



Risk and Audit Committee

Agenda Item 3d

June 12, 2024

Item Name: Office of Audit Services Charter Update

Program: Audit Services

Item Type: Action Consent

Recommendation

Approve the revised Office of Audit Services (OFAS) Charter

Executive Summary

This agenda item is to propose a revision to the existing OFAS Charter (Charter), which was last updated and approved by the Risk and Audit Committee (RAC) in September 2018.

Strategic Plan

This item is not directly related to the Strategic Plan but is consistent with the International Professional Practices Framework, 2017 edition (2017 IPPF), of the Institute of Internal Auditors (IIA), and the IIA's newly released the Global Internal Audit Standards (Global Standards).

Background

Government Code section 13886.5 requires all state agencies that have their own internal auditors or that conduct internal audits to conduct internal audit activity under the standards of internal auditing prescribed by the IIA or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate.

OFAS conducts internal audits under the 2017 IPPF, which guides the worldwide professional practice of internal auditing. The 2017 IPPF includes the International Standards for the Professional Practice of Internal Auditing (2017 Standards). On January 9, 2024, the IIA released the Global Standards, which will replace the 2017 Standards on January 9, 2025. While the 2017 Standards remain approved for use during the one-year transition period, the IIA encourages early adoption of the Global Standards.

Both the 2017 Standards and the Global Standards require the chief audit executive to develop and maintain an internal audit charter.

Analysis

The Charter is updated periodically and was last updated and approved by the RAC in September 2018. Both the 2017 Standards and the Global Standards provide that the Charter be periodically reviewed and updated as needed. The Charter has been revised to include a proposed change related to the area of independence that is consistent with the leading practice for the administrative reporting relationship of the internal audit function. This change is reflected on page 2 of Attachment 1.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

Implementation of the revised Charter would ensure that CalPERS is consistent with the leading practice for the administrative reporting relationship of the internal audit function.

Attachments

Attachment 1 – Existing OFAS Charter with red-line/strikeout language

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