June 22, 2026

TO: Each Trustee,
ACRE Committee Members

SUBJECT: ACRE Committee Meeting on June 24, 2026 – Non-Consent - VI.A.

Agenda materials for Non-Consent - VI.A.

A. **Internal Audit External Quality Assessment**
Recommendation submitted by Leisha E. Collins, Chief Audit Executive and Alex Ochoa, Internal Auditor: Staff recommends the ACRE Committee to:
1) Authorize the issuance of a Request for Proposal (RFP) for an External Quality Assessment (EQA) of the Internal Audit Division.
2) Designate one of its members to serve on the evaluation team for the selection of the consultant to perform the EQA.
(Presentation) (Memo dated May 29, 2026)

STATEMENT OF WORK

GENERAL SCOPE

The External Quality Assessment (EQA) shall include benchmarking activities and the identification and reporting of leading practices to enhance the efficiency and effectiveness of LACERA's Internal Audit function in accordance with The Institute of Internal Auditors' Global Internal Audit Standards, effective January 2025.

The assessment shall evaluate the Internal Audit function's conformance with the Global Internal Audit Standards, including the Purpose of Internal Auditing; Ethics and Professionalism; Governing the Internal Audit Function; Managing the Internal Audit Function; and Performing Internal Audit Services. The assessment shall include a review of governing documents, policies, procedures, methodologies, selected audit workpapers, reports, quality assurance activities, and other evidence of conformance. The IIA Quality Assessment Manual and other applicable IIA guidance shall be used to guide the assessment and support evaluation of the following areas:

- Governance processes, including those involving executive management and the Boards
- Enterprise risk management processes
- Organizational control environment established by executive management
- Opportunities for assurance and advisory services
- Operations of the Internal Audit function, including perspectives from the Chief Audit Executive (CAE), the ACRE Committee, senior management, Internal Audit staff, and other key stakeholders
- Public sector considerations, including governance structure, resource constraints, and the application of the Standards in a public pension fund environment

ASSESSMENT ELEMENTS

The External Assessor shall evaluate, at a minimum, the following elements of Internal Audit:

- CAE reporting lines, organizational independence, annual independence confirmation, and quality assurance framework
- Organization, structure, mandate, charter, authority, role, responsibilities, and scope of the Internal Audit function
- Board and senior management essential conditions, including ACRE Committee oversight, support, approval responsibilities, and unrestricted access expectations
- Risk assessment methodology and engagement planning processes
- Internal audit strategy, performance objectives, performance measurement methodology, and continuous improvement activities
- Professional proficiency and development of audit staff
- Financial, human, and technological resources to support audit work
- Productivity, performance, and value delivery
- Selected audit workpapers, reports, engagement planning documentation, risk assessments, work programs, supervisory review evidence, and follow-up documentation
- Interviews with the ACRE Committee Chair and Committee members
- Interviews with executive and senior management
- Interviews with Internal Audit staff and external auditor
- Review of the Internal Audit function's coordination and reliance activities with internal and external assurance providers

KEY PROCEDURES

As part of the EQA, the External Assessor shall perform the following procedures:

- Provide an independent opinion on the Internal Audit function’s conformance with the Global Internal Audit Standards
- Assess the design and effectiveness of the Quality Assurance and Improvement Program (QAIP)
- Evaluate compliance with applicable laws, regulations, and governance requirements
- Assess the effectiveness of the Internal Audit function in relation to its mandate, charter, strategy, stakeholder expectations, and organizational objectives
- Identify leading practices and opportunities to enhance the Internal Audit function’s value, impact, quality, and contribution to governance, risk management, and control processes
- Evaluate coordination with governance stakeholders, including enterprise risk management, compliance, external auditors, and other assurance providers
- Assess the methodology used to develop the audit universe, organization wide risk assessment, and dynamic risk-based internal audit plan
- Evaluate resource adequacy, including financial, human, and technological resources, to ensure appropriate audit coverage and successful achievement of the internal audit plan
- Assess staff qualifications, professional development, competencies, use of audit tools, and adherence to documented methodologies
- Evaluate engagement-level conformance with the Standards, including engagement communication, risk assessment, objectives and scope, evaluation criteria, work programs, information gathering, analysis, findings, recommendations, conclusions, documentation, and monitoring of action plans
- Evaluate the application of the Global Internal Audit Standards in a public sector environment, including governance structure, transparency requirements, public accountability, funding considerations, and applicable legal or regulatory requirements
- Evaluate stakeholder perceptions through surveys and interviews
- Identify opportunities to enhance policies, practices, and coordination with external auditors

DELIVERABLES

The External Assessor shall provide the following deliverables:

- A detailed project plan, including timelines and periodic status updates to the Project Coordinator and relevant stakeholders
- A preliminary summary report outlining key observations and themes
- A final External Quality Assessment report, including an overall conclusion on conformance with the Global Internal Audit Standards, detailed findings, identified deficiencies or opportunities for improvement, and practical recommendations or action plan considerations
- Complete assessment results provided directly to the ACRE Committee, including sufficient detail to support the Committee’s oversight of the Internal Audit function’s quality, independence, resources, and conformance with the Standards
- A formal presentation of the results to the LACERA ACRE Committee

ASSESSOR QUALIFICATIONS AND INDEPENDENCE

The External Assessor or assessment team shall be qualified and independent in accordance with the Global Internal Audit Standards. At least one member of the assessment team shall hold an active Certified Internal Auditor designation. The assessor shall demonstrate knowledge of the Global Internal Audit Standards, external quality assessment practices, public sector internal auditing, and governance structures applicable to LACERA. The assessor shall disclose any actual, potential, or perceived conflicts of interest before the engagement begins and throughout the engagement if circumstances change.

REPORTING

All reports and presentations shall be written in a clear, objective, concise, constructive, complete, and professional manner suitable for review by executive management and the ACRE Committee. Findings, conclusions, and recommendations shall be supported by relevant, reliable, and sufficient information. The final report shall clearly identify the Standards assessed, the basis for the assessor’s conclusion, significant observations, opportunities for improvement, and any limitations affecting the assessment.