

**Internal Audit
Charter
2026 – 2027**

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1. Executive Summary

In line with section 7(1) of [The Local Authority Accounts \(Scotland\) Regulations 2014](#), local authorities must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.

The [Global Internal Audit Standards \(GIAS\)](#) guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the Internal Audit function. [The Application Note: GIAS in the UK Public Sector](#) provides a framework for the practice of IA in the UK Public Sector when taken together with the GIAS. The GIAS (UK Public Sector) sets out interpretations and requirements which need to be applied to the GIAS, to form a suitable basis for IA practice in the UK Public Sector.

Standard 6.2 in Domain III of the GIAS (Governing the IA Function) requires the Chief Audit Executive to implement and maintain an Internal Audit Charter which sets out the purpose of Internal Audit, the Internal Audit mandate, organisational position, essential conditions, reporting relationships, scope of work, types of services, and other specifications in accordance with the GIAS.

In addition, the CIPFA [Code of Practice for the Governance of IA in Local Government](#) sets out the arrangements required to ensure the effective governance, authority, independence and oversight of internal audit within UK local government and to support compliance with the principles and standards in Domain III of the GIAS (UK Public Sector).

The Internal Audit Charter for the City of Edinburgh Council sets out these requirements and is based on the Institute of Internal Auditor's (IIA) 2025 Model Charter.

The Charter is reviewed and approved annually by the Corporate Leadership Team and the Governance, Risk and Best Value Committee.

2. Purpose of Internal Audit

In line with the GIAS, the purpose of the Internal Audit (IA) function is to strengthen the Council's ability to create, protect, and sustain value by providing the Governance, Risk and Best Value Committee (GRBV) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The IA function enhances the Council's:

- 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.

The Council's IA function is most effective when:

- internal auditing is performed by competent professionals in conformance with the GIAS (UK Public Sector), which are set in the public interest
- the IA function is independently positioned with direct accountability to the GRBV Committee
- internal auditors are free from undue influence and committed to making objective assessments.

IA assurance is provided by delivering an annual programme of audit work that independently and objectively assesses the design and effectiveness of the controls established to manage the Council's most significant risks.

The IA scope covers all Council activities, and the activities of external parties (see [Appendix 1](#)).

Commitment to Adhering to the Global Internal Audit Standards (GIAS)

The Council's IA function will adhere to the Institute of Internal Auditors' [International Professional Practices Framework](#), consisting of the [GIAS](#) and [Topical Requirements](#) as well as the [Application Note: Global Internal Audit Standards in the UK Public Sector](#). When expressing conformance with standards, the Council's IA function will be clear that they are conforming with Global Internal Audit Standards in the UK Public Sector.

The Chief Audit Executive (CAE) will report annually to the GRBV Committee and senior management on the IA function's conformance with the GIAS (UK Public Sector), which will be assessed through a quality assurance and improvement programme.

In addition to their primary role, the CAE will also:

- support the Chief Executive as the Council's statutory Head of Paid Service in the discharge of their duties
- support the Service Director, Finance and Procurement as the Council's statutory Chief Finance Officer in undertaking their duties as the 'Section 95 Officer'
- support the Service Director, Legal and Assurance as the Council's statutory Monitoring Officer in undertaking their duties
- advise on the internal control implications of system or process changes within the Council
- assist management in their duties to prevent and detect fraud and corruption
- aim to add value to the Council in all its undertakings.

3. Internal Audit Mandate

In line with the GIAS, the Council's IA function receives its mandate from the GRBV Committee. The mandate sets out the authority, roles and responsibilities, and empowers the IA function to provide the GRBV Committee and senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The IA function's authority is created by its direct reporting relationship to the GRBV Committee. Such authority allows for unrestricted access to the GRBV Committee.

The GRBV Committee authorises the IA function to:

- have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out IA audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information
- 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 the Council, Lothian Pension Fund, the Lothian Valuation Joint Board, South-East of Scotland Transport Partnership, Arm's Length External Organisations (ALEOs) and services from within or outside the Council to complete internal audit services.

Handling Information

The GIAS set out the duty on internal auditors to be faithful custodians of the information they gather, sharing only in limited, defined and controlled ways, and describes the need for awareness of responsibilities in protecting information and demonstrating respect for the confidentiality, privacy and ownership of information.

In line with the GIAS (UK Public Sector) internal auditors must also be aware of circumstances under which sharing or publication of information will be required. They must be aware of their organisation's policies and procedures for routine publication of certain information and where there are statutory obligations to share or publish information, for example Freedom of Information requirements.

4. Definitions

The Council has adopted the following definitions set out in the GIAS 2024 Glossary:

Internal Audit	<i>An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation establish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</i>
Assurance services	<i>Services through which internal auditors perform objective assessments to provide assurance. The nature and scope of assurance services are determined by Internal Audit.</i>
Advisory services	<i>Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management</i>

	<i>responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders.</i>
Independence	<i>Freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.</i>

In addition, key roles within the Council are fulfilled as follows:

- Chief Audit Executive ‘CAE’ is fulfilled by the Chief Internal Auditor (CIA)
- the ‘Chief Financial Officer’ is fulfilled by the Council’s Service Director, Finance and Procurement (designated statutory Section 95 Officer)
- senior management is fulfilled by the Council’s Corporate Leadership Team (CLT)
- the ‘Board’ role is undertaken by the Governance, Risk, and Best Value Committee (GRBV Committee).

5. Independence, Position, and Reporting Relationships

The GIAS state that the CAE should be positioned at a level in the Council that enables IA services and responsibilities to be performed without interference from management, thereby establishing the independence of the IA function. (See [IA Mandate section](#).)

The CAE reports functionally to the GRBV Committee and administratively (for example, day-to-day operations) to the Chief Executive. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the GRBV Committee, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity. Within the Council, the CAE reports to the Service Director: Legal and Assurance, the Corporate Director of Customer and Corporate Services, and the Chief Executive.

The CAE is required to confirm to the GRBV Committee, at least annually, the organisational independence of the IA function. If the governance structure does not support organisational independence, the CAE must document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAE must disclose to the GRBV 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 IA function’s effectiveness and ability to fulfil its mandate.

To ensure that IA independence and objectivity is maintained for assurance services, IA will remain free from interference from anyone within the Council in relation to audit selection, scope, procedures, frequency, timing, and report content.

Where IA also has responsibility for non-audit activities, the GIAS require that appropriate arrangements are established to avoid conflicts of interest.

Additionally, IA will not be permitted to audit any activities for which they have previously been responsible within a period of one year and will not engage in any other activity that may impair judgment or independence.

For advisory services, the IA role will be specifically restricted to providing guidance, views, and opinions. To comply with independence requirements, IA will not be involved in any aspects of operational decisions subsequently taken by management.

6. Committee Oversight - Essential Conditions

Domain III of the GIAS (Governing the IA Function) and the CIPFA Code of Practice for the Governance of IA in Local Government set out the arrangements required to ensure the effective governance, authority, independence and oversight of internal audit within UK local government.

The Code provides the mandated approach for applying the 'essential conditions' for the governance of internal audit contained within the GIAS in the UK public sector, recognising the specific governance structures that operate in local authorities. To establish, maintain, and ensure that Council's IA function has sufficient authority to fulfil its duties, the GRBV Committee will:

- discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the IA function
- ensure the CAE has unrestricted access to and communicates and interacts directly with the GRBV Committee, including in private meetings without senior management present
- discuss with the CAE and senior management other topics that should be included in the IA charter
- participate in discussions with the CAE and senior management about the 'essential conditions' described in the GIAS which establish the foundation that enables an effective IA function
- approve the IA charter, which includes the internal audit mandate and the scope and types of IA services
- review the IA charter annually with the CAE to consider changes affecting the organisation, such as the employment of a new CAE or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually
- approve the risk-based IA plan
- provide input to the IA function's human resources administration and budgets
- provide input to senior management on the appointment and removal of the CAE, ensuring adequate competencies and qualifications and conformance with the GIAS (UK Public Sector)
- review and provide input to senior management on the CAE's performance
- receive communications from the CAE about the IA function including its performance relative to its plan
- ensure a Quality Assurance and Improvement Programme (QAIP) has been established and review the results annually
- make appropriate inquiries of senior management and the CAE to determine whether scope or resource limitations are inappropriate.

A full list of the 37 'essential conditions' and their method of implementation within City of Edinburgh Council is included at [Appendix 5](#).

7. IA Objectives and Responsibilities

Ethics and Professionalism

The CAE will ensure that internal auditors:

- conform with the GIAS (UK Public Sector) including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, confidentiality and the Seven Principles of Public Life
- understand, respect, meet, and contribute to the legitimate and ethical expectations of the Council and can recognise conduct that is contrary to those expectations
- encourage and promote an ethics-based culture in the Council
- report organisational behaviour that is inconsistent with the Council's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAE will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAE 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 the Council or its affiliates
- initiating or approving transactions external to the IA function
- directing the activities of any employee that is not employed by the IA function, except to the extent that such employees have been appropriately assigned to IA 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, such as the CAE, the GRBV Committee, management, or others
- 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 CAE has the responsibility to:

- at least annually, develop a risk-based IA plan that considers the input of the GRBV Committee, and senior management
- discuss the plan with the GRBV Committee and senior management and submit the plan to the GRBV Committee for review and approval
- communicate the impact of resource limitations on the IA plan to the GRBV Committee and senior management

- review and adjust the IA plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls
- communicate with the GRBV Committee and senior management if there are significant interim changes to the IA plan
- ensure IA engagements are performed, documented, and communicated in accordance with the GIAS
- follow up on audit findings and confirm the implementation of recommendations or action plans and communicate the results of IA services to the GRBV Committee and senior management and for each audit as appropriate
- ensure the IA function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS and fulfil the IA mandate
- identify and consider trends and emerging issues that could impact the Council, and communicate these to the GRBV 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 IA function
- ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the IA charter or GIAS. Any such conflicts will be resolved or documented and communicated to the GRBV 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 CAE cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the GRBV Committee.

Communication with the GRBV Committee and Senior Management

The CAE will report to the GRBV Committee and senior management on:

- the IA function's mandate
- the IA plan and performance
- the IA budget
- significant revisions to the IA plan and budget
- potential impairments to independence, including relevant disclosures as applicable
- results from the QAIP, which include the IA function's conformance with the GIAS (UK Public Sector) and action plans to address the IA 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 GRBV Committee that could interfere with the achievement of the Council's strategic objectives
- outcomes of assurance and advisory services
- resource requirements
- management's responses to risk that the IA function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

8. Management Responsibilities

Management will cooperate with IA on audits and provide access to records, systems and personnel as required within a reasonable timeframe following the request.

An IA journey map and key performance indicators (KPIs) which aim to ensure that both IA and management support effective and timely delivery of the IA Plan is in place ([Appendix 2](#)).

Performance in meeting KPIs is reported quarterly to CLT and the GRBV Committee.

Assurance engagements will be subject to a written terms of reference and report. Advisory and agile engagements will be agreed in writing (for example via email or written terms of reference) and a relevant output agreed (for example full report/summary findings, focused feedback or an action plan).

Draft reports will be shared with management for agreement as to the factual accuracy of draft findings raised, and awareness of IA recommendations designed to address the control weaknesses identified.

It is management's responsibility to agree to either:

- accept and fully implement all IA recommendations
- agree to address the risks identified by adopting an alternative approach to that recommended by IA or
- accept the risk associated with not implementing IA recommendations with supporting rationale.

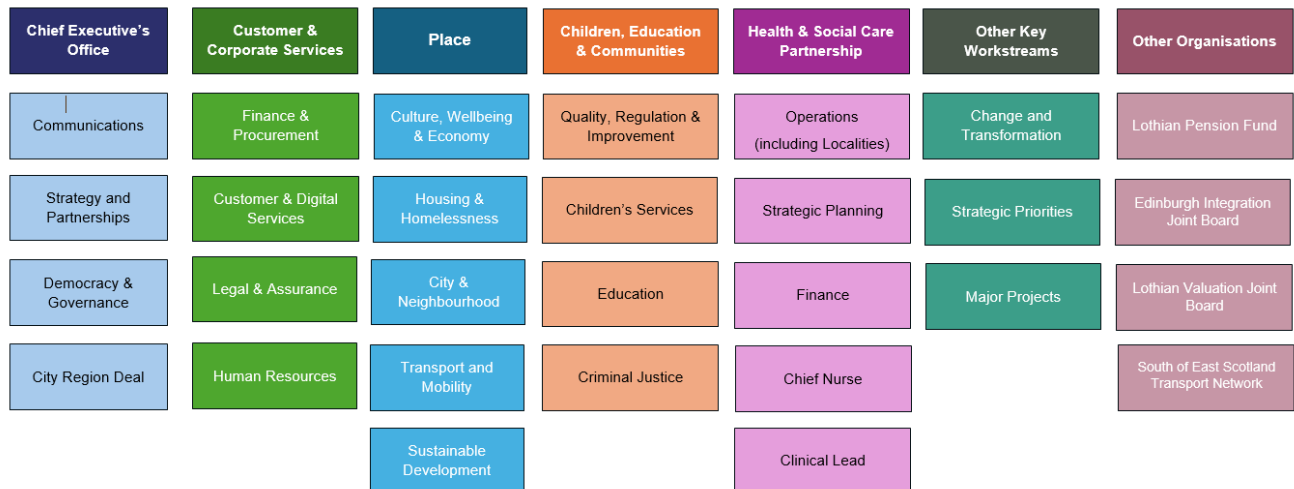
When a draft audit report is delivered, management are required to provide agreed management actions to all IA findings raised and supporting recommendations, including specifying responsibility and anticipated dates for the implementation of these actions, in line with timeframes specified in the KPIs included at [Appendix 2](#).

Management is also responsible for ensuring that agreed management actions are implemented and effectively sustained.

The GIAS also require the CIA to report to both senior management and the GRBV Committee, details of management's response to risk that (based on the CAE's judgement) may be unacceptable to the Council. Consequently, any IA findings where management has accepted the risk will be highlighted in IA reports.

9. Scope and Types of Internal Audit Services

The scope of IA services covers all activities, assets, and personnel of the Council, Lothian Pension Fund, the Edinburgh Integration Joint Board, the Lothian Valuation Joint Board, South-East of Scotland Transport Partnership and other Arm's Length External Organisations (ALEOs), as agreed:



The scope of IA activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the GRBV Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

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. 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. IA engagements may include evaluating whether:

- risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed
- the actions of Council officers, directors, management, employees, and contractors or other relevant parties comply with the Council's policies, procedures, and applicable laws, regulations, and governance standards
- the Council adequately considers and implements processes to ensure that value for money is achieved
- the results of operations and projects/programmes are consistent with established goals and objectives
- operations and projects/programmes 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 the Council
- 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.

10. Topical Requirements

[Topical Requirements](#) are a mandatory component of the International Professional Practices Framework and GIAS. Topical Requirements enhance the consistency and quality of IA services related to specific audit subjects. Each Topical Requirement supports internal auditors performing engagements in a specific risk area.

All IA functions must apply the relevant Topical Requirement in conformance with the GIAS when providing assurance services on that topic. A checklist for assessing applicability of the Topical Requirements will be used by the Council's IA team.

Areas where relevant Topical Requirements will be applied to audit work during 2026/27 will be set out within the IA Annual Plan document. In addition, audit notification emails will advise management where a Topical Requirement may apply, and further information will be obtained via scoping and fieldwork meetings.

11. Agile Auditing

The Council's IA function has established an agile auditing approach to provide assurance and support across the Council. To ensure full conformance with the GIAS (UK Public Sector) details of agile audits undertaken will be included in the IA Plan and their outcomes included in the IA annual overall conclusion. The addition of agile audits to the IA Plan will also follow the agreed process for approving changes to the annual plan (included at [Appendix 4](#)).

The agile assurance methodology is aligned with the GIAS requirements to ensure that such reviews will not impact upon, or result in, impairment of IA independence and objectivity.

12. Internal Audit Plan

The CAE will submit an annual IA Plan to the GRBV Committee for review and approval which is designed to support provision of an evidence-based overall conclusion (annual opinion).

The IA Plan will be developed, based on a risk-based prioritisation of the audit universe including input from a range of key stakeholders including Elected Members, the Chief Executive, Corporate Directors, Service Directors, the Corporate Risk Management team, and trade union representatives.

The nature of evolving risks makes it likely that the audit assignments included in the IA Plan may be subject to change. Consequently, the IA Plan will be reviewed quarterly and any proposed changes to the approved plan (due to emerging risks, suspected fraudulent activity or other factors that result in changes to planned IA activities) will be approved by both CLT and the GRBV Committee in line with the agreed process for approving changes to the annual plan (included at [Appendix 4](#)).

Other sources of assurance – coordination and reliance

The GIAS requires the CAE to coordinate with internal and external assurance providers to consider relying on their work and minimise duplication of effort. This is achieved via a shared risk assessment with the Council's external auditors and other sources of external assurance, where relevant.

The GIAS (UK Public sector) recognises that there are various relevant outside assurance providers whose authority flows from separate legal or regulatory sources beyond the control or influence of the CAE, and they may not have any ability to access the work of those assurance providers or gain insight into the scope and timing of their work. Under these circumstances the CAE must consider whether it is possible or practical to co-ordinate. Where they do not co-ordinate, they must set out to the Committee the barriers which prevent effective co-ordination

Where adopted, a consistent process for the basis of reliance should be established as, where reliance is placed on the work of others, the CAE remains accountable and responsible for ensuring that there is adequate support for conclusions and opinions reached where reliance has been placed on work performed by other assurance providers.

Therefore, when dealing with an external party, IA will clearly define the respective roles, responsibilities, and other expectations (including restrictions on distribution of results of the engagement and access to engagement records).

IA also reserves the right to raise findings on areas that have not been specifically included in the IA Plan where significant or systemic control gaps are evident.

13. Resourcing

The GIAS requires the CAE to effectively deploy and manage financial, human and technological resources to implement the IA strategy and achieve its plan and mandate. In addition, in line with Council requirements a Workforce Plan has been developed for the IA function which is reviewed annually.

The [Application Note: Global Internal Audit Standards in the UK Public Sector](#) notes that funding processes for IA functions in the public sector vary and may prevent the CAE from being able to seek or obtain additional funding due to other funding priorities within the organisation. This may impact the way in which the CAE uses resources. In line with the GIAS (UK Public Sector) the basis for conformance is as follows:

- where there are constraints on resources, the CAE must develop a resource strategy which suggests practical approaches for consideration by the relevant Committee
- the CAE must inform the Committee of the impact of insufficient resources and any options available to mitigate that impact
- where there are constraints, the CAE must set out in the Charter what alternative approaches apply to the IA service, and then seek to manage financial, human and IT resources within those constraints.

The CAE must also inform the Committee of any resource management arrangements at the organisation that may put at risk the ability of the internal audit function to fulfil its mandate.

The Annual IA Plan will include the budgeted resource requirements needed to deliver proposed audit engagements. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the IA Plan, the CAE will communicate the impact of resource limitations to both the CLT and the GRBV Committee.

14. Fraud and Corruption

In line with the Council's Fraud Prevention Policy, management is responsible for the prevention and detection of fraud or corruption. IA will assist management in the discharge of this responsibility.

Audit procedures alone cannot guarantee that all fraud or corruption will be detected. IA will, however, exercise an appropriate level of professional scepticism during audit work and be alert to risks and exposures that could allow the opportunity for fraud or corruption to occur.

Discovery of any fraud or irregularity that affects the Council should be reported immediately to the CAE as specified within the Council's Fraud Prevention Policy and information on suspected or actual fraud may inform the overall annual audit opinion and the risk-based IA Plan.

Failure to Prevent Fraud requirements

[The Economic Crime and Corporate Transparency Act 2023](#) 'Failure to prevent fraud' offence, effective from 1 September 2025, sets out the requirement for management to undertake at least annual fraud risk assessments, document fraud prevention procedures, and regularly test the effectiveness of controls.

Internal Audit will review the effectiveness of the Council's fraud prevention policies and procedures including the timely completion of robust and accurate fraud risk assessments. Internal Audit will continue to review fraud controls as a standard objective for all internal audit reviews, as well as concluding on the overall effectiveness of fraud prevention controls in the IA Annual Report.

15. Follow-up of agreed audit actions

Internal Audit will follow up and report progress with implementation of agreed management actions to support closure of findings raised on a regular basis and seek to confirm that they have been undertaken within agreed timescales.

The follow up process involves review of evidence provided by management to support implementation of agreed management actions, and proportionate re-performance testing to confirm that they have been effectively implemented and sustained.

If, following initial agreement to implement an agreed management action, management subsequently decide to risk accept either the full or partial risks associated with an IA finding, a risk acceptance proforma should be completed by management which details the mitigating actions and residual risks. IA will process the closure as 'Closed – Management Accepts Risk' and all risk acceptances will be reported to the GRBV Committee for information in the quarterly open and overdue actions report.

IA operates a risk-based approach to follow-up in line with best practice. All high rated management actions are validated when presented for closure together with a sample of medium actions. The remaining medium actions and low actions are closed via a 'self-attestation' once confirmed as complete by management.

Additionally, IA includes a 'validation' audit in the annual plan which reviews a sample of previously completed High and Medium management actions to confirm whether they have been appropriately sustained and continue to be effective in mitigating risks. This includes a sample of self-attested Medium and Low actions.

16. Quality Assurance & Improvement Programme

The CAE is responsible for ensuring the quality of audit work and that the IA function is continuously seeking improvement. The GIAS defines quality as a combined measure of conformance with the GIAS and achievement of the IA function's performance objectives.

The CAE will develop, implement, and maintain a Quality Assurance & Improvement Programme (QAIP) that covers all aspects of the IA function. The QAIP will include external and internal assessments of the IA function's conformance with the GIAS (UK Public Sector), as well as performance measurement to assess the IA function's progress towards achievement of its objectives and promotion of continuous improvement. If applicable, the assessment must include plans to address the IA function's deficiencies and opportunities for improvement.

The CAE will report annually to the GRBV Committee and senior management on progress with the IA function's QAIP, 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 the Council, whose qualifications must meet the requirements set out in the GIAS (UK Public Sector).

Compliance with the CIPFA [Code of Practice for the Governance of IA in Local Government](#) must also be reflected in internal and external quality assessments.

17. Annual Reporting and Overall Conclusion

In line with the GIAS (UK Public Sector) the CAE must, at least annually:

- conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control (annual opinion)
- include a statement on conformance with the GIAS (UK Public Sector) and the results of the QAIP.

The annual opinion for the Council is based on the outcomes of the audits included in the IA Plan, progress with implementation of agreed management actions, the result of any other IA activities that have identified control gaps that are exposing the Council to risk, and the professional judgement of the CAE.

The Council has adopted the standard CIPFA standard engagement definitions for all engagement conclusions and the overall annual audit opinion. Details of the opinion definitions applied by IA, aligned to the CIPFA standard engagement definitions are included at [Appendix 3](#).

18. Communication and Reporting

The CAE is professionally responsible and accountable to the GRBV Committee for IA performance, and will report regularly on the progress with, and results of its work to the Committee enabling review and scrutiny of the following areas as required by the GIAS:

Report	Frequency
1. IA Annual Charter	annually
2. IA Strategy and Annual Plan	annually
3. IA Plan delivery progress, including: <ul style="list-style-type: none"> • timetable of planned work • audit outcomes • key themes and root causes • management's acceptance of risk 	quarterly
4. Proposed changes to the IA Plan	quarterly
5. Open and overdue IA management actions, including ongoing achievement of key delivery performance indicators by both IA and management	quarterly
6. Annual overall conclusion (opinion), including: <ul style="list-style-type: none"> • effectiveness of the governance, risk management and control framework • IA independence 	annually

Report	Frequency
<ul style="list-style-type: none"> conformance with the GIAS (UK Public Sector) including ethics and professionalism requirements 	
<p>7. Internal Quality Assessments</p> <ul style="list-style-type: none"> results including corrective action plans compliance with the CIPFA Code of Practice for the Governance of IA in Local Government 	annually
<p>8. External Quality Assessment</p> <ul style="list-style-type: none"> scope and plan results including corrective action plans compliance with the CIPFA Code of Practice for the Governance of IA in Local Government 	at least every five years

19. Approval and Changes to the IA Mandate and Charter

The IA Charter is subject to approval by the Chief Executive and GBRV Committee on an annual basis. Approval is evidenced through CLT and GRBV Committee meeting papers and minutes.

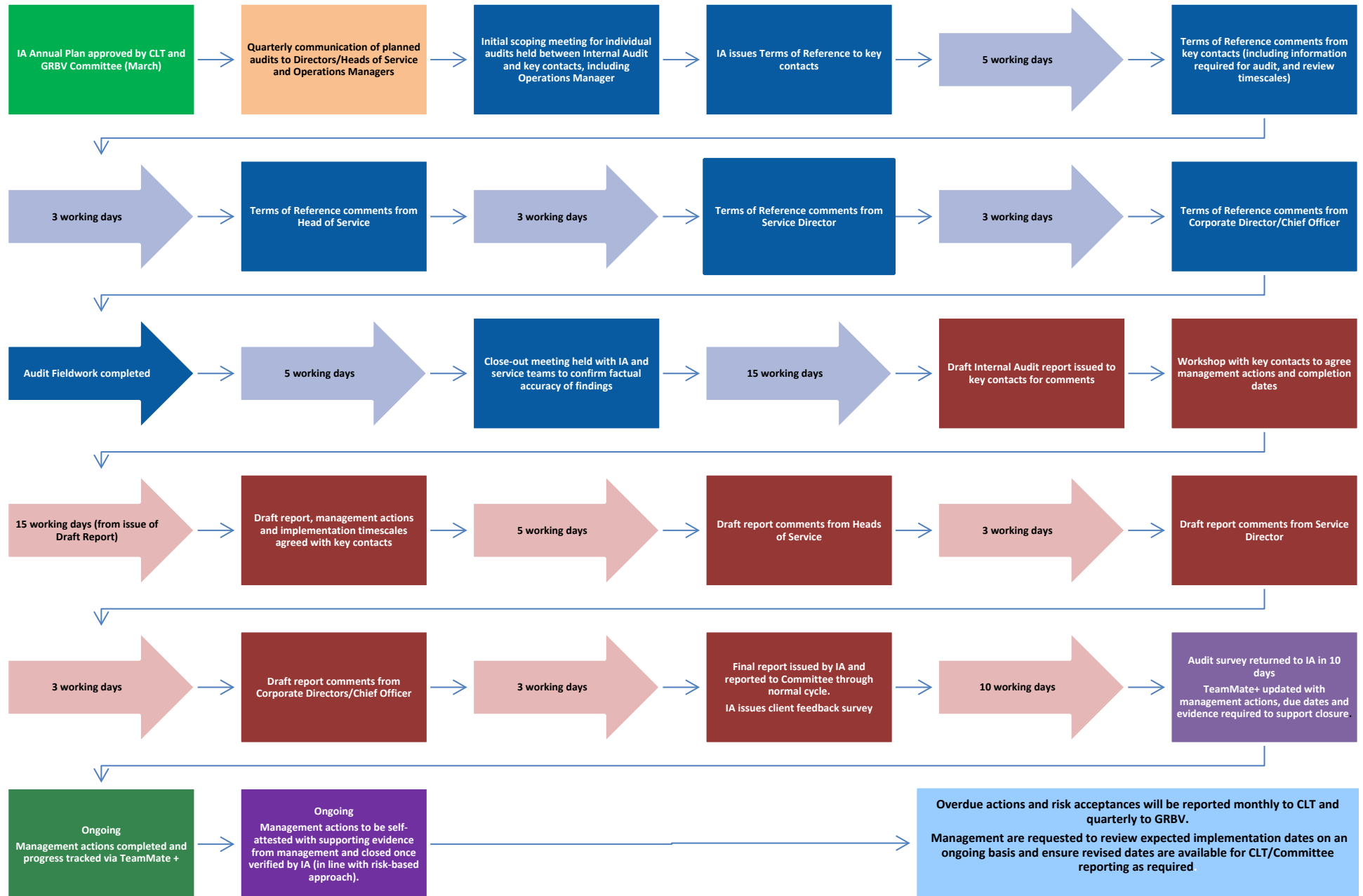
Circumstances may justify a follow-up discussion between the CAE, the GRBV Committee, and senior management on the IA mandate or other aspects of the IA charter. Such circumstances may include but are not limited to:

- a significant change in the GIAS
- a significant re-organisation within the Council
- significant changes in the CAE, the GRBV Committee, and/or senior management
- significant changes to the Council's strategies, objectives, risk profile, or the environment in which the Council operates
- new laws or regulations that may affect the nature and/or scope of IA services.

Appendix 1: Other organisations in scope of IA services

- Edinburgh Integration Joint Board
- Lothian Pension Fund
- Lothian Valuation Joint Board
- South East of Scotland Transport Partnership
- Other Council Arm's Length External Organisations, upon request including:
 - CEC Holdings
 - Edinburgh Trams
 - EICC
 - Edinburgh Leisure
 - Transport for Edinburgh
 - Lothian Buses
 - Capital Theatres
 - Capital City Partnership

Appendix 2: Internal Audit Journey Map and Key Performance Indicators March 2026



Appendix 3: Internal Audit Engagement Conclusion Definitions

In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) April 2020 review of [IA Engagement Opinions – Setting Common Definitions](#), the Council has adopted the CIPFA standard assurance definitions as detailed below:

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Appendix 4: Process for Approving Changes to the Internal Audit Plan

1. Process for routine (non-urgent) changes to the annual Internal Audit plan

- 1.1 Changes to the IA plan can be proposed by IA based on the Council's changing risk profile or requested by full Council, the GRBV Committee or management.
- 1.2 All changes proposed will be documented, with the rationale for the change and the associated risks clearly articulated. All requests for routine changes to the IA plan will be provided to the CAE with the rationale for the change and the associated risks clearly articulated.
- 1.3 The CAE will consider the request based on the significance of the associated risks and make a proposal to either accept or reject the change.
- 1.4 Where there is insufficient capacity to incorporate the requested change, the CAE will also consider which existing audit included in the plan should be replaced (if the change is approved) and reflect this in the proposal.
- 1.5 The proposal will be discussed with the CLT and discussed and approved by the GRBV Committee, with the final decision to accept or reject the proposed change made by the Committee.

2. Process for urgent changes to the annual Internal Audit plan

- 2.1 The process as outlined in section 1.1 to 1.4 above will be applied.
- 2.2 The final decision to accept or reject the proposed change will be made by the GRBV Committee through convening an additional meeting of the Committee. If there is no time to hold an additional meeting, then urgency provisions may have to be used.

Appendix 5: GIAS Essential Conditions and Method of Implementation

Principle 6 – Authorised by the Audit Committee

Essential Condition	Method of Implementation within City of Edinburgh Council
1. Discuss with the CAE and senior management the appropriate authority, role, and responsibilities of the IA function.	Annually through review and approval of IA Charter.
2. Approve the IA charter, which includes the IA mandate and the scope and types of IA services.	Annually in March.
3. Discuss with the CAE and senior management other topics that should be included in the IA charter to enable an effective IA function.	Annually through review and approval of the Charter in March.
4. Review the IA charter with the CAE to consider changes affecting the organisation, such as the employment of a new CAE or changes in the type, severity, and interdependencies of risks to the organisation.	Annually through review and approval of IA Charter in March. Quarterly through reviews of plan and Committee reporting. Employment related changes as they arise.
5. Champion the IA function to enable it to fulfil the Purpose of internal auditing and pursue its strategy and objectives.	Annually through review and approval of IA Charter and IA Strategy. Quarterly through scrutiny of audit reports, activity reports and performance reports. Engagement in training sessions. Annually through annual planning engagement sessions.
6. Work with senior management to enable the IA function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the IA mandate.	Annually through review and approval of IA Charter.
7. Support the CAE through regular, direct communications.	Annual formal session. Quarterly Committees.

Essential Condition	Method of Implementation within City of Edinburgh Council
	Ad-hoc as required such as briefings and specific meetings.
<p>8. Demonstrate support by:</p> <ul style="list-style-type: none"> specifying that the CAE reports to a level within the organisation that allows the IA function to fulfil the IA mandate approving the IA charter, IA plan, budget, and resource plan making appropriate inquiries of senior management and the CAE to determine whether any restrictions on the IA function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively meeting periodically with the CAE in sessions without senior management. 	<p>CAE functionally reports to Audit Committee and administratively to Chief Executive via Service Director, Legal and Assurance and Corporate Director, Customer and Corporate Services.</p> <p>Annually in March.</p> <p>Annually in September as part of annual reporting and ongoing basis through committee reporting and scrutiny of audit outcomes.</p> <p>Annual sessions held.</p>

Principle 7 – Positioned Independently

Essential Condition	Method of Implementation within City of Edinburgh Council
9. Establish a direct reporting relationship with the CAE and the IA function to enable the IA function to fulfil its mandate.	CAE reports functionally to the Audit Committee with direct reporting by the CAE to the Audit Committee quarterly. CAE owns audit reporting, not Chief Executive or Director.
10. Authorise the appointment and removal of the CAE (where required).	Through recruitment /disciplinary panels. Audit Committee representation on recruitment panels.
11. Provide input to senior management to support the performance evaluation and remuneration of the CAE.	Audit Committee Chair input into annual looking forward/looking back process. Remuneration is part of Council grading.
12. Provide the CAE with opportunity to discuss significant and sensitive matters including meetings without senior management present.	Annual sessions and ad-hoc sessions held.

Essential Condition	Method of Implementation within City of Edinburgh Council
<p>13. Require that the CAE be positioned at a level in the organisation that enables IA services and responsibilities to be performed without interference from management. Providing authority and status to bring matters directly to senior management and escalate matters to the audit committee when necessary.</p>	<p>Reporting structure as per 9.</p> <p>Section 6 of the Charter sets out IA authority and Audit Committee oversight.</p> <p>Direct reporting to Audit Committee as required.</p>
<p>14. Acknowledge the actual or potential impairments to the IA function's independence when approving roles or responsibilities for the CAE that are beyond the scope of Internal Auditing.</p>	<p>Set out in IA Charter in March annually.</p> <p>CAE does not currently have oversight for any non-Internal Audit related areas, such as risk management.</p>
<p>15. Engage with senior management and the CAE to establish appropriate safeguards if CAE roles and responsibilities impair or appear to impair the IA function's independence.</p>	<p>CAE does not currently have oversight for any non-Internal Audit related areas, such as risk management.</p>
<p>16. Engage with senior management to ensure that the IA function is free from interference when determining its scope, performing IA engagements, and communicating results.</p>	<p>Set out in IA Charter in March annually.</p> <p>Scope of assurance work determined by CAE. Scope of advisory work jointly determined by CAE and management.</p> <p>CAE owns audit reporting, not Chief Executive or Director.</p> <p>Any limitations/restrictions on scope reported to Audit Committee.</p>
<p>17. Understand the requirements necessary for the CAE to manage the IA function, as described in Domain IV: Managing the IA Function.</p>	<p>Set out in IA Charter in March annually.</p> <p>Annual risk assessment and annual planning process January to March.</p> <p>IA Strategy review and approval annually in March.</p> <p>Scrutiny of quarterly IA outcome, activity and performance reports.</p> <p>6 monthly progress reporting of IA Strategy objectives and actions.</p> <p>IA annual reporting in September.</p>

Essential Condition	Method of Implementation within City of Edinburgh Council
18. Approve the CAE's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.	Audit Committee representation on recruitment panel. Qualifications as per the GIAS (UK Public Sector) and CIPFA Code of Practice.
19. Engage with senior management to appoint a CAE with the qualifications and competencies necessary to manage the IA function effectively and ensure the quality performance of IA services.	Audit Committee representation on recruitment panel.

Principle 8 – Overseen by the Audit Committee

Essential Condition	Method of Implementation within City of Edinburgh Council
20. Communicate with the CAE to understand how the IA function is fulfilling its mandate.	Quarterly through scrutiny of IA outcome reports, activity reports and performance reports. Annually through scrutiny of IA annual report and overall conclusion in September.
21. Communicate the audit committee's perspective on the organisation's strategies, objectives, and risks to assist the CAE with determining IA priorities.	Annually through annual planning engagement sessions in January, quarterly via scrutiny of audit outcomes, alignment to risk management and root cause. Ongoing basis when issues arise.
22. Set expectations with the CAE for: <ul style="list-style-type: none"> the frequency with which the audit committee wants to receive communications from the CAE the criteria for determining which issues should be escalated to the audit committee, such as significant risks that exceed the audit committee's risk tolerance 	Set out in IA Charter in March and through at least quarterly reporting timetable. Alignment to risk appetite reporting in quarterly IA outcomes reporting and IA annual report and overall conclusion in September.

Essential Condition	Method of Implementation within City of Edinburgh Council
<ul style="list-style-type: none"> the process for escalating matters of importance to the audit committee. 	
23. Gain an understanding of the effectiveness of the organisation's governance, risk management, and control processes based on the results of IA engagements and discussions with senior management.	Through quarterly IA outcomes reporting and IA annual report and overall conclusion in September.
24. Discuss with the CAE, disagreements with senior management or other stakeholders and provide support as necessary to enable the CAE to perform the responsibilities outlined in the IA mandate.	Any limitations would be reported via Audit Committee cycle or through meetings with the Audit Committee convenor or private meeting with Committee.
25. Collaborate with senior management to provide the IA function with sufficient resources to fulfill the IA mandate and achieve the IA plan.	Annually in March as part of annual planning. Quarterly as part of Committee reporting.
26. Discuss with the CAE, at least annually, the sufficiency, both in numbers and capabilities, of IA resources to fulfil the IA mandate and achieve the IA plan.	Annually in March as part of annual planning. Quarterly as part of Committee reporting.
27. Consider the impact of insufficient resources on the IA mandate and plan.	Annually in March as part of annual planning. Quarterly as part of Committee reporting.
28. Engage with senior management and the CAE on remedying the situation if the resources are determined to be insufficient.	Annually in March as part of annual planning. Quarterly as part of Committee reporting.
29. Discuss with the CAE the quality assurance and improvement programme, as outlined in Domain IV: Managing the IA Function.	Approach set out in IA Charter. Annual reporting of quality assurance and improvement programme. 6 monthly reporting on improvement actions.
30. Approve the IA function's performance objectives / strategy.	Annually in March as part of IA Strategy and September as part of IA Annual reporting.

Essential Condition	Method of Implementation within City of Edinburgh Council
<p>31. Assess the effectiveness and efficiency of the IA function. Such an assessment includes:</p> <ul style="list-style-type: none"> • reviewing the IA function’s performance objectives, including its conformance with the Standards, laws, and regulations; ability to meet the IA mandate; and progress toward completion of the IA plan • considering the results of the IA function’s quality assurance and improvement programme (QAIP) • determining the extent to which the IA function’s performance objectives are being met. 	<p>Conformance with standards and laws annually as part of IA Annual Report in September.</p> <p>Issues with ability to meet the IA mandate and progress with completion of the IA plan quarterly in the IA Activity Report.</p> <p>Outcomes of the QAIP and annual Internal Quality Assessment (IQA) including action plans to address any improvements identified as part of IA Annual Report in September.</p> <p>Performance in line with IA journey map is reported quarterly as part of the IA Performance Dashboard Report.</p> <p>Overall performance with IA Objectives is reported annually as part of IA Annual Report in September.</p>
<p>32. Discuss with the CAE the plans to have an external quality assessment (EQA) of the IA function conducted by an independent, qualified assessor or assessment team.</p>	<p>An EQA is due every five years. Details of requirements will be included in the IA Activity Report in June, the year prior to the assessment.</p> <p>Reference to EQA is included in the IA Charter which is reviewed annually in March.</p>
<p>33. Consider the responsibilities and regulatory requirements of the IA function and the CAE, as described in the IA charter, when defining the scope of the external quality assessment.</p>	<p>As per 32, the scope of the EQA will be set out in the IA Activity Report in June, the year prior to the assessment.</p> <p>Reference to EQA is included in the IA Charter which is reviewed annually in March.</p>
<p>34. Review and approve the CAE’s plan for the performance of an external quality assessment. Such approval should cover, at a minimum:</p> <ul style="list-style-type: none"> • the scope and frequency of assessments • the competencies and independence of the external assessor or assessment team 	<p>As per 32, the plan for the performance of the EQA will be set out in the IA Activity Report in June, the year prior to the assessment and will include the points set out.</p> <p>Reference to EQA is included in the IA Charter which is reviewed annually in March.</p>

Essential Condition	Method of Implementation within City of Edinburgh Council
<ul style="list-style-type: none"> the rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment. 	
<p>35. Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.</p>	<p>As per 34, the plan for the EQA will include agreement that the assessor will provide an independent report for review by the Audit Committee.</p>
<p>36. Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement, if applicable.</p>	<p>Action plan to address deficiencies and opportunities for improvement identified from the EQA will be provided to the Audit Committee.</p>
<p>37. Approve a timeline for completion of the action plans and monitor the CAE's progress.</p>	<p>As per 36, action plan will include timescales for completion which will be presented to the Audit Committee for approval. Progress with EQA action plans will be monitored quarterly until completion is confirmed.</p>