INTERNAL AUDIT CAPABILITIES AND STRUCTURE

We have a staff of over 25 people dedicated to providing services in internal audit, compliance, consulting loan review, and special projects. Our teams in Upstate New York and Vermont are comprised of professionals with national expertise—all dedicated to providing specialized client services.

We’ve partnered with our clients to perform audit work, evaluate their current risk management processes, define and implement control structures, and assess and improve the governance steps needed to enhance or add to existing sometimes informal, unstructured risk evaluation processes with efficient, formal, structured processes that are repeatable, easy to use, and focused on the client.

Over the last 12 years, we have helped hundreds of companies audit, assess, and improve their internal control environments by:

- Assessing the design effectiveness of the existing internal controls relative to industry standard frameworks such as NIGC MICS, COSO, COBIT, ITAF, CMM, SDLC, and PMI, and documenting any gaps;
- Developing recommendations to close any gaps and to enhance the efficiency and effectiveness of their internal controls;
- Ensuring the accountability of individuals involved in financial reporting;
- Improving the accuracy of financial information;
- Assuring the documentation of accounting and information technology processes;
- Empowering the Audit Committee by providing it with more comprehensive, meaningful information; and
- Strengthening constituents’ and stakeholders’ views of the organization.

We hold premier industry standard certifications and training, all with years’ worth of client partnerships. Our team is made up of members who are CPAs, MBAs, Certified Internal Auditors (CIA), Certified Information Systems Auditors (CISA), Certified Financial Services Auditor (CFSA) Certified in Risk and Information Systems Controls (CRISC), Certified Information Security Managers (CISM), Certified Fraud Examiners (CFE), Certified Fiduciary Investment Risk Specialist (CFIRS), Certified Community Bank Compliance Officer (CCBCD) and Certified in Computer Forensics, all with detailed and extensive regulatory experience.

Our mission is to help you identify, minimize, and manage your risks. Central to this is our commitment that we will perform and work with you in a manner where your risk management process is not just a cost, but part of a comprehensive strategy to provide your organization with a sustainable competitive advantage.
Internal Audit Expertise Development

We evolve our services to react closely with the needs and ongoing internal and external pressures being forced upon all types of businesses: private, public, tax exempt, taxable, service, manufacturing, national and international organizations. Our services are planned, delivered and measured to add true business benefits, not just an expense. And as the future changes, so will Bonadio. We will continue to focus on what our clients need and where we can add measureable value to those needs.

Internal Audit Methodology

Bonadio’s internal audit group starts with a firm wide methodology and then provides a tailored approach to all our clients – we want to assure our approach meets your needs. We fully follow the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing in:

- Purpose, Authority, and Responsibility
- Independence and Objectivity
- Impairment to Independence or Objectivity
- Proficiency and Due Professional Care
- Quality Assurance and Improvement Program
- Managing the Internal Audit Activity
- Engagement Planning
- Performing the Engagement
- Communicating Results
- Monitoring Progress
- Communicating the Acceptance of Risks

Our team utilizes a fully integrated approach for all internal auditing activities, whether financial, operational, or information technology-based, we will use synergistic underlying methodologies, tools, and approaches.

While the tactical actions may be unique to the scope of work provided, we employ a proven six-step process with integrated internal audit methodology and tools throughout any process; this allows for a repeatable product that can be supplied throughout the engagement.

The diagram presented below and details on the following page represent the framework of our internal audit approach. This is a high-level overview of our internal audit methodology and tools, and illustrates activities performed in each of the six steps.
Internal Audit Methodology (Continued)

1. Strategic Analysis
   Prepare discuss and confirm:
   • Objectives
   • Approach/engagement leadership team
   • Stakeholder’s expectations
   • Scope
   • Consulting days
   Review the latest internal audit reports and status of outstanding action items, if available
   • Business objectives
   • Control environment
   • Management control
   • Output requirements
   • Regulatory environment
   • Economic/social/environmental issues

2. Risk Assessment
   • Review the current requirements in more depth
   • Facilitate risk assessment analysis
   • Prioritize the internal audit plan based on the risk model
   • Recommend strategies for addressing the relevant issues identified in the risk profile and the resources required
   • Propose recommended projects to be included in the Strategic Internal Audit Plan
   • Develop a Three-Year-Strategic Internal Audit Plan (and one-detailed internal audit plan) based on the risk analysis and submit to client approval

3. Internal Audit Plan
   • Conduct audit project planning and scoping
   • Conduct interviews with management
   • For each agreed project, identify business objectives, risks, controls and exposures
   • Incorporate insights of specialists
   • Prepare detailed internal audit workplan for each project

4. Internal Audit Execution
   • Perform process/transaction walkthrough and documentation of results
   • Document specific controls (including operational, financial, information technology, regulatory compliance)
   • Perform and document testing and analysis

5. Reporting
   • Evaluate results and collaborate with management
   • Review issues and agree management action with area management (exit conference)
   • Issue final report

6. Issue Follow-Up And Tracking
   • Update and refine risk assessment and re-evaluate plan
   • Summarize and evaluate current period audit activities
   • Follow-up and track agreed management action to help ensure effective implementation
   • Meet with senior management, client’s Audit Committee, and liaise with external auditor
   • Evaluate performance against stakeholder’s expectations
   • Complete audit survey/feedback