

Executive Summary

Audit Committee Meeting, December 3, 2024

Office of the Internal Auditor Charter Review

History

The Office of the Internal Auditor Charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility.

The Charter, in accordance with Section 627.351(6)(i). Florida Statutes establish the internal audit activity's position within the organization, including the nature of the Chief of Internal Audit's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Annually, the Chief of Internal Audit reviews the Charter against industry best practices, the Citizens Statute, and the Audit Committee Charter. Following the rollout of the 2025 Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS) for 2025, the Chief of Internal Audit noted several relevant revisions to align the charter with the GIAS.

Recommendation

The Chief of Internal Audit presents, for review and approval, the Office of the Internal Auditor Charter.

Approval of Office of the Internal Auditor Charter

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Office of the Internal Auditor Charter
Purpose/Scope	<p>The Audit Committee annually reviews the adequacy of the Office of the Internal Auditor Charter.</p> <p>The Internal Audit Charter defines the purpose, authority, and responsibilities of the Internal Audit function. In accordance with Section 627.351(6)(i) of the Florida Statutes, the Charter establishes the Internal Audit function's position within the organization, including the nature of the Chief of Internal Audit's functional reporting relationship with the Board. It grants authorization for access to relevant records, personnel, and physical assets necessary for audit engagements and outlines the scope of Internal Audit activities.</p> <p>The Chief of Internal Audit completed a review of the Charter against industry best practices, Citizens Statute and the Audit Committee Charter. Following the rollout of the 2025 Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS) for 2025, the Chief of Internal Audit noted several relevant revisions to align the charter with the GIAS.</p>
Contract ID	N/A
Committee Recommendation	<p>Staff recommends that the Citizens Audit Committee</p> <ol style="list-style-type: none"> Approve the Office of the Internal Auditor Charter as presented.
CONTACTS	Joe Martins, Chief of Internal Audit.



Office of the Internal Auditor Charter

Purpose and Mission

The purpose of the Office of the Internal Auditor (OIA) is to enhance and protect organizational value by providing independent, risk-based, and objective assurance, advice, and insight. The OIA strives to foster a robust ethical environment, promote effective governance, and support the achievement of organizational objectives.

Professionalism

The OIA will govern itself by adhering to the Institute of Internal Auditors' (IIA) mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief of Internal Audit will report periodically to the Audit Committee and senior management regarding the internal audit function's conformance to the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

The OIA is established to provide independent, objective assurance and advisory services that add value to and improve the organization's operations. OIA helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. This mandate aligns with the new 2025 Global Internal Audit Standards (GIAS) issued by the Institute of Internal Auditors (IIA) and the statutory requirements of Section 627.351(6)(i), Florida Statutes (2009), which prescribes the Office of the Internal Auditor's responsibilities.

Authority

The Audit Committee grants the internal audit function the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Audit Committee.

The Audit Committee authorizes the OIA to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities.
- Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Citizens and other specialized services from within or outside Citizens to complete internal audit services.

Accountability

The Chief of Internal Audit reports functionally to the Audit Committee and administratively to the CEO and will:

- Submit an annual audit plan, including objectives, timelines, and resource requirements, for review and approval by the audit committee.



- Regularly report significant risk exposures, control issues, corporate governance concerns, and other matters requiring the attention of senior management or the Audit Committee.
- Ensure compliance with the IIA's Code of Ethics and GIAS while adhering to state and federal regulations for internal auditing and Citizens.

Chief of Internal Audit Roles and Responsibilities

Ethics and Professionalism

The Chief of Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Independence and Objectivity

The Internal Audit function will operate without interference from any part of the organization. This independence applies to audit selection, scope, procedures, frequency, timing, and report content, ensuring that the function can maintain an essential, independent, and objective perspective.

The Chief of Internal Audit will confirm the organizational independence of the internal audit activity to the Audit Committee at least annually. The Chief of Internal Audit will also disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results. Where the Chief of Internal Audit has or is expected to have roles and responsibilities that fall outside of internal audit activity, safeguards will be established to limit impairments to independence or objectivity.

Internal Auditors will maintain a professional and unbiased mental attitude that allows them to perform engagements objectively and in such a way that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal Auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Citizens or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Citizens employee who is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal Auditors will:

- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.



- Disclose any impairment of independence or objectivity, in fact, or appearance, to appropriate parties and at least annually, to the Chief of Internal Audit, Audit Committee, management, or others.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Scope Types of Work

The scope of work of the OIA internal audit, enterprise risk, and internal control services covers the entire breadth of the organization, including all of Citizens' activities, assets, and personnel in alignment with the established audit universe. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the board and management on the adequacy and effectiveness of Citizens' network of risk management, internal control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- Risks relating to achieving strategic objectives are appropriately identified and managed.
- Interaction with various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, exhaustive, traceable, and timely.
- The actions of Citizens' officers, directors, management employees, contractors or other relevant parties comply with policies, procedures, code of conduct, applicable laws and regulations, and governance standards.
- Resources and assets are acquired economically, used efficiently, and adequately protected.
- The results of operations and programs are consistent with established goals and objectives.
- Operational and functional processes are managed to serve Citizens' strategic, operational, and financial objectives.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Significant legislative or regulatory issues impacting Citizens are recognized and appropriately addressed.

Managing the Internal Audit Function

The OIA is an integral part of the organization and is established within Citizens, under Section 627.351(6)(i), Florida Statutes (2009), to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency to the policyholders and the taxpayers of this state. The OIA is accountable to the Board of Governors (Board) and, as delegated by the Board, to the Audit Committee. By Florida Statutes, it is the duty and responsibility of the Chief of Internal Audit to:

- Provide direction for, supervise, conduct, and coordinate audits, investigations, and management reviews relating to Citizens' programs and operations.
- Conduct, supervise, or coordinate other activities carried out or financed by Citizens to promote efficiency in the administration of or prevent and detect fraud, abuse, and mismanagement in its programs and operations.
- Submit final audit reports, reviews, investigative reports, and annual reports to the Board, the Executive Director, the members of the Financial Services Commission, the President of the Senate, and the Speaker of the House of Representatives.



- Keep the Board informed concerning fraud, abuses, and internal control deficiencies relating to programs and operations administered or financed by Citizens, recommend corrective action, and report on the progress made in implementing corrective action.
- Cooperate and coordinate activities with the corporation's Inspector General.
- Prepare an annual report on or before February 15 evaluating the effectiveness of Citizens' internal controls, providing recommendations for corrective action, if necessary, and summarizing the audits, reviews, and investigations conducted by the office during the preceding fiscal year.

In addition, the Chief of Internal Audit has the responsibility to:

- At least annually, develop a flexible risk-based OIA Strategy and Plan (Plan) that considers the board's and senior management's input. Discuss the plan with the board and senior management and submit the plan to the board for review and approval.
- Implement the Plan, as approved, including, as appropriate, any special tasks or projects requested by management, the Committee, or the Board.
- Communicate to senior management and the Audit Committee on the impact of resource limitations on the Plan.
- Review and adjust the Plan, as necessary, in response to changes in Citizens' business, risks, operations, programs, systems, and controls. Communicate any significant interim changes to the Plan to senior management and the Audit Committee.
- Keep the Committee informed of emerging trends and successful practices in internal auditing, risk management, and internal control.
- Identify and consider the expectations of senior management, the Board, and other stakeholders for internal audit opinions and other conclusions.
- Issue reports to the Audit Committee and management on whether:
 - Actual activity has met the objectives set by the Plan.
 - Appropriate action has been taken on material and significant audit findings, including appropriate follow-up.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld by OIA staff.
- Ensure the function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the OIA mandate.
- Ensure trends and emerging issues that could impact Citizens are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide internal audit activity.
- Maintain professional OIA staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief of Internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and, if necessary, escalated to the board



- Develop and maintain a comprehensive, proactive forensic audit program to systemically assess Citizens' exposure to fraud, abuse, and mismanagement risk and assess the strength of its governance and control infrastructure to manage and mitigate the risk.
- Establish a quality assurance program by which the Chief of Internal Audit ensures the effective operation of internal auditing activities.

Communication with the Board and Senior Management

The Chief of Internal Audit will report periodically to the Audit Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan, budget and performance.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other focus areas for the board.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Citizens' risk appetite.

Quality Assurance and Improvement Program

The Chief of Internal Audit will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and performance measurement to assess the internal audit function's progress toward achieving its objectives and promoting continuous improvement. The program also will assess compliance with laws and regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Chief of Internal Audit will communicate with the board and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Citizens; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.