In her more than fifteen years with TD Ameritrade, she has served in several roles in internal auditing. In her current role, she is responsible for setting the strategy of the Audit department and managing the methodology, processes, systems, and databases. Additionally, she develops and delivers internal training and reviews and drafts and edits audit materials, including audit reports, meeting presentations, Audit Committee materials, and the Audit Manual. Cris is also a key collaborator with the Enterprise Risk Management function at TD Ameritrade, serving as the Audit liaison in the development of common taxonomy and procedures for sharing risk assessment, issue identification, and other risk related data between 2nd and 3rd Line functions.

Cris co-authors and is the Project Manager for each edition of *Internal Auditing: Assurance and Advisory Services* and co-authored and was the General Editor of the 7th edition of *Sawyer's Internal Auditing: Enhancing and Protecting Organizational Value*. Additionally, she received the Outstanding Contributor Award from The IARF for the article "Blended Engagements" that she co-wrote with Kurt Reding and Michael Head.

Cris co-leads Omaha Women LEAD at TD Ameritrade in support of the advancement of women. She is a member of The IIA as well as a FINRA Registered General Securities Representative (Series 7 & 24). She received both her B.A. and M.A. degrees in English/Creative Writing from Creighton University in Omaha, Nebraska, where she held a Presidential Fellowship as a graduate student. Cris writes and presents on internal auditing and risk management topics as well as gender equality.

In her spare time, Cris teaches composition and literature courses at Creighton University, leads a local book club, and travels.
TD Ameritrade
PURPOSE: To Transform lives and investing for the better

A WORKFORCE OF NEARLY
10,000 Employees

More than 11 MILLION
Funded Client Accounts
(9/30/18)

$1.3 TRILLION
TOTAL CLIENT ASSETS
(9/30/18)

6,000+ Independent RIA Clients

10 corporate locations

350 branch locations in 49 states
Corporate Audit & Risk Management at TD Ameritrade

TD Ameritrade has had an internal audit function for 20 years.

**Headcount:** 60+

90

Average number of audits performed each year

140+

Associates

With the exception of Compliance, formal risk management functions were created in 2009

Financial Risk

Non-financial & Strategic Risk

Enterprise Risk Services

Compliance
Three Lines of Defense
What do we defend against and why?

Risk is “the possibility that events will occur and affect the achievement of a strategy and objectives.”

What we sometimes forget is that risk in this context is neutral. It’s the consequence of risk that is ultimately positive or negative.

By focusing on defending against risk itself, we miss the opportunity to gain from positive risk outcomes.

1 COSO Enterprise Risk Management – Integrating with Strategy and Performance
Internal audit value proposition

If we spend all of our time, energy, and expertise focused on the organization’s ability to avoid, reduce, and share risk, who is going to help the organization when achievement of its objectives requires risk to be accepted, or pursued?

Mission of Internal Audit

“Enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.”

The Institute of Internal Auditors
Getting Our Arms Around Risk Pursuit

- The notion of pursuing managed risk is not new – it's the foundation of doing business.
- COSO* recently codified “risk pursuit” as a fifth possible response to risk.
- Under “pursuit”, expanding current risk profiles or taking on new risk might be appropriate where the benefits outweigh the increased exposure.
- Appropriate controls still need to be in place, with the residual risk still within tolerance.
- The key is considering calculated, smart risks that are transparently identified and approved.

So if this is how the business views risk pursuit, what role should Internal Audit play? And, by the way, where does the enterprise risk function fit into all of this?

*See appendix for additional information about COSO.
The Role of Risk Management

How does the enterprise risk function shift its mindset to embrace a comprehensive view of risk management to include a balance of mitigation & pursuit?

*To be able to effectively educate, support, facilitate, advise, and assess on risk pursuit, the enterprise risk function should consider the following:*

- Does the current appetite reflect where and how risk can acceptably be pursued?
- How can RM identify opportunities for the business to pursue risk to grow profitability and deliver on strategic objectives?
- Where can current processes across RM be leveraged to appropriately reflect this concept?
- When does the risk of maintaining a conservative risk stance outweigh the risk of innovating quickly?
- When the business does pursue risk, how does RM help the business set performance parameters to monitor when performance starts to deviate on either end of that spectrum so they can calibrate timely?
- What analysis can RM perform to predict the amount of risk that can be pursued for a given process, task, or activity to keep the amount of risk pursued commensurate with the gain?
- Do current definitions of risk align with this concept everywhere they're embedded?
The Role of Internal Audit

The impacts of risk pursuit decisions are monitored by Management and applicable risk groups as part of normal business activities. Internal Audit reviews the control environment of the “risk adjusted” process during the next audit.

Business management collaborates with applicable risk groups to determine appropriate parameters around specific risk pursuit opportunities identified.

Internal Audit identifies possible risk pursuit opportunities for the business to explore.

Possible risk pursuit opportunities are communicated to the business via discussion and reporting vehicles.
Applying risk responses

We can’t go anywhere without using all of the pedals.
Applying risk responses
Applying risk responses

Exposure

Capacity

Appetite

SPEED LIMIT 75

km/h
For Example...
Cash Processing

Clients deposit money into their trading account

Clients wait to be able to use their money to trade. This creates a poor experience for them.

Deposits are held to ensure funds clear

What if we shorten the number of days we hold client funds?!

TDA does not lose a significant amount of money by shortening how long funds are held.

Clients are happy!

TDA makes $ on the trading sooner!

Where is the enterprise risk function & internal audit in all of this?

The idea could have come from either RM or IA.

RM can provide the analysis and make a recommendation to the business.

IA will adjust its testing the next time it performs an audit:

- Is the new funds holding protocol being followed?
- Have performance parameters been instituted to determine if/when losses exceed tolerance? Are they being monitored?
- Does IA’s validation of actual losses confirm the business’s self-assessment?
- Has the anticipated lift in client satisfaction been realized?
Questions
Appendix

The history of COSO

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a conglomeration of organizations (American Accounting Association, AICPA, Financial Executives International, Association of Accounting & Financial Professionals in Business, and the Institute of Internal Auditors) brought together to create frameworks to provide guidance to organizations regarding fraud prevention, internal control, and enterprise risk management.

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<td>COSO updates ERM Framework</td>
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The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a conglomeration of organizations (American Accounting Association, AICPA, Financial Executives International, Association of Accounting & Financial Professionals in Business, and the Institute of Internal Auditors) brought together to create frameworks to provide guidance to organizations regarding fraud prevention, internal control, and enterprise risk management.
Public companies are required by Sarbanes-Oxley legislation to assess internal control over financial reporting (ICFR) using an accepted internal control framework (COSO in the US) per section 302.

TDA’s ICAP supports Management’s assessment of ICFR per SOX section 404.

Used by Corporate Audit for independent assessment of systems of internal control.

Used by EY for public accountant assessment of systems of internal control per SOX section 404.

Enterprise Risk Management – Integrating with Strategy & Performance

- Defines risk as “the possibility that events will occur and affect the achievement of strategy and business objectives.”

- Introduced 4 historic risk responses in original 2004 framework (avoid, share, reduce, accept).

- 2017 update introduced 5th risk response: “risk pursuit”.

- 2017 update introduced a shift in the concept of “risk tolerance” moving instead toward “acceptable deviations in performance”.

COSO Frameworks

Internal Control – Integrated Framework

- A framework to assess the control environment, risk assessment, control activities, information and communication, and monitoring.

- COSO has released several frameworks including the Internal Control – Integrated Framework and Enterprise Risk Management – Integrating with Strategy & Performance.

- The COSO framework defines risk as “the possibility that events will occur and affect the achievement of strategy and business objectives.”

- COSO introduced 4 historic risk responses in the original 2004 framework (avoid, share, reduce, accept) and 5th risk response in 2017 update (risk pursuit).

- The 2017 update also introduced a shift in the concept of “risk tolerance” to “acceptable deviations in performance.”