

CALSTRS

Audits and Risk  
Management Committee  
Proposed charter revision  
highlights

*May 2024*



## Item number 6a

# Audits and Risk Management Committee Charter – First Reading

- As the regulatory landscape evolves and organizational priorities shift, it is necessary to ensure the charter addresses **recent standards, practices, and expectations.**
- The charter is periodically reviewed and updated to assist the ARM Committee in fulfilling its fiduciary oversight responsibilities.

# Purpose of proposed changes

## Formatting

Added categories

Changed verb tense

Ensured consistency

## Content

Alignment with current processes

Support Enterprise Risk and Compliance maturity plans

Compliance with Global Internal Audit Standards

# Key responsibility changes

## Financial reporting and external independent financial statement audit

- Added approval of independent financial statement audit results

## Risk management framework

- Added approval of the Enterprise Risk Management (ERM) program charter
- Included review of existential and enterprise risks

## Internal Control

- Added oversight of financial statement auditor's management letter

# Key responsibility changes

## Compliance

- Clarified Enterprise Compliance Services (ECS) Program responsibilities
- Added approval of the ECS Program charter

## Internal Audit

- Enhanced responsibilities regarding chief auditor
- Added responsibility on independence and impairment
- Included approval responsibilities regarding audit activities
- Clarified responsibility related to quality assurance & improvement program
- Addressed coordination, management and reporting of engagements with external audit firms

## Item Number 6b

### Enterprise Risk Management Program Charter – First Reading

- The purpose of this item is to present the Audits and Risk Management Committee with a first reading of a **proposed Enterprise Risk Management (ERM) program charter**.
- This charter is **new** and is intended to codify the responsibilities, scope, and structures for managing enterprise risks within the organization.
- Documenting this charter **supports CalSTRS strategic plan goal 1**, objective E: enhance how risks are defined, viewed, and managed.

# Background

A **maturity assessment** was completed by Weaver & Tidwell, LLC that was presented to the Audits and Risk Management Committee in March 2023.



The maturity assessment recommendations emphasized the need to formalize risk management and compliance frameworks through **governing documents**.



An **18-month maturity plan** was presented in November 2023 to address the recommendations, which included developing charters.

# Benefits of program charters

The importance and benefits of developing and documenting a program charter include:

Clarity and consistency

Stakeholder confidence

Governance enhancement



# ERM program charter highlights

- **Reinforces commitment** to enterprise risk management best practices
- Supports the board's **Risk Management Policy**, the CEO's responsibilities delegated therein, and the overall ERM framework
- Defines the **scope and responsibilities** of the ERM program
  - Risk identification
  - Risk assessment
  - Risk mitigation
  - Monitoring and reporting
  - Training and awareness
  - Integration
- Outlines **access** to systems and staff
- Requires self-evaluations for **continuous improvement**

## Item Number 6c

### Enterprise Compliance Services Program Charter– First Reading

- The purpose of this item is to present the Audits and Risk Management Committee with a first reading of a **proposed Enterprise Compliance Services (ECS) Program Charter**.
- This charter is **new** and is intended to codify the responsibilities, scope, and structures for managing enterprise compliance risks within the organization.
- Documenting this charter **supports CalSTRS strategic plan goal 1**, objective E: Enhance how risks are defined, viewed, and managed.

# ECS program charter highlights

- **Reinforces commitment** to compliance risk management best practices
- Supports the board's **Risk Management Policy**, the CEO's responsibilities delegated therein, and the overall ERM framework
- Defines the **scope and responsibilities** necessary for the effective implementation of the Enterprise Compliance Services program which includes:
  - Risk assessment
  - Policy administration
  - Code of Ethics and Business Conduct
  - Training and awareness
  - Monitoring and reporting
  - Supporting third party risk management
  - Compliance and Ethics hotline administration
- Outlines **access** to systems and staff
- Requires self-evaluations for **continuous improvement**