



## Internal Audit Risk Assessment & Proposed FY20 Annual Audit Plan

August 21, 2020

### FROM THE AUDIT DIRECTOR

We are pleased to submit the Internal Audit Risk Assessment and Proposed Internal Audit Plan (Plan) for Fiscal Year 2020.

The Texas Internal Auditing Act (Texas Government Code 2102) requires that a risk-based annual audit plan be developed and approved by the Board of Trustees. The Plan is designed to provide coverage of key risks, given the existing staff and approved budget. Key risks were determined based on a systematic approach incorporating management input, Internal Audit analysis and ERS' strategic objectives.

Continuous evaluation of the Plan, based on risks identified, timing of ERS' initiatives and staff availability could result in modifications to the Plan during the year. Amendments to the approved Audit Plan deemed significant will be coordinated with the Executive Director and submitted to the Audit Committee Chair for review and approval.

Sincerely,

Anthony Chavez, CIA, CGAP, CRMA  
Director, Internal Audit Division



### ERS INTERNAL AUDIT DIVISION

To provide independent and objective assurance on the effectiveness of controls and operations to meet ERS' strategic directions.

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## FY 20 PROPOSED ANNUAL INTERNAL AUDIT PLAN

### CORE BUSINESS ENGAGEMENT OBJECTIVE

INVESTMENTS	<p><b>Profit Sharing*</b> — <i>To determine if investment funds are effectively and transparently managed and accurately reported. (AUDIT)</i></p> <p><b>Private Equity*</b>—<i>To determine if investments in private equity are in accordance with ERS Investment Policy. (AUDIT)</i></p> <p><b>Incentive Compensation</b>—<i>To determine if incentive compensation awards were calculated in accordance with ERS' Incentive Compensation Plan. (AUDIT)</i></p> <p><b>Internal Public Equity</b> — <i>To determine if public equity investments managed internally by ERS investments staff are in accordance with ERS Investment Policy. (AUDIT)</i></p>
MEMBER SERVICES	<p><b>Deferred Compensation Program (TexaSaver)</b> —<i>To determine if contract management over the TexaSaver program ensures member benefits are properly delivered. (AUDIT)</i></p> <p><b>Insurance Forecasting</b> —<i>To determine if the methodology and assumptions for Other Post-Employment Benefits valuations are reasonable and internally consistent. (AUDIT)</i></p> <p><b>Survivor Benefits</b>— <i>To determine if survivor benefits are processed accurately, timely and in accordance with statutory requirements. (AUDIT)</i></p>
INFORMATION SYSTEMS	<p><b>IT Governance*</b> - <i>To determine if policies and processes ensure the effective and efficient use of information technology to meet ERS strategic goals and objectives. (CONSULTING)</i></p> <p><b>PS Pension IT Controls</b> - <i>To determine if application controls are designed and implemented to ensure the completeness and accuracy of information in PS Pension. (AUDIT)</i></p>
MULTIPLE	<p><b>Financial Opinion Audit</b>—<i>To opine on whether ERS' fiscal year 2019 annual financial statements are free from material misstatement and in conformity with generally accepted accounting principles. (AUDIT)</i></p>

\* = Carried over from FY19 Audit Plan