

AGENDA ITEM DETAILS

Subject: Review of Internal Audit Reports
- Private Equity Audit
- Status of Audit Recommendations

As part of the approved FY20 Audit Plan, Internal Audit completed two engagements: 1) Private Equity Audit and 2) Status of Audit Recommendations. These engagements are included as Exhibits A and B.

Private Equity Audit

The overall objective of the private equity audit was to determine if investments in private equity are in accordance with ERS Investment Policy. Scope areas and sub-objectives included:

Portfolio Management

1. Has the portfolio been adopted to meet investment objectives?
2. Are processes in place to manage and mitigate portfolio risk?

Investments

1. Do investment recommendations communicate relevant information?
2. Is information validated?
3. Are investments properly authorized?

Governance

1. Is information presented reliable to facilitate proper oversight?
2. Is portfolio performance and management explained to promote transparency?
3. Does performance incentive align with portfolio objectives?

Overall assessment was rated Satisfactory. Based on the audit scope areas reviewed, internal controls are effective and provide reasonable assurance that most key goals and objectives will be achieved despite improvement opportunities identified. Improvement opportunities identified are likely to impact the achievement of ERS' investment objectives. Observations included:

- 1) Additional information communicated in the Annual Asset Class Review would improve clarity (Significant)
- 2) Private Equity investment classification process should be improved (Moderate)
- 3) ICP Private Equity goals and procedures are not fully developed (Moderate)

Status of Audit Recommendations

Internal Audit (IA) has completed procedures to monitor and report on the status of management action plans (MAPs) to address open audit recommendations. Implementation status was based on management's self-assessment and IA's review of supporting documentation to corroborate the self-assessment. Supporting documentation included, but was not limited to, revised documented policies/procedures, worksheets, management status reports and reconciliations. Audit work was not performed to verify the effectiveness of management actions implemented to determine if controls were working as intended. Future audit engagements in these areas will confirm the effectiveness of the controls implemented.

This agenda item is provided for informational and discussion purposes only.

ATTACHMENTS:

1. Exhibit A - Private Equity Audit Report
2. Exhibit B - Status of Audit Recommendations