

Internal Audit Charter

Report by Duncan Stainbank, Chief Internal Auditor

Report for Decision

1 Recommendations

The Audit Committee is invited to:

- a) Note that the Internal Audit Charter has been fully updated in accordance with the Chartered Institute of Internal Auditors model charter and in compliance with Global Internal Audit Standards in application in the UK Public sector from 1 April 2025;
- b) Approve the revised Internal Audit Charter shown at Appendix 1 for use from 1 April 2025; and
- c) Note that the Internal Audit Charter will be reviewed annually.

2 Purpose of Report/Executive Summary

This report provides the Audit Committee with the updated Internal Audit Charter, in accordance with GIAS, for approval that defines the purpose of Internal Audit and the mandate for Internal Audit within Midlothian Council. The Charter clarifies the independence, organizational Position and reporting relationships of Internal Audit and outlines the roles and responsibilities of the Audit Committee and the chief audit executive, who is the Chief Internal Auditor for Midlothian Council and Midlothian IJB.

The definition of Internal Auditing within Global Internal Audit Standards (GIAS) is to strengthen Midlothian Council's & Midlothian Integration Joint Board'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.

Date 10 February 2025

Report Contacts

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3 Background

3.1 The definition of Internal Auditing within Global Internal Audit Standards (GIAS) is to strengthen Midlothian Council's & Midlothian Integration Joint Board'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.

3.2 The Midlothian Council Internal Audit function will follow the professional standards as set out in the Global Internal Audit Standards (GIAS) as adjusted by the UK Public Sector Application note as they come into effect on 1st April 2025. A processes of evaluation against these standards is currently being undertaken within the Internal Audit team and further reporting to the Audit Committee on compliance will be completed during the year.

3.3 In accordance with GIAS, the chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:

- Purpose of Internal Auditing.
- Commitment to adhering to the Global Internal Audit Standards.
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.
- Organizational position and reporting relationships.

3.4 The Board is defined in relation to GIAS as the Midlothian Audit Committee acting on behalf of Midlothian Council.

3.5 Internal Audit assurance resources and services are also provided by Midlothian Council's Internal Audit team to the Midlothian Integration Joint Board (MIJB), including the appointed MIJB Chief Internal Auditor. The Internal Audit Charter and Strategy are applicable to each organisation.

4 Internal Audit Charter

4.1 The authority for Internal Audit to operate in Midlothian Council is contained in the Council's Local Code of Corporate Governance, Standing Orders, and Financial Regulations. This Internal Audit Charter expands upon that framework.

4.2 The Internal Audit Charter as shown in Appendix 1 to this report: establishes the Internal Audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

4.3 The Internal Audit Charter has been annually reviewed in relation to Public Sector Internal Audit Standards and the Charter which was previously approved by the Audit Committee on 18 March 2024 will remain in place until the 1 April 2025.

4.4 The Internal Audit Charter should be considered alongside the Internal Audit Strategy and Plan 2025/26. The Internal Audit Strategy sets out the Council's assurance framework within which Internal Audit operates, and the Chief Audit Executive's strategy for discharging its role and providing the necessary annual assurance opinions to Midlothian Council and Midlothian Integration Joint Board (MIJB). The Internal Audit Charter and Strategy are applicable to these organisations. There are separate Internal Audit Annual Plans for each organisation, which set out the range and breadth of audit activity.

5 Report Implications (Resource, Digital, Risk and Equalities)

5.1 Resource

The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service.

Internal Audit must have sufficient staff and other resources to enable it to carry out the objectives of the Charter and to deliver a programme of independent and objective audit assurance work alongside other available sources of assurance to enable the Chief Audit Executive to prepare annual opinions on the adequacy of the overall control environment for Midlothian Council and the MIJB. Internal Audit resources are set out in the Internal Audit Strategy and Plan 2025/26, for the approval of the Audit Committee.

5.2 Digital

There are no digital implications arising from this report.

5.3 Risk

Approval of the Internal Audit Charter (Appendix 1), as recommended in this report, will ensure that Internal Audit is tasked to carry out its role in accordance with Global Internal Audit Standards and best Corporate Governance practice.

5.4 Ensuring Equalities

This report does not relate to a new or revised policy, service or budget change, which affects people (the public or staff), so an Integrated Impact Assessment (IIA) is not an applicable consideration.

The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those within the Internal Audit function and Global Internal Audit Standards.

5.5 Additional Report Implications (See Appendix A)

APPENDIX A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Although this report does not relate directly to the key priorities within the Single Midlothian Plan to which Midlothian Council and its Community Planning Partners have made a commitment (Reducing the gap in economic circumstances; Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the impact of climate change), good governance is important to enable Midlothian Council to deliver its key priorities in support of achieving the Council's objectives.

A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

Midlothian Council is committed to creating a great place to grow supported by the 9 drivers for change. Implementing the 9 drivers for change in practice is applicable to the Council's Internal Audit service provision to assist the Council in achieving its objectives.

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious

A.4 Delivering Best Value

The purpose of the internal audit function is to strengthen Midlothian Council's & Midlothian Integration Joint Board's ability to create, protect, and sustain best value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

A.5 Involving Communities and Other Stakeholders

The Chief Audit Executive is accountable to the Audit Committee which, in fulfilling its governance role, acts as a bridge between the Council and other stakeholders.

A.6 Impact on Performance and Outcomes

Applying the framework of the GIAS will give the Audit Committee assurance that the Internal Audit function is compliant with legislative requirements and current best practice.

A.7 Adopting a Preventative Approach

A full review of the Internal Audit Service compliance with GIAS is currently underway to ensure that the service is compliant with legislative and regulatory requirements as well as best governance practice in the public sector.

A.8 Supporting Sustainable Development

This report does not relate directly to supporting sustainable development. Internal Audit is a key element of good governance which is important to enable Midlothian Council to achieve its objectives including sustainable outcomes.