

# Exploring what GenAI can do for Vanguard Crew and Clients



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Internal Audit SOX

“

To take a stand for all investors, to treat them fairly, and to give them their best chance for investment success.”

- OUR CORE PURPOSE

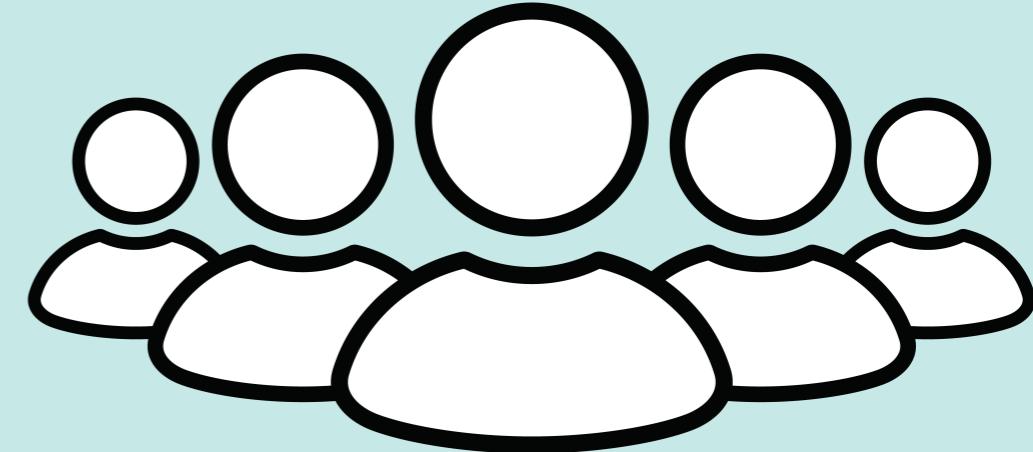


# Vanguard®

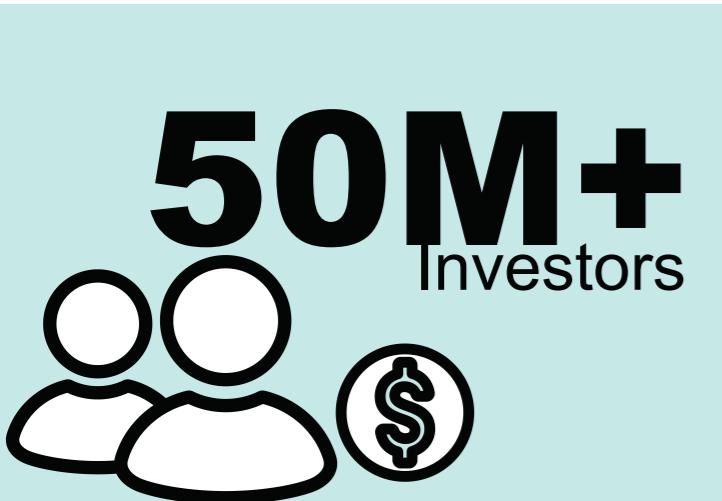
BY THE  
NUMBERS



**\$9.5T**  
Clients' assets



**20,000**  
Crew (employees)



**50M+**  
Investors



**16**  
Global  
offices



**10,000**  
Crew and contractors

*"GenAI could add to the economy between  
\$2.6 trillion and \$4.4 trillion annually"*

- McKinsey & Company, February 2024

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*"95% of employees [Accenture] surveyed see value in working with gen AI"*

- Accenture, January 2024



Megatrends:

Will **AI**  
transform the  
way we live?



**Hallucinations**



**Biases**



**Data privacy**



**Audit trails**



Uncertainty  
Rapid change  
Bewildering choice  
Distracting hype



Lots of small, fast bets!

# How Vanguard leverages GenAI



**Content  
creation**



**Knowledge  
management**



**Virtual  
assistant**



**Code  
generation**

# How Vanguard leverages GenAI



**Content  
creation**



**Knowledge  
management**



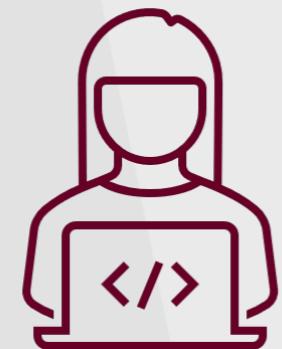
**Virtual  
assistant**



**Code  
generation**



**Marketing  
Content**



**Documentation**



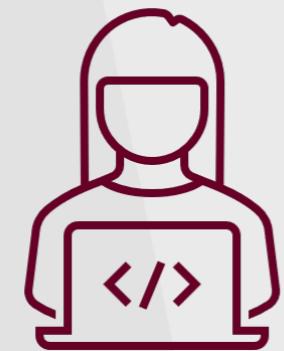
**Communications  
Support**



**Case Notes**



**Marketing  
Content**



**Documentation**



**Communications  
Support**



**Case Notes**



## Recaps

### Media

[Add URL](#)[Upload new file](#)[Select existing](#)[Paste transcript](#)**Upload any media file**

Supported files include mp3, mp4, srt, etc., up to 500MB

**DRAG & DROP YOUR FILE**or, [select a file](#)

VISIBILITY

PRIVATE

**Recording type**[Select a type](#)**Generate content**

# How Vanguard leverages GenAI



**Content  
creation**



**Knowledge  
management**



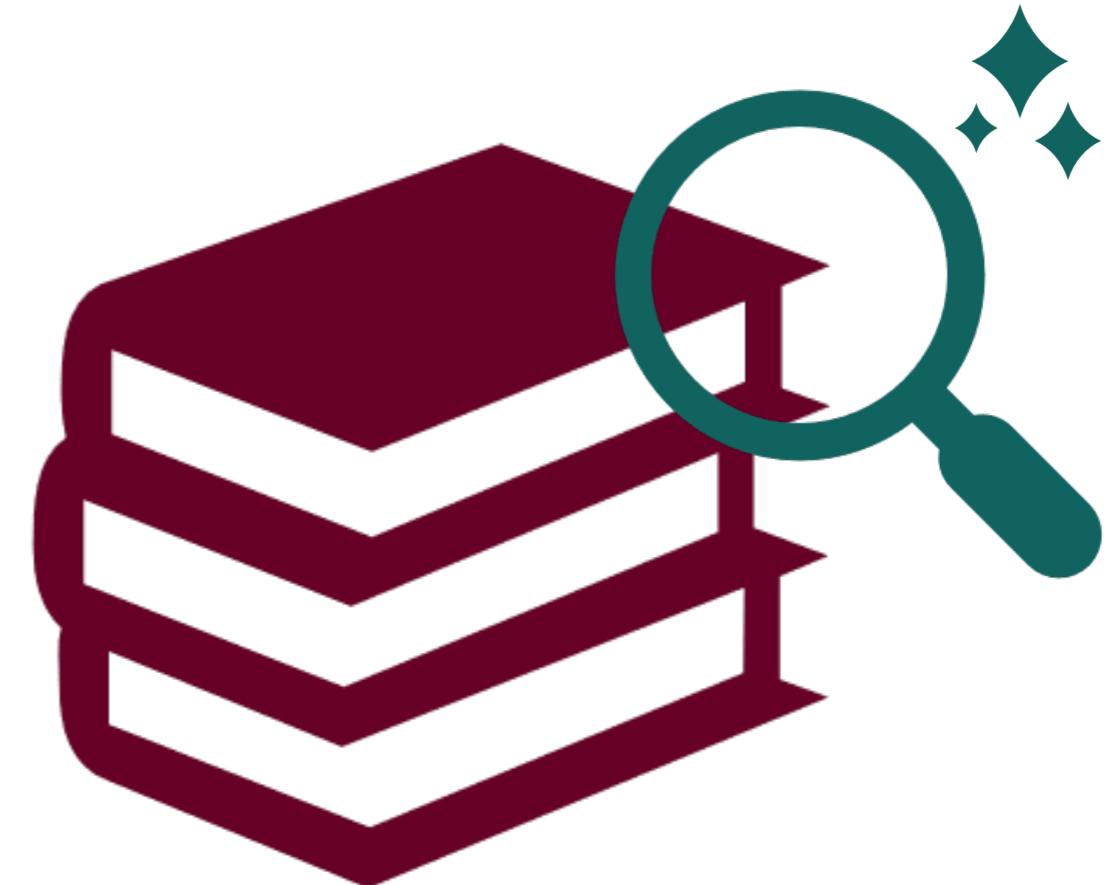
**Virtual  
assistant**



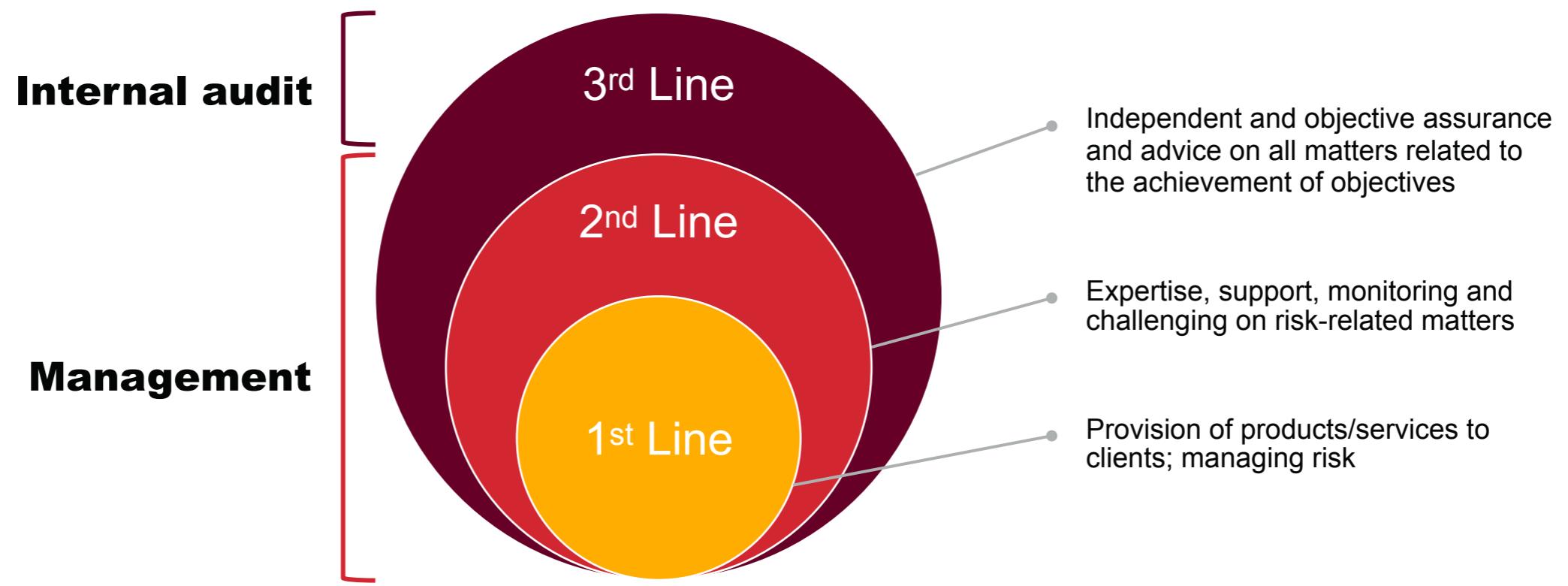
**Code  
generation**

# AuditGPT

Applying GenAI to Internal  
Audit Research



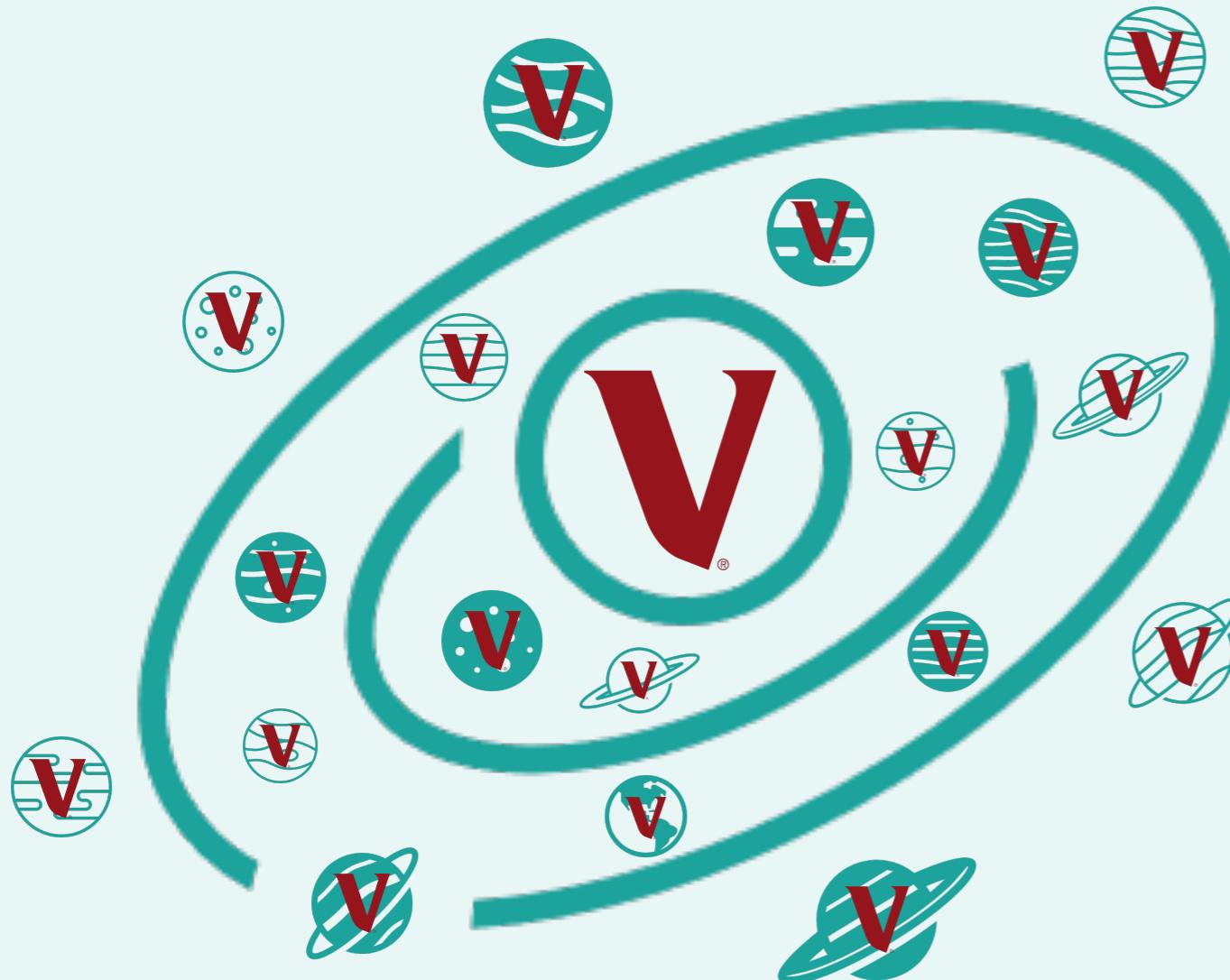
# Why do we audit?



Enabling Vanguard's mission globally through independent assurance services delivered through a diverse team of talented and engaged crew.

-Vanguard Internal Audit SOX Mission

# What do we audit?

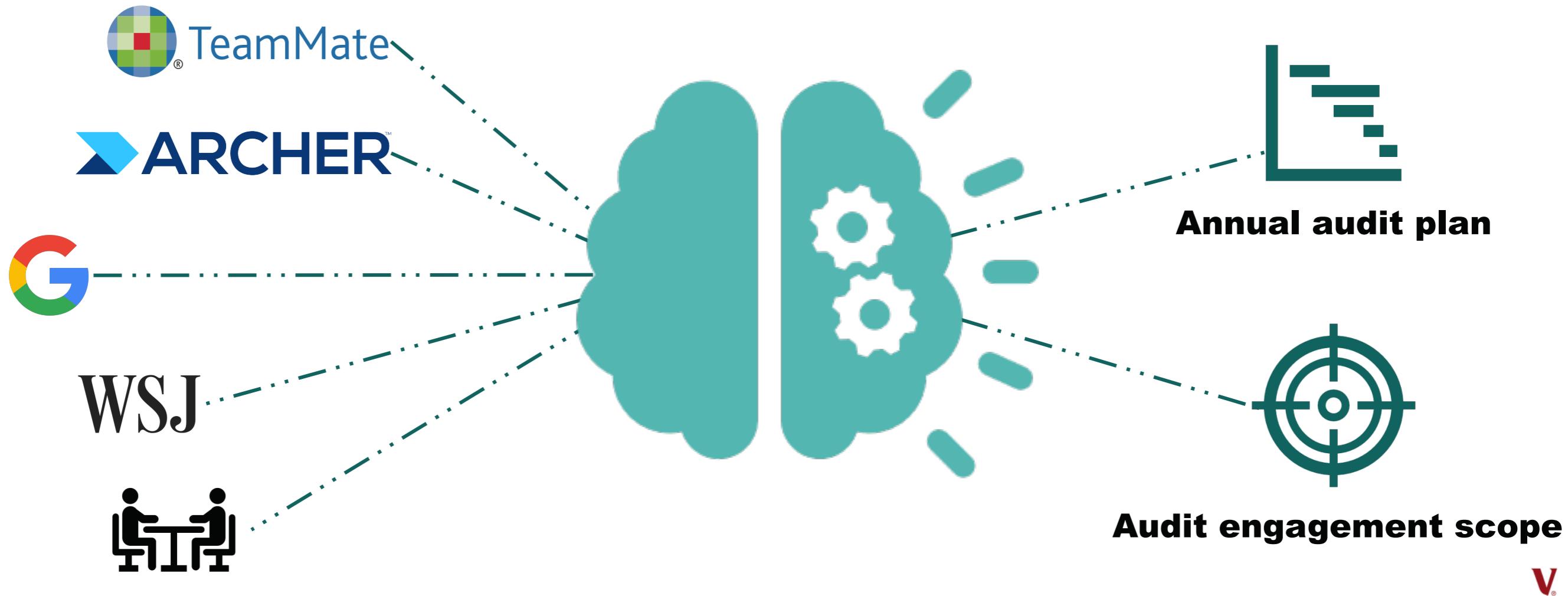


## Our Audit Universe

At the foundation of the audit planning process is the **Audit Universe**, which consists of many auditable entities. Auditable entities consist of functions, systems or processes that are potentially subject to audit.

# How do we choose what to audit?

Auditors leverage various sources of information to research and assess risks to the business. This ultimately leads to the development of an audit plan and the scope of individual audit engagements.



# AuditGPT – The future of audit research

**Vanguard®** X

**TeamMate+**

Select Engagement

**Import Export...** X

## Import Export Process – Vandelay Industries - 2022

Rated audit of the effectiveness of controls related to the end-to-end Import/Export process. The audit was completed on June 29, 2022 with a Satisfactory rating.

**Risks**

Key risks in the import and export process include non-compliance with trade regulations, which can result in fines and legal action, and incomplete or inaccurate documentation, leading to delays and penalties. Errors in customs declarations and misclassification of goods can incur additional costs, while inefficient logistics and inaccurate inventory records can disrupt operations. Dependence on unreliable suppliers, foreign exchange fluctuations, and potential fraudulent activities by salespeople pose significant financial risks.

Risk	Rating
Potential for latex salespeople to offer unauthorized discounts or engage in bribery to secure deals, potentially violating laws like the Foreign Corrupt Practices Act.	Moderate
Delays or increased costs due to poor logistics management	Critical
Incorrect declarations can lead to additional costs, fines, or confiscation of goods.	Moderate

**Issues**

There were two reportable findings identified. There were occasional inaccuracies in documentation and some minor errors in customs declarations, which were promptly corrected without significant impact. There were isolated instances of miscalculated logistics leading to delivery delays less than five business days. Overall, these issues were minor and did not pose significant risks to the organization's operations.

Issue Title	Description
Shipment Record Inaccuracies	Two out of twenty-five sampled shipment records had discrepancies, such as mismatched invoice numbers and missing dates...
Customs Declarations Errors	Three out of twenty-five sampled customs declarations included incorrect product classifications, leading to minor discrepanc...

**Add Engagement to Cart**

**Get Summary of Engagement**

# AuditGPT – The future of audit research

The screenshot shows a web-based application interface for 'Vanguard'. At the top left is the 'Vanguard' logo. In the center, there is a large button labeled 'Generate Research Report' with a mouse cursor pointing at it. A thin orange border highlights this button. To the right of the button is a three-dot menu icon. On the left side of the main content area, there is a vertical sidebar with navigation links: 'Home', 'Archer', 'TeamMate+', and 'Shopping Cart'. The main content area displays a research report for Vandelay Industries. The report is organized into sections: 'Audit History', 'Business Self-Identified Issues', and 'Risk Events'. Under each section, there are bullet points describing specific audit findings or events. The 'Audit History' section includes details about an 'Import Export Process' audit from 2021-2022, finding 'Shipment Record Inaccuracies', and noting 'Relative Risk: Low'. The 'Business Self-Identified Issues' section discusses 'Inventory Discrepancies' and 'Delivery Penalties'. The 'Risk Events' section lists 23 events between 2021 and 2024, mentioning 'Political unrest' and a 'cyberattack'.

Vanguard ⋮

[Generate Research Report](#)

**Audit History**

- There was one audit related to the Vandelay Industries division of Kramérica completed during 2024:
  - Import Export Process* covering the period 4/1/2021 – 3/31/2022, which was completed on 6/29/2022 with an overall rating of Satisfactory. There were two issues identified in this audit:
    - Shipment Record Inaccuracies: Two out of twenty-five sampled shipment records had discrepancies, such as mismatched invoice numbers and missing dates; however, Internal Audit was able to independently verify the missing information. Inaccurate or incomplete shipping records may lead to shipping delays and/or penalties. During the audit, Management updated the records to accurately reflect the missing information.
      - Relative Risk: Low
      - Status: Closed as of 6/15/2022
  - Customs Declarations Errors: Three out of twenty-five sampled customs declarations included incorrect product classifications, leading to minor discrepancies in duty calculations. While the errors did not lead to material financial loss, they could lead to fines if repeated.
    - Relative Risk: Moderate
    - Status: Closed as of 2/9/2023

**Business Self-Identified Issues**

- There are two business self-identified issues that may be relevant:
  - Inventory Discrepancies: Monthly physical inventory counts for March through July 2023 identified discrepancies exceeding \$250K between the physical inventory and the inventory management system records. (ISS-1234)
  - Delivery Penalties: Latex sales staff were found to have made delivery commitments to customers without confirming the feasibility with the logistics team. This led to delivery contract penalties exceeding \$75K. (ISS-5678)

**Risk Events**

- There are 23 events that occurred between 1/1/2021 – 8/14/2024 that may impact Vandelay Industries. The below events are rated Critical or High risk.
  - Political unrest in primary supplier countries, impacting the availability of raw materials, has caused significant delays in latex shipments. (EVT-1234)
  - A cyberattack impacting Vandelay Industries' internal ERP system led to the loss of sensitive trade and financial data. Significant fluctuations in exchange rates in emerging markets where Vandelay Industries exports latex has led to reduced profit margins for the international sales group. (EVT-5678)

# **Help We're Looking For**

We're seeking conversations and partnerships to continue advancing GenAI innovation.

**Let's shape the future together.**

