

## Internal Audit Charter – West Lindsey District Council

### Purpose & Mission

The purpose of West Lindsey District Council's (WLDC) internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the delivery of operations across the client base. The mission of the internal audit is to enhance and protect the public funded services by providing risk-based and objective assurance, advice and insight. The internal audit function helps WLDC accomplish their objectives by bringing a systematic, disciplined approach to evaluation and improve the effectiveness of governance, risk management and control processes.

### Standards of Professional Practice

The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors International Practice Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Definition of Internal Auditing. The Head of Internal Audit will report periodically to the senior management and the audit committee regarding internal audit activity and report any areas that do not conform to the Code of Ethics and the *Standards*.

### Authority

To establish, maintain and assure that WLDC's internal audit activity has sufficient authority to fulfil its duties, the audit committee will:

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Receive communications from the Head of Internal Audit, or their representative, on performance relative to its plan and other matters.
- Make appropriate enquiries of senior management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitation.
- Approve the appointment and removal of the internal audit activity.

The Head of Internal Audit will have unrestricted access, communication and interact directly with the audit committee, should this be necessary, which may include private meetings without management present.

The audit committee authorises the internal audit activity 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 assurance from the necessary personnel at WLDC, as well as other specialist resources outside the Council, in order to complete the engagement.

### Independence & Objectivity

The Head of Internal Audit will ensure that the internal audit activity 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 the impairment will be disclosed to appropriate parties.

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 responsibilities 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.
- Perform any operational duties for WLDC.
- Initiate or approve transactions externally to the internal audit activity.
- Direct the activities of any WLDC employee not employed within the internal audit activity, except in the extent that such employees have been appropriately assigned to the internal audit team or assisting with internal audit activities.

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 others in forming judgments.

The head of internal audit will disclose to the board any interference and related implications in determining the scope of internal auditing, performance and/or communication 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, management and external parties on the adequacy and effectiveness of governance, risk management and control processes for WLDC. Internal audit assessments will evaluate whether:

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

The head of internal audit, or their representative, will report periodically to senior management and the audit committee regarding:

- The internal audit activity's purpose, authority and responsibility.
- The internal audit's plan and performance relative to the plan.
- The internal audits conformance to the IIA's 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 audit committee.

- The results of audit engagements or other activities.
- Resource requirements.
- Any responses to risk by management that may be unacceptable to WLDC.

The head of internal audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurances and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity 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**

The head of internal audit has the responsibility to:

- Submit, at least annually, to management and the audit committee a risk-based internal audit plan for review and approval.
- Review and adjust the internal audit plan, as necessary, in response to changes in business, risks, operations, systems and controls.
- Communicate to senior management and the 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 adequate supervised resources and the communication of engagement results with appropriate conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions and report periodically to senior management and the 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 activity collectively possesses or obtains the knowledge, skills and competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact upon WLDC are considered and communicated to senior management and the audit committee as appropriate.
- Ensure emerging trends and successful practice in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit activity.
- Ensure adherence to WLDC'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 senior management and the audit committee.
- Ensure conformance of the internal audit activity with the *Standards*, with the following qualifications:
  - If the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, the head of internal audit will ensure appropriate 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 activity conforms with the *Standards*, even if the internal audit activity also conforms with the more restrictive requirements of other authoritative bodies.

### **Quality Assurance and Improvement Programme**

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the *Standards* and an evaluation of whether the internal auditors apply the IIA's Code of Ethics. The program

will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The head of internal audit will communicate to senior managers and the audit committee on the internal audit's quality assurance and improvement programme, including results of internal assessments and external assessments concluded once every five years by a qualified independent assessor or assessment team from outside WLDC.

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Head of Internal Audit

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Date

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Chair of Audit Committee

\_\_\_\_\_  
Date

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Chief Executive Officer

\_\_\_\_\_  
Date