



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

Wisconsin Department  
of Employee Trust Funds  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

***Correspondence Memorandum***

**Date:** November 16, 2023  
**To:** Audit Committee  
**From:** Yikchau Sze, Director  
Office of Internal Audit (OIA)  
**Subject:** Annual Independence Affirmations and Disclosures

**This memo is for informational purposes only. No Committee 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 that 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 our audit work, the Department of Employee Trust Fund's (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 annually certify their independence and compliance with the Standards. All the OIA staff have completed their independence affirmation by November 9, 2023.

**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 Audit Committee. The QAIP includes both ongoing internal monitoring and external assessments every five years.

An external quality assessment was completed in August 2023 by the Virginia Retirement System and reported to the Audit Committee at the September meeting. Table 1 below provides a summary of the assessment results and the status of the action plan.

Board	Mtg Date	Item #
AUD	12.14.23	4B

**Table 1. Opinion – OIA generally confirms to the Standards**

<b>Gaps</b>	<b>Planned Actions</b>	<b>Status</b>
Organizational Independence	Continue to ensure the importance of this issue is discussed internally and known to the Legislature for a required statutory change	In-Progress
Audit Planning	Document the rationale of audit item selections and more Board member involvement in the planning	Open - to be implemented when planning for the next audit cycle
Engagement Supervision	Sign off workpapers before a draft report is issued to business areas for management's response	Closed

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

- Quality review and sign-off of engagement workpapers by OIA Director.
- Quality monitoring through post-engagement surveys.
- Annual review of Internal Audit Charter and Audit Committee Charter.
- Annual review of the IIA Standards with any necessary updates to the Internal Audit Manual and internal practice.

The International Internal Audit Standards Board is updating the Standards and will approve the final draft by the end of calendar year 2023. The new Standards will become effective in 2025, no sooner than 12 months after release. OIA has monitored the changes by participating in the public comment period of the proposed changes through our work with the Association of Public Pension Fund Auditors (APPFA) Best Practice Committee and by receiving training on the proposed changes at the APPFA 2023 Spring Conference in Madison.

Staff will be at the Committee meeting to answer any questions.