

Office of the Internal Auditor



Internal Audit Quality Assurance and Improvement Program Report May 2025

Quality Assurance and Improvement Program Executive Summary

BACKGROUND

Internal Audit follows the audit standards prescribed by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (IIA Standards), which include the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, and the Code of Ethics.

These audit standards require Internal Audit to develop and maintain a Quality Assurance and Improvement Program (QAIP) that includes internal and external assessments.

Internal assessments are ongoing monitoring of Internal Audit's performance and an annual self-assessment review. The IIA Standards require that the assessment results be communicated to the governing board at least annually.

This report summarizes Internal Audit's activities and compliance with applicable audit standards.

RESULTS

Internal Audit conforms to the IIA Standards, the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, and the IIA's Code of Ethics. Minor opportunities for improvement were noted, and appropriate corrective action was taken. Neither of these had a significant impact on the audit process.

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Background

Citizens Internal Audit follows the audit standards prescribed by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards). These audit standards require Internal Audit to develop and maintain a Quality Assurance and Improvement Program (QAIP) that includes both internal and external assessments:

- Internal assessment is an ongoing monitoring of the performance of the Internal Audit's activity and annual self-assessment reviews. The IIA Standards require that the results of the yearly self-assessments be communicated to the Board at least annually.
- External assessment (Peer Review) is a review of the Internal Audit function conducted by a qualified, knowledgeable Peer Review team. Citizens Internal Audit usually partners with a vendor to complete this assessment. The Peer Review team will determine if Internal Audit is in conformance with applicable standards, and the external assessment may provide feedback on operational and strategic issues.

Internal Assessments

The internal assessment includes ongoing monitoring as well as an annual self-assessment. The continuous monitoring consists of a review of all audit documentation, audit recommendations, and reports for each engagement conducted by Internal Audit in a fiscal year before finalizing an engagement file.

The annual self-assessment includes verifying that Internal Audit follows all required compliance and performance audit standards. In addition, Internal Audit provides information on the following:

- Key Performance Indicators (KPIs)
- Progress on the implementation of the External assessment recommendations

External Assessments

Every five years, the Chief of Internal Audit begins the process to obtain a Peer Review team. The Peer Review team issues a public report rendering an overall opinion on whether Internal Audit complied with the audit standards and whether QAIP provides reasonable assurance that Internal Audit complies with applicable professional standards in all material aspects. Internal Audit will schedule the next assessment for mid-2026.

Internal Assessment Results

For 2024, the Chief of Internal Audit conducted a review to determine if the Internal Audit function followed all required applicable compliance and performance audit standards. In addition, the Chief of Internal Audit analyzed data collected throughout the year to report on Internal Audit's KPIs and Capability Model.

Overall Conclusion

Based on the review, the Internal Audit function conforms with IIA Standards, the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, and the IIA's Code of Ethics. One opportunity for improvement was noted in the review. Minor opportunities for improvement were highlighted and have been addressed. The Audit Committee reviewed and approved the Audit charter at the December 2024 meeting.

Compliance Audit Standards

A review of Internal Audit's charter, procedures, and engagement programs was conducted to determine if Internal Audit followed all compliance audit standards. Compliance standards include the following items:

- **Purpose, Authority, and Responsibility:** The internal audit function must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Institute of Internal Auditors (IIA) Standards, and the Definition of Internal Auditing).
- **Independence and Objectivity:** The Internal Audit function must be independent and perform work in an objective manner.
- **Proficiency and Due Professional Care** - Engagements must be performed by proficient staff with due professional care.
- **Quality Assurance and Improvement Program:** A quality assurance and improvement program must be established. It must enable an evaluation of the Internal Audit function's conformance with the audit standards and any other applicable requirements. The program should also assess the Internal Audit function's efficiency and effectiveness and identify opportunities for improvement.
- **Managing the Internal Audit Activity:** The Internal Audit function must be effectively managed to ensure it adds value to the organization.
- **Nature of Work:** The Internal Audit function must evaluate and contribute to improving the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.
- **Monitoring Progress:** A system to monitor the disposition of results must be established, maintained, and communicated.

Based on the review, Internal Audit met all the compliance audit standards; however, an opportunity to improve the level of detail recorded in AuditBoard, the Internal Audit system of record. This would allow for a clear view of audit engagement progress, improve the quality of data quality, report progress, and measure individual and department performance.

Opportunity for Improvement

Internal Audit should, in their execution of the engagement and management review of progress and quality, ensure that all required and relevant information and data is recorded for every step of the engagement as described in the Internal Audit Procedures document. This will ensure a detailed flow of events, conformance to standards, and measurement of achievement of key performance indicators and performance goals.

Performance Audit Standards

Internal Audit must also meet performance audit standards. To determine whether performance audit standards were met, the Chief of Internal Audit selected a representative sample of completed audit engagements for review. The engagements selected provided a clear view of the quality of the work product, management review, and data to form an opinion. As a result of these engagement reviews, some minor opportunities for improvement were identified. Specifically, the Chief of Internal Audit verified that the Internal Audit complied with the following performance audit standards:

- **Engagement Planning** - A plan must be developed and documented for each engagement.
- **Performing the Engagement** - Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.
- **Communicating Results** - Results from the audit engagements must be communicated to management and those in charge of governance.

Based on audit documentation, Internal Audit met all performance audit standards.

Key Performance Indicators

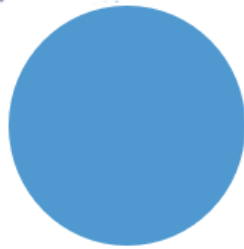
Internal Audit is improving and expanding reporting on KPIs to provide information to the Audit Committee and Executive Management. To measure the effectiveness of Internal Audit, we track the following KPIs:

Internal Audit Engagements Report

Period From: 01/01/2024 to 12/31/2024

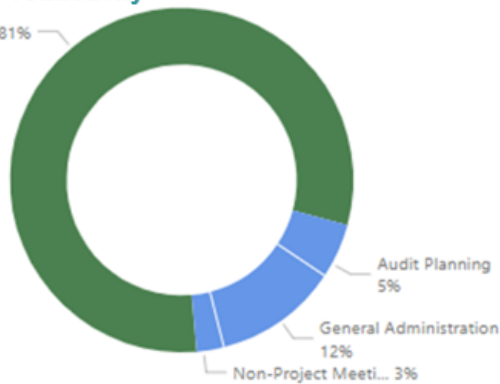
Engagement Status

Completed 20



Auditor Productivity

OpsAudit 81%



Completed Engagements

Plan Year Project Name

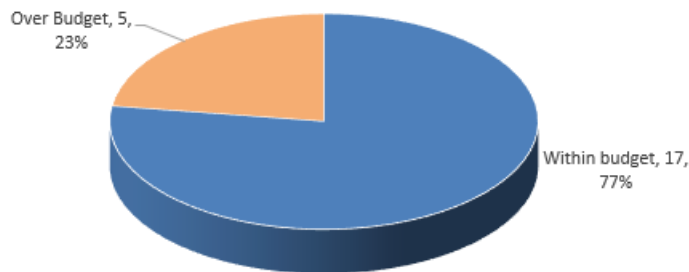
2024-Q1	Account Consolidation
2024-Q1	Anti-Fraud Activities
2024-Q1	Citizens Business Insurance Suite Governance
2024-Q4	Citizens Reimagined Implementation
2024-Q4	Commercial Underwriting
2024-Q2	Compliance Program
2024-Q2	Depopulation Operations
2024-Q1	ELMS Governance
2024-Q3	Finance/Purchasing Centerpoint Segregation of Duties
2024-Q4	FRISS - SIU System
2024-Q4	IIA Standards Review and Internal Audit Process and Procedures Update
2024-Q2	Investment Portfolio Management & Treasury Operations
2024-Q3	Legislative Update Implementation
2024-Q4	Payroll and Employee Record Management
2024-Q1	Primary/Non-Primary Requirements
2024-Q1	Purchasing Card, Fuel Card, & Expense Reimbursements
2024-Q3	Reconciliations
2024-Q3	Regulatory Support (Auditor General)
2024-Q2	Retirement Benefits
2024-Q1	Vendor Invoicing and Payment

- Audit Plan Completion Rate: 100% of audit engagements for the quarter.
- Issue Closure Rate: 100% of observations addressed within the agreed time; the open observations are expected to be addressed within the agreed time.
- Auditor Productivity: 80% We monitor productivity and expect auditors to focus a minimum of 80% of their time on the projects they work on.

Engagement Budgets

We monitor the hours spent on engagements against the initial engagement budget to measure Internal Audit's efficiency. Engagements must be within 10% of the initial engagement budget, which is the budget given to the engagement when it is started.

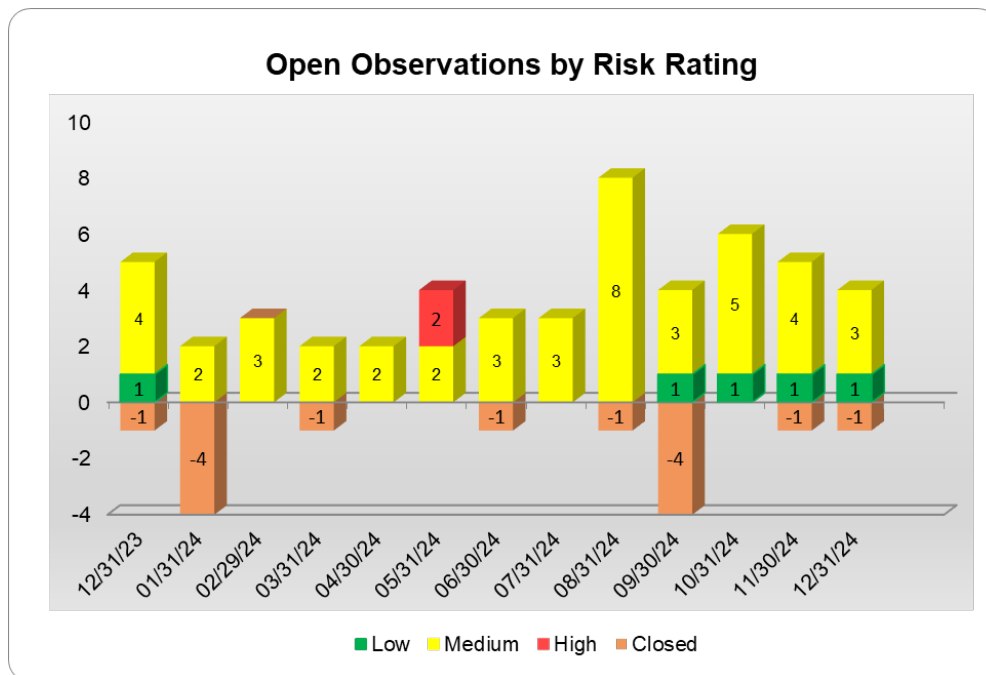
For the period in this review, Internal Audit met its target for the engagement budget. Of the 22 engagements planned for this year, 17 (77%) were completed within budget, with 5(23%) exceeding budget. In aggregate, engagements were completed within 10% of the total planned budget for all engagements completed or in the reporting phase at the end of the fiscal year 2024.



Audit Recommendations Implemented

Internal Audit tracks the number of implemented Internal Audit recommendations. The implementation rate shows Citizens' commitment to improving processes and the effectiveness of internal audits.

In 2024, Internal Audit verified the implementation status of 17 Internal Audit observations and developed corrective action for the remaining audit observations:



Staff Certification

The Internal Audit department keeps track of staff certifications to make sure the team includes OIA Internal Audit Quality Assurance and Improvement Program

qualified members who can handle audit work. During the review period, all key certifications were held by members of the audit team. These included:

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Fraud Examiner (CFE)

External Assessment

Internal Audit obtained a Peer Review in 2021. The results of the review completed by the selected external vendor included:

The results of our review noted that Internal Audit Generally Conforms (“GC”) to the required elements of the Institute of Internal Auditors’ (“IIA”) International Professional Practices Framework (“IPPF”), which includes the “International Standards for the Professional Practice of Internal Auditing.” “Generally Conforms” means that an internal audit activity has defined and implemented documents and/or practices in accordance with the IPPF Requirements. A GC rating may be given even though the reviewer identifies some opportunities for improvement, alignment with the

A full-scale, External Assessment is scheduled for 2026 to comply with the 2024 Global Internal Audit Standards.