Internal Audit Charter 2025-26

Draft for Audit and Governance Committee

4 December 2025

Enabling prosperity and wellbeing for all

Cheshire East Council

Contents

Document Control

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Revision History

Version	Reviser	Description of revision	Date of revision
1.0	JG	First draft	December 2017
2.0	JG	Amendments required following external assessment report, plus additional content to improve quality of document.	October 2018
2.1	MT	Updated to reflect comments from CLT and provide greater clarity regarding responsibility of management.	February 2019
2.2	MT	Clarification of reporting lines for Head of Audit and Risk	February 2020
2.3	MT	Updated to reflect responsibility for the Information Rights team passing to the Head of Audit and Risk and the safeguards in place to maintain independence	November 2022
3.0	JG	Updated to reflect requirements of Global Internal Audit Standards in the UK Public Sector, and role titles/responsibilities.	December 2025

Document Approvals

Board/Committee Approval	Date
Audit and Governance Committee	7 December 2017 (Version 1.0)
Audit and Governance Committee	14 March 2019 (Version 2.1)
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Audit and Governance Committee	24 November 2022 (Version 2.3)

Associated Documentation

Cheshire East Council Constitution
IIA: Global Internal Audit Standards
CIPFA: Application Note: Global Internal Audit Standards in the UK Public Sector
CIPFA: Practical Guidance for Audit Committees 2022

1. Purpose of the Audit Charter

The Internal Audit Charter outlines the framework in which Cheshire East Council's internal audit service operates, defining its purpose, authority and responsibility and its obligations to meet the requirements and obligations of the Global Internal Audit Standards in the UK Public Sector (GIAS). The charter sets out Internal Audit's position within the organisation, and the arrangements for functional and administrative reporting.

The Internal Audit Charter will be subject to periodic review by the Head of Audit Risk and Assurance, as Chief Audit Executive, and presented to the Corporate Leadership Team and the Audit and Governance Committee for approval.

2. Mission

The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the operations of Cheshire East Council. It assists the Council in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

3. Mandate

The requirement for an internal audit function in local government is detailed within the Accounts and Audit Regulations 2015, which states that a relevant body must:

> 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

In addition, the need for an internal audit function is implied by Section 151 of the Local Government Act 1972, which states that local authorities are required to "make arrangements for the proper administration of their financial affairs". It is this legislation that requires internal audit to maintain a focus on internal financial controls as well as the controls over the Council's wider risks as required by the Accounts and Audit Regulations.

The Council's Constitution establishes Internal Audit's role and rights of access as required in carrying out any engagement.

4. Definitions

For the purpose of this Charter, the following definitions of terms used in the Standards apply:

Board
The Council's Audit and Governance Committee

Chief Audit Executive
The Role of the Chief Audit Executive is undertaken by the Head of Audit Risk and Assurance

Senior Management
Senior Management is defined as the Corporate Leadership Team

Management
Management is defined as Heads of Service

Section 151 Officer
The Section 151 Officer is required to ensure that appropriate arrangements are made for the provision of an internal audit service in accordance with the requirements of the Accounts and Audit Regulations 2015

Monitoring Officer
The Council's Director of Law and Governance has the role of Monitoring Officer.

5. Standards, Professionalism and Ethics

Internal Audit will govern itself by adherence to 'the Standards'. The mandatory Standards constitute the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

The Global Internal Audit Standards, taken together with the Application Note for the Global Internal Audit Standards in the UK Public Sector will be adhered to as applicable guide for operations. In addition, Internal Audit will adhere to Cheshire East Council's relevant policies and procedures and the Internal Audit Manual.

Compliance with the GIAS, specifically Domain II, Ethics and Professionalism, promote an ethical and professional culture. Internal Audit officers are also governed by the ethical codes of the professional bodies to which they belong, and to the Council's Code of Conduct for all employees.

Internal Audit officers are reminded of the need to demonstrate compliance with Ethics and Professionalism aspects of GIAS on an annual basis. Staff are also

required to declare any real or perceived impairment to their independence in undertaking any specific engagements.

The Standards outline fifteen core Principles for internal audit activity, which must be achieved in order to demonstrate the effective operation of the internal audit function:

- Demonstrates integrity
- Maintain objectivity
- Demonstrates competence
- Exercise due professional care
- Maintain Confidentiality
- Authorised by the Audit Committee
- Positioned independently
- Overseen by the Audit Committee
- Plan strategically
- Manage resources
- Communicate effectively
- Enhance quality
- Plan engagements effectively
- Conduct engagement work
- Communicate engagement results and monitor action plans

The arrangements set out in this Charter demonstrate how the Council's Internal Audit Service meets these core principles.

6. Authority, Independence and Objectivity

Internal Audit, in accordance with the Accounts and Audit Regulations, the Council's Constitution and with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access, without necessarily giving prior notice, to any and all of Cheshire East Council's records, physical properties, and personnel pertinent to carrying out any engagement, or other matters under investigation.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

Where the Council works in partnership with other organisations, or undertakes work for other organisations, the role of Internal Audit and its rights of access should be set down in the relevant partnership agreements, and where not specified, should be agreed in advance by discussion with partners.

The Head of Audit Risk and Assurance has direct access to the Council's Chief Executive, all levels of management, the Chair of the Audit and Governance Committee and the Leader of the Council.

Internal Audit will also have free and unrestricted access to the Audit and Governance Committee.

Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. The Head of Audit Risk and Assurance has a duty under the Standards to disclose any such interference and its implications to the Audit and Governance Committee.

The Head of Audit Risk and Assurance has operational responsibility for the following areas in addition to Internal Audit:

- Risk Management and Business Continuity
- Insurance
- Health and Safety
- Information Rights

Any assurance activity in those areas where the Head of Audit Risk and Assurance has operational responsibility will be carried out by auditors with no involvement in the process and overseen by the Director of Law and Governance, thus maintaining independence and objectivity in line with the 'the Standards'. Opportunities to undertake with external partners, such as peer organisations will also be utilised to provide assurance which is independent and objective from the Council.

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

The Head of Audit Risk and Assurance will confirm to the Audit and Governance Committee, at least annually, the organisational independence of Internal Audit.

7. Organisation

The Head of Audit Risk and Assurance will report functionally to the Audit and Governance Committee and administratively (i.e. day to day operations) to the Director of Law and Governance

The Director of Law and Governance will be responsible for ensuring that the Head of Audit Risk and Assurance is managed in accordance with the Council's HR Policies and Procedures.

In order to safeguard the independence of the Head of Audit Risk and Assurance, and to ensure that remuneration and performance assessments are not inappropriately influenced by those subject to audit, the Chief Executive will provide feedback to and countersign the performance appraisal of the Head of Audit Risk and Assurance. Feedback will also be sought from the Chair of the Audit and Governance Committee.

The Head of Audit Risk and Assurance will have free and unfettered access to the Chief Executive, who carries the responsibility for the proper management of the Council and ensuring that the principles of good governance are reflected in sound management arrangements.

The Head of Audit Risk and Assurance has direct access to the Council's Monitoring Officer where matters arise relating to responsibilities of the Chief Executive, legality, and standards.

The Head of Audit Risk and Assurance will communicate and interact directly with the Chair of the Audit and Governance, or other elected Members of the Council, particularly those who serve on committees charged with governance (for example, the Audit and Governance Committee).

The resources required by the Internal Audit function, including staffing of the team, is determined by the Internal Audit Plan, and is subject to ongoing review and consideration by the Head of Audit Risk and Assurance to ensure it remains adequate to deliver an effective service and an annual opinion. The Audit and Governance Committee will be advised by the Head of Audit Risk and Assurance should the level of audit resources available in any way limit the Internal Audit service's ability to deliver a service consistent with its statutory requirements.

8. Responsibilities

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

The Head of Audit Risk and Assurance is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and

effectiveness of the Council's framework of governance, risk management and control.

Under the Accounts and Audit Regulations, the Council is responsible for ensuring that it has a sound system of internal control, which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensure that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.

Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. The provision of assurance is, therefore, the primary role for internal audit. The nature of assurance work undertaken will include:

- All council systems, processes, policies, plans and procedures
- Use of, and the safeguarding of, resources and assets, including information.
- Governance and risk management processes
- Commissioning and procurement
- Projects and programmes

Internal Audit may also undertake non-assurance work including fraud related and consultancy work, at the request of the organisation, and work for other bodies, subject to there being no impact on the core assurance work and the availability of skills and resources (see later sections). External assurance work will result in an assurance report containing recommendations, to the organisation's senior management and Board.

The Head of Audit Risk and Assurance will be made aware of major new systems and proposed initiatives. The Head of Audit Risk and Assurance will consider what, if any, audit work needs to be done to help ensure risks are properly identified and evaluated and appropriate controls built in.

Audit advice is given without prejudicing the right of Internal Audit to review and recommend further action on the relevant policies, procedures, controls and operation at a later date.

It should be noted that the existence of Internal Audit does not diminish management's responsibility to establish systems of internal control to ensure that activities are conducted in a manner which promotes the economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.

Responsibility for responding to the advice and recommendations made by the Internal Audit service lies with Management who should either accept and implement the advice, or accept the risks associated with not taking action.

The Audit and Governance Committee will:

- Approve the Internal Audit Charter
- Approve the risk based annual internal audit plan.
- Receive communications from the Head of Audit Risk and Assurance on Internal Audit's performance relative to its plan and other matters.
- Make appropriate enquiries of management and the Head of Audit Risk and Assurance to determine whether there is inappropriate scope or resource limitations.
- Receive the Annual Internal Audit Report

9. Internal Audit's role in Fraud Related Work

Managing the risk of fraud and corruption is the responsibility of Management although Internal Audit will assist in the discharge of this responsibility. The process of internal audit alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected, however, internal audit staff will be alert in all engagements to risks which could increase the likelihood of fraud and corruption occurring.

The Head of Audit Risk and Assurance will be informed of all suspected or detected fraud, corruption or impropriety to inform their opinion on the internal control environment and Internal Audit's work programme.

At the request of Management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with, for example, the investigation of suspected fraud and corruption. This will be subject to there being no impact on the core assurance work and the availability of skills and resources.

10. Internal Audit Plan

At least annually, the Head of Audit Risk and Assurance will submit to the Corporate Leadership Team and the Audit and Governance Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as resource requirements for the next financial year.

The Head of Audit Risk and Assurance will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit and Governance Committee. In the event that the audit plan identifies a need for further audit work to be carried out than existing resource allows, the Head of Audit Risk and Assurance will identify the shortfall, and advise the Chief Executive, the Corporate Leadership Team and the Audit and Governance Committee as necessary to assess the associated risks, and to recommend additional resources are identified.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of the Corporate Leadership Team and the Audit and Governance Committee.

The Head of Audit Risk and Assurance will review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Corporate Leadership Team and the Audit and Governance Committee through periodic activity reports.

11. Reporting and Monitoring

A written report will be prepared and issued by the Head of Audit Risk and Assurance or designee following the conclusion of most internal audit assignments and will be distributed as appropriate. Draft reports will be issued in the first instance to the responsible manager to agree the factual accuracy of findings. Final reports will be issued to Heads of Service, Directors and Executive Directors to ensure oversight of findings and recommended actions. The Chief Executive, Section 151 Officer and the Monitoring Officer will receive a copy of every final report produced by Internal Audit.

Summary findings will also be communicated to the Audit and Governance Committee where a Limited Assurance or No Assurance opinion is given.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for the anticipated completion of any action to be taken and an explanation for any corrective action that will not be implemented.

Where a responsible manager does not agree with a finding or wishes to implement an action which Internal Audit believe will not fully mitigate the risk or issue identified, Internal Audit will, where necessary, escalate this to a manager within the organisation who is sufficiently senior to accept the level of risk exposure associated with the decision.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations.

The Head of Audit Risk and Assurance will periodically report to the Corporate Leadership Team and the Audit and Governance Committee on Internal Audit'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 required or requested by the Corporate Leadership Team and the Audit and Governance Committee.

In line with 'the Standards', the Annual Internal Audit Report prepared for the Audit and Governance Committee will incorporate the annual internal audit opinion, which will inform the Annual Governance Statement. The annual opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, and the report should explain the assurances considered in arriving at the opinion. The annual report should also include a statement on conformance with 'the Standards' and the results of the Quality Assurance and Improvement Programme.

12. Quality Assurance and Improvement Programme

Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of Internal Audit's conformance with the GIAS. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.

The Head of Audit Risk and Assurance will communicate to the Corporate Leadership Team and the Audit and Governance Committee on Internal Audit's quality assurance and improvement programme, including the results of ongoing internal assessments and external assessments conducted at least every five years.