



Audits & Risk Management Committee

Item Number 3 – Open Session

Subject: 2023 Audit Services' Audit Plan Progress Report

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: November 2, 2023 – 0 minutes

Attachment(s): Attachment 1 – 2023 Completed Employer Audit Reports

Attachment 2 – 2023 Completed Internal Audit Reports

Attachment 3 – Internal Audit Finding Progress Update

PowerPoint(s): None

Item Purpose

The purpose of this item is to present an update and propose modifications to Audit Services Calendar Year 2023 audit plan.

Recommendation

Staff recommends the Audits and Risk Management (ARM) Committee approve the changes to Audit Services Calendar Year 2023 audit plan.

Executive Summary

In accordance with the ARM Committee Charter and in alignment with International Standards for the Professional Practice of Internal Auditing (internal auditing standards), Audit Services provides periodic reports on its audit plan activities and must obtain ARM Committee approval on any major changes to the audit plan. Consistent with Audit Services Charter, Audit Services has the responsibility to update the audit plan based on changing conditions. Audit Services proposes modifying the 2023 Audit Plan in response to the changing risk environment, timing and vacancies as follows:

- Defer the Pension Solution audit to the 2024 six-month plan (January – June).

- Remove the Path Forward – Technology and Survivor Benefits - Performance Measures audits. Since the approval of the 2023 Audit Plan, risk over these areas have been reduced.

Audit Services Staff and Structure Update

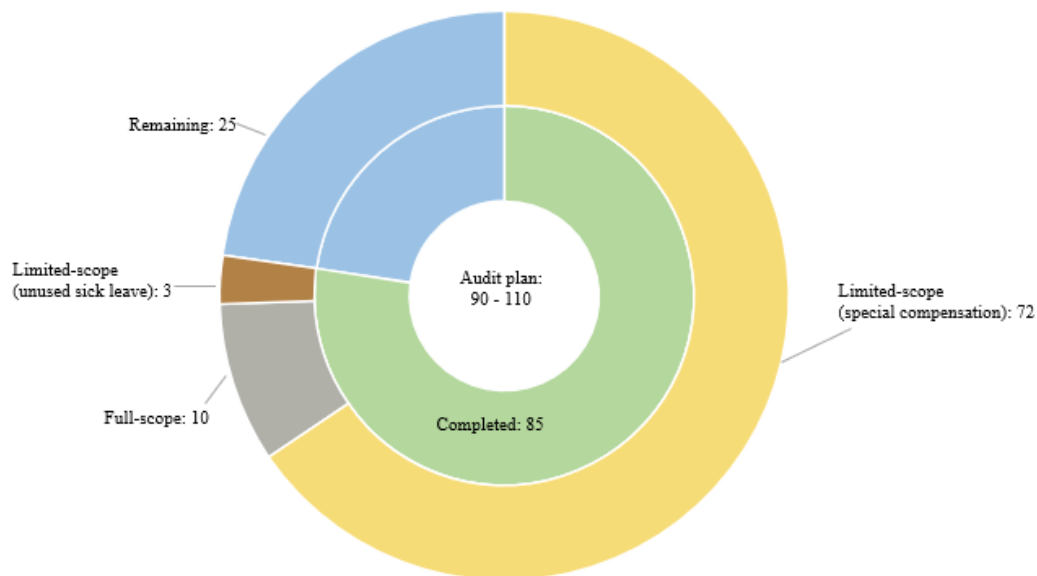
The Institute of Internal Auditing’s premier designation, Certified Internal Auditor® (CIA), sets the standard for excellence within the internal auditing profession. The CIA is the optimum way to communicate knowledge, skills, and competencies to effectively carry out professional responsibilities for internal audits. To encourage audit team members to attain this certification, Audit Services developed an enhanced program to assist staff in successful achievement of the CIA certification. The Chief Auditor obtained this certification in February 2023.

To address Audit Services Quality Assurance Review recommendations, remain current with industry leading practices and provide value to the organization, Audit Services is working to establish an audit data solutions and operations team. The vision for the team is to fully utilize technology and data analytics during the audit process and explore additional technology to drive audit efficiencies and effectiveness, and data visualization.

Audit Services Audit Plan Progress

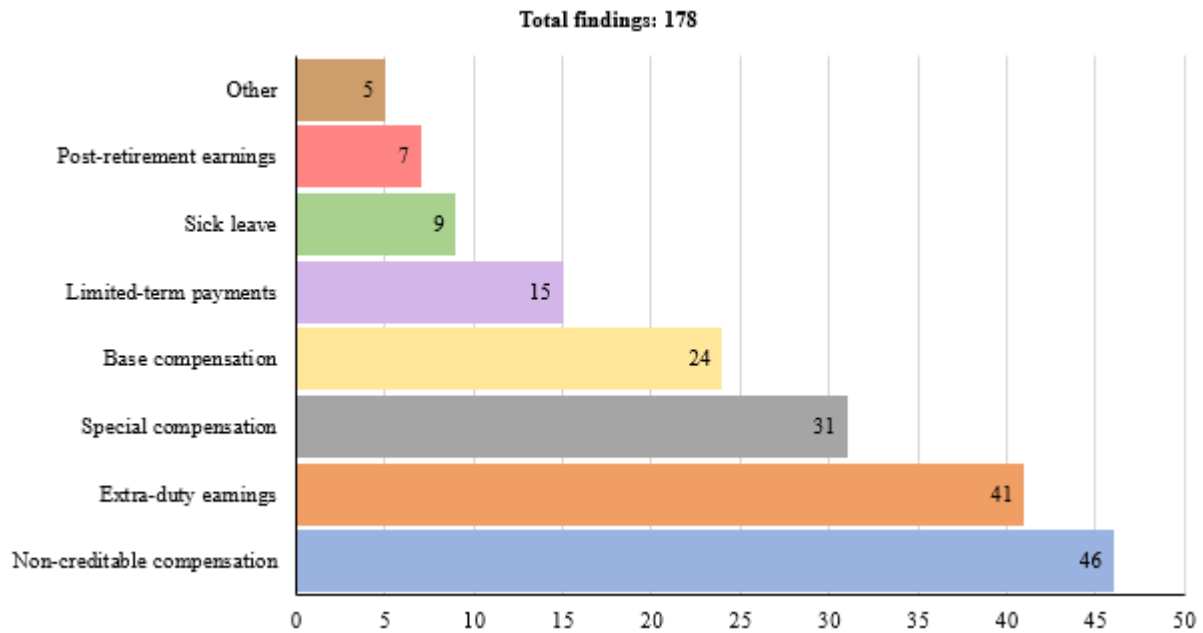
Employer Audit Update: As of October 5, 2023, employer audit staff completed 85 audits as identified in Illustration 1. Additional information on the 2023 audit reports issued is provided in Attachment 1.

Illustration 1: Employer audit progress



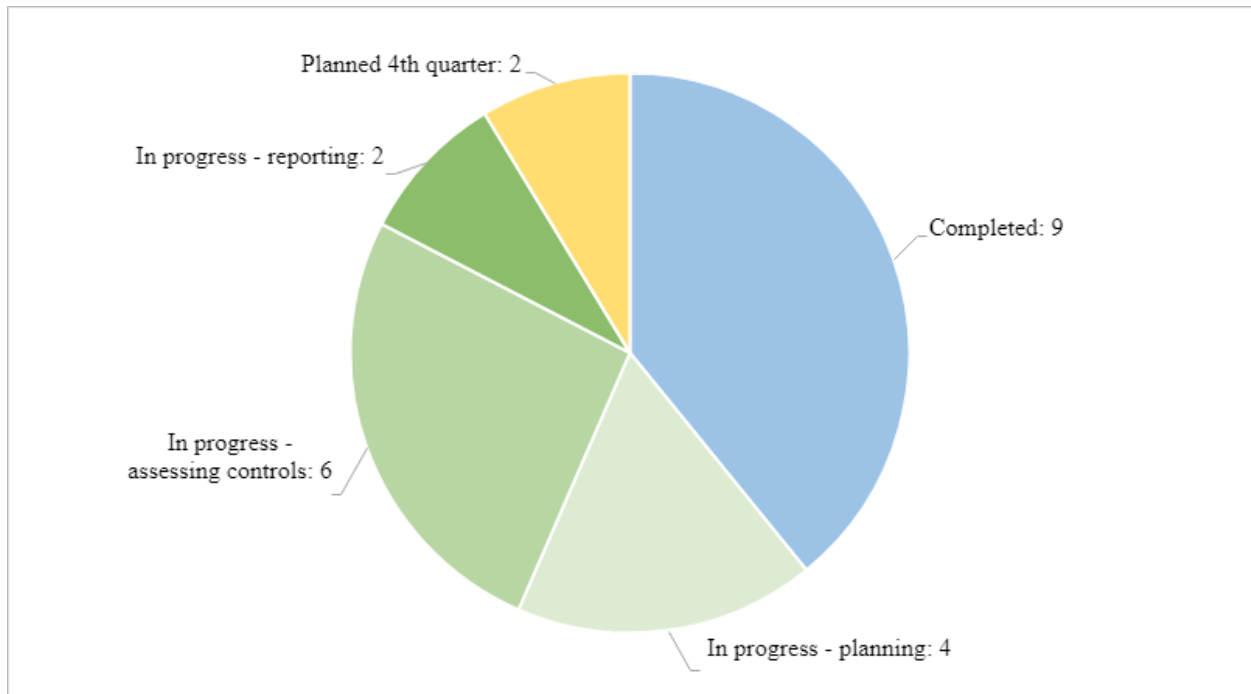
Of the 85 employers audited, the employer audit team identified 178 findings demonstrated in Illustration 2. Additionally, staff did not identify any findings for 16 of the 85 employers audited.

Illustration 2: Type of Employer Audit Findings



Internal Audit Update: As of October 5, 2023, internal audit staff completed nine audits, three of which were from the prior year plan. For more information, refer to Illustration 3.

Illustration 3: Internal audit progress



Of those nine completed audits, the internal audit team identified 27 findings. A summary of completed internal audit reports is included in Attachment 2 which categorizes these reports as follows: audits with key findings, those without key findings, and those with no findings. Audit Services defines a key finding as condition(s) which may adversely affect the organization if not addressed. For example,

- Controls do not fully address key risks or work effectively and consistently.
- Noncompliance with laws, regulations, or policies exists.
- Occurrences of inefficient or ineffective processes.

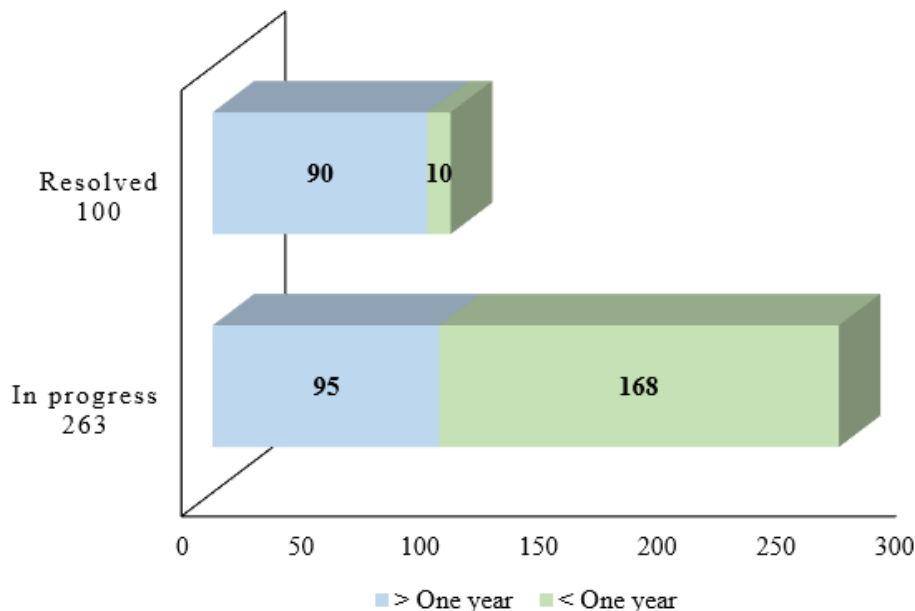
Audit Services Finding Resolution

Consistent with internal auditing standards, Audit Services has an established follow-up process to monitor audit finding resolution. Management is responsible for providing internal audits with corrective actions to resolve outstanding audit findings. Without timely and effective resolution, management is essentially accepting the risks associated with those findings that are in progress of being resolved.

Employer Audit Finding Resolution

CalSTRS Employer Services assists employers in making the necessary corrections to resolve any outstanding audit findings. Audit Services validates that the employers make the corrections before classifying the findings as resolved. The status of employer audit findings is depicted in the Illustration below.

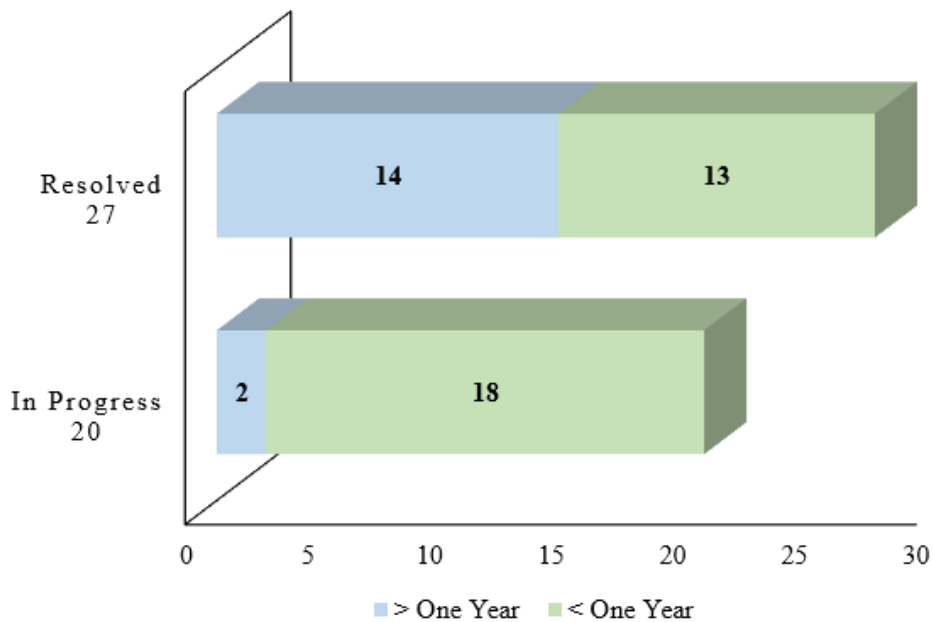
Illustration 4: Employer audit finding resolution status



Internal Audit Finding Resolution

Internal Audits follows up with management to validate corrective action on resolved findings and obtain updates on in progress findings to ensure resolutions are on target for completion. Status of internal audit findings are exhibited in Illustration 5. Key audit findings that are not yet resolved are summarized in Attachment 3.

Illustration 5: Internal audit finding resolution status



Strategic Plan Linkage: [Strategic Plan - CalSTRS](#)

Board Policy Linkage: [Board Governance Manual \(calstrs.com\)](#)
