



Internal Audit Risk Assessment & Proposed FY23 Annual Audit Plan

August 24, 2022

FROM THE AUDIT DIRECTOR

We are pleased to submit the Internal Audit Risk Assessment and Proposed Internal Audit Plan (Plan) for Fiscal Year 2023.

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 23 PROPOSED ANNUAL INTERNAL AUDIT PLAN

CORE BUSINESS	ENGAGEMENT OBJECTIVE
INVESTMENTS	<p>Global Credit—Internal High Yield — <i>determine if investments in global credit securities are in accordance with ERS Investment Policy (AUDIT)</i></p> <p>Operational & Financial Due Diligence — <i>determine if reviews of private market general partners ensure proper controls over administration of ERS alternative investments (AUDIT)</i></p>
MEMBER SERVICES	<p>Contact Center*—<i>determine if contact center inquiries are addressed appropriately and timely (AUDIT)</i></p> <p>External Call Center*—<i>determine if oversight of ERS external call center ensures services are in accordance with contractual provisions (AUDIT)</i></p> <p>Group Benefits Rate Development and Analysis—<i>assess the effectiveness and efficiency of the rate setting process for group benefit premiums (AUDIT)</i></p> <p>Retirement Account Withdrawals – <i>determine if ERS processes retirement account withdrawals accurately (AUDIT)</i></p>
INFORMATION SYSTEMS	<p>Cloud Management —<i>determine if procedures are in place to ensure cloud management vendors adhere to ERS standards for availability and security (AUDIT)</i></p>
ENTERPRISE	<p>Financial Opinion —<i>to opine on whether ERS' fiscal year 2022 annual financial statements are free from material misstatement and in conformity with generally accepted accounting principles (AUDIT)</i></p> <p>Ethics — <i>determine if the Ethics program provides reasonable assurance of compliance with applicable laws, regulations and ERS policy (AUDIT)</i></p> <p>Business Continuity —<i>determine if processes and procedures are designed to ensure key business functions resume in the event of a disruption (AUDIT)</i></p>

* Carried over from FY22 Audit Plan

Internal Audit performs multiple types of audit engagements that provide various levels of service and assurance. Each engagement type has unique performance and reporting requirements to comply with audit standards. Standard project engagement types include:

AUDITS (75%) - Nature and scope of the engagement determined by Internal Audit; Highest level of assurance; Deliverable: Report for public distribution

CONSULTING (15%) - Nature and scope of engagement subject to agreement with audit customer; No assurance provided; Deliverable: report or memo with limited distribution.

AGREED UPON PROCEDURES (5%) - Specific procedures agreed to between management and Internal Audit to perform and report on the results; Lowest level of assurance; Deliverable: Report or memo for public distribution

INFORMAL CONSULTING (5%) - Ad-hoc assistance; Subject matter expert input ; Deliverable: Verbal discussions or memo to management.