

# The Relevance of Monitoring Outstanding Audit Issues and Findings in the Development Bank of the Philippines

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**Abstract**— This research described the relevance of monitoring outstanding audit issues and findings in the Development Bank of the Philippines. It identified several factors contributing to these issues based on responses from participants. First, the study revealed that the presence of dependencies with other units or external parties is the primary factor leading to unresolved audit issues. Second, change management and personnel issues were also found to be substantial contributors. Organizational culture, while noteworthy, ranked third among the factors. Interestingly, the research found that the current monitoring process using the audit management system is generally satisfactory, with an average rating of 8, indicating overall contentment among respondents. Finally, the study investigated effective mechanisms for tracking the progress of resolving audit findings. Periodic progress reports and updates emerged as the most favored approach, followed by escalation processes and automated notifications. These findings provide valuable insights into the factors contributing to unresolved audit issues and suggest practical strategies for improving the audit resolution process.

**Keywords**— Automated Systems, Best Practices, Internal Controls, Monitoring Process, Outstanding Audit Findings

## I. INTRODUCTION

Every corporate activity includes monitoring as an essential component. Its role is to oversee and verify if operations align with established plans and if it is executed accurately. Monitoring should be done on a frequent basis so that whenever an issue arises, plans and decisions can be revisited, adjusted, and improved upon. An efficient monitoring system may aid organizations in achieving their goals and objectives by giving guidance, aiding in the creation of successful strategies, and improving performance, accountability, transparency, and quality reporting. Similar to internal auditing, which evaluates, improves, and maintains the effectiveness of the organization's risk management, control, and governance procedures in accordance with the Standards.

Internal Audit is a department or an organization within a company that provides unbiased, independent reviews of systems, business organizations, and processes (Clarke, 2022). In 1999, the Institute of Internal Auditors (IIA) propagated a new definition of internal auditing. The old definition underwent two significant changes, firstly, "the consulting activities as additional to existing assurance activities". Secondly, "additional scope of work" such as evaluating risk management and governance processes (IIA, 2017). Internal auditing became a major part of a company's success ensuring that the business and its stakeholders are protected by overseeing its internal control processes such as accounting and financial reporting. Alzeban, A., & Gwilliam, D. (2014) stated that improper internal audit implementation is what leads to failure in a business organization.

According to the Institute of Internal Auditors (2022), internal auditing is a global profession shared by a network of over 210,000+ professionals from more than 170 nations and territories worldwide. The Institute of Internal Auditors (IIA), a global professional association with headquarters in Lake Mary, Florida, USA, was founded in 1941 and serves as the internal audit profession's leading advocate, global voice, accepted authority, and acknowledged leader.

The Internal Audit in the Philippines is continuously evolving over the years (Carlos et al. 2019). The Internal Auditing Act of 1962, also known as Republic Act 3456, is the first piece of legislation that establishes internal audit in the Philippines. This serves as a fundamental reference for the laws, regulations, and other legal tools relating to government internal audits. In March 1989, Executive Order Number 119 was signed by the late President Corazon Aquino to strengthen the Internal Control System of government offices, agencies, government-owned controlled operations and local government units in their fiscal operations (Mallari et al. 2013). The Philippine government continuously builds the Internal Audit in the country to protect and improve the systems of both government and private organizations.

The Commission of Audit (COA) of the Philippines underwent two (2) transitions with the main goal of switching from the old auditing technique to a risk-based and process-focused technique. The two initiatives are (a) Improving the Philippine Commission on Audit's Public Accountability Program through the use of a Risk-Based Audit Handbook and Training supported by the United Nations Development Program; and (b) Audit Component of the World Bank-funded project Improving Accountability in Poor Local Government Units (Mendoza & Rosales, 2008).

According to the Development Bank of the Philippines (DBP) Internal Audit Charter (2022), the mission of an internal audit is to enhance and protect organizational value by providing risk-based objectives, assurance, advice, and insight. As per the Institute of the Internal Auditors' (IIA) International Standards for the

Professional Practice of Internal Auditing (ISPPIA) specifically Standard 2500 which is the monitoring progress, to be able to achieve this mission, the internal audit process must create and maintain a system to track what happens to the results communicated to management.

This study focused on the following research objectives:

1. Determine the factors leading to unresolved audit findings
2. Describe the current method being used in the monitoring process
3. Identify challenges in monitoring outstanding audit issues/findings.
4. Describe the benefits of monitoring outstanding audit issues/findings.

## II. METHODOLOGY

This study utilized a descriptive research design to describe (Subia, Mangiduyos & Turgano, 2020) "The Relevance of Monitoring Outstanding Audit Issues and Findings in the Development Bank of the Philippines". The researchers used purposive sampling based on their specific group and availability to take part in the study. The chosen sampling method is ideal to collect pertinent and accurate information from the respondents.

A total of 10 DBP-IAG senior officers served as respondents of the study to get a broad and balanced perspective in assessing the effectiveness of IAG's operation specifically in the monitoring as they were the subject matter expert of the study. They represent 25% of the DBP-IAG population of 40.

The following ethical guidelines were observed for the research period: 1. The researchers have the permission of the participants before conducting a survey, which involves them. 2. The research data remained strictly confidential throughout the study. 3. The researchers did not reveal the identity of the participants of the study and the dignity and wellbeing of the respondents were protected at all times.

## III. RESULTS AND DISCUSSION

Table 1. Factors leading to unresolved audit findings.

Factors	Frequency	Percentage
Inadequate internal controls	3	10%
Lack of documentation	1	3.33%
Staffing and skill gaps	2	6.67%
Complexity of processes	1	3.33%

Changes in regulations or policies	0	0%
Change management/ personnel issues	6	20%
Ineffective communication	3	10%
Organizational culture	5	16.67%
With dependencies with other units/external parties	7	23.33%
Workload related issues	1	3.33%
Others, please specify: Inadequate risk assessment and management	1	3.33%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

Based on Table 1, respondents were asked to select at most three (3) among the ten (10) options given above. Seven (7) out of ten (10) respondents answered that the top factor leading to unresolved issues are those findings with dependencies with other units/external parties at 23.33% followed by change management/personnel issues at 20% and organizational culture at third place with 16.67%.

Table 2. Satisfaction rating in the current monitoring process using the audit management system.

0	1	2	3	4	5	6	7	8	9	10
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The table shows that the respondents were satisfied with the current monitoring process using the audit management system with an average rating of 8. Four (4) out of ten (10) respondents were very satisfied by giving a perfect rating of 10 while the lowest rating received was 6.

Table 3. Methods in monitoring outstanding audit issues/findings.

Methods	Frequency	Percentage
Tracking in a centralized database or software	5	16.67%
Regular follow-up meetings with responsible parties	3	10%
Automated notifications and reminders	6	20%
Periodic progress reports and updates	9	30%
Escalation process for unresolved findings	7	23.33%
Others, please specify.	0	0%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

As shown in Table 3, the highest proportion of 30% of the data represents that the method of periodic progress reports and updates was the most effective mechanism to track the progress of resolving audit findings at regular intervals. Roughly 23.33% indicate the presence of an escalation process for unresolved findings and 20% for automated notifications and reminders.

Table 4. Challenges in the monitoring process.

Challenges	Frequency	Percentage
Resources constraints	2	7.41%
Complexity and volume of findings	5	18.52%
Prioritization of findings	3	11.11%
Lack of clarity in responsibilities	2	7.41%
Inadequate communication and coordination	4	14.81%

Lack of integration with systems	0	0%
Timely resolution and follow-up	8	29.63%
Lack of awareness regarding monitoring processes	1	3.70%
<i>Others, please specify:</i>	2	7.41%
<ul style="list-style-type: none"> <li>● Auditee's lack, disregard or untimely response to the follow-up notification</li> <li>● Lack of clarity and responsibilities</li> </ul>		
TOTAL	27	100%

The table provides insight into the challenges faced during the monitoring process of outstanding audit findings. Respondents were asked to choose at least three (3) among the choices, approximately 29.63% were attributed to timely resolution and follow-up, around 18.52% belonged to the complexity and volume of findings and inadequate communication and coordination with 14.81% were the most challenges in the monitoring process.

Table 5. Benefits of monitoring outstanding audit issues/findings

Benefits	Frequency	Percentage
Timely issue resolution	8	28.57%
Increased transparency and accountability	3	10.71%
Better decision-making based on insights	2	7.14%
Reduction in compliance/ financial risks	8	28.57%
Improved resource allocation	0	0%
Improved reputation and Stakeholder trust	1	3.57%
Better alignment with organizational goals	5	17.86%
<i>Others, please specify:</i>	1	3.57%
Facilitation of promotion of employees		
TOTAL	28	100%

Based on Table 5, an equal proportion of approximately 28.57% of benefits is attributed to the timely resolution of issues and reduction in compliance/financial risks and 17.86% in better alignment with organizational goals.

#### IV. CONCLUSIONS

1. The primary factor leading to unresolved issues in the audit process is the presence of dependencies with other units or external parties, as reported by 70% of the respondents.
2. Change management and personnel issues also significantly contribute to unresolved audit findings, with 20% of respondents highlighting this as a key factor.
3. Organizational culture plays a notable role in unresolved issues, though it ranks third among the factors, as reported by 16.67% of the respondents.
4. The current monitoring process using the audit management system is generally satisfactory, with an

average rating of 8, indicating that most respondents are content with the system.

5. The most effective mechanism for tracking the progress of resolving audit findings at regular intervals is through periodic progress reports and updates, favored by 30% of the respondents, followed by escalation processes and automated notifications, each receiving approximately 23.33% and 20% of the responses, respectively.

#### V. RECOMMENDATIONS

1. Lessen the unresolved issues with dependencies to other business units or external parties by establishing clear communication channels, defined

responsibilities, and robust coordination mechanisms that can lower the number of unresolved issues and mitigate associated risks.

2. To address the issues on change management and personnel, it is recommended that the organization implements a robust change management strategy, emphasizing clear communication and support mechanisms, can help mitigate the impact of organizational changes on the number of unresolved audit issues. Regular evaluations and feedback mechanisms should be established to address personnel issues promptly and ensure a more effective resolution of audit findings.
3. Considering that organizational culture ranks third among the factors contributing to unresolved audit issues, it is recommended to conduct a comprehensive cultural assessment to identify specific aspects impacting the audit process. Implementing targeted initiatives to foster a culture of accountability, transparency, and collaboration can positively influence the resolution of audit issues. Regularly reviewing and adapting organizational policies to align with desired cultural values will further contribute to a more conducive environment for addressing and resolving outstanding audit findings.
4. The organization must continue to invest in and enhance the system. Regularly seek feedback from users to identify areas for improvement and incorporate technological advancements to ensure the sustained effectiveness and user satisfaction with the audit management system. Additionally, provide ongoing training and support for users can optimize their utilization of the system, fostering a more efficient and streamlined monitoring process for outstanding audit issues and findings.
5. Increase the frequency of automated follow-ups, transitioning to a more efficient monthly cycle to optimize resource allocation or dedicating a specific day each month to focus on updates concerning outstanding audit findings. As a regulatory compliance an improved structured and advanced monitoring activities benefited significantly contribute to preventing misappropriation, fraud and fraudulent behavior, reducing risks, and enhancing compliance culture.

This research has underscored the critical importance of monitoring outstanding audit issues and findings in the Development Bank of the Philippines (DBP). The findings reveal that a proactive and systematic approach to monitoring not only ensures the timely resolution of audit issues but significantly contributes to effective risk

management, regulatory compliance, and overall governance.

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