



CITY OF
Lincoln
COUNCIL

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Appendix A

Internal Audit Charter 2025/26



Mission Statement

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.



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Revision	Originator of change	Date of change	Change description
V0.2	Audit Manager	February 2021	Reviewed - no changes
V0.3	Audit Manager	May 2022	Change of ownership Added in S151 requirement under Authority Added in fraud paragraph under scope.
V0.3	Audit Manager	February 2023	Review - No change
V0.4	Audit Manager	February 2024	Review – Minor change to reflect the revised approval process as previously agreed by the Audit Committee – final page.
V0.5	Audit Manager	February 2025	Reformatted into new style and made amendments to comply with the new Standards including referencing standard, updating the references to the standards, rewording the sections on the purpose, strategy, quality and performance and approval, and other minor wording changes.



Statutory Requirements and Purpose

(Standard Principle 6)

There is a statutory requirement for the Council to have an internal audit of its governance, risk and control processes. The Accounts and Audit Regulations 2015, more specifically require that the audit takes into account the Public Sector Internal Audit Standards (The Standards) or guidance which are mandatory. The Public Sector Standards comprise of the Global Internal Audit Standards 2024 and the Chartered Institute of Public Finance (CIPFA) Public Sector Application Note.

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

The internal audit function enhances the 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.

Internal Audit also provides the Audit Committee with information necessary for it to fulfil its own responsibilities and duties.

Implicit in Internal Audit's role is that it supports the organisation's management to fulfil its own risk, control and compliance responsibilities

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Council and defines the scope of Internal Audit activities. The Global Internal Standards 2024 (Standards 6.1 and 6.2) require that the Council has a Mandate and Charter in place.

Authority

(Standard Principle 6)

Internal Audit derives its authority from the Accounts and Audit Regulations 2015, the standards, this Charter and from the Council's Constitution, specifically the Financial Procedure Rules

The Council's Section 151 Officer is required to ensure that the Internal Audit function is appropriately resourced and effective.

The Head of Internal Audit (Audit Manager) is the “Chief Audit Executive”. The HIA and internal audit staff are authorised to:

- Have unrestricted access to all the organisation's records, property, and personnel, management and elected members relevant to the performance of its engagements. Including those relevant to services provided in partnership or under contract with external organisations.
- Receive information and explanations that are sought in the course of audit work
- Obtain the necessary assistance of the organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation.

Internal Audit has no authority or management responsibility for any of its engagement subjects.

Internal Audit (and its auditors) will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence. Auditors are free from operational system involvement or influence.

Accountability

(Standard Principle 6)

To provide for Internal Audit's independence, the Head of Internal Audit reports directly to the Audit Committee (The Board) and the Corporate Management (Senior Management) Team and the Chief Executive.

Internal Audit also supports the Chief Finance Officer, Monitoring Officer and the Head of Paid Service discharge statutory responsibilities including those responsibilities set out in the Constitution.

The Head of Internal Audit has free and full access to the Chair of the Audit Committee.

The Head of Internal Audit reports administratively to the Section 151 Officer (CFO) who provides day-to-day oversight. The Head of Internal Audit is responsible for all aspects of Internal Audit activity, including strategy, planning, performance, quality and reporting.

The Chief Finance Officer reports directly to the Chief Executive as Head of Paid Service

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures.

The Audit Manager will ensure that the Internal Audit service has an impartial, unbiased attitude and avoids conflicts of interest. They will also ensure that the



service conforms with the ethical principles as laid out within the standards and the Council's Code of Conduct and will report any behaviour within the Council which is inconsistent with the Code.

If the independence or objectivity of the Internal Audit Service is impaired, details of the impairment **will** be disclosed to either the Section 151 Officer, or the Chair of the Audit Committee, or both dependent upon the nature of the impairment.

The Internal Audit Service is not authorised to perform any operational duties for the organisation; initiate or approve accounting transactions external to the Internal Audit Service; or direct the activities of any organisation employee not employed by the Internal Audit Service, except to the extent such employees have been appropriately assigned to Service or to otherwise assist the Internal Auditor.

Constructive working relationships make it more likely that internal audit work will be accepted and acted upon – although the internal auditor does not allow their objectivity or impartiality to be impaired.

Scope

(Standard Principle 6)

The scope of Internal Audit activities includes all activities conducted by the organisation - the entire control environment including those services provided in partnership or under contract with external organisations. There are no restrictions.

The Internal Audit Plan identifies those activities that have been identified as the subject of specific Internal Audit engagements – helping to support the HIA opinion on governance, risk and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are **determined by Internal Audit**.

Consulting engagements are advisory in nature and are generally performed at the **specific request of management**. The nature and scope of consulting engagement are subject **to agreement with management** and should assist management in meeting the objectives of the organisation without undermining the key principles of independence and objectivity. Internal Audit should not assume management responsibility.

Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal Auditors should, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that a fraud or corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be

detected. Managing the risk of fraud and corruption is the responsibility of management

The HIA will assist with the implementation of the Council's counter fraud policy/strategy and the investigation of fraud and irregularities in line with policy/strategy and the constitution. The HIA must be notified of all suspected or detected fraud, corruption or impropriety

Consultancy engagements should only be performed where resources and skills exist and should focus on governance, risk and control – supporting the HIA annual opinion. They should not replace assurance engagements.

The HIA cannot give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control within their area of accountability. They should ensure that appropriate and adequate risk management, control systems, accounting records, financial processes and governance arrangements exist (the control environment), without depending on internal audit activity to identify weaknesses or control failures.

Audit Committee (Board)

(Standard Principle 6)

The Audit Committee is a key component of the Council's governance framework providing an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It provides independent assurance to the Council members of the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

For the purposes of the **Standards** the Audit Committee performs the role of the 'Board'. The Audit Committee complies with CIPFA best practice standards through their **separate** terms of reference and work programme.

The Audit Committee will:

- **Discuss, review and** approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Receive reports from the head of internal audit on internal audit activity's performance relative to its plan and other matters.



Strategy

(Standard Principle 9)

The HIA will develop and maintain an Internal Audit Strategy in accordance with the standards. This will be reviewed at least bi-annually with management and the Audit Committee.

Planning

(Standard Principle 9)

The audit planning process will include the following:-

- Develop and maintain a risk based Internal Audit Plan
- Engage with Management and consider the organisation's strategic and operational objectives and related risks in the development of the Internal Audit Plan.
- Review the Internal Audit Plan periodically with management to reflect changes in the risk environment and these changes are approved when significant.
- Present the Internal Audit Plan, including updates, to the Audit Committee for periodic review and approval.
- Agree an Internal Audit Budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan.
- The Internal Audit budget is reported to the Executive and Full Council for approval annually as part of the overall Council's budget. The Audit Manager will draw to the attention of the Chief Executive, Section 151 officer and the Audit Committee any resourcing issues that potentially impact on the effectiveness of the Internal Audit function.
- Coordinate with and (where relevant) provide oversight of other control, monitoring and assurance functions, including Risk Management, External Audit.
- Consider the scope of work of the external auditors (and other assurance providers) for the purpose of providing optimal audit coverage to the organisation.

In developing the Internal Audit Plan the Council's assurance framework is also taken into account – using the Three Lines of Assurance (see next page) which is obtained through our Combined Assurance work.

Management are also required to consult with the HIA about significant proposed changes to the internal control systems and the implementation of new systems.

This will enable advice to be provided on the standards of controls to be applied and also allow for consideration of changes to the plan to accommodate a more thorough review of the changes.



How do we assure ourselves about how the council is run?



Reporting

(Standard Principles 11, 13 and 15)

Following the completion of the audit (engagement) fieldwork a draft report will be issued to the auditees and the process and timetable for the completion of agreed management actions will be confirmed. Where the report is of Limited or Low Assurance this will also be presented to the Corporate Management Team.

The HIA will also provide the following reports for the Audit Committee and the Corporate Management Team:-

- Periodic reports summarising Internal Audit activities and the results of Internal Audit Engagements.
- Periodic reports on the status of agreed management actions taken in response to Internal Audit Engagements.
- Annual report on the Internal Audit performance against goals and objectives including an annual assurance opinion on governance, risk and control. This will also help inform the Council's Annual Governance statement.
- Report as needed on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan.
- Inform of emerging trends and practices in internal auditing.
- Provide results of the annual review on the effectiveness of internal audit (including outcomes of its Quality Assurance and Improvement programme).



This will include a statement on organisational independence of Internal Audit and conformance with the Code of Ethics. Any significant non-conformance must be included in the Annual Governance Statement.

- Report as necessary any significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee or Senior management.

Quality and Performance

(Standard Principles 8 and 12)

Internal Audit will perform its work in accordance with the Standards, Code of Ethics and the Council Code of Conduct.

A Quality Assurance Framework will be established to set out the system for monitoring and evaluating conformance with the standards and meeting the expectations of Senior Management and the Audit Committee.

An annual internal assessment of the service and its compliance with the Standards will be completed and an external assessment completed at least every five years by a suitably qualified, independent assessor.

Regular feedback on the quality and impact of our work (added value) will be obtained.

Internal auditing procedures will be maintained incorporating best practice approaches and techniques.

The delivery of the Internal Audit Plan will be monitored using appropriate performance indicators.

Resources will be maintained which include sufficient knowledge, skills and experience to meet the requirements of this Charter, the Strategy and the Internal Audit Plan. These resources will be allocated appropriately to the audits (engagements) to ensure that the objectives are met.

Regular meetings will be held with Senior management to discuss resources, quality and performance.

Approval and Validity of the Charter

This Charter will be discussed at least bi-annually with Senior Management and the Audit Committee. The final version will be approved by Corporate Management and the Audit Committee.