

Auditing - Leveraging Work with Independence

Neil Bohlen

Certified Internal Auditor (CIA)

Certified Anti-Money Laundering Specialist (CAMS)

neil.e.Bohlen@wellsfargo.com

The views expressed in this presentation are based on my professional experience and do not necessarily reflect the views of Wells Fargo & Company.

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Auditing – Leveraging Work with Independence



Neil Bohlen, CIA, CAMS
*Audit Management Director
Wealth & Investment Management Audit Team
Wells Fargo Internal Audit
Charlotte, North Carolina*

Building the future internal audit function, stronger and more efficient, by leveraging risk assessment data, technology, and advanced analytics, while maintaining independence!

Agenda

Reliance

- ▶ Examiner reliance on Internal Audit
- ▶ Internal Audit reliance on other internal, and external, assurance and consulting services

Leverage

- ▶ Risk Control Self Assessment (RCSA)
- ▶ Technology (artificial intelligence, machine learning, etc.)
- ▶ Advanced Analytics (continuous auditing, analyzing patterns & identifying anomalies)
- ▶ Audit Innovation (implement technology and analytics)
- ▶ Frameworks (ISACA Information Technology Audit Framework-ITIF, International Professional Practices Framework-IPPF, agile)

Reliance

Examiner reliance on Internal Audit

Related guidance/law/regulation highlight:

- ▶ OCC Handbook: Internal and External Audits, December 2016
- ▶ OCC Handbook: Large Bank Supervision, June 2018
- ▶ Appendix D to 12 CFR 30: OCC Guidelines for Heightened Standards

Key points:

- ▶ Examiners determine the amount of reliance they can place on internal controls and audit for areas under examination.
- ▶ Effective internal controls and audit help to leverage OCC resources and establish the scope of current and planned supervisory activities.
- ▶ Internal audit must maintain independence from front line units and independent risk management.

Coordination and Reliance

Internal Audit reliance on other internal, and external, assurance, and consulting services

Related guidance/standards highlight:

- ▶ Institute of Internal Auditors' (IIA) standards, IPPF: Standard 2050 - Coordination and Reliance
- ▶ IPPF Standard 1100 - Independence and Objectivity

Topics for discussion:

- ☑ Engagement with assurance and consulting service providers
- ☑ Ensuring sufficient coverage of risk areas
- ☑ Ensuring adequate support for conclusions and opinions

Risk Control Self Assessment (RCSA)

Related guidance/law/regulation highlight:

- ▶ Appendix D to 12 CFR 30: OCC Guidelines for Heightened Standards

Topics for discussion:

- ▶ RCSA generates information on risks and internal controls that may be useful for management and internal auditors in assessing the quality/effectiveness of control.
- ▶ Risk governance framework should include well-defined risk management roles and responsibilities for front line units, independent risk management, and internal audit.
- ▶ RCSA repository
- ▶ How can audit assess and leverage RCSA?

Technology

Related information:

- ▶ Burnham, Kristin. "Artificial Intelligence vs. Machine Learning: What's the Difference?", Northeastern University, 6 May 2020, www.northeastern.edu/graduate/blog/artificial-intelligence-vs-machine-learning-whats-the-difference/
- ▶ Chuah, Huck and Raven, Pascal. "Technology enabled internal audit: 2022 and beyond", KPMG, 2022, home.kpmg/nl/en/home/insights/2022/02/technology-enabled-internal-audit-2022-and-beyond.html

Topics for Discussion:

- ☑ Training to build skillsets and recruiting subject matter experts
- ☑ Using technology to be more efficient and productive
- ☑ Artificial Intelligence (AI) and Machine Learning (ML) use in auditing

Advanced Analytics

Related information:

- ▶ Institute of Internal Auditors, Global Technology Audit Group.
“Continuous Auditing: Coordinating Continuous Auditing and Monitoring to Provide Continuous Assurance”, IIA, 16 Jan. 2019,
www.theiia.org/en/content/guidance/recommended/supplemental/gtags/gtag-continuous-auditing/

Topics for Discussion:

- ▶ Analytics software
- ▶ Continuous auditing: control assessment & risk assessment
- ▶ Analyzing patterns & identifying anomalies
- ▶ Examine entire dataset (100% populations)
- ▶ Example Optical Character Recognition (OCR) capabilities: trust document reviews

Audit Innovation Strategy

Topics for Discussion:

- ▶ Assess Audit's data analytics literacy, further build out curriculum, and provide training to build skillsets
- ▶ Provide auditors more options to use innovation to complete test work
- ▶ Utilize innovation solutions to drive deeper coverage and execute more efficiently
- ▶ Focus on continual improvement in audit infrastructure and capabilities across people, processes, and technology.
- ▶ Training to build skillsets and recruiting subject matter experts (SME)
- ▶ Implement new technology and analytic tools to support goals
- ▶ Improve the speed & volume of how Audit accesses data.

Create an innovation strategic plan and measure success

Strengthen skillsets & talent

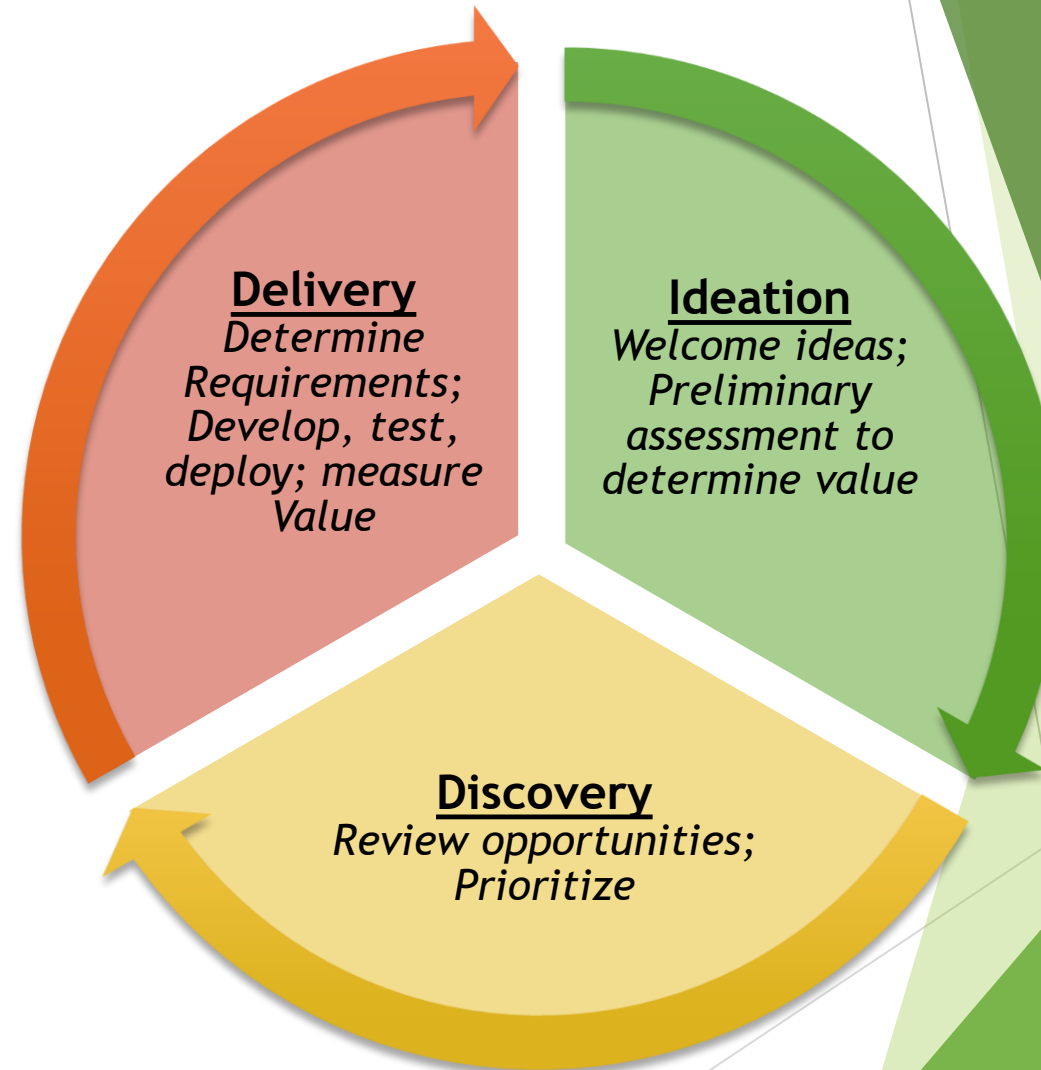
Execute with quality & efficiency

Improve audit capabilities

Audit innovation ideas to production

Phase 1: Ideation

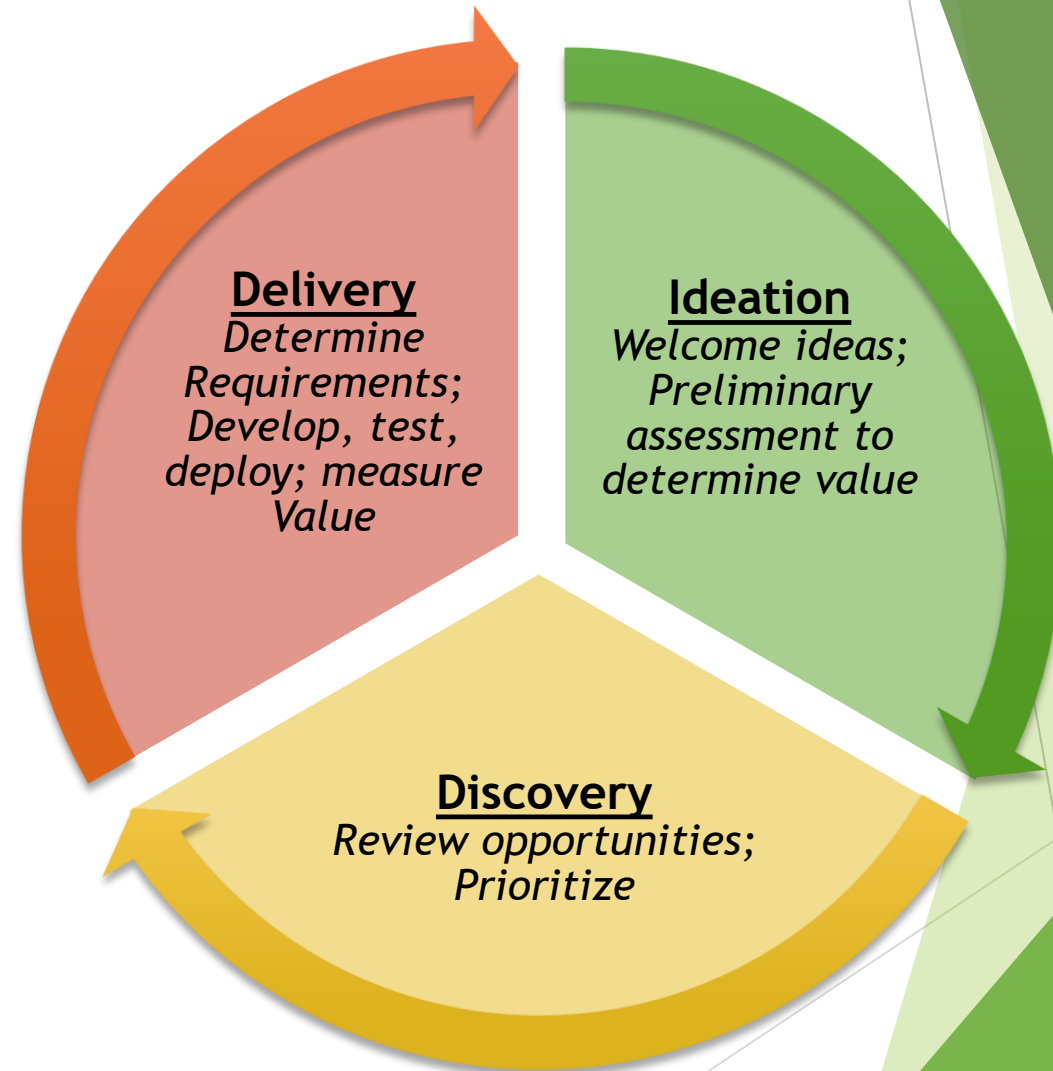
- ▶ Ideas can stem from training, auditor self-driven exploration, initiatives and meetings, or through current engagements
- ▶ Determine approach to capture ideas and assess to determine potential innovation (technology/analytic) opportunities to move forward with



Audit innovation ideas to production

Phase 2: Discovery

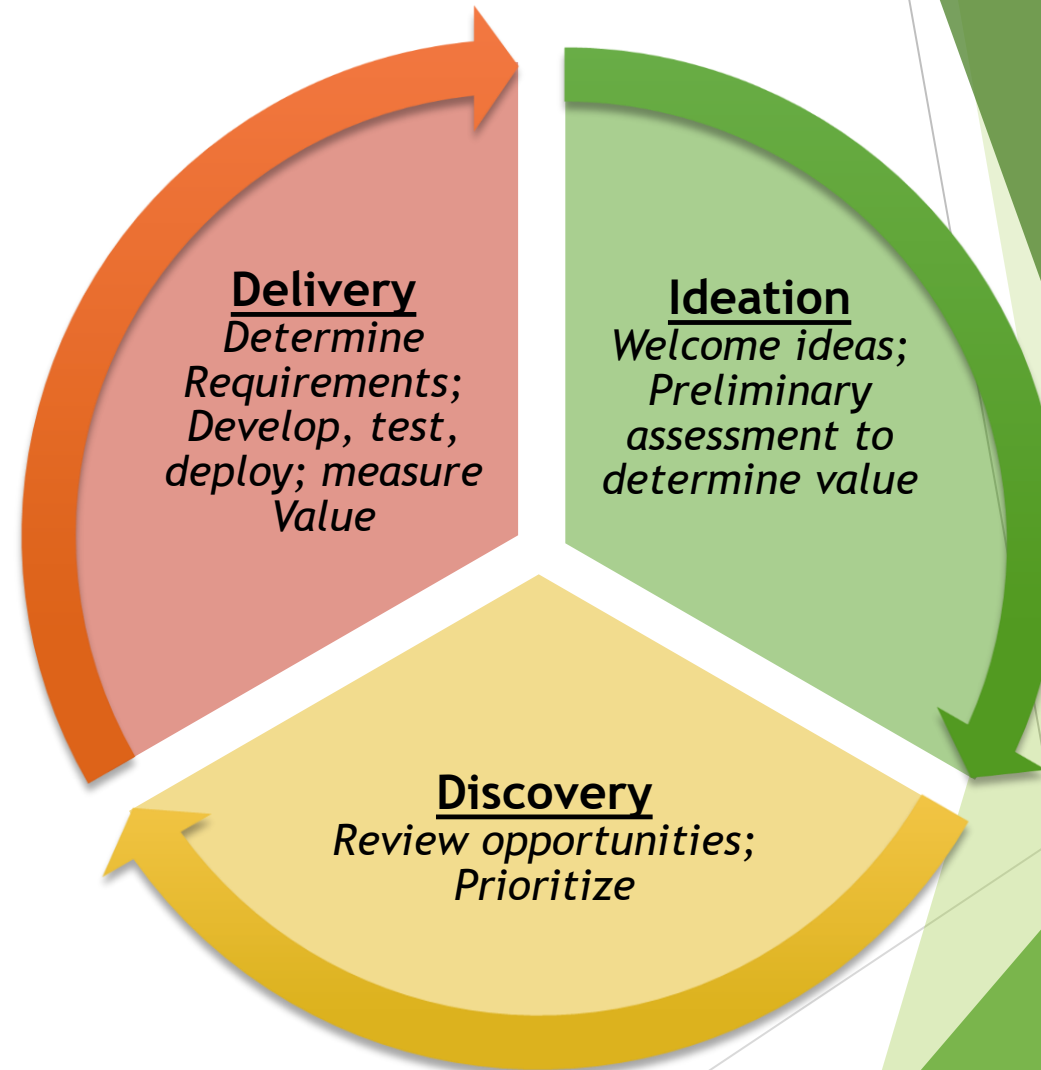
- ▶ Perform a review of opportunities by assessing the current process, technology, risk mitigation, improvement, etc.
- ▶ If idea is deemed fitting, prioritize considering level of impact, time to develop and deliver, etc.
- ▶ Determine project feasibility and steps for delivery within Audit through detailed analysis and evaluation.
- ▶ Consider a working group or committee to review and select.



Audit innovation ideas to production

Phase 3: Delivery

- ▶ Form a project to define, develop, test, and deploy the innovation



Frameworks

Related information:

- ▶ ISACA. “ISACA Updates IT Audit Framework (ITAF)”, ISACA, 22 October 2020, www.isaca.org/why-isaca/about-us/newsroom/press-releases/2020/isaca-updates-it-audit-framework-itaf
- ▶ The Institute of Internal Auditors. “International Professional Practices Framework,” IIA, 2022, www.theiia.org/en/standards/international-professional-practices-framework/
- ▶ Lucas, Clarissa. “Agile Auditing Using Scrum Techniques”, IIA, 21 Feb. 2022, internalauditor.theiia.org/en/articles/2022/february/agile-auditing-using-scrum-techniques

Topics for Discussion:

- ▶ ISACA Information Technology Audit Framework-ITIF Continuous auditing and computer-assisted audit tools (CAATs)
- ▶ International Professional Practices Framework-IPPF
- ▶ Agile auditing framework

Key Takeaways

Internal Audit focus areas:

- ✓ Greater engagement in coverage of the business' risk & control assessments
- ✓ Adopt technology and innovation to improve coverage and productivity
- ✓ Setting goals for analytics use and measuring progress
- ✓ Exploration of frameworks to improve efficiency and effectiveness
- ✓ Training to build skillsets and recruiting subject matter experts