



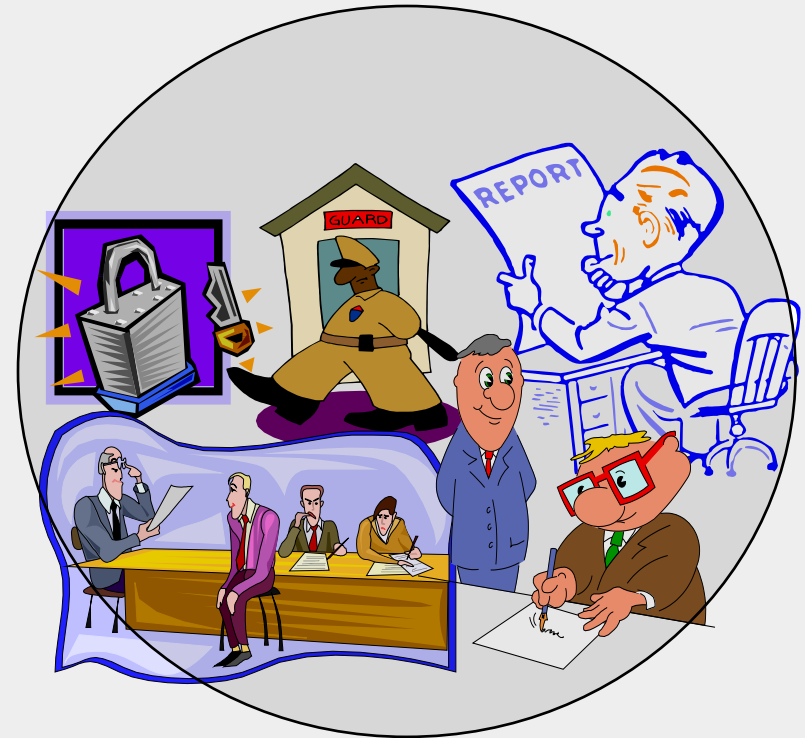
2022 MCPI Annual Conference

MFI Exchange: Internal Audit and Fraud Prevention

MISSION

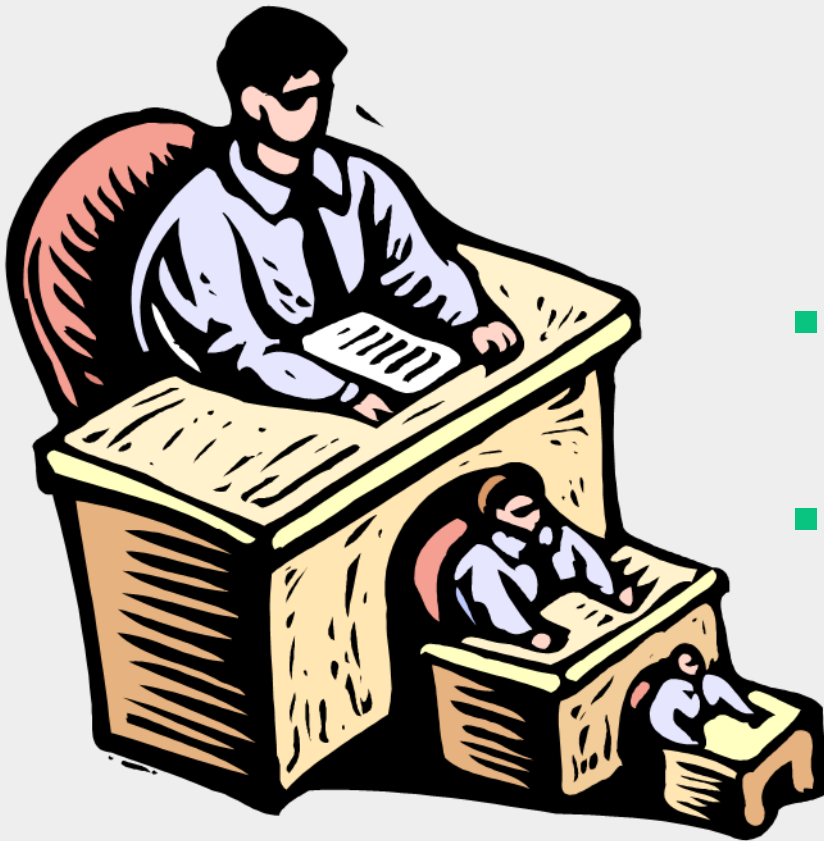
“To help maintain better and effective internal control system at all levels of the organization”

Internal control system



STATUS IN THE ORGANIZATION

- *Reports directly to the Board of Directors (BOD) thru the Audit Committee*
- *Comprehensive Authority*
- *Staff and Advisory*



INTERNAL AUDITING YESTERDAY AND TODAY

Traditional Audit

- Compliance Review
 - Comprehensive review tendencies
 - Mastery of policies and guidelines
 - Review against existing policies and procedures
- Focus on the person being audited
- Possibility of strained relationships

Risk Based Audit

- Focus on strategic risk
 - Procedures are dependent on the risk-control structure
 - Understanding of objectives and strategies
 - Review of risk and related controls
- Focus on the process and function of the personnel handling the activities
- Business partners



WHY RISK BASED AUDIT?

Greater risk compliance

- Regular reporting keeps risk compliance at the forefront of everyone's minds.

Enhanced understanding of risk levels

- It is easier to identify the priority risks based on indicators such as risk impact and severity.

Improve resilience in the face of uncertainty

- Allow business to adapt more easily to changing conditions and look beyond the emerging risks that will inevitably need to be tackled.

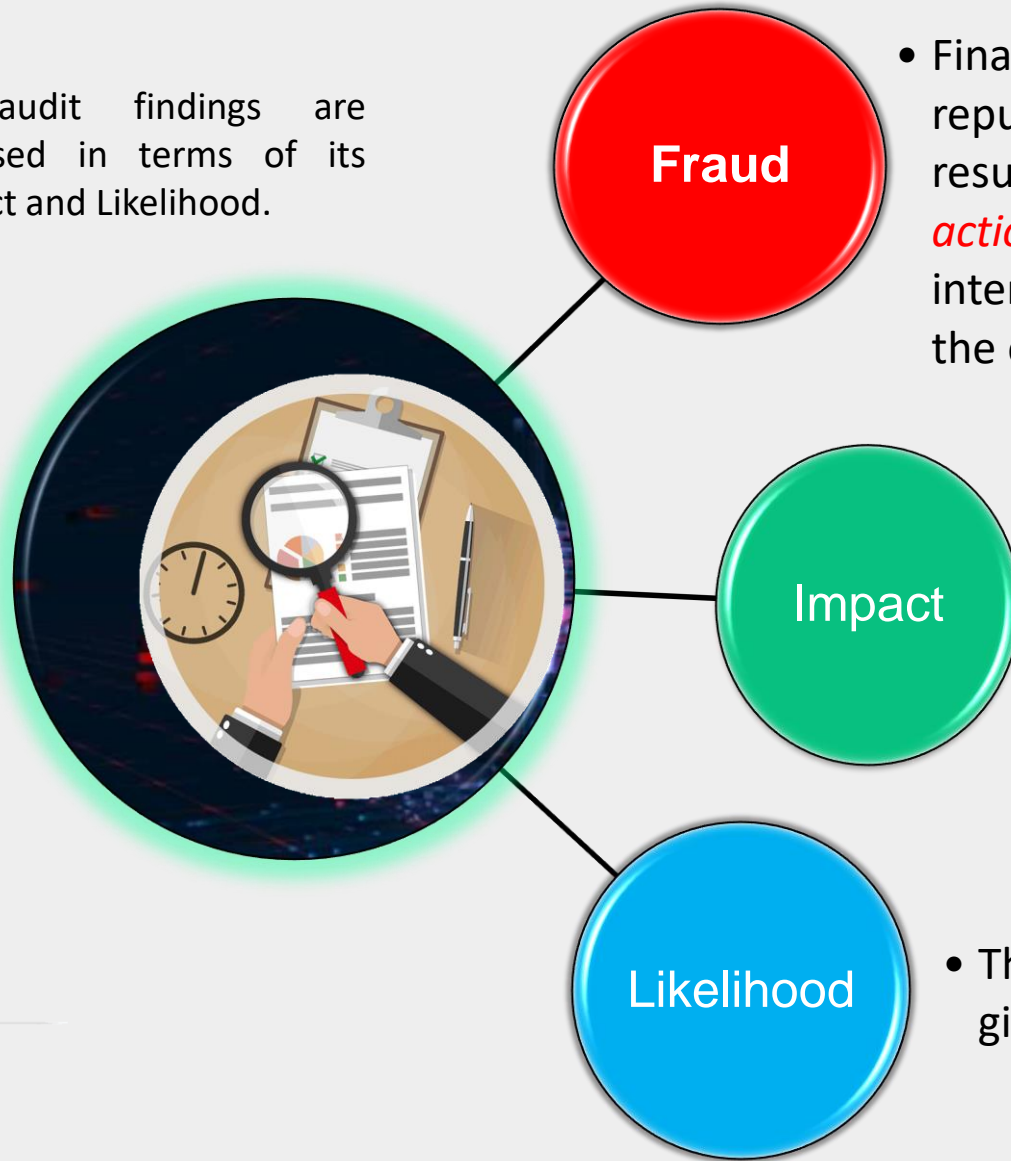
Better use of audit resources

- Where the high-risk areas emerge, that is where the audit channel their efforts.



AUDIT FINDINGS

All audit findings are assessed in terms of its Impact and Likelihood.



- Financial, material, or reputational loss as the result of *fraudulent action* of persons internal or external to the organization.

- The extent of the damage to the institution, its people, and its goals and objectives resulting from a *risk event* occurring.

- The probability that a given event will *occur*.



STRATEGIES TO ADDRESS CHALLENGES



- *Automation of General Reports and Working Paper;*
- *Automation of Audit Risk Rating System based on Audit Findings and Risk Assessment;*
- *Enhancement of Auditing System Tool with features to tract productivity and can be used for real time review of ongoing audit;*



FREQUENCY OF AUDIT



- *All Units/Offices are subject for Regular Audit once a year; however, for those unit/branch with high risk/alarming risk, follow-up/focus/special audit will be conducted even those newly establish unit/branch*
- *Special audit will be conducted as requested by Senior Management, Audit Committee and Board*
- *Monthly Reporting of Audit Findings to the Audit Committee*

DETECTION OF FRAUD

- *Audit Plan based on Risk Assessment and Prioritization*
- *Online Audit (during pandemic)*
- *Area Manager Monitoring System (AMAMS)*
- *Regional Director Monitoring System (RDAMS)*
- *Fraud Early Alert Report (FEAR)*
- *Updated Audit Checklists*
- *Regular Monitoring (Excom / Mancom / Officers Field and HO/ Support Groups)*



DIGITALIZATION

- *Auditing Tool helps in data analytics, focus on high-risk areas and maximize staff productivity.*
- *Audit Compliance and Monitoring System (ACMS) keeps records of all audit findings and tracks the status of the findings*
- *The level of internal control built all digital initiatives helps reduce errors, paper works and manual process.*



LESSONS LEARNED



- *Digitalization demand Internal Auditors to acquire digital skills and enhance consulting capabilities to help the organization to effectively manage emerging risk; hence, capacity of the Internal Audit team related to digitalization needs to be strengthened in connection with the new systems and processes.*
- *An IT Audit Team that will focus on the audit of different applications, systems, and IT processes;*
- *Internal Control is not just a practiced by auditor but by all employees as well. Thus, Internal Control is a responsibility of all staff levels.*

Thank you!



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