

# Executive Summary

Audit Committee Meeting, March 2, 2021

## 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 practice, Citizens Statute, and the Audit Committee Charter. Following this assessment, the Chief of Internal Audit found the Charter to be appropriate and have no suggested changes.

### Recommendation

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

**ACTION ITEM**

- New Contract
- Contract Amendment
- Other: OIA Charter Review

**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 and/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 and 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.

<b>Title</b>	Office of the Internal Auditor Charter Review
<b>Budgeted Item</b>	Not Applicable
<b>Procurement Method</b>	Not Applicable
<b>Contract Amount</b>	Not Applicable
<b>Contract Terms</b>	Not Applicable
<b>Purpose/Scope</b>	The Office of the Internal Auditor Charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility.  Annually, the Chief of Internal Audit completes a review of the Charter against industry best practice, Citizens Statute, and the Audit Committee Charter. Following this assessment, the Chief of Internal Audit found the Charter to be appropriate and have no suggested changes.
<b>Committee Recommendation</b>	Staff proposes that the Audit Committee review and approve the Office of the Internal Auditor Charter.
<b>CONTACTS</b>	Joe Martins, Chief of Internal Audit

## Office of the Internal Auditor Charter

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### **Mission**

The mission 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. OIA helps Citizens accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### **Independence and Objectivity**

The OIA will remain free from interference by any element of Citizens, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit an appropriate attitude of independence and objectivity in performing their work. The Chief of Internal Audit is appointed by the Board, reports to and is under the general supervision of the Board and is not subject to supervision by any Citizens employee.

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.

Internal auditors shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and shall have an impartial, unbiased attitude and avoid conflicts of interest. The Chief of Internal Audit will report administratively to the Chief Executive Officer and functionally to the Audit Committee of the Board of Governors.

### **Scope of Work**

The scope of work of the OIA is to determine whether Citizens' network of risk management, 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 mastered 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 audits and will be communicated to the appropriate level of management.

## Authority

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

- Have unrestricted access to all Citizens activities, records, property, and personnel. The documents and information entrusted to Internal Audit will be handled with the required level of integrity.
- Have full and free access to the Audit Committee (Committee).
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

Internal Audit is not authorized to:

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

## 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 to the taxpayers of this state. The OIA is accountable to the Board of Governors (Board) and, as delegated by the Board, to the Committee. In accordance with Florida Statutes, it is the duty and responsibility of the OIA 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 for the purpose of promoting efficiency in the administration of, or preventing and detecting 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 Committee for review and approval. The Plan will further include a description of the OIA organizational structure, including annual expense budget and compensation.

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- Implement the Plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Committee or the Board.
- Keep the Committee informed of emerging trends and successful practices in internal auditing.
- Identify and consider the expectations of senior management, the Board, and other stakeholders for internal audit opinions and other conclusions.
- Issue reports to the 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.
- There is any unwarranted restriction on the staffing and authority of the OIA or on access by internal auditors to all Citizens activities, records, property and personnel.
- Annually confirms compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of The Institute of Internal Auditors.
- Maintain a professional internal audit, internal control and enterprise risk staff with enough knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Monitor and evaluate Citizens governance processes.
- Coordinate audit coverage with external auditor to avoid unnecessary duplication of effort.
- Coordinate with and provide 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 a comprehensive proactive forensic audit program to systemically assess Citizens' exposure to the risk for 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 the operation of internal auditing activities.

### **Periodic Assessment**

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. Additionally, a qualified independent reviewer from outside of the organization must conduct an external assessment of the program at least once every five years. The results of these periodic assessments must be communicated to senior management and the Board of Directors.

### **Professionalism**

The Office of Internal Audit will govern itself by adherence to the Institute of Internal Auditors mandatory guidance, including the Definition of Internal Auditing, the *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics. The internal audit department will also adhere to the Citizens relevant policies and procedures including the Citizens Internal Audit Policy and The OIA Procedures Manual.