

New Internal Control Standards Bring More Consistency for Public and Non-Public Banks



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Supervision and Risk Management

New Attestation Standard Needed

**AT 501 was stale
(issued 1993)**

- **Management relied on auditors**
- **Auditors relied on internal audit**
- **FS audit not considered**

**PCAOB raised
performance bar**

- **Separate management testing**
- **Limited use of internal audit**
- **Integrated FS and IC audit**

Bottom line...

- **IC audit for non-public bank not the same as public bank**

Statement on Standards for Attestation Engagements 15

Aligns closely with PCAOB Audit Standard 5

Requires an integrated audit

Provides guidance to management

Enforces a top-down, risk-based approach

Provides guidance on using the work of others

Banks Without an Internal Control Audit

Financial Statement Audit

- **Auditors do not generally test internal controls**
- **If deficiencies found, auditors must communicate**
- **No evaluation of internal control effectiveness**

Communication Problem

- **Old standard used different deficiency definitions**
- **Confusion for regulators who use both reports**
- **Confusion for auditors who audit both non-public and public banks**

Result

- **Internal control communication for non-public bank was not the same as a public bank**

Statement on Auditing Standards 115 - “Communicating Internal Control Related Matters Identified in an Audit”

- Communication standard
 - requires written communication
- Applies to financial statement-only audits
- Provides guidance on evaluating severity
- Uses SSAE 115 deficiency definitions
 - only covers financial reporting controls

Internal Control Standard Application

Public		Non-Public	
Accelerated Filer	Non-Accelerated Filer	FDICIA	Non-FDICIA
AS 5	AS 5	SSAE 15	SAS 115