



Internal Audit Charter & Mandate 2026 - 27

1.0 Introduction

The authority for setting standards for Internal Audit in the UK Public Sector rests with the Relevant Internal Audit Standards Setters (RIASS). These are HM Treasury in respect of the Scottish Government and CIPFA in respect of Local Government across the UK. To support the development process, the UK Public Sector Internal Audit Standards Advisory Board (IASAB) was created. This includes representation from each of the RIASS audit committees, internal audit practitioners and the Chartered IIA.

The Institute of Internal Audit (IIA) has issued revised Global Internal Audit Standards (GIAS) which came into effect from January 2025. The RIASS have determined that the GIAS are a suitable basis for the practice of internal auditing in the UK Public Sector, subject to interpretations and requirements set out in the application note (December 2024) effective from 1 April 2025. This conformance will be referred to as conformance with Global Internal Audit Standards in the UK Public Sector. The Head of Internal Audit will report at least annually to the Audit Committee and the Chief Executive regarding the Internal Audit function's conformance with the Global Internal Audit Standards in the UK Public Sector which will be assessed through a Quality Assurance and Improvement Program (QAIP), managed and monitored by the Head of Internal Audit.

This Charter sets out the purpose, scope, authority and responsibility of The Scottish Legal Aid Board's (SLAB) Internal Audit function in accordance with the Global Internal Audit Standards in the UK Public Sector. This Charter will be subject to review every year and following:

- A significant change in the GIAS.
- A significant re-organisation within SLAB.
- Significant changes in the Head of Internal Audit, Audit Committee, and/or the Executive Team.
- Significant changes to the SLAB's strategies, objectives, risk profile, or the environment in which it operates.
- New laws or regulations that may affect the nature and/or scope of Internal Audit services.

2.0 Purpose and Objectives of Internal Audit

The purpose of Internal Audit is to provide a high-quality independent audit service to SLAB, in accordance with the Global Internal Audit Standards in the UK Public Sector. To provide assurance over the risk management framework, control environments and the governance frameworks established to manage SLAB's risks and achievement of the Corporate Objectives.

Internal Audit 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 managed SLAB's risks. The Internal Audit scope covers all SLAB's activities.

The Internal Audit function creates, protects and sustains value by providing the Audit Committee and management with independent, risk-based and objective assurance and advice that meets the GIAS. As part of this it provides assurance on the following:

- The operation of SLAB’s corporate governance and decision-making arrangements.
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify measure, classify and report such information.
- That staff comply with SLAB’s policies, standards, procedures, laws and regulations in the performance of their duties.
- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the risks facing SLAB.
- Internal Audit recommendations are implemented by management within realistic and appropriate timescales.
- The extent of compliance with relevance of, and financial effect of, policies, standards, plans and procedures established by SLAB and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies.
- The extent to which SLAB’s assets, resources and interests are acquired economically, used efficiently, accounted for, and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause.
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that Projects, Programmes and Plans align with SLAB’s Corporate Objectives.
- The risk of fraud as part of the audit work performed.

In addition, Internal Audit in fulfilling the above responsibilities will also consider and promote:

- Organisational improvement and value for money.
- Internal control implications of system or process changes within SLAB.
- Assisting management in their duties to prevent and detect fraud and corruption.

The work will be proactive, future focused and demonstrate, wherever possible, continuous improvement both within the area being reviewed and across SLAB as a whole.

3.0 Definitions

The IIA define Internal Audit as

“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

In this Charter, the following definitions apply. Reference to the:

- Board means the Audit Committee

- Executive Team means Executive Directors
- Chief Audit Executive means the Head of Internal Audit

SLAB has adopted the GIAS definition of independence as follows:

‘The freedom from conditions that may impair the ability of the Internal Audit Function to carry out internal audit responsibilities in an unbiased manner.’

SLAB has adopted GIAS definition of objectivity as follows:

‘An unbiased mental attitude that allows internal auditors to make professional judgments, fulfil their responsibilities and achieve the Purpose of Internal Auditing without compromise.’

SLAB has adopted the GIAS definition of advisory services as follows:

‘Services through which internal auditors provide advice to an organisation’s stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. “Advisory services” are also known as “consulting services.”’

4.0 Independence and Objectivity

The Head of Internal Audit will ensure that the Internal Audit function remains free from all conditions that threaten the ability of the Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

Internal auditors are independent when they can carry out their work freely and objectively. Independence permits them to render the impartial and unbiased judgements essential to the proper conduct of audits. To ensure that Internal Audit independence and objectivity is maintained, the Internal Auditors will remain free from interference from anyone within SLAB in relation to audit selection, scope, procedures, frequency, timing and report content. They will maintain an impartial attitude and display competence, diligence and judgement based upon appropriate experience, training, integrity and objectivity, removing or mitigating potential conflicts of interest.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, the 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 SLAB.
- Initiating, recommending or approving transactions external to the Internal Audit function.

Where Internal Audit also has responsibility for non-audit activities, the GIAS require that the Board are made aware of this and arrangements are established to avoid conflicts of interest (see section 4.1).

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

The GIAS require the Head of Internal Audit to report to a level within SLAB which allows Internal Audit to fulfil its responsibilities and ensure that organisational independence is maintained. Within SLAB, the line management of the Head of Internal Audit sits with the Director of Corporate Services and Accounts and in addition to this the Head of Internal Audit has a direct line of reporting to the Chief Executive and the Audit Committee.

The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of Internal Audit. The Head of Internal Audit will also inform the Convenor of the Audit Committee of any actual or potential impairment of organisational independence immediately, should it arise.

In any instances where the Chief Executive or members of the Board are personally involved in an internal audit finding or recommendation, there is a duty to report to the most appropriate level of senior management, including the Convenor of the Audit Committee.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually.
- 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

SLAB's work is overseen by a Board, whose members are appointed by Scottish Ministers. The Board's role includes setting strategic direction and overseeing finances and performance. The number of Board members can vary between 11 and 15. To provide a balanced range of knowledge and experience, they include people from the wider community as well as solicitors and advocates. All Board members agree to operate within a code which sets out the expectations of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties.

4.1 Current Impairments

The Head of Internal Audit provides a line management role for the Scottish National Standards for Information and Advice Providers (SNSIAP) Performance Auditor. The SNSIAP Performance Auditor

does not undertake any Internal Audit reviews and works solely on SNSIAP compliance. During 2026 the Head of Internal Audit will be part of the team assigned to review the operational structure of the SNSIAP compliance.

The Head of Internal Audit will not partake in any audit of internal controls assurance within the SNSIAP function, should such work arise in the Plan. The Director of Corporate Services and Accounts will assume responsibility for that work.

5.0 Authority

Internal Audit derives its authority from the Audit Committee and the Executive Team. To ensure that Internal Audit objectives are achieved, and their independence maintained with no impairment, and with strict accountability for confidentiality and safeguarding records and information, Internal Audit is permitted to:

- Have full, free and unrestricted access to any and all of SLAB's records, assets, physical properties and personnel, including all officers, Executive Leadership Team and Audit Committee Members.
- Raise findings in relation to any control gaps identified that could expose SLAB to significant risk where these are identified out with the scope of audit reviews included in the Internal Audit Plan.
- Review the content of the annual governance statements prepared by the Chief Executive and the Executive Directors to confirm whether the content in relation to effective management of risk and controls across the services delivered by SLAB appropriately reflects the outcomes of completed audit work and progress with implementation of agreed management actions.

Additionally, all officers are required to assist Internal Audit in fulfilling its roles and responsibilities.

6.0 Ethics and Professionalism

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They must make balanced assessments of all the relevant circumstances and not be unduly influenced by their own or others interests in forming judgments.

The Head of Internal Audit will ensure that the Internal Auditors:

- Conform with the GIAS, 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 SLAB.
- Encourage and promote an ethics-based culture.
- Report organisational behaviour that is inconsistent with SLAB's ethical expectations, as described in applicable policies and procedures.

To achieve this Internal Audit will ensure that it conducts its work with due professional care and in line with the requirements of the GIAS. The Head of Internal Audit will report on compliance as part of the annual opinion. Additionally Internal Audit staff will comply with all SLAB policies and procedures and the Internal Audit Manual.

By exception, when non-conformance with the Definition of Internal Auditing, the Code of Ethics or the GIAS impacts a specific engagement, communication of the engagement results must disclose the:

- principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved.
- reason(s) for non-conformance.
- impact of non-conformance on the engagement and the communicated engagement results.

7.0 Internal Audit Plan

On an annual basis the Head of Internal Audit will submit a 1-year Internal Audit Plan alongside a 3-year Strategic Plan. This Plan will be designed to support provision of an annual evidence based opinion and is presented to the Audit Committee for review and approval.

The Plan will be developed, based on a risk based, assurance mapping exercise, including input from management, and Audit Committee members.

The nature of evolving risks makes it likely that the audit assignments included in the Plan may be subject to change. Consequently, the Plan will be reviewed and any proposed changes will be approved by both the Executive Team and the Audit Committee (see Appendix A for more details).

Other sources of assurance:

- The GIAS require that when preparing the Plan, the Head of Internal Audit should share information, coordinate activities and consider relying on the work of other internal and external assurance providers to ensure proper coverage and minimise duplication of effort.
- Where this approach is adopted, a consistent process for the basis of reliance should be established. Where reliance is placed on the work of others, the Head of Internal Audit 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.
- When dealing with an external party, Internal Audit will clearly define the respective roles, responsibilities and other expectations (including restrictions on distribution of results of the engagement and access to engagement records).

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

8.0 Advisory Reviews

Advisory (Consultancy) services, occur when Internal Audit gives advice to the business without providing assurance. The nature and scope of advisory services are subject to agreement with the Audit Committee as part of the planning cycle, with the amount of advisory work being based on the areas of highest risk to the business.

Internal Audit has established an approach to advisory work and how this can support and add value to SLAB across its business. The areas of focus and the proportion of advisory work to assurance work is clearly set out within the Plan. Any changes will follow the agreed process for approving any change to the Plan.

Advisory work will not result in a formal assurance rating being provided nor will it form part of the Annual Opinion. The design of the advisory processes are fully aligned with the GIAS to ensure that they will not impact upon, or result in impairment of Internal Audit independence and objectivity.

9.0 Resourcing

The level of resource will be agreed in line with the audit planning process with the Executive Team. Where required, assignments will be outsourced to provide the most effective use of resources or where specialist expertise is required.

The Internal Audit Plan will reflect the budgeted resource requirements and clearly identify where external resource is required. Should circumstances arise during the year that suggests available resource levels will fall or appear to be falling below the level required to deliver the Plan, the Head of Internal Audit will communicate the impact of resource limitations to both the Executive Team and the Audit Committee.

10.0 Follow up

Internal Audit will follow up and report progress with implementation of agreed recommendations to support closure of the findings raised to each meeting of the Audit Committee. Assurance will be provided that implementation is within the agreed timescales. The agreed assurance ratings are set out in Appendix B.

The follow up process involves review of evidence to support the implementation, and proportionate testing to confirm that they have been effectively implemented.

If following initial agreement to implement an agreed management action, management subsequently decide to accept either the full or partial risks associated with the finding, this will in the first instance be agreed with the Head of Internal Audit and then reported to the Audit Committee for approval.

Internal Audit operates a risk-based approach to follow up whereby all high rated actions will be validated when presented for closure. A sample of medium actions will be validated and low rated actions will be closed based on a self-assessment at the discretion of the Head of Internal Audit.

11.0 Reporting

The Head of Internal Audit is responsible and accountable to the Audit Committee for Internal Audit performance and for reporting on progress against the Internal Audit Plan.

Following the conclusion of each audit engagement, a written report will be prepared by Internal Audit and distributed as appropriate. The agreed assurance ratings are set out at Appendix B.

A draft of the audit report will be discussed with Key Sponsors at the completion of audit fieldwork and always agreed with the Director of the area being audited. Reporting will include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and/or the Chief Executive. The Key Sponsor and Director will be invited to document their comments, ideally within two weeks of receipt of the draft report.

Internal Audit will include, in the final audit report, the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of the action to be taken and an explanation for any recommendations not adopted. Internal Audit shall be responsible for appropriate follow-up on audit findings and recommendations.

A copy of each Final Audit Report will be forwarded to the Audit Committee and made available to the Executive Team.

The following table sets out the reporting requirements of the Head of Internal Audit.

Report	Executive Team	Audit Committee
Internal Audit Charter	Annual	Annual
Internal Audit Plan – including resourcing	Annual	Annual
Internal Audit Strategy – including resourcing	Annual	Annual
Progress report	Quarterly	Every meeting
Changes to Internal Audit Plan	As required	As required
Follow up	Quarterly	Every meeting
Annual Opinion including: <ul style="list-style-type: none"> Confirmation of independence Conformance with the Global Internal Audit Standards in the UK Public Sector 	Annually	Annually
Quality Assurance Improvement Programme (QAIP)	Bi annual	Bi annual

12.0 Internal Audit Report and Opinion

The Head of Internal Audit must deliver an annual report and opinion that can be used by SLAB to inform its annual governance statement.

This opinion is based on the outcomes of the assurance audits included in the Plan, progress with implementation of agreed management actions, the result of any other Internal Audit activities that have identified control gaps that are exposing SLAB to risk and the professional judgement of the Head of the Internal Audit.

The Annual Opinion will conclude on the overall adequacy and effectiveness of SLAB’s governance, risk management and control framework, and include a statement on conformance with the Global Internal Audit Standards in the UK Public Sector and the results of the QAIP.

13.0 Fraud and Corruption

Management is responsible for the prevention and detection of fraud or corruption. Internal Audit will assist management in the discharge of this responsibility.

Internal Audit alone cannot guarantee that all fraud or corruption will be detected. Internal Audit will exercise an appropriate level of professional scepticism during audit field work and be alerted to risks and exposures that could allow fraud or corruption to occur.

Discovery of fraud or irregularity that affects SLAB’s affairs should be reported immediately to the Head of Internal Audit, who will inform the Audit Committee and the Chief Executive as appropriate.

All reports of fraud or suspected fraud will be recorded on a Fraud Register. These will inform the annual audit opinion and the risk based Plan.

14.0 Quality Assurance and Improvement Programme

The Head of Internal Audit will maintain a QAIP that covers all aspects of Internal Audit activity. The QAIP will include an evaluation of Internal Audit's compliance with the GIAS. This programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The requirement for an external quality assessment is set out in the GIAS and must be undertaken at least every five years. This will be undertaken in liaison with and approval from the Audit Committee.

The Head of Internal Audit is also responsible for providing an annual self-assessment of Internal Audit, the results of which will be encapsulated in the QAIP.

15.0 Approval

This charter is subject to approval by the Executive Team, Chief Executive and the Audit Committee on an annual basis.

Approval will be evidenced through Executive Team and Audit Committee meeting minutes.

16.0 Internal Audit Mandate

The Audit Committee grants the Internal Audit function the mandate to provide the Audit Committee, Chief Executive and the Executive Team with objective assurance, advice, insight, and foresight.

The Internal Audit function's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Audit Committee. Internal Audit has an organisational wide remit, which includes assessing and interacting with risk management, compliance, finance and other controls.

16.1 Audit Committee responsibilities

The Audit Committee should be involved in discussions regarding:

- the appointment, performance evaluation, remuneration, or removal of the Head of Internal Audit.
- the level of resource to be deployed in delivering the audit Plan.

To establish, maintain, and ensure that the Internal Audit function has sufficient authority to fulfil its duties, the Audit Committee will:

- Obtain assurance on the strategic processes for risk, control and governance and the Governance Statement.
- Provide assurance to the Board on the accounting policies, the accounts, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.
- Review the planned activity and results of both internal and external audit.
- Review the adequacy of management response to issues identified by audit activity, including external audit's management letter/report.
- Review the effectiveness of the internal control environment.
- Receive assurances relating to the corporate governance requirements for SLAB.
- (Where appropriate) review and receive proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services.
- Receive assurance on anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.
- Discuss with the Head of Internal Audit the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit function.
- Ensure the Head of Internal Audit has unrestricted access to, communicate, and interact directly with the Audit Committee, including in private meetings without management present.
- Approve the Internal Audit Charter, which includes the Internal Audit Mandate and the scope and types of Internal Audit services.
- Review the Head of Internal Audit's performance, providing feedback to the Chief Executive and the Director of Corporate Services and Accounts.
- Receive communications from the Head of Internal Audit about the Internal Audit function including its performance relative to the Plan.
- Review and approve the Head of Internal Audit's Plan for the undertaking of an External Quality Assessment.
- Receive the complete results of the External Quality Assessment.
- Review the QAIP bi annually.

Through the Audit Committee, the Board supports the Internal Audit Team in the completion of their responsibilities.

16.2 Responsibilities of the Head of Internal Audit

The Head of Internal Audit has the responsibility to:

- Communicate a risk-based Internal Audit Plan and Strategy to the Executive Team for agreement and the Audit Committee for approval.
- Communicate the impact of resource limitations on the Internal Audit Plan to the Audit Committee and the Executive Team.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in SLAB's business, risks, operations, programs, systems, and controls.
- Communicate with the Executive Team (for agreement) and the Audit Committee (for approval) if there are significant interim changes to the Internal Audit Plan.
- Ensure Internal Audit engagements are performed, documented, and communicated in accordance with the GIAS.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of the Internal Audit services to the Audit Committee and the Executive Team at least quarterly.
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the GIAS and to fulfil the Internal Audit Mandate.
- Identify and consider trends and emerging issues that could impact SLAB and communicate to the Audit Committee and Executive Team 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 SLAB's policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the GIAS. Any such conflicts will be resolved or documented and communicated to the Audit Committee.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.

16.3 Responsibilities of Internal Audit

The day-to-day management of the function sits with the Head of Internal Audit, with support and input from the Internal Audit team.

The main responsibilities of the Internal Audit team are:

- To enhance the success of SLAB by providing the Audit Committee, Chief Executive and the Executive Team with objective assurance and advice.
- To deliver the Internal Audit Plan, bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes throughout SLAB.
- Prepare quarterly progress reports, including summaries of audit work undertaken, key recommendations, and the progress of implementing those recommendations, for submission to the Audit Committee.

- Monitor and report the extent of implementation of recommendations made and supporting the business to implement the recommendations as required.
- Investigate, or ensure that investigations are carried out, on instances of fraud or suspected fraud, and other special investigations, with the outcome of investigations reported, together with any impact(s), to the Audit Committee quarterly.
- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit responsibilities. Internal Auditors are accountable for confidentiality and safeguarding records and information.

16.4 Responsibilities of Management

- Management will cooperate with Internal Audit on assignments and provide access to records, systems and staff as required within a reasonable timeframe following a request.
- Key Performance Indicators (KPIs) are used to ensure that both Internal Audit and management support effective and timely delivery of the Plan. Performance in meeting these KPI's will be reported to every meeting of the Audit Committee.
- All audit assignments (advisory and assurance) will be the subject of formal terms of reference (Audit Remit) and formal reports. These may be supplemented with a presentation of findings.
- Draft reports will be shared with the Director and where appropriate the Key Sponsors, for agreement as to the factual accuracy of the findings and the recommendations raised to address the control weaknesses identified.
- It is the Director's responsibility to accept and fully implement the agreed recommendations. Where the Director cannot accept the recommendation, the risk associated with not implementing the recommendation will be accepted with supporting narrative provided within the report for Audit Committee approval.
- Where a draft report is provided, the Director (or a delegated manager) is required to provide management actions to all agreed findings and specify responsibility and anticipated dates for implementation of the recommendation.
- The Director is also responsible for ensuring that the agreed recommendations are implemented and effectively sustained.

16.5 Cooperation

The independent role of Internal Audit should in no way diminish a close working relationship with other departments within SLAB, through contact at the appropriate managerial levels before, during and after the conclusion of an audit engagement.

- Internal Audit should also co-operate fully with SLAB's External Auditors to:
 - maximise the sharing of professional knowledge.
 - minimise any potential duplication in the Internal Audit Plan coverage.
 - agree the level of assurance that can be taken from audit work performed by either function or other third-party assurance providers that Internal Audit engage with.
 - allow the open sharing of risk management information, supporting a culture of 'no surprises'.

As a minimum Internal Audit should meet with SLAB's External Auditors at least annually.

16.6 Providing Assurance to third parties

In normal course Internal Audit does not provide assurance on the control framework in place to support SLAB activities to third parties. Should this be necessary the request must be agreed with the Audit Committee.

Internal audit provides assistance to the National Fraud Initiative, every two years. This work will be set out in the Internal Audit Plan. This is a counter fraud exercise (undertaken across the UK) that matches electronic data across public bodies to prevent and detect fraud.

Appendix A –Process for Approving Changes to the Internal Audit Plan

1.0 Non routine changes

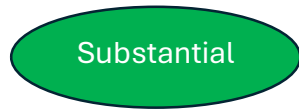
- 1.1 Changes to the Plan can be proposed by Internal Audit or requested by management, based on SLAB's changing risk profile, suspected fraudulent activity or other contributory factors.
- 1.2 All changes proposed will be documented, with the rationale for the change and the associated risks clearly articulated.
- 1.3 The Head of Internal Audit 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 additional work, the Head of Internal Audit will consider which existing audit(s) included in the Plan should be rescheduled and reflect this in the narrative.
- 1.5 The proposal will be discussed with the Executive Team and approved by the Audit Committee, with the final decision to accept or reject the proposed change made by the Audit Committee.

2.0 Urgent changes

- 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 Audit Committee through convening an additional meeting of the Committee, or via email exchange.

Appendix B – Ratings

Annual Opinion ratings



A sound system of risk management, governance and internal control exists providing an adequate and effective framework. This is consistently applied across SLAB to support the achievement of the Corporate Objectives.



SLAB has an adequate and effective framework for risk management, governance and internal control. However, Internal Audit has identified non compliance or scope for improvement, which when implemented will enhance the current controls in operation.



There are significant weaknesses in the framework of governance, risk management and control, such that it could become inadequate or ineffective and Corporate Objectives may not be achieved.



There is not an adequate framework of risk management, governance or internal control. Immediate action is required to address fundamental control gaps.

Report Assurance Ratings

Rating	Reason/Definition of Audit Opinion given
Strong	Internal controls, governance and risk management processes were fully established and functioning well. No issues were identified that would affect the achievement of the objectives of the audited entity. <i>Low (or no) graded recommendations raised.</i>
Reasonable	Internal controls, governance and risk management processes were adequately established and functioning to an acceptable standard. No issues were identified that would significantly affect the achievement of the objectives of the audited entity, however some improvements in the control environment may be possible. <i>Low graded recommendations raised and no more than two Medium recommendations.</i>
Limited	Internal controls, governance and risk management processes were either not fully established or functioning to an acceptable standard. Some issues were identified that could prevent the achievement of the objectives of the audited entity. <i>Two or more Medium graded recommendations raised.</i>
Weak	Internal controls, governance and risk management processes were either not established or not functioning. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. <i>One or more High graded recommendation raised and/or a substantial number of any grade of recommendation.</i>

Priority Ratings for Recommendations

Priority	Definition
High	The highest rating of recommendation used when we feel the control framework is inadequate and not operating effectively resulting in SLAB being exposed to substantial risk. Need to be addressed as a matter of urgency.
Medium	This recommendation requires attention in the short to medium term (up to 6 months) to address gaps or weaknesses in the control framework.
Low	We expect these recommendations to improve the wider control framework, with the business working towards resolution within a longer time frame (up to 12 months) due to the limited impact on the risk framework.

Observation	These are areas where we have observed an improvement opportunity during the course of the audit.
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