

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 28 August 2018

## Internal Audit: Proposed process for approving changes to the Internal Audit plan

Item number	7.9
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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Public Sector Internal Audit Standards (PSIAS) set out the requirements for Internal Audit (IA) to deliver an annual plan of work (the plan) that focuses on the Council's most significant risks; and for the Chief Internal Auditor (CIA) to review and adjust the plan, where required, in response to both the changing risk profile and organisational changes.

Additionally, PSIAS also require that IA activity must be independent, with freedom from any conditions that threaten the ability of IA to deliver their responsibilities in an unbiased manner.

Consequently, it is important to ensure that there is a clearly established and defined process for consideration and approval of changes to the plan.

This report sets out the proposed process for considering and approving (or rejecting) both routine and urgent IA plan change requests.

## Internal Audit: Proposed process for approving changes to the Internal Audit annual plan

### 1. Recommendations

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- 1.1 Committee is recommended to:
  - 1.1.1 Approve the proposed process for considering and approving (or rejecting) routine and urgent requests for changes to the annual Internal Audit plan.
  - 1.1.2 Note that this process will be included as an appendix to the Internal Audit Charter approved by the Committee in March 2018.

### 2. Background

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- 2.1 Public Sector Internal Audit Standards (PSIAS) require IA to deliver an annual plan, that focuses on the organisations most significant risks, and is scoped using a risk-based assessment of Council activities.
- 2.2 PSIAS also specify that the Chief Internal Auditor (CIA) must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.
- 2.3 Additionally, PSIAS also require that IA activity must be independent, with freedom from any conditions that threaten the ability of IA to deliver their responsibilities in an unbiased manner.
- 2.4 Consequently, it is important to ensure that there is a clearly established and defined process for approval of changes to the annual plan, to ensure that it continues to focus on the Council's most significant risks; is not unduly influenced by management; and that IA independence is maintained.
- 2.5 A routine (non-urgent) request for a change to the IA plan is defined as a change related to new and emerging risks that have not yet crystallised, enabling sufficient time for the change to be considered within standard Corporate Leadership Team (CLT) and Governance, Risk, and Best Value (GRBV) reporting cycles.
- 2.6 An urgent request for a change to the IA plan is defined as a change related to new and emerging risks that have crystallised and require urgent IA focus to confirm the effectiveness of the established control environment.

### 3. Main report

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#### **Proposed process for routine (non-urgent) changes to the annual Internal Audit plan**

- 3.1 Changes to the IA plan can be proposed by IA based on the Council's changing risk profile, or requested by management.
- 3.2 All changes proposed by IA will be clearly documented, with the rationale for the change and the associated risks clearly articulated.
- 3.3 All requests from management for routine changes to the IA plan will be provided to the Council's Chief Internal Auditor (CIA), with the rationale for the change and the associated risks clearly articulated.
- 3.4 The CIA will consider the request based on the significance of the associated risks, and make a proposal to either accept or reject the change.
- 3.5 Where there is insufficient capacity to incorporate the requested change, the CIA will also consider which existing audit included in the plan should be replaced (if the change is approved) and reflect this in the proposal.
- 3.6 The proposal will be discussed with the Corporate Leadership Team (CLT) and discussed and approved by the Governance, Risk, and Best Value Committee (GRBV), with the final decision to accept or reject the proposed change made by the GRBV.

#### **Proposed process for urgent changes to the annual Internal Audit plan**

- 3.7 The process as outlined in section 3.1 to 3.4 above will be applied.
- 3.8 The CIA's proposal will then be discussed with the relevant Executive Directors affected by the proposed change; the Chief Executive; and the Convenor and Vice-Convenor of the GRBV.
- 3.9 The final decision to accept or reject the proposed change will be made by the Chief Executive Officer or relevant Executive Director (in line with the Council's urgent decisions process) in consultation with the Convenor and Vice-Convenor of the GRBV, and the Chief Internal Auditor.
- 3.10 Details of the proposal and the final decision will then be reported retrospectively to both the CLT and GRBV.

### 4. Measures of success

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- 4.1 A clear audit trail supporting the rationale for all proposed plan changes and the final decision made.
- 4.2 The integrity of the plan (ensuring it remains appropriate risk based) and IA independence will be effectively maintained.

## **5. Financial impact**

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5.1 No direct financial impact.

## **6. Risk, policy, compliance and governance impact**

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6.1 Ongoing conformance with PSIAS requirements.

## **7. Equalities impact**

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7.1 Not applicable.

## **8. Sustainability impact**

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8.1 Not applicable.

## **9. Consultation and engagement**

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9.1 Not applicable.

## **10. Background reading/external references**

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10.1 [Public Sector Internal Audit Standards](#)

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## **11. Appendices**

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None.