



**SERS Retirement Board Audit Committee Agenda
Regular Meeting
March 19, 2025
2:30 P.M.**

1. Roll call (R)
2. Approval of December 18, 2024 minutes (R)
3. External Auditor Update
4. Internal Audit Update: Chief Audit Officer's Report
 - o Q3 Update on the FY2025 Audit Plan
 - o Status of Outstanding Recommendations
 - o Revised Audit Standards
 - o Audit Committee & Internal Audit Charters
5. Amended Internal Audit Charter (R)
6. Amended Audit Committee Charter (R)
7. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment of a public employee (R)
8. Audit committee requests and follow-up items
9. Adjournment

SCHOOL EMPLOYEES RETIREMENT SYSTEM

AUDIT COMMITTEE

March 19, 2024

_____ P.M.

Roll Call:

Catherine Moss	_____
James Rossler	_____
Aimee Russell	_____

Guests in Attendance:

ITEM 2.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

**APPROVAL OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD
ON DECEMBER 18, 2024**

_____ moved and _____ seconded the motion to approve the minutes of the Audit Committee meeting held on December 18, 2024.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
James Rossler	_____	_____	_____

School Employees Retirement System		AUDIT COMMITTEE MINUTES	
Preparer	Megan Robertson	Meeting Date:	December 18, 2024
Committee Chair	James Rossler	Committee roll call was as follows: Catherine Moss, James Rossler, Aimee Russell. Also in Attendance: Lisa Reid, Representative of the Ohio Attorney General joined remotely via Zoom, along with members of the public. Plante Moran representatives, Kristin Hunt and Ashley Raden. SERS Staff Members: Jeff Davis, Joe Marotta, Marni Hall, Richard Stensrud, Karen Roggenkamp, Vatina Gray, Nicole Whitacre, and Megan Robertson.	
Agenda	<ol style="list-style-type: none"> 1. Roll call (R) 2. Approval of June 20, 2024, minutes (R) 3. Review external auditor's financial statement reports, significant results, and recommendations 4. Review management representation letter on internal controls and financial reporting 5. Internal Audit Update: Chief Audit Officer's Report <ul style="list-style-type: none"> o Q2 Update on the FY2025 Audit Plan o Status of Outstanding Recommendations o ORSC Annual Audit Committee Report o Recently Completed Audits, Other Activities 6. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment of a public employee (R) 7. Audit committee requests and follow-up items 8. Adjournment 		
Discussion	<p>The meeting began in open session at 2:29 p.m.</p> <p><u>Roll Call</u></p> <p>The SERS regular Audit committee began with a roll call. The committee roll call was as follows: Catherine Moss, James Rossler, Aimee Russell.</p> <p>Also in attendance were Lisa Reid, Representative of the Ohio Attorney General joined remotely via Zoom, along with members of the public. Plante Moran representatives, Kristin Hunt and Ashley Raden. SERS Staff Members: Jeff Davis, Joe Marotta, Marni Hall, Richard Stensrud, Karen Roggenkamp, Vatina Gray, Nicole Whitacre, and Megan Robertson.</p> <p><u>Approval of Minutes</u></p> <p>Aimee Russell moved, and James Rossler seconded the motion to approve the minutes of the Audit Committee meeting held on June 20, 2024. Upon roll call, the vote was as follows: Yea: Catherine Moss, Aimee Russell, James Rossler. The motion carried.</p> <p><u>External Audit Update</u></p> <p>Jeff Davis, Chief Audit Officer (CAO), introduced representatives from Plante Moran to provide their presentation on the completed FY24 external audit. Kristin Hunt, Partner, and Ashley Raden, Senior Manager, were present to discuss the completed audit. They</p>		

	<p>discussed the audit timeline and deliverables, audit areas of focus, results of the audit including the audit opinion letter and required communications.</p> <p>An update was provided on an audit finding presented last December 2023, specifically, a significant deficiency regarding monthly reconciliations. Plante Moran, Ms. Hall and the audit committee provided a detailed update on events that have taken place since the finding. Plante Moran commented they were happy to see the progress made in this year's audit.</p> <p><u>Chief Audit Officer's Report</u></p> <p>Mr. Davis provided a presentation on the status of his FY2025 Internal Audit Plan for the second quarter. Mr. Davis highlighted several completed and in progress audits. The IT Infrastructure will be an outsourced audit. The RFP process has started with the RFP to be issued in January 2025.</p> <p>Mr. Davis continued his presentation with a status of audit recommendations. Committee member, Aimee Russel inquired about future phases of the bank reconciliation audit recommendation and Chief Financial Officer (CFO), Marni Hall, joined the discussion to address those questions.</p> <p>The CAO next discussed the draft Audit Committee annual report for the Ohio Retirement Study Council (ORSC). The draft report is substantially complete and will be finalized by the end of December and provided to the executive director for his signature and submission to the ORSC.</p> <p>Recently completed audits and other activities were also discussed.</p> <p><u>Executive session pursuant to R.C. 121.22 (G) (1) to discuss the employment of a public employee (R)</u></p> <p>Catherine Moss moved, and Aimee Russell the motion that the Audit Committee convene into Executive Session pursuant to R.C. 121.22 (G) (1) to discuss the employment of a public employee. Upon roll call, the vote was as follows: Yea: James Rossler, Barbra Phillips. Absent: Catherine Moss. The motion carried.</p> <p>The committee convened in executive session at 3:01 p.m.</p> <p>The committee returned to open session at 3:13 p.m.</p> <p><u>Committee Requests and Follow Up Items</u></p> <p>There were no requests or follow-up items discussed.</p> <p>The meeting adjourned at 3:13 p.m.</p>		
	Action Items	Assigned Person	Due Date
Action Items	n/a		

Agenda for Next Meeting	
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James Rossler, Committee Chair

Richard Stensrud, Secretary

DRAFT

ITEM 3.

EXTERNAL AUDIT UPDATE

ITEM 4.

INTERNAL AUDIT UPDATE
(Chief Audit Officer's Report)



Internal Audit Update

March 2025

Jeff Davis, CAO – Internal Audit

Agenda



- Status of FY25 Internal Audit Plan
- Status of Audit Recommendations
- Revised Audit Standards
- Audit Committee & Internal Audit Charters



FY2025 Audit Plan Status



FY2025 Audit Plan Status



Engagement	Type	Status	Comments
Undue Influence (August 2024)	Audit	Completed	Annual Compliance Audit
Conflict of Interest (November 2024)	Audit	Completed	Annual Compliance Audit
Investment Incentive Compensation (October 2024)	Audit	Completed	Annual Compliance Audit
Retirement Benefits – Calculations & Estimates	Audit	In Progress	
IT Infrastructure	Audit	In Progress	Outsourced Audit
Purchasing/Contracts	Audit	Pending	
Board Governance – Audit Committee Annual Report	Consulting	Completed	Annual Activities for Ohio Retirement Study Council - Required by March 31 st

FY2025 Audit Plan Status Continued



Engagement	Type	Status	Comments
Health Care Audits	Consulting	In Progress	Biennial outsourced audits of member medical claims and pharmacy benefits
Other Consulting/Special Projects	Audit	In Progress	
IT Consulting	Consulting	Pending	
Continuous Auditing	Audit	In Progress	
FY26 Internal Audit Plan	Administrative	Pending	



Status of Audit Recommendations



Status of Audit Recommendations – External Audit



Rating	Risk	Recommendation Summary	Department	Responsible Executive/Director	Action Plan Due Date
Significant Deficiency	Bank Reconciliations Incomplete	Plante Moran recommended that SERS ensure month-end cash reconciliations are prepared and reviewed timely each month to ensure there is no misappropriation of assets.	Finance	Marni Hall, CFO	TBD

Status:

- Progress has been made on the accounts to be reconciled.
- The volume of data involved is significant.
- SMART GL Enhancement project phase 1 was completed in October 2024, which synced the GL transaction dates with the bank transaction dates.
- Phase 2 work is being designed with implementation expected 4th QTR FY2025.
- The timeline for full implementation will be monitored and re-evaluated as needed as the project progresses.

Status of Audit Recommendations – Building Services



Rating	Risk	Recommendation Summary	Department	Responsible Executive/ Director	Action Plan Due Date/Status
Moderate	Policy and Procedure	Management should develop policies and procedures to govern the processes involved in handling tenant revenues and other areas of OSERS operations. Documented procedures should include contract management, invoicing/billing, monitoring, and reporting processes.	Building Services – Tenant and Parking Revenue	Mike McManaway	4th QTR FY25 Progress has been made. Draft policies prepared.

Status of Audit Recommendations – Identity and Access Management



- An outsourced audit of Identity and Access Management was performed in FY24.
- The details of the audit were discussed in executive session at the June 2024 Audit Committee meeting.
- There were six moderate risk recommendations.
- Progress in implementing corrective action is underway.
- 3 recommendations have been corrected.
- 3 recommendations have an implementation date 4th QTR FY25.



Revised Internal Audit Standards

Revised Internal Audit Standards



- Standards are established by the Institute of Internal Auditors (IIA) – the standard setting body for the profession.
- The IIA issued revised standards that became effective January 2025.
- The standards are a set of principles-based requirements that guide internal auditing.
- Serve as a framework for performing and promoting internal audit activities.

Revised Internal Audit Standards



2017



International Professional Practices Framework



2024



Source: IIA Website

Revised Internal Audit Standards



The revised 2024 standards include:

- Global Internal Audit Standards (mandatory)
 - 5 Domains and 15 principals
- Topical Requirements (mandatory)
- Global guidance (recommended)

Revised Internal Audit Standards



The five domains include the following:

Domain I – Purpose of Internal Auditing

1. Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight and foresight.
2. Internal auditing enhances the organization's:
 - Successful achievement of its objectives
 - Governance, risk management, and control processes
 - Decision making and oversight
 - Reputation and credibility with stakeholders
 - Ability to serve the public interest

Revised Internal Audit Standards



Domain I – Purpose of Internal Auditing (continued)

3. Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Revised Internal Audit Standards



Domain II – Ethics and Professionalism

1. Demonstrate Integrity
2. Maintain Objectivity
3. Demonstrate Competency
4. Exercise Due Professional Care
5. Maintain Confidentiality

Domain III – Governing the Internal Audit Function

1. Authorized by the Board
2. Positioned Independently
3. Overseen by the Board

Revised Internal Audit Standards



Domain IV – Managing the Internal Audit Function

1. Plan Strategically
2. Manage Resources
3. Communicate Effectively
4. Enhance Quality

Domain V – Performing Internal Audit Services

1. Plan Engagements Effectively
2. Conduct Engagement Work
3. Communicate Engagement Results and Monitor Action Plans

Revised Internal Audit Standards



Areas for Improvement:

- Update Audit Committee and Internal Audit Charters.
- Update the Internal Audit Operations Manual.
- Potential updates to audit planning document and work papers.
- Update audit report to state audit work is performed in accordance with Global Internal Audit Standards.

Revised Internal Audit Standards



Quality Assurance Review (QAR):

- A QAR is required at a minimum, every 5 years.
- SERS last QAR was completed in September 2022.
- Internal Audit received a rating of “generally conforms” which is the highest rating available. Three minor recommendations were included in the final report.
- The next QAR will be due by September 2027.



Audit Committee & Internal Audit Charters



Charters



Internal Audit Charter:

- The Internal Audit Charter documents the expectations for the CAO and provides guidance on managing the internal audit activity.
- The IA Charter requires significant revision based on guidance from the IIA.

Audit Committee Charter:

- The Audit Committee Charter includes guidance on the structure of the committee and expectations for oversight.
- The Audit Committee Charter requires minimal revision.

Charters



- The proposed revisions for the charters are included as attachments A, B, C & D. (marked-up and clean version)
- Resolutions for approval are included in the committee documents.
- The Audit Committee Charter must be approved by the full board.
- The Internal Audit Charter can be approved by the committee.



Q & A



ITEM 5 and 6.

RESOLUTIONS FOR AUDIT COMMITTEE & INTERNAL AUDIT CHARTERS



BD5-013

SERS Internal Audit Charter

Effective Date:	01/20/2011	Revision Date:	03/19/2025	Audience:	Everyone
Owner:	Board	Certifier:	Richard Stensrud	Co-Owner (s):	Executive
Document Links:	Purpose , Policy , Procedure , Definitions , Related Documents , Policy History				

Policy

INTRODUCTION

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of SERS. It assists SERS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, control, and governance processes.

The vision of SERS’ Internal Audit is to be a highly regarded internal audit organization that adds value and mitigates risk by working collaboratively with SERS’ leadership to provide objective insights and innovative recommendations to improve operations.

PURPOSE

The purpose of the internal audit function is to strengthen SERS’ ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The internal audit function enhances SERS’:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

SERS' internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

PROFESSIONAL STANDARDS

The SERS internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Officer (CAO) will report annually to the Audit Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

AUTHORITY

SERS internal audit function mandate is found in ORC 3309.044, which states "The school employees retirement board shall appoint a committee to oversee the selection of an internal auditor. The committee shall select one or more persons for employment as an internal auditor. The board shall employ the person or persons elected by the committee." The internal audit function's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Audit Committee

The Audit Committee authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the objectives.
- Obtain assistance from the necessary personnel of SERS and other specialized services from within or outside SERS to complete internal audit services.

The CAO is hired, retained, and terminated by the SERS Board, upon recommendation from the Audit Committee. The CAO is evaluated annually by the Audit Committee. The Audit Committee seeks input from the Executive Director in the hiring of the CAO.

ORGANIZATIONAL POSITION, AND-REPORTING RELATIONSHIPS

The CAO will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The CAO will report functionally to the Audit Committee and administratively to the Executive Director. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The CAO will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the CAO will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAO will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the organization, including all of SERS' activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for SERS.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of SERS' strategic objectives are appropriately identified and managed.
- The actions of SERS' officers, directors, management, employees, and contractors or other relevant parties comply with SERS' policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.

- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact SERS.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

REPORTING AND MONITORING

Opportunities for improving member service, management of risks, internal control, governance, and SERS' effectiveness and image may be identified during audits. This information will be communicated to the Audit Committee, Executive Director, and to appropriate levels of management.

A written report will be prepared and issued by the CAO following the conclusion of each internal audit engagement and reports and significant comments will be distributed and discussed with the Audit Committee. The internal audit report will include management's response and corrective action to be taken in regard to the specific recommendations. Management's response to the recommendations should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. If the CAO concludes that management has accepted a level of risk that may be unacceptable to SERS, the CAO must discuss the matter with senior management and, if it is not resolved, communicate the matter to the Audit Committee.

The internal audit activity will be responsible for evaluating management's responses and implementation timelines for reasonableness, as well as appropriate follow-up on audit recommendations. All moderate and high-risk comments will be tracked until cleared. The CAO shall consider residual risk, as well as the cost-benefit of implementing controls to address audit recommendations.

The CAO will assist in developing the Audit's Committee's annual report required by the Ohio Retirement Study Council.

RISK MANAGEMENT, CONTROLS & FRAUD RISK

Management is responsible for implementing the system of risk management and internal control. The CAO will aid management by evaluating risk management and internal controls during each audit and through consulting activities.

The CAO strives to participate in the initial stages of major projects so risks can be appropriately managed and internal controls instituted in the design phase in order to prevent problems and minimize costs. The CAO recognizes it is more expensive to detect and correct problems than it is to prevent them in the initial stages of a project.

Prevention and detection of fraud and irregularities is a responsibility shared by all members of management. The CAO alone cannot be relied upon by management or by the Audit Committee to detect or prevent errors and irregularities that may occur within SERS.

The CAO's responsibilities for detecting fraud are to have sufficient knowledge of fraud to be able to identify indicators that fraud may have been committed and be alert for opportunities, such as internal control weaknesses, that could allow fraud to occur. The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

CAO ROLES AND RESPONSIBILITIES

Ethics and Professionalism

The CAO will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAO will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAO determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for SERS or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any SERS employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the CAO, Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The CAO has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
 - Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
 - Review and adjust the internal audit plan, as necessary, in response to changes in SERS' business, risks, operations, programs, systems, and controls.
 - Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
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- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
 - Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management quarterly and for each engagement as appropriate.
 - Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
 - Identify and consider trends and emerging issues that could impact SERS and communicate to the Audit Committee and senior management as appropriate.
 - Consider emerging trends and successful practices in internal auditing.
 - Establish and ensure adherence to methodologies designed to guide the internal audit function.
 - Ensure adherence to SERS' relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
 - Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAO cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.
 - Establish policies and an internal audit operations manual for conducting its activities and directing its technical and administrative functions according to SERS' policies and direction provided by the Audit Committee and professional standards.
 - As necessary, assist in the investigation of significant suspected misconduct or fraudulent activities within SERS and notify the Audit Committee, the Executive Director and management, as detailed in SERS' Reporting of Suspected Misconduct Policy, of the results.
 - Participate in professional audit organizations by attending meetings, joining governing boards, presenting speeches/papers and networking with other
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professionals. Network with internal audit staff of other public pension systems to learn and exchange leading practices.

- Participate, in an advisory capacity, in the planning, design, development, implementation, and modification phases of major systems or key processes.

Communication with the Audit Committee and Senior Management

The CAO will report periodically to the Audit Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of SERS' strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond SERS' risk appetite.

Quality Assurance and Improvement Program

The CAO will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies

and opportunities for improvement. Annually, the CAO will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside SERS; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Changes to Mandate and Charter

Circumstances may justify a follow-up discussion between the CAO, Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the CAO, Audit Committee, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

This charter shall be approved by the Audit Committee and reviewed at least annually. Any changes shall be approved by the committee.

EFFECTIVE DATE

This Internal Audit Charter was adopted by the SERS Audit Committee on January 20, 2011, and amended on March 21, 2013, July 15, 2015, June 16, 2016, June 14, 2017, June 17, 2020, and March 19, 2025.

Procedures None

Definitions

None

Related Documents and Information

Statutes: N/A

Rules: N/A

Document Links: [Purpose](#), [Policy](#), [Procedure](#), [Definitions](#), [Related Documents](#), [Policy History](#)

Forms: ---

Policy History

Version 1 – January 20, 2011 – Created – Approved by Audit Committee

Version 2 – March 21, 2013 – Edited – Approved by Audit Committee

Version 3 – July 15, 2015 – Edited – Approved by Audit Committee

Version 4 – June 16, 2016 – Edited – Approved by Audit Committee

Version 5 – June 14, 2017 – Edited – Approved by Audit Committee

Version 6 – June 17, 2020 – Edited – Approved by Audit Committee

ITEM 5.

SERS INTERNAL AUDIT CHARTER

It was moved by _____ and seconded by _____ to adopt amendments to the SERS Internal Audit Charter effective March 19, 2025.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
James Rossler	_____	_____	_____



BD5-015

SERS Audit Committee Charter

Effective Date:	03/21/2013	Revision Date:	03/20/2025	Audience:	Everyone
Owner:	Board	Certifier:	Richard Stensrud	Co-Owner (s):	Executive
Document Links:	Purpose , Policy , Procedure , Definitions , Related Documents , Policy History				

Purpose

The purpose of this Audit Committee Charter is to assist the SERS Board in fulfilling its oversight responsibilities for:

- Financial and non-financial reporting processes;
- The system of internal control and risk management;
- Internal and external audit processes of SERS; and
- Compliance with laws and regulations and SERS’ policies governing ethical conduct.

Policy

Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Oversee the operations of the internal audit activity.
- Oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee’s requests – or external parties.
- Meet with SERS’ management, internal auditors, external auditors, or outside counsel, as necessary.

Composition

The Audit Committee consists of three members of the SERS Board. The Board Chair will appoint the Committee Chair on a biennial basis. Following the appointment of the

Committee Chair, the Board Chair will ask for other Board members to fill the remaining spots on the Committee, with such commitments being for a two-year term.

Each committee member will be both independent and familiar with the finances of SERS. One committee member will be a retirant member and one committee member will be an employee member. One member shall be an “investment expert” or an “investment designee” as defined in Ohio Revised Code Section 3309.05.

Meetings and Communications

The Committee will hold regular meetings each quarter. Notice for all meetings shall be given in accordance with Rule 3309-1-25. The Committee may also convene additional meetings as circumstances require.

All committee members are expected to attend each meeting. The Committee will invite members of management, internal and external auditors, or others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved by the Committee at the subsequent meeting. Meetings will be arranged and conducted in accordance with Ohio’s open meeting laws. Subject to open meeting laws, the Committee may hold executive sessions.

Responsibilities

Certain committee responsibilities will be carried out by the SERS Board at regular Board meetings (external audit results, enterprise risk management, management operational reporting, etc.). The Committee will ensure the following responsibilities are performed:

1. Financial Statements

- 1.1** Obtain information and training to enhance the Audit Committee members' expertise in financial reporting standards and processes to reasonably oversee financial reporting.
- 1.2** Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 1.3** Review with the external auditors the results of the audit, including any difficulties or disagreements encountered.
- 1.4** Review the Annual Comprehensive Financial Report and related regulatory filings before release and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- 1.5** Review with the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- 1.6** Review all significant adjustments proposed by the external auditor.

- 1.7 Review all significant external auditor recommendations and management responses.
- 1.8 Review with General Counsel the status of legal matters that may have an effect on the financial statements.
- 1.9 Review the statement of management's responsibility for internal controls.

2. Internal Control

- 2.1 Review and discuss the organization's risk management and internal control system, including information technology security and control.
- 2.2 Obtain information and training to enhance the Audit Committee members' awareness of the organization's internal controls to limit material weaknesses and fraud.
- 2.3 Understand the scope of Internal Audit's review of risk management and internal control and obtain reports on significant findings and recommendations, together with management's responses.
- 2.4 Understand the scope of the external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- 2.5 Discuss with the external auditors their review of the organization's internal control over financial reporting.

3. Internal Auditing

- 3.1 Review and approve the Internal Audit Charter, plans, activities, staffing, and organizational structure of the internal audit activity, including succession planning.
- 3.2 As needed, ensure there are no unjustified scope restrictions or resource limitations placed on the internal audit activity.
- 3.3 Annually approve the goals and objectives of the Chief Audit Officer (CAO).
- 3.4 At least quarterly, review the goals of the CAO.
- 3.5 Annually evaluate the performance of the CAO and deliver an annual written evaluation report to the Board.
- 3.6 Recommend to the Board salary and benefit changes for the CAO.
- 3.7 As needed, recommend to the Board the CAO's appointment and/or discharge.
- 3.8 Ensure the CAO has unrestricted access to and communicates and interacts directly with the committee. As needed, meet separately with the CAO to discuss any matters that the Committee or CAO believe should be discussed in executive session.
- 3.9 Receive and review internal audit reports and management responses as appropriate.
- 3.10 Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported recommendations.

Review periodic updates of advisory and consulting activities by the internal audit activity.

- 3.11 Participate in discussions with the CAO and senior management about the “essential conditions”, described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- 3.12 Discuss with the CAO and senior management other topics that should be included in the internal audit charter.
- 3.13 Discuss with the CAO and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.

4. External Auditing

- 4.1 Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal auditing.
- 4.2 Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the organization, including non-audit services and compensation practices, and discussing the relationships with the auditors.
- 4.3 As needed, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed in executive session.

5. Compliance

- 5.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- 5.2 Review the findings of any examinations by regulatory agencies, and any auditor observations.
- 5.3 Review the process for communicating applicable policies governing ethical conduct to SERS personnel, and for monitoring compliance therewith.
- 5.4 Obtain regular updates from management and legal counsel regarding compliance matters.

6. Reporting Responsibilities

- 6.1 Regularly report to the SERS Board about committee activities, issues, and related recommendations.
- 6.2 Provide an open avenue of communication between internal auditors, external auditors, management, and the SERS Board.
- 6.3 As needed, review any other reports the organization issues that relate to committee responsibilities.
- 6.4 In accordance with Ohio Revised Code Section 3309.044, the Committee shall annually prepare and submit to the Ohio Retirement Study Council a report of its actions during the preceding year.

7. Other Responsibilities

- 7.1 Perform other activities related to this Charter as requested by the SERS Board.
- 7.2 Institute and oversee special investigations as needed.
- 7.3 Review and assess the adequacy of the Committee Charter annually, requesting SERS Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- 7.4 Review annually that all responsibilities outlined in this Charter have been carried out.
- 7.5 Evaluate the Committee's and individual members' performance on a regular basis.
- 7.6 In accordance with the SERS Reporting of Suspected Misconduct Policy, review results of any suspected misconduct reported to or discovered by the internal audit activity.

Effective Date

This Audit Committee Charter was adopted by the SERS Board on March 21, 2013, and amended by the Board on February 14, 2014, June 19, 2014, September 17, 2015, June 16, 2016, June 15, 2017, June 21, 2018, June 18, 2020, September 21, 2023, and March 20, 2025.

Procedures None

Definitions

None

Related Documents and Information

Statutes: 3309.044

Rules: N/A

Document Links: [Purpose](#), [Policy](#), [Procedure](#), [Definitions](#), [Related Documents](#), [Policy History](#)

Forms: ---

Policy History

Version 1 – March 21, 2013– Created – Approved by Board

Version 2 – February 14, 2014 – Edited – Approved by Board

Version 3 – June 19, 2014 – Edited – Approved by Board

Version 4 – September 17, 2015 – Edited – Approved by Board

Version 5 – June 16, 2016 – Edited – Approved by Board

Version 6 – June 15, 2017 – Edited – Approved by Board

Version 7 – June 21, 2018 – Edited – Approved by Board

Version 8 – June 18, 2020 – Edited – Approved by Board

Version 9 – September 21, 2023 – Edited – Approved by Board

ITEM 6.

RECOMMEND AUDIT COMMITTEE CHARTER AMENDMENTS TO BOARD

It was moved by _____ and seconded by _____ to recommend to the SERS Board that it amend the SERS Audit Committee Charter, as presented to the Committee on March 19, 2025, with the amended Charter effective March 20, 2025.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
James Rossler	_____	_____	_____

ITEM 7.

RESOLUTION FOR EXECUTIVE SESSION

(Personnel Matter)

ITEM 7.

EXECUTIVE SESSION

_____ moved and _____ seconded the motion that the Audit Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to consider the employment of a public employee.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
James Rossler	_____	_____	_____

IN EXECUTIVE SESSION AT _____ A.M./P.M.

RETURN TO OPEN SESSION _____ A.M. / P.M.

ADJOURNMENT

_____ moved that the Audit Committee adjourn to meet at its next regularly scheduled audit committee meeting.

The meeting adjourned at _____ p.m.

James Rossler, Audit Committee Chair



SERS Internal Audit Charter

BD5-013

Effective Date:	01/20/2011	Revision Date:	03/19/2025 06/17/2020	Audience:	Everyone
Owner:	Board	Certifier:	Richard Stensrud	Co-Owner (s):	Executive
Document Links:	Purpose , Policy , Procedure , Definitions , Related Documents , Policy History				

Policy

INTRODUCTION

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of SERS. It assists SERS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

The vision of SERS' Internal Audit is to be a highly regarded internal audit organization that adds value and mitigates risk by working collaboratively with SERS' leadership to provide objective insights and innovative recommendations to improve operations.

PURPOSE

~~The purpose of this charter is to assist the SERS' Chief Audit Officer (CAO) in fulfilling the mission and fiduciary responsibilities under the oversight of the Audit Committee.~~
The purpose of the internal audit function is to strengthen SERS's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
 The internal audit function enhances SERS's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

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SERS's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

~~This charter shall be reviewed at least annually and any changes shall be approved by the Audit Committee.~~

PROFESSIONALISM STANDARDS

~~The internal audit activity governs itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The Chief Audit Officer will report periodically to senior management and the Audit Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards.~~

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The SERS internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Officer (CAO) will report annually to the Audit Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

AUTHORITY

SERS internal audit function mandate is found in ORC 3309.044, which states "The school employees retirement board shall appoint a committee to oversee the selection of an internal auditor. The committee shall select one or more persons for employment as an internal auditor. The board shall employ the person or persons elected by the committee." The internal audit function's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Audit Committee

~~The Chief Audit Officer reports functionally to the Audit Committee and reports administratively to the Executive Director. The CAO is hired, retained, and terminated by the SERS Board, upon recommendation from the Audit Committee. The CAO is evaluated annually by the Audit Committee. The Audit Committee seeks input from the Executive Director in the hiring of the CAO.~~

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The Audit Committee authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the objectives.
- Obtain assistance from the necessary personnel of SERS and other specialized services from within or outside SERS to complete internal audit services.

The CAO is hired, retained, and terminated by the SERS Board, upon recommendation from the Audit Committee. The CAO is evaluated annually by the Audit Committee. The Audit Committee seeks input from the Executive Director in the hiring of the CAO.

~~The CAO is delegated the authority to operate internal audit activities. The Audit Committee retains the right to approve the annual audit plan presented by the CAO. The CAO shall periodically inform the Audit Committee of the status of the audit plan and any changes needed. The CAO is authorized to allocate resources, set project frequencies, select audit engagements, determine scopes of work, and apply techniques necessary to accomplish the audit objectives. If the appropriate need arises, the CAO is authorized to hire, retain, train, develop internal audit staff to achieve the objectives and is authorized to terminate internal audit staff when necessary (subject to applicable laws). The CAO must also communicate the impact of resource limitations.~~

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~~The CAO is not authorized to perform operational duties for SERS and/or its contractors. The CAO is not authorized to initiate or approve accounting transactions external to the Internal Audit Department. The CAO is not authorized to direct the activities of any SERS employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist internal audit staff.~~

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~~The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of SERS' records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.~~

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INDEPENDENCE AND OBJECTIVITY, ORGANIZATIONAL POSITION, AND REPORTING RELATIONSHIPS

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The CAO will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The CAO will report functionally to the Audit Committee and administratively to the eExecutive dDirector. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The CAO will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the CAO will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAO will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

~~The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.~~

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~~Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.~~

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the organization, including all of SERS's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for SERS.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

[
Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of SERS's strategic objectives are appropriately identified and managed.
- The actions of SERS's officers, directors, management, employees, and contractors or other relevant parties comply with SERS's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact [name of organization].
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Commented [JM1]: Need to fill in name of organization

~~Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. The standards of independence and objectivity will be evaluated against the Institute of Internal Auditors' Standards, Ohio Ethics Law, and SERS' policies governing ethical conduct.~~

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~~The CAO should discuss any potential issues regarding impairment of independence, objectivity, and/or conflicts of interest and their mitigation with the Audit Committee as necessary. The CAO will confirm annually the organizational independence and independence process in place.~~

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RESPONSIBILITY

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~~The scope of internal auditing encompasses the objective examination and evaluation of the effectiveness of the organization's governance, risk management, and internal control processes, as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:~~

- ~~Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.~~

- Evaluating the systems established to ensure compliance with those policies, plans, procedures, contracts, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating whether internal and external assurance providers engaged by SERS are coordinated with internal audit activity to provide continuity of audit efforts and to avoid duplication of efforts.
- Performing consulting and advisory services as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Committee or Board.
- Evaluating specific operations at the request of the Committee, Board or management.
- Supporting SERS in achieving its objectives through independent auditing and consulting services.
- Maintaining a dynamic environment which encourages personal and professional growth.

ACCOUNTABILITY

The CAO is accountable for the following in order to meet the mission, objectives and scope of this Internal Audit Charter and the Internal Audit Department:

- ~~Establish policies and an internal audit operations manual for conducting its activities and directing its technical and administrative functions according to SERS' policies and direction provided by the Audit Committee and professional standards.~~
- ~~Assess periodically whether the purpose, authority and responsibility, as defined in this Internal Audit Charter, continue to be adequate to enable the Internal Audit Department to accomplish its mission, objectives and scope. The result of this periodic assessment should be communicated to the Audit Committee and the Executive Director.~~
- ~~Establish and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. Results of external and periodic internal assessments, as well as the results of ongoing monitoring, will be communicated at least annually.~~
- ~~Attend Audit Committee and Board meetings.~~

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- ~~• Obtain an external quality assessment review no less frequently than every five years.~~
- ~~• Inform the Audit Committee of emerging trends and successful practices in internal auditing.~~
- ~~• As necessary, assist in the investigation of significant suspected misconduct or fraudulent activities within SERS and notify the Audit Committee, the Executive Director and management, as detailed in SERS' Reporting of Suspected Misconduct Policy, of the results.~~
- ~~• Participate in professional audit organizations by attending meetings, joining governing boards, presenting speeches/papers and networking with other professionals. Network with internal audit staff of other public pension systems to learn and exchange leading practices.~~
- ~~• Participate, in an advisory capacity, in the planning, design, development, implementation and modification phases of major systems or key processes.~~

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INTERNAL AUDIT PLAN

~~The CAO will conduct an annual risk assessment and produce a flexible risk-based audit plan that will accomplish the mission, objectives and scope of this charter. This plan shall in part be based upon risks and control concerns identified by the CAO, SERS Board/Audit Committee members, SERS leadership, external auditors, third party assurance providers, financial statements, strategic plan, budget initiatives, fraud risks, and industry risks/trends, and will periodically be updated. SERS' enterprise risk management program will be used as a source of potential audit areas in the development of Internal Audit's risk-based assessments. The plan will also consider significant and new or changing services, processes, operations and control processes.~~

~~The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. This plan will include some unassigned hours in order to provide flexibility for changing conditions. The CAO will communicate the impact of resource limitations and significant interim changes to senior management and the Board. The scope of work of any other internal or external assurance providers will be considered for the purpose of providing optimal audit coverage to SERS at a reasonable cost. The CAO will enact performance measures that reflect the goals and implementation of the audit plan approved by the Audit Committee.~~

~~The CAO will implement the approved audit plan and any plan amendments, special tasks, or projects requested by management or the Audit Committee and agreed to by the CAO. Any significant deviation from the approved internal audit plan will be communicated to the Audit Committee, Board, and senior management through periodic activity reports.~~

~~The CAO may occasionally need to obtain expertise outside of the Internal Audit Department. This expertise may be obtained within the organization through appropriate arrangements with management. When obtaining this expertise, care must be taken to avoid conflicts of interest within SERS that could damage the quality of audit work~~

~~performed and/or conclusions obtained; the CAO must also evaluate the competence, independence, and objectivity of such individuals. Expertise may also be obtained from outside SERS through contracts. In such cases, the contract should contain appropriate provisions regarding the nature of the services provided and professional standards to be applied. The Audit Committee should be informed about the use of all external consultants obtained.~~

REPORTING AND MONITORING

Opportunities for improving member service, management of risks, internal control, governance, and SERS' effectiveness and image may be identified during audits. This information will be communicated to the Audit Committee, Executive Director, and to appropriate levels of management.

A written report will be prepared and issued by the CAO following the conclusion of each internal audit engagement and reports and significant comments will be distributed and discussed with the Audit Committee. The internal audit report will include management's response and corrective action to be taken in regard to the specific recommendations. Management's response to the recommendations should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. If the CAO concludes that management has accepted a level of risk that may be unacceptable to SERS, the CAO must discuss the matter with senior management and, if it is not resolved, communicate the matter to the Audit Committee.

The internal audit activity will be responsible for evaluating management's responses and implementation timelines for reasonableness, as well as appropriate follow-up on audit recommendations. All moderate and high risk comments will be tracked until cleared. The CAO shall consider residual risk, as well as the cost-benefit of implementing controls to address audit recommendations.

~~The CAO will periodically summarize results of audit activities and the status of follow-up activities. Also, the CAO will assist in developing the Audit's Committee's annual report required by the Ohio Retirement Study Council.~~

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RISK MANAGEMENT, CONTROLS & FRAUD RISK

Management is responsible for implementing the system of risk management and internal control. The CAO will aid management by evaluating risk management and internal controls during each audit and through consulting activities.

The CAO strives to participate in the initial stages of major projects so risks can be appropriately managed and internal controls instituted in the design phase in order to prevent problems and minimize costs. The CAO recognizes it is more expensive to detect and correct problems than it is to prevent them in the initial stages of a project.

Prevention and detection of fraud and irregularities is a responsibility shared by all members of management. The CAO alone cannot be relied upon by management or by the Audit Committee to detect or prevent errors and irregularities that may occur within SERS.

The CAO's responsibilities for detecting fraud are to have sufficient knowledge of fraud to be able to identify indicators that fraud may have been committed and be alert for opportunities, such as internal control weaknesses, that could allow fraud to occur. The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

CAO ROLES AND RESPONSIBILITIES

Ethics and Professionalism

The CAO will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAO will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAO determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for SERS or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any SERS employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, [governing body], management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The CAO has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in SERS's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.

- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management quarterly and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact SERS and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to [name of organization]'s relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the [governing body] and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.
- Establish policies and an internal audit operations manual for conducting its activities and directing its technical and administrative functions according to SERS' policies and direction provided by the Audit Committee and professional standards.
- As necessary, assist in the investigation of significant suspected misconduct or fraudulent activities within SERS and notify the Audit Committee, the Executive Director and management, as detailed in SERS' Reporting of Suspected Misconduct Policy, of the results.
- Participate in professional audit organizations by attending meetings, joining governing boards, presenting speeches/papers and networking with other professionals. Network with internal audit staff of other public pension systems to learn and exchange leading practices.

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- Participate, in an advisory capacity, in the planning, design, development, implementation, and modification phases of major systems or key processes.

Communication with the Audit Committee and Senior Management

The CAO will report periodically to the Audit Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the [governing body] that could interfere with the achievement of [name of organization]'s strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond [name of organization]'s risk appetite.

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Quality Assurance and Improvement Program

The CAO will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement. Annually, the CAO will communicate with the Audit Committee and senior management about the internal audit function's quality assurance

and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside SERS; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Changes to Mandate and Charter

Circumstances may justify a follow-up discussion between the CAO, Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the CAO, Audit Committee, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

This charter shall be approved by the Audit Committee and reviewed at least annually. Any changes shall be approved by the committee.

EFFECTIVE DATE

This Internal Audit Charter was adopted by the SERS Audit Committee on January 20, 2011, and amended on March 21, 2013, July 15, 2015, June 16, 2016, June 14, 2017, ~~and June 17, 2020,~~ and ~~June~~ March 19, 2025.

Procedures None

Definitions

None

Related Documents and Information

Statutes: N/A

Rules: N/A

Document Links: [Purpose](#), [Policy](#), [Procedure](#), [Definitions](#), [Related Documents](#), [Policy History](#)

Forms: ---

Policy History

- Version 1 – January 20, 2011 – Created – Approved by Audit Committee**
- Version 2 – March 21, 2013 – Edited – Approved by Audit Committee**
- Version 3 – July 15, 2015 – Edited – Approved by Audit Committee**
- Version 4 – June 16, 2016 – Edited – Approved by Audit Committee**
- Version 5 – June 14, 2017 – Edited – Approved by Audit Committee**
- Version 6 – June 17, 2020 – Edited – Approved by Audit Committee**

collaboration



SERS Audit Committee Charter

BD5-015

Effective Date:	03/21/2013	Revision Date:	03/20/202509/2 4/2023	Audience:	Everyone
Owner:	Board	Certifier:	Richard Stensrud	Co-Owner (s):	Executive
Document Links:	Purpose , Policy , Procedure , Definitions , Related Documents , Policy History				

Purpose

The purpose of this Audit Committee Charter is to assist the SERS Board in fulfilling its oversight responsibilities for:

- Financial and non-financial reporting processes;
- The system of internal control and risk management;
- Internal and external audit processes of SERS; and
- Compliance with laws and regulations and SERS' policies governing ethical conduct.

Policy

Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Oversee the operations of the internal audit activity.
- Oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties.
- Meet with SERS' management, internal auditors, external auditors, or outside counsel, as necessary.

Composition

The Audit Committee consists of three members of the SERS Board. The Board Chair will appoint the Committee Chair on a biennial basis. Following the appointment of the

Committee Chair, the Board Chair will ask for other Board members to fill the remaining spots on the Committee, with such commitments being for a two-year term.

Each committee member will be both independent and familiar with the finances of SERS. One committee member will be a retirant member and one committee member will be an employee member. One member shall be an "investment expert" or an "investment designee" as defined in Ohio Revised Code Section 3309.05.

Meetings and Communications

The Committee will hold regular meetings each quarter. Notice for all meetings shall be given in accordance with Rule 3309-1-25. The Committee may also convene additional meetings as circumstances require.

All committee members are expected to attend each meeting. The Committee will invite members of management, internal and external auditors, or others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved by the Committee at the subsequent meeting. Meetings will be arranged and conducted in accordance with Ohio's open meeting laws. Subject to open meeting laws, the Committee may hold executive sessions.

Responsibilities

Certain committee responsibilities will be carried out by the SERS Board at regular Board meetings (external audit results, enterprise risk management, management operational reporting, etc.). The Committee will ensure the following responsibilities are performed:

1. Financial Statements

- 1.1 Obtain information and training to enhance the Audit Committee members' expertise in financial reporting standards and processes to reasonably oversee financial reporting.
- 1.2 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 1.3 Review with the external auditors the results of the audit, including any difficulties or disagreements encountered.
- 1.4 Review the Annual Comprehensive Financial Report and related regulatory filings before release and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- 1.5 Review with the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- 1.6 Review all significant adjustments proposed by the external auditor.

- 1.7 Review all significant external auditor recommendations and management responses.
- 1.8 Review with General Counsel the status of legal matters that may have an effect on the financial statements.
- 1.9 Review the statement of management's responsibility for internal controls.

2. Internal Control

- 2.1 Review and discuss the organization's risk management and internal control system, including information technology security and control.
- 2.2 Obtain information and training to enhance the Audit Committee members' awareness of the organization's internal controls to limit material weaknesses and fraud.
- 2.3 Understand the scope of Internal Audit's review of risk management and internal control and obtain reports on significant findings and recommendations, together with management's responses.
- 2.4 Understand the scope of the external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- 2.5 Discuss with the external auditors their review of the organization's internal control over financial reporting.

3. Internal Auditing

- 3.1 Review and approve the Internal Audit Charter, plans, activities, staffing, and organizational structure of the internal audit activity, including succession planning.
- 3.2 As needed, ensure there are no unjustified scope restrictions or resource limitations placed on the internal audit activity.
- 3.3 Annually approve the goals and objectives of the Chief Audit Officer (CAO).
- 3.4 At least quarterly, review the goals of the CAO.
- 3.5 Annually evaluate the performance of the CAO and deliver an annual written evaluation report to the Board.
- 3.6 Recommend to the Board salary and benefit changes for the CAO.
- 3.7 As needed, recommend to the Board the CAO's appointment and/or discharge.
- 3.8 [Ensure the CAO has unrestricted access to and communicates and interacts directly with the committee.](#) As needed, meet separately with the CAO to discuss any matters that the Committee or CAO ~~believes~~[believe](#) should be discussed in executive session.
- 3.9 Receive and review internal audit reports and management responses as appropriate.
- 3.10 Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported recommendations.

Review periodic updates of advisory and consulting activities by the internal audit activity.

~~3.11 Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. Participate in discussions with the CAO and senior management about the "essential conditions", described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.~~

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3.12 Discuss with the CAO and senior management other topics that should be included in the internal audit charter.

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3.13 Discuss with the CAO and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.

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4. External Auditing

- 4.1 Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal auditing.
- 4.2 Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the organization, including non-audit services and compensation practices, and discussing the relationships with the auditors.
- 4.3 As needed, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed in executive session.

5. Compliance

- 5.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- 5.2 Review the findings of any examinations by regulatory agencies, and any auditor observations.
- 5.3 Review the process for communicating applicable policies governing ethical conduct to SERS personnel, and for monitoring compliance therewith.
- 5.4 Obtain regular updates from management and legal counsel regarding compliance matters.

6. Reporting Responsibilities

- 6.1 Regularly report to the SERS Board about committee activities, issues, and related recommendations.
- 6.2 Provide an open avenue of communication between internal auditors, external auditors, management, and the SERS Board.
- 6.3 As needed, review any other reports the organization issues that relate to committee responsibilities.

- 6.4 In accordance with Ohio Revised Code Section 3309.044, the Committee shall annually prepare and submit to the Ohio Retirement Study Council a report of its actions during the preceding year.

7. Other Responsibilities

- 7.1 Perform other activities related to this Charter as requested by the SERS Board.
- 7.2 Institute and oversee special investigations as needed.
- 7.3 Review and assess the adequacy of the Committee Charter annually, requesting SERS Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- 7.4 Review annually that all responsibilities outlined in this Charter have been carried out.
- 7.5 Evaluate the Committee's and individual members' performance on a regular basis.
- 7.6 In accordance with the SERS Reporting of Suspected Misconduct Policy, review results of any suspected misconduct reported to or discovered by the internal audit activity.

Effective Date

This Audit Committee Charter was adopted by the SERS Board on March 21, 2013, and amended by the Board on February 14, 2014, June 19, 2014, September 17, 2015, June 16, 2016, June 15, 2017, June 21, 2018, ~~and June 18, 2020, September 21, 2023, and March 20, 2025.~~

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Procedures None

Definitions

None

Related Documents and Information

Statutes: 3309.044

Rules: N/A

Document Links: [Purpose](#), [Policy](#), [Procedure](#), [Definitions](#), [Related Documents](#), [Policy History](#)

Forms: ---

Policy History

Version 1 – March 21, 2013– Created – Approved by Board
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Version 7 – June 21, 2018 – Edited – Approved by Board

Last Reviewed: July 2024

Version 8 – June 18, 2020 – Edited – Approved by Board
Version 9 – September 21, 2023 – Edited – Approved by Board

