**Safaricom Internal Audit**

**Customer Loyalty Program Management Processes and Systems Review**

Audit Report

Audit Ref: **3-FY23**

2024-05-24

|  |  |  |
| --- | --- | --- |
| **For Action:** |  | **For Information:** |
| CHIEF CONSUMER BUSINESS |  | **Board Audit Committee**  **Executive Committee** |
|  |

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**BACKGROUND, OBJECTIVES AND SCOPE**

1. **Background**

Provide background information for the audit report.

1. State the overall objectives of the audit.

Internal audit provides independent assurance on the effectiveness of governance, risk management and internal controls. The objective of the audit engagement was to:

* Identify and report on significant control, risk management and governance weaknesses as per audit scope.
* Provide early warning to management of potential control weaknesses.
* Identify and promote good business practices.

1. **Approach**

In addressing the scope, the audit was conducted in conformance with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors. The audit was based on inquiry, observation, analytical review procedures and limited testing of transactions.

1. Describe the scope of the audit.

To achieve the engagement objectives, the review covered the scope below:

* Review of …

1. **Audit period**

The audit scope above was covered for the period from MMM YYYY to MMM YYYY.

1. **Audit team**

* Provide background information for the audit report.

1. **Field work period**

MMM YYYY to MMM YYYY

**AUDIT OPINION**

Provide an audit opinion.

Based on our review, the audit grading for the Tittle of the Audit is **<Grading> (Grade)** contributing **XX%** to your divisional Internal Audit Score (IAS). <Grading description>.

**Basis of opinion**

We observed that XXX

The main improvement opportunities identified during the audit were:

* XXX
* XXX
* XXX

This report has been discussed with the management and an agreement reached on its contents. We appreciate the teams for their co-operation and assistance extended throughout the audit.

Signed:

**Denish Osodo**

Director Internal Audit

**RISK DISTRIBUTION, ROOT CAUSE ANALYSIS AND REPORT GRADING**

Summary risk ratings of identified observations are distributed as follows:

|  |  |  |
| --- | --- | --- |
|  |  |  |

**Report grading criteria.**

|  |  |
| --- | --- |
| **Grading** | **Description** |
| **(A) Good (95%)** | No significant material findings. The risk management, internal controls and governance processes are **adequate and effective**. The system of internal controls is **robust** to provide sufficient assurance over process design and operating effectiveness of internal controls to mitigate and/or manage inherent risks. The audit will be rated as ‘Good’ when all of the following conditions are met:   * There are no audit findings reported or only low risk control deficiencies were identified. * There are no thematic repeat audit findings identified. |
| **(B+) Satisfactory (75%)** | The system of internal controls is **largely adequate and effective** to provide assurance that the process /program objectives are met. Identified control weaknesses require remediation. The audit will be rated as ‘Satisfactory’ when all the following conditions (where applicable) are met:   * No high risk finding. * Only medium and low risk findings. * No repeat audit findings * Identified control weaknesses require remediation. |
| **(B-) Needs Improvement (50%)** | The system of internal controls is **not adequate or effective** to provide assurance that the process/program objectives are met; **significant control weaknesses** have been identified which require **urgent remediation**. The report will be rated as a ‘Needs Improvement’ when one or more or the following conditions are met:   * One or more repeat medium risk audit issues. * A fraud risk exposure classified as moderate. * Regulatory/litigation exposure classified as moderate. * Cyber security risk exposure classified as medium on CVSS. |
| **(C) Unsatisfactory (30%)** | Not fit for purpose. The system of governance, risk management and internal controls is **fundamentally inadequate** and/or ineffective to provide assurance that the **process/program objectives are met**; several/major control weaknesses have been identified which require **immediate remediation**. The audit will be rated as ‘Unsatisfactory’ when one or more of the following conditions are met:   * One or more high risk control gaps/findings/ repeat high risk audit issues. * The number and severity of issues relative to the size and scope of the operation being audited indicate pervasive, systemic, or individually serious weaknesses. * A fraud risk exposure classified as high where integrity concerns have been noted. * Regulatory/litigation exposure classified as high which could result in significant penalties and sanctions. * Cyber security exposures identified are classified as high or critical on the CVSS (i.e., technical impact) and have publicly available exploits relating to the vulnerabilities (i.e., threat exists). |

Write an executive summary with key highlights.

| # | Improvement opportunity | Agreed action |
| --- | --- | --- |
| **1** |  |  |
| **2** |  |  |

**DETAILED IMPROVEMENT OPPORTUNITIES**

**DETAILED IMPROVEMENT OPPORTUNITIES**

1. **Description of Issue for Uncovered customer segments by loyalty program.**

|  |  |  |  |
| --- | --- | --- | --- |
| Improvement opportunity | | | |
| Uncovered customer segments by loyalty program | | | |
| Risk | | **Rating** | **Uncovered customer segments by loyalty program\_rating** |
| risk Uncovered customer segments by loyalty program | | | |
| Recommendation | | | |
| Uncovered customer segments by loyalty program\_recom | | | |
| Agreed action | | | |
| 1. <Comment>…. **Agreed Date:** DD MMM 202Y 2. <Comment>…. **Agreed Date:** DD MMM 202Y | | | |
| Agreed owner | XXX | | |

1. **Description of Issue for Lack of enterprise-specific loyalty features.**

|  |  |  |  |
| --- | --- | --- | --- |
| Improvement opportunity | | | |
| Lack of enterprise-specific loyalty features | | | |
| Risk | | **Rating** | **Lack of enterprise-specific loyalty features\_rating** |
| risk Lack of enterprise-specific loyalty features | | | |
| Recommendation | | | |
| Lack of enterprise-specific loyalty features\_recom | | | |
| Agreed action | | | |
| 1. <Comment>…. **Agreed Date:** DD MMM 202Y 2. <Comment>…. **Agreed Date:** DD MMM 202Y | | | |
| Agreed owner | XXX | | |

1. **Description of Issue for Premature expiration of loyalty points for customers.**

|  |  |  |  |
| --- | --- | --- | --- |
| Improvement opportunity | | | |
| Premature expiration of loyalty points for customers | | | |
| Risk | | **Rating** | **Premature expiration of loyalty points for customers\_rating** |
| risk Premature expiration of loyalty points for customers | | | |
| Recommendation | | | |
| Premature expiration of loyalty points for customers\_recom | | | |
| Agreed action | | | |
| 1. <Comment>…. **Agreed Date:** DD MMM 202Y 2. <Comment>…. **Agreed Date:** DD MMM 202Y | | | |
| Agreed owner | XXX | | |

1. **Description of Issue for Insufficient new customer enrollments in the loyalty program.**

|  |  |  |  |
| --- | --- | --- | --- |
| Improvement opportunity | | | |
| Insufficient new customer enrollments in the loyalty program | | | |
| Risk | | **Rating** | **Insufficient new customer enrollments in the loyalty program\_rating** |
| risk Insufficient new customer enrollments in the loyalty program | | | |
| Recommendation | | | |
| Insufficient new customer enrollments in the loyalty program\_recom | | | |
| Agreed action | | | |
| 1. <Comment>…. **Agreed Date:** DD MMM 202Y 2. <Comment>…. **Agreed Date:** DD MMM 202Y | | | |
| Agreed owner | XXX | | |

1. **Description of Issue for Full license fees not paid, undermining system integrity.**

|  |  |  |  |
| --- | --- | --- | --- |
| Improvement opportunity | | | |
| Full license fees not paid, undermining system integrity | | | |
| Risk | | **Rating** | **Full license fees not paid, undermining system integrity\_rating** |
| risk Full license fees not paid, undermining system integrity | | | |
| Recommendation | | | |
| Full license fees not paid, undermining system integrity\_recom | | | |
| Agreed action | | | |
| 1. <Comment>…. **Agreed Date:** DD MMM 202Y 2. <Comment>…. **Agreed Date:** DD MMM 202Y | | | |
| Agreed owner | XXX | | |

1. **Description of Issue for Discrepancies detected during merchandise-related reconciliations.**

|  |  |  |  |
| --- | --- | --- | --- |
| Improvement opportunity | | | |
| Discrepancies detected during merchandise-related reconciliations | | | |
| Risk | | **Rating** | **Discrepancies detected during merchandise-related reconciliations\_rating** |
| risk Discrepancies detected during merchandise-related reconciliations | | | |
| Recommendation | | | |
| Discrepancies detected during merchandise-related reconciliations\_recom | | | |
| Agreed action | | | |
| 1. <Comment>…. **Agreed Date:** DD MMM 202Y 2. <Comment>…. **Agreed Date:** DD MMM 202Y | | | |
| Agreed owner | XXX | | |