



# Audits & Risk Management Committee

## Item Number 7 – Open Session

**Subject:** FY 2022-23 Committee Work Plan

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

**Item Type:** Information

**Date & Time:** March 3, 2022 – 10 minutes

---

**Attachment(s):** Attachment 1 – Audits and Risk Management Committee  
Proposed FY 2022-23 Meeting Work Plan

**PowerPoint(s):** None

---

### **PURPOSE**

The purpose of this item is to solicit the Audits and Risk Management (ARM) committee's input for its Fiscal Year (FY) 2022-23 Work Plan. The committee workplan will be presented for approval at the July 2022 Board meeting.

### **DISCUSSION/SUMMARY**

The ARM committee performs a critical role in establishment and oversight of the organization's governance, risk management practices, system of internal control, compliance, and financial reporting. The internal and external audit activities, along with various reports received by the committee provide assurances regarding the integrity of these practices. The ARM committee's annual work plan reflects 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 proposed ARM Committee FY 2022-23 meeting work plan is included as Attachment 1.

## **2022-23 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. The committee will also develop its FY 2023-24 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 2023 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

These reports are accompanied by the external auditor's report of internal control over financial reporting which may include significant control deficiencies if any are identified during the audits, along with other required communications to those charged with governance. Any control deficiencies not considered material or significant identified during the audit of the basic financial statements are included in a management letter presented to the committee. 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 management's progress on resolving prior year findings or observations.

### **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 2022 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 2023 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 issue 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.