



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: August 4, 2017
To: Audit Committee Members
From: Yikchau Sze, Director
Office of Internal Audit
Subject: Approval of Audit Committee Charter

This is an action item that requires Audit Committee approval.

As required by the Audit Committee Charter, the Audit 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 ETF Board in December. Attached is a copy of the Charter with the suggested red-lined changes.

The following updates are proposed for the current Charter:

- 1) Include in writing the Committee's review of the independence of the internal audit function at ETF. The Committee has been performing this review since 2015;
- 2) Clarify the frequency and attendees of the Audit Committee meetings
- 3) Minor substantive changes

I will be at the Audit Committee meeting to answer any questions.

Attachment A: Red-lined Audit Committee Charter
B: Audit Committee Charter with suggested changes accepted

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed: 9/8/17

Board	Mtg Date	Item #
AUD	9.21.17	4

CHARTER EMPLOYEE TRUST FUNDS BOARD AUDIT COMMITTEE

Adopted: December 12, 2008

Last Revised: December 10, 2015

Purpose

The Employee Trust Funds Board (Board) has established the Audit Committee (Committee) to assist the Board in fulfilling its fiduciary and oversight responsibilities, including the financial reporting process, the system of internal controls, and the Department's process for monitoring compliance with laws and regulations ~~and of~~ the Institute of Internal Auditors code of conduct.

Membership

~~The Committee shall be composed of three Board members selected~~ Membership shall be determined by the Board chair, ~~except that the Committee shall be composed of three Board members.~~

At the first Committee meeting ~~of the Committee~~ in each calendar year, the Committee shall elect ~~a one of its members~~ chair, ~~another member~~ vice chair, and a ~~third member~~ secretary, each ~~will to~~ serve for a term of one year or until ~~a his or her~~ successor is duly elected and qualified, whichever is less. In the event of a vacancy in the office of chair, the vice chair shall immediately assume the office of chair for the remainder of the term. In the event of a vacancy in the office of vice chair or secretary, the Committee shall, at its next regular meeting, elect one of its members to fill such vacancy for the remainder of the term.

Authority and Responsibilities

In consultation with the Secretary and the Internal Audit Director, the ~~Audit~~ Committee shall:

- Review and assess the adequacy of the *Audit Committee* ~~e~~Charter annually and request Board approval of proposed changes.
- Review and approve the Office of Internal Audit charter.
- Provide policy recommendations for an effective system of internal controls to the Board.
- Provide recommendations for periodic assessment of the system of internal controls, including information technology security and control systems.
- Review and approve the biennial audit plan and all major changes to the plan, and the Office of Internal Audit's performance relative to its plan.
- Review audit findings together with management's responses and inform the Board of all internal audit reports prepared by the Internal Audit Director.

- Review and make recommendations to the Board regarding any audit reports prepared by the Legislative Audit Bureau.
- Review the Comprehensive Annual Financial Report.
- Review the effectiveness of the internal audit function and make recommendations to the Board, the Secretary, and the Internal Audit Director on methods to improve the function.
- Review and confirm the independence of the internal audit function annually.
- Review with the Secretary, the Legislative Audit Bureau, and, as necessary, appropriate legal counsel, any claim or contingency that could have a significant effect on the financial condition of the Trust Fund and how that claim or contingency is being managed.
- Bring to the attention of the Board any audit issue it deems significant or otherwise appropriate for the Board's consideration.
- Keep minutes of ~~Audit~~ Committee meetings and ensure that minutes are made available to Board members.

The Committee shall also participate in the selection and evaluation of the Internal Audit Director.

Meetings

The ~~e~~Committee shall meet at least two (2) times per calendar year, with authority to and may convene more additional meetings frequently as circumstances require. The Committee may meet separately with the Internal Audit Director and management to discuss any matters the Committee believes should be discussed privately. (Note: subject to open meeting laws)

The ~~e~~Committee may invite members of management, auditors or others to attend the meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved by the Committee.- The ~~e~~Committee chair, or designee, will provide a ~~e~~Committee report and submit applicable recommendations to the Board.

History of Changes to Audit Committee Charter

- The Board adopted ~~this~~ charter on December 12, 2008. The Board reviewed and approved ~~this~~ charter, ~~with~~ (no changes), on September 15, 2011.
- The Board reviewed and approved this an updated charter, ~~with changes~~ to provide clarification on the Committee's roles and responsibilities, on December 5, 2013.
- The Board reviewed and approved this charter, ~~with on~~ (no change), on December 11, 2014.
- The Board reviewed and approved this an updated charter, ~~with changes~~ to

establish a clear working relationship between the Audit Committee and the Internal Auditor, on December 10, 2015.

- The Board reviewed and approved charter (no change) on December 15, 2016.

CHARTER
EMPLOYEE TRUST FUNDS BOARD
AUDIT COMMITTEE
Adopted: December 12, 2008
Last Revised: December 10, 2015

Purpose

The Employee Trust Funds Board (Board) has established the Audit Committee (Committee) to assist the Board in fulfilling its fiduciary and oversight responsibilities, including the financial reporting process, the system of internal controls, and the Department's process for monitoring compliance with laws and regulations of the Institute of Internal Auditors code of conduct.

Membership

The Committee shall be composed of three Board members selected by the Board chair.

At the first Committee meeting in each calendar year, the Committee shall elect a chair, vice chair and a secretary, each will serve for a term of one year or until a successor is duly elected and qualified, whichever is less. In the event of a vacancy in the office of chair, the vice chair shall immediately assume the office of chair for the remainder of the term. In the event of a vacancy in the office of vice chair or secretary, the Committee shall, at its next regular meeting, elect one of its members to fill such vacancy for the remainder of the term.

Authority and Responsibilities

In consultation with the Secretary and the Internal Audit Director, the Committee shall:

- Review and assess the adequacy of the *Audit Committee Charter* annually and request Board approval of proposed changes.
- Review and approve the Office of Internal Audit charter.
- Provide policy recommendations for an effective system of internal controls to the Board.
- Provide recommendations for periodic assessment of the system of internal controls, including information technology security and control.
- Review and approve the biennial audit plan and all major changes to the plan, and the Office of Internal Audit's performance relative to its plan.
- Review audit findings together with management's responses and inform the Board of all internal audit reports prepared by the Internal Audit Director.
- Review and make recommendations to the Board regarding any audit reports prepared by the Legislative Audit Bureau.
- Review the Comprehensive Annual Financial Report.
- Review the effectiveness of the internal audit function and make recommendations to the Board, the Secretary, and the Internal Audit Director on

methods to improve the function.

- Review and confirm the independence of the internal audit function annually.
- Review with the Secretary, the Legislative Audit Bureau, and, as necessary, appropriate legal counsel, any claim or contingency that could have a significant effect on the financial condition of the Trust Fund and how that claim or contingency is being managed.
- Bring to the attention of the Board any audit issue it deems significant or otherwise appropriate for the Board's consideration.
- Keep minutes of Committee meetings and ensure that minutes are made available to Board members.

The Committee shall also participate in the selection and evaluation of the Internal Audit Director.

Meetings

The Committee shall meet at least two (2) times per calendar year, with authority to convene more additional meetings as circumstances require. The Committee may meet separately with the Internal Audit Director and management to discuss any matters the Committee believes should be discussed privately. (Note: subject to open meeting laws)

The Committee may invite members of management, auditors or others to attend the meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved by the Committee. The Committee chair, or designee, will provide a Committee report and submit applicable recommendations to the Board.

History of Changes to Audit Committee Charter

- The Board adopted charter on December 12, 2008. The Board reviewed and approved charter (no changes), on September 15, 2011.
- The Board reviewed and approved an updated charter to provide clarification on the Committee's roles and responsibilities, on December 5, 2013.
- The Board reviewed and approved this charter (no change) on December 11, 2014.
- The Board reviewed and approved an updated charter to establish a clear working relationship between the Audit Committee and the Internal Auditor, on December 10, 2015.
- The Board reviewed and approved charter (no change) on December 15, 2016.