CALSTRS

Audits and Risk Management Committee

Item number 5 – Open session

Subject: Audit Services External Quality Assessment Results

Presenter(s): Cheryl Cervantes Dietz

Item type: Action

Date and time: September 24, 2026 – 10 minutes

Attachment(s): Attachment 1 – External Quality Assessment Final Report

Attachment 2 – IIA Global Quality Certification

Attachment 3 – Enhancement Opportunities Summary with Audit Services Response and Status

PowerPoint presentation(s): External Quality Assessment Report Highlights

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Item purpose

The purpose of this item is to provide the Audits and Risk Management (ARM) Committee with the results of Audit Services' External Quality Assessment (EQA) and seek approval of Audit Services' corrective actions in response to the recommendations provided.

Recommendation

Audit Services recommends acceptance of the EQA report and approval of Audit Services proposed corrective action to the recommended improvement opportunities.

Executive summary

In September 2025, the ARM Committee approved the engagement of the Institute of Internal Auditors (IIA) to perform Audit Services' external quality assessment. The IIA is the author and curator of the Global Internal Audit Standards. The external quality assessment objective was to evaluate Audit Services achievement of the Purpose of Internal Auditing and the 15 principles and 52 standards of the Global Internal Audit Standards (Standards).

The IIA completed its assessment in June 2026, refer to Attachment 1. Audit Services received the highest possible rating of full achievement. Only a small percentage of internal audit functions have received this rating from the IIA. As a result, Audit Services was awarded the IIA Global Quality Certification (Attachment 2).

Although an internal audit department might receive a "full achievement" rating, it is expected that the EQA assessment team will offer recommendations based on best practices or supplementary (non-mandatory) guidance. Such recommendations, in the form of enhancement opportunities, do not necessarily indicate a deficiency in the operation of Audit Services but are suggestions to enhance a properly functioning activity.

The IIA provided enhancement opportunities which Audit Services has responded. A summary of Audit Services response and corrective action status is included as Attachment 3.

Background

Standard 8.4 requires an external quality assessment of the internal audit function every five years by a qualified, independent assessor or assessment team from outside the organization.

Strategic Plan linkage: Strategic Plan - CalSTRS

Board Policy linkage: Board Governance Manual (calstrs.com)
