

**Fiduciary & Investment Risk Management Association
2023 National Training Conference**

**Office of the Comptroller of the Currency
Asset Management Audit Update**



Disclosures

- The views and opinions expressed in this presentation are my own, and do not necessarily represent those of the Office of the Comptroller of the Currency or Risk, Resources, & Examiner Development.
- I will refer to National Bank and Federal Savings Association regulations and guidance. Although I generally reference Regulation 9, Regulations 9 and 150 apply to the fiduciary audit activities of National Banks and Federal Savings Associations, respectively. Regulations 9 and 150 are similar, but do have minor differences.

Agenda

- Annual audit
- Continuous audit
- Fiduciary audit committee
- Agreed-upon procedures
- Collective investment fund audits
- UITRS audit evaluation factors
- Common examination issues

12 CFR 9.9 Overview

Audit of fiduciary activities

- (a) Annual audit
- (b) Continuous audit
- (c) Fiduciary audit committee

12 CFR 9.9(a) Annual Audit

At least once during each calendar year, a national bank shall arrange for a suitable audit (by internal or external auditors) of all significant fiduciary activities, under the direction of its fiduciary audit committee, unless the bank adopts a continuous audit system in accordance with [paragraph \(b\)](#) of this section. The bank shall note the results of the audit (including significant actions taken as a result of the audit) in the minutes of the board of directors.

12 CFR 9.9(b) Continuous Audit

In lieu of performing annual audits under [paragraph \(a\)](#) of this section, a national bank may adopt a continuous audit system under which the bank arranges for a **discrete audit** (by internal or external auditors) of each **significant fiduciary activity** (*i.e.*, on an activity-by-activity basis), under the direction of its fiduciary audit committee, at an interval commensurate with the nature and risk of that activity. Thus, certain fiduciary activities may receive audits at intervals greater or less than one year, as appropriate. A bank that adopts a continuous audit system shall **note the results of all discrete audits performed since the last audit report** (including significant actions taken as a result of the audits) **in the minutes of the board of directors at least once during each calendar year.**

12 CFR 9.9(b) Continuous Audit

- Robust risk assessment process
- Appropriate audit time frame/intervals
- Depending on risk, activities may receive audits greater or less than one year.

12 CFR 9.9(c) – Fiduciary Audit Committee

A national bank's fiduciary audit committee must consist of a committee of the bank's directors or an audit committee of an affiliate of the bank. However, in either case, the committee:

(1) Must not include any officers of the bank or an affiliate who **participate significantly in the administration** of the bank's fiduciary activities; and

(2) Must consist of a majority of members who are not also members of any committee to which the board of directors has delegated **power to manage and control the fiduciary activities** of the bank.

Agreed-Upon Procedures vs Audit

- Perform specified or agreed-upon procedures and report findings
- Not considered an “audit”
- The responsible party (bank auditor, fiduciary audit committee) should form their own conclusions

Agreed-Upon Procedures

To be considered an acceptable fiduciary audit, in addition to the completion of the agreed-upon procedures:

- Under the direction of the fiduciary audit committee.
- Scope must cover all significant fiduciary activities either annually or under a continuous audit system.
- Provide sufficient information, for the internal auditor or audit committee to develop a conclusion.
- Results and actions taken as a result of the audit needs to be noted in the minutes of the Board of Directors.
- OCC Third-Party Relationships guidance

Collective Investment Funds

- 12 CFR 9.18 requires an independent audit of collective investment funds at least once during each 12-month period (principally a financial statement audit).
- If a bank's collective investment funds represent a significant fiduciary activity, the funds must be included in the fiduciary audit program.

UITRS Audit Evaluation Factors

Audit coverage must assure the integrity of the financial records, the sufficiency of internal controls, and the adequacy of the compliance process:

- Independence, frequency, quality, and scope of audit
- Volume and/or severity of internal control and audit exceptions
- Extent to which issues are tracked and resolved
- Experience and competence of audit staff

Common Examination Issues

- Lack of/or ineffective risk assessment. Does the assessment include all significant fiduciary activities? Are continuous audit intervals reasonable and supported?
- Insufficient independence, scope, coverage, or testing.
- Insufficient fiduciary experience - auditors and/or audit committee members.
- Failure of Board to fulfill fiduciary audit committee requirements.
- Omitting collective investment funds from the fiduciary audit coverage.

Questions



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