

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 March 2026
BY:	Service Manager – Internal Audit
REPORT TITLE:	Internal Audit Charter 2026/27
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 This report provides the Audit & Governance Committee with the updated Internal Audit Charter, in accordance with Global Internal Audit Standards, for approval that defines the purpose of Internal Audit and the mandate for Internal Audit within East Lothian Council. The Charter clarifies the independence, organizational position and reporting relationships of Internal Audit; outlining the roles and responsibilities of the Audit Committee and the Chief Audit Executive, who is the Service Manager – Internal Audit for East Lothian Council and East Lothian IJB.
- 1.2 The revised Internal Audit Charter is being presented to the Audit and Governance Committee for approval, for use from the 1 April 2026. The Internal Audit Charter will continue to be presented for approval on at least an annual basis. The Charter has some minor updates reflecting current structures and the role of the team with Counter Fraud and Whistleblowing.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 That the Audit and Governance Committee:
 - Approve the revised Internal Audit Charter shown at Appendix 1 for use from 1 April 2026; and
 - Note that the Internal Audit Charter will be reviewed annually.

3 BACKGROUND

- 3.1 The definition of Internal Auditing within Global Internal Audit Standards (GIAS) is to strengthen East Lothian Council's & East Lothian 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 East Lothian Council Internal Audit function will follow the professional standards as set out in GIAS as adjusted by the UK Public Sector Application note. A process 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 GIAS.
 - 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 East Lothian Audit & Governance Committee acting on behalf of East Lothian Council.
- 3.5 Internal Audit assurance resources and services are also provided by East Lothian Council's Internal Audit team to the East Lothian Integration Joint Board (MIJB), including the appointed MIJB Chief Internal Auditor. The Internal Audit Charter and Strategy are applicable to each organisation.

Internal Audit Charter

- 3.6 The authority for Internal Audit to operate in East Lothian Council is contained in the Council's Code of Corporate Governance, Standing Orders, and Financial Regulations. This Internal Audit Charter expands upon that framework.
- 3.7 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.
- 3.8 The Internal Audit Charter should be considered alongside the Internal Audit Strategy and Plan 2026/27. 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 East Lothian Council and East Lothian Integration Joint Board (ELIJB). 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.

4 POLICY IMPLICATIONS

4.1 Not applicable.

5 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance: None

5.2 Human Resources: None

5.3 Other (e.g. Legal/IT): None

5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

6.1 **Select the statement that is appropriate to your report by placing an ‘X’ in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council’s role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	

Subject	Impacts identified (Yes, No or N/A)
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 East Lothian Audit Charter 2026

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

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Date	16 March 2026

Head of Service Approval

Name	Duncan Stainbank
Designation	Service Manager – Internal Audit

Name	Duncan Stainbank
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	
Approval Date	16 March 2026

Internal Audit Charter for East Lothian Council

Purpose

The purpose of the internal audit function is to strengthen East Lothian Council's & East Lothian Integration Joint Board's (ELIJB) 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.

The internal audit function enhances East Lothian Council's & East Lothian Integration Joint Board's ability in:

- 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.

East Lothian Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit & Governance Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The East Lothian Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (GIAS) and Topical Requirements, and the adjustments made through the Application Note Global Internal Audit Standards in the UK Public Sector. The chief audit executive, Service Manager – Internal Audit in East Lothian Council, will report annually to the Audit & Governance Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

East Lothian Council's and ELIJB internal audit function mandate is within The Local Authority Accounts (Scotland) Regulations 2014, which states in section 7, that:

- (1) A local authority must operate a professional and objective internal auditing service in accordance with recognized standards and practices in relation to internal auditing.

(2) Any officer or member of a local authority must, as required by those undertaking internal auditing—

(a) make available such documents of that authority which relate to its accounting and other records for the purpose of internal auditing; and

(b) supply such information and explanation as those undertaking internal auditing consider necessary for that purpose.

(3) A local authority must from time to time assess the efficiency and effectiveness of its internal auditing, in accordance with the standards and practices referred to in paragraph (1).

(4) The findings of the assessments referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 5(2), at the meeting referred to in regulation 5(3).

The internal audit function's authority is created by its direct reporting relationship to East Lothian Council's Audit & Governance Committee. Such authority allows for unrestricted access to the Audit & Governance Committee Chair and Members.

The Audit & Governance Committee authorizes the internal audit, corporate fraud and whistleblowing investigation functions in all activity lead by the Service Manager Internal Audit to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out these responsibilities. The service Manager Internal Audit and all individual staff members will be accountable for confidentiality and safeguarding records and information in accordance with GIAS.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of East Lothian Council and other specialized services from within or outside East Lothian Council to complete internal audit, counter fraud and whistleblowing investigation services.

Independence, Organisational Position, and Reporting Relationships

The chief audit executive, will be positioned at a level in the organisation that enables internal audit, counter fraud and whistleblowing investigation services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the Chief Executive and the Chair of the Audit & Governance Committee and administratively to the Executive Director for Resources. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Chair of the Audit & Governance Committee or the Chief Executive as appropriate, when necessary, without interference and supports the internal auditors' ability to maintain objectivity. In relation to the Internal Audit Service for the East Lothian Integrated Joint Board (ELIJB) the chief audit executive reports to the Chief Officer and the Chair of the Audit & risk Committee.

The chief audit executive will confirm to the Audit & Governance Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does

not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Audit & Governance Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, Audit & Governance Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the chief audit executive, Council, Audit Committee and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit & Governance Committee Oversight

To establish, maintain, and ensure that East Lothian Council's internal audit function has sufficient authority to fulfill its duties, the Audit & Governance Committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Audit & Governance Committee, including in private meetings without senior management present at least once a year.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit

executive or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter on an annual basis.

- Approve the risk-based internal audit plan.
- Provide input to the internal audit function's human resources administration and budgets.
- Review the internal audit function's expenses.
- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the chief audit executive's performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that all internal audit and counter fraud staff:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit and counter fraud function remains free from all conditions that threaten the ability of internal audit and counter fraud staff to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that 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 such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for East Lothian Council or its subsidiaries or associates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any East Lothian Council employee that is not employed by the internal audit or counter fraud function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, to the chief audit executive.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit & Governance Committee and senior management. Discuss the plan with the Audit & Governance Committee and senior management and submit the plan to the Audit & Governance Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit & Governance Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in East Lothian Council's or ELIJB business, risks, operations, programs, systems, and controls.
- Communicate with the Audit & Governance Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit, counter fraud and

whistleblowing services to the Audit Committee and senior management regularly and for each engagement as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact East Lothian Council and communicate to the Audit & Governance Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to East Lothian Council's an ELIJB relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit & Governance Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit & Governance Committee.

Communication with the Audit Committee and Senior Management

The chief audit executive will report annually to the Audit & Governance Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit resources/budget.
- Significant revisions to the internal audit plan and resources/budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of East Lothian Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.

- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond East Lothian Council's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside East Lothian Council; qualifications will be in accordance with the GIAS Global Internal Audit Standards in the UK Public Sector Application note.

Scope and Types of Internal Audit Services

The scope of internal audit, counter fraud and whistleblowing services covers the entire breadth of the organisation, including all of East Lothian Council's and ELIJB activities, assets, and personnel., including all subsidiaries and the relevant processes within associate and joint ventures. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the East Lothian Council group and the ELIJB.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility, and subject to the availability of internal audit resource. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of East Lothian Council's & East Lothian Integration Joint Board's strategic objectives are appropriately identified and managed.
- The actions of East Lothian Council's & East Lothian Integration Joint Board's officers, directors, management, employees, and contractors or other relevant parties comply with East Lothian Council's & East Lothian Integration Joint Board's policies, procedures, and applicable laws, regulations, and governance standards.

- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact East Lothian Council & East Lothian Integration Joint Board.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Audit Committee at its meeting on 24 March 2026.