



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 19, 2024
To: Audit Committee
From: Yikchau Sze, Director
Office of Internal Audit
Subject: Annual Independence Affirmations and Disclosures

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

Independence Affirmations

Global Internal Audit Standards (the Standards) require the internal audit activity to be independent and internal auditors to be objective in performing their work. The Standards require that:

The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

The internal auditors of the Office of Internal Audit (OIA) annually certify their commitment to the Ethics and Professionalism of the Standards, including independence and objectivity and have completed their annual affirmation as of November 14, 2024, and November 19, 2024, respectively.

As an internal audit function in the public sector, OIA faces constraints in full conformance with all provisions in the Standards regarding organizational independence. As required by the Standards, OIA has documented these constraints and communicated the limitations to both ETF management and the Audit Committee, enhanced existing safeguards through the revised Audit Committee Charter, and continuously pursued necessary legislative changes to address the structure barriers.

Therefore, I affirm that to the best of my knowledge, in all matters relating to our audit work, the Department of Employee Trust Fund internal audit function is free from personal, external, or organizational impairments to independence.

Board	Mtg Date	Item #
AUD	12.09.24	4A

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 by the Virginia Retirement System and reported to the Audit Committee at the September 2023 committee meeting. Table 1 below provides a summary of the assessment results¹ and the status of the action plan.

Table 1. Opinion – General Conformance

Gaps	Planned Actions	Status
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 as part of the FY26 audit planning
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 the OIA director.
- Quality monitoring through post-engagement surveys.
- Annual review of the Internal Audit Charter and the Audit Committee Charter.
- Annual review of audit plan completion at fiscal year-end.
- Annual review of the IIA Standards with any necessary updates to the Internal Audit Manual and internal practices.
 - Complete the revision of the Internal Audit Manual to align with the Standards by the end of FY25.

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

¹ The quality assessment was conducted in accordance with the 2017 International Standards for the Professional Practice of Internal Auditing and Code of Ethics, both of which are effective through the end of 2024 calendar year.