



Risk and Audit Committee

Agenda Item 7a

November 19, 2019

Item Name: Integrated Assurance Overview

Program: Enterprise Compliance (ECOM), Enterprise Risk Management Division (ERMD), Office of Audit Services (OFAS)

Item Type: Information

Executive Summary

The purpose of this Agenda Item is to provide an overview of several areas of responsibility within the CalPERS Integrated Assurance functions and to respond to Risk and Audit Committee direction provided on September 17, 2019.

This Agenda Item will also furnish a brief history of the development of the Enterprise Risk Management Framework and provide an update on the current state of CalPERS' enterprise risks.

Compliance awareness, risk management and internal audit reviews are integral to cultivating a high-performing, risk-intelligent, and innovative organization. CalPERS has embraced an Integrated Assurance model that incorporates governance, risk, compliance and audit practices as a multi-faceted approach to promoting compliance and risk awareness and accountability.

Integrated Assurance centers on "The Three Lines of Defense Model" which distributes the activities of the control environment within the organization as follows:

- **First Line of Defense** – The first level of the control environment is the Program Areas who perform day-to-day risk management activities.
- **Second Line of Defense** – The second level of the control environment is the oversight functions, such as Enterprise Compliance and Enterprise Risk Management, who set direction, define policy, and provide assurance.
- **Third Line of Defense** – The third level of the control environment is internal audits, who provides independent assurance on the effectiveness of governance, risk management, and internal controls.

Strategic Plan

The Agenda Item supports the 2017-22 CalPERS Strategic Plan Goal - Risk Management: Cultivate a risk-intelligent organization. Through the discussion, Committee members will learn

how the strategic objective of enhancing compliance, risk and audit functions throughout the enterprise are met.

Background

Recent additions to the CalPERS Board makes an overview of the Integrated Assurance functions timely. CalPERS uses Enterprise Compliance, Enterprise Risk and the Office of Audit Services to provide independent assurance of CalPERS operations. This Agenda Item provides an opportunity for Committee members to interact with CalPERS team members on this topic.

Analysis

This Agenda item provides information regarding the three Lines of Defense Model utilized by our Integrated Assurance functions within CalPERS.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

Not Applicable

Attachments

Attachment 1 – Integrated Assurance Overview

Attachment 2 – History of Risk Management Framework

Attachment 3 – Enterprise Risk Management Dashboard

Attachment 4 – Enterprise Risk Profiles

Attachment 5 – 2019 Enterprise Risk Management Heat Map

Attachment 6 – Office of Audit Services – Purpose/Mission

Attachment 7 – Process for Designating Information in Internal Audit Reports as Confidential Memo

Marlene Timberlake D'Adamo
Chief Compliance Officer