



Haringey Council

Agenda item:

[No.]

Audit Committee

On 28 October 2008

Report Title: **Internal Audit – benchmarking results**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: **Information**

1. Purpose (That is, the decision required)

1.1 To advise the Audit Committee of the results of the CIPFA Benchmarking exercise completed in 2008/09.

2. Recommendations

2.1 That the Audit Committee note the contents of the report.

Report Authorised by: **Chief Financial Officer**

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3. Chief Financial Officer Comments

3.1 The Chief Financial Officer has been consulted and notes that there are no direct financial implications however, the data confirms that Haringey's internal audit provides an efficient and cost effective service.

4. Head of Legal Services Comments

4.1 The Head of Legal Services has been consulted in the preparation of this report, and endorses the contents of paragraph 8 of the report.

5. Local Government (Access to Information) Act 1985

5.1 For access to the background papers or any further information please contact Anne Woods on 0208 489 5973.

6. Strategic Implications

6.1 Haringey Council is committed to delivering high quality, cost effective services across all of its functions. The Council is assessed by external inspectors on whether it is achieving 'value for money' for its residents. One element of this is the annual CPA Use of Resources assessment, which up until 2008/09 had a separate Value for Money element.

6.2 From 2009 onwards, the revised Use of Resources assessment incorporates the value for money judgement throughout all the elements. It is essential therefore that all services can demonstrate that they deliver their services in a cost effective and efficient manner in order to assist the council in achieving the highest possible ratings. The Internal Audit service has chosen to participate in the voluntary IPF benchmarking exercise as part of its overall objectives to deliver cost effective services to the Council.

7. Financial Implications

7.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche is part of the five year contract which was competitively tendered and let from 1 April 2007. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

8. Legal Implications

8.1 There are no specific legal implications in this report.

9. Equalities Implications

9.1 This report deals with how the internal audit service is provided to the Council. Effective and efficient service delivery will have an impact on various parts of the community. Improvements in value for money will therefore improve services the Council provides to all sections of the community.

10. Consultation

10.1 No consultation was required in drafting this report.

11. Background

11.1 Haringey Council has participated in the Internal Audit Benchmarking Club administered by the Institute of Public Finance (IPF) since 2005/06. The IPF benchmarking club is a voluntary exercise which organisations can opt in to, or out of, on an annual basis. IPF is a division of the Chartered Institute of Public Finance and Accountancy (CIPFA).

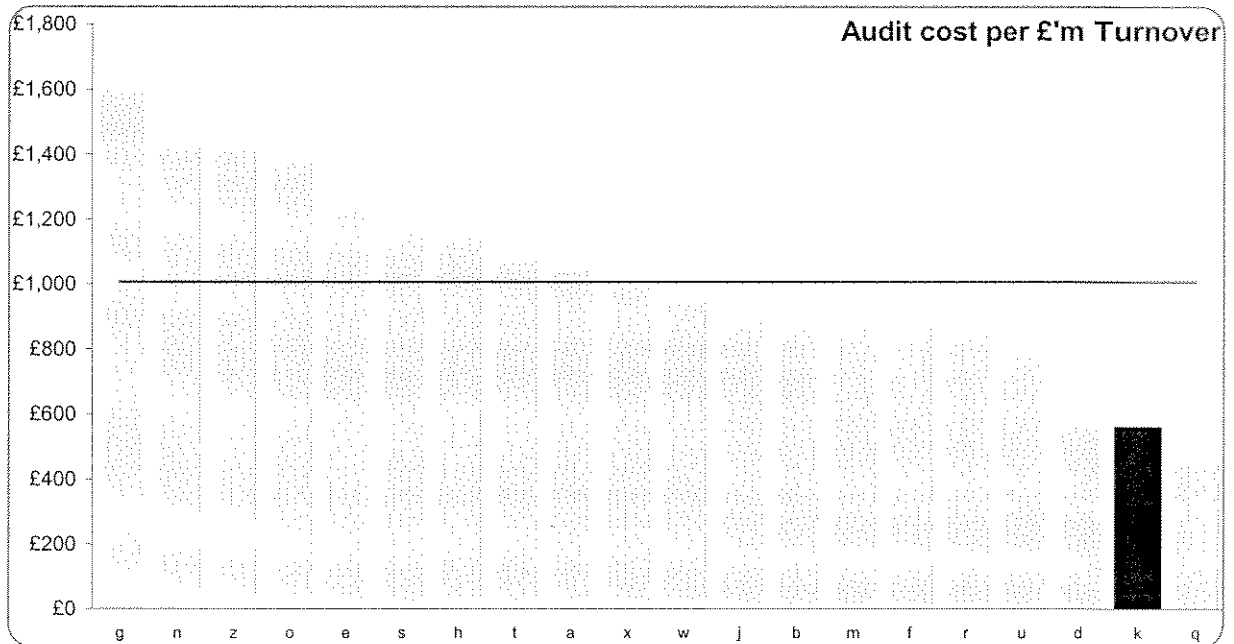
- 11.2 The purpose of the benchmarking exercise is to provide comparative information which can form the basis upon which performance comparisons and value for money judgements can be made. The information from the Benchmarking Club can also be used in the audit planning process as comparisons with other authorities and the work which they are undertaking across the country can be considered.
- 11.3 Haringey Council provided quantitative and qualitative data to IPF in a standard spreadsheet format. This data is then used to produce comparative information. As part of the benchmarking process, IPF require authorities to self-select comparator organisations in order to produce the final reports. Haringey selected the 18 London authorities which completed the IPF benchmarking process as its comparator organisations.
- 11.4 The performance of the benchmarked group is shown over a number of categories, as follows:
- Cost analysis – shows the analysis of actual audit costs for 2007/08. The key benchmarks against which actual cost performance is analysed are: cost per audit day; cost per £m turnover; and chargeable days per auditor;
 - Audit coverage – an analysis of how chargeable audit days available to the Council were used. The main benchmarks are: audit days per £m of gross revenues turnover; and how these days were applied in completing audit work on key financial systems, strategic risk areas, operational risk areas and corporate governance.
 - Staffing – an analysis of the human resources used to deliver the internal audit service. The main benchmarks are: salary bandings; staff qualifications and experience.
 - Quartiles

12. Analysis of Benchmarking Results

12.1 **Cost analysis.** The cost of Internal Audit indicates the cost of 'inputs' to the audit function, including the costs of in-house staff, bought in services (Deloitte contract) and overhead costs such as accommodation and other running costs.

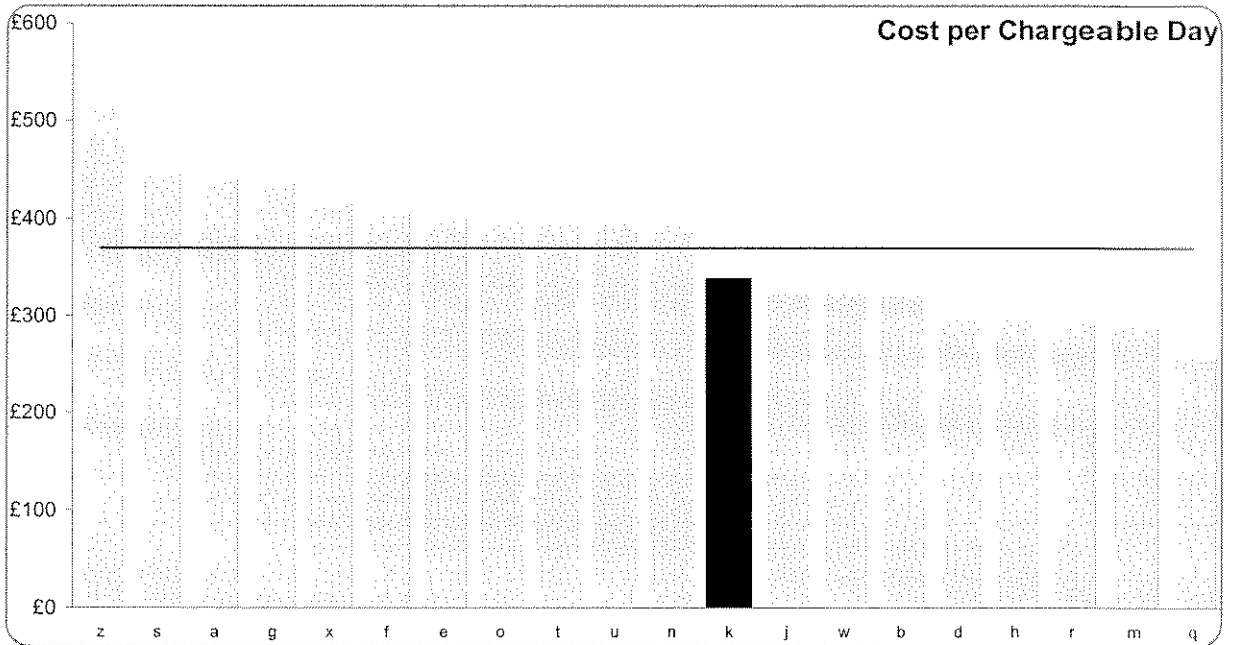
- Figure 1 below shows that Haringey's audit cost per £m turnover was £563 compared against the London group average of £1000. This indicates that Haringey's expenditure was relatively lower in comparison with other London authorities in the comparator group.

Figure 1 – Audit cost per £m Turnover

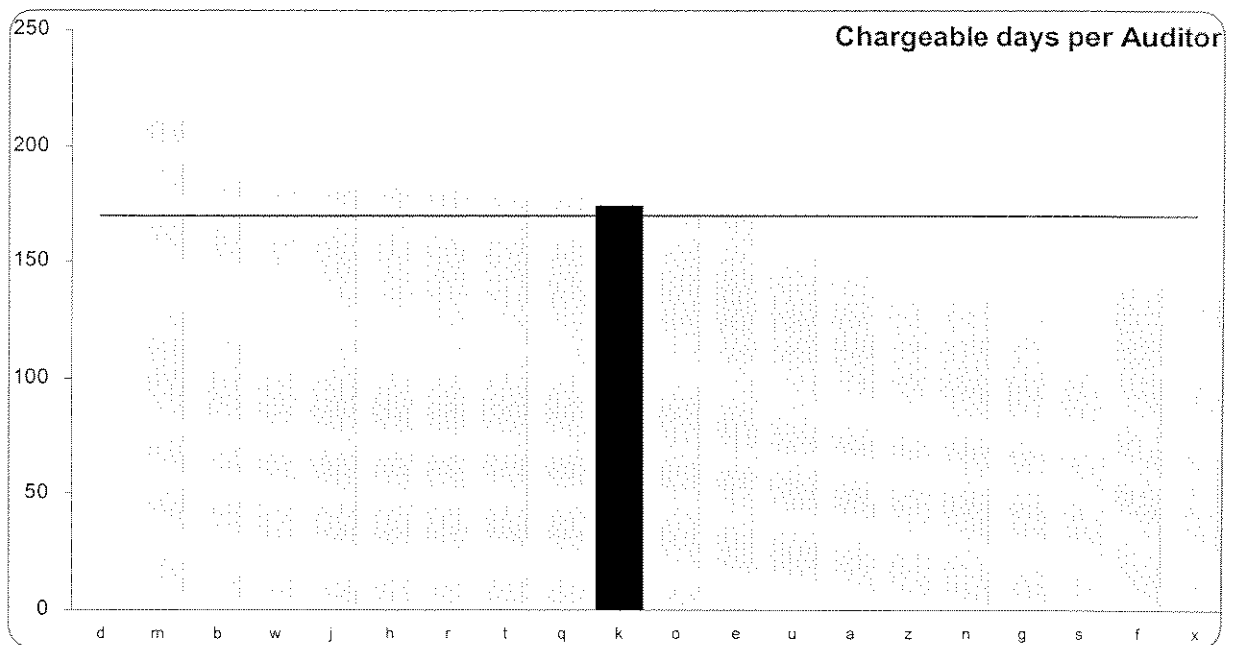


- Figure 2 below shows the overall cost per chargeable day for Haringey was £339 compared against the London group average of £374.

Figure 2 – Cost per audit day



- Figure 3 below shows that Haringey internal audit delivered 174 chargeable days per auditor, which was 5 days above the London comparator group average. Relatively low levels of sickness and management days contribute to this higher level of performance



12.2 **Audit coverage.** In order to demonstrate how the chargeable audit days are utilised in carrying out the planned audit programme, Tables 1- 3 below compare the audit coverage provided by Haringey with other London comparators. From the tables, it can be seen that time spent on auditing fundamental financial systems was lower than other comparators, this reflects the increasing levels of assurance gained over previous years audit work. The reliance placed on internal audit's work by the council's external auditors provides assurance that the balance is appropriate. Audit time spent on other areas, including fraud, is broadly in line with comparator organisations.

Table 1 – Audit Coverage – fundamental financial systems

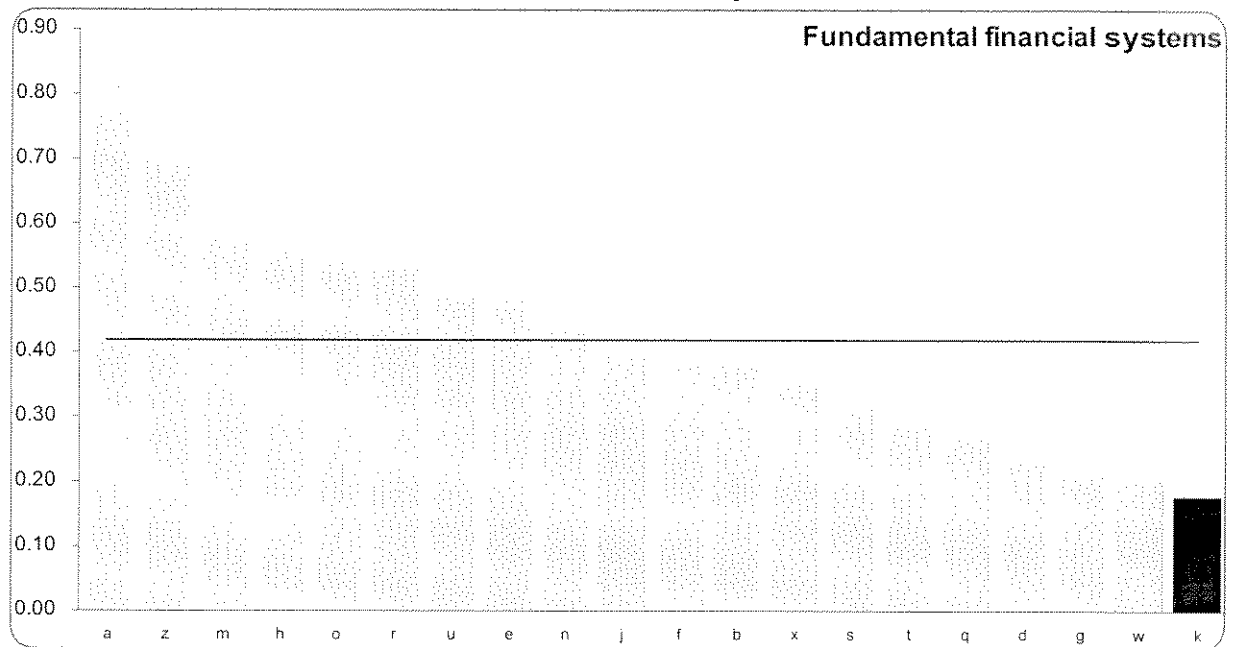


Table 2 – Audit Coverage – other systems

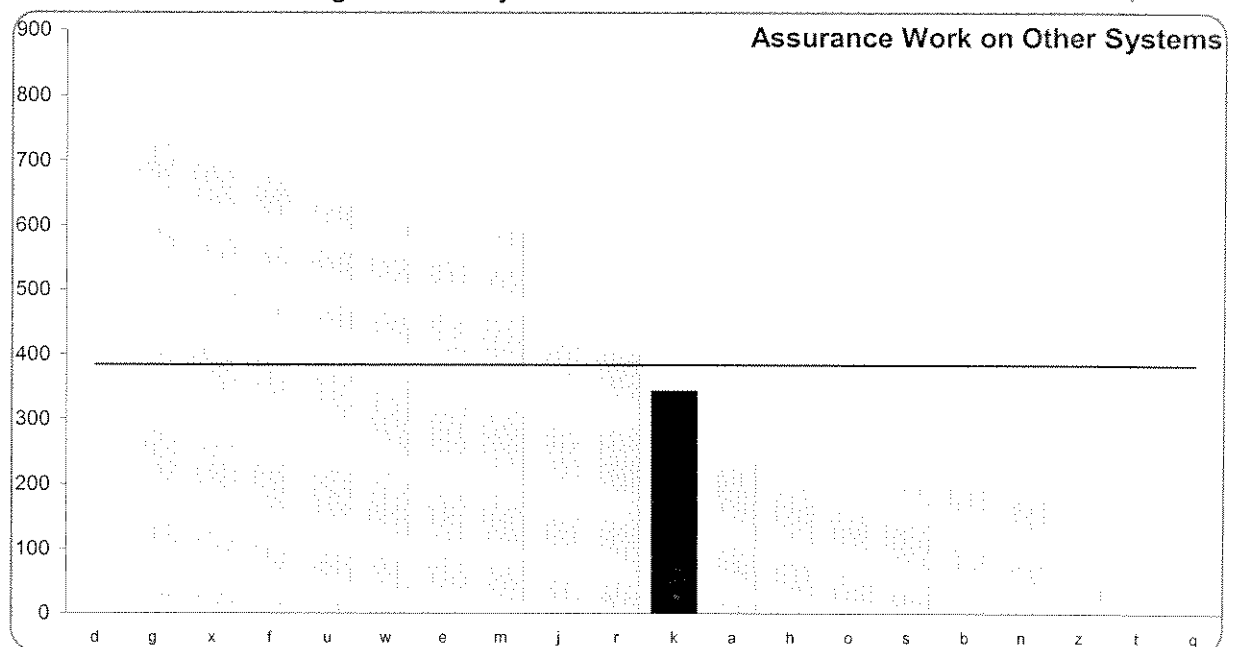
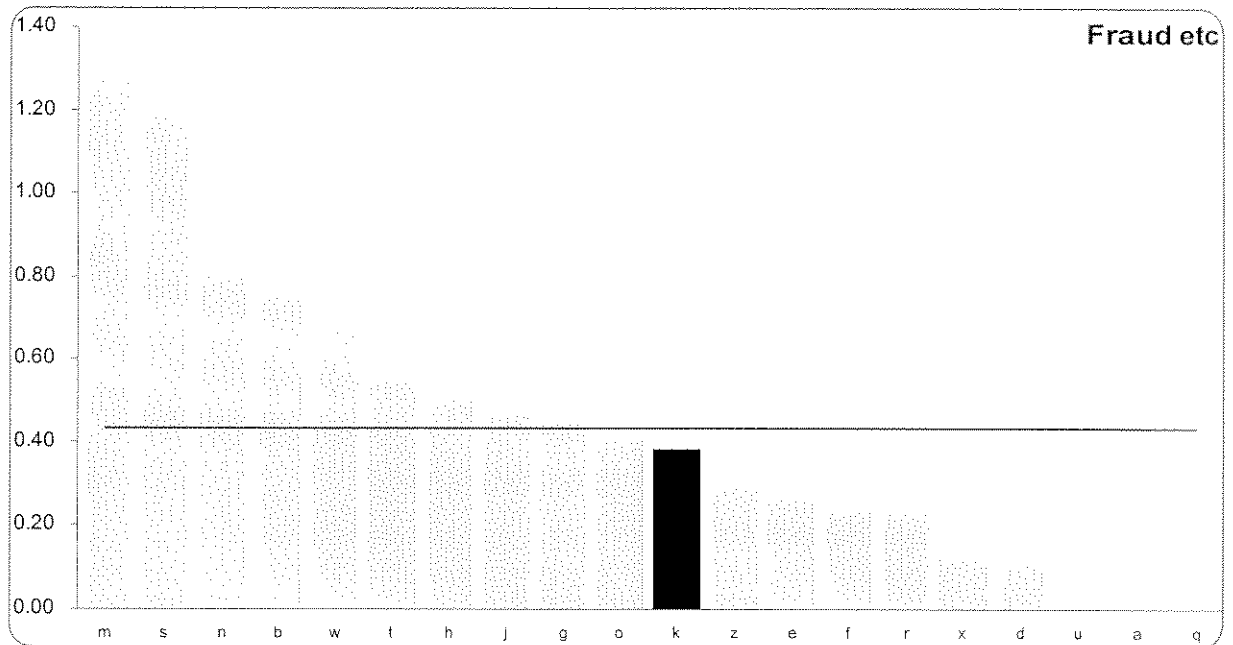
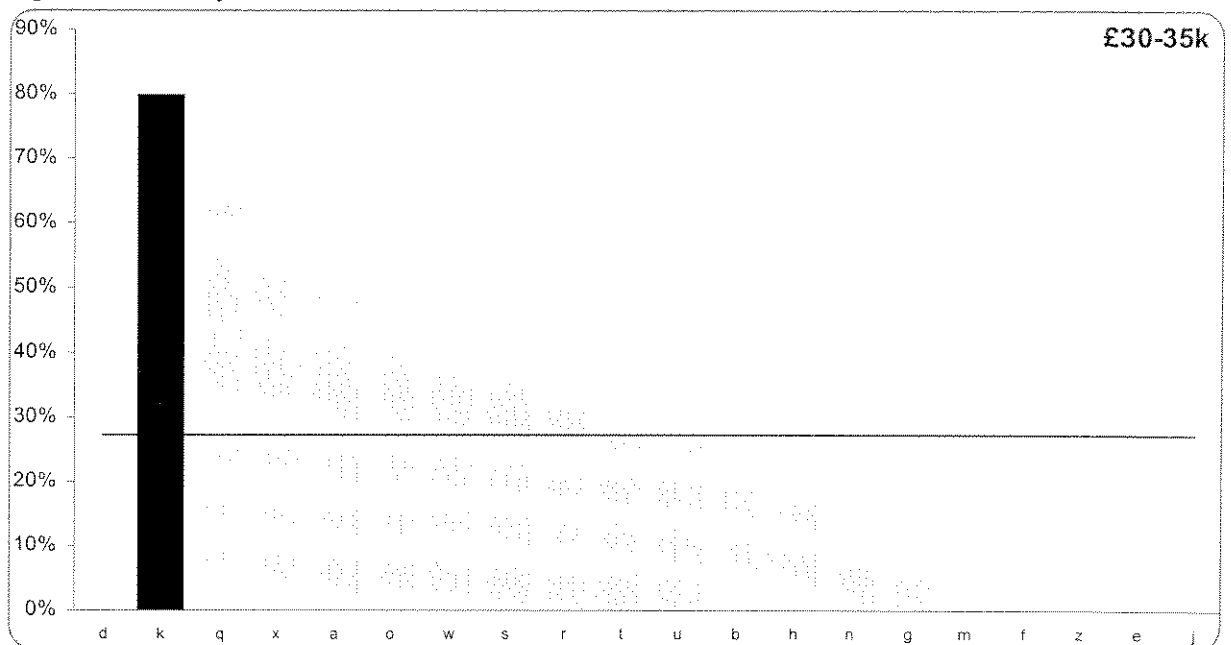


Table 3 – Audit coverage - Fraud



12.3 **Staffing.** Figure 5 below shows an analysis of salary bandings over the comparator organisations. Haringey's in-house team is very small (2.5 FTE's) compared to the London comparator organisations.

Figure 5 – analysis of staff salaries



13. Conclusion

13.1 The purpose of the benchmarking exercise is to provide comparative information which can form the basis upon which quantitative performance comparisons and value for money judgements can be made. In 2008/09, 18 London Boroughs submitted data for benchmarking purposes in order to compare performance and value for money.

Compared to the other London authorities:

- Haringey's audit costs per £m turnover was £563 compared to the London group average of £1000;
- The cost per day for Haringey's audit service was £339, compared to the London group average of £374; and
- Haringey delivered 174 chargeable days per auditor, which was 5 days above the London comparator group.