

# **CIPFA Benchmarking exercise of Internal Audit: 2009**

## **AUDIT COMMITTEE**

Date: 27<sup>th</sup> January 2009

**Author: Head of Internal Audit**

**Wards Affected: None**

### **Purpose**

To present Members with a summary of the 2008 benchmarking exercise carried out by CIPFA with regard to the Council's Internal Audit service.

### **Recommendation**

- It is recommended that the contents of the report be noted.

## **1 Reasons**

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 The Council's Internal Audit section is a key component of the assurance framework and therefore it is essential that this Committee monitor its performance to ensure that it is providing an effective service that offers value for money.

## **2 Detail**

### Background

- 2.1 The Council subscribes to the CIPFA benchmarking club. CIPFA carries out benchmarking in a number of areas, one of which relates to internal audit. On an annual basis we provide information on the section relating to its:
  - Cost analysis
  - Audit coverage
  - Staffing – numbers, qualifications and pay
- 2.2 A report is then produced (see Appendix 1) that sets out comparisons for actual performance from the previous financial year, in this case 2007/08, and planned performance for the current financial year (2008/09) against all other unitary authorities who have contributed benchmarking information.

## CIPFA Benchmarking exercise of Internal Audit: 2009

### AUDIT COMMITTEE

Date: 27<sup>th</sup> January 2009

#### Findings

- 2.3 I have set out below the main results of the benchmarking under the above headings.

#### Cost analysis (see pages 1 – 8 of Appendix 1)

- The cost of the audit section based on the Council's turnover is slightly higher than the unitary average but lower than average when comparing cost per chargeable audit day (i.e. number of audit days left after deducting annual leave, sickness, training etc.). Estimates for 2008/09 indicate that the above trend will continue.
- The cost per in-house auditor was below the unitary average in 2007/08 and is estimated to fall to almost £2,000 below the average for 2008/09.
- However, the chargeable days per auditor (i.e. how many days of audit per auditor), was 3 days below the average for 2006/07. Without the high sickness levels the productive days would have been above the unitary average. The estimate for 2008/09 was that the difference of approximately 3 days below the average would continue. However, following continued sickness absence and the budget freeze, both the number of productive days and the average per auditor will fall short of this target.

#### Audit Coverage (see pages 9 – 13 of Appendix 1)

This section compares our planned audit coverage for 2008/09 of specific areas to other unitary authorities. I have set out below where we are significantly different from the average unitary figure:

- *Fundamental financial systems* – we are higher than average in this area mainly due to the additional work we carry out on Housing Benefits. Our coverage complied with BFI recommendations and is also as a result of the issues that we have found with the contractor's performance. The other system that we significantly exceed the average is Housing Rents where we have spent additional time looking at arrears. We generally spend about the average length of time looking at the other fundamental systems.
- *Strategic Risks* - Our coverage in this area is above the unitary average and emphasises that the internal audit plan is risk based ensuring that risks to key objectives are audited.
- *Audit of IT systems* – we are fortunate to have a highly qualified and experienced IT auditor at the moment. Given the rate of change within the Council and IT in particular it is essential that we will continue with our current level of coverage in this area. Unfortunately our current IT auditor will be retiring in March and it will be a challenge to find an experienced replacement.
- *Educational Establishments* - we spend slightly more time doing Financial Management Standards in Schools than the average

## CIPFA Benchmarking exercise of Internal Audit: 2009

### AUDIT COMMITTEE

Date: 27<sup>th</sup> January 2009

unitary. However, we spend slightly less on the actual audit element of school reviews. The figures quoted in the benchmarking for this area have not been adjusted to reflect the size of each authority and therefore the number of schools in each authority.

#### Staffing (see page 14 of Appendix 1)

This section compares our salary bandings and qualifications with other audit sections. The main findings in this area are as follows:

- *Salary bandings* – we are not far off average as far as the percentage of staff in each banding. The main difference is the lack of staff in the second and third tier banding. However, as detailed above our average salary is below the unitary average (see paragraph 2.3 above). The Single Status Review is programmed to be completed by April 2009. At this stage we do not know the outcome of the assessment of the auditor posts.
- *Qualifications* – in comparison with other authorities we have a section that is significantly better qualified than the average unitary authority (64% of our staff hold a professional qualification compared with the unitary average of only 34%).

#### Conclusion

- 2.4 The benchmarking data indicates that Swindon Borough Council's internal audit section is one that is well qualified (above the unitary average) and provides a cost effective service (below average costs).
- 2.5 However, there is always the risk that well qualified staff will look elsewhere if they see that neighbouring authorities offer better salaries. There may also be difficulty in recruiting to posts as experienced when trying to fill the Senior Auditor post recently. The turnover in the team has been low this current year compared to previous years.

### Alternative Options

Not Applicable

## **CIPFA Benchmarking exercise of Internal Audit: 2009**

### **AUDIT COMMITTEE**

Date: 27<sup>th</sup> January 2009

#### **Risk Management**

##### *Financial and Procurement Implications*

There are no direct financial implications arising from this report itself.

##### *Legal/Human Rights Implications*

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

#### *Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)*

Internal Control, Audit Committee and the Statement on Internal Control all feature significantly in the CPA Use of Resources Assessment. An effective Internal Audit section will help to ensure that there are effective systems of internal control within the Council. This in turn should help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

#### **Consultees**

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

#### **Appendices / Background papers**

Appendix 1 – Audit Benchmarking Club 2008 report.

#### **Key Decision/Decision in Forward Plan**

Not Applicable