



# Audit Committee

Dec. 14, 2023

- **Introductions**

- Robert Vance, CAE
- Phil Licata, IT Controls Manager
- Kimberly VanGundy, Investment Audit Specialist
- Bonnie Wild, Internal Auditor
- Teresa Snedigar, Independent Validator (QAR)

- **Purpose**

- To provide the State Teachers Retirement Board Audit Committee with an update on Internal Audit Department activities performed during the year
- To officially approve the 2024 Audit Plan

- **Present**

- Present an update on the Quality Assessment Review (QAR)
- Review the 2023 Internal Audit Summary
- Present the 2024 Internal Audit Plan
- Provide an update on other significant administrative activities

- **Purpose**

- Determine compliance with The Institute of Internal Auditor’s International Professional Practices Framework (*Standards*)

- **Review requirements**

- Performed every five years

- **Required assessor attributes**

- Independent of STRS Ohio
- Demonstrates competency in two areas:
  - The professional practice of internal auditing
  - The external assessment process

- **Teresa Snedigar, MBA, CPA, CISA, CIA**

- **Background**

- Over 25 years of experience in business analysis
- Has performed QARs for numerous entities including state pension funds (including Ohio funds)
- Provided training for local Institute of Internal Auditor chapters and The Association of Public Pension Fund Auditors in building Quality Assurance & Improvement Programs and performing Quality Assessment Reviews
- Experienced pension fund Chief Audit Executive



# Validation Scope & Objectives

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I performed an independent validation of the Internal Audit Office self-assessment. This included:

- Review of self-assessment documents prepared by the client including programs, workpapers, other supporting documentation, and the self-assessment report.
- Interviewed AC Chair, Executive Director, Chief Financial Officer, and Director of Benefits.

# Overall Evaluation Definitions

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- GC** **Generally Conforms** means the evaluator has concluded that the Activity's charter, structure, policies, and procedures, as well as the processes by which they are applied, are judged to be in accordance with the *Standards* but some opportunities for improvement may be possible.
- PC** **Partially Conforms** means the evaluator has concluded that a deviation from the *Standards* exists and action is needed to improve conformity. These deviations are not, however, significant enough to preclude the Activity from carrying out its responsibilities in an acceptable manner.
- DNC** **Does Not Conform** means the evaluator has concluded that the Activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve conformity with the *Standards*, thus impacting its ability to carry out its mission.



# Validator's IIA Standards Conformity Evaluation

<b>ATTRIBUTE STANDARDS</b>		<b>GC</b>
1000	Purpose, Authority, and Responsibility	GC
1100	Independence and Objectivity	GC
1200	Proficiency and Due Professional Care	GC
1300	Quality Assurance and Improvement Program	GC
<b>PERFORMANCE STANDARDS</b>		<b>GC</b>
2000	Managing the Internal Audit Activity	GC
2100	Nature of Work	GC
2200	Engagement Planning	GC
2300	Performing the Engagement	GC
2400	Communicating Results	GC
2500	Monitoring Progress	GC
2600	Communicating the Acceptance of Risks	GC
<b>IIA CODE OF ETHICS</b>		<b>GC</b>
<b>OVERALL EVALUATION</b>		<b>GC</b>

# Questions?

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Teresa Snedigar

Independent Validator

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# Internal Audit

Dec. 14, 2023

- **Reporting**
  - Summaries are the primary tools used to provide audit activity updates
  - Layout and basic design remain fairly fixed to meet the Ohio Retirement Study Council uniformity requests
  - Interim and annual summaries are produced on a routine schedule
  - The information represents a collaboration of efforts between the management team, staff and the Internal Audit Department

- **Audit review**
  - General summary
    - Audit follow-up activities
    - Active audits
- **Other disclosures**
  - Risk acceptance
  - Cooperation

- **Plan details**
  - Risk factors
  - Risk assessment scale
  - Assignment of risk rating
  - Risk factors weighted
  - Work plan

- **Base of comparison**
  - *IIA Standards*
  - Funston Fiduciary Audit
- **QAR**
  - Self-Assessment (completed in 2023) and was the basis for independent verification
  - Quality Assurance Improvement Plan (QAIP) (in progress)
  - External Quality Assurance Independent Verification (QAIV) (response)

- **Audit Universe update**
  - Reviewing the organization to determine where additional coverage is needed
- **Audit Plan update**
  - Consultation
- **Board/Audit Committee updates**
  - Individual, supplemental meetings
  - SharePoint site functionality
    - Performance and compliance metrics
    - Dashboard development



- **Governing document update**
  - Internal Audit Charter approved August 2023

- **General summary of changes**

- Added the following:

- Mission statement
- Clear assurance and consulting objectives
- Ohio Revised Code (ORC) reference 3307.044
- Professional standards references for evaluation and adherence
- Audit Committee majority vote needed for charter approval
- Annual charter review requirement
- Responsibilities related to procuring outside expertise
- Requirements for conducting quality assurance and improvement programs

- **Impact of changes**

- The document is in compliance with current *Standards*
- The document provides sufficient description of the internal audit function
- A move into compliance with the fiduciary audit recommendations/*Standards*
  - Hiring
  - Performance reviews
  - Resource needs

- **QAR**
  - Internal Audit is in compliance with the *Standards*
  - A QAIP is ongoing
- **Audit Summary**
  - Full senior management and staff cooperation
  - No material items or reports of management assuming unacceptable risk
- **The Internal Audit Plan**
  - Process reviewed during the QAR and fiduciary reviews and approved
  - Potential process improvements will be discussed with the board's governance consultant and Audit Committee

- **Internal Audit Charter**
  - Governing document is comparably more robust and complete
  - Subject to annual review
  - Changes reinforce understanding of the independence of the chief audit executive in reporting, evaluation and operating decisions
- **Audit Committee/board updates**
  - Increased meetings with Internal Audit
  - Increased reporting on key metrics in development



# Questions?

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- **Motion to approve**