Executive Summary

INTERNAL CONTROL

The Internal Control (IC) team facilitates, enables, and partners with Control Champions and management to assess the design and effectiveness of Citizens' control infrastructure to support the achievement of business objectives and mitigate impactful risks.
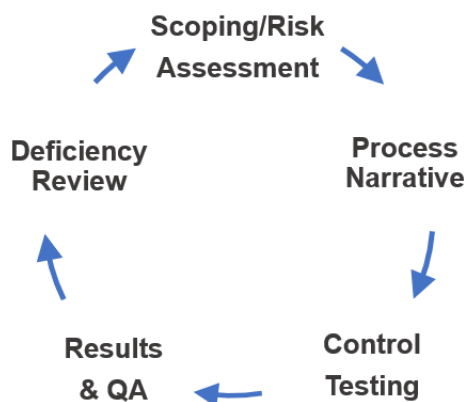
The IC team, through Citizens' Internal Control Framework (ICF), facilitates an aligned approach to the recording and management of Citizens' embedded systems of control through a tool (AuditBoard SoxHub) and they also provide oversight, consultative support, and perform quality reviews.

Internal Control Framework

Citizens' ICF was established in 2014 following a request from the Audit Committee to consider an approach through which Citizens can demonstrate the strength of its system of internal controls. Citizens' ICF leverages the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework and is customized to Citizens' unique corporate environment. The purpose and goal of the ICF are to strengthen enterprise governance and accountability, provide the basis for forming an opinion as to the effectiveness of the system of internal controls, and identify and work to improve the control maturity level of the organization.

In June, the framework was updated to reflect current internal practices and changes in external guidance. The updated framework (copy included in pack) provides an overview of the ICF, reinforces roles & responsibilities, summarizes types of internal controls, and provides details on our control self-assessment process including process narratives, monitoring, quality reviews, and reporting.

Framework Assessment Lifecycle

Scope/Risk Assessment	Process Narratives	Control Testing	Results & Quality	Deficiency Review
Supports the identification of Citizens' top primary controls that mitigate higher-rated risks	Understanding Citizens' business processes are critical to the proper identification and assessment of our primary controls	Ongoing validation that Citizens' primary controls continue to operate as intended Process improvements to further strengthen controls may be identified	Controls are assessed as effective, ineffective, or unable to conclude Quality reviews confirm accuracy and adherence to standards	Mitigation plans for ineffective controls are monitored Material weaknesses are referred to Internal Audit for further evaluation

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The ICF has evolved into a mature model focused on providing collaborative assurance for Citizens' primary controls. The framework assessment lifecycle provides a proactive approach for the ongoing validation of the effectiveness of Citizens' primary controls. Control assessments are performed using a cyclical assessment covering major aspects such as scope assurance, and deficiency assessment.

Key results

In relation to the lifecycle, the following have been achieved:

- *Scoping/Risk Assessment* - 80 processes throughout the organization were identified as in-scope for ICF. Risk assessments are completed for each of these processes which leads the business units into the selection of primary controls required to mitigate these risk impacts. As of June, 85% (68) of the risk assessments have been completed with the remaining scheduled for completion by year-end.
- *Process Narrative* – For each of the 80 processes, process walkthrough assessments are completed, and detailed process narratives, flowcharts, and control descriptions are documented. Currently, 81% (65) of the narratives are completed and periodically updated by management, as needed. Beginning in Q3, the IC team will collaborate with management to develop the narratives and documentation for the remaining processes.
- *Control Testing* – Control testing is conducted within the business units. For 2022, 101 primary controls have been identified and management control self-assessments are on track for completion by the end of the year.
- *Results & QA* – 2021 Control Self-assessment (CSAs) results indicated that 89% of primary controls are functioning as intended.
- *Deficiency Review* – Since the inception of ICF, 38 opportunities to further strengthen primary controls were implemented following the completion of control self-assessments.

Collaboration

The IC team focuses on creating and maintaining a collaborative and engaging control identification and assessment environment across the organization to ensure the process continually adds value to the organization:

Value-Added - The ICF contributes value to the organization by providing:

- Proactive self-assessments for timely detection and correction of any areas of control deficiency.
- Ability to leverage narrative and control information for internal and external audits.
- Additional support to demonstrate compliance with requirements for primary controls related to laws, rules, and regulations.
- Oversight and consultative support to ensure adherence to the framework and leading practices.

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- Education to enhance management and Control Champions' understanding of appropriate control design and validation techniques.

Collaboration - The Internal Control team's collaborative approach includes the following:

- Consultative support to management on leading control practices and performing control self-assessments.
- Periodic reviews of control self-assessment steps with Control Champions to ensure the assessment remains relevant and continues to add value.
- Partnership with IT Security and Risk and alignment of Citizens' ICF with the Security and Risk Framework that includes leading practices from Control Objectives for Information and Related Technologies (COBIT), National Institute of Standards and Technology (NIST), International Organization for Standardization (ISO) and Critical Security Controls (CSC 18) Frameworks.
- Partnership with Ethics & Compliance and Compliance Champions to align laws, rules, and regulations to primary controls and control self-assessments were applicable.
- Periodic calibrations with the Enterprise Risk team to share information regarding operational risk assessments to determine any potential changes to primary controls.

Self-Service Capabilities

The IC team continues to roll out the narrative module within AuditBoard. Narratives provide a high-level overview of key business processes with a focus on internal controls. As part of the ICF, management is responsible for periodically reviewing narratives of processes within their area(s) of accountability to confirm the accuracy and provide updates, as necessary.

Quality Reviews

The IC team performs periodic reviews to confirm that the management control self-assessments adhere to Citizens' ICF standards and continue to add value. Quality reviews are currently being performed for primary controls related to user access. An external consultant has been engaged to perform 8 quality reviews of various IT processes. The work is scheduled for completion in Q2.