



Audits & Risk Management Committee

Item Number 8 – Open Session

Subject: Input on 2024-25 Committee Work Plan

Presenter(s): Cheryl Cervantes Dietz and Julie Underwood

Item Type: Information

Date & Time: May 1, 2024 – 10 minutes

Attachment(s): Audits and Risk Management Committee Proposed FY 2024-25 Meeting Work Plan

PowerPoint(s): None

Item Purpose

The purpose of this item is to solicit the Audits and Risk Management (ARM) committee's input for its Fiscal Year (FY) 2024-25 Work Plan. The committee work plan will be presented for approval to the board at the July 2024 Board meeting.

Executive 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 fiduciary oversight responsibilities, pursuant to the ARM Committee charter, for:

1. Financial reporting and external independent financial statement audit,
2. Risk management framework,
3. Internal control,
4. Compliance, and
5. Internal audit.

The proposed ARM Committee FY 2024-25 meeting work plan is included as Attachment 1.

FY 2024-25 Key Plan Activities

Committee Governance Activities

The committee's governance activities will include ARM Committee Charter review and continuing education on topics relevant to financial reporting, compliance, audits, risk management, and CalSTRS programs. With the new *Global Internal Audit Standards*, periodic discussions on committee governance will be presented for discussion. The committee will also develop its FY 2025-26 annual work plan.

Internal Audit Oversight Activities

Areas of focus in this category include:

- Approval of Audit Services Audit Charter which will incorporate the newly published *Global Internal Audit Standards* requirements.
- Presentation on the *Global Internal Audit Standards* requirements and impact to the ARM Committee responsibilities for oversight and support for the internal audit Chief Auditor and function as well as other changes to Audit Services process.
- Approval of Audit Services annual audit plan and objectives and any significant changes to the plan.

The internal audit function is designed to provide the committee independent and objective assurance of risk mitigating internal control activities and compliance with the Teachers' Retirement Law as well as information on Audit Services strategy and resource plans. Progress on completing the audit plan is reported to the committee along with the results of audits performed. Additionally, the committee will review the status of corrective actions for reported findings, providing oversight of CalSTRS' internal controls and risk management activities.

Financial Reporting and 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.

Risk and Compliance Reporting and Oversight Activities

The committee’s workplan for overseeing Enterprise Risk Management (ERM) and Enterprise Compliance Services (ECS) encompasses a multifaceted approach aimed at fostering a culture of risk awareness and regulatory compliance. Central to the plan is providing regular update reports on the 18-month maturity plan to the committee. This plan includes:

- Updating the ERM and ECS governing documents and framework.
- Enhancing our internal processes by acquiring and deploying ERM software.
- Further integrating risk appetite and key risk indicators into our risk reporting.
- Providing organization-wide training on risk and compliance responsibilities.
- Developing and implementing risk and compliance training plans for staff and for stakeholders.

This maturity project will support proactive identification and monitoring of risks, further strengthen our resilience in the face of challenges, and maintain a culture of compliance and ethical behavior.

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

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