

**AGENDA ITEM DETAILS**

**Subject:** Consideration of Internal Audit Administrative Items – (Action)  
Internal Audit's Proposed Fiscal Year 2023 Audit Plan – (Action)

**RECOMMENDED ACTION:** Move that the Board of Trustees approve the proposed Fiscal Year 2023 Internal Audit Plan as described in **Exhibit A** to this agenda item.

**BACKGROUND:**

Internal Audit, through the Executive Office, submits the Internal Audit Proposed Internal Audit Plan for approval each year. The proposed FY23 Audit Plan is attached to the agenda item as Exhibit A.

Internal Audit develops the annual plan 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 agency and program controls for their efficacy in addressing key inherent risk based on prior period audit engagements, discussions with senior management and industry knowledge.

Execution of the FY23 Audit Plan includes the use of external audit resources through co-source partnerships with independent CPA firms.

**FY 23 PROPOSED ANNUAL INTERNAL AUDIT PLAN CORE ENGAGEMENTS**

**INVESTMENTS:**

- Global Credit – Internal High Yield — *determine if investments in global credit securities are in accordance with ERS Investment Policy (AUDIT)*
- Operational & Financial Due Diligence — *determine if reviews of private market general partners ensure proper controls over administration of ERS alternative investments (AUDIT)*

**MEMBER SERVICES**

- Contact Center\*—*determine if contact center inquiries are addressed appropriately and timely (AUDIT)*
- External Call Center\*—*determine if oversight of ERS' external call center ensures services are in accordance with contractual provisions (AUDIT)*
- Group Benefits Rate Development and Analysis—*assess the effectiveness and efficiency of the rate setting process for group benefit premiums (AUDIT)*
- Retirement Account Withdrawals – *determine if ERS processes retirement account withdrawals accurately. (AUDIT)*

## **INFORMATION SYSTEMS**

- Cloud Management - *determine if procedures are in place to ensure cloud management vendors adhere to ERS standards for availability and security (AUDIT)*

## **ENTERPRISE**

- Financial Opinion — *to opine on whether ERS' Fiscal Year 2022 annual financial statements are free from material misstatement and conform with generally accepted accounting principles (AUDIT)*
- Ethics – *determine if the Ethics program provides reasonable assurance of compliance with applicable laws, regulations and ERS policy (AUDIT)*
- Business Continuity – *determine if processes and procedures are designed to ensure key business functions resume in the event of a disruption (AUDIT)*

\* *Carried over from FY22 Audit Plan*

## **STAFF RECOMMENDATION:**

Internal Audit staff recommends that the Board of Trustees adopt the proposed Fiscal Year 2023 Internal Audit Plan presented in this agenda item as Exhibit A.

## **ATTACHMENTS:**

1. Exhibit A – Proposed FY23 Annual Audit Plan
2. Slides – Internal Audit Administrative Items