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## ***Correspondence Memorandum***

**Date:** November 13, 2020  
**To:** Audit Committee  
**From:** Yikchau Sze, Director  
Office of Internal Audit (OIA)  
**Subject:** Annual Independence Affirmation and Disclosure

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

### **Independence Affirmations**

International Standards for the Professional Practice of Internal Auditing (the Standards) require the internal audit activity to be independent and internal auditors to be objective in performing their work.

The Standards also require the chief audit executive confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function, as well as conformance with the Standards and Code of Ethics.

To the best of my knowledge in all matters relating to audit work, ETF's internal audit function is free both in fact and appearance from personal, external, or organizational impairments to independence.

The internal auditors of the OIA also annually certify their independence and compliance with the Standards.

### **Quality Assurance and Improvement Program (QAIP) Disclosure**

The Standards also require the chief audit executive communicate the results of the QAIP to senior management and the Board. The QAIP include both internal ongoing monitoring, periodic self-assessment and external assessment, which is required to be completed every five years.

A full external quality assessment, including the assessment on the effectiveness of the internal QAIP, was completed by the Quality Service of Institute of Internal Auditors (IIA Quality Service) in May 2018.

Board	Mtg Date	Item #
AUD	12.09.20	7

Although OIA received the opinion of General Conformance from IIA Quality Service, to enhance organization independence and objectivity, ETF submitted statutory changes through the 2021-2023 biennial budget request to create the independent Office of Internal Audit at ETF.

In addition to the full external quality assessment, OIA performs on-going and annual QAIP activities. This includes the following:

- Quality review and sign-off by OIA Director of workpapers completed by OIA staff
- Engagement monitoring through post audit surveys – survey results of completed audits in 2020 were all above passing score of 3 (1 being the lowest and 4 being the highest)
- Annual review of the IIA Standards with any necessary updates to the Internal Audit Manual and internal practice
- Annual review of Internal Audit Charter and Audit Committee Charter