



# Audits and Risk Management Committee

## Item number 3 – Open session

**Subject:** Audit Services Charter – First Reading

**Presenter(s):** Cheryl Cervantes Dietz

**Item type:** Action

**Date and time:** September 25, 2024 – 15 minutes

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**Attachment(s):** Attachment 1 – 2024 Audit Services Proposed Charter

Attachment 2 – IIA Model Internal Audit Charter for the Public Sector

Attachment 3 – March 2020 Audit Services Charter

**PowerPoint presentation(s):** Audit Services Charter Revision Highlights

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### **Item purpose**

The purpose of this item is to provide a first reading of proposed updates to the Audit Services Charter.

### **Recommendation**

Staff recommends that the Audits and Risk Management (ARM) Committee consider and approve the updated Audit Services Charter. Staff will incorporate any feedback into the charter.

### **Executive summary**

Audit Services is required to comply with the *Global Internal Audit Standards* (Standards) set forth by the Institute of Internal Auditors (IIA). The Standards require the Chief Auditor to develop and maintain an internal audit charter that is approved by the organization's governing body. As defined by the IIA, an internal audit charter is a formal document that includes the internal audit function's mandate, organizational position, reporting relationships, scope of work, types of services and other specifications. The Chief Auditor should periodically assess its charter to ensure it continues to support the accomplishment of Audit Services' objectives. Any revisions to the charter require approval by the organization's governing body.

The Audit Services Charter was established in 2012 and last updated and approved by the ARM Committee in March 2020. In January 2024, the IIA updated and restructured its *2017 International Standards for the Professional Practice of Internal Auditing* to the *Global Internal Audit Standards*. As a result of the new Standards, the IIA released an updated Model Internal Audit Charter for the Public Sector (IIA Model Charter) as a tool for internal audit functions to use in updating their charters.

Staff reviewed the Standards, IIA Model Charter, and Audit Services' existing charter to develop the proposed 2024 Audit Services Charter. Staff did not redline the 2020 Audit Services Charter because many of the concepts remain. However, there were significant changes in structure, formatting, and language to align with the Standards and IIA Model Charter. Some of the substantive changes to the Audit Services Charter are described below.

***Section II: Mission and Purpose***

- Revised Audit Services mission statement to be more concise and clear.
- Updated Purpose statement to include applicable IIA Model Charter language.

***Section III: Mandate***

- Streamlined language for relevance, clarity, and alignment with IIA Model Charter.
- Added a section titled Changes to the Charter to align with IIA Model Charter.

***Section IV: Chief Auditor Roles and Responsibilities***

- Added responsibilities to include ensuring use of technology-based audits and development of strategic plan as required by the Standards.
- Clarified the communications that are required to be addressed annually.
- Added strategic plan progress and confirmation of independence to required communications in alignment with the Standards.
- Included performance measurements to the quality assurance and improvement program as required by the Standards.

***Section V: Scope and Types of Audit Services***

- Removed external audit coordination and management from scope of work since addressed under Chief Auditor responsibilities.
- Expanded scope of work to include evaluation of board members, management, staff, and contractor's compliance with policies, code of ethics and business conduct, procedures, and applicable laws to align with the IIA Model Charter language.
- Clarified the type of services provided by Audit Services.

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Strategic Plan linkage: [Strategic Plan - CalSTRS](#)

Board Policy linkage: [Audits and Risk Management Committee Charter](#)

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Optional reference material: [Global Internal Audit Standards \(theiia.org\)](#)