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**Department of Employee Trust Funds**  
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## ***Correspondence Memorandum***

**Date:** November 10, 2022  
**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 to 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, the Department of Employee Trust Fund's (ETF) 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.

We had one employee who left during this reporting period of 2022 and this individual conformed with the Standards and Code of Ethics as well.

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

The Standards require the chief audit executive to communicate the results of the QAIP to senior management and the Board. The QAIP includes both internal ongoing monitoring, periodic self-assessment, and external assessment.

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A full external quality assessment, including the effectiveness of the internal QAIP, was completed by the Quality Service Institute of Internal Auditors (IIA Quality Service) in May 2018, and OIA received the opinion of General Conformance. The Standards require the external assessment to be conducted every five years; therefore, OIA will have the assessment completed in the calendar year 2023.

OIA implemented all the recommendations raised by the IIA Quality Service from the 2018 assessment except the recommendation of ETF creating an independent OIA to enhance its organizational independence and objectivity. This recommendation requires statutory changes. ETF has been pursuing the change through the biennial budget requests but has not been successful.

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

- Quality review and sign-off by OIA Director of workpapers completed by OIA staff and the peer review conducted among OIA staff
- Engagement monitoring through post audit surveys
- 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