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# Audit Fundamentals Policy Manual

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1.4 Roles and Responsibilities

1.4.1 Management

[Sample Client]’s management recognizes the importance and value of undergoing audits as a resource tool for operational improvement and regulatory compliance. Management is charged with requiring from its staff full collaboration with auditing entities, and ensuring that all staff members are aware of their respective responsibilities within the audit process.

- Management is responsible for establishing audit value as follows:
  - Promote the concept that the audit process performs a contribution to the ongoing improvement of business processes and controls.
  - Participate in the process, and encourage an unbiased analysis of findings regarding process, controls, and function, with a goal of improving the business.
  - Act to ensure auditors are aware of and are adhering to the same standards as the above.

- Management is responsible for maintaining operational focus as follows:
  - Separately from any specific audit or examination, approach every task and project with discipline, best practice, and compliance in mind, and recognize that the audit process must be included as a part of operational planning and development.
  - Communicate to all employees that addressing and remediating audit findings is a requirement.

- Management is responsible for building collaborative functions as follows:
  - Develop and support collaboration functions that support the audit process.
  - Assign audit liaisons and subject matter experts to respond to audit requests, as appropriate.
  - Support the work that must be accomplished to remediate audit findings, to prevent the recurrence of previous findings, and to mitigate potential future findings, as appropriate.

1.4.2 Audit Liaison

This policy provides for the appointment of one or more [Sample Client] audit liaisons.

The audit liaison is responsible for daily coordination and scheduling of meetings with examiners, management, and staff in support of active examinations. This person should also make logistical arrangements that may be required for onsite auditors, including setting up a physical workspace, and access to phones, internet, and on-site facilities.

This role is responsible for tracking incoming requests from examiners and ensuring that requests are assigned to individuals who are most capable of providing accurate and timely responses. The audit
4.3 Audit Testing

To meet audit objectives, several types of testing may be performed by the auditing entity as deemed appropriate.

- **Procedural/Control Reviews**: A review of policies, procedures, and active controls to determine if business practices address regulatory requirements and key compliance risks.
- ** Transactional Testing**: A review of a sample of specific transactions. Sampling methodologies including the number and type of sampling (random or targeted) will be included in the defined audit objectives.
- **Analytical Reviews**: A review of changes in activity from period-to-period that may prompt further review depending on the reasons for fluctuations.

4.4 Audit Findings

Audit findings are the exceptions, deficiencies, errors, or deviations from policy, laws and regulations, or best practices as discovered during the examination, according to the professional judgment of the auditors.

Findings should be reported to management as found, or at regular intervals (e.g., weekly) during the course of the examination. Findings will also be provided in a conclusive report near the end of the engagement.

Typically, a severity level will be assigned to findings, which may determine the course and urgency for corrective action. Findings may be accompanied by recommendations from the auditors for addressing and improving the issues; however, some auditing situations preclude auditors from offering advice. Management should determine at the outset if recommendations will be forthcoming with findings.

4.5 Management Responses to Findings

Throughout the examination, management will have the opportunity to respond to findings and either accept each finding as an area for correction or improvement, or indicate that there is additional information that may reduce or eliminate the auditor’s opinion of the deficiency.

If management challenges a particular finding, the response, whether verbal or written, should include sufficient relevant information to explain and request reconsideration.

When permitted, managers and auditors should collaboratively discuss findings and responses and agree to the final list of findings prior to the issuance of the conclusive audit report.
The audit liaison prepares for audit requests by setting up a spreadsheet, database, or other device to track requests, assignments, responses, deliveries, meetings, and other activities during the course of the audit, and to generate regular status reports to management and the lead auditor as requested.

The audit liaison follows up on any open items and ensures no requests remain unaddressed.

6.2 Pre-Examination Requests

Examiners generally begin the process with a letter that explains the schedule and scope of the examination.

Prior to the auditors arriving onsite, it is common that a request will be made for certain documents, reports, diagrams, etc. It is [Sample Client]’s policy to handle such requests promptly and deliver the items in advance, by a secure means, or at latest at the kickoff meeting, as requested by the auditing entity.

The following are some commonly requested pre-examination documents.

6.2.1 Policies

[Sample Client] recognizes that most audits include as a standard component a review of relevant policies. Auditors frequently will examine both the statements of policy and how closely the lending institution adheres to its documented policy in practice. [Sample Client] has established a library of documented and board-approved policies which are reviewed and updated on a regular cycle. Current policies are made available to auditors upon request.

6.2.2 Procedures

Procedures within the [Sample Client] organization are considered to be job-specific operational guidance. Procedures are developed and documented at the department or work group level. They are subject to frequent changes in support of work flow, organization, and distribution of work within the department. Procedures are not subject to board approval. Current procedures are made available to auditors upon request.

6.2.3 Diagrams

Various diagrams may be requested including organizational charts, work flows, network diagrams, application interfaces, online connectivity with service organizations, or offsite backup and recovery, to name a few. Management ensures that the critical diagrams are kept up-to-date and are readily available. When sensitive diagrams such as network and connectivity representations are requested, it
9.3 Consumer Financial Protection Bureau

The CFPB Supervision and Examination Manual is CFPB’s guide for examiners to use in overseeing companies that provide consumer financial products and services. The manual describes how the CFPB supervises and examines such providers and gives examiners direction on how to determine if companies are complying with consumer financial protection laws.

From time to time, CFPB releases updates to the manual. The updates offer new information to financial institutions and other industry participants on how the CFPB will conduct examinations for compliance with the laws and regulations.

The CFPB Supervision and Examination Manual and related updates are available as PDF files on the CFPB’s website.

On a quarterly basis, the CFPB publishes its Supervisory Highlights report which provides current information about the CFPB’s examination program, and recent concerns that have been found. These Supervisory Highlights reports provide useful information about topics that the CFPB is likely to focus on in upcoming examinations. Supervisory Highlights are available from late 2012 through the present.

9.4 Federal Financial Institutions Examination Council

The Federal Financial Institutions Examination Council (FFIEC) is a formal government interagency entity that prescribes principles, standards and reporting formats for federal examinations of financial institutions. The council is further empowered to make recommendations promoting uniformity in the supervision of financial institutions.

Agencies that are included on the council are:

- Board of Governors of the Federal Reserve System (FRB)
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)
- Office of the Comptroller of the Currency (OCC)
- Consumer Financial Protection Bureau (CFPB)
- State Liaison Committee (SLC), which includes representatives from the following:
  - Conference of State Bank Supervisors (CSBS)
  - American Council of State Savings Supervisors (ACSSS)
  - National Association of State Credit Union Supervisors (NASCUS)