



Texas Municipal Retirement System

DEPARTMENT OVERVIEW: INTERNAL AUDIT

Sandra Vice, Director
Andi Focht-Williams, Sr. Auditor

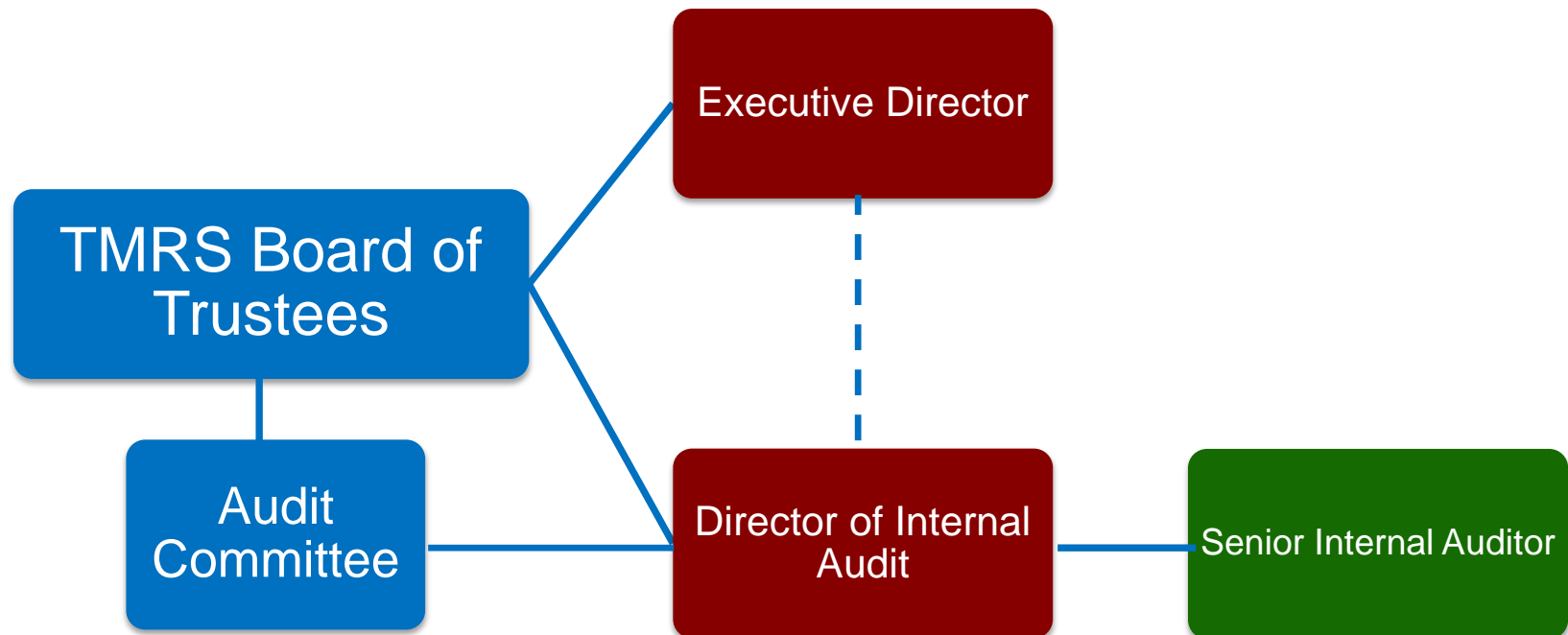
**March 22-23, 2018
Board Meeting**



Topics

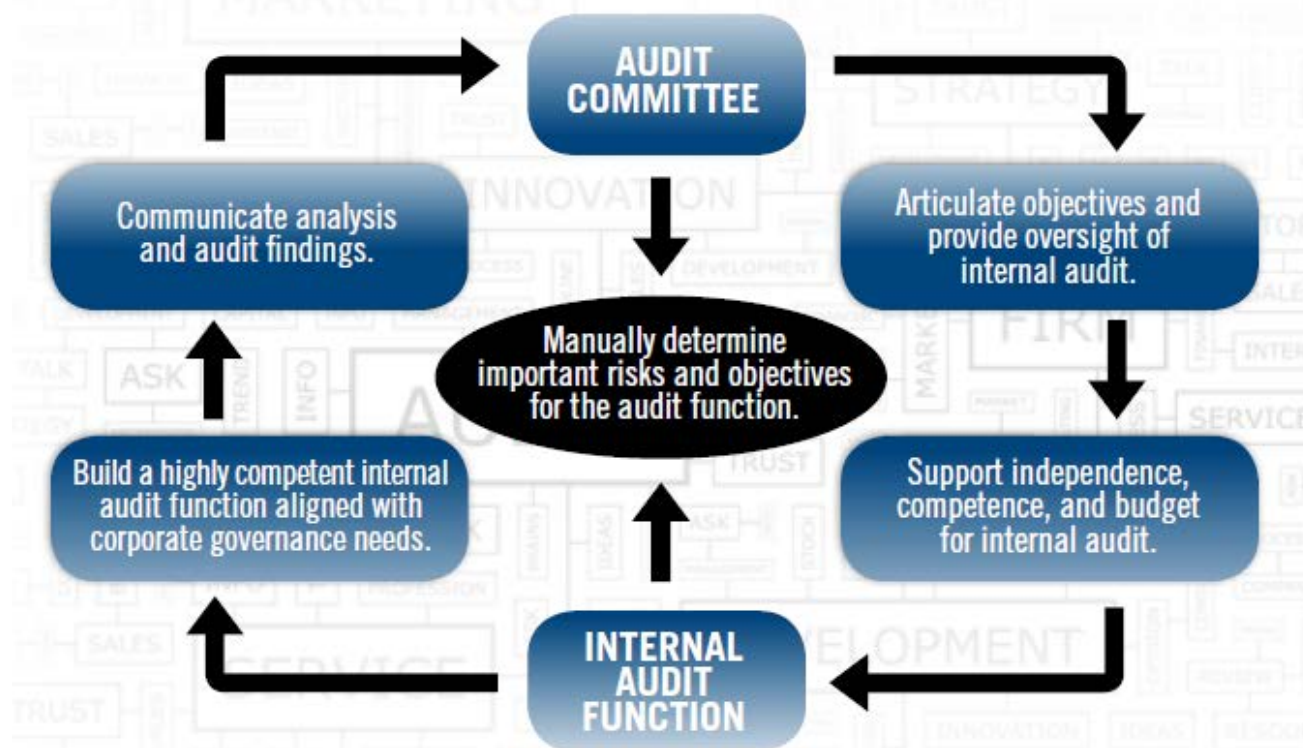
- Required Communication to the Board
 - Reporting Structure
 - Internal Auditing Mission & Definition
 - Standards & Internal Auditing Framework
- Reports & Accomplishments
- 2018 Plan

REPORTING STRUCTURE: Internal Audit is Organizationally Independent



Audit Committee and Internal Audit Work Together for TMR'S Benefit

The Mutual Relationship Between the Audit Committee and Internal Audit Function



Source: Rittenberg, Larry E. *Interacting with Audit Committees: The Way Forward for Internal Audit* (Altamonte Springs, FL, The IIA, 2016).



Internal Audit Mission & Definition

- **Mission.** To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
- **Definition.** Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

WE DON'T JUST FOLLOW RULES.

WE HAVE **STANDARDS**



Mandatory Guidance

Definition of Internal Auditing

Core Principles

Code of Ethics

International Standards for the Professional Practice of Internal Auditing

International Professional Practices Framework



Reports (Jan. 2017 to March 2018)

- *Audit Plan for Fiscal Years 2017 to 2018, Feb. 2017*
- *Enhancing Protections against Fraudulent Checks, Aug. 2017*
- *Status of Prior Audit Recommendations, Aug. 2017*
- *Confidential Report on the Status of Prior Information Resources Audit Recommendations, Jan. 2018*
- *TMRS Risk Assessment and Audit Plan for 2018, Feb. 2018*



Accomplishments

- Recruited, selected & on-boarded Senior Auditor
- *Readiness Review of the Internal Audit Department, Dec. 2017*
 - Opinion was that TMRS Internal Audit “generally conforms” to the IIA Framework (highest rating available)
 - Addressed all 5 prior deficiencies (Dec. 2014 peer review)
 - Incorporated revised *Standards* in *Internal Audit Manual*



Accomplishments

- Advisory Role
 - External Audits/Reviews
 - Implementation of State Street Enhanced Asset Owner Services Project
 - TMRS Direct Project
 - Business Continuity Program Design
 - Requests for Proposals and Vendor Evaluations
 - Draft Policy Review



Accomplishments

- Participants on TMRS Teams
 - Fraud Team
 - Engagement Taskforce
 - 457(b) Committee
 - Financial Services Request for Proposal Team

2018 Plan

Reports

- Due Diligence – reporting phase, report expected March 2018
- Control Environment – reporting phase, report expected April 2018
- 457(b) Plan Reconciliation Project – planning, report expected May 2018
- Management Fee and Expense – soliciting vendor proposal
- Member Services Manual Processing – not scheduled
- Investment Operations – not scheduled

How to Find Internal Audit Documents

- **Diligent.** Board access to Internal Audit Committee agendas/minutes, charter, risk assessment, audit plans, audit/consulting reports, and quarterly reports.
- **TMRS Intranet.** TMRS staff access to reports; charter; audit plan; and resources for risks, controls, fraud, and cyber-security.
- **TMRS Website.** Governance documents, audit plans, and presentations.

Questions/Comments