



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:** November 17, 2017  
**To:** Audit Committee  
**From:** Yikchau Sze, Director  
Office of Internal Audit (OIA)  
**Subject:** Quality Self-Assessment

**This memo is for informational purposes only. No action is required.**

The OIA implemented a systemic quality assurance and improvement program in early 2016. We identified key performance indicators centered around people, process, technology and result. In July 2016, OIA began collecting data to measure our performance. OIA measures itself by conducting post-audit surveys (see Appendix A for the survey questions), assessing productivities at audit completion, (see Appendix B for the self-assessment criteria), and by gathering feedback from stakeholders (see Appendix C for the survey questions to the Audit Committee). Below is a summary of our assessment results.

**People:** We measure this key enabler by assessing our capacity through professional certification, experience, training, program knowledge and productivity.

Currently, all OIA staff are either a certified public accountant, a certified internal auditor or a certified fraud examiner. OIA staff have highly specialized accounting and auditing skills combined with extensive knowledge and experience, all of which ensures that the OIA possess the necessary expertise to conduct financial, operational and control audits. OIA maintains its competency by attending professional development of in-person trainings, conferences and seminars and have acquired adequate CPE hours to maintain respective professional certifications.

In addition to certifications and trainings, OIA also measures auditors' program knowledge and engagement productivity after completion of each audit. On average, the OIA meets its goals; however, gaps exist among the staff.

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 12/1/17

Board	Mtg Date	Item #
AUD	12.14.17	8

People	Program Knowledge Score		Engagement Productivity Score	
	Actual	Goal	Actual	Goal
	3.25	3	2	2

**Collectively, OIA met its goals; however, improvement is needed at the individual level. Targeted trainings have been provided.**

**Process:** OIA has standardized the auditing process and now uses audit management software (TeamMate) to manage the audit process when feasible.

OIA measures the success of audit processes by assessing whether the goals of the audit plan completion are met and the average duration of an audit. OIA exceeded its completion rate goal for the 2015-2017 audit plan and are on target with its current biennial audit plan. However, OIA fell short on its goal of the average duration of an audit. Time management training and other tools have been provided to the auditors to become more efficient.

Process	Audit Plan Completion		Duration of an Audit	
	Actual	Goal	Actual	Goal
	94% of prior Plan; On target with current Plan	80%	6.4 months	4 months

**OIA met one of the two goals. Targeted trainings have been provided.**

**Technology:** Technology enables internal audit to be more efficient and effective. OIA improved transparency and accountability by recording, storing and reviewing audit work electronically in a single software solution (TeamMate). During the reporting period from July 1, 2016, to October 31, 2017, all internal audits were conducted in TeamMate and OIA began using the solution for consulting work.

Another goal OIA set for technology is to incorporate data analytics in all audit testing. OIA took a phased approach in employing data analytics. The initial goal is to perform analysis of operational and financial data so that risks and opportunities could be quantified or highlighted in each audit. The next phase is to develop repeatable and automated processes that OIA can rely on to search for patterns and identify anomalies.

OIA has met its phase 1 goal and invested in trainings so that it could move toward phase 2 of the data analytics. Varying degrees of competency among staff resulted in

varying degrees of application of data analytics. Opportunity for improvement at the individual staff level exists.

Technology	Internal Audit Completed in TeamMate		Data Analytics Phase I	
	Actual	Goal	Actual	Goal
	100%	100%	100%	100%

**OIA met both goals; however, there is room for improvement at the individual staff level.**

**Result:** People, Process and Technology are the key enablers that ensure OIA provides value-added services to ETF management and the Audit Committee of the ETF Board.

Service to ETF management: OIA measures its assurance service to ETF management by tracking the following three key performance indicators:

	Actual Result	Goal
Post-Audit Survey Score	3.37	3 = Good
Audit Findings Concurred with by Management	100%	100%
Business Process Improvements Recommended	80%	100%

In addition to assurance services, OIA provides consulting services to ETF management. Since 2016, OIA has experienced an increased demand for its services throughout the agency.

Service to Audit Committee: OIA developed and conducted an Audit Committee survey to assess its services to this committee; responses reflected a rating of 93% “agree or strongly agree” versus 7% “neutral”. Overall, OIA received very positive feedback on the quality of services provided and meeting committee expectations.

Attachments:

Appendix A – Post Audit Survey Questions (the actual survey was conducted through Survey Monkey);

Appendix B – Self-assessment Criteria

Appendix C – Audit Committee Survey Questions

# Office of Internal Audit Post Audit Survey



Audit:

Conducted by:

Business Owner:

Date of Survey:

**Please select your response that best reflect your rating of the audit in the following areas. If your rating is either Fair or Poor, please provide details in the Comment areas.**

## **Professional Proficiency**

1. Was the audit conducted in a professional manner (integrity, objectivity, confidentiality and competency)?

Excellent

Good

Fair

Poor

## **Scope of Work**

2. Were the purpose and scope of the audit clearly communicated to you?
3. Did the audit address key risk areas?
4. Was the audit conducted within scope?

## **Performance of Audit Work**

5. Did the duration of the audit meet your expectations?
6. Were the audit findings or observations accurate?
7. Were the recommendations clear, actionable, addressing the issues at hand and practical to implement?
8. Was the audit report accurate, concise and issued in a timely manner?
9. Did the auditor have or was able to acquire adequate knowledge of the review areas?

# Office of Internal Audit Post Audit Survey



**Please provide comments in the following areas:**

Was there anything about the audit you especially liked?

Was there anything about the audit you especially disliked?

What suggestions do you have to improve future audit quality?

Any additional comments?

## Quality Assurance and Improvement (QAIP) - Engagement Productivity (passing score: 2)

Audit:

Completed by:

Completion Date:

Efficiency	3	2	1	0	-1.5	-3	Results
	No	Yes, minor impact (<10% of budgeted hours)	Yes, medium (11% < delays < 20% of budgeted hours)	Yes, major (21% < delays < 33% of budgeted hours)	Yes, significant (34% < delays < 49% of budgeted hours)	Yes, (delays >50% of budgeted hours)	
Rework of Audit Fieldwork (procedure design & testing)							0
Unnecessary Audit Procedures Performed							0
Audit Fieldwork Overdue							0
Audit Report Overdue							0
<b>Average</b>							<b>0.00</b>

Effectiveness	3	2	1	0		Results
	Full	Major	Partial	Minimum		
Audit Objective Achievement						0
Coverage of Key Engagement Risks						0
<b>Average</b>						<b>0.00</b>

Overall Engagement Productivity

**0.00**



Office of Internal Audit  
Quality Assurance and Improvement Program  
**Audit Committee Survey**

Name:

Date:

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1. The Committee has the opportunity to provide input and feedback to the OIA Director about the Audit Plan:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

2. The Audit Plan covers key areas of risk and related controls:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

3. OIA's audit and consulting activities meet the expectations of the Audit Committee in terms of risk coverage, quality and timeliness):

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

3.a. If there are other expectations that you would like to mention, please specify below:

3.b. If you do not agree with this statement, please specify what expectation(s) that the OIA failed to meet, and your suggestions on improvement.

4. The frequency, the length and the format of Audit Committee meetings are appropriate:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

4.a If you do not agree with this statement, what aspect of the Committee meetings would you like to change to make them more effective?



Office of Internal Audit  
Quality Assurance and Improvement Program  
**Audit Committee Survey**

5. The information provided by the internal audit reports is accurate, relevant, concise and understandable:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

5.a If you do not agree with this statement, please specify the reasons for the disagreement and your suggestions on improvement.

6. The auditors who present at the Audit Committee meetings conduct the presentation professionally:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

7. The auditors who present at the Audit Committee meetings demonstrate a good knowledge of the subject matter:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

8. OIA ensures that audit recommendations are properly implemented by management:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

9. Audit Committee maintains open dialogue with and has free access to the OIA Director:

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

10. Were there any other performance measures that you would like to include in the survey in the future?

11. Additional comments, if any: