

Directorate for Internal Audit and Assurance

Internal Audit Charter

2025-26

Directorate for Internal Audit and Assurance

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Contents

1. Purpose and Mission	3
2. Standards for the Professional Practice of Internal Audit	4
3. Authority	4
4. Independence, Objectivity and Positioning.....	5
5. The Director of Internal Audit and Assurance Roles and Responsibilities	6
6. Scope of internal audit activities	10
7. Signatures	12

1. Purpose and Mission

- 1.1.** The Scottish Government's (SG) Internal Audit Division forms part of the Directorate for Internal Audit and Assurance (DIAA), comprising of Internal Audit (IA), Digital Assurance Office (DAO), Portfolio, Programme and Project Assurance (PPPA), the Data Protection Officer (DAO) and the Head of Counter Fraud Profession (HoCFP). The work of IA remains segregated from the wider Directorate with resources, budget and operational control being ring fenced.
- 1.2.** The purpose of the internal audit function is to strengthen the SG's and client's ability to create, protect, and sustain value by providing the Principle Accountable Officer (PAO) and management with independent, risk-based, and objective assurance, advice, insight, and foresight. IA clients consist of the SG and a range of public sector bodies including Executive Agencies and Non-Ministerial Bodies.
- 1.3.** In line with the Scottish Government's organisational vision "In the Service of Scotland", the internal audit function enhances clients':
- 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.

SG'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 Accountable Officer.
- Internal auditors are free from undue influence and committed to making objective assessments.

2. Standards for the Professional Practice of Internal Audit

- 2.1.** The SG'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 in the UK Public Sector and Topical Requirements.. As Civil Servants, internal auditors are also governed by the Seven Principles of Public Life (Nolan Principles).
- 2.2.** The Director of Internal Audit and Assurance will report periodically to senior management and relevant Audit and Assurance Committees, including the Scottish Government Audit and Assurance Committee (SGAAC) regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program. . The Chair of SGAAC will also contribute to the Director of Internal Audit and Assurance's annual appraisal report.

3. Authority

- 3.1.** To establish, maintain, and ensure that IA has sufficient authority to fulfil its duties, SGAAC will approve the Internal Audit Charter on behalf of all clients and approve decisions regarding the appointment and removal of the Director of Internal Audit and Assurance. The Accountable Officers of individual clients, with appropriate challenge and support from their Audit and Assurance Committees, will:
- a.** Approve the risk-based internal audit plan for their organisation.
 - b.** Approve the associated internal audit budget and resource plan.
 - c.** Receive communications from the Director of Internal Audit and Assurance on Internal Audit's performance relative to its plan and other matters.
 - d.** Make appropriate inquiries of management and the Director of Internal Audit and Assurance to determine whether there is inappropriate scope or resource limitations.

3.2. The Director of Internal Audit and Assurance will have unrestricted access to, and communicate and interact directly with the Accountable Officers and Audit and Assurance Committees of their clients (including the Permanent Secretary and SGAAC), including in private meetings without management present.

3.3. The SGAAC and client Audit and Assurance Committees authorise IA to:

- a.** have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- b.** allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- c.** obtain assistance from the necessary personnel, as well as other specialised services from within or outside IA, in order to complete the engagement.

4. Independence, Objectivity and Positioning

4.1. The Director of Internal Audit and Assurance will report functionally to the Principal Accountable Officer of the Scottish Government, and Accountable Officers of the other relevant public bodies, and administratively (i.e. day-to-day operations) to the Director General Scottish Exchequer. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Accountable Officer, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

4.2. The Director of Internal Audit and Assurance will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational 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 Director of Internal Audit and Assurance will disclose to the Audit 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..

5. The Director of Internal Audit and Assurance Roles and Responsibilities

Ethics and Professionalism

The Director of Internal Audit and Assurance will ensure that internal auditors:

- 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 organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Director of Internal Audit and Assurance 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 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 [name of organization] or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any SG or client employee that is not employed by the internal audit 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, such as the chief audit executive, board, 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 Director of Internal Audit and Assurance has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board and senior management. Discuss the plan with senior

management and relevant Audit and Assurance Committees, including SGAAC and submit the plan to the board for review and approval.

- Communicate the impact of resource limitations on the internal audit plan to the board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in SG or client's business, risks, operations, programs, systems, and controls.
- Communicate with the senior management and relevant Audit and Assurance Committees, including the SGAAC 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 services to the board and senior management periodically 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 [name of organization] and communicate to the board 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 SG and client's 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 board 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 board.

Communication with senior management and relevant Audit and Assurance Committees, including SGAAC

The Director of Internal Audit and Assurance will report annually to the board and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and 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 board.
- 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 SG or client's risk appetite.

Quality Assurance and Improvement Program

The Director of Internal Audit and Assurance 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 Director of Internal Audit and Assurance will communicate with the senior management and relevant Audit and Assurance Committees, including SGAAC, 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 the SG.

6. Scope of internal audit activities

- 6.1.** The scope of internal audit services covers the entire breadth of the organisation, including all SG and client's activities, assets, and personnel. 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 senior management and relevant Audit and Assurance Committees, including SGAAC on the adequacy and effectiveness of governance, risk management, and control processes for the SG and clients.
- 6.2.** 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.

6.3. Internal audit engagements may include evaluating whether:

- a.** Risks relating to the achievement of its client's strategic objectives are appropriately identified and managed.
- b.** The actions of its client's officers, directors, employees, and contractors are in compliance with the client's policies, procedures, and applicable laws, regulations, and governance standards.
- c.** The results of operations or programmes are consistent with established goals and objectives.
- d.** Operations or programmes are being carried out effectively and efficiently.
- e.** Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the client.
- f.** Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- g.** Resources and assets are acquired economically, used efficiently, and protected adequately.

6.4. Alongside providing assurance to the Accountable Officer and Audit and Assurance Committee of non-core clients, internal audit assurance will also be provided on those corporate systems that the client utilises through the core Scottish Government. The cost of the assurance over the corporate systems is covered in whole, by the Scottish Government.

6.5. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

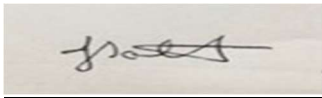
7. Signatures

Director of Internal Audit and Assurance | Date: 26 March 2025



JENNIFER INGLIS-JONES

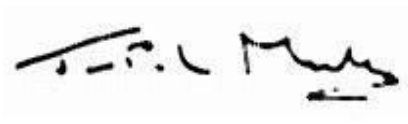
SGAAC Chair | Date: 25 April 2025



JAYNE SCOTT

Scottish Government Audit and Assurance Committee Chair

Principal Accountable Officer | Date: 27 March 2025



JOHN PAUL MARKS

Permanent Secretary to the Scottish Government