bakertilly

Internal Audit

City of San Jose Office of Retirement Services (ORS)

Audit Committee Meeting:

Proposed Internal Audit Charter Amendment Overview

Presenter: Kate Murdock, Senior Manager

August 20, 2026

Proposed Charter Amendments

We propose the following additions and edits to the specified sections listed below:

- **Introduction**
  - Acknowledgement that the Internal Audit (IA) Division functions have been outsourced to a third-party CPA firm
- **Purpose & Mission**
  - Rather than serving as a “catalyst”, IA will help ORS accomplish its objectives by bringing a systematic approach to evaluating the effectiveness of governance, risk management and control processes
- **Scope of Work**
  - Adding that IA activities encompass all entities, processes, systems, records and personnel over which ORS has control or responsibility, subject to applicable laws and regulations
- **Authority**
  - Adding the word “unrestricted” to IA’s access to the Audit Committee and Board
- **Responsibility**
  - Adding “Develop and manage the internal audit budget and resource plan.” and “Ensure internal audit staff collectively possess the knowledge, skills, and competencies needed to fulfill the internal audit mandate.”

Proposed Charter Amendments Continued

We propose the following additions and edits to the specified sections listed below:

- **Accountability**
  - IA is functionally accountable to the Audit Committee of the Board and administratively to the ORS CEO rather than "accountable to the Audit Committee of the Board and designated senior management"
- **Independence and Objectivity**
  - Adding that the Committee and senior management shall ensure that the IA activity is free from interference in determining the scope of internal auditing, performing work and communicating results
- **Organization**
  - Adding "Functional reporting to the Audit Committee includes approval of the IA charter, risk-based audit plan, budget, and decisions regarding appointment, performance evaluation, and removal of the Head of the IA Division."
- **Internal Audit Plan**
  - Adding the word "annually" to specify how often the plan will be reviewed by the Audit Committee
- **Approval**
  - Changing Audit Committee review of the charter from every three years to annually to ensure alignment with standards and ORS governance expectations
- **Charter History**
  - Document approval by the Audit Committee/Board as part of the annual review process

Questions?

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. The name Baker Tilly and its associated logo is used under license from Baker Tilly International limited. The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. © 2024 Baker Tilly Advisory Group, LP