

# **INTERNAL AUDIT DEPARTMENT CHARTER**

**Cocogen Insurance, Inc.**

**(26 January 2022)**

## **COCOGEN INSURANCE, INC.**

### **INTERNAL AUDIT DEPARTMENT CHARTER**

#### **Purpose and Mission**

The purpose of Cocogen Insurance, Inc.'s Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve Cocogen's operations. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

#### **Standards for the Professional Practice of Internal Auditing**

The Internal Audit Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, the Information Systems Audit Control Association (ISACA) Standards and the Definition of Internal Auditing. The Head of Internal Audit will report periodically to President and the Board/Audit Committee/Supervisory Committee regarding the Internal Audit Department's conformance to the Code of Ethics and the Standards.

#### **Authority**

The Head of Internal Audit will report functionally to the Audit Committee and administratively to the President/Chief Executive Officer. To establish, maintain, and assure that the Cocogen's Internal Audit Department has sufficient authority to fulfill its duties, the Board/Audit Committee will:

- Approve the Internal Audit Department's charter.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Department's budget and resource plan.
- Receive communications from the Head of Internal Audit on the Internal Audit Department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Head of Internal Audit.
- Approve the remuneration of the Head of Internal Audit.
- Make appropriate inquiries of Management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Board/Audit Committee, including in private meetings without Management present.

The Board/Audit Committee authorizes the Internal Audit Department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Company as well as other specialized services from within or outside the Company in order to complete the engagement.
- The CAE is also authorized to designate members of the audit staff to have full and complete access.

### **Independence and Objectivity**

The Head of Internal Audit will ensure that the Internal Audit Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

The Head of Internal Audit shall report functionally to the Audit Committee and administratively to UCPB's President/CEO. This ensures broad audit coverage, adequate consideration of engagement communications, and appropriate action on engagement recommendations/actions.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the Company and its affiliates.
- Initiating or approving transactions external to the Internal Audit Department.

- Directing the activities of any Company employee not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Resourcing and performance evaluation processes will be carried out through the established Human Resources processes to the extent that they do not impair or affect the independence or objectivity of the department. The resourcing and performance evaluations of the CAE will be approved by the Audit Committee with inputs from the Company's President/CEO. Staff evaluations coupled with decisions to hire, fire, and promote is primarily that of the CAE and after obtaining relevant input from management.

Where the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- Have no authority to release engagement records without prior approval of Head of Internal Audit. Engagement records shall comprise of audit reports, working papers, Internal Audit Department manual, audit rating system, formats / templates and all audit related documents

The Head of Internal Audit will confirm to the Board/Audit Committee, at least annually, the organizational independence of the Internal Audit Department. Organizational independence will be maintained by having the Head of Internal Audit interact directly with the Audit committee.

The Head of Internal Audit will disclose to the Board/Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board/Audit Committee, Management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Company. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Company's strategic objectives are appropriately identified and managed.
- The actions of the Company's officers, directors, employees, and contractors are in compliance with the Company's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Company.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of Internal Audit will report periodically to President and the Board/Audit Committee regarding:

- The Internal Audit Department's purpose, authority, and responsibility.
- The Internal Audit Department's plan and performance relative to its plan.
- The Internal Audit Department's conformance with the Institute of Internal Auditor's (IIA) Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board/Audit Committee/Supervisory Committee
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by Management that may be unacceptable to the Company.

The frequency and scope of audit coverage are determined from on-going assessment of risk. The audit includes obtaining an understanding of the systems under audit, evaluating their adequacy, and testing the degree of compliance with key controls. In addition, the internal audit plan supports management in other capacities such as:

- Conducting special investigations regarding errors or irregularities
- Conducting specific operations at the request of the Board or Management, as appropriate
- Conducting evaluation of programs to ascertain whether results are consistent with established goals and objectives, and whether the operations or programs are carried out as planned.
- Conducting investigations of complaints received by the company regarding internal controls, accounting, or auditing matters

- Participating in evaluating the control aspects during the development of new policies, procedures, products, and systems to appraise the adequacy, effectiveness and efficiency of the proposed system of control
- Participating in examinations of potential acquisition or sales
- Conducting reviews to determine compliance with a specific law or regulation
- Assisting management respond to regulatory inquiries or requests

Management is responsible for fraud prevention and detection. As IA perform its work, it will be observant of manifestation/red flags of the existence of fraud and weaknesses in internal controls which would permit fraud to occur or would impede its detection. IA will evaluate any indicators of fraud and decide whether further action is necessary or whether an investigation should be recommended.

If investigation of fraud is required, internal audit will exercise due professional care as required by the IA standard by considering the extent of work needed to achieve the investigation's objectives and the related complexity, materiality, or significance. They should decide if they are best placed to undertake the investigation or whether to engage internal legal counsel, human resources, qualified or certified fraud examiners, digital and accounting forensics, or outside legal and investigative experts.

The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Department does not assume Management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of Management.

## **Responsibility**

Internal Auditors (IA) are responsible for developing and maintaining an efficient and effective program of internal auditing to enhance Cocogen's capacity to manage risk and to provide the Audit Committee, and management that, on an ongoing basis, the system of internal controls of Cocogen, taken as a whole, achieves the following objectives:

- Alignment of the audit plan with the organization's strategic objectives
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

IA will coordinate with other members of the assurance community which includes risk, compliance, third parties such as accounting/external audit firms and actuarial consultants to contribute to the implementation of an effective and efficient system of internal control.

IA will focus on areas of Extreme/High inherent and residual risks and the key controls upon which the company is most reliant. IA will perform a strategic planning process that plans work in two classes of activities.

Control reviews/Assurance activities – where the internal auditor reviews the adequacy, effectiveness, and efficiency of the control systems and provides assurance that the controls are working and the risks are effectively managed.

Consulting activities – where the internal auditor advises organizational management in developing control systems to mitigate unacceptable level of risks.

The Head of Internal Audit has the responsibility to:

- Submit, at least annually, to President and the Board/Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to the President and the Board/Audit Committee/Supervisory Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Cogen Insurance, Inc.'s business, risks, operations, programs, systems, and controls.
- Communicate to the President and the Board/Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Submit periodic reports to the Audit Committee, and Senior Management on the status and results of the internal audit engagements, significant control issues, and the overall adequacy of the control environment.
- Address to the applicable senior management who are required to respond as to corrective actions to be taken the reports relating to their respective audits
- Follow up on engagement findings and corrective actions, and report periodically to President and the Board/Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact Cogen are considered and communicated to President and the Board/Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.

- Ensure adherence to the Cocogen's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to President and the Board/Audit Committee.
- Ensure conformance of the Internal Audit Department with the Standards, with the following qualifications:

If the Internal Audit Department is prohibited by law or regulation from conformance with certain parts of the Standards, the Head of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Head of Internal Audit will ensure that the Internal Audit Department conforms to the Standards, even if the Internal Audit Department also conforms to the more restrictive requirements of other authoritative bodies.

### **Approval and Periodic Assessment**

The Charter should be periodically assessed to determine 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 and is in line with the Internal Auditing Standard

**Cocogen Insurance, Inc.**

**Internal Audit Charter**

Approval/Signatures

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Internal Audit Head

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Date

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Audit Committee Chairman

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Date

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Chairman of the Board

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Date