

Office of the Internal Auditor



Internal Audit

2025 Internal Quality Assessment

January 2026

Quality Assurance and Improvement Program Executive Summary

BACKGROUND

Internal Audit adheres to the new Global Internal Audit Standards (Standards) established by the Institute of Internal Auditors. The Standards, which became effective in January 2025, guide the worldwide practice of internal auditing and establish requirements to strengthen the internal audit function with emphasis on performance and continuous improvement.

The Standards require the development and implementation of a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit function. The Standards provide a framework for the QAIP, which includes an internal quality assessment of Internal Audit's conformance with the Standards. Results of the internal quality assessment must be communicated at least annually.

This report summarizes Internal Audit's activities and compliance with applicable Standards for the year 2025.

RESULTS

Overall, Internal Audit demonstrated a strong alignment with the Standards, with a *General Achievement* result. Minor improvement opportunities were identified to further strengthen Internal Audit's effectiveness and value to the organization.

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Background

Internal Audit adheres to the new Global Internal Audit Standards (Standards) established by the Institute of Internal Auditors. The Standards, which became effective in January 2025, guide worldwide internal auditing practice and establish requirements to strengthen the internal audit function, with an emphasis on performance and continuous improvement.

The Standards require the development and implementation of a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit function. The Standards provide the framework for the QAIP, which includes both internal and external quality assessments:

Internal Assessments

Under the Standards, internal assessments are a core component of the QAIP. These assessments are designed to provide continuous and periodic assurance of the internal audit function's conformance with the Standards. These assessments typically include monitoring activities such as supervision, engagement quality reviews, performance metrics, and periodic self-assessments, all of which should be used to identify nonconformance and enhance the effectiveness of the internal audit function. The results of the internal assessment must be communicated at least once a year.

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

- Key Performance Indicators (KPIs)
- Progress of external assessment recommendations

External Assessments

The External Quality Assessment (EQA) provides an independent and objective evaluation of the internal audit function's adherence to the Standards as well as an assessment of whether internal audit adds value and supports the organization's governance, risk management and control processes.

The Standards require these assessments to be performed every 5 years by a qualified, independent assessor or assessment team. The Chief of Internal Audit, with approval from the Audit Committee) initiates the process for the assessment to be performed by an assessment team. The results are presented in a public report that provides an overall opinion on whether Internal Audit has complied with the Standards and whether the QAIP provides reasonable assurance that Internal Audit complies with applicable professional standards in all material respects. The most recent EQA was performed in 2021, and the next one is scheduled for 2026.

Internal Assessment Results

The Chief of Internal Audit conducted the assessment to determine whether the internal audit function conformed to the requirements of the Standards, including its purpose and mandate, independence and objectivity, governance and oversight, professional competence, engagement performance, communication, and quality management. 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

Overall, Internal Audit demonstrated a strong alignment with the Standards, with a *General Achievement* result. Minor improvement opportunities were identified to further strengthen Internal Audit's effectiveness and value to the organization. These opportunities included training, documenting workpapers, updating governing documents, and managing open observations.

This assessment will be made available to the external assessment team as required by the Standards.

Domain Compliance

The Standards are organized into five domains, each with its own purpose and set of principles. A review of the OIA Charter and Internal Audit's plans, processes, procedures, and practices was conducted to determine adherence to the requirements of the domains. A summary of the results is provided below:

- **Domain I – Purpose of Internal Auditing:** The assessment concluded that internal audit consistently operates in a manner that supports organizational success and reinforces the purpose of internal auditing as defined in the Standards. The function's mandate and purpose are clearly defined and in alignment with the Standards' requirements.
- **Domain II – Ethics and Professionalism:** Internal Audit demonstrated adherence to ethical principles and professionalism consistent with the Standards. The OIA Charter, as well as Internal Audit's policies and procedures, address and promote objectivity, integrity, confidentiality and competency requirements contained in the Standards. Auditors are required to complete continuing education, particularly in ethics.
- **Domain III – Governing the Internal Audit Function:** The Chief of Internal Audit reports functionally to the Audit Committee and administratively to the President & CEO. Our review showed adequate oversight through regular updates, including quarterly reports and the yearly approval of the OIA's Charter, Strategy & Plan, and budget. Regular communication ensures transparency and promotes the overall efficiency of the function.
- **Domain IV – Managing the Internal Audit Function:** This review showed that a risk-based audit plan is developed annually with resources exhibiting sufficient and diverse skills, experience and capacities to deliver the plan. Internal Audit updated its QAIP to adhere to the new Standards with ongoing monitoring and review designed to promote quality, efficiency and continuous improvement.
- **Domain V – Performing Internal Audit Services:** Internal Audit's engagements are planned, performed and communicated in accordance with a standardized methodology aligned with the Standards. Established procedures include evaluation of governance, risk management and control effectiveness. Engagement results are communicated clearly and in a timely manner, and appropriate procedures are in place to monitor the remediation of engagement findings.

Internal Audit demonstrated that it has effectively reviewed and updated its processes and procedures to align with the new Standards. Based on the assessment, Internal Audit adheres to the Standards, achieving a General Achievement result without any significant issues arising from the review. Minor opportunities for improvement were identified and are currently being incorporated into applicable procedures.

Opportunities for Improvement

To bolster its processes, Internal Audit will:

- Provide targeted training to promote consistency in its QAIP methodology and strengthen evidence of conformance with the Standards at the engagement level reviews.
- Enhance workpaper documentation to articulate rationale when co-sourcing engagements.
- Update procedures to document mitigation strategies and escalation protocols in the event of compromised objectivity.
- Ensure supervisory reviews are consistently documented in the system of records.
- Clearly link observations to their respective engagements in the Open Observation Synopsis.

reports and document validation of management’s corrective actions.

These minor improvements will further enhance the consistency and quality of the Internal Audit function, ensuring conformance with the Standards while supporting data quality, engagement oversight, and continuous improvement.

Performance Audit Standards

Internal Audit conducted peer reviews under its QAIP, in alignment with the Standards' requirements. The reviews focused on the internal audit function’s conformance with the Standards at an engagement level, with emphasis on three key areas: Ethics and Professionalism, Managing the Internal Audit Function, and Performing Audit Services. They included an assessment of planning, execution, documentation, supervision and reporting methodologies and practices.

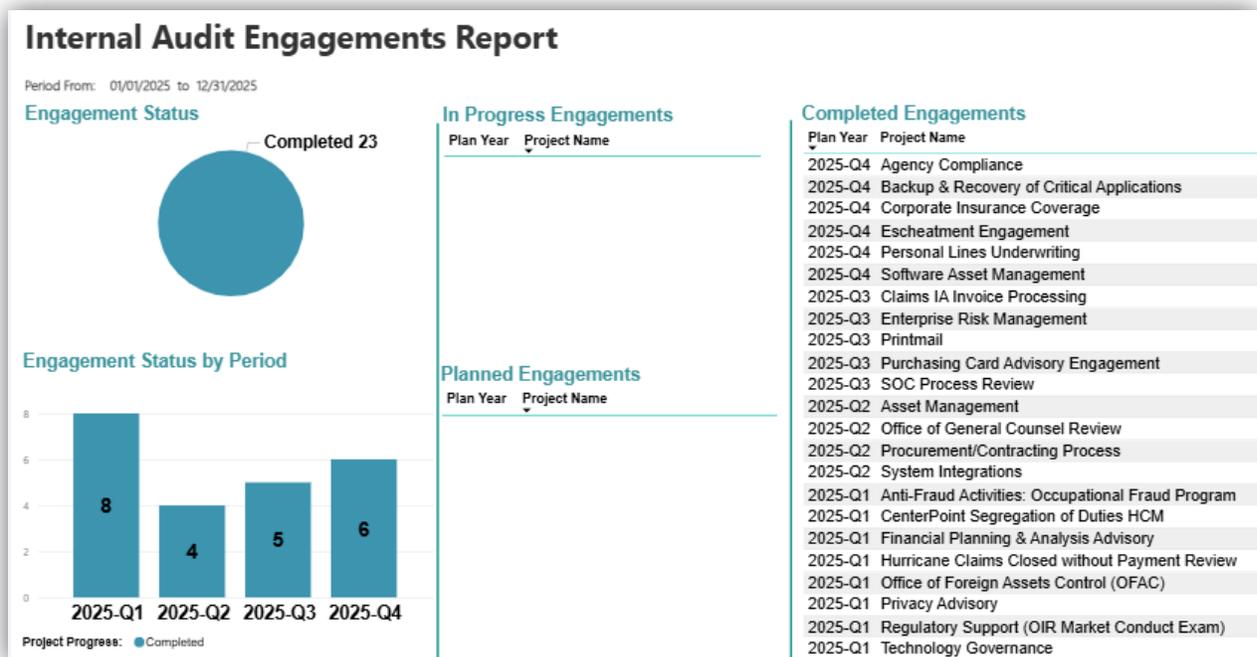
The results indicated a general level of conformance with the Standards. Individual results and opportunities for improvement were discussed with the auditors on a one-on-one basis, while common themes identified were discussed collaboratively with the audit team. These discussions reinforced expectations and prioritized learning, development and continuous quality improvement.

Key Performance Indicators

Internal Audit has established key performance indicators (KPIs) to provide the Audit Committee and Executive Management with information on the performance, effectiveness, and value of the internal audit function. Internal audit continuously refines and evaluates, expanding its KPIs as data availability and reliability continue to improve. A summary of the currently monitored KPIs is provided below.

Audit Plan Completion

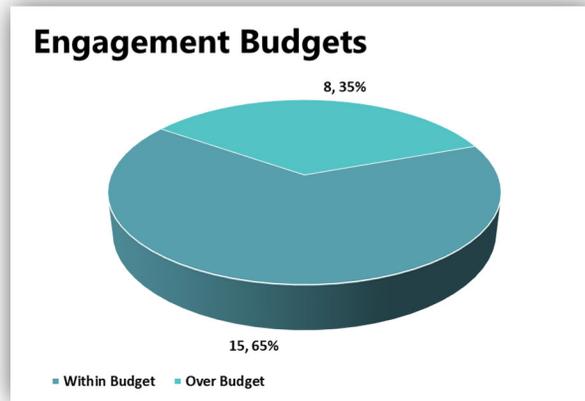
Internal Audit monitors progress against the approved Internal Audit Plan. In 2025, Internal Audit conducted 23 planned engagements. At the time of this assessment, 100% of planned engagements were completed.



Engagement Budgets

We monitor the hours spent on engagements against the initial engagement budget to measure Internal Audit's efficiency. Engagements must come within 10% of the initial engagement budget. The initial engagement budget is the amount allocated to the engagement at the start.

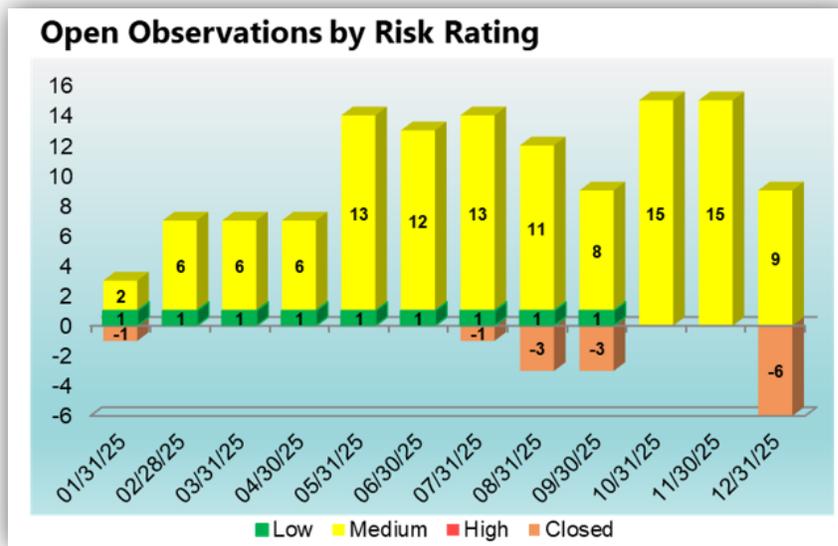
During the period covered in this review, Internal Audit met its engagement budget target. Of the 23 engagements planned for this year, 15 (65%) were completed within budget, 8 (35%) exceeded budget, and 4 were within the 10% variance. Overall, engagements were completed within 99% of the planned budget for all engagements completed or in the reporting phase at the end of 2025.



Audit Recommendations Implemented

Internal Audit tracks the implementation of recommendations and agreed-upon action plans. The implementation rate shows Citizens' commitment to improving processes and Internal Audit's effectiveness.

In 2025, Internal Audit monitored the implementation status of corrective actions for 23 observations. Citizens' Management has fully implemented 14 internal audit observations (61%) and started 9 internal audit observations (39%), as noted in the chart below:



Survey

Internal Audit uses engagement surveys to determine if the auditees are satisfied with the engagement (customer satisfaction). The current indicator for each survey is at least 80% agreement. For 2025, Internal Audit met its KPIs related to customer satisfaction with 97% agreement overall:

Surveys Answered	Average Answer	Total Points
20	3.9 out of 4.00	388 out of 400

Staff Certification

Internal Audit measures staff certifications to ensure it has staff capable of performing the necessary audit work. The current KPI is that 100% of the recognized certifications must be present among the population audit staff.

For the period, 100% of the recognized certifications were present with audit staff. Audit staff had, among others, the following certifications:

- Certified Public Accountant
- Certified Internal Auditor
- Certified Information Systems Auditor
- Certified Fraud Examiner

External Quality Assessment

Internal Audit obtained an EQA (formerly known as QAR) 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.

The report noted the following:

Areas of Strength

- *The Internal Audit activity generally conforms to the Standards, the Core Principles and the Code of Ethics and satisfactorily addressed most recommendations from the prior QAR performed in 2014.*
- *Internal Audit has a positive, collaborative relationship with Management and understands Management’s value expectations of the Internal Audit Activity.*
- *Internal Audit leadership is considered strong, involved in executive leadership meetings, and well-respected throughout the Company.*
- *Internal Audit comprises staff with diverse skill sets, including IT, data analytics and fraud.*
- *Internal Audit has a well-documented and thorough Internal Audit policy, charter, and strategic plan, with its strategic and internal audit plans tied to the Company’s strategic plan.*
- *Internal Audit’s competency framework incorporates IIA’s Global Competency Framework elements.*
- *Internal Audit has adopted a rolling quarterly risk-assessment practice, which facilitates agility*

to address the highest risks within the organization with timely internal audits of those areas.

- *Process advisory services, the Internal Audit's consulting projects, are deemed value-added by Management and demonstrate Internal Audit's versatility in meeting Management's needs.*
- *Audit reports are well-written, concise, and accurate, containing no surprise audit results.*
- *Internal Audit leadership oversees ERM and the organization's internal control framework without compromising the independence of the Internal Audit Activity.*
- *The Audit Committee is fully and frequently apprised of the status of Internal Audit's audit plan and results.*
- *Management values the Internal Audit's input on new regulations or laws that might impact Citizens' business.*

Improvement Opportunities

- *Include an evaluation of its conformance to the Standards, Code of Ethics and Core Principles as part of its annual internal assessment as required by IIA Standards 1311 and 1320.*
 - Internal Audit developed a detailed QAIP procedure and assessment procedure that will lead to the delivery of this annual QAIP report to the Audit Committee.
- *Adhere to the five-year requirement for an external quality assessment, per IIA Standard 1312.*
 - This requirement was addressed with the 2021 QAR and will again lead to a full QAR review in 2026.
- *Annually affirm and document whether any conflicts of interest exist between the Internal Audit professional staff and the Company, and document procedures to take if a conflict has been detected.*
 - Internal Audit developed a formal affirmation procedure and an affirmation form, which is completed and signed annually by every team member.
- *Consider opportunities to educate the Audit Committee on their role and responsibilities to foster effective relationships between the Audit Committee, the Board, and the Internal Audit Directors.*
 - Response to the improvement opportunity is being considered.