

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 29th JANUARY 2013

RESULTS OF THE CIPFA BENCHMARKING EXERCISE FOR INTERNAL AUDIT 2012

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To provide the Committee with the results of the CIPFA Benchmarking exercise for Internal Audit 2012.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee note the benchmarking results 2012 contained in this report and the decision to discontinue being members of the benchmarking club (paragraph 6.4).

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 shares 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 2012 and compares them to the last 3 years (2009 – 2011) figures previously reported to this committee.
- 3.3 The results demonstrate that T&W Internal Audit compares well with other unitary authorities but that variations in the results are useful to examine to inform future planning and strategies.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 3rd November 2009
Audit Committee 2nd November 2010
Audit Committee 1st November 2011

5 BENCHMARKING RESULTS 2012

- 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 & Information Governance Manager.

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

5.2 The results are provided for costs, audit coverage and staffing.

5.3 Information is provided as estimates for 2009/10, 2010/11, 2011/12 and 2012/13. 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 **2011/12 actual costs** T&W Internal Audit compares well to unitary averages except for overhead costs. Key points for 2011/12 are:

- a) Audit cost per £m turnover = T&W £653 compared to £759 for all unitary authorities.
- b) Cost per chargeable day = T&W - £273 compared to £313 for all unitary authorities.
- c) Days per £m = T&W 2.4 compared to 2.5 for all unitary authorities.
- d) Chargeable days per auditor = T&W 207 compared to 171 for all unitary authorities
- e) Available days per auditor = T&W 221 compared to 207 for all unitary authorities.
- f) Cost per auditor (in house) = £54,898 compared to £55,053. (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).
- g) Pay (£) – including pay, NI, pension and taxable benefits = T&W £40,612 compared to £44,026 for all unitary authorities.
- h) Overheads (£) – includes all other costs = T&W £14,286 compared to £11,198 for all unitary authorities.

5.4.2 During 2011/12 there have been no changes to the structure but it was the first full year of the revised structure following restructure. The estimates for 2012/13 show that staff costs continue to be below the unitary average – T&W cost per auditor in house = £42,449 compared to Unitary average of £45,326.

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 2009/10, 2010/11, 2011/12 and 2013/14 show differences when 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 these organisations. Following agreement of the annual plan it is kept under review during the year.

5.6 Staffing

5.6.1 The staffing information is analysed over salary bands and qualifications based on fte² figures as at 31st March 2009 - 8.6, 2010 - 7.3, 2011 - 5.6 and 2012 – 4.9.

5.6.2 Due to the appointments at the bottom of the scale and increases due to increments the profile for salaries has changed slightly from 31st March 2011 to 31st March 2012.

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. Compared to other unitary authorities we have qualified rather than unqualified staff and this supports our structure, ensures efficient and effective service delivery and reduced training costs.

² Fte = Full time equivalent

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.
- 6.4 Due to the current pressures on budgets the decision has been taken to discontinue the membership of the CIPFA Internal Audit benchmarking club at a saving of £550 to the Internal Audit budget from 2013 onwards. Comparisons will continue through the networking groups that we continue to be members of and the connections with the CIPFA Audit Panel.

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 internal audit" 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.
Links with Corporate Priorities	Audit Services contributes to the governance and assurance framework required by a modern effective Council.
Risks and Opportunities	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. 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.
Financial Implications	There are no direct financial implications arising from this report. The annual costs of £550 for taking part in the CIPFA benchmarking exercise for 2012 was financed from the existing 12/13 budget but as the activity will cease for 2013 then there will be a saving in 13/14.

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 2009, 2010, 2011 and 2012.

Report by Jenny Marriott, Audit & Information Governance Manager 383101

SUMMARY RESULTS CIPFA BENCHMARKING EXERCISE 2012 compared to 2009, 2010 and 2011

KEY:

Red highlight – T&W negative benchmarking result

1. COST ANALYSIS

Description of Benchmarking Information	Actual 2009/10 All Unitaries	Actual 2009/10 Telford	Actual 2010/11 All Unitaries	Actual 2010/11 Telford	Actual 2011/12 All Unitaries	Actual 2011/12 Telford	Estimate 2012/13 All Unitaries	Estimate 2012/13 Telford
Audit Cost per £m Turnover (£)*	891	1,224	890	1088	759	653	751	655
Cost per chargeable day (£)	307	299	302	311	313	273	319	276
Days per £m (Days)*	2.9	4.1	3.0	3.5	2.5	2.4	2.5	2.4
Chargeable days per Auditor (Days)	157	181	166	178	171	207	175	207
Available days per Auditor (Days)	202	208	205	216	207	221	207	219
Cost per Auditor (in house) (£)	53,741	55,698	54,635	65,616	55,053	54,898	55,569	55,510
Pay (£k) – including pay, NI, pension & taxable benefits.	42,541	46,301	44,726	47,077	44,026	40,612	45,326	42,449
Overheads (£k) – includes all other costs – travel, training, recruitment, accommodation, equipment, IT, central and establishment charges.	13,028	10,959	10,718	13,231	11,198	14,286	11,242	13,061

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

2. AUDIT COVERAGE

Description of Benchmarking Information	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	Estimate 2012/13 All Unitaries	Estimate 2012/13 Telford	12/13 % difference All v Telford
Fundamental Financial systems (Days per £m)	0.51	0.80	0.48	0.64	0.41	0.76	0.39	0.68	+74%
Strategic & Operational Risks (Days per £m)	1.70	2.29	1.49	1.20	1.25	0.94	0.75	0.59	-21%
Corporate Governance (Days per £m)	0.21	0.45	0.18	0.29	0.13	0.20	0.13	0.13	NIL
Audit of IT Systems (Days per £m)	0.21	0.45	0.18	0.40	0.16	0.32	0.14	0.21	+50%
Fraud (Days per £m)	0.35	0.12	0.30	0.12	0.27	0.09	0.24	0.09	-63%
Consultancy & Advice (Days per £m)	0.16	0.23	0.16	0.10	0.14	0.12	0.13	0.09	-31%
Grant certification (Days per £m)	0.05	0.01	0.04	0.00	0.03	0.01	0.04	0	-100%
Other (Days per £m)	0.16	0.00	0.17	0.14	0.18	0.08	0.14	0.05	-64%
Contingency (Percent)	6.0	9.8	6.1	9.4	6.4	8.5	6.5	4.8	-26%

3. STAFFING

Description of Benchmarking Information	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	Based on 31/03/12 All Unitaries	Based on 31/03/12 Telford
Salary banding under £20	10%	23%	8%	0%	6%	0%	6%	0%
Salary banding under £20 - 25k	13%	0%	13%	8%	12%	0%	12%	0%
Salary banding under £25 - 30k	20%	30%	17%	26%	21%	47%	21%	43%
Salary banding under £30 - 40k	35%	12%	39%	27%	36%	21%	36%	27%
Salary banding over £40k	22%	35%	23%	39%	25%	32%	25%	30%

Qualifications – CCAB/MIIA	31%	49%	34%	60%	38%	68%	39%	61%
Qualifications – CIPFA DPA/PIIA	10%	33%	10%	37%	11%	18%	11%	20%
Qualifications – AAT	29%	17%	27%	3%	28%	14%	27%	19%
Other Specialists	7%	0%	7%	0%	7%	0%	6%	0%
Part qualified/Trainees	9%	0%	8%	0%	6%	0%	7%	0%
Non Qualified	14%	0%	14%	0%	10%	0%	10%	0%