

How to Use This Manual

NAFCU's Internal Auditing Manual for Credit Unions is designed for the internal audit function for credit unions of all sizes. Some credit unions will use all of the audit programs provided, while others may find that some of the audits relate to products, services, or functions they do not yet provide. In every instance, the manual provides you with the information you need to determine when and how each internal audit program should be used.

The manual can serve your internal auditing needs whether you are a new internal auditor, a one-person internal audit department, or a seasoned professional heading an internal audit department. Even old hands with well-developed internal audit functions can benefit from the inclusive nature of this manual, and since this is a service with regular updates, it will help you to modify and update your internal audit programs as laws, regulations, and best practices change.

The manual is organized by the areas and functions requiring internal audits in a credit union. The sample internal audits can be easily customized to meet the particular needs of your credit union. To assist you in customizing these audits, they are provided on the CD for this manual. This CD will be furnished without additional charge upon receipt of payment for your order. They will also be updated without additional charge as part of your subscription.

Each chapter contains audit procedures for specific responsibilities related to the main function being covered in the chapter. The chapters also contain questionnaires, which are designed to be distributed to department management prior to an audit. Managers should complete the questionnaires and return them to the internal auditor. These questionnaires serve several purposes. They alert management to an upcoming audit and serve as a means of preparation for department managers. They provide the internal auditor with useful information about the controls established in the department and indicate areas that may require more in-depth scrutiny. Finally, the questionnaires alert the internal auditor to procedural or other changes that may have occurred in the department since the last audit and that may require some adjustments to the internal audit.

The manual is organized into seven sections.

Part I, *Developing an Internal Audit Program*, contains two chapters to help you organize and evaluate your internal audit process. Chapter 1, *Developing an Internal Audit Program*, provides information about the steps your credit union should take to set up an internal audit function, as well as ideas which you may want to incorporate in an existing internal audit program. Chapter 2, *Conducting a Preliminary Audit*, provides a framework for you to use in initiating an internal audit of each specific area. You can use the information and steps outlined in Chapter 2 to gather the information you will need to conduct an audit. Used with the questionnaires provided in other chapters, this material will assure that you conduct a focused and well-organized audit for each credit union function. Chapter 2A, *Management Audits*, focuses on the audits affecting credit union management.

Part II contains Chapter 3, *Accounting Department Audit*. This chapter presents internal audit procedures and questionnaires related to the accounting function.

Part III, Loans and Collections Audits, includes three chapters, each dealing with a particular loan function. Chapter 4 deals with consumer loan audits, Chapter 5 presents internal audits for the real estate loan function, and Chapter 6 contains internal audits dealing with the collections process.

Part IV, Information Systems, Computer, and Financial Information Audits, covers all aspects of information and computer systems (Chapters 7 and 8) and presents specific audits in response to the privacy requirements imposed by the Gramm-Leach-Bliley Act and subsequent regulations (Chapter 9).

Part V, Member Services and Branch Audits, covers the range of products and services credit unions offer to members. Chapter 10 contains audits on member accounts; Chapter 11 provides a branch audit to assess each credit union location or branch; and Chapter 12 presents audits for member products, services, and electronic delivery systems.

Part VI, Regulatory and Internal Control Audits, includes compliance audits (Chapter 13) for all of the major federal regulations with which credit unions must comply and internal control audits (Chapter 14) to measure the adequacy of your credit union's internal controls. This section also contains Chapter 15, Continuing Audits. This chapter presents abbreviated audit procedures for several credit union functions that you may want to monitor on a more regular basis. This chapter also contains a sample schedule for you to use to organize these more frequent audits.

Part VII, Financial Management and Administrative Audits, presents an audit for financial and asset management (Chapter 16); an administrative audit (Chapter 17); a human resources audit (Chapter 18); a security audit including BSA coverage (Chapter 19); a marketing and advertising audit (Chapter 20); a record retention audit (Chapter 21); a risk analysis audit program (Chapter 22); and an Internal/External Audit Self-Assessment Program (Chapter 23).

One of the major advantages to *NAFCU's Internal Auditing Manual for Credit Unions* is that its regular updates will help keep you and your internal audit programs current on important regulatory changes affecting internal audits and the functions and areas being audited. The manual should also provide you with ideas that may help you expand, reinforce, and complete your internal audit programs across the broad areas of your responsibilities as an internal auditor.