

Executive Summary

Audit Committee Meeting, December 5, 2023

OFFICE OF INTERNAL AUDIT STRATEGY & PLAN 2024 OFFICE OF INTERNAL AUDIT BUDGET

OIA Strategy & Plan

This Action Item seeks Committee approval of the 2024 OIA Strategy & Plan and Budget.

The Plan was developed using a risk-based approach to understand and assess Citizens' operations and associated risks. Additional consideration was given for future work to be conducted by the Auditor General and planned strategic initiatives. A copy of the draft plan was discussed and agreed upon with Citizens Executive Leadership.

The objective of this plan is to provide the most timely and comprehensive scope of the audit, risk, and control coverage by using resources available to the OIA. Since it is impractical to provide risk and control coverage to the entire corporation on an annual basis, we collaborated with business unit leadership to determine the best focus areas for Internal Audit, Enterprise Risk, and Internal Control given the current circumstances.

Internal Audit

Internal Audit follows a detailed annual planning process and prepares a themes-based audit plan that considers the possibility of dynamic risk fluctuations and process changes throughout the year. This necessitates a regular re-evaluation of the audit approach and scope so that appropriate audit focus is always given to important strategic and operational issues and risks. Throughout the year, the audit plan continuously evolves to support our dynamic risk environment, focusing on current and emerging reputational, compliance, operational, information technology, and financial risks. To achieve the greatest impact, Internal Audit "rebalances" internal audit activities in a rolling audit plan to ensure adequate focus is given to Citizens' strategic issues and critical processes.

Internal Audit documented five specific audit themes that consolidate and provide high-level insights into the years' audit focus areas. As the year progresses Internal Audit will use its quarterly rolling risk assessment process to identify engagements to be selected for every reporting period.

Enterprise Risk

Enterprise Risk will continue to facilitate and enable risk assessments from five different perspectives, namely:

- Enterprise risk services which include facilitating strategic, project & scenario, and operational risk assessments, and continuous improvement of the quality of risk descriptions and mitigation plans documented in AuditBoard.
- Promoting risk awareness throughout the organization by expanding self-service capabilities, collaborative efforts to align enterprise risk management with critical initiatives, and introducing new educational and engagement programs for Risk Champions.

Internal Control

Internal Control will continue to ensure consistency and sustainability of the Internal Control Framework throughout the organization while expanding consultative services to include advice on anti-fraud controls. The specific focus will be on:

- Optimizing ICF by pursuing opportunities to automate or streamline control self-assessment validation steps, expand the quality of the program, and promote self-service capabilities.
- Continuing to ensure a collaborative and engaging control identification and assessment environment that adds value across the organization by providing additional consultative support

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for IT governance, designing targeted education for Control Champions, and promoting awareness of anti-fraud controls.

Budget

The 2024 budget for OIA presented is \$3.87 million as compared to the \$3.63 million budgeted for 2023. This reflects a 7% total increase in expenses which is mainly driven by a cost-of-living increase in total employee expenses and the anticipated use of our consulting service vendors.

Office of Internal Audit	2023 Year-End Projection	2023 Budget	2024 Budget	2024 Budget vs. 2023 Budget	
	YearTotal	YearTotal	YearTotal	Favorable / (Unfavorable)	
<i>Total Salaries</i>	2,078,810	2,326,455	2,383,708	57,253	2%
<i>Total Employee Benefits</i>	454,996	448,232	517,570	69,338	15%
<i>Total Payroll Taxes</i>	146,587	173,778	178,110	4,332	2%
Employee Expenses	2,680,393	2,948,465	3,079,388	130,923	4%
<i>Total Contingent Staffing</i>	0	0	8,400	8,400	100%
<i>Total Training</i>	47,205	43,000	46,400	3,400	8%
<i>Total Printing</i>	1,300	1,800	1,600	(200)	(11)%
<i>Total Operating Supplies</i>	1,156	1,200	1,100	(100)	(8)%
<i>Total Subscriptions and Dues</i>	79,896	84,767	89,548	4,781	6%
<i>Total Postage</i>	30	90	90	0	0%
<i>Total Legal</i>	0	50,000	50,000	0	0%
<i>Total Travel</i>	32,086	29,256	32,406	3,150	11%
<i>Total Professional Services</i>	171,631	180,000	280,000	100,000	56%
<i>Total Software Maintenance and Licensing</i>	258,102	293,020	289,223	(3,797)	(1)%
Total Admin Expenses	3,271,799	3,631,598	3,878,155	246,557	7%
FTE	16	16	16	0	0%

- *Staffing* will remain static for Internal Audit (12), Enterprise Risk (2), and Internal Controls (2).
- *Salaries and benefits* indicate the annual merit increase and expected salaries as we recruit to fill current vacancies.
- *Contingent staffing* makes provision for an intern in Enterprise Risk.
- Training is based on a dollar allocation per staff member to upkeep professional CPE requirements and develop professionally.
- *Operating expenses* increased with a small increase in subscriptions.
- *Legal Services* is traditionally a placeholder should the department need to use external legal services.
- *Travel* reflects an inflationary increase in 2024.
- *Professional Services* reflect an anticipated use of vendor consulting services. The use of this amount will be discussed with management before services are procured.
- *Software Maintenance and Licensing* reflect a small decrease as a correction from 2023.

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 a 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 a 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	OIA 2024 Strategy & Plan, and Budget
Purpose/Scope	<p>This Action Item seeks Committee approval of the 2024 OIA Strategy & Plan and Budget.</p> <p>The Plan was developed using a risk-based approach to understand and assess Citizens’ operations and associated risks. Additional consideration was given for future work to be conducted by the Auditor General, Market Conduct Examinations, and planned strategic initiatives. A copy of the draft plan was discussed and agreed upon with Citizens Executive Leadership.</p> <p>The objective of the plan is to provide the most timely and comprehensive scope of the audit, risk, and control coverage by using resources available to the OIA. Since it is impractical to provide risk and control coverage to the entire corporation on an annual basis, we collaborated with business unit leadership to determine the best focus areas for Internal Audit, Enterprise Risk, and Internal Control given the current circumstances.</p> <p>Internal Audit Internal Audit follows a detailed annual planning process and prepares a themes-based audit plan that considers the possibility of dynamic risk fluctuations and process changes throughout the year. This necessitates a regular re-evaluation of the audit approach and scope so that appropriate audit focus is always given to important strategic and operational issues and risks. Throughout the year, the audit plan continuously evolves to support our dynamic risk environment, focusing on current and emerging reputational, compliance, operational, information technology, and financial risks. To achieve the greatest impact, we “rebalance” internal audit activities in a rolling audit plan to ensure adequate focus is given to Citizens’ strategic issues and critical processes.</p>

	<p>Internal Audit documented five specific audit themes that consolidate and provide high-level insights into the years' audit focus areas. As the year progresses Internal Audit will use its quarterly rolling risk assessment process to identify engagements to be selected for every reporting period.</p> <p>Enterprise Risk ER will continue to facilitate and enable risk assessments by providing:</p> <ul style="list-style-type: none"> • Enterprise risk services which include facilitating strategic, project & scenario, and operational risk assessments, and continuous improvement of the quality of risk descriptions and mitigation plans documented in AuditBoard. • Promoting risk awareness throughout the organization by expanding self-service capabilities, collaborative efforts to align enterprise risk management with critical initiatives, and introducing new educational and engagement programs for Risk Champions. <p>Internal Control IC will continue to ensure consistency and sustainability of the Internal Control Framework by:</p> <ul style="list-style-type: none"> • Optimizing ICF by pursuing opportunities to automate or streamline control self-assessment validation steps, expand the quality of the program, and promote self-service capabilities. • Continuing to ensure a collaborative and engaging control identification and assessment environment that adds value across the organization by providing additional consultative support for IT governance, designing targeted education for Control Champions, and promoting awareness of anti-fraud controls. <p>Budget The 2024 budget for OIA presented is \$3.87 million as compared to the \$3.63 million budgeted for 2023. This reflects a 7% total increase in expenses which is mainly driven by a cost-of-living increase in total employee expenses and the anticipated use of our consulting service vendors.</p>
<p>Contract ID</p>	<p>N/A</p>
<p>Committee Recommendation</p>	<p>Staff recommends that the Citizens Audit Committee:</p> <ol style="list-style-type: none"> 1. Approve the 2024 OIA Strategy and Plan, and 2. Approve the 2024 OIA Budget as presented
<p>CONTACTS</p>	<p>Joe Martins, Chief of Internal Audit.</p>