Ethics Overview for Internal Auditors

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Crater Lake—A monument to perseverance, North America’s deepest lake filled to 1,949 feet over 720 years.

Grand Canyon—At 277 miles long and up to 18 miles wide, this icon serves as a testament to determination and time.

Data as of January 2019
Our Locations

ARIZONA
Phoenix

CALIFORNIA
Fresno
Los Angeles
Napa
Orange County
Silicon Valley
Sacramento
San Diego
San Francisco
Santa Rosa
Stockton
Walnut Creek

COLORADO
Denver

KANSAS
Kansas City

NEW MEXICO
Albuquerque

OREGON
Eugene
Medford
Portland

TEXAS
Dallas
Houston

WASHINGTON
Bellingham
Everett
Seattle
Spokane
Tacoma
Yakima

25+ locations west of the Mississippi
Credit Union Experience

Staying current on financial reporting standards, ensuring senior executives and supervisory committee members understand their roles, maintaining regulatory compliance and IT security, and finding ways to reduce risk throughout the organization are some of the most effective ways to help your credit union succeed.

Our professionals are well-versed in the complexities of your industry—we serve over 400 credit unions and other financial institutions, that range in size from less than $1 billion to over $20 billion in assets with multibranch operations.

By engaging a team that’s intimately familiar with the challenges you face, your institution can be well positioned to seek out best lending practices, manage interest-rate-risk, and grow its membership.
We offer a full range of services and specializations that span accounting, consulting, and wealth management to suit your specific needs.

## Services

### Accounting
- **ASSURANCE**
  - Financial Statement Audits
  - Employee Benefit Plans
  - Public Company & SEC
  - Internal Audit
  - Outsourced Accounting
  - Contract Compliance
  - Sustainability
- **TAX**
  - Accounting for Income Taxes (ASC 740)
  - Accounting Methods
  - Compensation & Benefits
  - Credits & Incentives
  - International
  - State & Local
  - Controversy & Dispute Resolution
  - Tax Structuring
  - Transfer Pricing

### Consulting
- **IT**
  - Compliance
  - Cybersecurity
  - Assessment & Planning
  - Development & Integration
- **STRATEGY & OPERATIONS**
  - Business Planning
  - Performance Audits
  - Succession Planning
- **TRANSACTIONS**
  - Due Diligence
  - Investment Banking
  - M&A Tax
  - Restructuring
  - Valuations

### Wealth Management
- **INDIVIDUAL**
  - Tax
  - Financial Planning
  - Investments
  - Family Office
  - Insurance
- **INSTITUTIONAL**
  - Investments
  - Insurance
Roadmap:
Definitions
Code of Ethics
Dilemmas
Ethical Leadership
Safeguards
Definitions
Business Ethics

- Morals
- Ethics
- Guidance for corporate culture and identity

Evolution of Ethics

- Classical theories of a business acting as a business; self serving
- Evolution to more socially responsible approaches
- Profits vs. the “right decision”
- Focus on preventing conflicts through education
Elements of a Code of Ethics

- Promotes policies to guide behavior
- Communicates organizational beliefs
- Framework for decision making and reporting
- Defines oversight roles
- May outline disciplinary actions
- Establishes trust in the organization
IIA Code of Ethics

• Four main sections
• Integrity
• Objectivity
• Confidentiality
• Competency
Dilemmas
Ethical Dilemmas

Profits over doing the right thing

• Passive corrections of errors
• Unsuitable products – pressure on members
• Timing of gains and losses
Ethical Dilemmas

Management Pressure

• Pressure to change findings
• Lack of funding
• Non-inclusionary culture
• Scope restrictions
Ethical Dilemmas

Personnel – internal and outsourced

• Requirement to adhere to a code of ethics (CIA, CPA)
• Outsourced firms do not have codes of ethics
• Lack of training
• Conflicts of interest
Ethical Dilemmas

Role of the internal auditor in the organization

• Adequate oversight

• Internal auditor as a management control

• Internal audit and Supervisory Committee charters
Ethical Dilemmas

Technology

- Monitoring email and internet use
- Social media
- Employee account reviews
Ethical Leadership and Safeguards
Ethical Leadership

Traits of an ethical leader

• Trust in employees

• Honesty in communications

• Empathy and openness to listen

• Leads by example – consistency

• Stakeholders over profits

• CEO Roundtable
Safeguards and Internal Controls

- Whistleblower hotline
- Appropriate IT policies
- Mandatory vacations
- Appropriate training at all levels
- Annual independent audit
- Board oversight
- Segregation of duties
- Expense report reviews
- Written fraud policy
- Employee Account Reviews
### FIG. 9 How is occupational fraud initially detected?

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tip</td>
<td>40%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>15%</td>
</tr>
<tr>
<td>Management review</td>
<td>13%</td>
</tr>
<tr>
<td>By accident</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>Account reconciliation</td>
<td>5%</td>
</tr>
</tbody>
</table>
Fraud losses were 50% smaller at organizations with hotlines than those without.

Organizations without hotlines were more than twice as likely to detect fraud by accident or by external audit.
Questions and/or Experiences?
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