



Board of Trustees

Audit Committee Meeting

June 6, 2024

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- Audit Committee Self-Assessment



Board of Trustees Audit Committee Meeting

June 6, 2024

1:00 – 3:30 p.m.

Virtual

Webinar Access (click link to join webinar)

Join via WebEx and enjoy the ability to listen on your computer and follow presentations:

<https://apfc.org/bot-audit-committee>

Event Password: APFCAudit

Teleconference Option

Phone: 415-655-0003

Access Code: 2632 709 2661

Numeric Password: 27322834

AGENDA

Thursday, June 6, 2024

- 1:00 p.m. CALL TO ORDER
- ROLL CALL (Action)
- APPROVAL OF AGENDA (Action)
- APPROVAL OF MINUTES (Action)
 - Audit Committee Minutes – September 7, 2023
- OPPORTUNITY FOR PUBLIC PARTICIPATION
- 1:10 p.m. FY24 KPMG AUDIT PLAN AND RISK ASSESSMENT (Information)
 - Melissa Beedle, Managing Director, KPMG
 - Beth Stuart, Engagement Partner, KPMG
- 1:40 p.m. FY24 YEAR-TO-DATE FINANCIAL STATEMENT REVIEW (Information)
 - Jacki Mallinger, Senior Portfolio Accountant II
 - Valerie Mertz, Chief Financial Officer
- 2:15 p.m. INTERNAL CONTROLS REVIEW (Information)
 - Sebastian Vadakumcherry, Chief Risk & Compliance Officer
 - Valerie Mertz, Chief Financial Officer
- 3:00 p.m. AUDIT COMMITTEE SELF-ASSESSMENT (Information)
 - Adam Crum, Committee Chair
 - Valerie Mertz, Chief Financial Officer
- OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS
- 3:30 p.m. ADJOURNMENT

NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS
(Please telephone Jennifer Loesch at 907.796.1519 with agenda questions.)

**ALASKA PERMANENT FUND CORPORATION
AUDIT COMMITTEE MEETING
WEBEX/TELECONFERENCE**

September 7, 2023

1:00 p.m.

Originating at:
Michael J. Burns Building
David Rose Board Room
801 West 10th Street, Third Floor
Juneau, Alaska 99801

Trustees Present:

Adam Crum, Chair
Jason Brune (Virtual)

Ethan Schutt

Trustee Also Present:

Craig Richards

Trust Staff Present:

Deven Mitchell, CEO
Marcus Frampton, CIO
Jennifer Loesch
Larissa Murray
Luke Kirkham
Norix Mangual
Eric Ritchie
Jordyn Elie
Terek Rutherford
Brittney Ortega
Jedediah Smith
Michael Prebeg
Alexander Smith
Sarah Struble

Val Mertz, CFO
Chris Poag, Attorney
Paulyn Swanson
Sebastian Vadakumcherry
Valeria Buschfort
Jacki Mallinger
Jessica Thornsburry
Sang Won Song
Valeria Martinez
Chris LaVallee
Joe Shinn
Rachel Price
Chad Brown

Presenters:

Byron Williams
Beth Stuart

Melissa Beedle

Other Participants:

Anne Rittgers
Mike Barton
Jesse Janes

Gina Romero
Steve Moseley

PROCEEDINGS

CALL TO ORDER

CHAIR CRUM called the Audit Committee meeting for the Alaska Permanent Fund Corporation to order and began with a roll call.

MS. LOESCH called the roll and stated that they had a quorum.

CHAIR CRUM asked for a motion for the approval of the agenda.

APPROVAL OF AGENDA

MOTION: A motion to approve the agenda was made by TRUSTEE SCHUTT; seconded by TRUSTEE BRUNE.

There being no objections, the MOTION was APPROVED.

CHAIR CRUM moved to the approval of the minutes from the May 17 meeting.

APPROVAL OF MINUTES

MOTION: A motion to approve the minutes of May 17, 2023, was made by TRUSTEE SCHUTT; seconded by TRUSTEE BRUNE.

There being no objections, the MOTION was APPROVED.

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

CHAIR CRUM moved to the scheduled appearances and public participation.

MS. LOESCH stated that there was no one online or in the room.

KPMG AUDIT REPORT

CHAIR CRUM moved to the KPMG Audit Report. He recognized Beth Stuart and Melissa Beedle.

MS. STUART stated that she is based in Anchorage and serves as the audit partner for the Permanent Fund Corporation, and is also the managing partner for KPMG's Anchorage office. She was also a former Permanent Fund intern from the mid-90s, like Trustee Richards. She continued that there was a presentation in the packet that she would run through. Some of those things are required communications, and some is additional information to share. She stated that their audit is complete, with their opinion dated today, and the report will be released tomorrow. She explained that it is an unmodified opinion or unqualified, clean opinion and was issued in accordance with both the AICPA Auditing Standards, which apply to private companies, as well as Government Auditing Standards, which is kind of a second level of audit standards that lay on top of the AICPA standards. She expressed appreciation to the team at the Permanent Fund. They were very cooperative during the process, and they provided all of the information requested in a timely manner. She continued that no actual or suspected or illegal acts were identified. Written communications were an important part of the process, including the representation received from management. She added that they do take the independence

perspective very seriously and evaluate the investments that the Permanent Fund Corporation made to be sure there were no concerns about independence from services that KPMG might be performing throughout the world. She shared that, as the audit procedures evolve and the process evolves over time, they did spend a bit more time getting a little more understanding of the journal entries this year. Identified were some journal entries that were being made without a secondary review. Management responded to that observation and already changed their process. She stated that real estate and private markets did not have any adjustments that were identified. There also were no errors or bias in the recording of real estate valuation identified.

CHAIR CRUM stated, for the record and for the public, that the document would be posted online in the next couple of days.

MS. STUART stated that the document reflects the difference between the value that the Permanent Fund recorded at June 30th and the combination of estimate and actual June 30 values for the private market funds. The Permanent Fund reopened the books mid-August, and, based on those statements received between the time of the first close and the second close, management recorded a \$134 million increase in value. It was then evaluated on Monday of this week, and the reason it was not in the packet is because it was nearly real-time. By reopening the books to record the information through the middle of August, there was no need to estimate. She added that no other uncorrected misstatements were identified. Also, no errors or issues were identified elsewhere in the audit.

TRUSTEE RICHARDS stated that there had been conversation in the regular board meeting a few meetings ago about whether or not it would make sense for the Permanent Fund to have an internal auditor. He asked Ms. Stuart if she had any thoughts on whether that function would add value or not.

MS. STUART replied that that discussion was scheduled this afternoon.

CHAIR CRUM moved to the Executive Session, and asked for a motion.

MOTION: In accordance with Alaska's Open Meetings Act, a motion that the board of Trustees convene in Executive Session for the purpose of meeting with APFC's external auditors, KPMG, to discuss the integrity of financial reporting and procedures, which may include discussion of APFC staff. This topic is appropriate for Executive Session because the immediate knowledge of details discussed could negatively impact the value of the Permanent Fund or be harmful to the reputation and character of APFC staff. The motion was made by TRUSTEE SCHUTT; seconded by TRUSTEE BRUNE.

After the roll-call vote, the MOTION was APPROVED. (Trustee Schutt, yes; Trustee Brune, yes; Chair Crum, yes.)

(Executive Session from 1:19 p.m. until 1:34 p.m.)

CHAIR CRUM stated that they were back on the record. He continued that, while in Executive Session, the trustees considered only the matters mentioned in the motion and took no action.

Next on the agenda was a detailed review of the FY23 year-end financial statements by Chief Financial Officer Valerie Mertz, and Jacki Mallinger, senior portfolio accountant.

DETAILED REVIEW OF FY23 YEAR-END FINANCIAL STATEMENTS

CFO MERTZ stated that Ms. Mallinger has taken on a new role within the finance team. She continued that Valeria Buschfort had retired from the private markets team, and Ms. Mallinger has stepped in to lead that team, as well as keeping the audit responsibility and the financial statement portion of her old position. She clarified that Ms. Mallinger compiled and sent the supporting data over for the modeling. She moved to her presentation and stated that it was the actual audit report, and still in draft form; not yet finalized. She continued that the audit report contains the financial statements that she will go over. It also contains the footnotes to the financial statements, which have a lot more detail than the high-level numbers that are on the statements themselves. She added that it is important to get a full comprehension of the financial status of the Fund, and to take those notes along with the statements. It has some key takeaways. She stated that, for FY23, the year ended with accounting net income that was calculated according to Generally Accepted Accounting Principles with \$4.3 billion. She continued that the total return for the Fund for the year ended at 5.18 percent. She moved to the statements beginning with the balance sheet. She noted that the balance sheet showed values of the assets and liabilities of the Fund at a point in time. The three main categories of assets were: Cash, receivables, and investments. Investments make up the largest portion of the assets, and she highlighted them in detail. She continued through and noted that, at the end of FY23, 72 percent of the unrealized gains resided in the illiquid asset classes. The biggest swing was in the public equity, which were down at the end of last year, but had somewhat of a recovery during FY23. She then went through the liability section of the balance sheet which represented amounts that the Fund owed either to external parties or to the State of Alaska. She moved through the last section which was the Fund balance section which had three components that are invested together in one asset allocation, and then the Earnings Reserve Account was represented by the committed and the assigned lines. The nonspendable is normally referred to as principal. She went through the corpus which included deposits and other appropriations, and inflation-proofing. The principal and earnings reserve get allocated, each a pro rata share of the unrealized gains, in the portfolio. Last was the assigned portion of the earnings reserve or the spendable portion. This is the amount that is available to be appropriated by the Legislature.

TRUSTEE RICHARDS asked if they ever have to sell anything off to make the POMV payment, or if enough cash was generated through regular operations.

CFO MERTZ replied that Marcus takes advantage of opportunities when they come along to trim out of public equities. It is not done to come up with the cash for the POMV; it is just part of the portfolio management.

CEO MITCHELL stated that there had been some trimming of public equities recently for cashflow needs that were on the low end of the band for the allocation to public equities. That was where there was liquidity. It is monitored daily, and the projections, for the most part, were basically static. He explained that there were some business investment reasons where cash was needed.

CFO MERTZ went through a reminder of how the FY24 General Fund transfer was calculated.

It was the average of the market value of the first five of the preceding six fiscal years, with an intentional one-year lag so the Legislature knows what they have to work with when going into their deliberations. She also went through the '25 POMV.

CEO MITCHELL asked about the 424 and why it always stayed the same.

CFO MERTZ replied that was the balance sheet. The other main statement included was the statement of revenues, expenditures, and changes in Fund balance. She continued through her presentation.

CHAIR CRUM called a break.

(Break.)

AUDIT COMMITTEE ADVISOR DISCUSSION

CHAIR CRUM reconvened the meeting and moved to the Audit Committee Advisor Discussion. He stated that he had asked staff about the possible idea of retaining an advisor to the Audit Committee in a similar arrangement to that of the Investment Advisory Group. He continued that the idea would be in addition to existing training because, currently, none of the Audit Committee members have an accounting background, and we want to make sure that we are as informed as possible.

CEO MITCHELL stated that he understood the challenge, because of the lack of having specific expertise, and to be able to question staff or auditors and creating a reliance on others. If this becomes a staff position, then it would be very difficult to get away from a potential for collusion within the organization. He added that there were also benefits, and it would be interesting to hear the committee's take on some of the experiences that may be conveyed.

CHAIR CRUM stated that Mr. Poag did clarify that the charter of the Audit Committee did allow for hiring a contractor or consultant; which would be a budget request at the annual meeting.

CFO MERTZ stated that she had been put in touch with a former internal auditor that is now working in consulting, and that she would reach out to her after this meeting.

TRUSTEE SCHUTT stated that if the response back from the professionals is most of what is being looked for is covered by the internal audit, then maybe the rest would be covered by a specific training.

CFO MERTZ added that it was initial training for new members and ongoing training about developments in the industry. She continued that there are resources available without having a contract.

CHAIR CRUM agreed and added that the bigger issue is the internal audit aspect. If that tool is in place, it addresses some of the concerns that were talked about, and the training part would fill the rest of the need. He thanked them for their efforts on that, and stated that there could be some offline conversations about organizing some of the trainings or what could be available.

TRUSTEE BRUNE asked about the training and the Open Meetings Act if more than three participate.

CHAIR CRUM stated that Chris Poag, Esquire, was next on the agenda.

UPDATE ON LEGAL MATTERS

MR. POAG replied that there are clear answers and there are gray answers. He stated that the clear answer is that, in his opinion, the Open Meetings Act allows for pure educational meetings that do not qualify as a meeting under the Open Meetings Act. He explained that a pure educational meeting is where someone sits before whoever is on the board, including staff, and that educator pushes information about what the roles are and what they are supposed to do. And the board, itself, is not engaging in a topic about their normal business or any matters before the board. He continued that that is how the orientations happen. The gray area enters in, if the board, as a group, began having a dialogue during that meeting and it opens the door to it becoming a meeting. It needs to be clear that it is an educational meeting, which can happen without reasonable public notice and without inviting the public to attend. He added that, in the past, boards have given public notice of an educational event and opened it to the public to eliminate any risk or an allegation that a board had done something in violation of the Open Meetings Act. He continued that every year, according to the charters, he gets to come before the board to talk about any litigation that APFC was involved in that could be considered material. He added that they were not talking about offensive litigation where they go out to seek to recover damages that the corporation may have suffered. This would be about defensive litigation that was filed against the corporation or the Fund or staff or those types of matters. He explained that every year he gets a letter from KPMG asking if he was aware of any pending or threatened litigation against APFC or the Fund that could be considered material. He stated that for the entire time he had been there, material was considered a potential damage award of \$1 million or more. He continued that, this year, like in prior years, he had no litigation to disclose to this committee. There was no litigation disclosed to the external auditor that could be considered matters. In fact, he was not aware of any litigation against APFC or the Fund directly at all. That was for defensive litigation. He stated that there was also offensive litigation which happens on behalf of the corporation in a few different areas. Public equities often have securities litigation which could be class-actions, opt-outs, or foreign cases. Every quarter he gives the board an update through the outside counsel, Ben Hofmeister, of the cases that they were involved in. There would be one of those coming soon. What is identified in that was any securities cases where it was decided not to be a passive class member, but to actually opt out of the case and file our own case. There was one of those pending that was domestic, and there are a series of those pending overseas because overseas class-actions require active litigation instead of passive litigation. A same or similar class-action structure does not exist in the United States. He noted that that information appears in the quarterly board packets. He continued that the other area of offensive litigation that he monitors is in the real estate portfolio. When owning an office building or a residential facility, there is often the need to engage in litigation to protect the asset. He added that he was monitoring two cases: One was a residential asset regarding solvents, which had to do with getting rid of odors from a restroom that was not properly constructed. They were trying to recover damages against the general contractor, the contractor, and others for repairing that damage. Also, in the state of Texas, a condemnation proceeding by the State of Texas against a parcel owned regarding a mall. They were in the process of fighting

about the valuation. The other party was challenging that on paper, and the hope is that the number stays in place. He stated that that was the summary of what was going on, and asked for any questions.

CHAIR CRUM thanked Mr. Poag and moved to a presentation on an internal audit for information. He introduced Byron Williams, former chief audit executive for the Oregon Office of the State Treasurer, and Beth Stuart, engagement partner of KPMG.

INTERNAL AUDIT

MR. WILLIAMS stated that he was Byron Williams, currently the chief administrative officer with the Oregon Office of the State Treasurer. He noted, for the record, that he was not there in his official capacity as a member of the Oregon State Treasurer; he was there, on his own, to speak about the role of internal audit. He gave a brief background of his career and stated that he grew to value the role of internal audit and saw the value a good internal audit shop could bring. He clarified that auditors are not there to solve the problems, and that they should be helping to facilitate discussions. He talked about the broad statutory requirement of prudent practices, and do those practices promote effectiveness. One of the key pieces looked at is the investment operations management and ways to identify to reduce risk to the program; a lot of imbedded risks because of staffing and structural decisions that had been made. The audit kicked off a series of discussions and he talked about digging in and moving from monthly navs to daily navs, doing reconciliations, and finding the items that had been missed. He stated that no matter how good staff is, they are not perfect and do miss things. The goal there is about refining and making that gap smaller. It is really about having the organizational discussions and making sure people step back, look at things, and then re-engage. He noted that he was glad to see that the Alaska Permanent Fund Corp is in the group looking at peers and some of their peer practices in a benchmarking study. He then talked about three possible models for internal auditing.

CHAIR CRUM stated appreciation for the presentation, and noted that he was intrigued with the internal audit model.

CEO MITCHELL suggested a recommendation from the Audit Committee to further this discussion.

TRUSTEE SCHUTT suggested recommending to the board to have a short discussion of this for the annual meeting.

MS. STUART stated that KPMG has, in their advisory services group, an internal audit function that provides internal audit services to non-audit clients. She went through a few slides that gave KPMG's approach to enterprise risk management and internal audit as that sort of service would be provided to a client who engaged KPMG to provide internal audit services that are fully outsourced or co-sourced. Their framework did not segregate internal audit from enterprise risk management. She did an overview of the enterprise risk management framework that is deployed for clients where they were engaged to provide internal audit services. She stated that enterprise risk management is not necessarily separated from internal audit, but is thinking about risks as part of the strategy accomplishment. She added that they had a fair amount of risk management, maybe not under the umbrella of internal audit, but as part of the strategy and the execution on strategy of the organization. She went through some of the operational risks. She

noted that the direct reporting to the Audit Committee is important and talked about some internal resources.

CHAIR CRUM stated that his predecessor at Revenue had started enterprise risk management, which is still in its infancy at the Department, and it has helped tremendously. He thanked staff and Val for the series of conversations with an inarticulate ask and appreciation for putting it together. His ask from the committee was to talk about this, how to compile it, and then how to report it; and then to discuss it more at the annual meeting. He added that he was not asking for a report. He stated that tomorrow is the last day for Chad Brown who did a great job filling these gaps that were looked at. He wished him the best of luck as he moved on to other endeavors and to another worthy cause in a local environment. He thanked staff for another well-organized meeting, and adjourned the Audit Committee.

(The Audit Committee meeting was adjourned at 3:40 p.m.)



Alaska Permanent Fund Corporation Discussion with those charged with governance

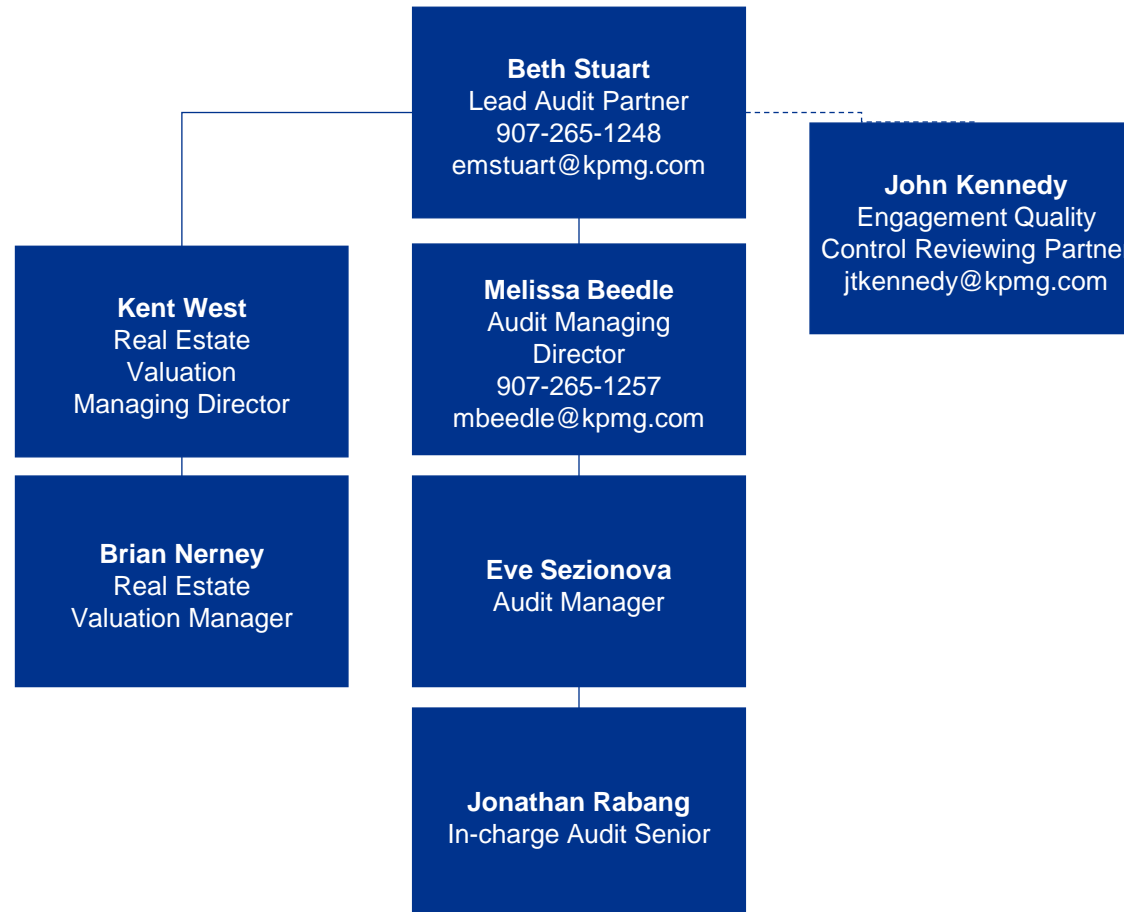
Audit plan and strategy for the year ending June 30, 2024

June 6, 2024



Client service team

Team members with continuity are designated in blue.



Audit plan required communications and other matters

Our audit of the financial statements of the Alaska Permanent Fund (the Fund) as of and for the year June 30, 2024 will be performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.

We will also audit the schedules of investments held by the Alaska Permanent Fund Corporation for the Alaska Mental Health Trust Authority and the Power Cost Equalization Fund.

Matters to communicate		Response
Role and identity of engagement partner	✓	Lead audit engagement partner is: Beth Stuart
Significant findings or issues discussed with management	X	
Materiality in the context of an audit	✓	Page 4
Our timeline	✓	Page 5
Risk assessment: Significant risks	✓	Page 6
Involvement of others	✓	Page 7
Independence	✓	Pages 8
Responsibilities	✓	Pages 9
Inquiries	✓	Page 10

✓ = Matters to report X = No matters to report

Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the financial statements, considering the following factors:

<p>Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.</p>	<p>Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.</p>	<p>Judgments about materiality involve both qualitative and quantitative considerations.</p>
<p>Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.</p>	<p>Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.</p>	<p>Judgments about the size of misstatements that will be considered material provide a basis for</p> <ol style="list-style-type: none">Determining the nature and extent of risk assessment procedures;Identifying and assessing the risks of material misstatement; andDetermining the nature, timing, and extent of further audit procedures.

Our timeline

February - March

Planning and risk assessment

- Meet with management to discuss operations, changes during the year, and audit timing
- Planning and initial risk assessment procedures, including:
 - Assessing involvement of others
 - Identification and assessment of risks of misstatement and planned audit response
- Obtain and update an understanding of the corporations and its environment

April - June

Interim

- Ongoing risk assessment procedures, including:
 - Identification and assessment of risks of misstatement and planned audit response
 - Inquire of those charged with governance, management and others within the corporation about risks of material misstatement
 - Perform lookback procedures over private market valuation
- Communicate audit plan
- Identify IT applications and environments
- Evaluate design and implementation of entity level controls and process level controls for certain processes
- Perform process walkthroughs and identification of process risk points for certain processes
- Perform interim substantive audit procedures
- Send audit confirmations

July - September

Year-end

- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Preset audit results to those charged with governance and perform required communications

Early September: Issue audit reports on financial statements.

Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
<p>Management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.</p>		Yes

Other significant audit matters	Relevant factors affecting our risk assessment
Valuation of alternative investments	<ul style="list-style-type: none"> - Complexity of alternative investment valuations - Size of the alternative investment portfolio - Timing of the valuation received
Valuation of real estate investments	<ul style="list-style-type: none"> - Complexity of real estate valuation - Size of the directly owned real estate portfolio - Timing of valuation received



Involvement of others

Audit of financial statements	Extent of planned involvement
Service Organization: Bank of New York Mellon	<ul style="list-style-type: none"> - Obtain service auditors' report - Evaluate user controls identified in the report
KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures: <ul style="list-style-type: none"> - Alternative investment specialists - Real estate valuation specialists 	<ul style="list-style-type: none"> - Provide guidance on risks related to alternative investments, including current economic environment - Assist in portfolio risk assessment and scoping of private market portfolio - Review audit team's procedures over alternative investments - Review third party real estate appraisals for selected real estate investments

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.

System of Independence Quality Control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the Company, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The Fund or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Responsibilities



Management responsibilities

- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



KPMG responsibilities – objectives

- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.



KPMG responsibilities – other

- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
- Withdraw from the audit engagement when possible under applicable law or regulation;
- Communicate the circumstances to those charged with governance, and
- Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Inquiries

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?
 - If so, have the instances been appropriately addressed and how have they been addressed

Positioning audit committees for the future: areas of focus

1

Financial reporting and related expertise: Stay focused on financial reporting and related internal control risks—job number one.

2

Risk oversight: Continue to assess the risk oversight responsibilities assigned to the audit committee.

3

Critical alignments: Help maintain alignment of culture, purpose, strategy, goals, risks, compliance, controls, incentives, performance metrics, and people.

4

Talent in the finance organization: Focus on whether finance has the talent and skill sets to meet the evolving reporting and IT landscape.

5

Audit quality: Reinforce the importance of audit quality and set clear expectations.

6

Transparency: Insist on transparency among the board/audit committee, management, and auditors.

7

Compliance and culture: Closely monitor the tone at the top, culture, and behaviors.

8

Audit committee focus and effectiveness: Make the most of the committee's time together.

See the full report at <https://boardleadership.kpmg.us/>

US Audit Quality, Transparency and Impact reports



- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness.

Transparency Report



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

KPMG Impact Plan

In addition to this report, we are providing you with our Transparency Report Supplement: Assisting audit committees in meeting NYSE rules on auditor communications Reports and supplements available at: audit.kpmg.us/auditquality



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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ALASKA PERMANENT
FUND CORPORATION

FY24 Year-to-Date Financial Statement Review

June 6, 2024

Key Takeaways

as of March 31st

- Fund balance: \$79.6b
- Accounting net income: \$4.7b
- Statutory net income: \$2.9b
- Mineral revenues deposited to Corpus: \$399m
- POMV transfers to General Fund: \$2.7b
- Total return 6.84%



Total Assets (millions)

	FY24 as of 3/31	FY23 as of 6/30
Cash	\$3,513.6	\$3,247.7
Receivables	985.2	766.7
Investments	<u>77,592.1</u>	<u>75,276.0</u>
Total assets	\$82,090.9	\$79,290.4

Investments (millions)

Asset Class	FY24 as of 3/31	FY23 as of 6/30
Marketable debt securities	\$14,016.7	\$13,204.0
Preferred and common stock	28,336.1	26,769.5
Real estate	8,627.0	8,263.3
Absolute return	5,597.7	5,334.4
Private credit	2,659.6	2,690.3
Private equity	14,587.2	15,321.2
Infrastructure	3,767.8	3,693.3
Total investments	\$77,592.1	\$75,276.0

Unrealized Gains (Losses) (millions)

Asset Class	FY24 as of 3/31	FY23 as of 6/30	FY23 as of 3/31
Marketable debt securities	\$(523.2)	\$(855.4)	\$(712.6)
Preferred and common stock	5,632.7	3,105.3	2,589.0
Real estate	1,672.9	2,170.3	2,303.2
Absolute return	1,668.5	1,338.3	1,376.7
Private credit	322.1	333.7	285.5
Private equity	4,798.8	5,687.8	5,432.1
Infrastructure	1,061.1	1,047.7	986.4
Currency	3.2	(2.5)	(43.8)
Total unrealized gains	\$14,636.1	\$12,825.2	\$12,216.5

Liabilities (millions)

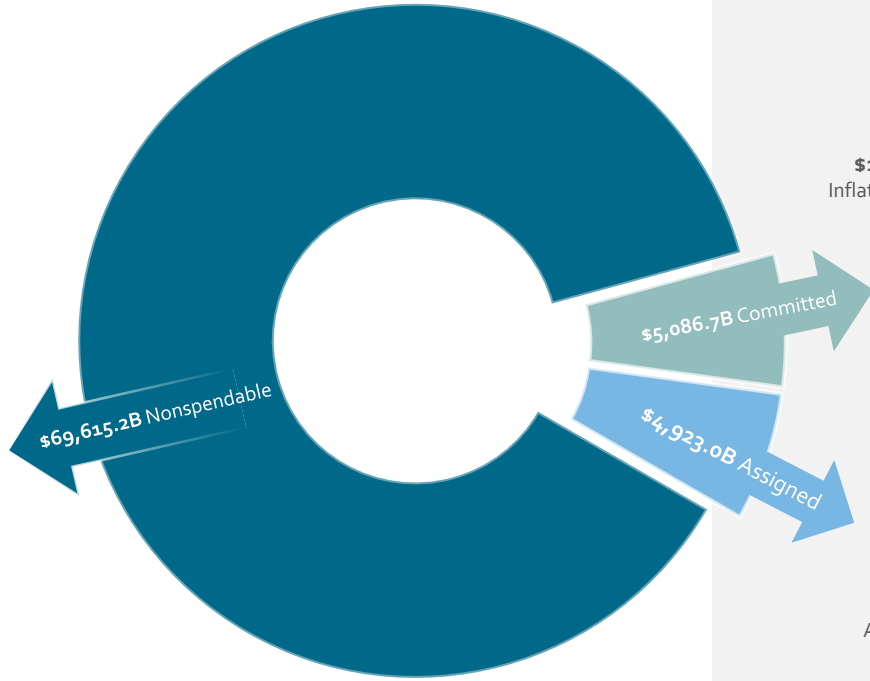
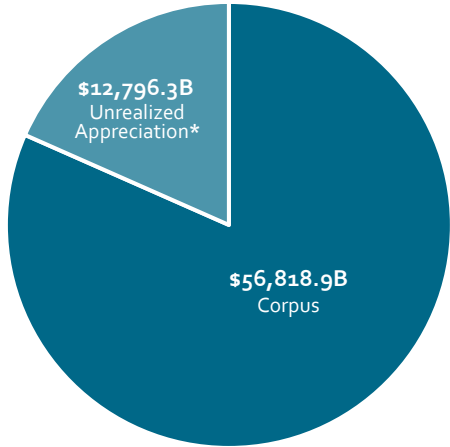
	FY24 as of 3/31	FY23 as of 6/30
Accounts payable	\$1,621.4	\$1,264.2
Income distributable	<u>844.6</u>	<u>14.3</u>
Total liabilities	\$2,466.0	\$1,278.5

Fund Balances (millions)

	FY24 as of 3/31	FY23 as of 6/30
Nonspendable	\$69,615.2	\$67,520.7
Committed	5,086.7	3,526.1
Assigned	<u>4,923.0</u>	<u>6,965.1</u>
Total fund balances	<u>\$79,624.9</u>	<u>\$78,011.9</u>
Total liabilities and fund balances	\$82,090.9	\$79,290.4

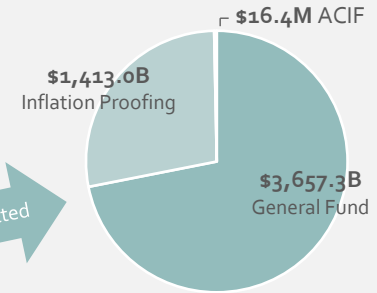
Alaska Permanent Fund STRUCTURE

Principal Nonspendable

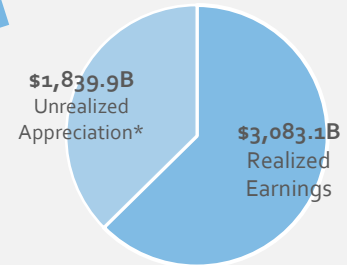


Earnings Reserve Account (ERA)

ERA Committed



ERA Assigned (Uncommitted)



*Unrealized appreciation on invested assets is allocated proportionately between Principal and ERA

General Fund Transfer

**ALASKA PERMANENT FUND
GENERAL FUND COMMITMENT**
FISCAL YEAR ENDING JUNE 30, 2024 (millions)

FISCAL YEAR	GAAP MARKET VALUE	STATE vs AMERADA HESS	APFC MARKET VALUE
2019	\$66,300	\$424	\$65,876
2020	65,302	424	64,878
2021	81,897	424	81,473
2022	76,337	424	75,913
2023	78,012	424	<u>77,588</u>
Average market value			\$73,146
PERCENTAGE from AS 37.13.140(b)			<u>5.00%</u>
Amount available for appropriation per AS 37.13.140(b)			3,657

Revenues (millions)

	FY24 as of 3/31	FY23 as of 6/30
Interest	\$429.7	\$502.7
Dividends	412.9	671.6
Real estate and other income	<u>348.3</u>	<u>462.9</u>
Total interest, dividends & other income	\$1,190.9	\$1,637.2
Total increase (decrease) in fair value of investments	<u>3,662.9</u>	<u>2,830.1</u>
Total revenues	\$4,853.8	\$4,467.3

Net Change in Investments Value (millions)

Asset Class	FY24 as of 3/31	FY23 as of 6/30
Marketable debt securities	\$242.4	\$(229.6)
Preferred and common stock	3,745.8	3,049.1
Real estate	(446.7)	(278.9)
Absolute return	350.1	144.3
Private credit	14.0	47.2
Private equity	(174.6)	(4.8)
Infrastructure	68.1	272.2
Derivatives & currency	<u>(136.2)</u>	<u>(169.4)</u>
Total net increase	\$3,662.9	\$2,830.1

Expenditures (millions)

	FY24 as of 3/31	FY23 as of 6/30
Operating expenditures	\$(103.6)	\$(161.7)
Other legislative appropriations	<u>(9.8)</u>	<u>(9.7)</u>
Total expenditures	<u>\$(113.4)</u>	<u>\$(171.4)</u>
Excess (deficiency) of revenues over expenditures	\$4,740.4	\$4,295.9

Statutory Net Income (millions)

	FY24 as of 3/31	FY23 as of 6/30
Accounting (GAAP) net income	\$4,740.4	\$4,295.9
Unrealized (gains) losses	(1,810.9)	(1,790.5)
ACIF realized income	<u>(16.4)</u>	<u>(14.3)</u>
Statutory net income	\$2,913.1	\$2,491.1

Realized Earnings by Asset Class

(millions)

Asset Class	FY24 as of 3/31	FY23 as of 6/30
Marketable debt securities	\$352.3	\$(64.5)
Preferred and common stock	1,727.0	1,404.8
Real estate	209.9	234.9
Absolute return	21.5	79.3
Private credit	93.7	159.5
Private equity	695.9	863.2
Infrastructure	75.2	102.4
Derivatives & currency	(150.3)	(128.3)
Other	<u>17.6</u>	<u>25.6</u>
Total	\$3,042.8	\$2,676.9

Changes in Fund Balances (millions)

Other financing sources (uses)	FY24 as of 3/31	FY23 as of 6/30
Transfers in	\$398.7	\$753.6
Transfers out	<u>(3,526.1)</u>	<u>(3,374.8)</u>
Net change in fund balances	\$1,613.0	\$1,674.7
Beginning of period	\$78,011.9	\$76,337.2
End of period	\$79,624.9	\$78,011.9

Components of Change (millions)

↑	Accounting Net Income	\$4,740.4
↑	Mineral Deposits	\$398.7
↓	POMV Transfer	\$3,526.1
↑	Net Change	\$1,613.0



Questions?

SUBJECT: FY24 Year-to-Date Financial Update ACTION: _____

DATE: May 29, 2024 INFORMATION: _____ X _____

KEY TAKEAWAYS:

- Total return for the third quarter of FY24 of 3.18%. Total fund underperformed the performance benchmark by 68 basis points and the passive benchmark by 76 basis points.
- Accounting net income year-to-date of \$4.7 billion, a gain of \$2.1 billion for the third quarter
- Realized (statutory) net income year-to-date of \$2.9 billion, slightly above Callan's mid-point projection of \$3.4 billion for the year
- Total net asset value as of March 31st of \$79.6 billion, an increase of \$3.2 billion from the same time last year
- Three transfers totaling \$800 million to the General Fund during the quarter, leaving \$845 million to be transferred during the last quarter of the fiscal year
- \$399 million of mineral deposits transferred in during the fiscal year to date, slightly ahead of the Spring Revenue Forecast
- Committed Earnings Reserve balance of \$5.1 billion, including \$3.7 billion for FY25 General Fund transfers and \$1.4 billion for FY24 inflation-proofing
- \$3.1 billion in uncommitted realized earnings at the end of March
- Inflation rate for FY24 is final at 4.1%, which results in an estimated statutory inflation proofing calculation of \$2.3 billion

Financial results for the third quarter of FY24 were similar to those for the prior quarter in that January saw drawdowns in almost every asset class, with some recovery in most of them by the end of the quarter. Public equities posted a total of \$1.5 billion in unrealized gains during February and March. Real estate experienced the largest write-down of \$333 million during the quarter. Overall, the portfolio gained \$1.8 billion in value between the end of December and the end of March.

Net assets increased by \$1.6 billion year-to-date through March. This is a result of net income of \$4.7 billion and \$399 million received in mineral royalty deposits offset by the FY24 POMV transfer to the General Fund in the amount of \$3.5 billion. Corporate operating expenses and other appropriations for the quarter totaled \$47 million.

There were three transfers to the General Fund during the third quarter of FY24 totaling \$800 million. The remaining \$845 million is scheduled to transfer throughout the remainder of the fiscal year. Staff is in communication with the cash managers at the Department of Revenue to ensure that amounts designated for the General Fund remain invested in the Fund as long as possible, while being available to meet the liquidity needs of the State.

Financial Report March 31, 2024

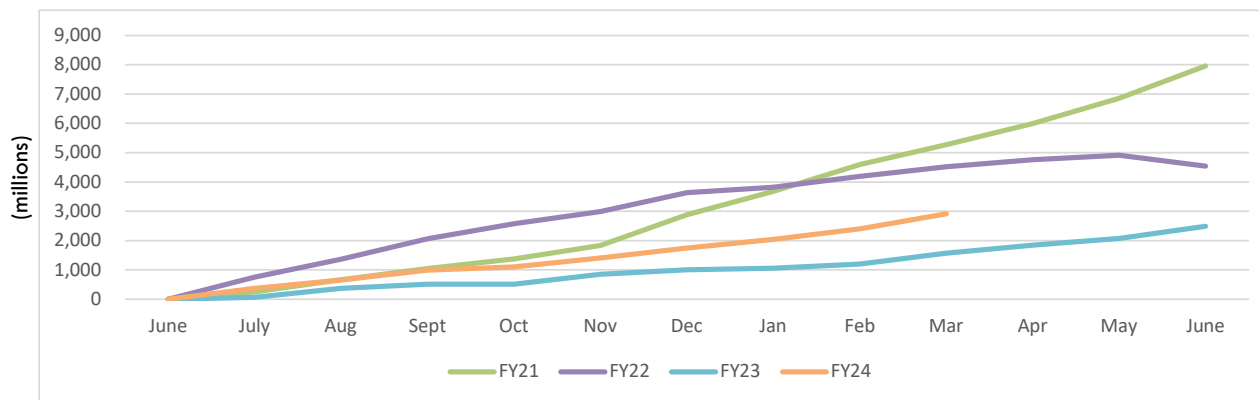
Fiscal Year 2024 Net Assets

Balances through March 31, 2024	<i>(in millions)</i>
Total assets	\$ 82,090.9
Less liabilities	(2,466.0)
Net assets	\$ 79,624.9
Fund Balances:	
Non-spendable	
Permanent Fund corpus—contributions and appropriations	\$ 56,818.9
Not in spendable form—unrealized appreciation on invested assets	12,796.3
Total non-spendable fund balance	69,615.2
Committed	
General Fund Commitment	3,657.3
Current FY inflation proofing	1,413.0
Current FY AK Capital Income Fund	16.4
Committed fund balance	5,086.7
Assigned for future appropriations	
Realized earnings	3,083.1
Unrealized appreciation on invested assets	1,839.9
Total assigned fund balance	4,923.0
Total fund balances	\$ 79,624.9

Fiscal Year 2024 Income

For the nine months ending March 31, 2024	<i>(in millions)</i>
<u>Statutory (Realized) Net Income</u>	
Interest, dividends, real estate, and other income	\$ 1,190.9
Realized gains on the sale of invested assets	1,852.0
Less operating expenses/legislative appropriations	(113.4)
Less Alaska Capital Income Fund committed realized earnings	(16.4)
Statutory net income	2,913.1
<u>GAAP (Accounting) Net Income</u>	
Statutory net income	\$ 2,913.1
Unrealized gain on invested assets	1,810.9
Alaska Capital Income Fund committed realized earnings	16.4
Accounting net income	\$ 4,740.4

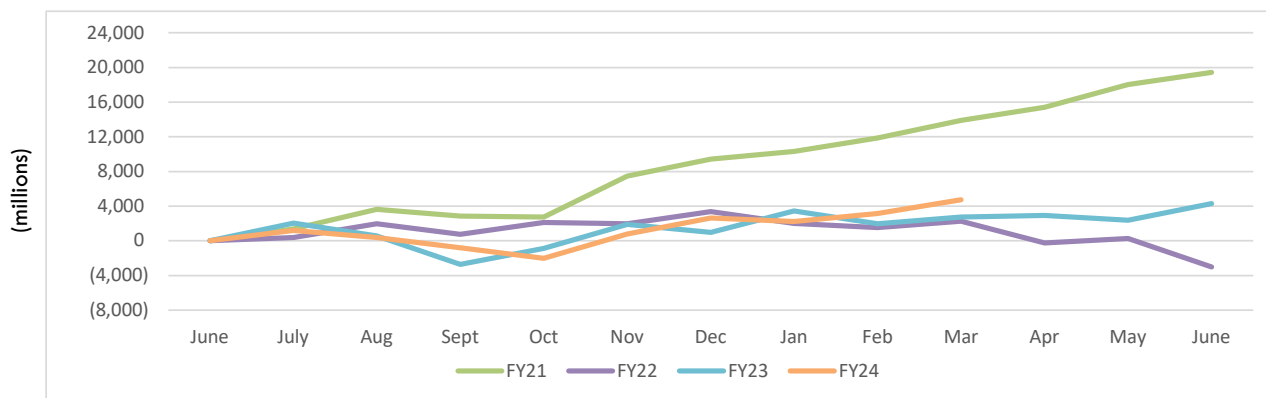
Statutory Net Income, Fiscal Years 2021 - 2024



- Comprised of receipts from interest on fixed income, real estate rentals, stock dividends, and all realized gains and losses on the sales of invested assets, less AK Capital Income Fund committed amounts and operating expenses.

- FY21 statutory net income was \$7,962.4 million.
- FY22 statutory net income was \$4,543.6 million.
- FY23 statutory net income was \$2,491.1 million.
- FY24 statutory net income is \$2,913.1 million to date.

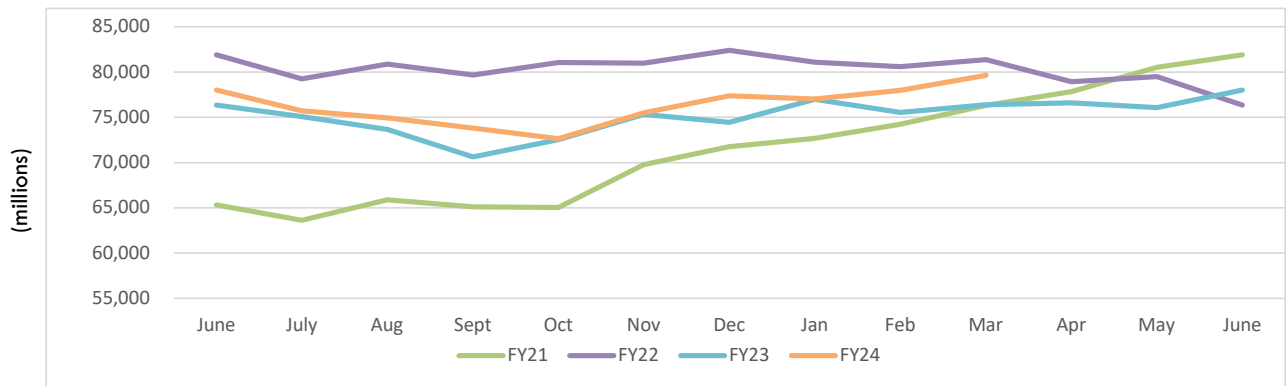
GAAP Accounting Net Income, Fiscal Years 2021 - 2024



- Accounting net income is the same as statutory net income, except it includes unrealized gains and losses.

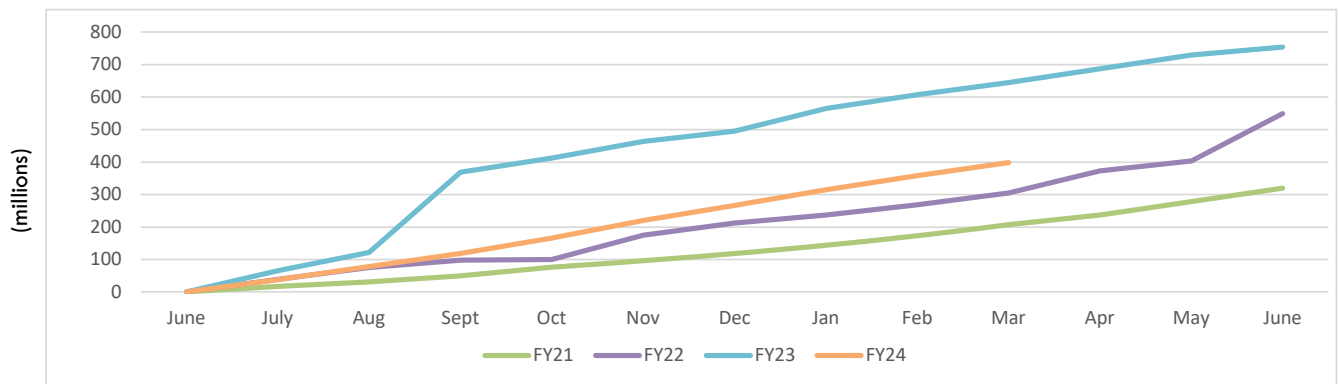
- Accounting net income for FY21 was \$19,416.6 million.
- Accounting net loss for FY22 was \$3,015.2 million.
- Accounting net income for FY23 was \$4,295.9 million.
- Accounting net gain for FY24 is \$4,740.4 million to date.

Market Value of Fund Net Assets, Fiscal Years 2021 - 2024



- FY21 net assets as of June 2021 were \$81.9 billion, a decrease of \$16.6 billion over the FY20 ending balance.
- FY22 net assets as of June 2022 were \$76.3 billion, an increase of \$5.6 billion over the FY21 ending balance.
- FY23 net assets as of June 2023 were \$78 billion, a decrease of \$1.7 billion from the FY22 ending balance.
- FY24 net assets as of March 2024 were \$79.6 billion, an increase of \$1.6 billion from the FY23 ending balance.

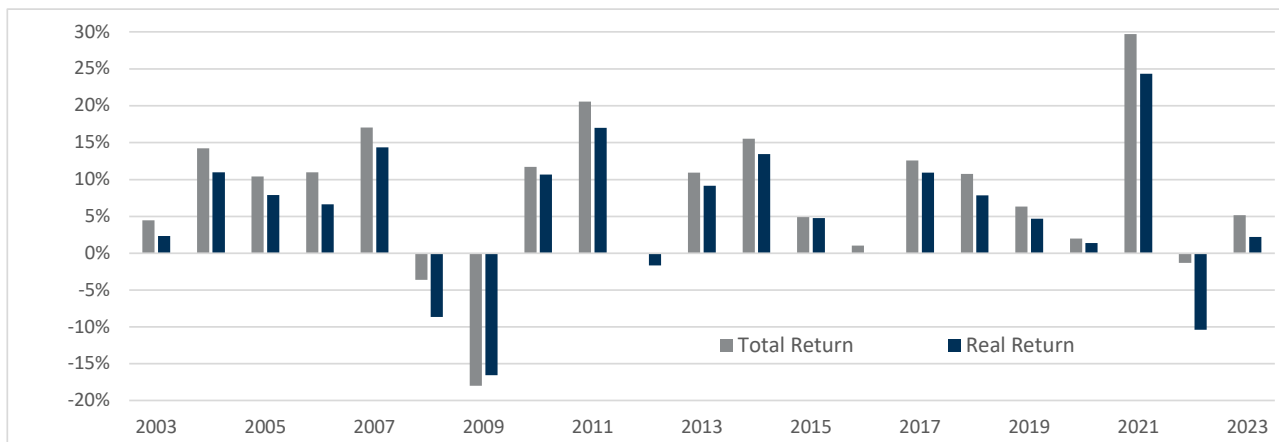
Dedicated Mineral Revenues, Fiscal Years 2021 - 2024



- FY21 mineral revenue was \$319.6 million.
- FY22 mineral revenue was \$548.9 million.
- FY23 mineral revenue was \$753.6 million.
- FY24 mineral revenue is \$398.7 million to date.

Alaska Permanent Fund Historical Returns, Fiscal Years 2003 - 2023

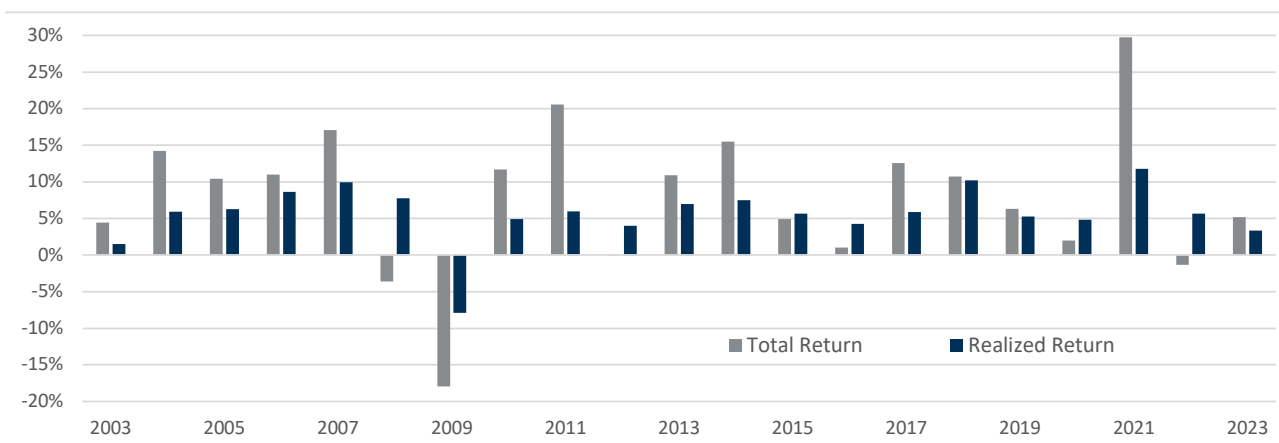
Total return minus inflation equals real return



- Total return annualized over 39 years is 8.81%
- Real return annualized over 39 years is 6.01%

Alaska Permanent Fund Historical Returns, Fiscal Years 2003 - 2023

Total return minus unrealized gains/losses equals realized return



- Total return annualized over 39 years is 8.81%
- Realized return annualized over 39 years is 7.39%



SUBJECT: Internal Controls Review

ACTION: _____

DATE: June 6, 2024

INFORMATION: _____ X _____

BACKGROUND:

At the September 7th Audit Committee meeting, the committee heard presentations from Byron Williams, the former Chief Audit Executive for the Oregon Office of the State Treasurer, and Beth Stuart, Office Managing Partner for KPMG, regarding the merits of adding an internal audit function to APFC's workflows. Mr. Williams' presentation centered around the benefits of having a dedicated team within the organization. Ms. Stuart discussed how the function might be outsourced and highlighted the fact that many risk mitigants were already in place throughout the organization.

The Committee requested that staff provide more information on what policies and procedures are currently in place to address the risk areas identified by KPMG.

STATUS:

Staff will present a preliminary assessment of internal controls and risk mitigants. We anticipate this to be an ongoing project with future reports back to the Committee.



ALASKA PERMANENT
FUND CORPORATION

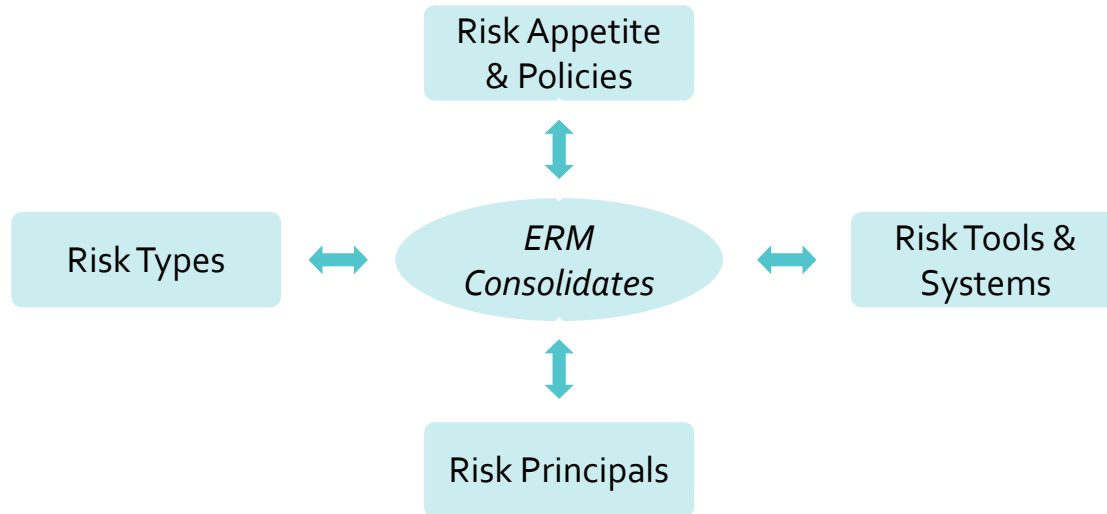
Internal Controls Review

June 6, 2024

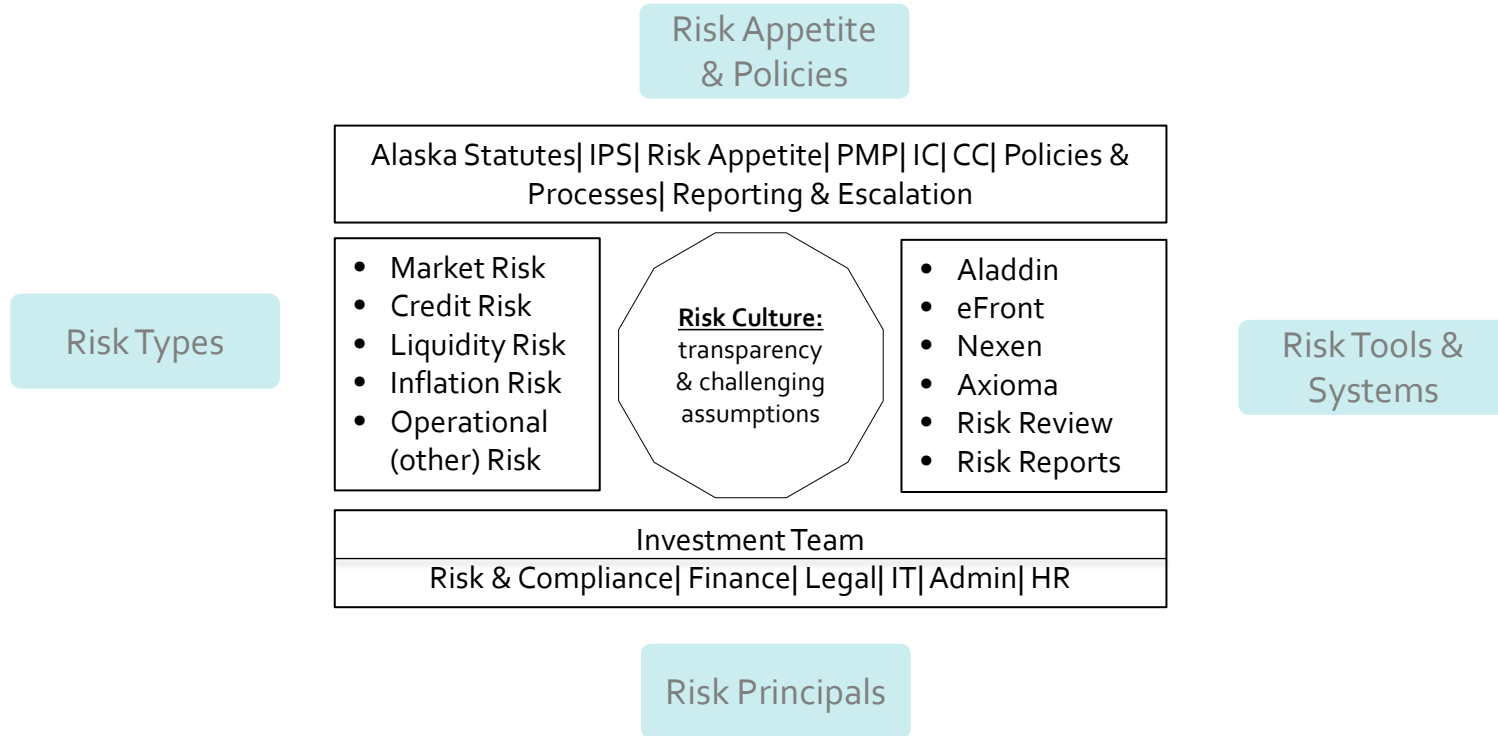


APFC's Enterprise Risk Management (ERM) framework: an overview

ERM: a framework that links the various aspects of effective risk management



ERM: the framework in APFC's context



ERM: enabled via various teams at APFC

- The investment activity is comprehensively covered by the board approved Investment Policy Statement (IPS). The IPS has an annual renewal cycle and includes detailed guidelines, limits and escalation procedures for measurement, control and reporting of investment/financial risk.
- The investment teams execute their respective strategies in alignment with the IPS.
- The risk and compliance function along with finance and legal constitute an independent monitoring and reporting framework focused on investment/financial risk.
- Additionally, this framework is augmented by IT, HR and Admin to enable monitoring and control of operational risks.
- The board plays a crucial oversight role in key aspects including investment policy approval, authority delegation and governance in general.

Essentially, all teams/staff at APFC contribute to enabling effective enterprise risk management

ERM: the library of key enterprise risks at APFC

Investment Risks		Operational Risks			
Investment	Information technology	Third-party management	Accounting and finance	Human capital	Other
Market	Cyber Security	Procurement and due diligence	Segregation of duties	Skills mapping and forecasting	Regulatory
Credit	User controls	Vendor solvency	Financial planning and analysis	Hiring, onboarding, terminating	Legal
Liquidity	Data transfer	Contract compliance	Reporting	Culture	Reputational
Inflation	Digitalization		Purchasing	Performance management	Strategy/ mandate creep
	Business resilience		Process automation	Succession planning	

ERM: Investment risks and mitigants

Risk Type	Assessment / Measurement	Control / Mitigation
Market Risk <ul style="list-style-type: none"> • Interest Rate Risk • Equity Risk • FX Risk 	<ul style="list-style-type: none"> • Value at Risk (VaR) • Tracking Error (TE) • Correlations • Exposure to Asset Classes, Security Types, Geographies, Currencies 	<ul style="list-style-type: none"> • Risk Appetite: Risk Tolerance Portfolio (RTP) • VaR Limits • TE Limits • Asset Allocation and Exposure Limits • Hedging Strategies • Clear guidelines and limits on derivative transactions
Credit Risk	<ul style="list-style-type: none"> • Spread Duration • VaR and TE measures • Rating Migration • Exposures by Name, Geography, Rating, Sector, etc 	<ul style="list-style-type: none"> • Risk Appetite: Risk Tolerance Portfolio (RTP) • VaR Limits • TE Limits • Asset Allocation and Exposure Limits • Counterparty review and onboarding process
Liquidity Risk	<ul style="list-style-type: none"> • Proportion of illiquid assets • Model/empirical based liquidity levels • Levels of contributions and distributions for private assets • Cashflow projections 	<ul style="list-style-type: none"> • Risk Appetite: min level of liquid assets • Asset Allocation and Exposure Limits • Minimum liquidity levels for asset classes • Minimum Cash & equivalents • Cash release arrangement with Custodian

ERM [operational risks]: Information Technology (IT) risks and controls – 2/2

Areas of Risk	Control / Mitigation
Cybersecurity	Tools to protect and monitor <ul style="list-style-type: none"> • External threats • Data protection/integrity/loss • Network access/permissions Testing <ul style="list-style-type: none"> • Bi-annual external security audits • Bi-annual external penetration testing User Training
User Controls	<ul style="list-style-type: none"> • Multi-factor authentication for remote access • Password governance • Industry standard security guidelines – Computer Information Security
Data Transfer	<ul style="list-style-type: none"> • Encrypted email and FTP data transfer coming and going • SWIFT messaging
Digitization	<ul style="list-style-type: none"> • Strong cybersecurity posture • Redundancy to ensure system reliability
Business Resilience	<ul style="list-style-type: none"> • Business continuity/disaster recovery plan • Backup data center

ERM [operational risks]: Third party management risks

Areas of Risk	Control / Mitigation
Procurement and due diligence	<ul style="list-style-type: none">• State of Alaska procurement rules• Dedicated procurement officer• External resources – Department of Revenue, Office of Procurement and Property Management• State of Alaska Procurement Academy
Vendor solvency	<ul style="list-style-type: none">• Minimum size/experience requirements for major contracts• Ongoing monitoring by project directors• Consideration of key person risk, client concentration
Contract compliance	<ul style="list-style-type: none">• Project owners monitor for compliance

ERM [operational risks]: Accounting and Finance risks

Areas of Risk	Control / Mitigation
Segregation of duties	<ul style="list-style-type: none"> • New account openings • BNYM cash movements • Aladdin cash movements and trade confirmations • Invoice approvals • Payment approvals • Journal entries
Financial planning and analysis	<ul style="list-style-type: none"> • Daily cash forecasting • Fund balance/POMV projections • Ad hoc analysis
Reporting	<ul style="list-style-type: none"> • Monthly financial and performance reports • Board of Trustees' packets • Website • Annual Report • Mid-year Review • Press releases

ERM [operational risks]: Accounting and Finance risks

Areas of Risk	Control / Mitigation
Purchasing	<ul style="list-style-type: none">• State of Alaska procurement rules• Director/Administrative approval of major purchases• Budget checking prior to major purchases• Purchasing cards limited to Admin staff
Process automation	<ul style="list-style-type: none">• Portfolio accounting• Financial statements• Portfolio reconciliation• Trade settlement• Collateral monitoring• Cash forecasting

ERM [operational risks]: Human capital management risks

Areas of Risk	Control / Mitigation
Skills mapping and forecasting	<ul style="list-style-type: none"> • Informal
Hiring, onboarding, terminating	<ul style="list-style-type: none"> • Onboarding/Offboarding checklists • Equipment tracking • New employee orientation • Immersion meetings • Termination protocols
Culture	<ul style="list-style-type: none"> • Team building activities • Flexible work location/schedule • Emphasis on quality of life • Open door policy • Debate/challenge is encouraged
Performance management	<ul style="list-style-type: none"> • Regular team check-ins • Semi-annual assessment of self and direct reports • Open dialogue/feedback
Succession planning	<ul style="list-style-type: none"> • Cross training • Plan for each area if supervisor leaves • Employee development

ERM [operational risks]: other operational risks

Areas of Risk	Control / Mitigation
Regulatory	<ul style="list-style-type: none"> • Be updated on relevant regulatory frameworks (seeks external counsel when required) • Independent monitoring to ensure compliance • Regular regulatory filings and reporting
Legal	<ul style="list-style-type: none"> • Vetting of legal documentation by General Counsel (GC) • GC is member of the CEO-chaired investment committee reviewing investment proposals • Direct access to State’s legal department • Access to external legal advice for subject matter expertise
Reputational	<ul style="list-style-type: none"> • Continuously strive to build a culture of high ethical standards and transparency • Dedicated communications team manages reputational risk aspects, in close coordination with leadership and other teams within APFC
Strategy/mandate creep	<ul style="list-style-type: none"> • Ensure investment policy and other policy documents are fully aligned to APFC’s statutes and core mandates • Regular challenging of assumptions and examination of initiatives to ensure adherence to strategy/mandate

Key Takeaways: and next steps

- APFC has the foundational elements of an enterprise risk management (ERM) framework, developed over the years
- Having the framework in place helps identify gaps and develop resolutions
- More needs to be done in terms of 'filling out' the template (listing out key activities and related controls)

Suggested next steps

1. APFC staff will work over the next 12 months to comprehensively review the framework, flesh out aspects as required and update the audit committee
2. Engage external (expert) advisory firm to review ERM framework, identify shortfalls and recommend solutions.
3. APFC staff to close gaps, if any, identified by independent review



SUBJECT: Annual Self-Assessment

ACTION: _____

DATE: June 6, 2024

INFORMATION: _____ X _____

BACKGROUND:

The Audit Committee charter requires that the committee do an annual self-assessment which is done at the spring meeting.

STATUS:

The forms have been distributed to the members of the committee. Feedback will be compiled and distributed at the meeting for discussion.

**Audit Committee of the Board of Trustees
2024 Annual Self-assessment**

Per the AICPA, the self-assessment should aid the audit committee in assessing its strengths and weaknesses and lay a foundation for future improvement.

General Questions (some may not apply):

		YES/NO	COMMENTS
1.	Is the level of independence of the audit committee acceptable?		
2.	Has the audit committee developed a continuing education program to enhance its members' understanding of relevant auditing, accounting, regulatory, and industry issues?		
3.	Are new audit committee members provided with an orientation program to educate them on the company and their responsibilities?		
4.	Does the audit committee consider the pressures on management that may impact the quality of financial reporting (e.g. earnings targets, resource limitations, and performance measures)?		
5.	Does the audit committee dedicate appropriate time and resources to execute its responsibilities?		
6.	Does the audit committee help to establish the right "tone at the top" promoting organization-wide awareness of corporate ethics, quality financial reporting, and strong internal controls?		
7.	Does the audit committee make inquiries of the appropriate parties (external auditor, management, etc.) on the depth of experience and sufficiency of staff?		
8.	Does the audit committee review the management recommendation letters written by the auditor to ensure that all significant matters raised are addressed?		
9.	Are the audit committee's meeting packages complete and received with enough lead time? Do they include the right information to allow meaningful discussion?		
10.	Is there appropriate consideration in the audit committee's discussions of the company's financial reporting risks and the related internal controls?		
11.	Is there active consideration of the audit plan and results of the independent audit?		
12.	Do executive sessions held with the independent auditor result in candid discussion of relevant issues?		
13.	Are adjustments to the financial statements that resulted from the audit process reviewed by the audit committee, regardless of whether they were recorded by management?		
14.	Is the audit committee charter used as a document to guide the committee in its efforts, and to help guide the committee's agenda?		

APFC Charter Specific Questions:

		YES/NO	COMMENTS
15.	Has the audit committee reviewed the adequacy of the charter within the last three years?		
16.	Have significant changes to accounting principles been discussed?		
17.	Have any legal matters that could impact the Fund's financial statements been discussed with legal counsel?		
18.	Has APFC financial and accounting personnel succession planning been reviewed?		
19.	Has the audit committee overseen the role of the external auditors from selection to termination?		
20.	Has the independence and performance of the auditors been reviewed?		
21.	Has the appropriateness and quality of accounting principles applied to the financial statements, including estimates and disclosures, been discussed?		