in force. In other words, this risk results when a taxpayer disrespect, voluntary or involuntary, its declaration or payment obligations (OCDE, 2004). Discrepancies identified by the tax authorities during an audit, whether documentary or on-site, will require tax adjustments (reminders of duties & penalties) and/or disciplinary sanctions (e.g. withdrawal of authorisation for specific tax regime).

Like other companies, banks are introducing measures to manage tax non-compliance risk. To do this, they must: define tax declaration and payment procedures, implement a specific risk management process, reconcile the documentation and archiving system with organisational and information accessibility needs, communicate with the tax authorities (e.g. request for tax advice and tax rescript), etc.

1.2. theinternal auditing contribution to tax non-compliance risk management in banking institutions:

Having already presented the concept of banking non-compliance risk, we will now try to highlight the internal auditing contribution to its specific management process.

1.2.1. Basic notions:

First, it is important to introduce the concept of "internal auditing".

1.2.1.1. Definition :

Auditing is an activity that has developed gradually to keep pace with economic change. Furthermore, for internal auditing, it emerged with the cost control policies adopted by organisations during the period of economic recession caused by the 1929 crisis (RENARD, 2010). Its field of intervention were then expanded gradually.

Besides, internal auditing is a control mechanism that helps to reduce the problems of asymmetric information between different parties involved. Accordingly, it has been defined by the two standard-setting institutes for internal audit practices, the IIA[13] & the IFACI[14], as "*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes*" (IFACI, 2012).

Although this previous definition has been the subject of several reservations expressed by certain researchers, such as Jacques RENARD, it is considered as the official definition of internal auditing.

To sum up, the internal auditing is an internal function within the organisation which, using a methodical approach, and with complete objectivity and autonomy, assesses its various processes (assurance) and supports decisions-making (advice).

1.2.1.2. Internal audit procedures:

Generally speaking, and to carry out their tasks properly, internal auditors work in accordance with a reference framework, essentially made up of internationally recognised standards and principles. In this respect, the IIA is the main institution dedicated to the international standardisation of professional internal auditing practices. In addition, many other structures[15], which are affiliated to this international association, operate at national/regional level to achieve the same objective. In addition to this standard-setting framework established by the IIA (IRFPP[16]), internal auditing practices also refer to a set of laws, regulations, and international standards[17].

It should be noted that the objectivity and independence of the internal audit function depends on its appropriate reporting line (Board of Directors/Audit Committee and/or Executive Management). The establishment of a clear, coherent, and comprehensive audit charter will enable the internal audit function to carry out its assigned tasks correctly. In accordance with the qualification's standards, there are two types of engagement (assurance and advisory engagements). All the assignments to be carried out over a year make up the annual audit plan, which is drawn up by the internal auditor based onarisk-based approach. It is then submitted to the Board of Directors/Audit Committee for approval.

We have already indicated that internal auditing must adopt a methodical approach. As a result, the internal audit assignment generally is carried out in three phases (planning, execution, and communication). During assignment, the internal auditor uses a set of descriptive tools (observation, functional organisation chart, etc.) or questioning tools (interview, statistical sampling, etc) to gather audit evidence, exploit the data gathered and validate the findings.

1.2.2. The importanceof internal auditing for tax non-compliance riskmanagement in banks, in accordance with COSO framework:

First of all, it is essential to establish an effective banking governance system to safeguard the interests of the bank's stakeholders. This system ensures that the business is kept under control by means of a range of internal & external mechanisms. In this respect, the governance bodies are obliged to ensure that a risk management system always exists and functions correctly.

Then, according to the model proposed by (REDING, 2015), the relationship between the corporate governance, risk management and internal control systems is one of ownership. In the banking context, this means that the internal control system is positioned at the centre of the banking risk management system, which is considered itself to be an integral part of the banking governance system.

Referring to the COSO framework, which stipulates that the internal control system is made up of a set of elements enabling it to achieve its operational, reporting and compliance objectives (COSO I). Among these components, this framework envisages a monitoring system that supervisors the correct operation of the entire internal control system already in place. Then, according to the three lines of defence model developed by the IIA, this monitoring system is responsible for both permanent and periodic controls.

On the one hand, permanent control is ensured by the first two defence lines (1st level of permanent control & 2nd level of permanent control). On the other hand, the 3rddefence line is responsible for periodic control, guaranteeing the highest degree of objectivity and autonomy thanks to its reporting line. In fact, this mission of objective and independent global evaluation represents the main obligation assigned to internal audit.

It is also important to mention that the relationship between risk management and internal control systems, as explained above, corresponds exactly to that introduced the COSO framework in 2004 (COSO II). in this respect, internal audit also provides the authorised bodies with overall assurance as to the risk management system reliability. As far as banking institutions are concerned, the Basel Committee has also insisted on the necessity to constantly monitor internal control system reliability to better control the risks associated with their business.

Overall, internal auditing is a component of the monitoring system that provides the governing bodies with a global, objective, and independent assessment of the reliability of the different banking systems of governance, risk management, and internal control. Then, for optimisation purposes, the internal auditing intervention is programmed according to a “risk-based approach”.

During his mission, the internal auditor must: check that the internal control systems already in place are working properly, reveal shortcomings likely to generate significant risk, report to the concerned bodies, and finally, issue recommendations to adjust the situation.

- **Tax audit:**

In a declarative tax system, the tax audit represents an essential instrument for managing the tax non-compliance risk. Unlike a tax control, this procedure is initiated by the taxpayer itself (the bank)to examine its compliance with current tax legislation and regulations. Also, as confirmed by (BEN HADJ SAAD, 2009), the tax audit is called upon to identify the opportunity risk relating to tax advantages, which the taxpayer risks missing out due to a lack of information. To carry out this tax audit, the taxpayer may call on an external expert (the tax consultant), assigned it to an internal structure (the internal audit) or combine between the two options for optimisation purposes.

Finally, the internal audit importance, as a monitoring instrument, is more accentuated in the banking sector given its specific characteristics (the risks inherent in the banking activity, shareholder-manager-depositor agency conflicts, regulator permanent intervention, the close connection with the economy, etc). All considered, the conclusions, formulated based on the literature review, must be verified with experts in the field of finance, in general, and banking, in particular, to provide reliable and practical answers to the research question.

2. Methods and Materials :

As a reminder, the research question is to **understand**the internal auditing contribution to tax non-compliance risk management in banks.As this is an exploratory study, we will try to provide some answers based on the interpretation of a group of participants who have accumulated relatively significant experience in the financial/banking field. To this end, this survey will be carried out through a qualitative questionnaire administrated by Internet.

For the simple chosen, the targeted group includes essentially experts working in the field, namely: members of the board of directors,general/deputy managers, internal auditors, internal controllers, risk managers, external auditors, and specialised researchers. In addition, the target profile can vary from junior to expert. Also, for a better reliability, participants should have some experience in a banking institution, a financial institution, supervisory authority[18] or a scientific institution. The sector (public/private), the legal form of the establishment (JSC[19]/others) and the location (in Algeria/abroad) are not determining factors in this study.

Finally, when choosing the method for processing the data gathered, it is important to ensure its compatibility with the research type and objective. And since advanced statistical analyses, to our knowledge and appreciation, are not well-matched to qualitative exploratory research, the data collectedprocessingwill begin with a flat sort, which will enable us to understand the responses distribution and illustrate them with graphical representations. We will then carry out a detailed analysis for these responses to identify any congruences.

3. Results and Discussion :

First and foremost, it is essential to check the responses' reliability to obtain credible results. Next, we will ensure that the respondents match the profiles initially targeted. Finally, we will analyse the information gathered to draw conclusions.

3.1. Examination of responses' validity :

Initially, the collected responses'validity can be examined as follows:

Table No.1 : collected responses' validity examination.

	Questionnaires distributed	Questionnaires collected (Answers)	Reliable questionnaires
Number	135	107	104
%	100%	78%*	97%**

Source :compiled by us using Excel.

*Reponse rate.

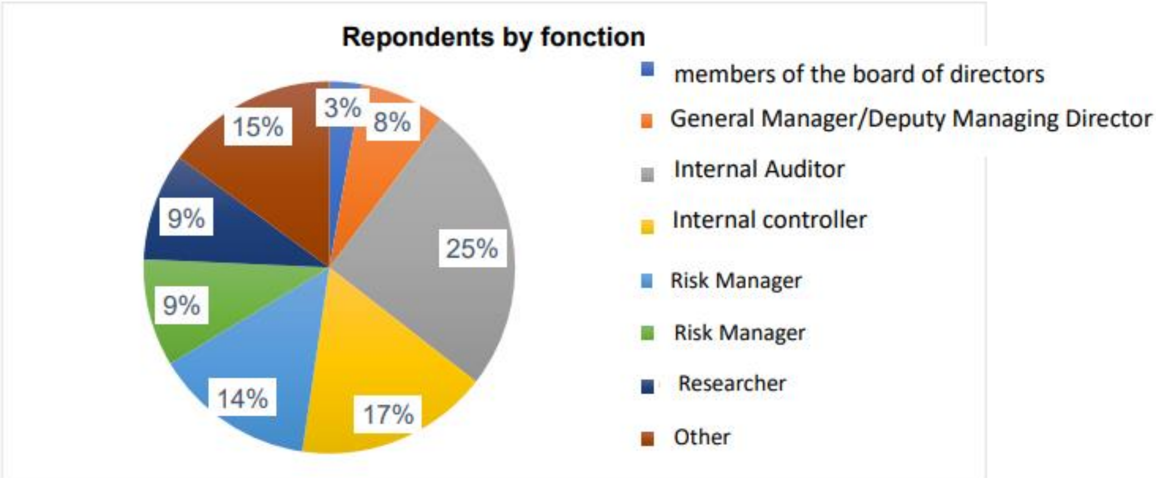
**Reliability rate of collected response.

Therefore, the number of participants in this study is considered acceptable. Also, three (03) responses were classified as unreliable due to their inconsistency (respondents must have sufficient knowledge related to this research).

In addition, this exploratory study will be used to gather information that will clarify the research problem. In this regard, the obtained results and conclusions can in no way be generalised.

3.2. Caracteristics of respondents:

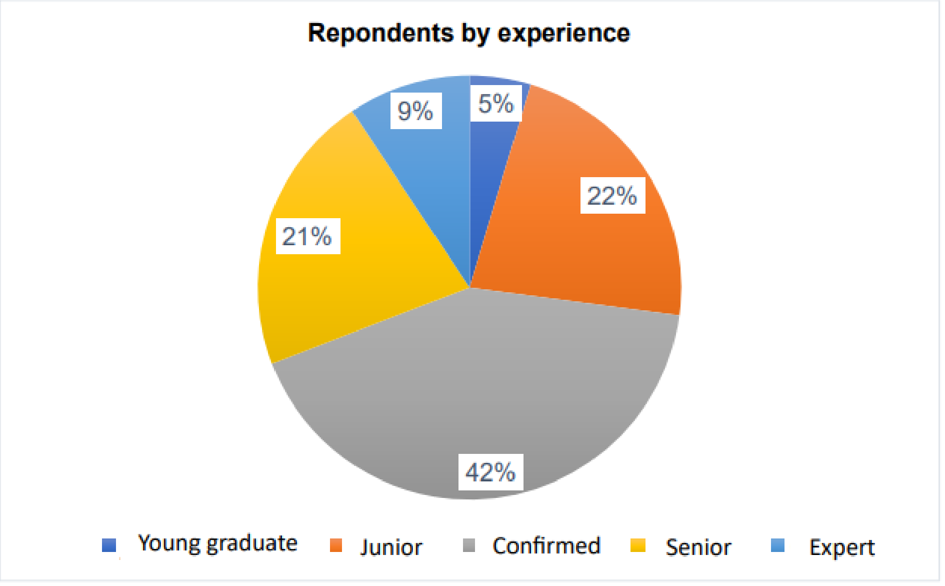
The questionnaire consists of three parts: 1st part covers the general questions used to identify participants' profiles to check whether they correspond to those previously targeted. 2nd part is the devoted to specific questions. And finally, the last section which is reserved for comments (optional).



Source : compiled by us using Excel.

From the pie chart above, we can see that:

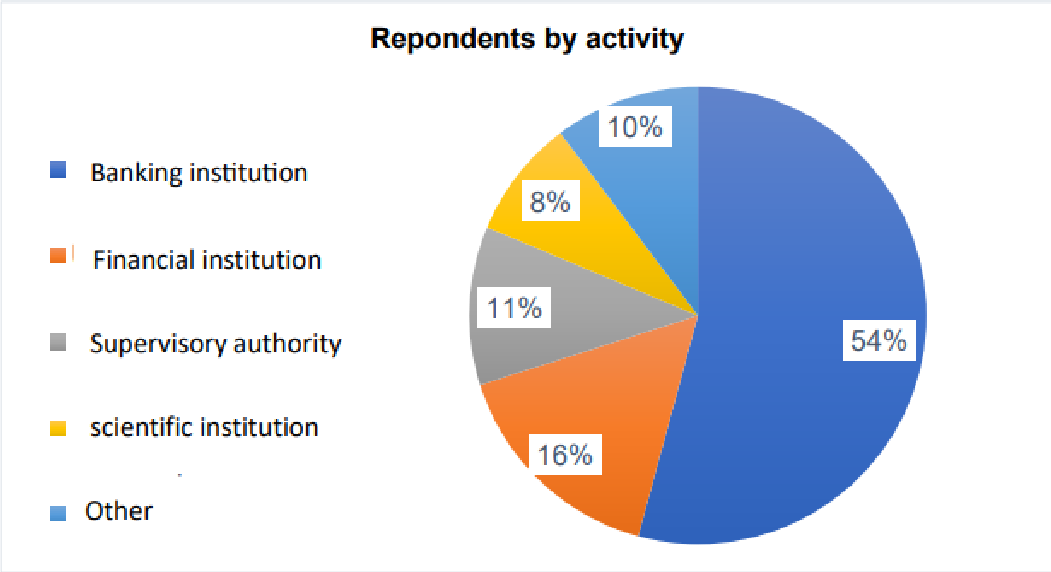
- The majority (85%) of respondents belonged to the profiles initially targeted.
- 25% of respondents are internal auditors.
- 11% of respondents hold positions of responsibility (governing body/management).



Source : compiled by us using Excel.

When we observe the pie chart above, we confirm that:

- The profiles initially targeted [junior to expert] was reached by 95% of all respondents.
- 30% of respondents have considerable professional specialised experience (seniors & experts).



Source : compiled by us using Excel.

An analysis of the results shown in the pie chart above reveals the following:

- A significant proportion (54%) of respondents are professionals from the banking sector.
- Most (90%) of participants work in one of the targeted activities.

After that, the table below shows the distribution of participants according to the sector (public/private) and legal form (JSC/others) of the employing establishment.

Table No.2: the distribution of participants according to the sectorand legal form of the employing establishment

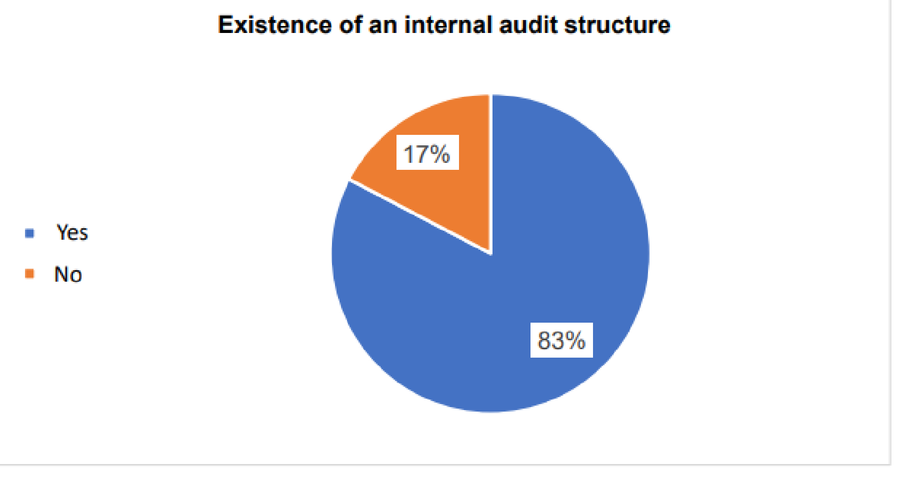
Title		Number	Percentage
Sector	Public	67	63%
	Private	40	37%
Legal form	JSC	78	73%
	others	29	27%

Source : compiled by us using Excel.

3.3. Analysis of the collected responses:

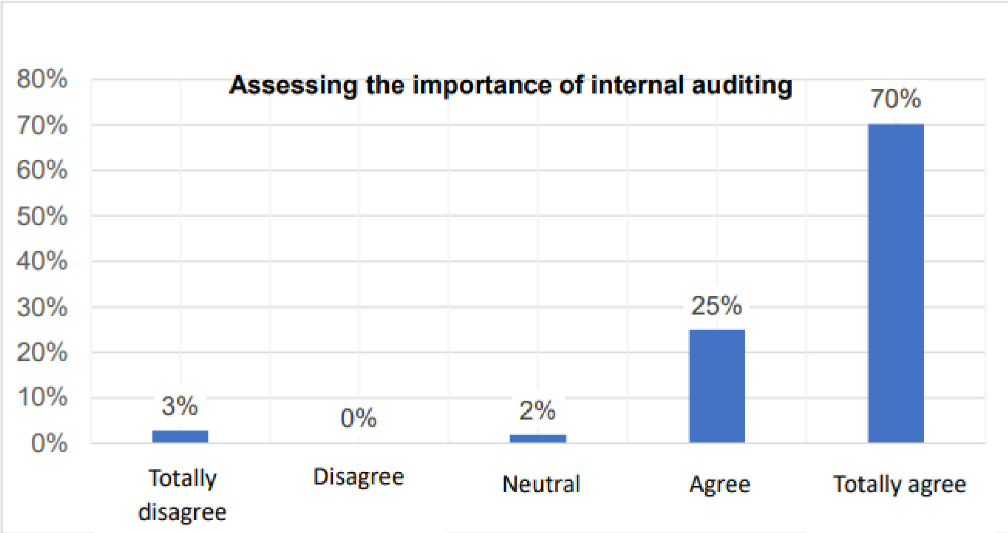
To begin with, the responses gathered were filtered to ensure the significance of the conclusions. Using a selective question, we identified three (03) respondents who did not fully understand "the banking non-compliance risk" concept. As a result, we eliminated these unreliable responses.

As shown in the pie chart below (please see next page), a significant proportion of respondents confirmed that the presence of an internal audit function within their employing organisation.



Source : compiled by us using Excel.

Their contributions will therefore provide useful answers to this research.



Source : compiled by us using Excel.

The majority (95%) of the participants also confirm the importance of internal auditing for banking risk management.

Table No.3: internal auditing role within the banking institution

The role assigned to internal audit	Seperate total of respondents
Other	1
Assessmenttool	86
Correctiontool	67
Preventiontool	68
Grand total	**104**

Source : compiled by us using Excel.

In the same context, respondents were asked about the role of internal audit within the banking establishment. And as this isaquiz [20], each respondent, depending on his assessment and experience, can make several choices among the available options previously indicated. Therefore, to have the exact number of respondents, the values have been summarized by separate totals (please see grand total in the previous table).

From the analysis of the responses summarized above, we conclude that most of the participants in this survey consider internal audit as an:

- **Assessment too**l that examines the existence and proper functioning of systems established to control major banking risks.

Similarly, a considerable number of the same participants confirmed that internal audit could also present a:

- **Preventive tool** that detects malfunctions and the resulting risks.
- **Corrective tool** that reports detected internal control failures and makes suggestions for improvement.

Then, using the criterion of “seriousness”, respondents ranked “banking non-compliance risk” in the 2^{nd} place, just after “financial & operational risks”. In this respect, it is essential to manage it by establishing the appropriate systems that function correctly and continuously.

Table No.4: Tasks assigned to internal auditing intax non-compliance riskmanagement within banks

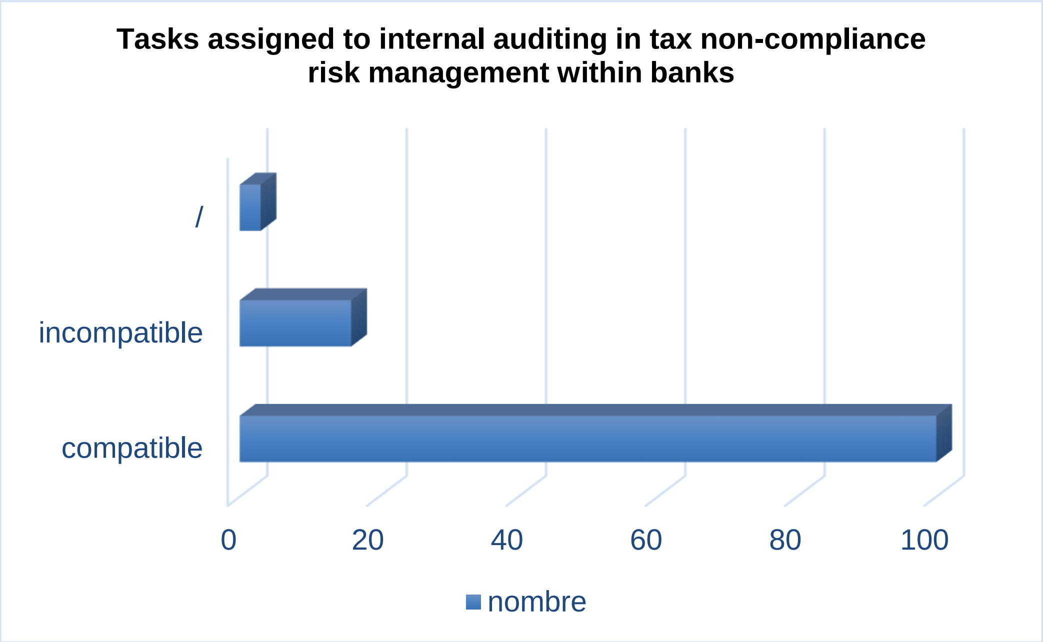
Tasks	Compatible / Incompatible
Introducing tax compliance monitoring system	Incompatible
Identifying the main mechanisms established to ensure tax compliance control	Compatible
Making decisions about the bank’s response to the risk of tax non-compliance once it has been identified	Incompatible
Communicating detected failures to governance bodies	Compatible
Examining the effectiveness of measures taken to control tax non-compliance risk	Compatible
Definingriskappetite	Incompatible
Other	/

Source : inspired of (IIA, 2009).

To conclude the survey, participants were asked to select one or more tasks that could be assigned to internal audit in tax non-compliance risk management within banks (please see table above). In addition to last option “other”, the selection list includes 06 tasks directly related to this risk management process. Given that only three of these tasks are compatible with internal audit as a monitoring mechanism (IIA, 2009).

This last question aims to identify any ambiguities among respondents (professionals/researchers) regarding tasks that could menace the objectivity and autonomy of internal audit.

As the horizontal histogram below illustrates, most selections were for tasks compatible with internal audit. And since some of participants selected tasks considered incompatible, we assumed that further investigation is required to determine the level to which the objectivity and



independence of internal audit may be at risk.

Source : compiled by us using Excel.

4. <u>Conclusion:</u>

To conclude, we recall that through this research, we tried to understand how internal audit contributes to the tax non-compliance risk management process within banks. To this end, and after presenting a literaturereview, the empirical study was carried out using an exploratory questionnaire distributed to a group of specialised experienced participants. After examining the reliability of obtained data, we began analysing the responses collected to answer the research question.

The information gathered is therefore considered to be relevant, given that the survey was able to reach the profiles targeted at the beginning. The participants also considered internal audit to be <u>an essential instrument</u> for managing banking risks. In the same context, they believe that it is designed for the purposes of prevention, evaluation, and correction. As far as evaluation and correction concerned, this is the purpose of internal audit as a monitoring instrument. In addition, internal audit can also be used for preventive purposes to ensure that all major risks are correctly identified, assessed, and covered.

Furthermore, the respondents consider the risk of banking non-compliance as one of the major risks that can threaten the banking institution's business, hence the need for an appropriate and effective control system. In this regard, the same interviewees believe that it is the responsibility of internal audit to monitor the operation of this system, without affecting its autonomy and objectivity. In other words, as part of the process of tax non-compliance risk management within banks, internal audit should perform only those tasks that are considered compatible with its characteristics.

Finally, it should be noted that internal audit is an essential monitoring tool, which is put in place to facilitate appropriate and timely decision-making. It makes a valuable contribution to the banking risk management processes.in addition to internal audit, the banking governance system is also reinforced by other internal and external mechanisms, such as: audit and risk committees, the legislator, the external audit, the tax advisor, etc.

In conclusion, the findings of this study have obviously provided practical clarification on the internal auditing contribution to tax non-compliance risk management in banks. However, a quantitative survey, of a representative sample, is recommended to be able to generalise the obtained results.

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[1]***The credit crisis of 1966:** the restrictive policy introduced by the Fed to control high inflation led to economic recession.

***The subprimes mortgage crisis of 2007:** the Fed's increase in interest rates led to the insolvency of many borrowers, the property market has deteriorated by about 20%, many banks declared bankruptcy, etc.

[2]Committee Of Sponsoring Organizations Of The Treadway Commission.

[3]Credit, foreign exchange, transactions on financial products, etc.

[4] A minimum required capital equivalent to 8% of total risk-weighted assets (proportionally to the credit risk level).

[5]Bank for International Settlements.

[6]**McDonough Ratio:** this is the solvency ratio introduced by the Basel II and is calculated as follows:

$$McDonough\ Ratio = \frac{regulatorycapital}{\sum(credit\ R. + market\ R. + operationnal\ R.)} \geq 8\%$$

[7]The Council Conseil de la Monnaie et du Crédit ».

[8]The Commission "Commission Bancaire".

[9] Know Your Customer.

[10] Society for Worldwide Interbank Financial Telecommunication.

[11]A risk management mesure : « Lutte anti-blanchiment et contre le financement du terrorisme ».

[12] A specific structure called « Cellule de Traitement du Renseignement Financier ».

[13] Institute of Internal Auditors.

[14]The French Institute « L'Institut Français de l'Audit et du Contrôle Interne ».

[15]IIA subsidiaries, IFACI, ECIIA, ACIIA, etc.

[16] International Reference Framework for Professional Practices of Internal Auditing.

[17] The SOX act, LSF, the COSO framework et le Turnbull report.

[18] Central Bank / Ministry of Finance.

[19] Joint Stock Company.

[20] Multiple Choice Question.