



Audit Committee Meeting

Sacramento County Employees' Retirement System

Agenda Item 5

MEETING DATE: November 19, 2024

SUBJECT: Annual Independent Financial Statement Audit

SUBMITTED FOR: Consent **Deliberation and Action** **Receive and File**

RECOMMENDATION

Receive and file Risk Assessment Project Overview, as presented by Larry Jensen, Audit & Risk Management Services.

PURPOSE

This item supports the Strategic Management Plan by maintaining transparent communications to stakeholders and promoting fiscal responsibility and stewardship.

DISCUSSION

Staff is currently working with Larry Jensen of Audit and Risk Management Services (ARM) to develop and finalize an organizational-wide risk assessment. The resulting assessment will become a pivotal component of the SCERS management strategy. Consequently, completing a risk assessment is the first phase of a multi-phase plan to achieve a broader and more comprehensive risk and audit compliance posture that will ultimately result in an enterprise risk management program. During this initial stage, staff will identify strategic and operational risks to be managed by the strategic management plan (SMP), as well as other strategic management plan developments. Later phases will introduce a compliance aspect to identify operational risks for planning future audits, and a strategic aspect to identify risks that need to be effectively managed when pursuing the overall mission and objectives of the organization. By systematically assessing our enterprise risks, staff will be able to 1). identify the key risks hindering the achievement of strategic objectives; 2). establish a process for communicating significant risks to Executives and the Board; and, 3). provide assurances that risks are managed at an acceptable level to the organization.

ATTACHMENTS

/S/

Margo Allen
Chief Operations Officer

/S/

Eric Stern
Chief Executive Officer



RISK ASSESSMENT

Sacramento County Employees' Retirement System

Larry Jensen, CIA, CRMA, CISA



- Pension Fund Experience
 - Audit Committee Consultant - LACERA
 - Chief Auditor - CalSTRS
 - Chief Compliance Officer - CalSTRS
 - Chief Auditor – CalPERS
 - Chief Risk Officer – CalPERS
 - AEO Administration – CalPERS
- Education / Professional Certifications / Associations
- Advising/ Reporting to Audit Committees
- Audit & Risk Management Services, LLC



SCERS 2024 Strategic Plan

Value Creation:

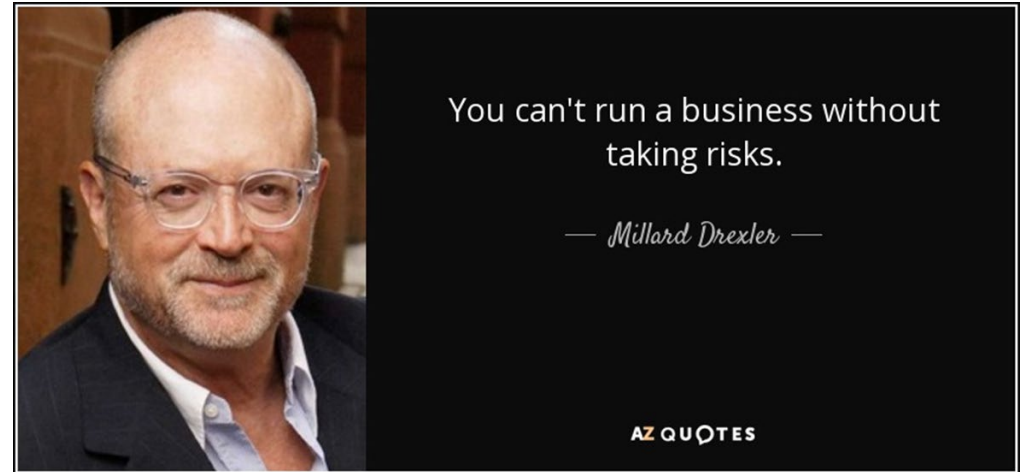
- Information Technology
 - Customer Service
 - Stakeholder Outreach
 - Investments
-

Risk:

- Information Security
- Internal Controls
- Compliance / Legal
- Reputation
- Financial

What is Risk ?

“Risk is the effect of uncertainty on objectives.”



SCERS Approach to Enterprise Risk Assessment Services

1

Planning & Kick-off

- Finalize Engagement Scope & Finalize Project Plan
- Obtain SCERS Information
- Confirm Risk Assessment Participants & schedule meetings
- Executive Level ERM Presentation

2

Risk Assessment

- Develop Risk Assessment Process and Tools
- Develop & Deploy Risk Assessment Survey
- Conduct Risk Assessment Interviews
- Develop Risk Universe
- Update Risk Register
- Develop Heat Map
- Develop Risk Report(s)

3

Risk Management

- Provide Advice and Models for a Risk Management Framework
- Provide Advice and Models for Risk Governance Framework
- Audit Committee – November meeting
- Deliver Risk Assessment Workbook

4

Internal Audits

- Develop Audit Universe
- Develop Two-year Risk-Based Audit Plan
- Develop Request for Proposal
- Assist SCERS obtain audit services

5

Sustainability

- Recommend Risk Management Maturity Model
- Provide Advice on Risk Culture & Awareness
- Provide Advice on Implementation of Enterprise Risk Management

Risk Assessment Services

Benefits of Risk Management?

- Improved organizational efficiency & delivery of services.
- Help bring clarity to managing uncertainty.
- Enhances decision making processes.
- Improves risk awareness and collaboration.
- It promotes a culture of better understanding, disclosure, and management of risks and opportunities.
- Be responsive to the evolving risk profile of SCERS.

What is Enterprise Risk Management?

ERM IS

Tied to Strategic goals and business objectives

Improved organizational efficiency and delivery of services

A continuous process led by senior leadership

Built into routine business processes

Applied across the organization

Designed to identify and manage current and emerging risks

ERM IS NOT

Means to prevent all risks

Program to eliminate or avoid all risks

Prescriptive method for managing risks

One-time process or passing fad

Tool, system or software

Not a "One Size Fit All" framework



Evolving Role of the Audit Committee

- Assist the Board fulfill fiduciary responsibilities by overseeing the audit function at SCERS.
- Oversight of financial reporting and related controls
- Oversight of the independent auditor
- Oversee audit and compliance plan
- Risk management oversight
- Approve compliance audit plan
- Review internal audit reports

THANK YOU



Larry Jensen CIA, CRMA, CISA

Audit & Risk Management Services, LLC

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Audit Committee Consultant