



STATE OF WISCONSIN  
Department of Employee Trust Funds  
A. John Voelker  
SECRETARY

Wisconsin Department  
of Employee Trust Funds  
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## Correspondence Memorandum

**Date:** February 24, 2023  
**To:** Audit Committee  
**From:** Yikchau Sze, Director  
Office of Internal Audit (OIA)  
**Subject:** External Quality Assessment

**This memo is for information purposes only. No Committee action is required.**

The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)* requires internal audit functions to obtain an external assessment at least once every five years by a qualified, independent assessor or assessment team from outside the organization. External assessment may be accomplished through a full external assessment<sup>1</sup>, or a self-assessment with independent external validation.

The Office of Internal Audit has engaged Virginia Retirement System (VRS) for an external validation of a self-assessment performed by the OIA. VRS is a member of the Association of Public Pension Fund Auditors (APPFA) and has volunteered to perform this validation at no cost to ETF. The assessment team consists of Jennifer Schreck, the Internal Auditor Director for VRS, who serves as team leader, and Judy Bolt, the Principal Auditor for VRS, who serves as a team member for the engagement. The review will be conducted in accordance with IIA *Quality Assessment Manual for the Internal Audit Activity*.

The engagement<sup>2</sup> will start on June 26, 2023, and the results will be presented to the Audit Committee at the September Audit Committee meeting.

Attached is the engagement letter signed by ETF and VRS, which defines roles and responsibilities, timeline, scope, and deliverables.

Attachment: Engagement Letter for External Validation of a Self-Assessment for the Office of Internal Audit at ETF

<sup>1</sup> The IIA Quality Services conducted the full external assessment of OIA in 2018.

<sup>2</sup> The engagement, as well as the reporting of the engagement, will be performed virtually.

Board	Mtg Date	Item #
AUD	3.23.23	8



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**Date:** February 15, 2023

**To:** Jennifer Schreck, Virginia Retirement System (VRS)  
Judy Bolt, VRS

**From:** Yikchau Sze, Wisconsin Department of Employee Trust Funds (ETF)

**Subject:** Engagement Letter for External Validation of a Self-Assessment for the Office of Internal Audit (OIA) at ETF

**Background**

The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* requires internal audit functions to obtain an external assessment at least once every five years by a qualified, independent assessor or assessment team from outside the organization (referred to as QA Review Team)<sup>1</sup>. External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. Accordingly, we are requesting an **external validation of a self-assessment** that was performed by the ETF's Office of Internal Audit.

As members of the Association of Public Pension Fund Auditors (APPFA), you have volunteered to perform this validation at no cost to ETF. No travel is anticipated for this QA Review as it will be done remotely. If for unknown circumstances travel is required, reimbursement will occur and be agreed upon at that time. This approach and your participation have been approved by the Audit Committee of ETF. It is our understanding that your participation has also been approved by your employer.

The QA Team must be free of potential conflicts of interest in relation to the performance of this review and no known conflicts exist. Further, any conflicts that arise during the engagement must be immediately disclosed to all parties. All activities under this Engagement Letter will be completed for the sole benefit of ETF for the purposes of analyzing and rating ETF's internal auditing practices and suggesting improvements thereof.

The purpose of this engagement letter is to clarify and document the expectations of each party. Because of the voluntary nature of the services, any party may rescind, cancel, or withdraw from the agreement, or any part of the agreement (except the confidentiality clause), at any time for any reason without penalty.

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<sup>1</sup> A QA Review Team is also referred to as the Peer Review Team.

## QA Team, Responsibilities, and Other Relevant information

Team members (individually and collectively, “QA Team”) are:

- Jennifer Schreck, Internal Audit Director for VRS, who will serve as **team leader** for the engagement.
- Judy Bolt, Principal Auditor for VRS, who will serve as a **team member** for the engagement.

Project Specifications:

- The QA Team shall perform an external validation of a self-assessment performed by the ETF internal audit function to determine compliance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics.
- The review shall be conducted in accordance with The Institute of Internal Auditors’ *Quality Assessment Manual for the Internal Audit Activity, 2017 Edition*.
- The QA Team Leader is responsible for control of the working papers during the QA Review. The Team Leader will retain the working papers for one year after the final report has been issued.

QA Team Responsibilities:

1. Review relevant documentation.
2. Administer or review a survey to internal audit customers and stakeholders as determined by QA team leader in consultation with the Internal Audit Director (IAD).
3. Review the working papers for a sample of projects completed during the review period.
4. Conduct interviews of ETF’s Board members, internal audit customers, Executive Leadership, and internal audit staff members.
5. Provide the IAD with periodic updates on the progress of the QA.

Deliverables:

- Issue a written report of the results of the QA, including:
  - A written opinion as to whether the internal audit function, “generally conforms,” “partially conforms” or “does not conform” with the *Standards*.
  - Recommendations for improvement.
  - Identification of successful practices and value-added services.
- Present virtually to the ETF Audit Committee.

Scope:

- ETF internal audit activities performed during the period July 1, 2018, through June 30, 2023. However, we understand that you may review any document procedure outside of that period if necessary to gain a better understanding of prior or current internal audit procedures.

## Expected Timeline:

- Engagement letter provided to QA Team: February 15, 2023
- Commence engagement: 6/26/2023
- Issue Draft Report: 8/14/2023
- Issue Final Report: 8/21/2023
- Audit Committee Materials Due: 8/25/2023
- Audit Committee Presentation: 9/21/2023 | 8:00 am CST

## Internal Audit Director Responsibilities

We appreciate the time you have volunteered to work on this project. Since we would like this to be a positive experience for each of us, please let us know if there is anything we can do before or during fieldwork to enhance your review. The items below will be provided.

1. Provide the QA Team with a completed self-assessment, reference file, and self-assessment report by 6/1/2023 via a secure transfer file set up by ETF IT Department.
2. Provide the QA Team with other documentation as necessary to complete the review.
3. Coordinate with the QA Team in the development and distribution of surveys to internal audit customers (e.g., Audit Committee and Executive Management).
4. Assist the QA Team as necessary during the review.
5. Provide responses for inclusion in the draft report.

## Confidentiality

The QA Team shall conduct the review with due regard for any applicable professional ethics, including the requirements of confidentiality. The QA Team acknowledges and agrees that all information (whether written or oral) disclosed to them in connection with the activities under the Engagement Letter is received in confidence and is confidential and proprietary in nature (“Confidential Information”). No Confidential Information shall be divulged by QA Team to anyone not associated with the QA engagement or otherwise disclosed to any third parties without the prior written consent of ETF which ETF may withhold in its sole discretion and shall be used solely for the purposes expressed in the Engagement Letter. The restrictions on the disclosure of confidential information shall not apply to:

1. any part of the information that is disclosed in response to a valid order of the court or other governmental authority or is otherwise required to be disclosed by law;
2. information that is requested by ETF to be disclosed; or
3. information that is disclosed with the written consent of ETF.

## Miscellaneous

This document sets forth the entire agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior oral and written agreements, understandings and quotations relating thereto.

Notwithstanding the expiration or termination of this Engagement Letter or any extension

thereof, it is acknowledged and agreed that those rights and obligations which by their nature are intended to survive such expiration or earlier termination shall survive.

The QA Team covenants that it and its personnel performing the services, if present at the facilities of ETF, will comply with the security and safety policies of ETF.

No person or entity not a party hereto will be deemed to be a third-party beneficiary of this Engagement Letter or any provision hereof.

By signatures below, the parties agree to the terms specified in this Engagement Letter, which becomes effective when fully executed below and remains in effect until the QA is concluded and the final report is issued, unless otherwise specified, and subject further to the right of any party to terminate this Engagement Letter at any time after the commencement date, with or without cause, upon written notice. We have included the name of the Director at your system, if this a requirement of your System. If it is not a requirement, then simply put NA on the signature line.

**Signatures**

**ETF**

*Yikchau Sze* 2/15/2023

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Yikchau Sze, Internal Audit Director & Date

**VRS**

*Jennifer Schreck* 2/15/2023

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Jennifer Schreck, Internal Audit Director & Date

*Judy Bolt* 2/15/2023

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Judy Bolt, Principal Auditor & Date