

CIPFA Benchmarking exercise of Internal Audit: 2009

AUDIT COMMITTEE

Date: 24th November 2009

Author: Head of Internal Audit

Wards Affected: None

Purpose

To present Members with a summary of the 2009 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 2008/09, and planned performance for the current financial year (2009/10) against all other unitary authorities who have contributed benchmarking information.

CIPFA Benchmarking exercise of Internal Audit: 2009

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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 (for 2009/10) 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.).
- The actual number of audit days per £m of turnover is slightly above average (0.36 days per £m). However, given the rate of change within Swindon and the control issues that this presents this would be expected.
- The cost per in-house auditor was below the unitary average in 2008/09 and is estimated to fall to almost £1,500 below the average for 2009/10.
- However, the chargeable days per auditor (i.e. how many days of audit per auditor), was almost 5 days below the average for 2008/09. This is due mainly to the high level of sickness of one member of staff within the section. This member of staff has since left the section. The predicted chargeable days for 2009/10 are nearer the average unitary figure.

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

This section compares our planned audit coverage for 2009/10 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* – overall we are about average for the unitary authorities. However, we do spend significantly more time carrying out work 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 and Operational Risks* - Our coverage in both these areas are 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. Our

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AUDIT COMMITTEE

Date: 24th November 2009

current IT Auditor is now working on a casual basis so we are aiming to develop the IT skills of one of our Senior Auditors to address the reduction in hours.

Staffing (see pages 14 –15 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* – the highest percentage (42%) of Internal Audit staff fall within the £30-35k salary band, compared to a unitary average of 19%. However, as detailed above our average salary is below the unitary average. The Single Status Review is due to be completed by April 2010. 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 (72% of our staff hold a professional qualification compared with the unitary average of only 48%).

Conclusion

- 2.4 Our audit coverage compares favourably with other unitaries regarding areas such as strategic and operational risks. We are able to explain the difference in the amount of additional coverage we undertake in areas such as Housing Benefits and our coverage of IT audit.
- 2.5 The benchmarking data indicates that Swindon Borough Council's internal audit section is one that is well qualified (well above the unitary average) and that costs (when the data was supplied) slightly above the average unitary figure.

Alternative Options

Not Applicable

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.

CIPFA Benchmarking exercise of Internal Audit: 2009

AUDIT COMMITTEE

Date: 24th November 2009

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

Internal Control, Audit Committee and the Annual Governance Statement 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 2009 report.

Key Decision/Decision in Forward Plan

Not Applicable