



1. Purpose of the Charter and Internal Audit's Mission

- 1.1. The Internal Audit Charter outlines the framework in which Internal Audit operates; defining its purpose, authority and responsibility and its obligations to meet the Public Sector Internal Audit Standards (PSIAS). The charter sets out Internal Audit's position within the organisation, and the arrangements for functional and administrative reporting.
- 1.2. The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.
- 1.3. 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.

2. Statutory Basis

- 2.1. The requirement for an internal audit function in local government is detailed within the Accounts and Audit Regulations (England) 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'.
- 2.2. 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"
- 2.3. The standards in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2017 ['the Standards'].
- 2.4. The Council's Constitution establishes Internal Audit's role and rights of access as required in carrying out any engagement.

3. Definitions

- 3.1. 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 Corporate Manager Governance and Audit

Senior Management

Senior Management is defined as the Corporate Leadership Team

Section 151 Officer

The Director of Finance and Procurement is the Council's 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 Legal Services has the role of Monitoring Officer

4. Ethics and Professionalism

- 4.1. Internal Audit will govern itself by adherence to 'the Standards'. The mandatory Standards constitute the fundamental requirements for the professional practice of internal auditing in the public sector and for evaluating the effectiveness of Internal Audit's performance.
- 4.2. The Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (LGAN) will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to Cheshire East Council's relevant policies and procedures and the Internal Audit Manual.
- 4.3. Internal audit staff must adhere to the Code of Ethics established by the Standards and adopted by the Council. 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.
- 4.4. The Internal Audit officers are reminded of the need to comply with the Code of Ethics on an annual basis, and complete a Code of Ethics declaration form on an annual basis. Staff are also required to declare any real or perceived impairment to their independence in undertaking any specific engagements.
- 4.5. The Standards outline ten Core Principles for internal audit activity, which must be achieved in to demonstrate the effective operation of the internal audit function;

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- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk based assurance
- Is insightful, proactive and future focused
- Promotes organisational improvement

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

5. Authority, Independence and Objectivity

- 5.1. 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.
- 5.2. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.
- 5.3. 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.
- 5.4. The Corporate Manager Governance and Audit has direct access to the Council's Chief Executive, all levels of management, the Chair of the Audit and Governance Committee and the Leader.
- 5.5. Internal Audit will also have free and unrestricted access to the Audit and Governance Committee.
- 5.6. 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.

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- 5.7. Any assurance activity in areas where the Corporate Manager Governance and Audit has operational responsibility will be carried out by auditors with no involvement in the process and overseen by the Director of Finance and Procurement, thus maintaining independence and objectivity in line with the 'the Standards'.
- 5.8. 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.
- 5.9. The Corporate Manager Governance and Audit will confirm to the Audit and Governance Committee, at least annually, the organisational independence of Internal Audit.

6. Organisation

- 6.1. The Corporate Manager Governance and Audit will report functionally to the Audit and Governance Committee and administratively (i.e. day to day operations) to the Director of Finance and Procurement, who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972 for ensuring an effective system of internal financial control and proper administration of the Council's affairs..
- 6.2. The Audit and Governance Committee will:
 - Approve the Internal Audit Charter.
 - Approve the risk based internal audit plan.
 - Receive communications from the Corporate Manager Governance and Audit on Internal Audit's performance relative to its plan and other matters.
 - Make appropriate inquiries of management and the Corporate Manager Governance and Audit to determine whether there is inappropriate scope or resource limitations.
 - Receive the annual report, which includes:
 - the annual opinion,
 - a summary of the work on which internal audit has based the opinion,
 - a statement on conformance with PSIAS and the LGAN and
 - the results of the quality assurance and improvement programme.
- 6.3. The Corporate Manager Governance and Audit 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.

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- 6.4. The Corporate Manager Governance and Audit has direct access to the Council's Monitoring Officer where matters arise relating to responsibilities of the Chief Executive, legality, and standards.
- 6.5. The Corporate Manager Governance and Audit 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).

7. Responsibility

- 7.1. 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. This includes:
 - Evaluating risk exposure relating to achievement of the Council's strategic objectives.
 - 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 Council.
 - 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 programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
 - Monitoring and evaluating governance processes.
 - Monitoring and evaluating the effectiveness of the Council's risk management processes.
 - Evaluating the degree of coordination between internal and external providers of assurance – sharing information and coordinating activities to ensure proper coverage and minimise duplication of effort.
 - Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
 - Reporting periodically on Internal Audit's purpose, authority, responsibility, and performance relative to its plan.



- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit and Governance Committee.
 - Evaluating specific operations at the request of the Audit and Governance Committee or management, as appropriate.
- 7.2. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly.
- 7.3. The provision of assurance is, therefore, the primary role for internal audit. This role requires the Corporate Manager Governance and Audit to provide an annual internal audit opinion and report which is timed to inform the Annual Governance Statement and is based on an objective assessment of the framework of governance, risk management and control.
- 7.4. 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. External assurance work will result in an assurance report containing recommendations, to the organisation's senior management and Board.
- 7.5. The Corporate Manager Governance and Audit will be made aware of major new systems and proposed initiatives. The Corporate Manager Governance and Audit 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.
- 7.6. 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.

8. Role of Internal Audit in Fraud Related Work

- 8.1. Managing the risk of fraud and corruption is the responsibility of management. The Corporate Manager Governance and Audit 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.
- 8.2. 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

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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.

9. Internal Audit Plan

- 9.1. At least annually, the Corporate Manager Governance and Audit 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 budget and resource requirements for the next financial year.
- 9.2. The Corporate Manager Governance and Audit will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit and Governance Committee.
- 9.3. 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.
- 9.4. The Corporate Manager Governance and Audit 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.

10. Reporting and Monitoring

- 10.1. A written report will be prepared and issued by the Corporate Manager Governance and Audit 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 and Internal Audit results will also be communicated to the Audit and Governance Committee.
- 10.2. 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 anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
- 10.3. Where a responsible manager does not agree with the 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

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within the organisation who is sufficiently senior to accept the level of risk exposure associated with the decision.

- 10.4. Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations.
- 10.5. The Corporate Manager Governance and Audit 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 needed or requested by the Corporate Leadership Team and the Audit and Governance Committee.
- 10.6. The Corporate Manager Governance and Audit 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.

11. Quality Assurance and Improvement Programme

- 11.1. 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 Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.
- 11.2. The Corporate Manager Governance and Audit will communicate to the Corporate Leadership Team and the Audit and Governance Committee on Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.