



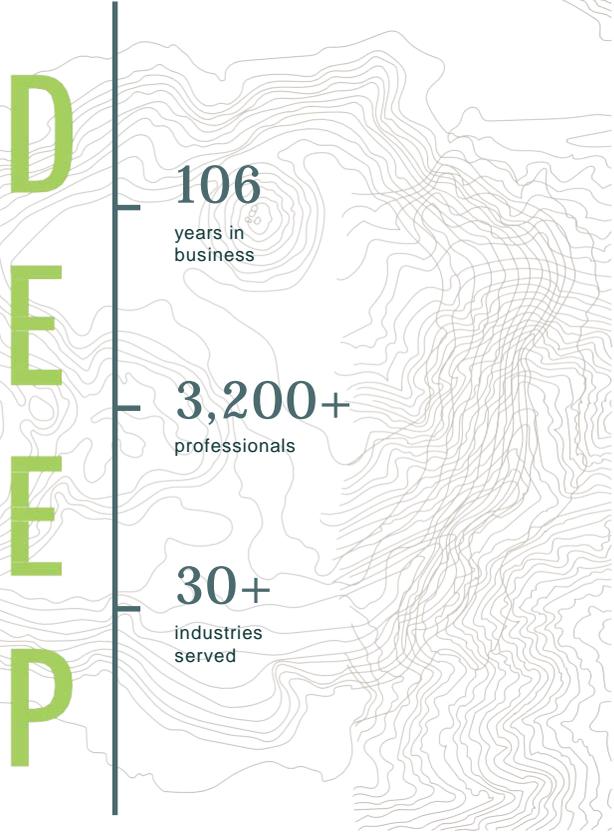
Ethics Overview for Internal Auditors

Ryan Sturgis, Partner

Aran Loftus, Senior Manager

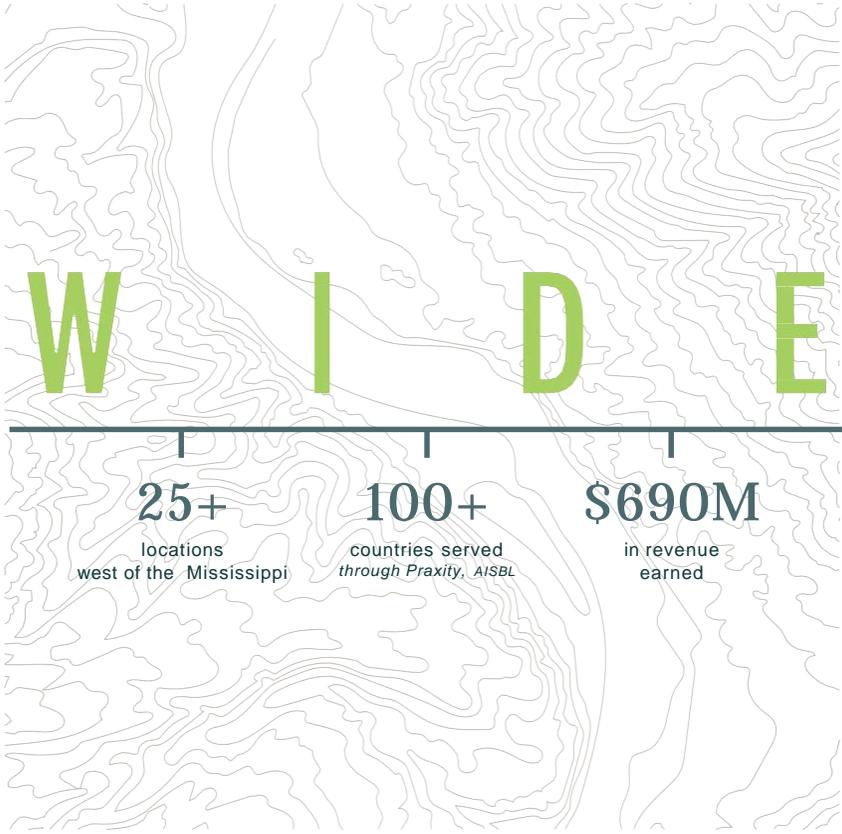


Expertise



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

Reach



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



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- San Francisco
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COLORADO

Denver

KANSAS

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NEW MEXICO

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OREGON

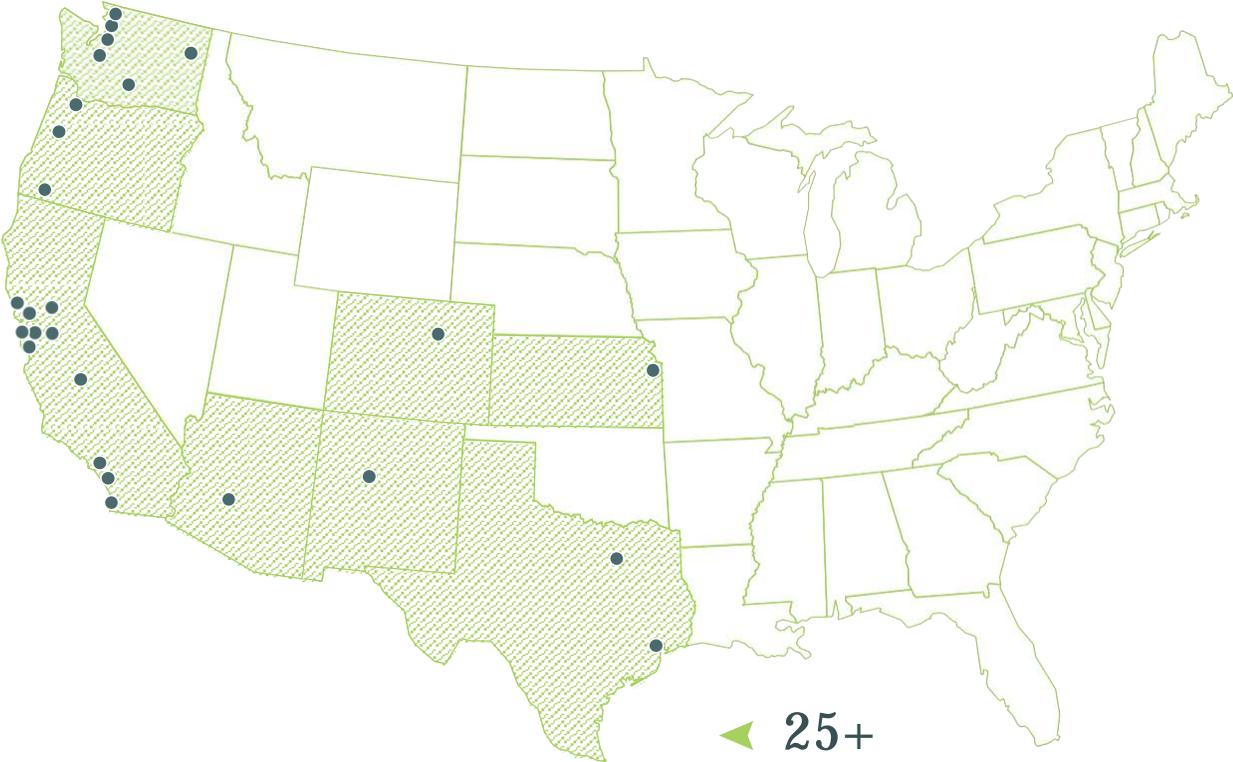
- Eugene
- Medford
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TEXAS

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- Houston

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◀ 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.

Reach



¹Callahan and Associates, 2019 Guide to Credit Union CPA Auditors

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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

INSTITUTIONAL

Investments

Insurance





Roadmap:

Definitions

Code of Ethics

Dilemmas

Ethical Leadership

Safeguards



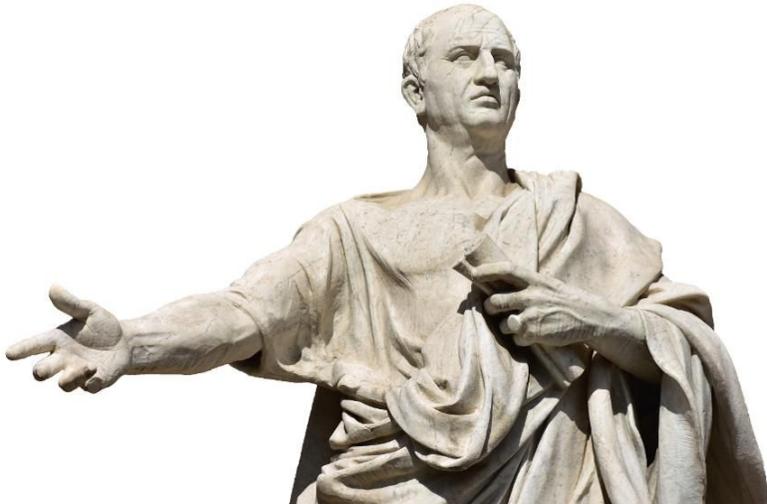


Definitions



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

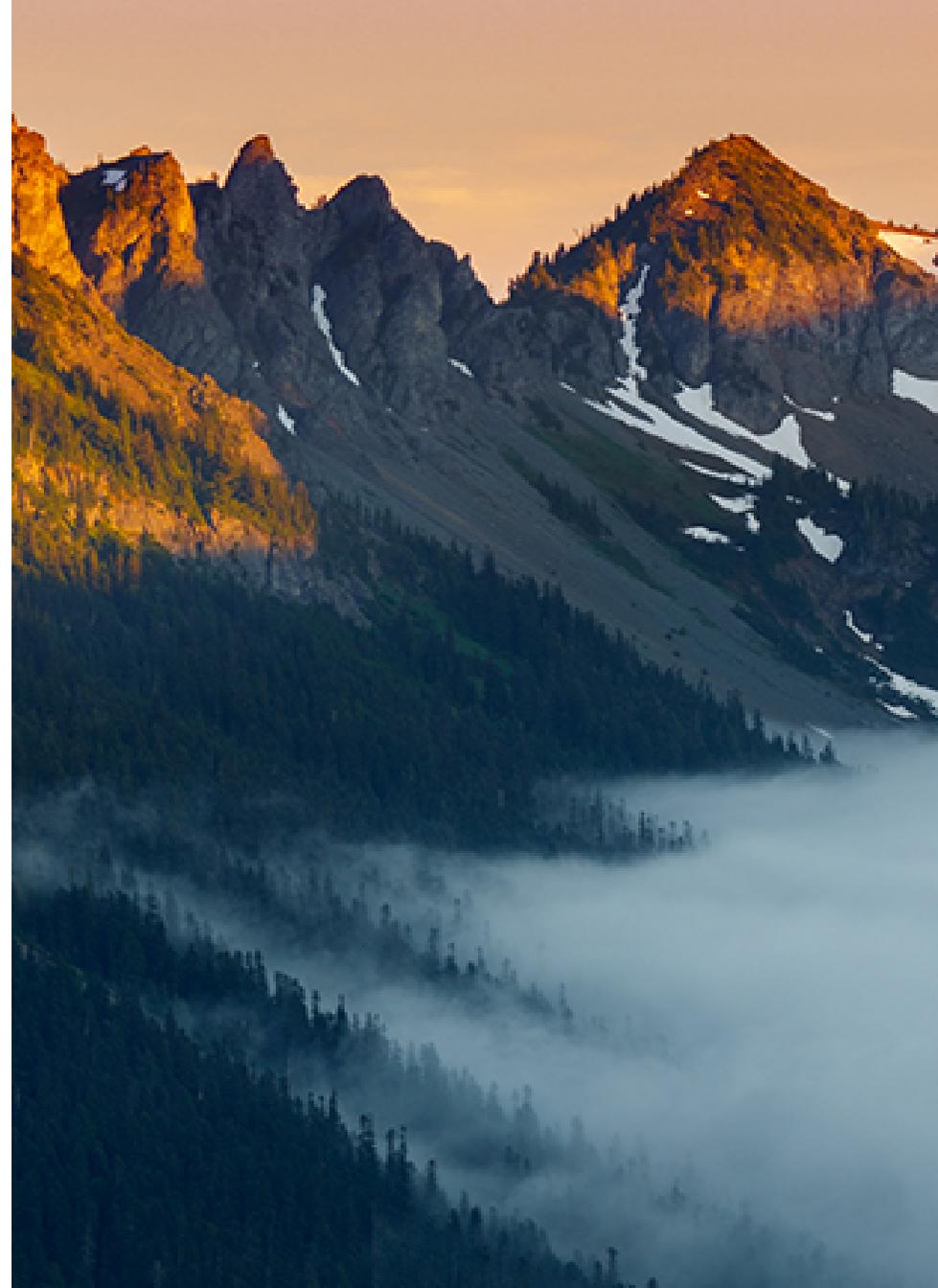
Dilemmas



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

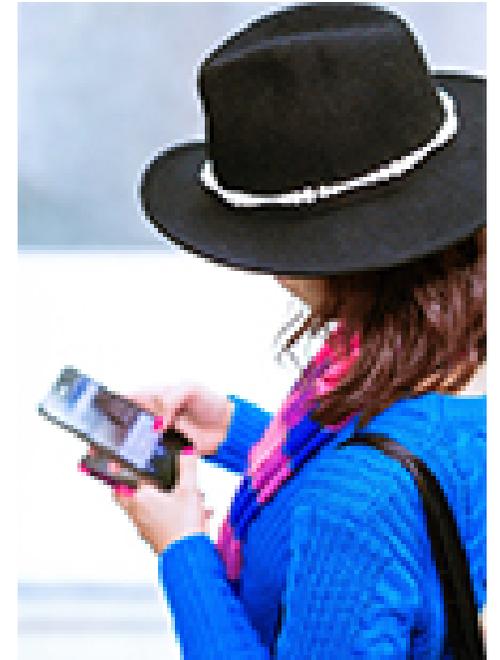
- Requirement to adhere to a code of ethics (CIA, CPA)
- Outsourced firms do not have codes of ethics
- Lack of training
- Conflicts of interest



Ethical Dilemmas

Role of the internal auditor in the organization

- Adequate oversight
- Internal auditor as a management control
- Internal audit and Supervisory Committee charters



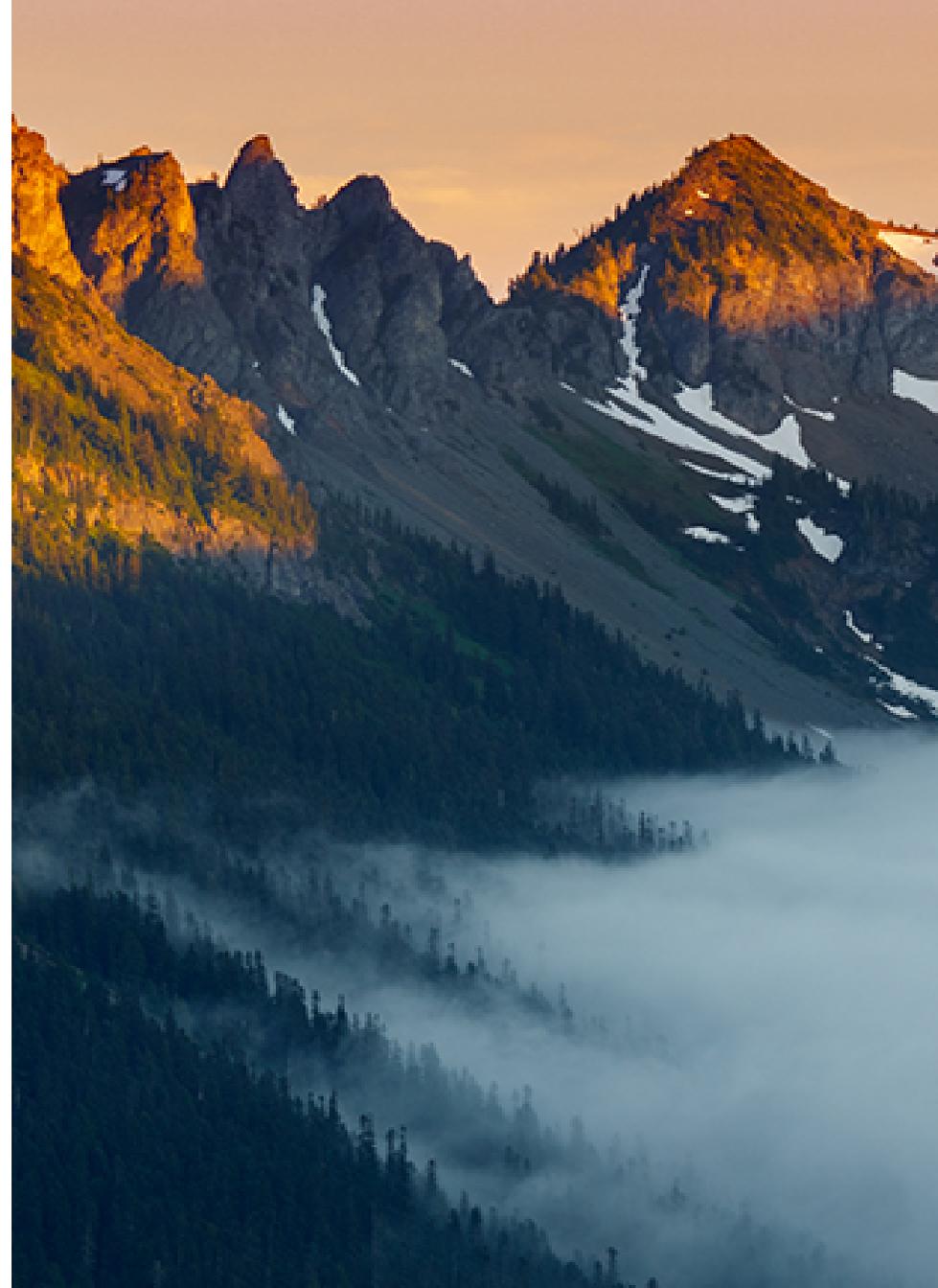
Ethical Dilemmas

Technology

- Monitoring email and internet use
- Social media
- Employee account reviews



Ethical Leadership and Safeguards





- Retrieved from content.time.com



- Retrieved from CNBC.com



- Retrieved from CNBC.com

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?

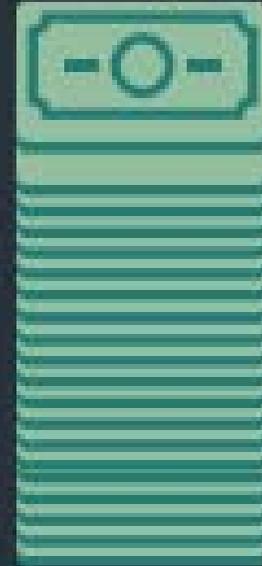


Fraud losses were
50% SMALLER
at organizations
with hotlines
than those without

\$100,000



\$200,000



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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