

Executive Summary

Audit Committee Meeting, July 11, 2023

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, establishes 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 completes a review of the Charter against industry best practices, Citizens Statute, and the Audit Committee Charter. Following this assessment, the Chief of Internal Audit found no specific statements in the Charter that require revision.

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	The Audit Committee on an annual basis review the adequacy of the Office of the Internal Auditor Charter. The 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, establishes 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. The Chief of Internal Audit completed a review of the Charter against industry best practices, Citizens Statute and the Audit Committee Charter. Following this assessment, the Chief of Internal Audit found no specific statements in the Charter that require revision.
Contract ID	N/A
Committee Recommendation	Staff recommends that the Citizens Audit Committee 1. 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 Citizens Property Insurance Corporation (Citizens) Office of the Internal Auditor (OIA) is to provide independent, objective assurance and consulting services designed to add value and improve Citizens' operations. The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The OIA helps Citizens accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Professionalism

The OIA will govern itself by adherence to mandatory elements of the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the Definition of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing, and the Code of Ethics. The internal audit activity will also adhere to the Citizens' relevant policies and procedures including the Citizens Internal Audit Policy and the OIA Procedures Manual. The Chief of Internal Audit will report periodically to senior management and the Audit Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The Chief of Internal Audit will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Citizens President/CEO/Executive Director. To establish, maintain, and assure that the OIA has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the OIA charter.
- Approve the OIA's Annual Strategy and Plan.
- Approve the OIA's budget and resource plan.
- Receive communications from the Chief of Internal Audit on the OIA's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Chief of Internal Audit.
- Approve the remuneration of the Chief of Internal Audit.
- Make appropriate inquiries of management and the Chief of Internal Audit to appropriate scope and resources.

The Chief of Internal Audit will have unrestricted access to, communicate, and interact directly with, the Audit Committee, including individual meetings without management present.

The Chief of Internal Audit and the OIA staff are authorized to:

- Have full, free, and unrestricted access to all Citizens' activities, records, property, and personnel pertinent to carrying out any engagement. The documents and information entrusted to OIA will be handled with the required level of confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives, and issue reports.
- Obtain the assistance from the necessary personnel of Citizens, as well as other specialized services from within or outside Citizens, to complete the engagement.

The OIA's Internal Audit activity is not authorized to:

- Perform any operational duties for the organization.
- Initiate or approve accounting transactions external to internal audit.

- Direct the activities of any Citizens' employee not employed by the OIA, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Independence and Objectivity

The Chief of Internal Audit will ensure that the internal audit activity remains free from all conditions that impede the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief of Internal Audit determines that independence or objectivity may be impaired in fact, or appearance, the details of impairment will be disclosed to appropriate parties and addressed accordingly.

The Chief of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity.

The Chief of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Internal Auditors will maintain a professional and unbiased mindset that allows them to perform engagements objectively and in such a manner that projects confidence in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Auditor's judgment.

Where the Chief of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal audit activity, safeguards will be established to limit impairments to independence or objectivity.

Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact, or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their interests or by others in forming judgments.

Scope of Work

The scope of work of the OIA is to determine whether 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 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.
- Citizens' management and staff follow policies, standards, procedures, Code of Conduct, and applicable laws and regulations.

- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Operational and functional processes are managed to serve the strategic, operational, and financial objectives of Citizens.
- Quality and continuous improvement are fostered in Citizens' control processes.
- Significant legislative or regulatory issues impacting Citizens are recognized and addressed properly.

The scope of intervention of OIA extends to the whole of Citizens and covers all administrative, accounting, financial, functional, or operational processes. Opportunities for improving management control, processes efficiency, and Citizens' image may be identified during audit engagements and will be communicated to the appropriate level of management.

Responsibility

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 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 and 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 will:

- Annually develop a flexible theme-based OIA Strategy and Plan (Plan) using an appropriate risk methodology, including any risks or control concerns identified by management, and submit that Plan to the Audit Committee for review and approval. The Plan will further include a description of the OIA organizational structure, including the annual expense budget and compensation.
- Implement the Plan, as approved, including, and as appropriate, any special tasks or projects requested by management and 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 to senior management and the Audit Committee any significant interim changes to the Plan.

- Keep the Committee informed of emerging trends and successful practices in internal auditing, risk management, and internal control practices.
- 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 internal audit activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- 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 the internal audit activity.
- Maintain professional OIA staff with enough knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Coordinate audit coverage with the external auditor to avoid unnecessary duplication of effort.
- Coordinate with and offer guidance to other control and monitoring functions (information technology security, legal, ethics, and compliance).
- Perform consulting services, beyond Internal Audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Develop and maintain a comprehensive proactive forensic audit program to systemically assess Citizens' exposure to the risk of fraud, abuse, and mismanagement 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 effective operation of internal auditing activities.

Quality Assurance and Improvement Program

The Chief of Internal Audit should periodically assess whether the purpose, authority, and responsibility, as defined in this Charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives.

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Chief of Internal Audit will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Citizens.