

Strategic Audit Priorities for Community Financial Institutions.

Aligning Operational Strategy with Emerging Audit Expectations.

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As audit standards evolve and regulatory oversight intensifies, community financial institutions' Audit Committees, Chief Financial Officers, Internal Audit Leaders, Risk & Compliance Officers must align their strategic priorities with the realities of modern auditing. From cybersecurity to real-time data validation, the audit function is no longer a back-office compliance exercise—it's a strategic driver of trust, transparency, and resilience.

This article outlines the top priorities for community financial institutions in 2025 and 2026, quickly connecting them to the key actions to ensure successful internal and external audit outcomes.

Cybersecurity and Data Privacy

Today's auditors are placing greater emphasis on cybersecurity frameworks and data governance. Internal audit teams must validate the effectiveness of controls over sensitive data and breach response protocols. We recommend the following actions:

- Document cybersecurity controls and incident response plans
- Conduct regular internal audits of data access and encryption

Interest Rate Volatility

Volatile rates impact financial statement assertions around asset valuation, credit loss reserves, and liquidity. Auditors expect robust modeling and documentation. We recommended the following actions:

- Audit stress-testing models and assumptions
- Validate data inputs used in forecasting and reserve calculations
- Ensure management review controls are well-documented and disaggregated

AI and Automation

AI is transforming audit methodology—from risk assessment to control testing. Management must evaluate algorithmic decision-making and system configurations while ensuring controls are designed and implemented effectively. We recommended the following actions:

- Assess AI-driven controls for bias, accuracy, and transparency
- Document logic and parameters used in automated processes
- Prepare for auditor scrutiny of AI governance and oversight

Data Analytics and Reporting

Today's auditors are increasingly relying on data analytics to identify anomalies and validate controls. Management must ensure data integrity and traceability. We recommended the following actions:

- Validate completeness and accuracy of internally produced information
- Establish and routinely update process narratives and flow charts

Deposit Growth and Retention

Today's auditors often examine incentive structures, marketing practices, and customer data usage for compliance with consumer protection laws. We recommended the following actions:

- Audit digital onboarding processes for fairness and transparency
- Review controls over promotional rate offerings and disclosures
- Monitor data privacy compliance in customer acquisition campaigns

Core System Modernization

System upgrades affect control environments. Today's auditors must assess change management, access controls, and data migration integrity. We recommended the following actions:

- Document system configurations and change logs
- Validate IT application controls post-implementation
- Coordinate with external auditors during major tech transitions

Regulatory Compliance

Regulatory shifts—including PCAOB and AICPA standard setting—are raising the bar for audit quality and internal control documentation. We recommended the following actions:

- Monitor new regulatory and audit standards and assess the impact to your current processes and systems
- Regularly engage with regulators and internal/external audit teams about changes and modify processes and systems accordingly
- Communicate regulatory and audit standard changes, including the implications of those changes internally, so your teams are appropriately informed

Conclusion

Audit is no longer just a checkpoint, a lens through which regulators, investors, and stakeholders evaluate institutional integrity. By aligning strategic priorities with audit expectations, community financial institutions can build trust, reduce risk, and drive sustainable growth.

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Ryan is responsible for all aspects of audit engagements, from planning and performing fieldwork to analysis of high-risk areas. He brings extensive expertise assisting public companies in SEC regulatory filings under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Sarbanes-Oxley Act of 2002, and has helped multiple clients navigate through business combinations and public stock offerings. Ryan mainly serves clients in the financial services sector, but has also worked closely with manufacturing companies, not-for-profit entities, and employee benefit plans.

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