



Haringey Council

Agenda item:

[No.]

**Audit Committee**

**On 1 February 2010**

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

Report authorised by: **Chief Financial Officer**

Report of and Contact Officer: Anne Woods, Head of Audit and Risk Management

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Wards(s) affected: **All**

Report for: **Information**

**1. Purpose of the report**

1.1 To advise the Audit Committee of the results of the CIPFA Benchmarking exercise completed in 2009/10.

**2. State link(s) with Council Plan Priorities and actions and/or other Strategies:**

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by ensuring that internal audit services are delivered as effectively and efficiently as possible to maximise audit coverage and secure value for money.

**3. Recommendations**

3.1 That the Audit Committee notes the content of the report.

**4. Reason for recommendation(s)**

4.1 The Audit Committee is responsible for considering reports dealing with the management and performance of providers of internal audit services to the Council as part of its Terms of Reference. In order to facilitate this, the outcome of the benchmarking exercise is reported to the Audit Committee.

**5. Other options considered**

5.1 Not applicable

**6. Summary**

6.1 This report outlines Internal Audit's participation in the annual CIPFA benchmarking exercise.

**7. Head of Legal Services Comments**

7.1 The Head of Legal Services has been consulted in the preparation of this report, and notes that the processes and procedures adopted all follow published best practice guidance. Accordingly, there are no direct legal implications arising out of the recommendations in the report.

**8. Chief Financial Officer Comments**

8.1 The benchmarking results are positive and indicate that Haringey's internal audit service is offering value for money.

**9. Head of Procurement Comments**

9.1 Not applicable

**10. Equalities and Community Cohesion Comments**

10.1 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.

**11. Consultation**

11.1 No consultation was required or undertaken in the production of this report.

**12. Service Financial Comments**

12.1 There are no direct financial implications arising from this report. The work undertaken to participate in and complete the CIPFA benchmarking exercise are contained and managed within the Audit and Risk Management revenue budget.

**13. Use of appendices**

13.1 N/A

**14. Local Government (Access to Information) Act 1985**

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

## **15. Background**

- 15.1 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 CAA Use of Resources assessment, which up until 2008 had a separate Value for Money element.
- 15.2 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.

## **16. Background**

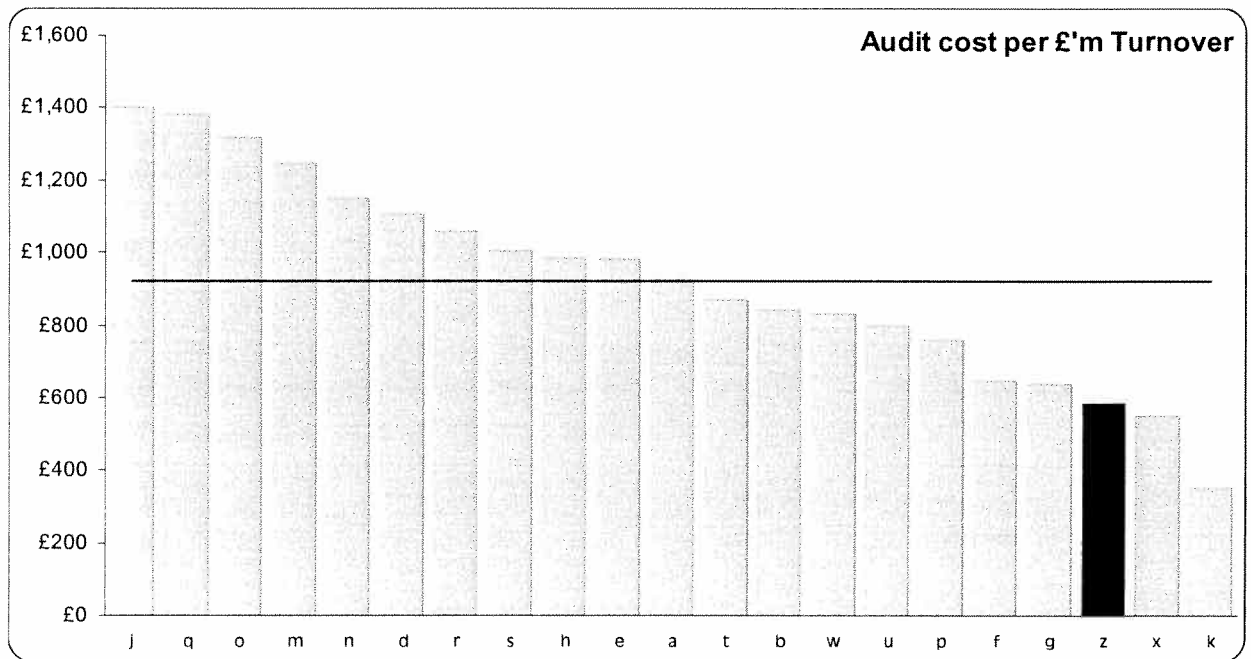
- 16.1 Haringey Council has participated in the Internal Audit Benchmarking Club administered by the Institute of Public Finance (IPF) since 2005/06. The IPF benchmarking club is a voluntary exercise which organisations can opt in to, or out of, on an annual basis. IPF is a division of the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 16.2 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.
- 16.3 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 those 18 London authorities which completed the IPF benchmarking process as its comparator organisations.
- 16.4 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 2008/09. 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.

## 17. Analysis of Benchmarking Results

17.1 **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.

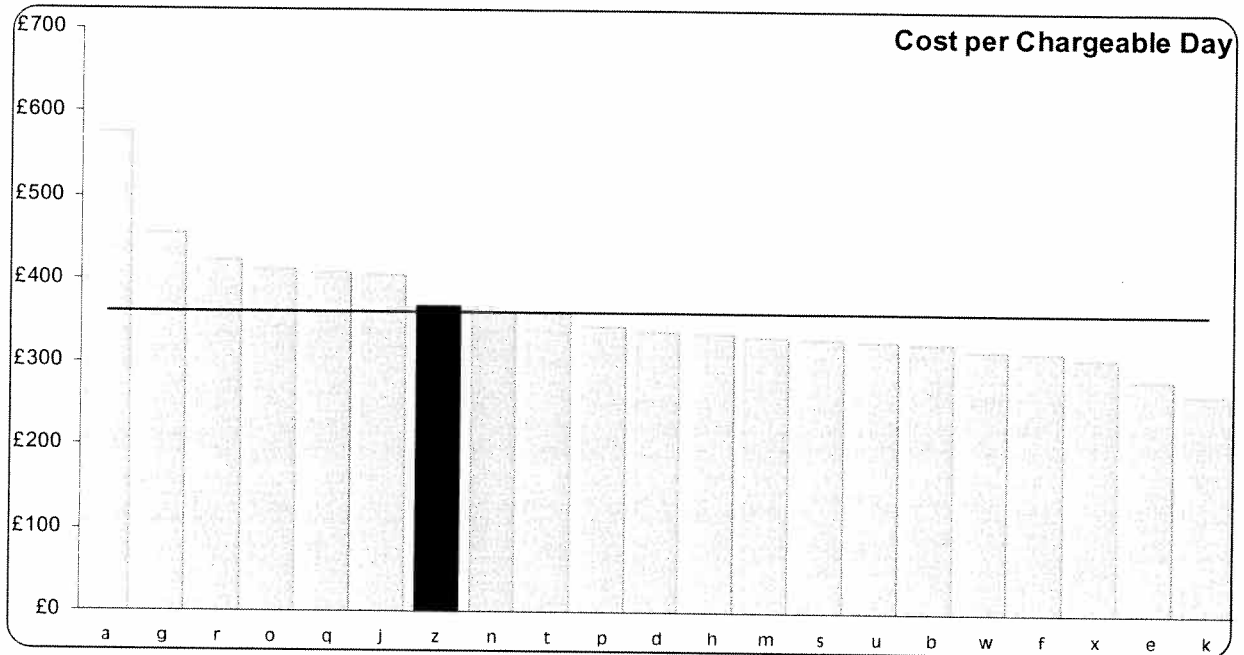
- Figure 1 below shows that Haringey's audit cost per £m turnover was £583 compared against the London group average of £925. This indicates that Haringey's expenditure was relatively lower in comparison with other London authorities in the comparator group.
- It should be noted that Haringey has the second highest turnover value of all London authorities who participated in the benchmarking exercise.
- In addition, the audit costs for other authorities include the work completed by centralised corporate anti-fraud teams. Haringey's audit service does not include the resources for a corporate anti-fraud team.

Figure 1 – Audit cost per £m Turnover



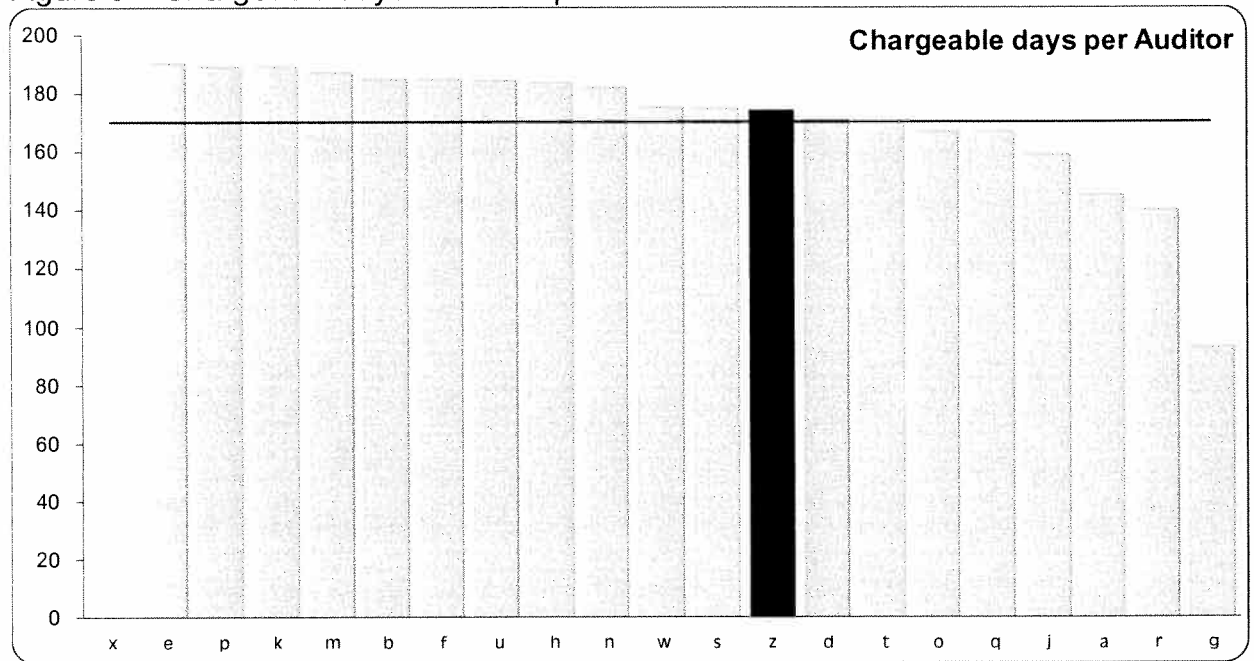
- Figure 2 below shows the overall cost per chargeable day for Haringey was £369 compared against the London group average of £362. The corporate costs (including accommodation, IT costs, other central costs) were higher per auditor for Haringey than other London authorities, although these include some outer London authorities where accommodation costs were substantially reduced compared to more central authorities.

Figure 2 – Cost per audit day



- Figure 3 below shows that Haringey internal audit delivered 174 chargeable days per auditor, which was 3 days above the London comparator group average of 171. Relatively low levels of sickness and management days contribute to this higher level of performance for Haringey.

Figure 3 – Chargeable days delivered per auditor



**17.2 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 and relatively few changes to operating systems, including IT systems, for those key financial systems. The reliance placed on internal audit's work by the council's external auditors provides assurance that the balance is appropriate. The level and scope of internal audit coverage is discussed and agreed on an annual basis with the Council's external auditors to ensure that key controls are tested and an appropriate level of assurance can be provided on their operation. Audit time spent on other areas, is broadly in line with comparator organisations. Audit work on fraud is lower than other London boroughs, although as noted above other authorities include a corporate team to deliver a larger proportion and volume of anti-fraud work.

Table 1 – Audit Coverage – fundamental financial systems

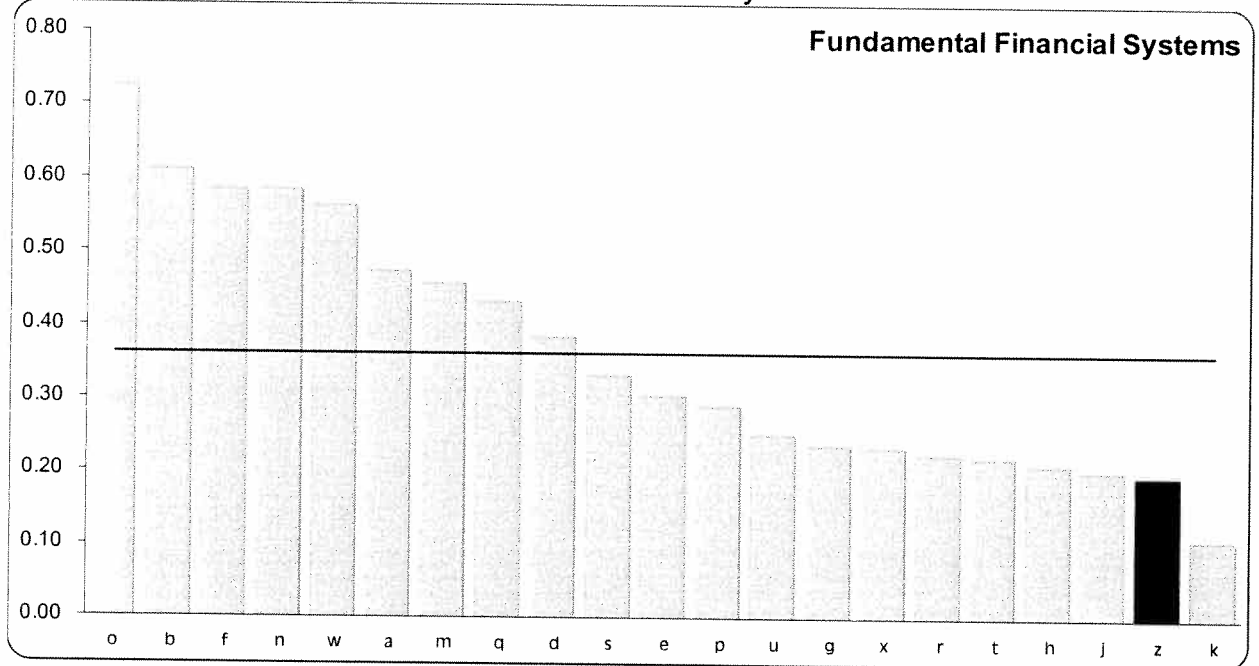


Table 2 – Audit Coverage – other systems

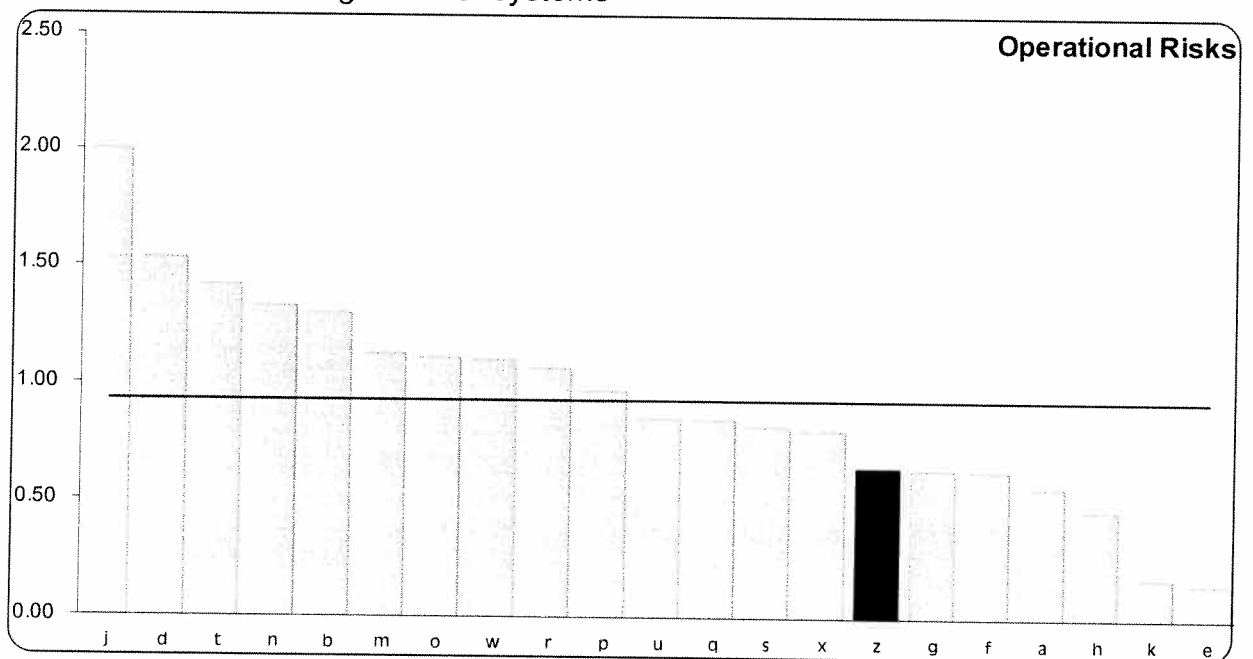
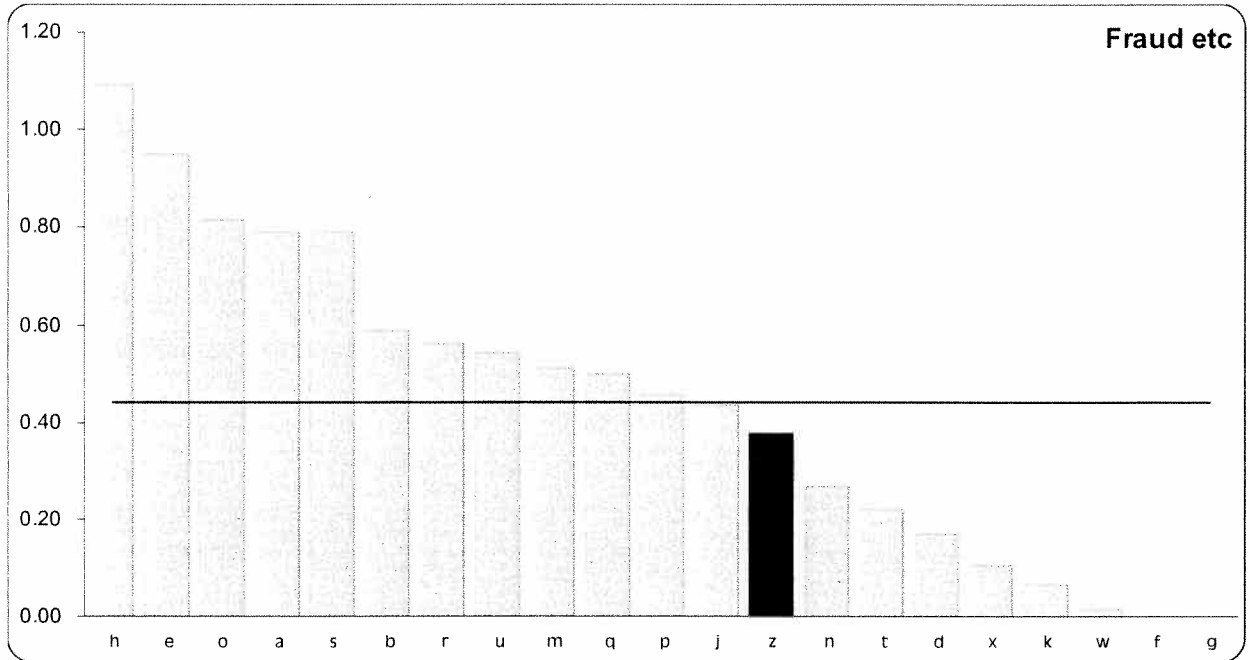
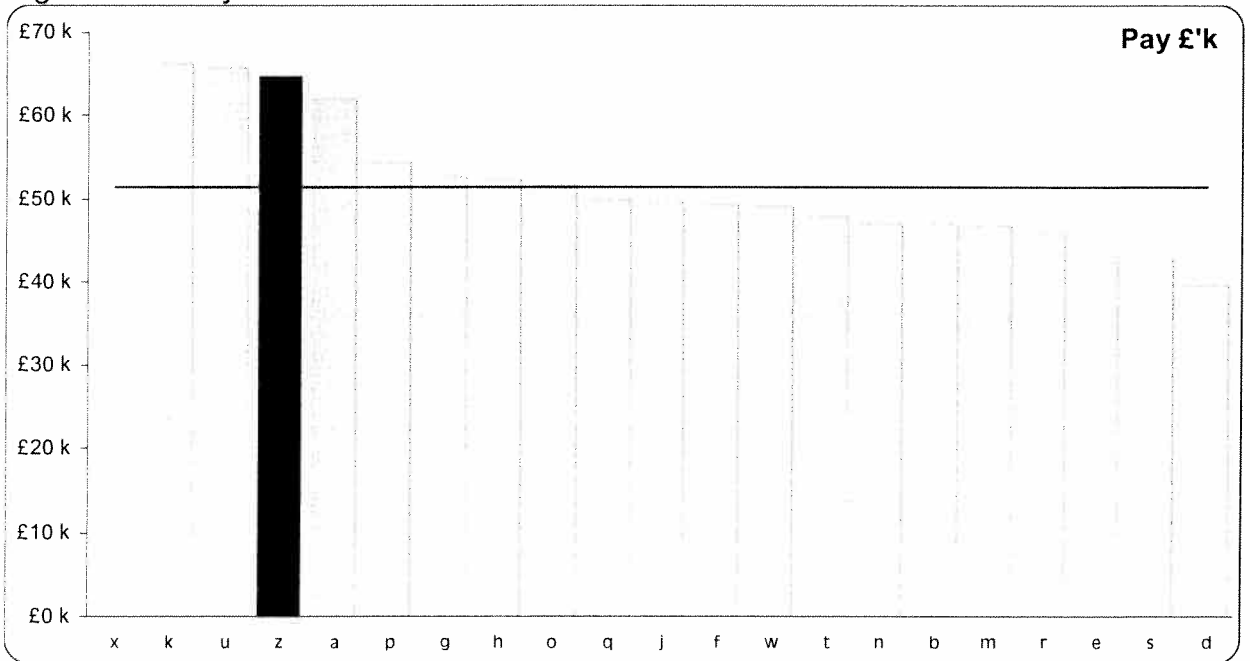


Table 3 – Audit coverage - Fraud



17.3 **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. Other London authorities have larger in-house teams to complete more of the audit work, including anti-fraud work, internally rather than via outsourced contracts.

Figure 5 – analysis of staff salaries





## **18. Conclusion**

- 18.1 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 2009/10, 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 £583 compared to the London group average of £925;
  - The cost per day for Haringey's audit service was £369, compared to the London group average of £362; and
  - Haringey delivered 174 chargeable days per auditor, which was 3 days above the London comparator group.
- 18.2 In overall cost terms, Haringey has the second highest turnover value of all the 18 London authorities who participated in the benchmarking exercise. The 18 authorities included a number of outer London areas where expenditure on central costs, including accommodation and salaries, is substantially lower than those central London authorities, including Haringey.
- 18.3 In addition, the audit costs for other authorities include the work completed by centralised corporate anti-fraud teams. Haringey's audit service does not include the resources for a corporate anti-fraud team. The latest figures from the benchmarking exercise and the feedback received from other authorities indicate that development of corporate resources to tackle fraud has increased since the previous benchmarking exercise.