

Analysis of the Role of Risk Based Audit in Banking

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Informasi Artikel	Abstract
E-ISSN : 3026-6874 Vol: 2 No: 6 Juni 2024 Halaman : 445-456	Risk based audit (RBA) is an approach that is increasingly being applied in the banking sector to increase the effectiveness of risk management and compliance with regulations. This approach helps banks identify high-risk areas and prioritize audits according to the level of risk. This research uses qualitative methods with a literature research approach. Data sources consist of scientific journal articles, books, reports and documents related to risk-based and banking audits. Research findings show that the RBA has several key roles in improving banking performance. First, RBA improves operational efficiency and effectiveness by focusing audits on high-risk areas. Second, the RBA enables banks to proactively identify and manage risks, thereby strengthening financial and operational stability. Third, the RBA ensures that banks are more compliant with regulations and industry standards, reducing the risk of sanctions and fines. In addition, the implementation of RBA encourages the formation of a strong risk management culture and the use of information technology to support the risk management process. Risk based audit plays a significant role in improving banking performance. By improving operational efficiency, managing risk proactively, ensuring regulatory compliance, establishing a strong risk management culture, and leveraging technology, banks can achieve stability and better performance in the long term. These findings support the importance of implementing RBA as the main strategy in risk management and supervision in the banking sector.
Keywords: audit analysis risk banking	

Abstrak

Audit berbasis risiko (Risk-Based Audit, RBA) merupakan pendekatan yang semakin banyak diterapkan dalam sektor perbankan untuk meningkatkan efektivitas manajemen risiko dan kepatuhan terhadap regulasi. Pendekatan ini membantu bank dalam mengidentifikasi area yang berisiko tinggi dan memprioritaskan audit sesuai dengan tingkat risiko tersebut. Penelitian ini menggunakan metode kualitatif dengan pendekatan literature research. Sumber data terdiri dari artikel jurnal ilmiah, buku, laporan, dan dokumen-dokumen terkait audit berbasis risiko dan perbankan. Temuan penelitian menunjukkan bahwa RBA memiliki beberapa peran kunci dalam meningkatkan kinerja perbankan. Pertama, RBA meningkatkan efisiensi dan efektivitas operasional dengan memfokuskan audit pada area berisiko tinggi. Kedua, RBA memungkinkan bank untuk mengidentifikasi dan mengelola risiko secara proaktif, sehingga memperkuat stabilitas keuangan dan operasional. Ketiga, RBA memastikan bahwa bank lebih patuh terhadap regulasi dan standar industri, mengurangi risiko sanksi dan denda. Selain itu, penerapan RBA mendorong pembentukan budaya manajemen risiko yang kuat dan penggunaan teknologi informasi untuk mendukung proses manajemen risiko. Audit berbasis risiko berperan signifikan dalam meningkatkan kinerja perbankan. Dengan meningkatkan efisiensi operasional, mengelola risiko secara proaktif, memastikan kepatuhan terhadap regulasi, membentuk budaya manajemen risiko yang kuat, dan memanfaatkan teknologi, bank dapat mencapai stabilitas dan kinerja yang lebih baik dalam jangka panjang. Temuan ini mendukung pentingnya penerapan RBA sebagai strategi utama dalam manajemen risiko dan pengawasan di sektor perbankan.

Kata kunci: analisis audit, risiko, perbankan

INTRODUCTION

Audit plays a crucial role in the banking sector, especially in ensuring operational and financial integrity and transparency (Muharam, 2022). In the highly regulated banking context, audits not only

help in ensuring compliance with stringent regulations and standards, but also serve as a primary tool for detecting and preventing fraud and irregularities. Public trust and financial system stability depend heavily on the effectiveness of audits carried out by banks.

Basically, an audit aims to provide an independent assessment of the financial and operational reports of a financial institution. In the banking sector, accurate and reliable financial reports are the foundation for appropriate decision making by stakeholders, including investors, regulators and management. Without effective audits, the potential for financial and operational irregularities will increase, which could ultimately threaten a bank's stability and reputation.

In addition, in facing complex market dynamics and various risks, audit in the banking sector must be able to adapt and anticipate changes. Therefore, a Risk based audit approach is becoming increasingly relevant. Risk-based audits provide greater focus on areas of high potential risk, allowing banks to be more proactive in managing and mitigating risk. Thus, Risk based audit not only helps in identifying and evaluating risks, but also in developing effective strategies to manage them (Anindyajati, 2020).

Implementation of risk-based audits in banking also contributes to increasing operational efficiency. By prioritizing audit resources on the areas most susceptible to risk, banks can ensure that stricter oversight is carried out on the most critical aspects. This not only reduces the possibility of failure, but also increases stakeholder confidence in the bank's ability to manage overall risk.

Audits in the banking sector are not just about compliance, but also about creating added value through better risk management, increased transparency and increased operational efficiency (Pangarsa, 2021). Thus, the importance of audits in the banking sector cannot be doubted, especially in maintaining the integrity and stability of the global financial system.

Risk-based auditing is an audit approach that directs audit efforts to areas or activities that have the highest potential risk to organizational objectives. In contrast to traditional audits which are generally retrospective and comprehensive, risk-based audits emphasize identification, analysis and evaluation of risks that can affect the achievement of organizational goals, as well as determining audit priorities based on the level of risk.

Risk-based audits aim to increase the efficiency and effectiveness of the audit process by focusing on the areas that are most significant and have the potential to cause loss or failure. In this context, auditors not only act as supervisors but also as advisors who help organizations manage and mitigate risks (Purba et al., 2023). This approach allows auditors to be more proactive in identifying potential problems and providing more relevant and timely recommendations.

The Risk based audit process begins with a deep understanding of an organization's goals, environment, and business processes. The auditor then identifies and assesses the main risks that may affect the achievement of these objectives. This assessment includes internal risks, such as weaknesses in the internal control system, as well as external risks, such as changes in regulations or market conditions (Anindyajati, 2020). Once key risks are identified and evaluated, the auditor determines the areas to be audited based on the level of risk detected, ensuring that audit efforts are focused on areas of highest risk.

A Risk based audit approach has several significant advantages. First, this approach improves an organization's ability to manage risk more effectively by providing more relevant and in-depth information about potential risks and their impacts. Second, risk-based auditing increases the efficient use of audit resources by directing focus to the most critical areas. Third, this approach also strengthens the role of audit as an integral part of organizational risk management, which helps increase stakeholder confidence in the organization's ability to manage risk.

In the banking sector, risks are very diverse and complex, implementing risk-based audits is becoming increasingly important. Banks are exposed to various types of risks, including credit, operational, liquidity and market risks. With risk-based audits, banks can focus more on monitoring and managing these risks, which will ultimately help improve the stability and reliability of banking operations. As a result, risk-based audits not only help in detecting and preventing irregularities, but also contribute to improving overall corporate governance and operational performance.

In the last few decades, Risk based audit has experienced significant development in the banking sector. This change is driven by the increasing complexity of banking operations and demands for stricter regulations. Banks must face various types of risks, ranging from credit risk, market risk, to operational risk. This condition demands a more adaptive and proactive audit approach, which is able to identify and evaluate risks effectively.

One of the main trends in the development of risk-based auditing is the increased use of technology and data analytics. Technologies such as big data, artificial intelligence, and machine learning enable auditors to process large amounts of data and identify patterns or anomalies that may not be detected by traditional audit methods. With data analytics, auditors can conduct more accurate and timely risk assessments, as well as develop more effective and efficient audit strategies (Ramadhan et al., 2022).

Additionally, there is a shift in focus from compliance audits to more strategic and value-based audits. Banks no longer rely solely on audits to ensure regulatory compliance, but also to provide insights that can improve business performance. Risk-based audits help banks identify areas that have potential for improvement or efficiency, as well as in developing better risk mitigation measures. This allows banks to not only comply with regulations, but also achieve long-term strategic goals.

International regulations and standards also play an important role in encouraging the adoption of risk-based auditing. Guidance from regulatory bodies such as the Basel Committee on Banking Supervision (BCBS) and International Standards on Auditing (ISA) provides the framework and standards that banks must follow in implementing risk-based audits (Gortsos, 2023). This regulation ensures that banks have a consistent and systematic approach in managing risk, as well as increasing transparency and accountability in banking operations.

The implementation of risk-based audits is also influenced by changes in market dynamics and the global economic environment. The global financial crisis and various financial scandals have highlighted the importance of effective risk management in maintaining financial stability. Banks that adopt risk-based audits are better prepared to deal with market uncertainty and volatility, and are able to take corrective action more quickly when risks are detected.

Trends and developments in risk-based auditing in banking reflect the need for a more holistic and integrative approach to risk management. By continuing to adapt to changes in technology, regulations and market dynamics, Risk based audit has the potential to become a very effective tool in supporting the stability and sustainability of the banking sector.

The main reason for conducting this research is to understand and evaluate the extent to which risk-based audits can contribute to improving banking performance. In this modern era, the banking sector is faced with increasingly complex challenges, ranging from strict regulations, high stakeholder expectations, to various risks such as operational risk, credit risk and market risk. In this context, Risk based audit emerges as a more strategic and proactive approach in identifying and managing risks that can affect overall bank performance.

This research is important because it provides insight into how risk-based audits can help banks strengthen internal control systems and improve regulatory compliance. In addition, risk-based audits

allow banks to focus on areas most susceptible to risk, so that resources can be allocated more efficiently. Through a better understanding of potential risks, banks can develop more effective mitigation strategies, which in turn can reduce the likelihood of losses and increase financial stability.

This research aims to explore the impact of risk-based audits on managerial decision making in banking. With more accurate and timely information about risks, management can make better decisions regarding investments, financing and daily operations. This not only improves operational efficiency but also increases the bank's competitiveness in an increasingly competitive market.

METHOD

This research uses qualitative methods with a literature research approach (Achjar et al., 2023). This method was chosen to review and analyze various relevant literature in order to obtain a comprehensive picture of the Role of Risk Based audit in improving banking performance. This approach allows researchers to collect and evaluate various information that already exists in the scientific literature, so that they can draw conclusions based on existing empirical and theoretical evidence.

Data sources in this research consist of scientific journal articles, books, reports and documents discussing risk-based audits and the banking sector. Scholarly journal articles often contain up-to-date empirical research and theory, while books and reports provide practical and regulatory insights. Relevant documents from financial institutions, such as bank annual reports, are also used to obtain more detailed and contextual information.

The data collection procedure involves several main steps. First, identification of relevant literature was carried out through searches in academic databases (Assyakurrohim et al., 2023). Second, literature selection was carried out based on inclusion and exclusion criteria. Inclusion criteria include literature published in the last 5 years, has direct relevance to the topic of risk-based audit, and focuses on the banking sector. Meanwhile, exclusion criteria include literature that is general in nature, not specific to banking, or does not provide sufficient data.

RESULTS AND DISCUSSION

Risk based audit is an audit approach that focuses on identifying, analyzing and mitigating risks that can affect the achievement of organizational goals. In the banking context, this approach is very relevant considering the complexity and variety of risks faced by banks, including credit risk, market risk, operational risk and liquidity risk. Risk-based audits provide a systematic framework for auditors to assess these risks and prioritize areas that require closer monitoring.

One of the key concepts of risk-based auditing is risk assessment. This process involves identifying all potential risks that could impact the bank's operations and evaluating the severity and probability of these risks occurring (St-Germain & Tarasuk, 2020). These risks are then mapped in a risk matrix, which helps auditors to visualize and understand the priorities that must be given in carrying out the audit. Proper risk assessment helps banks to focus on the areas most vulnerable to loss and enables more efficient use of audit resources.

Risk-based audits also emphasize the importance of a thorough understanding of the bank's business and operational environment. Auditors must understand the organizational structure, business processes, internal control systems, and external factors that can influence risk. This approach requires active involvement from management in the audit process, so that it can provide relevant and

accurate information about existing risks. This understanding not only helps in risk identification but also in designing effective mitigation strategies(Cheng, 2021).

Risk-based auditing encourages a more dynamic and adaptive approach. Risks may change over time, whether due to changes in the business environment, regulations, or other external factors. Therefore, risk-based audits are not static; auditors need to continually update their risk assessments and adjust audit plans accordingly. This allows the bank to always be in a position to be ready to face new risks that may arise.

Implementing risk-based audits also provides added value in terms of transparency and accountability. With a greater focus on risk and appropriate controls, banks can demonstrate to stakeholders that they have effective mechanisms to manage risk. This not only increases public confidence in banks but can also improve compliance with regulations and industry standards.

The Risk based audit concept reflects a shift from the traditional, retrospective and comprehensive audit approach towards a more proactive, focused and risk-oriented approach. By prioritizing risk identification and mitigation, risk-based audits can help banks achieve their operational and strategic goals more effectively and efficiently.

Definition and Basic Principles of Risk-Based Audit

Risk-based auditing is an audit approach that directs attention and resources to areas that pose the greatest risk to achieving organizational goals. This definition reflects a primary focus on the identification, analysis and management of relevant risks. The basic principles of risk-based auditing include a thorough understanding of the organization's risk environment, comprehensive risk assessment, and allocating audit resources according to risk priorities(Athari, 2022). This approach aims to increase audit effectiveness by ensuring that auditors not only check regulatory compliance but also identify and manage the most significant risks. The basic principles of Risk based audit include several important elements:

1. **Risk Understanding:** Auditors must have a deep understanding of the types of risks faced by the organization, including strategic, operational, financial, and compliance risks(Yang et al., 2023).
2. **Risk Assessment:** This process involves identifying and evaluating risks based on their potential impact and probability of occurrence. Accurate risk assessment allows auditors to prioritize areas that require greater attention.
3. **Risk Response:** Based on the risk assessment, the auditor plans appropriate responses, including mitigation, transfer, or acceptance of risk. This helps in designing more focused and effective audit steps(Tiriongo et al., 2023).
4. **Continuous Monitoring:** Risks can change over time, therefore risk-based audits require ongoing monitoring and adjustments to remain relevant and effective.

Risk Based Audit Framework and Methodology

A Risk based audit framework involves several key systematic steps, starting from understanding the organizational context to reporting findings and recommendations. These steps are designed to ensure that audits are not only reactive but also proactive in identifying and managing risks.

1. **Understanding Context and Environment:** Auditors start by understanding the organization's vision, mission, and strategic goals. This includes understanding the organizational structure, business processes, and external environment that may influence risk(Roussy et al., 2020).
2. **Risk Identification:** This step involves gathering information through interviews, questionnaires, and document analysis to identify relevant risks. Auditors use various techniques, such as SWOT

analysis (Strengths, Weaknesses, Opportunities, Threats), to identify risks comprehensively (Betti & Sarens, 2021).

3. Risk Assessment and Prioritization: Once risks are identified, the auditor assesses the risk based on its impact on the organization and likelihood of occurring. Risks are then prioritized in a risk matrix which helps in determining the focus of the audit.
4. Audit Planning: Based on the risk assessment, the auditor designs an audit plan that includes the objectives, scope, methodology and required resources. This plan ensures that the audit focuses on the areas of highest risk.
5. Audit Implementation: Audits are carried out in accordance with the plans that have been prepared. Auditors carry out tests and evaluations of internal controls and business processes to identify weaknesses and risks (Мюллер et al., 2020).
6. Reporting and Follow-up: Audit findings are reported to management with recommendations for improvement. Auditors also carry out follow-up actions to ensure that recommendations are implemented and risks are managed properly.

Types of Risk in Banking

Banking is a sector that is highly susceptible to various types of risks, which can have a significant impact on the financial stability and operational performance of banks. Some of the main types of risk in banking include:

1. Credit Risk: This risk arises when the borrower fails to fulfill credit payment obligations. Credit risk is one of the biggest risks for banks, because the borrower's inability to repay the loan can result in large losses (Van Greuning & Bratanovic, 2020). Credit risk management involves rigorous credit assessment, portfolio diversification, and the use of collateral.
2. Operational Risk: Operational risk relates to losses arising from failures of internal processes, people, systems, or external events. Examples of operational risks include human error, IT system failure, and fraud. To manage these risks, banks need to have strong internal controls, employee training and effective risk management systems.
3. Liquidity Risk: Liquidity risk occurs when a bank is unable to meet its financial obligations due to inability to obtain sufficient funds. This can result from inadequate cash flow or an inability to sell assets quickly without making a loss. Liquidity risk management involves continuous monitoring of the liquidity position and maintaining adequate liquidity reserves (Choudhry, 2022).
4. Market Risk: Market risk relates to losses resulting from fluctuations in market prices, such as interest rates, exchange rates, and commodity prices. Banks face market risks in their trading and investment activities. Market risk management is usually carried out through hedging, portfolio diversification, and close monitoring of market changes (Komarek et al., 2020).
5. Compliance Risk: Compliance risk arises from failure to comply with applicable laws, regulations or industry standards. These risks can result in legal sanctions, fines and reputational harm (Budianto, 2023). Compliance risk management requires a deep understanding of applicable regulations and effective implementation of compliance policies and procedures.
6. Reputation Risk: This risk is related to damage to a bank's reputation due to scandals, unethical behavior, or poor service. Reputation risk can result in loss of customer trust and a decrease in market share. Reputation risk management involves good communication, effective crisis management, and maintaining high ethical standards (Matthews et al., 2023).

Risk Management in Banking

Risk management in banking is a systematic and ongoing process for identifying, assessing, monitoring and controlling risks that can affect the bank. Some of the main approaches to risk management in banking include:

1. **Risk Management Framework:** Banks must have a comprehensive framework for risk management, which includes policies, procedures and tools to identify and manage risks. This framework must be adapted to the size and complexity of the bank (MARZOUK, 2023).
2. **Risk Management Committee:** Establishment of a risk management committee consisting of members of senior management and the board of directors to oversee all risk management activities. This committee is responsible for establishing risk strategies and policies, as well as monitoring their implementation.
3. **Use of Technology and Data Analytics:** Modern technology and data analytics play an important role in risk management. Risk management information systems (RIMS) are used to monitor risks in real-time, perform predictive analysis, and support data-driven decision making.
4. **Stress Testing and Scenario Analysis:** Banks regularly conduct stress testing and scenario analysis to test their resilience to various extreme situations. This helps banks understand the potential impact of risks and prepare necessary mitigation measures.
5. **Internal Controls and Internal Audits:** Strong internal controls and independent internal audits are essential in risk management. Internal control includes procedures and policies to prevent and detect errors and deviations, while internal audit functions to evaluate the effectiveness of these controls (Yang et al., 2023).
6. **Risk Training and Culture:** Increase risk awareness across the organization through training and developing a strong risk culture. All employees must understand the importance of risk management and their role in identifying and managing risks.

Increased Operational Efficiency and Effectiveness

Risk based audit plays an important role in improving the efficiency and effectiveness of banking operations. By identifying areas of highest risk, risk-based audits allow banks to focus their resources and attention on the aspects that most require monitoring and improvement. This reduces the time and costs required to conduct audits that cover all operational aspects without clear priorities. Additionally, risk-based audits help identify inefficiencies in business processes and internal controls, thereby enabling management to take appropriate corrective actions to improve operational performance (Fan & Pan, 2020).

Proactive Risk Identification and Mitigation

One of the main advantages of risk-based auditing is its ability to proactively identify and manage risks. Rather than simply reacting to problems that have already occurred, this approach allows banks to recognize potential risks before they become real problems. Auditors use various risk analysis techniques and tools to evaluate the impact and likelihood of risk occurring, and design effective mitigation strategies (Murinde et al., 2022). Thus, banks can reduce potential losses and increase their financial stability. Early identification of risks also allows banks to adapt their business and operational strategies to deal with changing market conditions and the business environment.

Improved Compliance with Regulations and Standards

Banking is a highly regulated sector with strict regulations and standards to ensure the stability and integrity of the financial system. Risk-based audits help banks improve compliance with these regulations and standards. By focusing on high-risk areas, risk-based audits ensure that compliance-related processes and controls are in optimal condition. Auditors assess existing policies and procedures, identify weaknesses, and provide recommendations for improvement (Marzouk, 2023). This

not only helps banks avoid sanctions and fines from supervisory authorities, but also improves the reputation and trust of customers and other stakeholders.

The Role of Risk Based audit in banking is to provide a more strategic and focused approach to managing risk, improving operational efficiency and ensuring regulatory compliance. In this way, banks can achieve their business goals more effectively and maintain operational stability and sustainability in the long term.

Key Findings

The Key Role of Risk Based Audit in Banking Based on the Literature

Risk-based auditing plays an important role in the banking sector with several key contributions identified in the literature. First, risk-based audits allow banks to focus more on areas most susceptible to risk, thereby increasing the effectiveness of supervision and control. The literature shows that this approach helps banks allocate audit resources more efficiently, avoid unnecessary examinations in low-risk areas, and pay greater attention to high-risk areas.

Risk-based audits help banks identify risks proactively. By using risk analysis techniques, auditors can recognize potential risks before they cause significant losses. This allows banks to implement timely mitigation measures, thereby strengthening the bank's financial and operational stability (Betti & Sarens, 2021).

Risk-based audits contribute to increased compliance with regulations and industry standards. With a greater focus on highly regulated areas, auditors can ensure that banks comply with all legal and regulatory requirements, reducing the risk of fines and sanctions from supervisory authorities.

Benefits of Implementing Risk-Based Audit:

1. **Improved Operational Efficiency and Effectiveness:** Risk-based audits help banks identify operational inefficiencies and improve business processes. By focusing audits on high-risk areas, banks can allocate resources more effectively and improve overall performance.
2. **Proactive in Managing Risk:** By proactively identifying risks, banks can implement mitigation measures before the risks have a negative impact. This helps in reducing potential losses and maintaining the bank's financial stability (Hassanein & Elsayed, 2021).
3. **Better Compliance with Regulations:** Risk-based audits ensure that banks comply with all regulatory requirements, thereby reducing the risk of sanctions and improving the bank's reputation in the eyes of regulators and stakeholders.

Challenges of Implementing Risk-Based Audit:

1. **Implementation Complexity:** Implementing risk-based auditing requires significant changes in traditional audit approaches. This includes intensive training for auditors and changes to existing audit processes, which can be challenging for many banks.
2. **Resource Limitations:** While risk-based audits help in allocating resources more efficiently, banks often face limitations in terms of the number and expertise of resources available to conduct risk-based audits effectively (Usman et al., 2023).
3. **Difficulty in Accurate Risk Assessment:** Risk assessment requires accurate data and in-depth analysis. However, it is not always easy to obtain the necessary data and conduct a comprehensive risk analysis. This can hinder the effectiveness of risk-based audits.

Analysis of the Role of Risk Based Audit in the Context of Banking Performance

Risk based audit (RBA) has a significant role in improving banking performance. First, the RBA improves operational efficiency by allowing banks to focus resources on high-risk areas. This means that audits are more focused and in-depth, making them more effective in identifying problems and providing timely recommendations for improvement. In this way, banks can reduce inefficiencies and increase operational productivity (Choudhry, 2022).

Second, the RBA strengthens banks' ability to manage risk proactively. By conducting comprehensive and ongoing risk assessments, banks can identify potential risks early and take necessary mitigation steps before these risks develop into larger problems. This not only increases the bank's financial stability but also builds the trust of customers and other stakeholders.

Third, the implementation of the RBA helps banks comply with increasingly complex and stringent regulations (Rawashdeh et al., 2023). With a clear focus on highly regulated risk areas, banks can ensure that they meet all legal and regulatory requirements. This not only reduces the risk of sanctions and fines but also improves the bank's reputation in the eyes of regulators and the wider public.

Discussion of Implications of Findings

Findings from the literature indicate that the implementation of the RBA has several important implications for banking practices. First, banks need to adopt a more strategic approach to risk management, focusing on proactive risk identification and mitigation. This requires a change in organizational culture, where all employees understand the importance of risk management and contribute to this process.

Second, banks should invest in the training and development of auditors to ensure that they have the skills and knowledge necessary to conduct risk-based audits. This includes a deep understanding of risk assessment techniques, use of risk analysis tools, and continuous risk monitoring.

Third, the use of information technology and data analytics must be increased to support the RBA process. Advanced risk management systems can help banks collect and analyze risk data in real-time, enabling them to respond to risks quickly and effectively.

CONCLUSION

Improving operational efficiency and effectiveness at the RBA plays a key role in improving bank operational efficiency and effectiveness. By focusing audits on high-risk areas, banks can allocate their resources more effectively. This reduces waste of resources on less important areas and allows for more in-depth and targeted audits on the most critical aspects.

Proactive risk identification and mitigation at RBA helps banks identify and manage risks proactively. With comprehensive risk analysis techniques, banks can recognize potential risks before they cause major problems. This allows banks to implement timely mitigation measures, which in turn improves financial and operational stability.

Increased compliance with regulations and standards in the implementation of the RBA ensures that banks are more compliant with regulations and industry standards. A greater focus on highly regulated areas helps banks to meet all legal requirements and avoid the risk of sanctions and fines. In addition, better compliance also improves the bank's reputation in the eyes of regulators and customers.

The formation of a strong risk management culture in the implementation of RBA encourages the formation of a strong risk management culture throughout the organization. All employees, from

operational level to top management, are becoming more aware of the importance of risk management and actively participating in this process.

The use of technology and data analytics at RBA encourages the use of information technology and data analytics to support the risk management process. Advanced risk management systems enable banks to monitor risks in real-time and respond quickly to changing conditions.

Risk based audit plays a significant role in improving banking performance in deep and sustainable ways. By improving operational efficiency, managing risk proactively, ensuring regulatory compliance, establishing a strong risk management culture, and leveraging technology, banks can achieve stability and better performance in the long term. These findings support the importance of implementing RBA as the main strategy in risk management and supervision in the banking sector.

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