

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 1st NOVEMBER 2011

RESULTS OF THE CIPFA BENCHMARKING EXERCISE FOR INTERNAL AUDIT 2011

REPORT OF THE AUDIT & ASSURANCE MANAGER

1 PURPOSE

- 1.1 To provide the Committee with the results of the CIPFA Benchmarking exercise for Internal Audit 2011.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee note the benchmarking results 2011 contained in this report.

3 SUMMARY

- 3.1 The Internal Audit team strives to ensure that it provides value for money to the Council and the community whilst also providing a high quality service. The team regularly compares itself with other local authorities and sharing good practice to ensure that it is adhering to the CIPFA Code of Practice for Internal Audit in Local Government 2006 and other recognised best practice. This occurs through membership of regional and national networking groups¹, membership of the CIPFA benchmarking club for Internal Audit and continued professional development.
- 3.2 This report sets out the results of the benchmarking exercise for 2011 and compares them to the last 3 years (2008 – 2010) figures previously reported to this committee.
- 3.3 The results demonstrate that T&W Internal Audit generally compares well with other unitary authorities but results for 2010/11 were affected by the temporary arrangements to cover for staff vacancies/maternity leave pending the service restructure which came into effect on 1st October 2010. The 2011/12 estimates comparisons reflect the revised structure of Internal Audit and subsequent reduced costs.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 3rd November 2009
Audit Committee 2nd November 2010

5 BENCHMARKING RESULTS 2011

- 5.1 The summary results have been attached to this report as Appendix A. If Members wish to receive more detailed information then this is available on request from the Audit & Assurance Manager.
- 5.2 The results are provided for costs, audit coverage and staffing.

¹ National - CIPFA Audit Panel; Regional - West Midlands Chief Auditors Group, IT Audit Group, Contracts Audit Group, Fraud Group and FMSiS Working Group.

5.3 Information is provided as estimates for 2008/09, 2009/10, 2010/11 and 2011/12. For the cost analysis there are also some actual comparisons available.

5.4 Cost Analysis

5.4.1 The cost analysis in Appendix A shows that for **2010/11 actual costs** T&W Internal Audit compares well to unitary averages except for staff costs. Key points for 2010/11 are:

- a) Cost per chargeable day = T&W - £301 compared to £316 for all unitary authorities.
- b) Days per £m = T&W 3.0 compared to 2.8 for all unitary authorities.
- c) Chargeable days = T&W 205 compared to 172 for all unitary authorities
- d) Available days per auditor = T&W 216 compared to 205 for all unitary authorities.
- e) Cost per auditor (in house) = £60,308 compared to £54,859. (NB – this cost represents total costs of the internal audit service i.e. all staff costs, overheads and other costs excluding bought in audit service divided by staff numbers). See 5.4.2 and 5.4.3 below.

5.4.2 As highlighted in the summary (paragraph 3.3) the team staffing structure and resources within the team have been in transition since late 2009 awaiting the re-structure which came into effect on 1st October 2010. In addition a team member went on maternity leave in 2010/11 and cover was provided by an external supplier. These exceptional circumstances have adversely affected the actual staff cost figures for 2010/11 compared to other Unitary authorities.

5.4.3 The estimates for 2011/12 show that staff costs are now below the unitary average – T&W cost per auditor in house = £49,464 compared to Unitary average of £55,495. This reflects the full year effects of the restructure and the reduction in staff numbers from 7.3 to 5.6 (31/03/10 compared to 31/03/11).

5.5 Audit Coverage

5.5.1 For audit coverage (i.e. audit plans) only estimated information is available.

5.5.2 In Appendix A our estimates for 2008/09, 2009/10, 2010/11 and 2011/12 show variances compared to all unitary authorities. These figures are influenced by how the plans are structured and the requirements of authorities Audit Committees, External Auditors, section 151 officer and other risks being experienced by them.

5.5.3 The three areas where we are over 50% different to other unitary authorities for 2011/12 are fraud, grant certification and other. We will pursue why the fraud figures are so low but an explanation could be that our plan outlines proactive fraud work and other unplanned fraud work is resourced from contingency. Other authorities may allocate more time to fraud (in anticipation of unplanned work) and reduce contingency (see paragraph 5.5.5 below).

5.5.4 The two areas where we are over 80% above other unitary authorities for 2011/12 estimates are fundamental systems (85%) and Audit of IT systems (100%). The former is because the Council implemented a new financial management system on 4th July 2011 and therefore additional time is required to seek assurance that the revised system and procedures are working correctly. This additional work should also help to minimise any additional work the External Auditor may wish to undertake if they can rely on our work. In respect to IT audit due to the increased use and reliance on technology and the governance aspects of information/data security the amount of time in the T&W plan does not appear to be unreasonable. Again the differences could be due to in other authorities this work being

integrated into other audits and therefore not being classified separately as IT audit. However we can keep this under review when planning for 2012/13.

5.5.5 The contingency figure of 8.5% for 11/12 has been reduced from the previous target of approximately 10%. However the figures show that consistently the unitary average has been around 6.2% but this has increased in 11/12 to 6.4%. Contingency is included in the plan to accommodate unplanned work undertaken during the year which all authorities recognise is part of the Internal Audit service.

5.6 Staffing

5.6.1 The staffing information is analysed over salary bands and qualifications based on fte² figures as at 31st March 2008 (10.6), 2009 (8.6), 2010 (7.3) and 2011 (5.6).

5.6.2 Due to the reduction in numbers and increases due to increments the profile for salaries has changed. These issues have been addressed through the flatter structure implemented following the re-structure.

5.6.3 The qualification information shows that the Council's and Internal Audit's aim to have appropriately qualified staff has currently been achieved. We have no unqualified staff or any undertaking professional training. We support continued professional and personal development.

6 CONCLUSIONS

6.1 Benchmarking is a useful exercise to compare Internal Audit with other unitary audit teams. However we are all unique in our organisation and cultures and must ensure that we are providing the appropriate assurances to our Council's while demonstrating value for money. This can be affected by many things but the team strives to use this information to identify areas for improvement and where we need to make efficiencies.

6.2 T&W is a relatively small unitary authority and the Internal Audit team generally compares well with other unitary authorities. It does provide a high quality Internal Audit service as verified by external review and the External Auditors reliance on our work for the final accounts audit. This reliance on internal resources reduces the cost of external audit.

6.3 The benchmarking figures do overall reflect the contraction of internal audit resources generally across unitary authorities.

7 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit Services have attended equal opportunities/diversity training. If any such issues arose during an audit they would be notified to the appropriate manager.
Environmental Impact	Such issues would be notified to the appropriate manager during or immediately following the audit.
Legal Implications	Section 6 of the Accounts and Audit (England) Regulations 2011 state that the Council "must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". Further it states that the Council "must, at least once in each year, conduct a review of the effectiveness of its

² Fte = Full time equivalent

	<p>internal audit”</p> <p>Whilst the benchmarking review does not constitute a full review of the internal audit system it is helpful as it provides comparative data which will inform the internal audit review process.</p>
Links with Corporate Priorities	Audit Services contributes to the governance and assurance framework required by a modern effective Council.
Risks and Opportunities	<p>The role of internal audit includes a review of the controls in place to manage the risks within service areas. The reports produced assist the Council in improving systems and controls (reducing risks) and therefore the delivery of services and achievement of objectives.</p> <p>An adequate Internal Audit function will assist the Council in managing the risk of increasing external audit fees as the external auditor will be able to depend on their work rather than having to do it themselves.</p>
Financial Implications	There are no direct financial implications arising from this report. The annual costs of taking part in the CIPFA benchmarking exercise are met from within the existing budget at a cost of £550.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council’s activities and at all Council locations. They therefore operate within all Council Wards.

8 BACKGROUND PAPERS

CIPFA Benchmarking results 2008, 2009, 2010 and 2011.

Report by Jenny Marriott, Audit & Assurance Manager 383101

SUMMARY RESULTS CIPFA BENCHMARKING EXERCISE 2011 compared to 2008, 2009 and 2010

KEY:

Red highlight – T&W negative benchmarking result

1. COST ANALYSIS

Description of Benchmarking Information	Actual 2008/09 All Unitaries	Actual 2008/09 Telford	Actual 2009/10 All Unitaries	Actual 2009/10 Telford	Actual 2010/11 All Unitaries	Actual 2010/11 Telford	Estimate 2011/12 All Unitaries	Estimate 2011/12 Telford
Audit Cost per £m Turnover (£)*	1,034	1,179	955	1,088	853	915	834	669
Cost per chargeable day (£)	298	287	329	321	316	301	312	244
Days per £m (Days)*	3.56	4.10	3.19	3.5	2.8	3.0	2.8	2.7
Chargeable days per Auditor (Days)	175	181	171	178	172	205	180	210
Available days per Auditor (Days)	206	202	202	208	205	216	209	221
Cost per Auditor (in house) (£)	53,287	53,604	55,569	57,260	54,859	60,308	55,495	49,464
Pay (£k) – including pay, NI, pension & taxable benefits.	41,950	44,186	42,541	46,301	44,726	47,077	44,846	35,714
Overheads (£k) – includes all other costs – travel, training, recruitment, accommodation, equipment, IT, central and establishment charges.	11,337	9,419	13,028	10,959	10,718	13,231	11,539	13,758

* - Larger authorities are not necessarily more complex to audit as all unitary authorities will deliver a broadly similar pattern of services.

2. AUDIT COVERAGE

KEY:

Red highlight – T&W “negative” benchmarking result

Description of Benchmarking Information	Estimate 2008/09 All Unitaries	Estimate 2008/09 Telford	Estimate 2009/10 All Unitaries	Estimate 2009/10 Telford	Estimate 2010/11 All Unitaries	Estimate 2010/11 Telford	Estimate 2011/12 All Unitaries	Estimate 2011/12 Telford	11/12 % difference All v Telford
Fundamental Financial systems (Days per £m)	0.56	0.76	0.51	0.80	0.48	0.64	0.41	0.76	+85%
Strategic Risks (Days per £m)	0.36	0.45	0.36	0.81	0.31	0.34	0.27	0.18	-33%
Operational Risks (Days per £m)	1.47	1.89	1.34	1.48	1.18	0.86	0.98	0.76	-22%
Corporate Governance (Days per £m)	0.22	0.29	0.21	0.45	0.18	0.29	0.13	0.20	+54%
Audit of IT Systems (Days per £m)	0.24	0.47	0.21	0.45	0.18	0.40	0.16	0.32	+100%
Fraud (Days per £m)	0.34	0.13	0.35	0.12	0.30	0.12	0.27	0.09	-66%
Consultancy & Advice (Days per £m)	0.21	0.15	0.16	0.23	0.16	0.10	0.14	0.12	-14%
Grant certification (Days per £m)	0.06	0.01	0.05	0.01	0.04	0.00	0.03	0.01	-66%
Other (Days per £m)	0.13	0.03	0.16	0.00	0.17	0.14	0.18	0.08	-55%
Contingency (Percent)	6.2	10.0	6.0	9.8	6.1	9.4	6.4	8.5	+33%

3. STAFFING

Description of Benchmarking Information	Based on 31/03/08 All Unitaries	Based on 31/03/08 Telford	Based on 31/03/09 All Unitaries	Based on 31/03/09 Telford	Based on 31/03/10 All Unitaries	Based on 31/03/10 Telford	Based on 31/03/11 All Unitaries	Based on 31/03/11 Telford
Salary banding under £20	13%	38%	10%	23%	8%	0%	6%	0%
Salary banding under £20 - 25k	14%	0	13%	0%	13%	8%	12%	0%
Salary banding under £25 - 30k	21%	25%	20%	30%	17%	26%	21%	47%
Salary banding under £30 - 40k	33%	9%	35%	12%	39%	27%	36%	21%
Salary banding over £40k	17%	28%	22%	35%	23%	39%	25%	32%

Qualifications – CCAB/MIIA	29%	38%	31%	49%	34%	60%	38%	68%
Qualifications – CIPFA DPA/PIIA	11%	43%	10%	33%	10%	37%	11%	18%
Qualifications – AAT	27%	9%	29%	17%	27%	3%	28%	14%
Other Specialists	5%	0	7%	0%	7%	0%	7%	0%
Part qualified/Trainees	11%	9%	9%	0%	8%	0%	6%	0%
Non Qualified	16%	0	14%	0%	14%	0%	10%	0%