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Correspondence Memorandum

Date: August 26, 2024

To: Audit Committee

From: Yikchau Sze, Director
Office of Internal Audit

Subject: Audit Committee Charter Review and Approval

Staff recommends the Audit Committee (Committee) approve the attached committee charter and submit it to the Employee Trust Funds Board (Board) for approval.

As required by the Audit Committee Charter, the Committee shall annually review and assess the adequacy of the charter. The purpose of the review is to determine whether changes to the charter should be recommended to the Board in December.

The Institute of Internal Auditors (IIA) issued the Global Internal Audit Standards (the 2024 Standards) in January 2024 with an implementation requirement in January 2025. The 2024 Standards clarified the Board’s role in the governance of the internal audit function, with specific activities identified as “essential conditions” that the Board must perform to enable an effective internal audit function. Although the Committee has practices already in place to meet the requirements, opportunities exist for improved engagement. Therefore, the requirement “participate in discussions with Internal Audit Director and the Department of Employee Trust Funds (ETF) senior management about the essential conditions” was added to the current charter, and the expectations of the Committee’s oversight of Office of Internal Audit’s (OIA’s) performance was specified. Additionally, the Committee’s input regarding the Internal Audit Director’s performance and the OIA’s budget is specified to address the 2024 Standards’ requirement of documenting safeguards employed due to the governing structure limiting¹ internal audit’s independence.

¹ The 2024 Standards recognize constraints faced by the public sector internal audit functions, standard 7.1 Organization Independence requires: If the governing structure does not support organizational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.

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For the ease of review, the current Audit Committee Charter and revised charter, which shows the proposed changes, are included as Attachment A and Attachment B.

Staff will be at the Committee meeting to answer any questions.

Attachment A: [Current Audit Committee Charter](#)

Attachment B: [Revised charter with tracked changes](#)