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Correspondence Memorandum

Date: August 26, 2024
To: Audit Committee
From: Yikchau Sze, Director
Office of Internal Audit
Subject: Global Internal Audit Standards 2024 and Its Implications

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

The Institute of Internal Auditors (IIA) released the Global Internal Audit Standards (the Standards) in January 2024, which will become effective in January 2025. The Standards incorporated the five mandatory elements¹ of the 2017 International Standards for the Professional Practice of Internal Auditing into one all-inclusive document organized into five domains and 15 principles (see Attachment A). The Office of Internal Audit (OIA) has taken the following steps to prepare for conformance with the new standards:

- Reviewed the new requirements in the Standards.
- Conducted a gap analysis to assess the extent of current conformance.
- Identified key actions needed to address the gaps.
- Developed a plan for implementation.

Although there are many notable revisions to the current standards, our review and analysis indicate that OIA is in a good position to adopt the Standards in 2025.

OIA identified the following to be completed prior to January 2025 to ensure compliance:

OIA Strategic Plan Development

One significant requirement that is new to OIA is Standard 9.2 of Domain IV: *Managing the Internal Audit Function*. The standard requires that:

¹ The five mandatory elements are: Mission of Internal Audit, Definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and Standards.

Board	Mtg Date	Item #
AUD	09.19.24	4A

[T]he Chief Audit Executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization...must review the internal audit strategy with the [Employee Trust Funds (Board)] and senior management periodically.

OIA completed the development of the strategic plan and subsequently reviewed it with the Department of Employee Trust Funds (ETF) senior management. The strategic plan is provided to the Audit Committee (Committee) for input ([Ref. AUD | 09.19.24 | 4A1](#)).

Charters Update

Both the Audit Committee Charter ([Ref. AUD | 09.19.24 | 4A2](#)) and Internal Audit Charter ([Ref. AUD | 09.19.24 | 4A3](#)) need to be revised to be aligned with the Standards. The updates are completed, and the revised charters are provided to the Committee for review and approval.

“Essential Conditions” Discussion

Domain III, *Governing the Internal Audit Function*, specifies the requirements for the Chief Audit Executive (CAE) and the activities the Board and senior management must perform to enable an effective internal audit function. Those activities are explicitly defined as “Essential Conditions” in the Standards. Although many of the activities have already been performed by ETF senior management and the Committee, it is necessary to review and discuss those “Essential Conditions” to further develop and strengthen the relationship between the OIA, the Committee, and ETF senior management. OIA completed the review with ETF senior management regarding their role in supporting the internal audit function. Attachment B is used to facilitate the discussion with the Committee about the essential relationship between the Committee and OIA that necessitates the effective internal audit function.

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

Attachment A: [The New Structure of the Standards \(illustration created by the IIA\)](#)

Attachment B: [The Essential Relationship Between the Board and the Internal Audit Function: Opportunities for Board Engagement \(modified based on the IIA supplied presentation material\)](#)