

Internal Audit Charter

Purpose

The purpose of the internal audit function is to strengthen Lincolnshire County Council's ability to create, protect, and sustain value by providing the audit committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Lincolnshire County Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards and CIPFA Application Note Global Internal Audit Standards in the UK Public Sector, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the audit committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards in the UK Public Sector

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The head of internal audit will report periodically to the audit committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Standards of Professional Practice

Authority

The audit committee grants the internal audit function the mandate to provide the audit committee and senior management with objective assurance, advice, insight, and foresight.

The audit committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Lincolnshire County Council and other specialised services from within or outside Lincolnshire County Council to complete internal audit services.

Independence, Position & Reporting Relationships

The head of internal audit will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.

Internal Audit will have unrestricted access to all areas of the organisation and information.

The Head of Internal Audit is line managed by either the Section 151 Officer or Deputy Section 151 Officer but has unrestricted access to the audit committee and is free to escalate matters to the audit committee, when necessary, without interference. This supports the internal auditors' ability to maintain objectivity.

The head of internal audit will confirm to the audit committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the head of internal audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The head of internal audit will disclose to the audit committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the head of internal audit, audit committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the head of internal audit, audit committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.
- Significant changes to regulatory or best practice expectations specifically for internal audit. For example, the Internal Audit Code of Practice or CIPFA Application Note Global Internal Audit Standards in the UK Public Sector.

Scope & Type of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all Lincolnshire County Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the audit committee and management on the adequacy and effectiveness of governance, risk management, and control processes, along with securing value for money, for Lincolnshire County Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Lincolnshire County Council's strategic objectives are appropriately identified and managed.

- The actions of Lincolnshire County Council's officers, directors, management, employees, and contractors or other relevant parties comply with Lincolnshire County Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and 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 Lincolnshire County Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Head of Internal Audit Role & Responsibility

Ethics and Professionalism

The head of internal audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Encourage and promote the seven principals of public life, which apply to all public servants including contractors that work within the public sectors.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

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

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Lincolnshire County Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Lincolnshire County Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the head of internal audit, audit committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The head of internal audit has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the audit committee and senior management. Discuss the plan with the audit committee and senior management and submit the plan to the audit committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Lincolnshire County Council's business, risks, operations, programs, systems, and controls.
- Communicate with the audit committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the audit committee and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact Lincolnshire County Council and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to Lincolnshire County Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the audit committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. The head of internal audit may not have any ability to access the work of those assurance providers or gain insight into the scope and timing of their work. Under these circumstances the head of internal audit must consider whether it is possible or practical to co-ordinate. Where they do not co-ordinate, they must set out to the board the barriers which prevent effective co-ordination.

Communication with the Audit committee and Senior Management

The head of internal audit will report annually to the audit committee and senior management regarding:

- The internal audit function's mandate.

- The internal audit plan and performance relative to its plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Report annually on the internal quality assessment including progress against action plans to address instances of non-conformance with The IIA's Global Internal Audit Standards along with action plans to address any internal audit function's deficiencies.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the audit committee.
- prepare an overall conclusion annually which must provide an overall conclusion on the adequacy of governance, risk management and controls.
- Results of assurance and advisory services.
- Develop a resource strategy which suggests practical approaches for consideration by the board.
- Inform the board of the impact of insufficient resources and any options available to mitigate that impact.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Lincolnshire County Council's risk appetite.
- Annual assurance opinion for use by the Audit Committee in their annual assurance and governance statement to the Board.
- That the Audit Committee annual report summarises the purpose and mandate of Internal Audit, the function's main activities, and a conclusion on internal audit's impact and effectiveness.
- That the head of internal audit holds either CMIIA, a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience.

Quality Assurance and Improvement Programme

The head of internal audit will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and Code of Practice, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the head of internal audit will communicate with the audit committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Lincolnshire County Council; qualifications must include at least one person having the characteristics outlined for head of internal audit and that such a person would normally have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. These matters must be considered as part of the selection process.

Approved by the audit committee at its meeting on 21 July 2025.

The Committee noted the report and were satisfied with the content of the Audit Strategy & Audit Charter.

3. That the Committee approve the Audit Charter.