Internal Audit Coverage of Capital Planning

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Background

- SR 15-18 and SR 15-19 established specific expectations for internal audit coverage of capital planning
- Comprehensive internal audit coverage is integral to ensuring a sound internal control framework supporting capital planning
- Heightened focus on internal audit during annual CCAR exercise, HCR program, and other horizontal reviews
- Recent reviews have highlighted supervisory expectations are achievable; however, challenges remain
Supervisory Expectations

- SR 15-18 and SR 15-19 set expectations for the internal audit function, audit plan development, and briefings to management and the board
  - Broader internal audit expectations defined in SR 13-1 should serve as the basis to achieve compliance with SR 15-18 and SR 15-19

- SR 15-19 expectations are tailored and not as detailed or explicit

- Key internal audit expectations for all firms:
  - Evaluate the adequacy of capital planning process and assess the comprehensiveness and effectiveness of risk management and internal controls supporting that process
  - Identify all auditable processes related to capital planning and develop of an audit plan
  - Periodically review all aspects of the internal control framework supporting the capital planning process
  - Review the manner in which deficiencies are identified, tracked, and remediated
  - On an annual basis, report to senior management and the board on the capital planning process to inform recommendations and decisions on the capital plan
Challenges and Observations

- Audit Strategy
- Audit Planning
- Quality of Audit Work
- Audit Reporting
- Policies & Procedures