

For publication

Internal Audit Consortium Progress Report 2024/25 and Draft Business Plan 2025/26

Meeting:	Joint Board
Date:	26th March 2025
Cabinet portfolio:	Governance
Directorate:	Finance
For Publication	

1.0 Purpose of the report

- 1.1 To update the Joint Board on the progress made by the Internal Audit Consortium during the financial year 2024/25.
- 1.2 To provide an update on the business plan (budget) for the Consortium for 2024/25 and to seek approval for the revised 2024/25 business plan and draft business plan for 2025/26.
- 1.3 To inform the Joint Board about the Global Internal Audit Standards that replace the Public Sector Internal Audit Standards from the 1st April 2025.

2.0 Recommendations

- 2.1 That the progress made by the Internal Audit Consortium be noted.
- 2.2 That the revised business plan (budget) for 2024/25 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2025/26, based on Appendix 1, be approved.
- 2.3 That any accumulated surplus of the Internal Audit Consortium at the 31st March 2025 (less £30,000 to be held as a working balance - provided there is sufficient to do this once the outturn is known) be distributed to the partner authorities following the audit of the accounts being completed.
- 2.4 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2024/25 be submitted to the Joint Board following the year-end.

2.5 That the introduction of the Global Internal Audit Standards from the 1st April 2025 be noted.

3.0 Reason for recommendations

3.1 The approval of the 2025/26 business plan will mean that the Consortium can continue to deliver a quality service that can provide independent assurance on governance, risk management and control processes.

3.2 To enable the Joint Board to consider and approve the revised business plan for 2024/25 and the draft business plan for 2025/26.

3.3 To ensure that the Joint Board are aware of the Global Internal Audit Standards that replace the Public Sector Internal Audit Standards from the 1st April 2025.

4 Report Details

Staffing

4.1 During the 2024/25 financial year the Senior Auditor for CBC retired. A BDC Auditor was promoted to the CBC Senior Auditor post which left an Auditor vacancy at BDC. The BDC Auditor post has been filled.

4.2 The BDC Senior Auditor has recently accepted a Principal Accountant post at BDC and will be leaving the Consortium Mid- May. The BDC Senior Auditor post has been advertised with a closing date of the 16th March and interviews to be held on the 4th April 2025.

Training

4.3 Training needs are identified via quarterly valuing Individuals and performance reviews.

4.4 All staff keep up to date via ad hoc courses / webinars, team meetings and reading appropriate professional magazines etc. Examples of training undertaken in 2024/25 include: -

- Communication skills for internal auditors (full day training February 25)
- Essentials of internal audit – 2 day webinar (new auditors)
- Introduction to VAT in Local Authorities
- VAT and property
- CIPFA Governance update for Local Authorities 2025 (February 25)
- Governance, risk and compliance
- NFI system user training
- Root cause analysis
- Ethical behaviour (team meeting January 2025)

- Elevating the impact of internal audit
 - Note taking and capturing key information
- 4.5 The Consortium are members of the Local Authority Chief Auditors Network, the Midlands Audit Group and the Nottinghamshire Audit Group where best practice, emerging risks, concerns etc. are shared and discussed.
- 4.6 All mandatory training has been completed.

Global Internal Audit Standards / Working Procedures

- 4.7 In January 2024 the Institute of Internal Auditors (IIA) published the Global Internal Audit Standards (GIAS) that are intended to guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.
- 4.8 From the 1st April 2025 the GIAS will replace the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Consortium is currently compliant with the PSIAS and whilst many of the principles of auditing are the same, work is ongoing to ensure full compliance with the GIAS and an action plan has been developed and reported to each Audit Committee.
- 4.9 While the GIAS apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organisational and funding structure. There is therefore also a CIPFA Application note that sets out the interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.
- 4.10 CIPFA has also developed the Code of Practice for the Governance of Internal Audit in Local Government (the Code) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside the new internal audit standards.
- 4.11 The Code is aimed at those responsible for ensuring effective governance arrangements for internal audit so for CBC this is the Standards and Audit Committee and for NEDDC and BDC the Audit Committee.
- 4.12 The Head of the Internal Audit Consortium has undertaken a self-assessment against the Global Internal Audit Standards using the Institute of Internal Auditors self-assessment toolkit.
- 4.13 Whilst the bulk of the Standards are already complied with, some areas for improvement have been identified to ensure full compliance. In summary, the main action plan points relate to: -

- Updates to current documentation to ensure that they reference the GIAS rather than the PSIAS e.g. the Internal Audit Charter and Internal Audit Manual
 - Retaining evidence of regular training on ethical and professional behaviour, objectivity, due professional care and communication skills
 - Clarifying Board (Audit Committee) responsibilities, championing internal audit and assessing their effectiveness
 - Development of an Internal Audit Strategy
 - Documentation of the basis of reliance on other assurances
 - Greater emphasis on identifying the root cause of problems identified
 - 2025/26 Annual Governance Statement to detail how the Council complies with the Code.
- 4.14 Each Audit Committee has been provided with a copy of the Global Internal Audit Standards, the CIPFA Application note and the Code of Practice for the Governance of Internal Audit in Local Government (the Code) along with an action plan to achieve full compliance.
- 4.15 All working practices and documentation are in the process of being reviewed and updated to reflect best practice as specified by the Global Internal Audit Standards.
- 4.16 Regular team meetings and 1:1 's take place with all staff. All quarterly valuing individuals and performance reviews have been completed during the year.

Internal Audit Plans

- 4.17 Internal audit plans for 2024/25 were agreed with each section 151 officer, management team and Audit Committee in March / April 2024.
- 4.18 Regular progress reports showing a summary of internal audit reports issued and progress against the 2024/25 plans have been submitted to each Council's Audit Committee. Good progress has been made on the plans although they will not be completed in their entirety due to staff vacancies during the year. Areas not completed are being considered for inclusion in the 2025/26 internal audit plans.
- 4.19 Mid- year review meetings were held with each client officer to discuss progress and consider budget issues, as required under the Consortium Legal Agreement.
- 4.20 An annual report was submitted to each Audit Committee at the end of 2023/24 summarising the audit work undertaken and giving an opinion on the control environment.

Derbyshire Dales District Council

- 4.21 The Head of the Internal Audit Consortium continues to offer a management service to Derbyshire Dales District Council at a charge of £11,650 per annum

for 2024/25 and these charges are increased annually to cover pay and insurance increases.

Business Plan 2024/25 and Draft Business Plan 2025/26

- 4.22 The original business plan for 2024/25 was approved by the Joint Board in March 24. The original business plan projected a break- even position for the year (Appendix 1).
- 4.23 The revised business plan based on the revised budget estimates now predicts a deficit of £7,980 thus reducing the carry forward to £22,020. The additional cost is for items not originally fully budgeted for, mainly the pay award. However, salary costs have not been revised to reflect the period posts were vacant for so the end of year position should come out at a small surplus enabling the £30,000 carry forward to be retained.
- 4.24 To cover any further potential staffing shortages / changes/ market supplements and training costs for new staff etc. it is proposed that £30,000 (should this be available once actuals are calculated) continues to be carried forward at the year end as a working balance and that any surplus additional to this be redistributed.

Business Plan 2025/26 (Draft)

- 4.25 A draft business plan for the Consortium has been prepared for 2025/26 and the following two years (see Appendix 1). This business plan is based on the FTE of 8.85 posts. The fee has increased more than usual due to national insurance changes and incorporating an estimated 3% pay award.
- 4.26 For information, a summary of the charges made by the Consortium covering the period 2021/22 – 2025/26 (estimate) is shown in Appendix 2.

Risk Register

- 4.27 The Internal Audit Consortium risk register has been updated and is shown as Appendix 3. The current biggest risk is if we fail to recruit to the BDC Senior Auditor post that will become vacant in May 2025. As mitigation, there is the carry forward budget (£30k) that could be used to pay for an interim member of staff and there is the facility to move staff around within the consortium or for specific audits.
- 4.28 The introduction of the Global Standards creates a non- compliance with best practice risk however an action plan has been developed to work towards full compliance.

5 Alternative options

- 5.1 Not Applicable.

6 Implications for consideration – Financial and Value for Money

6.1 The provision of an effective Internal Audit service helps to ensure that the organisations internal controls, risk management and governance arrangements are appropriately assessed in terms of their adequacy and effectiveness.

7 Implications for consideration – Legal

7.1 The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance”.

8 Implications for consideration – Human Resources

8.1 None

9 Implications for consideration – Council Plan

9.1 Audit reviews help to ensure that the council’s resources and priorities are focused on achieving the objectives within the council plan.

10 Implications for consideration – Climate Change

10.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council’s objectives.

11 Implications for consideration – Equality and Diversity

11.1 None

12 Implications for consideration – Risk Management

12.1 Regular audit reviews help to ensure that risk is appropriately managed.

Decision information

Key decision number	
Wards affected	None

Document information

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Background documents

None

Appendices to the report

Appendix 1	Business Plan
Appendix 2	Consortium Charges
Appendix 3	Risk Register