

Best Audit Practice Contest Submission: Risk Based Audit Plan

We have developed an audit practice which simplifies the annual audit planning process. Our Risk Based Audit Plan enables us to easily assess each risk area, schedule review frequencies, and track audit hours using helpful drop-down options.

The following is an outline of this audit practice utilizing the Risk Based Audit Plan workbook in Excel:

Area of Review	
Lending	
	Indirect Lending

Area of Review

The “Risk Assessment” spreadsheet tab separates nine functional areas into specific areas of review. Each cell is editable for adapting to new and evolving risks.

Overall Risk	Credit
3	3
3	1
	2
	3

Risk Rating

Each specific area of review can be rated according to NCUA’s seven risk categories. Risks are rated from Low (1) to High (3). The Overall Risk column automatically updates as each risk is rated.

Area of Review	Risk
1000 Lending	
1100 Indirect Lending	High

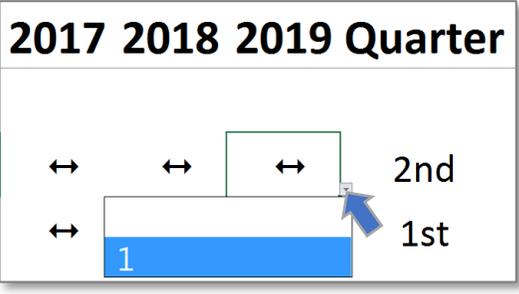
Audit Plan Transfer

Review areas and risk ratings are automatically transferred to the “Audit Plan” spreadsheet tab.

Risk	Frequency	Last Audit
High	Annually	May 2016
	Monthly	Apr 2017
	Quarterly	Jun 2015
	Annually	Apr 2016
	Biennially	Feb 2016
	Triennially	

Frequency

After accounting for the level of risk and any regulatory requirements, the frequency of each review may be set from monthly to once every three years. There is also a column to indicate the last time each area was audited.



Scheduling

The audit plan is based on a three year schedule, so the spreadsheet gives options to indicate each year the review is planned according to the defined audit frequency. There is also a column to indicate which quarter the audit is planned during the current year.

Actual Hours	Budget Hours	Variance	Progress
200	250	50.00	80.00%

Tracking

The last columns of the "Audit Plan" tab track audit hours spent on each area based on budgeted amounts. The 'Variance' and 'Progress' columns automatically update with the entries in the 'Actual Hours' column.

Summary

This audit practice can be beneficial to any internal audit function. The workbook is protected to only allow needed changes while prohibiting entries which could negatively affect its functionality. Most unlocked cells contain drop-down options to simplify the process. Once complete, this audit practice provides a clear visual of the annual audit plan and related risk assessment that can be presented to management, the Supervisory Committee, and the Board of Directors.

Area of Review	Overall Risk	Credit	Interest Rate	Liquidity	Operational	Compliance	Strategic	Reputation
Lending								
Indirect Lending	3	3	3	3	3	3	3	3
Consumer/Outbound Lending	3	3	3	3	3	3	3	3
Loan Servicing	2	2	2	2	3	3	2	3
Real Estate Lending	3	3	3	3	2	3	3	3
Business Lending	3	3	3	3	2	3	3	3
Collections	3	3	3	3	2	3	3	3
Finance								
Budget Planning	2	1	1	2	2	1	3	1
Allowance for Loan Losses (ALLL)	2	3	3	3	2	2	2	2
Investments	2	2	3	3	2	2	3	2
Asset Liability Management (ALM)	2	3	3	3	2	2	2	2
Accounting								
Accounting Operations	2	2	2	2	3	2	2	2
Wire Transfers	2	2	2	2	3	3	2	3
Expense Reimbursement	2	1	1	1	3	2	2	2
Overdraft Privilege (ODP)	2	2	2	2	3	3	2	3
Fixed Assets	1	1	1	1	2	1	2	1
Reconciliation	2	2	2	2	3	2	2	2
Regulatory & Management Reporting	2	1	1	1	3	2	2	2
Electronic Services								
ACH Audit (NACHA)	2	2	2	2	3	3	2	3
CO-OP Network & ATM Operations	2	2	2	2	3	2	2	2
Visa ICP	2	2	2	2	3	2	2	2
Operations								
Branch Audits	2	2	2	2	3	2	2	3
IRA's	2	2	2	2	1	3	2	2
Deposit Operations	2	2	2	2	3	3	2	3
Mediation/Signature Guarantees	2	2	2	2	3	3	2	3
Core Applications	2	2	2	2	3	2	3	2
First Priority Member Relations	2	2	2	2	3	3	2	3
Brokerage Services	2	2	2	2	3	3	3	3

Area of Review	Risk	Frequency	Last Audit	2017	2018	2019	Quarter	Actual Hours	Budget Hours	Variance	Progress
1000 Lending											
1100 Indirect Lending	High	Annually	May 2016	--	--	--	2nd		100	100.00	100.00%
1200 Consumer/Outbound Lending	High	Annually	Apr 2017	--	--	--	1st		100	100.00	100.00%
1300 Loan Servicing	Medium	Biannually	Jun 2015	--	--	--	3rd		150	150.00	100.00%
1400 Real Estate Lending	High	Annually	Apr 2016	--	--	--	1st	138	490	-352.00	28.16%
1500 Business Lending	High	Annually	Feb 2016	--	--	--	2nd	17	130	-113.00	13.08%
1600 Collections	High	Annually	Sep 2016	--	--	--	3rd	30	300	-270.00	10.00%
2000 Budget											
2100 Budget Planning	Medium	Biannually	Nov 2015	--	--	--	3rd		100	100.00	100.00%
2200 Allowance for Loan Losses (ALLL)	Medium	Biannually	Mar 2016	--	--	--					
2300 Investments	Medium	Biannually	May 2016	--	--	--					
2400 Asset Liability Management (ALM)	Medium	Biannually	Mar 2016	--	--	--					
3000 Accounting											
3100 Accounting Operations	Medium	Biannually	May 2015	--	--	--	3rd		75	75.00	100.00%
3200 Wire Transfers	Medium	Biannually	May 2016	--	--	--	2nd	113.5	75	38.50	154.67%
3300 Expense Reimbursement	Medium	Biannually	Apr 2017	--	--	--	3rd		75	75.00	100.00%
3400 Overdraft Privilege (ODP)	Medium	Biannually	Apr 2015	--	--	--	3rd		75	75.00	100.00%
3500 Fixed Assets	Low	Triannually	Nov 2016	--	--	--	3rd		75	75.00	100.00%
3600 Reconciliation	Medium	Annually	Nov 2016	--	--	--	3rd		75	75.00	100.00%
3700 Regulatory & Management Reporting	Medium	Biannually	Sep 2015	--	--	--	3rd		75	75.00	100.00%
4000 Electronic Services											
4100 ACH Audit (NACHA)	Medium	Annually	Dec 2016	--	--	--	4th	63	75	-12.00	84.00%
4200 CO-OP Network & ATM Operations	Medium	Biannually	Dec 2016	--	--	--	4th	14.25	25	-10.75	57.00%
4300 Visa ICP	Medium	Annually	Apr 2016	--	--	--					
5000 Operations											
5100 Branch Audits	Medium	Monthly	Jan 2017	--	--	--	Ongoing	108	300	-192.00	36.00%
5200 IRA's	Medium	Biannually	Aug 2016	--	--	--	3rd		75	75.00	100.00%
5300 Deposit Operations	Medium	Biannually	Nov 2016	--	--	--	4th		100	100.00	100.00%
5400 Mediation/Signature Guarantees	Medium	Biannually	Nov 2016	--	--	--	4th		75	75.00	100.00%
5600 Core Applications	Medium	Annually	Sep 2016	--	--	--					
5700 First Priority Member Relations	Medium	Biannually	Nov 2016	--	--	--	4th		75	75.00	100.00%
5800 Brokerage Services	Medium	Biannually	Nov 2016	--	--	--	4th	53	75	-22.00	70.67%
6000 Administration											
6100 Payroll	Medium	Biannually	May 2015	--	--	--	2nd		100	100.00	100.00%
6200 General Services	High	Triannually	Nov 2016	--	--	--					
6300 Security	Medium	Biannually	Jun 2016	--	--	--					
6400 Insider Account Review	Medium	Annually	Dec 2016	--	--	--	Ongoing	85	350	-265.00	24.29%
7000 Information Systems											
7100 Network	High	Annually	Jul 2016	--	--	--					
7200 eCommerce	Medium	Biannually	Nov 2015	--	--	--	1st		100	100.00	100.00%
7300 IT Governance	High	Annually	Nov 2016	--	--	--	Ongoing	6	35	-29.00	17.14%
7400 General IT Controls	High	Annually	Jul 2017	--	--	--					
7500 Disaster Recovery/Business Continuity Plan	Medium	Biannually	Nov 2016	--	--	--					
7600 System Access Rights	Medium	Biannually	Nov 2016	--	--	--	1st		100	100.00	100.00%
7700 Cybersecurity	High	Annually	Dec 2016	--	--	--	4th	53	75	-22.00	70.67%
8000 Compliance											
8100 Vendor Management	Medium	Biannually	Jul 2016	--	--	--					
8200 AML (BSA, OFAC, & Patriot Act)	High	Annually	Jan 2017	--	--	--	4th	60	100	-40.00	60.00%
8300 SAFE Act	Medium	Annually	Dec 2016	--	--	--	4th	15	100	-85.00	15.00%
8400 Compliance Accounts / Address Changes	Medium	Biannually	Aug 2016	--	--	--					
8500 Regulatory Compliance	High	Annually	Jul 2016	--	--	--					
9000 Marketing											
9100 Expenses & Promotional Inventory	Medium	Biannually	Apr 2017	--	--	--	2nd	74	30	44.00	246.67%
9200 Marketing Plans & Contracts	Medium	Biannually	Nov 2016	--	--	--	2nd		100	100.00	100.00%
9300 Social Media	Medium	Biannually	Jul 2016	--	--	--					
30000 Other Internal Audit Functions											
30100 Monitoring Reports	N/A	Annually	N/A	--	--	--	Ongoing	187.75	850	-662.25	22.09%
30200 Member Account Statement Confirmations	N/A	Annually	N/A	--	--	--	4th	33	75	-42.00	44.00%
30300 Examination Assistance & Followup	N/A	Annually	N/A	--	--	--	4th	2	100	-98.00	2.00%
30400 Continuing Professional Education (CPE)	N/A	Annually	N/A	--	--	--	Ongoing	118.75	450	-331.25	26.39%
30500 Enterprise Risk Management	N/A	Annually	N/A	--	--	--	Ongoing	953	400	553.00	238.75%
30600 Intellectual Property Audit/Review & Research	N/A	Annually	N/A	--	--	--	Ongoing	261	600	-339.00	43.50%
30700 Management Request / Non-Audit	N/A	Annually	N/A	--	--	--	Ongoing	134	450	-316.00	29.78%
30800 Paid Time Off (PTO)	N/A	Annually	N/A	--	--	--	Ongoing	238.5	850	-611.50	28.06%
				40	40	35		2168	7900	-5732.00	27.32%