

AUDIT COMMITTEE SPECIAL MEETING

Wednesday, June 21, 2024 – 10:00 a.m.
Virtual Only

[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND APPROVAL OF AGENDA – *(Committee Action)*
- II. PRESENTATION OF JULY 1, 2023, TO JUNE 30, 2024 FISCAL YEAR FINANCIAL AUDIT SCOPE AND APPROACH (40 MINUTES) *(Committee Action)* - Thomas Rey, UHY, LLP
- III. OTHER

Next SIB Audit Committee Meeting:
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
Wednesday, August 14, 2024 @ 2:30 PM
- IV. ADJOURNMENT

North Dakota Retirement & Investment Office (RIO) and TFFR

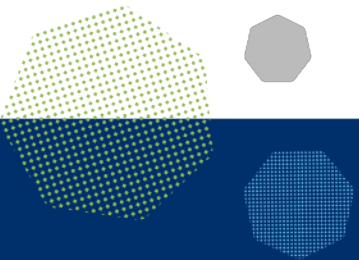
Financial Statement Audit Kickoff

June 21, 2024



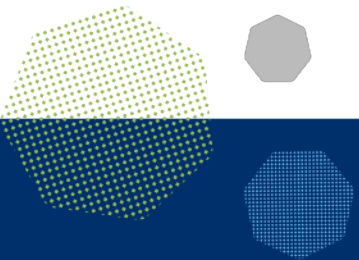
Engagement Scope

- Audit of RIO & TFFR's financial statements as of June 30, 2024
- Audit of TFFR's GASB 68 schedules as of June 30, 2024
- Report on Internal Controls and Compliance (in accordance with Government Auditing Standards)
- Written Communications with the Board



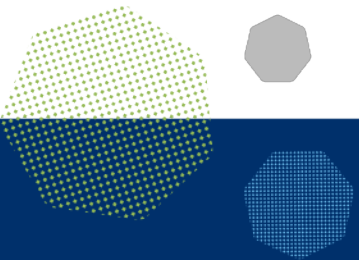
Work Plan

- Audits to be conducted in accordance with governmental auditing standards generally accepted in the United States of America
- Phased Approach – Planning, Internal Control, Employer Census Data Testing, Substantive Testing and Reporting



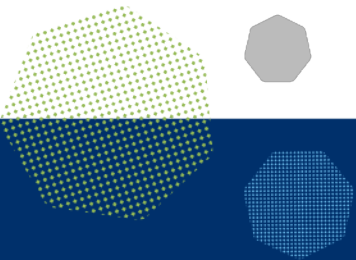
Critical Audit Areas

- Investments
- Contributions
- Benefit payments
- Actuarial data



Critical Audit Areas - Investments

- Investments
 - Understanding of internal controls
 - Walkthroughs
 - Reconciliation procedures
 - Initial due diligence and on-going monitoring
 - Compliance monitoring
 - Review custodial bank's SSAE 18/SOC 1 report
 - Substantive procedures
 - Confirmation of custodial and non-custodial investments
 - Price testing of equity and fixed income securities
 - Review of audited financial statements and roll-fowards of non-custodial (alternative) investments



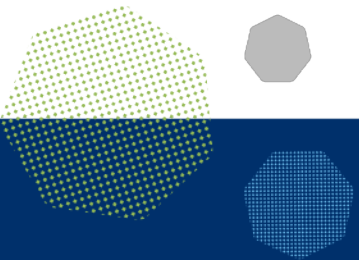
Critical Audit Areas - Contributions

- Understanding of internal controls
 - Review of internal audit procedures and reports
 - Walkthroughs of contribution and purchase of service processes
 - Test of controls over the contributions process
- Substantive procedures
 - Reconciliation of contributions from G/L to Subsidiary
 - Confirmation of contributions with employers
 - Analytical procedures including Data Analytics



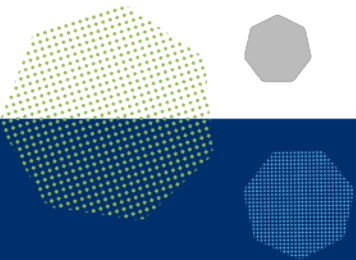
Critical Audit Areas – Benefit Payments

- Understanding of internal controls
 - Review of internal audit procedures and reports
 - Walkthroughs of benefit payment processes; separate walkthroughs for disability, survivor, regular retirement and refund processes
 - Test of controls over the benefit payment processes
- Substantive Procedures
 - Reconciliation of benefit payments from G/L to Subsidiary
 - Analytical procedures including Data Analytics



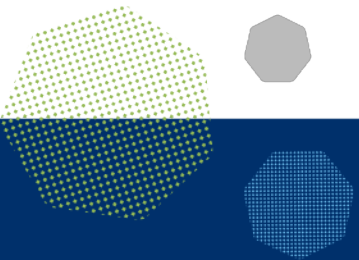
Critical Audit Areas – Actuarial Data

- AU section 500.08 - use of a management specialist
 - Evaluate the competence, capabilities and objectivity of the specialist
 - Confirm actuaries independence and accreditation
 - Prior experience with the actuaries
 - Obtain an understanding of the work of the specialist
 - Review the nature, scope and objectives of the work of the specialist
 - Evaluate the appropriateness of the work of the specialist
 - Review of the actuary report and compare key assumptions to pension and actuarial industry standards
 - Review of independent actuarial studies
 - Additional testing specific to GASB 67/68



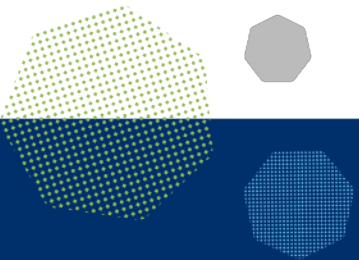
Critical Audit Areas – Actuarial Data

- AU section 500.08 - use of a management specialist
 - Census Data
 - Leverage data analytics performed over contributions and benefit payments to test the active and retiree census data for completeness and accuracy.
 - Select a sample of employers and test the completeness and accuracy of the active member census data.
- Utilize an independent actuary to evaluate the sufficiency and appropriateness of TFFR's actuarial valuation in accordance with AU-C 620 – Using the Work of an Auditor's Specialist.



External Audit/Internal Audit Interplay

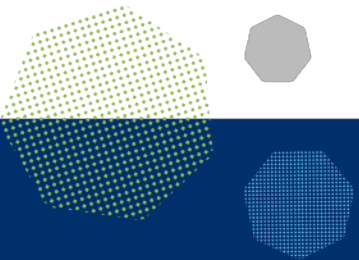
- AU 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*
 - 315 addresses how the knowledge and experience of the internal audit function can inform the external auditor's understanding of the entity and its environment and identification and assessment of risks of material misstatement. Section 315 also explains how **effective communication** between the internal and external auditors creates an environment in which the external auditor can be informed by the internal auditor of significant matters that may affect the external auditor's work.



External Audit/Internal Audit Interplay

AU-C Section 610 - *Using the Work of Internal Auditors*

- This section addresses the external auditor's responsibilities if using the work of internal auditors. Using the work of internal auditors includes **(a) using the work of the internal audit function in obtaining audit evidence and (b) using internal auditors to provide direct assistance under the direction, supervision, and review of the external auditor.**
- Consider potential audit areas and enhancements to the audit plan by using work of internal audit in current year financial statement audit
 - ***UHY will continue to communicate and work with IA in an effort to enhance efficiency and effectiveness of process.***



Government Pension Data Analytics

Your assigned audit team is versed in the use of data analytics. We have successfully utilized data analytics in our overall audit approach in the areas of:

- Contributions
 - Payments/Distributions
 - Actuarial Data
- Tremendous results have been obtained in our GASB participant census data testing.
 - Potential management/internal audit benefits (Continuous auditing tools and training)
 - **Will share results and best practices with Internal Audit to assist with moving towards 'Continuous Auditing'**

Data Analysis Methodology

| 1. Plan | 2. Identify Risk | 3. Access Data | 4. Technical Analysis | 5. Interpret Results | 6. Reporting |
|---|---|---|--|---|---|
| <ul style="list-style-type: none">• Identify engagement objectives and client needs• Understand the client's systems• Match Data Analytic Capabilities to Objectives• Understand Professional Guidance | <ul style="list-style-type: none">• Discuss known risks and weaknesses• Identify Risks by carefully considering the internal control environment and management's tone at the top• Conduct meetings with management to identify risks• Rank risks from high to low | <ul style="list-style-type: none">• Have conversations with the organization to understand system detail• Planning the Data Extraction• Prepare the Data Request List• Assist/ Monitor Client Data Extraction if Necessary | <ul style="list-style-type: none">• Ensure Proper Import• Completeness Testing• Normalize Data and prepare for analysis• Design analytics to address identified risk and accomplish objectives | <ul style="list-style-type: none">• Continuously interpret results and compare them with your expectations• Corroborate Results to Identified Risks• Identify Anomalies• Continuously reassess risk and improve procedures | <ul style="list-style-type: none">• Provide impactful Results to Client• Document Procedures and Results |

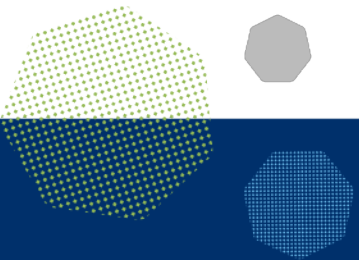
Consideration of Information Technology

- General Control areas that will be reviewed include:
 - Logical Access Controls
 - Application Development and Change Control Procedures
 - Business Continuity Planning
 - System integration



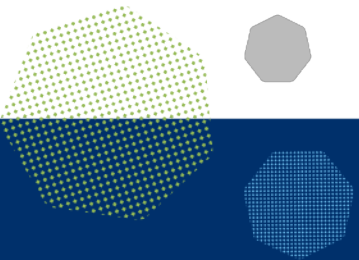
Timing of Work*

| KEY MILESTONES | DATE |
|--|-----------------------|
| Planning | June-July 2024 |
| Census Data Testing | June – August 2024 |
| Understanding and Testing of Internal Controls | June – August 2024 |
| Consideration of Information Technology | June – August 2024 |
| Substantive Procedures | August – October 2024 |
| Final Audit Reports | October 2024 |
| * Initial audit year (2024) only | |

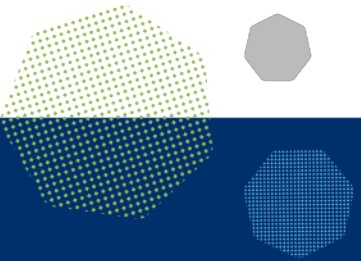


Audit Committee Discussion

- Recognizing the importance of two-way communication, we encourage you to provide us with information you consider relevant to the audit. This may include, but is not limited to the following:
 - RIO's objectives and strategies and the related business risks that may result in material misstatements.
 - Your understanding of risks of fraud and controls in place to prevent and detect fraud.
 - Other matters you believe are relevant to the audit of the financial statements.



Questions?



About UHY

UHY is one of the nation's largest professional services firms providing audit, tax, consulting and advisory services to clients primarily in the dynamic middle market. We are trailblazers who bring our experience from working within numerous industries to our clients so that we can provide them a 360-degree view of their businesses. Together with our clients, UHY works collaboratively to develop flexible, innovative solutions that meet our clients' business challenges. As an independent member of UHY International, we are proud to be a part of a top 20 international network of independent accounting and consulting firms.



UHY-US.COM | An independent member of UHY International





We Serve You Where You Work

For a complete listing of our U.S. offices, please visit: www.uhy-us.com/locations

GLOBAL

As an independent member of UHY International, we are proud to be a part of a top 20 international network of independent accounting and consulting firms. For a complete listing of our member firms, please visit: www.uhy.com/locations

UHY LLP is a licensed independent CPA firm that performs attest services in an alternative practice structure with UHY Advisors, Inc., and its subsidiary entities. UHY Advisors, Inc.'s subsidiaries, including UHY Consulting, Inc., provide tax and business consulting services through wholly owned subsidiary entities that operate under the name of "UHY Advisors" and "UHY Consulting". UHY Advisors, Inc., and its subsidiary entities are not licensed CPA firms. UHY LLP, UHY Advisors, Inc. and UHY Consulting are U.S. members of Urbach Hacker Young International Limited, a UK company, and form part of the international UHY network of legally independent accounting and consulting firms. "UHY" is the brand name for the UHY international network. Any services described herein are provided by UHY LLP, UHY Advisors and/or UHY Consulting (as the case may be) and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

