

Review Session

Susan Landauer, CPA

Forensic Accounting Services Group, LLC

General..

- ▶ Credit Union Internal Audit Charter
 - ▶ Do you have one?
 - ▶ Does it have the required elements?
 - ▶ The functional reporting relationship
 - ▶ Authorizes IA access to all records, personnel and physical properties relevant to the performance of the audits
 - ▶ Defines the scope of the internal audit activities
 - ▶ Assurance and consulting services must be defined
- ▶ Are you independent / objective?
 - ▶ What is your reporting structure?
- ▶ CPE's

What are IA roles today?

- Potential *roles and responsibilities*
 - ▶ Audit (Assurance Services)?
 - ▶ Regulatory Compliance?
 - ▶ Fraud/Investigations?
 - ▶ Enterprise Risk Management?
 - ▶ Consulting?
 - ▶ Physical and IT Security?

Risk

- ▶ We will cover this afternoon.

Internal Audit Process

- Define the Internal Audit Engagement Process
 - Risk Assessment
 - Internal Audit Plan
 - Audit Planning: Objectives, Scope
 - Audit Program
 - Fieldwork
 - Workpapers
 - Reporting

Communicating Results

- Communication Standards
- The who, what, why, when, and how?
- Findings versus Comments
- Communications - Report versus Discussion Item?
- Rating Findings and Overall Audit Results

Regulatory Audits

Required compliance & audits from organizations other than the NCUA:

- ▶ NACHA annual audit
- ▶ BSA/OFAC annual audit
- ▶ ATM Pin & Encryption Security
- ▶ CFPB
- ▶ Other Regulations

Lending

- ▶ Loans defined
- ▶ Loan Audit Objectives
- ▶ Types of Loans
 - ▶ Consumer
 - ▶ Mortgages
 - ▶ Credit Cards
 - ▶ Member Business Lending
 - ▶ Indirect Lending
 - ▶ Loan Participations

Investment Objectives

- ▶ Regulations governing investments
- ▶ Understand permissible investments of CUs
- ▶ Key policies necessary for investments
- ▶ Audit steps

Investment External Testing

- ▶ External auditors are concerned with material misstatements to the financials
- ▶ Audit Steps:
 - ▶ Tests of controls determine reconciliations are performed and policies are in place
 - ▶ Confirm balances with safekeeper
 - ▶ Test fair market values
 - ▶ Investment yield testing

Investment Internal Testing

- ▶ Internal auditors should test controls over process of purchasing, recording, and reporting of investments and compliance with regulations
- ▶ Audit Steps:
 - ▶ Policies comply with regulation
 - ▶ Test recording of purchases, maturities and sales
 - ▶ Test the monthly reconciliation preparation and fair market value recording
 - ▶ Test accretion/amortization of premiums/discounts
 - ▶ Review Committee minutes for adequacy of materials
 - ▶ Verify management performs periodic review of safekeepers and brokers

FRAUD

- ▶ IIA Standards for fraud consideration in the audit cycle
- ▶ Fraud Audits vs. Fraud Investigations
- ▶ Thinking like a fraudster
 - ▶ Internal Frauds
 - ▶ External Frauds

Branch Audits

- ▶ Branch audits - what should they cover?
- ▶ Audit Steps to complete
- ▶ Other Items for consideration

Branch Audits

- ▶ Vaults
- ▶ Cash and cash items
- ▶ Security and Alarms
- ▶ Money Orders / Cashier Checks / Teller Checks
- ▶ Share Draft Accounts / Shares / CD's / IRAs
- ▶ Wire Transfers
- ▶ ATMs
- ▶ Other (signature guarantee, safe deposit box, compliance postings, new accounts, transaction documentation, etc.)

Credit Union Financials

- ▶ Understanding Credit Union Financials
- ▶ Significant Key Ratios
- ▶ Call Reporting

FEEDBACK

- ▶ What should be covered more in depth?
- ▶ What areas do you think should be less emphasized?
- ▶ What did you like?
- ▶ What did you dislike?
- ▶ Dialogue.....