

# Credit Union Update

INTERNAL AUDIT

26 July 2013

# Internal Audit

- **What is it?**
  - Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Internal audit brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- **What does internal audit do?**
  - IA conducts on-site reviews to ascertain the level of compliance of the Credit Unions (CUs) with their own policies, procedures together with relevant legislation. The focus is to provide the CUs with practical recommendations where there is room for improvement under the areas of risk management, control and governance.

# Internal Audit (Cont'd)

- **How internal audit works**

- IA establishes an approach to audit the CU's risk management, control and governance systems in a way that prioritises the organisational objectives and strategic risks.
- Results in a series of IA plans which set out how IA will function. These plans range from 3-5 years, right down to weekly plans (internal audit plans). Thus, CUs can clearly ascertain which reviews will be conducted and when.
- These form part of the IA charter. Charter is agreed with the board in advance of the reviews commencing. The charter defines the internal audit activity's purpose, authority, responsibility, independence and scope.
- Charter also establishes IA's position in the organisation and the access IA has to documents and personnel in the CU.
- Internal audit operates a no surprise approach with its final reports.
- Internal audit meets and discusses these results with the board/audit committee.

# Internal Audit (Cont'd)

- **Why avail of Internal Audit**
  - Internal audit is now a compulsory activity in light of the new Credit Union and Co-operation with Overseas Regulators Act 2012.
  - Internal audit can assist CUs in complying with the new Act through the breadth of reviews that are conducted.

# Internal Audit (Cont'd)

- **Internal Audit's independence**

- IA is a completely independent service. It cannot be involved in the day to day operations of the CU. This helps ensure that an objective opinion is provided.
- IA and external audit must be provided to CUs by different accountancy firms.

# Internal Audit (Cont'd)

- **What are the benefits of internal audit?**
  - There are no statutory reporting deadlines therefore greater flexibility
  - The work of internal audit is complimentary to that of external audit – reliance on IA
  - IA assists in identifying instances of non compliance with internal policies, procedures and legislative requirements and consequently provides practical recommendations on how to mitigate the risks from occurring again.
  - Internal audit operates a no surprise approach with its final reports
  - Internal audit meets and discusses these results with the board/audit committee

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