AUDITING MOBILE MONEY AND ELECTRONIC TRANSACTIONS

Presentation by:

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Thursday, 1st February 2018

Presentation agenda

- Understanding mobile money and electronic transactions
- Audit risks and relevant assertions
- Reliance on information systems in auditing mobile money and electronic transactions
- Completeness of transactions
- Reversal evidence of transactions
- Common frauds associated with mobile money and electronic transactions

Understanding mobile money and electronic transactions

Currently, mobile money and electronic transactions are a significant component of business transactions:

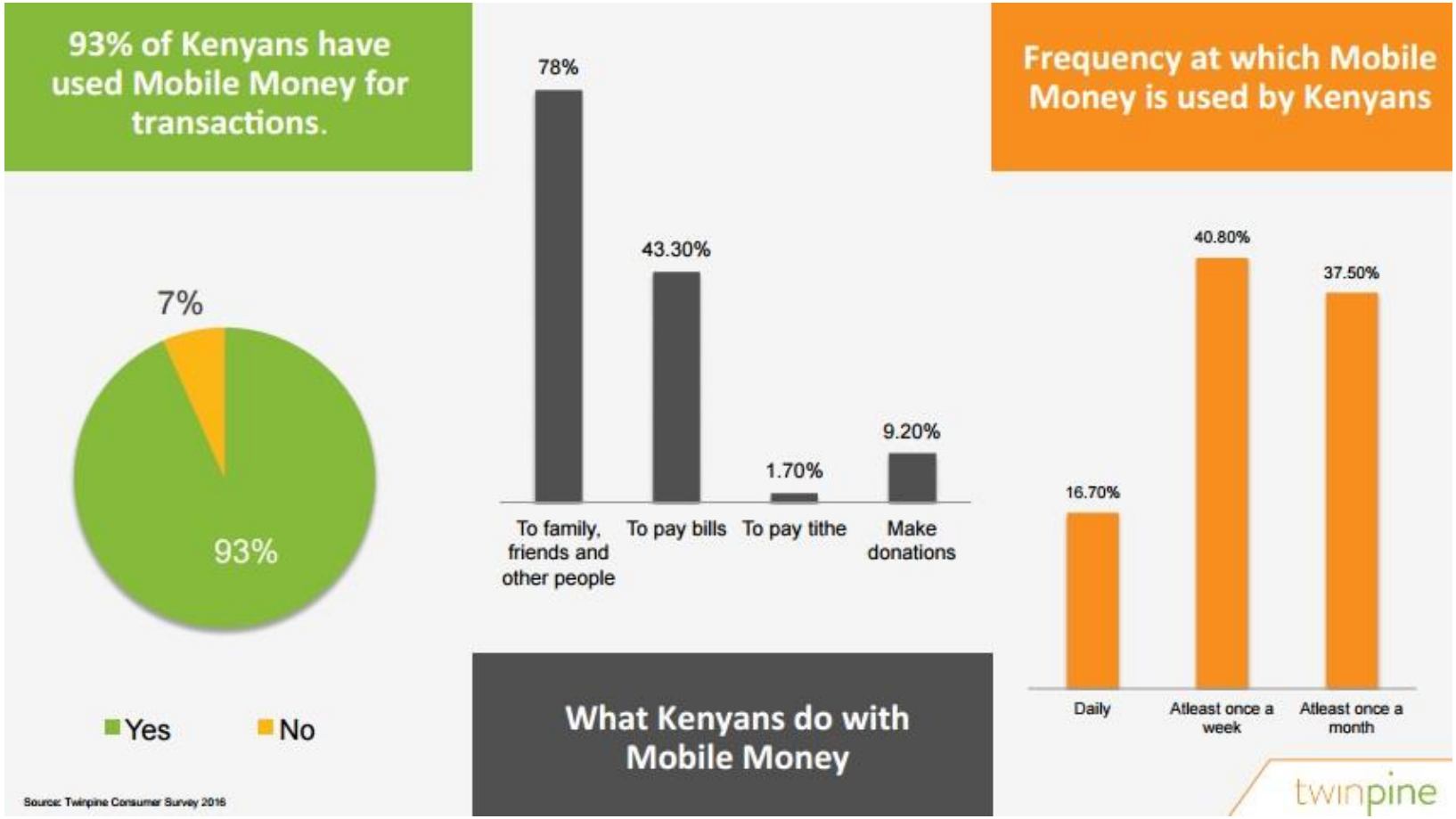
- ❑ High volumes of transactions
- ❑ Low value transactions
- ❑ Convenience
- ❑ Low costs per transaction
- ❑ Highly dependent on technology
- ❑ Efficiencies in terms of time and effort
- ❑ Mobile technology has been highly disruptive

Why should you be interested?

Mobile money and electronic transactions are impacting businesses significantly:

- Business shifts from manual to automated
- Higher focus on the customer
- From cash and cheques to electronic transactions
- New vulnerabilities, threats and opportunities
- Inter-operability between various platforms and providers e.g. banks and mobile money, between banks
- Sustainability dependent on efficiencies

The statistics



Risk…the concept

Audit risks…process

- Identify relevant audit risks
- Assess the identified risks in terms of qualitative factors (nature and likelihood) and quantitative factors (magnitude)
- Identify the relevant controls, preventive and detective
- Determine a controls audit strategy by linking the audit risks to the relevant controls
- Incorporate substantive tests i.e. analytical reviews and test of details

Audit risks…details

- Risk of fraud (covered separately in subsequent slides)
- Risk of errors or misstatements in the balances or transactions
  - Unaccounted for receipts or payments
  - Payments to wrong payees
  - Double payments
- Business risks e.g. bad reputation, lost business, lower customer satisfaction. Going concern risks?

Relevant assertions…

- ❑ Accuracy
- ❑ Completeness
- ❑ Occurrence / Existence
- ❑ Cut-off
- ❑ Rights and obligations
- ❑ Valuation
- ❑ Presentation and disclosure

Responding to the risks....

Test of controls

- ❑ General IT controls
- ❑ Application controls
- ❑ Manual controls

Substantive tests

- ❑ Analytical procedures e.g. ratio, trend and reasonableness tests
- ❑ Tests of details

Reliance on IT....

- General IT controls
  - Systems development
  - Systems changes
  - Access controls
  - Physical security
- Application controls
  - Logical access controls
  - Approval levels, segregation of duties
  - Validation and authentication controls e.g. PINs, IDs, names and other identifiers

Reliance on IT....

- Application controls
  - Automated calculations
  - Automated controls
  - Reports
  - Interfaces

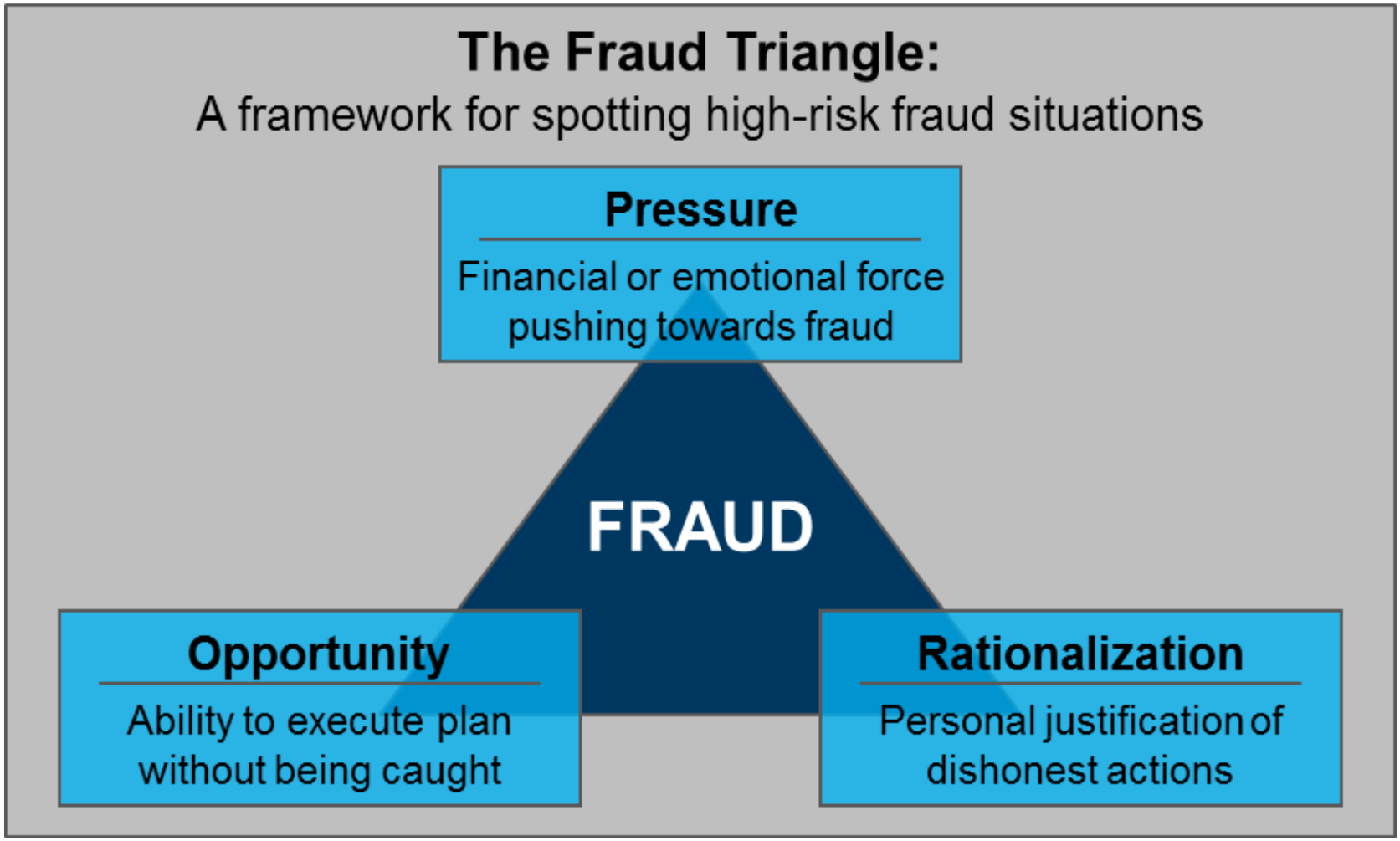
Completeness....

- Analytical reviews
- Reconciliations
- Data analytics to identify any unusual transactions
- If considered necessary, minimal tests of details e.g. confirmations

Reversal of transactions....

- High fraud risk area
- Basis of reversals should be clear and highly controlled
  - Wrong accounts
  - Duplicate payments
  - Erroneous transactions
  - Validity of the reversals

Fraud risk....basics



Common frauds....

- Identity theft whether from employees (internal) or external parties
- False transactions not originated by legitimate customers e.g. agents or employees transferring funds to personal accounts
- Illegitimate transactions followed by requests for reversals
- Ghost employees and suppliers receiving irregular payments

Controls over fraud....

- Segregation of duties
- Access controls to protect sensitive company and customer data
- Providing feedback to customers, employees or suppliers on transactions on their accounts
- Implementation of system controls to identify and report suspicious transactions
- Introduction of authority matrices and maker-checker processes
- Reconciliations

Interactive Session

Finally……