

# Your Audit Department- From Good to Great

From “One and half Auditor” to Winner of 2014 FBEA Award and more  
– The Journey of a CAE & team – 2007-2016

# Presentation Outline

1. The beginning
2. Board, CAE & CEO Partnership
3. Building an IA team
4. Challenges
5. Key achievements
6. How was it done?
7. The new journey
8. Testimonials

# The beginning

- Acceptance
- Knowing the business
- Board expectations

# Board, CAE & CEO Partnerships

- Regular meetings of Audit Committee
- IA budget
- Approval of Policies
- Update of IA Policies & Procedures Manual
- External independent peer review
- Tracking of recommendations & reporting
- Use of CAATs
- IA Strategic Plan and FWP

# Building an IA team

- Benchmarking
- IA organisational structure
- Alignment to Vision and Mission of organisation
- Resource planning – risk/audit/staff
- Staff recruitment & training – base level
- Continuous professional development - attachments
- Succession planning
- Time Recording System
- Internal Committees – QA/PDRC
- IA branding

# Challenges

- knowledge of IA role & functions
- Management support
- Staff development & retention
- Extension of scope
  - Fraud & other investigations
  - Whistle-blower complains
  - Group audits
  - Reforms – data migration
  - PMS
- Quality and timeliness of audit reports
- Manual working papers
- Understanding Root-Cause Analysis

# Key achievements

- Audit Grading System
- Establishment of Fraud & Corruption Ethics Management Committee
- Follow up audits – ARMS
- 2014 Highest possible rating – external independent peer review
- 2014 FBEA Prize Award for IA function
- Introduction of Teammate
- Group IA services including peer review
- Contribution to IA profession in Fiji

# How was it done?

- Adoption of IPPF
- Teamwork
- Understanding purpose/operations of business units
- Vibrant & co-operative Risk/Governance team
- Creating awareness on role and functions
- Reflect value –addition
- Quality assurance/CSQs
- Keeping at the top of the profession
- Commitment



# The new journey

- External independent peer review
- Big Data – data analytics
- IT Audit Strategic Planning & audit
- Consulting/performance audits
- Self-assessments – low risk business units
- Fiji National Development Plan – SDGs
- Extractive industries - EIAs

Key ingredient

**SYSTEMS**

**PEOPLE**

**PROCESSES**

# Testimonials - 2007

## *Internal Audit*

The Fund's Internal Audit Department provides assurance to the FNPF Audit Sub-Committee on the adequacy and integrity of the internal control systems in place to manage risks across the Group and provides an independent challenge to the FNPF Group and its operating divisions, to ensure the principles and requirements of managing risk are consistently adopted throughout the Group. It provides the Group with a third line of defence on risk management and an independent assurance to the Board of Directors on the ERM system and validation of internal control procedures.

The principal reporting responsibility of the Internal Audit Department is the periodic Internal Audit activity report and follow-up reviews of the Group's system of internal control to the Audit Committee.

# Testimonials - 2008

## INTERNAL AUDIT

The Internal Audit function was strengthened with the appointment of a manager to oversee the operations of the Fund in October 2007. A revised work plan was formulated aligned to the identified risks within the organisation.

The expansion of the audit's role as approved by the Board Audit Committee (BAC) led to further recruitment and the appointment of personnel for the function.

The need for improvements in workflows and processes, saw the implementation of the Field Audit manual. This provides guidance on audit planning, conduct and reporting.

Special investigations directed by the BAC and those resulting from Whistleblower complaints were also investigated and reported. The function was involved in three projects during the financial year.

These were:

- i) Audit of Information Technology
- ii) Audit of Investments
- iii) Quality Assurance of the Internal Audit Division

Training and capacity building were also encouraged for staff with representation at the Enterprise Risk Management workshop in December 2007, South Pacific Asian Conference in Sydney, Australia and attendance at the Fiji Institute of Accountants Congress.

# Testimonials -2009

## INTERNAL AUDIT

A total of 29 audits were completed, while 10 were still in progress as at June 30, 2009. 11 ad-hoc audit requests were also received during this reporting period. Out of the 55 audits planned during the reporting period, 27 were deferred to 2010 because external review reports were being finalized while new appointees to the Executive positions were in the process of making the desired changes to the Divisions in which audits were planned to be carried out.

Significant audit findings arising from the audits were reported to the Board Audit Subcommittee, and Management took appropriate actions to implement the recommendations.

In May 2009, an Internal Investigator was appointed, responsible for carrying out all internal investigations in the Fund, including those received under the Fund's Whistleblower Policy.

The Division employed 11 staff as at 30 June 2009, including six Graduate Trainees who would be completing their two-year on-the-job training between January and May 2010.

Three Division staff attended training in Australia and Malaysia in areas relating to IT and Investment Audits and Fraud Detection, while other staff attended local training and a conference.

A review of the Internal Audit Policies and Procedures Manual was completed during the year, and related training, including use of Audit Command Language (ACL) software, is being planned in the upcoming financial year.

# Testimonials - 2010

## INTERNAL AUDIT

The purpose, authority and responsibility of the Internal Audit Activity are defined in the Internal Audit policy and procedure manual. The procedure manual was reviewed in 2009 to align internal audit activity to International Standards for the Professional Practice of Internal Auditing.

During the year 13 assurance audits were completed, 11 audit follow up of previous audits were made amongst other follow up of reviews/audit commissioned by the Fund. 17 cases for internal investigation were brought forward whilst 18 cases were registered during the year for investigation. A majority of the 28 cases for internal investigation registered in 2009 were completed in the first quarter of 2010. Senior auditors assisted forensic accountants Deloitte (Australia) to

conduct investigation into the Natadola project.

The department was restructured at the end of the year into three specialized areas of Information Technology, Investment, Fraud Control Management and Investigation teams with the inclusion of a new team responsible for audits of 100% owned FNPF subsidiaries, a move that would allow the Internal Audit activity to cover the FNPF Group and business areas considered to be of high risk to the Fund.

# Testimonials - 2011

## INTERNAL AUDIT

As at 30 June, 2011, a total of 28 (80 per cent) audits were completed while 6 were in final stages of completion. A total of 96 complaints were received from 2009 to 2011 (2009 – 45; 2010 – 24; 2011-27) out of which 65 (68 per cent) were investigated and reported at the end of June 2011. Investigations on the remaining 31 (22 per cent) complaints were in progress at year end.

In addition to assurance audits, the department also carried out review of monthly bank reconciliations for FNPF and subsidiary bank accounts and conducted spot audits.

During the financial year, the Department's focus was to review the various reforms undertaken by the Fund. The primary objective of the review was to identify areas where improvements could be made in the management of reforms, cost management and record keeping.

Audit and investigation findings also highlighted areas for improvement in controls and measures to minimize fraudulent activities. The investigations resulted in a number of members and staff being prosecuted and disciplined.

68 per cent of recommendations made in internal/external audit reports were implemented while 32 per cent were in the process of being implemented. The recommendations relating to internal audit reports which were implemented during the year was 71 per cent compared with 51 per cent as at 30 June 2010.

The improvement of 20 per cent is significant and reflects a commitment by Management to improve compliance and strengthen internal controls in the Fund's operations. This is consistent with expected outcomes of the various reforms

which are being taken throughout the Fund and strong stance adopted by the Board Audit & Risk Subcommittee on audit findings.

# Testimonials - 2012

## INTERNAL AUDIT

**T**he audit planning methodology was revised from activity-based high-risk areas to departments with high risk being prioritized in the annual work plan for assurance audits. Changes in audit conduct were made in departmental audits with emphasis placed on compliance, internal control, risk management and administration areas.

A grading system supported by an Audit Grading Policy was also introduced, with rewards for high achievers and penalties for those whose grade was below satisfactory. Necessary changes arising from these changes were effected in the Internal Audit Policy and Procedures Manual.

### Fraud and Corruption Plan

During the year, a Fraud and Corruption plan was developed and endorsed by BARC, in accordance with the Australian Standard (AS) 8001-2008 Fraud and Corruption Control and modified to suit the requirements of the Fund. The plan is driven by a detailed Action Plan and the establishment of a Fraud and Corruption Control Management and Ethics Committee, which is chaired by the Chief Executive. It allows the Fund to deal with fraud and corruption issues from prevention, detection and investigation, and process improvement perspectives.

### Pension Reform

Internal Audit played a consulting role in the planning and management of the pension reform project. This role was performed on agreed-upon procedures with the project sponsor. Audit reviews were carried out on data migration to the Pension Counselling Application and Pension Administration Systems, which were built in-house by the Fund's Systems Development team. The Fraud and Corruption team also provided assurance on cases that were classified as critical during the pension registration process.

### Audit Consultations

Audit consulting activities such as review of monthly bank reconciliations, prudential reports, observing stock-takes and cash surveys, review of withdrawals from the Unclaimed Deposits Accounts prior to payment and carried out follow-up audits. Executive and Management Balance Score Cards, staff job-fit index rewards, finance manual and draws for the Fund's SUPERTxt promotion also came under review.

### Subsidiaries and Controlled Entities

The formalisation of the policy on audit of subsidiaries led to assurance audits of the majority of the wholly-owned subsidiaries and reviewed monthly bank reconciliations. The audits were also graded in accordance with the Audit Grading Policy of the Fund.



# Testimonials - 2013

## INTERNAL AUDIT

The Audit Grading System was rolled-out in the financial year: as a result, seven departments and four subsidiaries were graded following Assurance Audits.

The System provides a comprehensive assessment of units being audited in areas relating to compliance, internal control, risk and administration.

It provides avenues for rewards to high achievers and penalties to those who do not meet the desired grade, and gives Management the opportunity to interact with BARC.

In addition, several consulting engagements based on agreed-upon procedures with the respective business units were carried out. Other services provided to subsidiaries included the review of the internal audit function, fraud and whistleblower investigations and verification of outstanding amounts.

The verification of data following a data

cleansing process in preparation for the new Fund Administration System was carried out towards the end of the year. The Lautoka and Labasa branches and agencies located in Ba, Nadi and Savusavu were also audited during the year. The business units implemented a majority of the recommendations made in audit reports, adding value to the various operations and activities of the Fund.

Several action items relating to the Fraud and Corruption Control Plan were also implemented during the year. This included creating awareness on red flags for fraud and corruption across the Fund as a strategy towards fraud prevention and detection.

Reports on fraudulent activities and ethical breach investigations were presented to the Fraud and Corruption Control Management and Ethics Committee, which met on five occasions during the year. Minutes of these meetings were also provided to BARC.

# Testimonials - 2014

## INTERNAL AUDIT

### Cyclic Audits

Following the successful roll-out of the Audit Grading System, the concept of cyclic audits was introduced during the financial year. Thus, consulting engagements in high risk areas were carried out in business units in which assurance audits had been carried out in the previous financial year. In addition, assurance audits were also carried out in other business units where the risk was assessed as high.

### Subsidiaries

Internal audit services were provided to subsidiaries and controlled entities of the Fund during the year. Consistent with the Fund's strategic intention to align the internal audit standards, policies, procedures and practices of subsidiaries and controlled entities to those of the Fund, discussions advanced on the audit of remaining entities by the FNPF Internal Audit team, which was renamed FNPF Group Internal Audit Department.

### Whistleblower

Fraud cases and cases referred under the Fund's Whistleblower policy were investigated and reported on by the Internal

Audit team. In addition, the team administered the Fund's Fraud and Corruption Plan and provided secretarial services to the Fraud and Corruption Control Management and Ethics Committee. The team also carried out a programme for the staff to raise awareness on fraud prevention and detection.

### Audit findings

Significant audit findings and results of fraud and related investigations were reported to the Board Audit and Risk Management committee (BARC). Follow-up audits were conducted and Management also updated the committee at the end of each quarter on the implementation of audit recommendations. The majority of the audit recommendations were implemented during the financial year.

### Quality Assurance & Internal Controls

An External Quality Assurance Review of the Internal Audit function, which a consultant from the US carried out, awarded the highest possible rating of "generally conforming" with the International Professional Practices Framework for Internal Auditing issued by the Institute of Internal Auditors Global.

The Internal Control Framework and Procedures for Assessment of Internal Controls aligned to the COSO Internal Control-Integrated Framework were developed for

assessment of internal controls. Awareness sessions on the framework and procedures were carried out across the Fund.

### Training

The Internal Audit team introduced a Staff Attachment Scheme during the year. Under the scheme, staff in other business units can be attached to the Internal Audit team to develop an understanding of the standards, policies and procedures applied during audits. In addition, Internal Audit staff members can be attached to business units to assist in improvement in specific areas for an agreed period. Six staff from operations benefited from the scheme during the year.

In addition, the Internal Audit team prepared on-the-job training guidelines and examination for graduates joining the team, an initiative that was endorsed by the Human Resources Department.

Staff also attended local and overseas training and professional development programmes, at the Fund's expense. Two staff received training scholarships to study in India for periods ranging from two to nine weeks, under an India Technical and Economic Cooperation/Public Service Commission partnership funded by the Government of India.

# Testimonials - 2015

## Group Internal Audit

### Cyclic Audits

Under the concept of cyclical audit, consulting engagements were carried out during the financial year in departments in which assurance audits had been carried out in FY2013–FY2014. This arrangement allowed for implementation of audit recommendations and continuous audit in departments for which risks were assessed as high. Significant resources were allocated to audit of the new information system, being established under the ProMIS project.

### Subsidiaries

FNPF signed a Memorandum of Understanding (MoU) with Telecom Fiji Limited (TFL), Home Finance Company Limited (HFC Bank) and FINTEL (Fiji International Telecommunications Limited) for provision of internal audit services by the Group Audit team at no cost to these companies. The MoU also provides for alignment of the companies' policies and procedures relating to internal audit to those of the Fund.

Audits commenced in TFL in October 2014 with the assistance of three TFL staff attached to the unit as agreed in the MoU. Technical audit assistance was also provided to HFC Bank internal audit team. Internal audit services will be provided to FINTEL during FY2016 following the FNPF Board's approval of additional positions in the Group Internal Audit team.

### Fraud Control Management

Fraud cases and cases referred under the Fund's Whistleblower policy were investigated and reported by the Group Internal Audit team. A total of 45 cases were reported, majority of which were referred to Customer Services, and non-deduction of FNPF by employers. In addition, the team administered the Fund's fraud and corruption plan and provided secretarial services to the fraud and corruption control management and ethics committee, which met three times during the financial year. The team also carried out awareness on the whistleblower policy, to encourage staff and other stakeholders to make anonymous reports of unusual activities.

### Audit findings

Significant audit findings relating to FNPF and TFL were reported to the FNPF Board Audit and Risk Management Committee (BARC) and TFL Board of Finance Subcommittee, respectively. Follow-up audits were conducted and Management also updated the committees at the end of each quarter on the implementation of audit recommendations. The majority of the audit recommendations were implemented during the financial year.

### Quality Assurance & Business Excellence

Continuous quality assurance and improvement remained high on the agenda during the financial year under the watchful eye of the Quality Assurance Committee established within the Group Internal Audit team. The team was given the Prize Award in the 2014 Fiji Business Excellence Awards, which is the highest possible award to a first-time entrant.

# Testimonials - 2016

## GROUP INTERNAL AUDIT

### Assurance Audits & Consulting Engagements

The concept of cyclical audit continued in 2016 where consulting engagements were conducted for business units whose assurance audits were carried out in the financial years 2014 and 2015. This arrangement allowed for implementation of audit recommendations and continuous audit in business units for which risks were assessed as high.

The Group IA team also carried out real-time audits using Computer-Assisted Audit Tool, Audit Command Language during the Natural Disaster Withdrawal Assistance provided to members.

### Subsidiaries

Memorandums of Understanding (MOU) were signed between FPNP and Telecom Fiji Limited (TFL), HFC Bank Limited (HFC) and FINTEL for provision of internal audit services by GIA at no cost to these companies. The MOU also provides for alignment of the companies' internal audit policies and procedures to that of the Fund.

Staff from the TFL Internal Audit joined the Fund's GIA on 29 August, 2014 and several joint audits were carried out in the various business units of the company. The company's Internal Audit Policies and Procedures Manual and Whistleblower Policy



were also updated. A staff was also attached with the Fund's Corporate Governance & Enterprises Risk Management team for three months. GIA also provided on-the-job training to TFL IA staff and assisted in the preparation of their training and professional development plans. An audit was also carried out at FINTEL during this period.

However, FPNP Board in its meeting of 27 October 2015 decided that it accepted the position taken by ATH Group not to engage GIA for audits in the company and subsidiaries. It also decided that the internal audit arrangements existing in the individual entities will carry out the audits and the GIA can review these audit reports. It was also decided that should Board require any special audits to be carried out, then it will direct the Fund IA accordingly.

As a result, planned audits in ATH Group were suspended and TFL Internal Audit staff returned to the company. However, audits in wholly-owned subsidiaries of the Fund continued unaffected.

The FPNP Board, in its meeting of 23 November, 2015, discussed that the audit function has to be strengthened in light of plans to centralize common services. In this regard, sharing of skills in terms of human resources development and standardization of audit functionality are important and this would be achieved through a proper Group Internal Audit structure.

Following the finalization of the Fund's revised structure, a decision would be made to invest in an automated Audit Management System which will assist Management in audit administration and reporting.

### Fraud Control Management

Fraud cases and cases referred under the Fund's whistleblower policy were investigated and reported. In addition, the team administered the Fund's Fraud and Corruption Plan and provided secretarial services to the Fraud and Corruption Control Management and Ethics Committee which met two times during the financial year. The team also carried out awareness on the whistleblower policy to encourage staff and other stakeholders to unanimously report unusual activities.

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### Fraud Control Management

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### Significant Audit findings

Significant audit findings and results of fraud and related investigations relating to FPNP and TFL were reported to the FPNP Board Audit and Risk Management Subcommittee (BARC) and TFL Board Finance Subcommittee, respectively. Follow-up audits were conducted and the Management and BARC were updated on the progress made in the implementation of audit recommendations at the end of each quarter, majority of which were implemented during the financial year.

### Quality Assurance & Business Excellence

Continuous quality assurance and improvement continued during the financial year through the assistance of the Quality Assurance Committee established within GIA. Action plans on the findings of the Committee were also prepared and implemented.

# Questions

