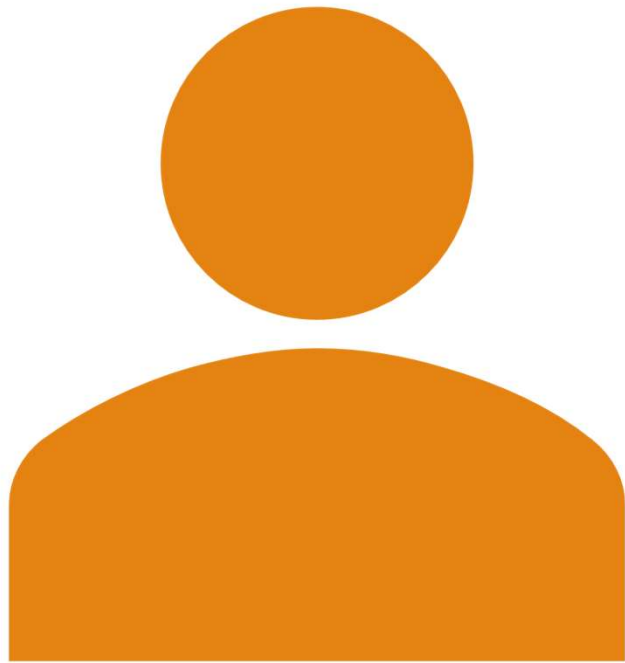


Using Data Analytics in Trust Audits

*35TH ANNUAL FIDUCIARY RISK
MANAGEMENT CONFERENCE*

TUESDAY, MAY 3, 2022

Machelle L. Rinko, CPA, CIA, CFIRS
Risk Management & Internal Audit Consultant



Introduction

- Name
- Institution Size
- # of Internal Auditors
- 1 – 5 scale, what level of analytics

Overview

According to the 2022 IIA Pulse report, among those audit leaders who would spend more on technology, 68% want to invest more in data analytics.

“Internal audit leaders are still not using data analytics in their work”

- ❑ Data Analytics
- ❑ The Data Analysis
- ❑ How Internal Auditors Can Use Data Analytics
- ❑ Trust Internal Audits
- ❑ Final Thoughts
- ❑ Questions

ANALYTICS



International Professional Practices Framework – Standards¹

Standard 1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A2 – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

Technology-based Audit Techniques:

Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques. (CAATs)

¹The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (Standards) Revised: October 2016; Effective: January 2017

Data Analytics

What is Data Analytics?

Data analytics in its broadest and simplest term is the science of analyzing raw data to make conclusions about that information.

Today

Advanced data analytics – the analysis of large volumes of data and/or high-velocity data, which presents unique computational and data-handling challenges.



Types of Data Analytics

- ❖ **Descriptive Analytics** – Raw data summarized to describe what happened in the past.
- ❖ **Diagnostic Analytics** – Takes the analysis a step further to answer the why.
- ❖ **Predictive Analytics** – Uses results of both descriptive and diagnostic analytics to identify tendencies, clusters and expectations.
- ❖ **Prescriptive Analytics** – Simulation and optimization are used to suggest what action to take in the future.

Benefits



INCREASED
EFFICIENCY



IMPROVED
ASSURANCE



INCREASED
EFFECTIVENESS



RESOURCE
DEPLOYMENT



COST SAVINGS



CONTINUOUS
AUDITING



GREATER AUDIT
COVERAGE



Simple Right?

Ask the Question

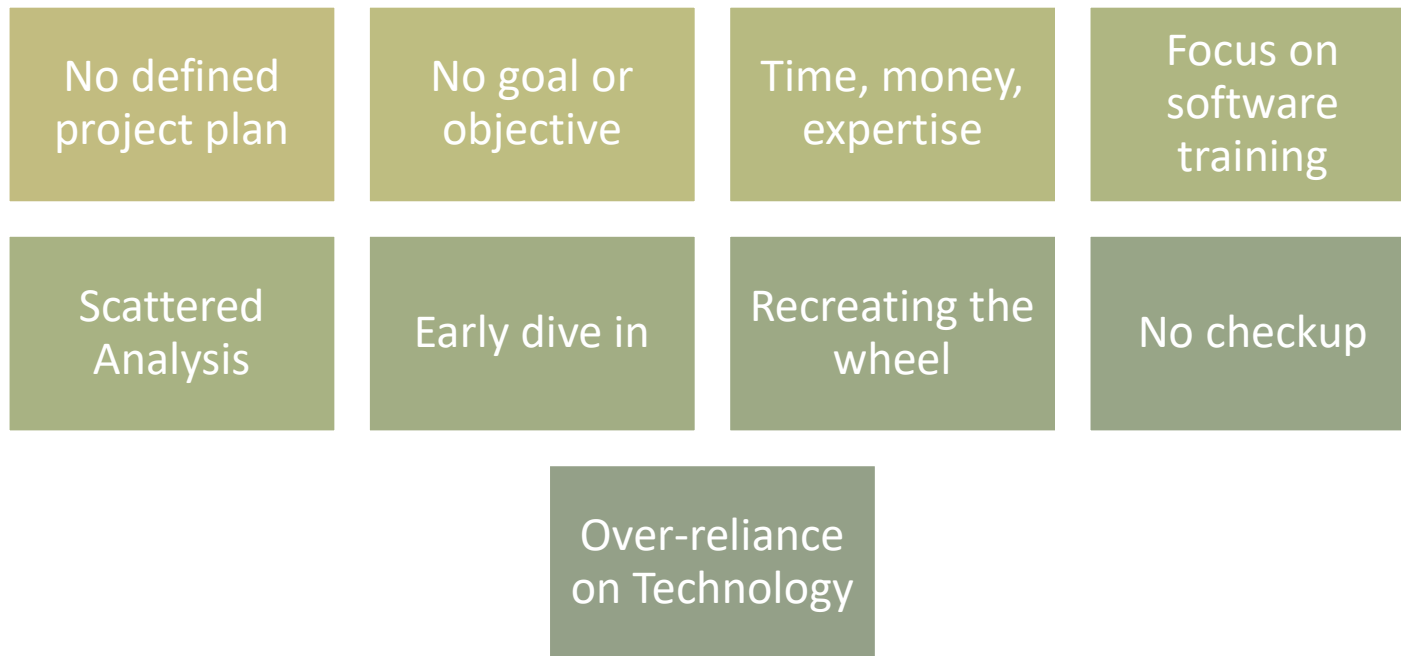
Define/Determine the analytic

Locate, organize, and analyze

Answer the question

Repeat

Challenges/Mistakes





Data Analytics Tools

- Desktop Based – Excel, Access
- Server-based (SQL)
- Integrated – SAP, People Soft, JDE, Oracle
- Report Writers – Business Objects, Cognos
- Auditing Software – IDEA, SAS, Artubus, ACL
- DA Visualization Software – Tableau, Qlikview/Qlik Sense





Determine the data
required.



Obtain the data.



Organize the data.



Completeness and
Accuracy.

Data Analysis Steps

Data Benefits/Challenges

BENEFITS

1. Real-Time Analytics
2. Collaboration



CHALLENGES

1. Legacy Systems
2. New software
3. Governance
4. Lack of Integration
5. Collaboration
6. Cloud Compliance
7. New competencies



How Internal Auditors Can Use Data Analytics



How IA Uses Data Analytics

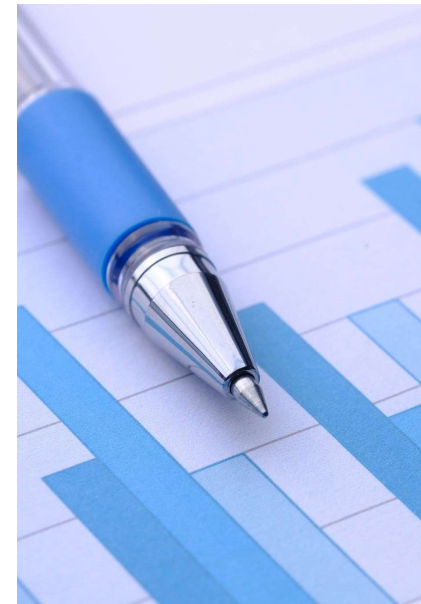


Audit Planning – Risk Assessments

1. Identify or obtain your library of potential risks
2. Define your KRIs
3. Determine your data sources
4. Connect your data sources - schedule the analytics
5. Review your results - Dig Deeper, if necessary.
6. Report your results – use dashboards
7. Repeat

Audit Planning

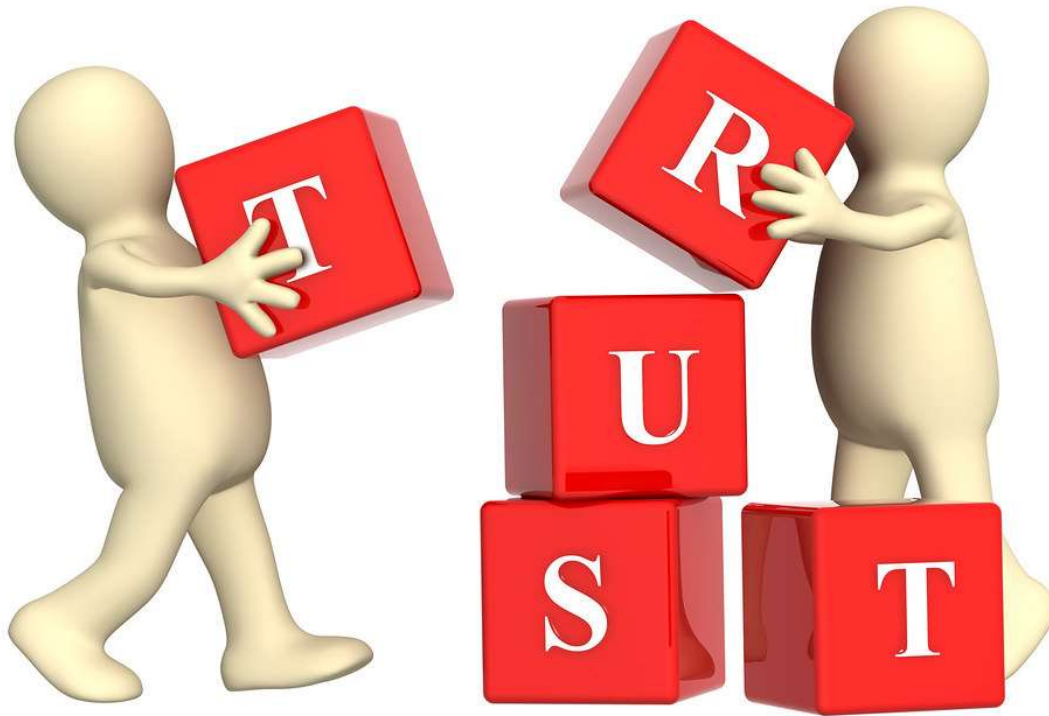
- ❖ Annual audit plans should be based on results of risk assessments.
- ❖ The ability to analyze trends in full populations of data should transform how you approach your audits.
 - ❖ Increase/Decrease in Accounts
 - ❖ Increase/Decrease in fee income
 - ❖ Increase in total shares/assets held
 - ❖ Trust Officer with Significant increase in accounts from prior year
 - ❖ Increase in Commission payouts
- ❖ The results of analysis should define the scope.
- ❖ Significant changes in audit approach are needed.





CAAT Procedures in Audit Programs

- Traditional first step
- Existing Procedures Need to be Updated to Incorporate:
 - How data was obtained – What should be provided to IT
 - Scripts used
 - Validation of data quality.
- Determine where to integrate
 - Risk Assessment
 - Annual Planning
 - Audit Project Planning
 - Scoping
 - Fieldwork
 - Reporting
 - Issue Follow Up/Validation



Trust Internal Audits

How Should I Start?



Select and complete an audit using data analytics.



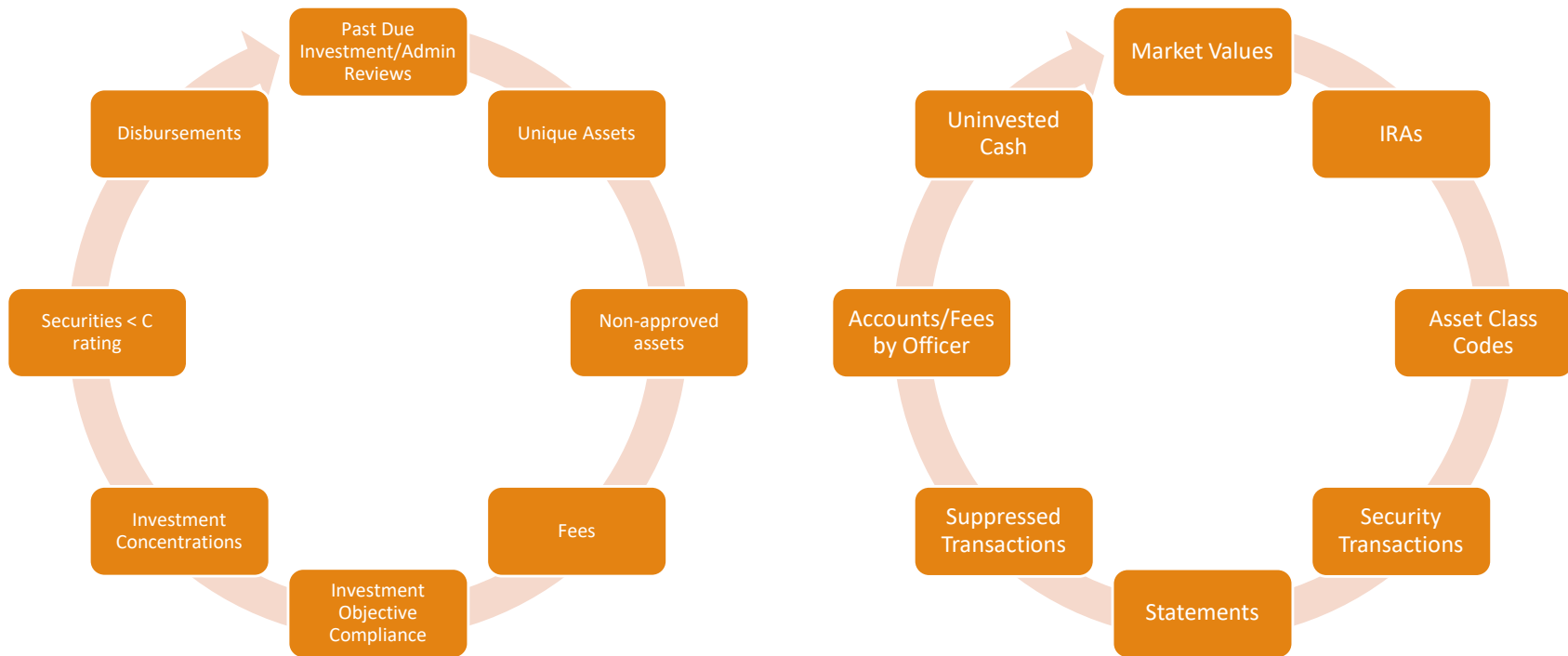
Create a dashboard that you can use during multiple phases

Audit Planning
Scoping
Fieldwork
Reporting



Understand and know what is already available

Sample Analytics to Consider



Data Attributes to Consider

- Understand and focus on the critical/high risk areas.
- Goal is to obtain all information needed in one report.
- Data points to consider:
 - Account Name
 - Account Number
 - Account Capacity Code
 - Administrative Officer
 - Investment Officer
 - Date Opened
 - Date Closed
 - Date of Death
 - Investment Review Frequency Code
 - Last Investment Review Date
 - Investment Authority Code
 - Investment Objective Code
 - Fee Plan Code
 - Fee Discount
 - Statement Frequency Code
 - Last Statement Date
 - Statement Mailing Address
 - Investment Allocations



Remember:
You Need to Get
the Basics Right to
Make the Most of
Data Analytics



Final Thoughts

Core Skill for all Auditors

Good Documentation Still Required

Don't be driven by the data.

Storage of data.

Don't Be
Afraid to
Adjust Your
Course







Machele Rinko, CPA, CIA, CFIRS
Internal Audit & Risk Management Consultant
Machele.Rinko@gmail.com
M: 330.501.3474