



# The North Carolina Supplemental Retirement Plans

2024 Financial Statement Audit Kickoff Meeting

Audit Sub-Committee Presentation

February 28, 2025



# Agenda

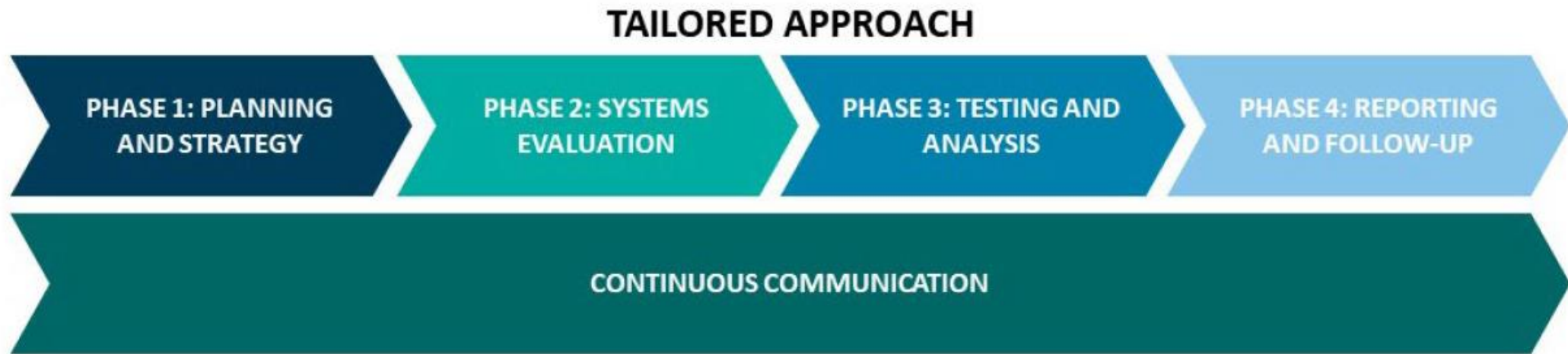
Scope of Engagement & Auditor's Responsibilities

Audit Methodology

Trustee Fiduciary Duties

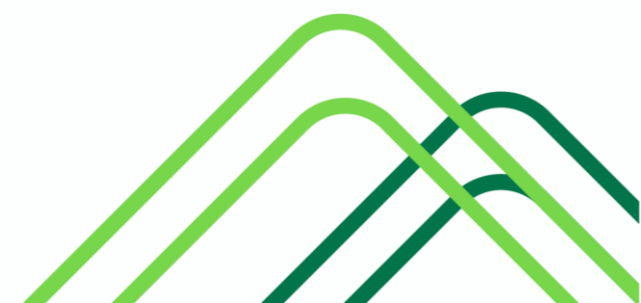
Discussion of Risks

# Audit Methodology



# Audit Methodology – Internal Control

- Obtain an in-depth understanding of all key processes of the entity through discussions with management and review of the BNY and Empower SOC 1 Report(s) under SSAE 18.
- Based on our understanding obtained we will develop a risk-based audit approach to effectively reduce audit risk to an acceptably low level
- Perform tests of design of key processes identified
- Perform tests of effectiveness over contributions, distributions, and participant data
- Perform employer audits
  - Accurate remittance of contributions to Empower
  - Timely remittance of contributions to Empower
  - Remitted contributions did not exceed IRS limitations
  - Participant data reported to Empower completely and accurately



# Audit Methodology – Substantive Testing

- Investments
  - Confirmations with Empower, BNY and investment managers
  - Valuation testing
  - Analytical procedures over investment and interest income
  - Analytical procedures over investment expenses
- Contributions
  - Confirm contributions with a sample of employers
  - Analytical procedures over contributions
  - Reconciliation of contribution detail to trial balance
- Distributions
  - Analytical procedures over distributions
  - Reconciliation of distribution detail to trial balance
- Administrative Expenses
  - Analytical procedures over administrative expenses



## Areas Deemed Significant Audit Risks

As a result of our risk assessment procedures, the following areas were deemed significant risks



### Investments

*Valuation and existence of non-custodial assets*



According to GAAS (audit standards), presumed significant risks include *management override of controls* and *revenue recognition*. Accordingly, we have considered these as significant risks and addressed in our audit approach.

## Trustee Fiduciary Duties



**Duty of Loyalty** – The obligation to act for the exclusive benefit of the plan participants and beneficiaries



**Duty of Care** – The responsibility to administer the plan efficiently and properly



**Duty of Prudence** – The obligation to act prudently in exercising power or discretion over the interests that are subject to the fiduciary relationship.

# Trustee Fiduciary Duties

## Accountability & Transparency



The presence of an *effective* audit committee encourages staff to increase the level of care in preparing financial statements



The presence of an audit committee can result in staff being more attentive to how money was spent by reviewing pension system spending patterns



The audit committee can put more focus on risk management and internal controls



Provides another “set of eyes” ensuring reports are understandable, moving the reports from “jargon” to information



Enhances credibility (financial statements, internal audit, CFO and finance departments)



Ensures things get done



## Trustee Fiduciary Duties



Assess annual audit implications and approve action plans to strengthen performance



Establish and monitor a system to ensure that the organization is in compliance with all relevant financial laws and regulations



Approve non-routine contractual obligations as defined by approved board expenditure authorization policies



Establish adequate risk management mechanisms

# Discussion of Risks

- The Sub-Committee's views about the risks of fraud
- Does the Sub-Committee have knowledge of any fraud or suspected fraud affecting the entities
- Does the Sub-Committee have an active role in oversight of the entities' assessment of the risks of fraud and the programs and controls established to mitigate those risks
- Other risks



# Thank you!

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