



# Audits and Risk Management Committee

## Item Number 7 – Open Session

**Subject:** FY 2021-22 Committee Work Plan

**Presenter(s):** Larry Jensen / Julie Underwood

**Item Type:** Information

**Date & Time:** March 5, 2021 – 10 minutes

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**Attachment(s):** Attachment 1 – Audits and Risk Management Committee  
Proposed FY 2021-22 Meeting Work Plan

**PowerPoint(s):** None

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### **PURPOSE**

The purpose of this item is to solicit the Audits and Risk Management (ARM) Committee's input for its Fiscal Year (FY) 2021-22 Work Plan. The committee workplan will be presented for approval at the July 2021 Board meeting.

### **DISCUSSION/SUMMARY**

The ARM Committee performs an important role providing a structured, systematic oversight of the organization's governance, risk management, and internal control practices. This oversight mechanism and reports received by the Committee also serve to provide confidence in the integrity of these practices. The Committee's annual work plan reflects its responsibilities to assist the Board in fulfilling its oversight responsibilities for:

1. Financial reporting
2. Risk management framework
3. Internal control
4. Compliance
5. Internal audit
6. External audit of the financial statements
7. Engagements with other external auditors

The draft ARM Committee FY 2021-22 meeting work plan is included as Attachment 1.

## **2021-22 KEY PLAN ACTIVITIES**

### **Committee Governance Activities**

The committee's governance activities will include continuing education on topics relevant to financial reporting, compliance, audits, risk management, and CalSTRS programs. In addition, the committee will provide oversight of a required quality assurance review of audit services activities for conformance with the *Standards for the International Practice of Internal Auditing* performed by an independent third-party. The committee will also receive reports and provide input on audit services quality improvement program. Finally, the committee will develop its FY 2022-23 annual work plan.

### **Internal Audit Oversight Activities**

Of primary importance in this category is the committee review of the annual risk assessment of achieving strategic goals and initiatives, internal operations, and participating employers which forms the basis for the annual internal audit plan. The Committee will approve the 2022 Calendar Year Plan for auditing CalSTRS internal business operations and employers, based on the risk assessment mentioned above. The internal audits are designed to provide the committee independent and objective assurance of risk mitigating internal control activities and outlines the distribution of audit resources. Progress on completing the audit plan is reported twice a year to the committee along with the results of audits performed. Additionally, the committee will review the status of corrective actions for all reported findings, providing oversight of CalSTRS' internal controls and risk management activities.

### **External Financial Statement Audit Oversight Activities**

The external financial statement auditor, Crowe LLP, presents its client service plan to the committee for the audit of CalSTRS' basic financial statements. The committee will also review the external auditor's independent reports for the following CalSTRS financial audits:

- The Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information
- Other Pension Information - State Teacher's Retirement Plan
- Other Postemployment Benefits Information – Medicare Premium Payment Program

These reports are accompanied by the external auditor's report of internal control over financial reporting that outlines any significant control deficiencies identified during the audits along with other required communications to those charged with governance. Periodic reports will be provided to the Committee on the progress of implementing corrective action plans, if any new internal control deficiencies are identified, as well as progress on resolving past items.

### **Compliance Reporting and Oversight Activities**

The committee will continue to provide oversight of the development and implementation of the enterprise compliance program. The committee will receive regular progress reports on implementing the 2021 Compliance Plan. As part of the plan, the committee will review the compliance risk assessment, monitoring program, and training plan. The committee will also review the 2022 Compliance Plan. Periodic reports on progress towards developing and implementing elements of the enterprise compliance program will be provided to the committee to fulfill its oversight responsibilities.

### **Financial Reporting Oversight Activities**

The committee receives an annual report of modifications to benefit payments for the prior fiscal year describing the actions taken to reduce the number and value of benefit payment modifications (payment increase and decreases) impacting CalSTRS' members. CalSTRS monitors the number, dollar value, and nature modifications to benefit payments. In some instances, this review may identify a systemic problem requiring a strategic action plan. In many cases, the modifications are determined to be part of standard business processes in the administration of ongoing benefits.

## AUDITS AND RISK MANAGEMENT COMMITTEE Proposed 2021-22 Meeting Work Plan

	July	November	March
<i><b>Governance</b></i>	Committee Education (TBD) (I)		FY 2022-23 Meeting Work Plan (I)  Audit Services Quality Assurance Program (I)
<i><b>Internal Audit Oversight &amp; Reports</b></i>	2020 Management Letter; Progress Report (I)  2021 Internal Audit Plan; Mid-Year Progress Report (I)	2022 Internal Audit Plan Risk Assessment (I)  2022 Internal Audit Plan (A)  2021 Internal Audit Plan, Progress Report (C)	2021 Management Letter; Progress Report (I)  2021 Internal Audit Plan; Final Progress Report (I)
<i><b>External Financial Statement Audit Oversight &amp; Reports</b></i>		Independent Auditor’s Report on the FY 2020-21 Basic Financial Statements (A)  Report to Those Charged with Governance (A)  Report on Internal Control over Financial Reporting and Compliance (A)  2021 Management Letter (I)	Financial Statement Audit Plan FY 2021-22 (I)
<i><b>Compliance Reporting &amp; Oversight</b></i>	2021 Compliance Plan; Mid-Year Progress Report (I)	2022 Compliance Plan (I)	2021 Compliance Plan; Final Progress Report (I)
<i><b>Financial Reporting Oversight</b></i>		Annual Report of Benefit Payment Modifications for FY 2020-21 (C)	

(A) = Action    (I) = Information    (C) = Consent