

AGENDA ITEM DETAILS

Subject: Consideration of Internal Audit Administrative Items – (Action)
• Internal Audit’s Proposed Fiscal Year 2022 Audit Plan – (Action)

RECOMMENDED ACTION:

Move that the Board of Trustees for the Employees Retirement System of Texas approve and adopt the proposed Fiscal Year 2022 ERS’ Internal Audit Plan as listed in **Exhibit A** of this agenda item.

BACKGROUND:

Internal Audit, through the Executive Office, submits the Internal Audit Proposed Internal Audit Plan for Fiscal Year 2022 for board approval each year. The proposed FY22 Audit Plan attached to the agenda item as Exhibit A.

The annual internal audit plan is developed based on ERS’ audit universe, stakeholder input and an assessment of risk and exposures affecting ERS. The objective of a risk-based audit plan is to identify and prioritize operational functions that present the greatest risk to meeting agency objectives and goals. It also includes engagements of key operational and regulatory processes that were assessed lower risk ratings, but periodic review of the business functions and auditable units is deemed necessary and appropriate.

In assessing risk ratings for each auditable unit, Internal Audit focuses on the inherent risk of each function. Staff evaluates and considers controls in addressing key inherent risk based on prior period audit engagements, discussions with senior management and industry knowledge.

Execution of the FY22 Audit Plan includes the use of external audit resources through co-source partnerships with independent CPA and Information Security firms.

FY22 PROPOSED ANNUAL INTERNAL AUDIT PLAN CORE ENGAGEMENTS

INVESTMENTS:

- Private Real Estate* — To determine if investments in private real estate are in accordance with ERS Investment Policy. (AUDIT)
- External Public Equity — To determine if investments in externally managed public equity are in accordance with ERS Investment Policy. (AUDIT)

MEMBER SERVICES

- Dental Insurance* - To determine if contract management over the dental insurance program ensures member benefits are properly delivered. (AUDIT)
- Budgeting— To evaluate the planning and managing of ERS Operating Budget. (AUDIT)
- ERS Performance Measure Management—Determine whether ERS is accurately reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST) and whether adequate controls exist over the collection, calculation, and reporting of its performance measures. (AUDIT)
- Contact Center—Determine whether the member services delivered via the contact center are delivered timely and accurately. (AUDIT)

INFORMATION SYSTEMS

- Security Monitoring & Event Analysis*— To determine if policies and processes ensure the effective and efficient use of information technology to meet ERS strategic goals and objectives. (AUDIT)
- Cyber Security Framework— Review the cyber security framework to ensure proper security mechanisms are in place and compliant with relevant regulations or best practices. (AUDIT)
- Disaster Recovery— Determine if processes and procedures are designed to ensure the continuance of key business functions in the event of a disruption. (AUDIT)

ENTERPRISE

- Financial Opinion Audit—To opine on whether ERS' fiscal year 2021 annual financial statements are free from material misstatement and in conformity with generally accepted accounting principles. (AUDIT)

** Carried over from FY21 Audit Plan*

STAFF RECOMMENDATION:

Internal Audit staff recommends that the Board of Trustees adopt the proposed Fiscal Year 2022 Internal Audit Plan presented in this agenda item as Exhibit A.

ATTACHMENTS:

1. Exhibit A – Proposed FY22 Annual Audit Plan
2. Slides – Internal Audit Administrative Items