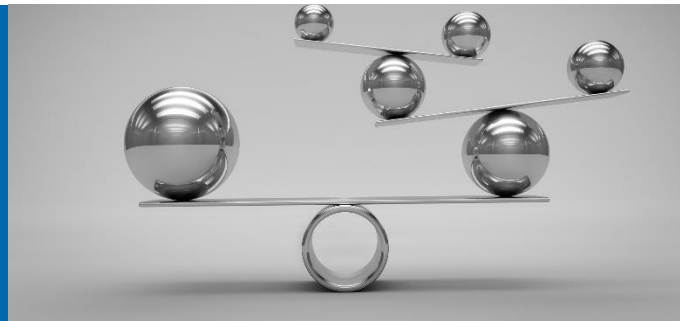


# Tools to Construct the Perfect Internal Audit Plan



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# Supervisory Committee: The “Knows”



Know Your Responsibilities

Know Your Credit Union

Know Your Resources

## Getting Started:

- Review both your Supervisory Committee Charter and the Internal Audit Charter to refresh yourself on any:
  - Expectations
  - Restrictions
  - Mandates

## NCUA Regulations – Part 715

### Basic Responsibilities:

- Determine that the Board of Directors and Management:
  1. Meet required financial reporting objectives
  2. Establish practices and procedures sufficient to safeguard members' assets

# Know Your Responsibilities

## NCUA Regulations – Part 715

### Specific Responsibilities:

- To carry out the basic responsibilities, the Committee must determine whether:
  1. **Internal controls are established and effectively maintained**
  2. Accounting records and financial reports are promptly and accurately prepared
  3. The policies and **control procedures** established by the Board are properly administered
  4. Policies and **control procedures are sufficient** to safeguard against error, conflict of interest, self dealing and fraud

# Know Your Responsibilities

## NCUA Regulations – Part 715

### Mandates:

- In carrying out these **basic** and **specific** responsibilities, the Committee must:
  1. Ensure that filing requirements (**Call Reports**) are met
  2. Perform or obtain a Supervisory Committee **Audit** (as defined by regulation)
  3. Perform or obtain a Verification of Members' Accounts
  4. Act to avoid sanctions for failure to comply with these requirements

Regulations

vs.

Expectations



Audit value starts with knowing the strategy  
and objectives of the Credit Union

## Risk Assessment

- A process to customize the internal Audit Plan in accordance with the relevant risks specific to your Credit Union.
- The intent of the assessment is to provide the Committee with an analysis of current risks in terms of likelihood and magnitude of impact to the credit union's overall objectives. A significant part of the assessment will be the determination of the existence and level of mitigating controls and the strategies in place to manage known risks.

# Know Your Credit Union

<b>Deposit Operations</b>	<b>IT Controls/Cybersecurity</b>
<b>Cash and Branch Operations</b>	Human Resources
<b>Accounting/Call Reporting</b>	<b>Vendor Management</b>
<b>Wire Transfers</b>	Fixed Assets
<b>ACH</b>	BSA/Anti-Money Laundering
<b>Consumer Lending</b>	Regulatory Compliance
<b>RE and Business Lending</b>	Accounts/Payable/Expenses
<b>Investment Securities</b>	Plastic Card Operations
<b>Liquidity Management</b>	Collections/Allowance
<b>Borrowings</b>	<b>Fraud/Reputation</b>

Never before has the Risk Universe of a credit union seen so much constant change.

New emerging risks are becoming very common.

# Know Your Credit Union

## \*Often Missed:

- Call Report
- Policies and Procedures
- Fraud/Reputation Risk

# Know Your Resources

Start with formulating and approving your budget:

- Staffing
- Available Hours
- Volunteer Hours (if any)
- Related Training (if any)
- Travel Costs (if any)
- Outsourced Costs (if any)

# Know Your Resources

What resources are available:

- Management and Staff
- Board of Directors
- Credit Union Financial Auditors
- Regulators (Concerns and Trends)
- Other Third Parties
- Prior-Year Internal Audit Plans and Audits
- Credit Union Industry Literature

# Internal Audit Plan: The Process





# Interview Everyone

- Determine risk areas needing attention
- Consider current and future risks
- Listen to concerns
- Prioritize risks
- Determine “mandated” audits
- Re-examine resources (including outsourced)

# What to Consider When Prioritizing

- Mandated** Mandated by Regulation, the Board of Directors, Management or the Internal Auditor. These will be performed during the fiscal year.
- High** High-risk area as identified by the risk assessment or due to a prior finding. These should be performed during the fiscal year.
- Moderate** Moderate-risk areas will be performed only if all of the mandated and high-risk areas are covered.
- Low** Low-risk areas only represent a few areas. Very low-risk areas, if any, should appear on the list of priority areas.

Plan every audit to ensure it will  
deliver obvious value.

If you don't make it simple for leaders to understand and value Internal Audit, they probably won't!

# Internal Audit Plan Format

- Can be any format, but should include:
  - Risk area
  - Some kind of Risk Rating
  - Expected timing of review
  - Objectives
  - Resources needed

Discuss past year accomplishments.  
(tout the value of Internal Audit)

Never assume anyone understands the  
value an audit team can deliver.

# Open Forum: Experiences and Questions



# Thank You!

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