

# RIBI

## Reliable Insurance Brokers Inc. Internal Audit Charter

### 1. INTRODUCTION:

This Charter describes the mission, independence and objectivity, scope and responsibilities, authority, accountability and standards of the Internal Auditor ("IA Activity") of RIBI ("RIBI" or the "Company").

The Internal Auditor shall review this charter at least annually and obtain the approval of the Board through the Audit Committee for any revisions thereto.

### 2. MISSION:

RIBI Management has a responsibility to its stakeholders and its shareholder to increase the value of the business while safeguarding the assets and the integrity of the Company. This is accomplished through a system of internal controls, which helps assure achievement of business goals and objectives.

The mission of the Internal Auditor is to ensure that the operations of RIBI are conducted according to the highest standards by providing an independent, objective assurance and consulting function and by advising on leading practices. Through a systematic and disciplined approach, the IA Activity helps the Company and its shareholders accomplish its objectives by evaluating and improving the effectiveness of risk management, control and governance processes.

### 3. ROLE:

The IA Activity is established by the Board of Directors through the Audit Committee. The IA Activity's responsibilities are defined by the Board as part of their oversight role.

### 4. PROFESSIONALISM:

The IA Activity will govern itself by adherence to *The Institute of Internal Auditors'* mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics*, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

In addition, the IA Activity will adhere to standards of leading professional practice such as those published by *ISACA* and *Association of Certified Fraud Examiners*. The IA Activity will also adhere to RIBI's relevant policies and procedures, to its standard operating procedures manuals and to the relevant requirements and recommendations

of various governing agencies such as the Securities and Exchange Commission and Insurance Commission.

## **5. AUTHORITY:**

The Internal Auditor, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free access to any and all of the Company's records, physical properties, and personnel pertinent to carrying out any engagement unless otherwise restricted by the Board. All employees are requested to assist the IA Activity in fulfilling its roles and responsibilities. The IA Activity will also have free and unrestricted access to the Board.

## **6. ORGANIZATION:**

The Internal Auditor will report functionally to the Audit Committee of RIBI's Board of Directors and administratively to the President/Chief Executive Officer.

The Board through the Audit Committee shall:

- Approve the Internal Audit Charter
- Approve the annual risk-based IA audit plan
- Approve the internal audit budget and resource requirements
- Receive communications from the Internal Auditor on the IA Activity's performance relative to its plan and other matters
- Approve decisions regarding the appointment and removal of the Internal Auditor
- Concur with the annual compensation and salary adjustment of the Internal Auditor
- Make appropriate inquiries of management and the Internal Auditor to determine whether there is inappropriate scope or resource limitations.

The Internal Auditor will communicate and interact directly with the Board, including executive sessions and between Board meetings as appropriate.

## **7. INDEPENDENCE AND OBJECTIVITY:**

The IA Activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

The Internal Auditor will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgement. Internal auditor will exhibit the highest level of

professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditor will make a balanced assessment of all the relevant circumstances and not be influenced by their own interests or by others in forming judgements.

The Internal Auditor will confirm to the board, at least annually, the organizational independence of the IA Activity.

## **8. SCOPE OF WORK:**

The scope of internal audit work includes the review of risk management procedures, internal control systems, information systems and governance processes to ensure:

- Safeguarding of assets
- proper identification and management of risks and the appropriate level of internal control exists w/in the company to manage and mitigate risk
- policies standards and procedures and controls are adequately documented as needed
- interaction with various governance groups occurs as needed
- significant, financial, managerial, and operating information are accurate, reliable, and timely
- employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations
- resources are acquired economically, used, efficiently, and adequately protected
- programs, plans, and objectives are achieved
- quality and continuous improvement are fostered in the organization's control process
- significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately

Opportunities for improving management control, profitability and RIBI 's image may be identified during audits. These will be communicated to the appropriate levels of management.

The nature of internal audit activities can be classified as either assurance or consulting services. Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding a process, system or other subject matter. These may include the following:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.

- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

Some examples of assurance services can be described as follows: Financial audit, Revenue audit, Information systems audit, Technical audit, Properties audit, and/or, Business operations audit.

Consulting activities are advisory in nature and are generally performed at the specific request of an engagement client. When performing consulting services, the internal auditor maintains objectivity and not assume management responsibility. These consulting activities include, but are not limited to the following:

- Performing consulting, training and facilitation services related to governance, risk management and control as appropriate for the organization.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.
- Performing process design reviews requested by auditees
- Reviewing of a department's operating or control procedures; and/or Membership in cross functional groups and task forces to provide advice on control, risk management and governance processes.

On a need basis, the Internal Auditor's work may also involve periodic testing of transactions, leading practice reviews, special investigations, appraisals of regulatory requirements, and measures to help prevent and detect fraud. The responsibilities in relation to fraud include the following:

- Evaluating the consideration of fraud risk in every audit, and conducting the appropriate audit procedure based on the identified fraud risk.
- Exercising due professional care to the degree that fraud may be present in activities covered by the normal course of audit
- Evaluating the risk of fraud and the manner in which it is managed by the Company.
- Assisting in fraud prevention by examining and evaluating the adequacy and effectiveness of the internal controls' system commensurate with the extent of a potential exposure within the Company.
- Conducting investigations and seeking assistance from/coordination with management, legal counsel, and other specialists, such as human resources and risk management, as appropriate throughout the course of the investigation.

## **9. RESPONSIBILITY:**

The Internal Auditor has responsibility to:

- Develop a flexible annual internal audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan as well as periodic updates thereto to the Audit Committee for review and approval.
- Implement an annual internal audit plan, as approved, including as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Conduct fieldwork in a professional and timely manner.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and or expansion in relation to risk based audit.
- Issue periodic written reports to the Audit Committee and Management summarizing results of audit activities including internal audit personnel headcount, movement and professional development.
- Ensure there is appropriate mechanism in place for the confidential submission of employee concerns or complaints on questionable accounting or auditing matters and notify Audit Committee of the status and disposition of reported complaints.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify Management and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Perform consulting services, beyond internal auditing's assurance services such as advisory on process improvements, to assist Management in attaining its objectives.

## **10. REPORTING AND MONITORING:**

A written report will be prepared and issued by the Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report shall include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The IA Activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared. The Internal Auditor will periodically report to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board through the Audit Committee.

#### **11. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:**

The IA Activity will maintain a quality assurance and improvement program that covers all aspects of the IA Activity. The program will include an evaluation of the IA Activity's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Internal Auditor will communicate to senior management and the Board on the IA Activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

As approved by the Board of Directors on June 27, 2019