



Haringey Council

Agenda item:

[No.]

Audit Committee

On 14 September 2010

Report Title: Internal Audit – CIPFA benchmarking results 2009/10

Report authorised by: Director of Corporate Resources

J. Power 6/9/10

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 for 2009/10 data.

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 CIPFA 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 national exercise.

7. Head of Legal Services Comments

7.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no direct legal implications arising out of its contents.

8. Chief Financial Officer Comments

8.1 The Chief Financial Officer notes the contents of the report and the comprehensive feedback that the 2009/10 benchmarking exercise provides. This is a useful tool in supporting the service in meeting its overall objectives to deliver cost effective services to the Council.

8.2 The survey confirms that Haringey's audit function is operating well and the cost per £m turnover was £539 (£583 in 2008/09) remains low compared against the London group average of £955 (£988 in 2008/09). As noted in the report one of the factors influencing this is likely to be that other authorities' costs include all fraud activity. Currently the development of a corporate resource to tackle fraud is currently being reviewed within Haringey in order to secure more effective use of audit and counter-fraud resources and learn from positive outcomes elsewhere.

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 its external auditors on whether it is achieving 'value for money' for its residents as part of the Annual Audit and Inspection letter.
- 15.2 It is essential that all services can demonstrate that they deliver their services in a cost effective and efficient manner in order to assist the council in providing high quality services in the most effective way. The Internal Audit service has chosen to participate in the voluntary Institute of Public Finance (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 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 18 London authorities that completed the benchmarking exercise and whose revenue expenditure was comparable to this Council's 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 2009/10. The key benchmarks against which actual cost performance is analysed are: cost per audit day; cost per £m turnover; and chargeable days per auditor;

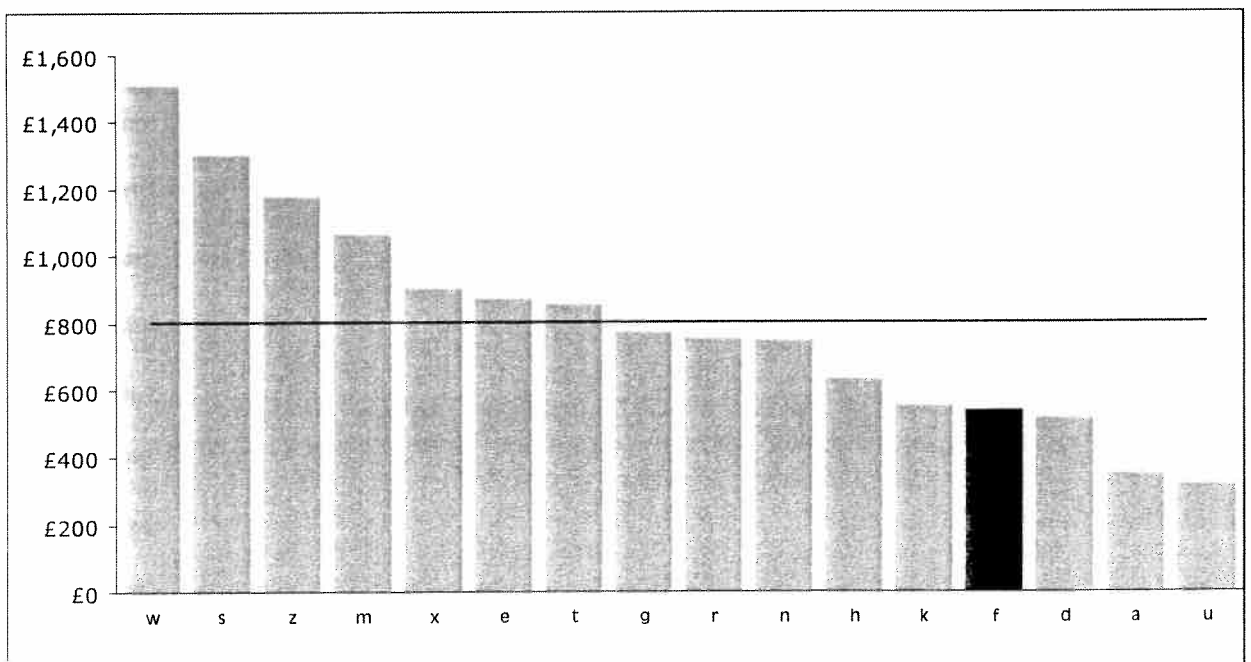
- Audit coverage – an analysis of how chargeable audit days available to the Council were used. The main benchmarks are: audit days per £m of gross revenues turnover; and how these days were applied in completing audit work on key financial systems, strategic risk areas, operational risk areas and corporate fraud work.
- 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.

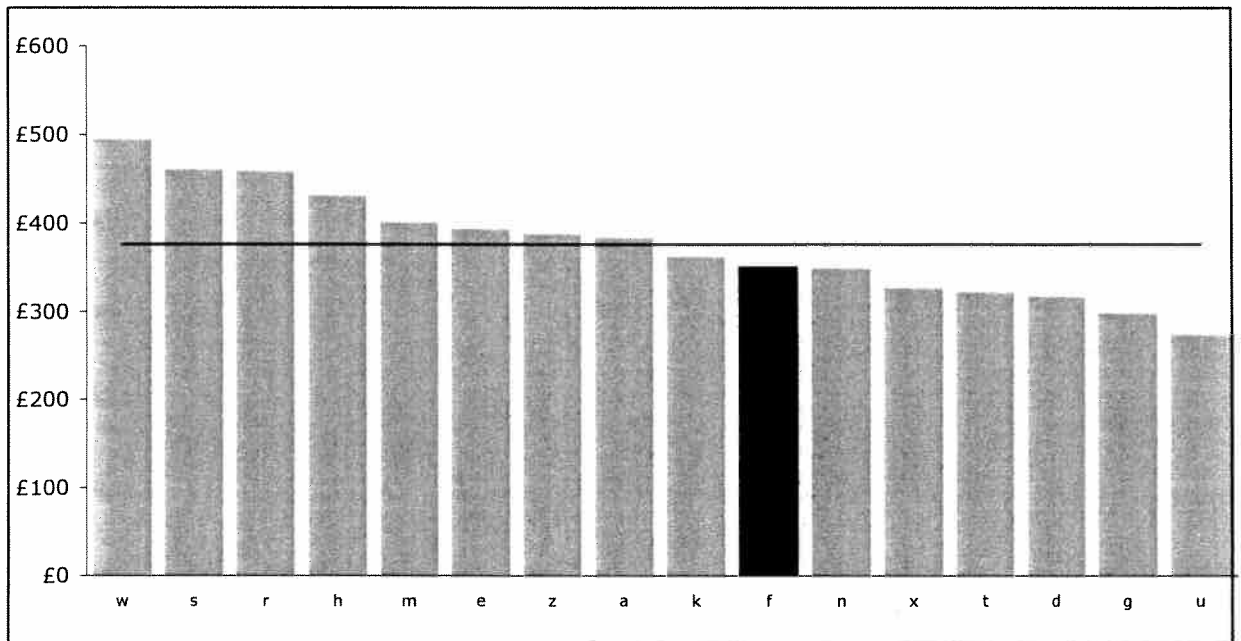
- Table 1 below shows that Haringey's audit cost per £m turnover was £539 (£583 in 2008/09) compared against the London group average of £955 (£988 in 2008/09). Haringey's expenditure per £m turnover was the fifth lowest of the other London authorities in the comparator group.
- Haringey has the fourth 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 currently include the resources for a corporate anti-fraud team.

Table 1 – Audit cost per £m Turnover



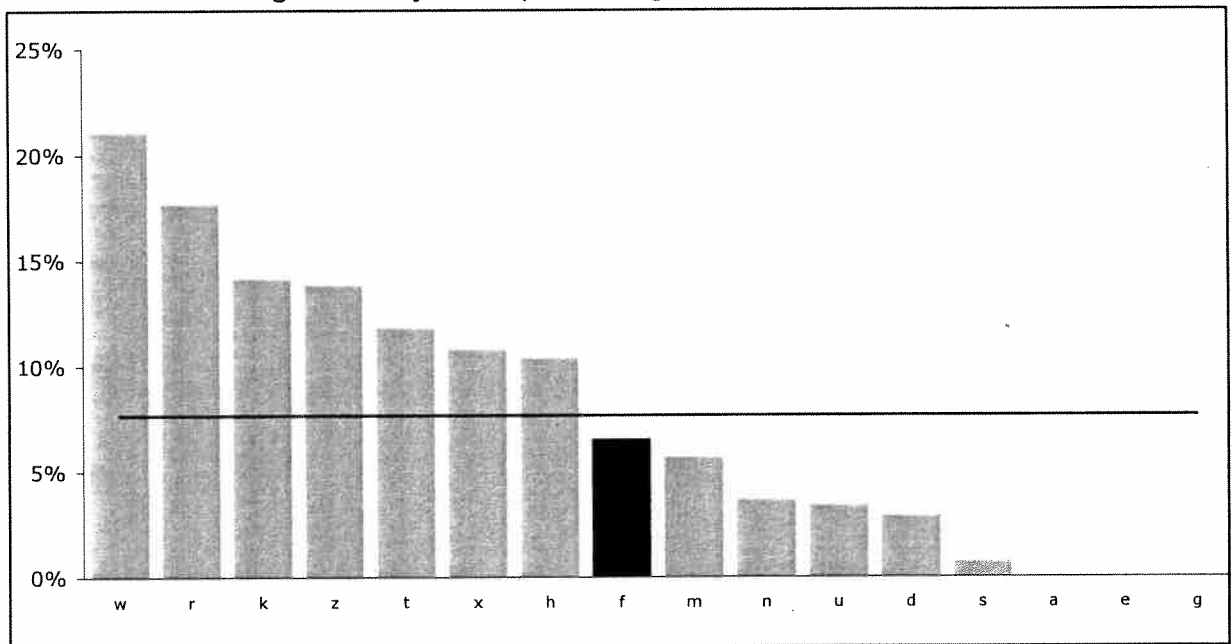
- Table 2 below shows the overall cost per chargeable day for Haringey was £351 (£369 in 2008/09) compared against the London group average of £376. The corporate costs (including accommodation, IT costs, other central costs) were higher per auditor for Haringey than other London authorities, although these include some outer London authorities where accommodation and other corporate costs were substantially reduced compared to more central authorities.

Table 2 – Cost per audit day



- Haringey internal audit delivered 170 chargeable days per auditor, which was 1 day below the London comparator group average of 171. However, sickness absence (average of 4 days) was below the London average and fourth lowest overall. In addition, non-chargeable time of 6.5% of all available days was also below the London comparator average of 7.7%. The definition of non-chargeable time is prescribed by the CIPFA benchmarking exercise to ensure a consistent approach to time allocation. Table 3 shows the comparison of non-chargeable time across the London comparator group.

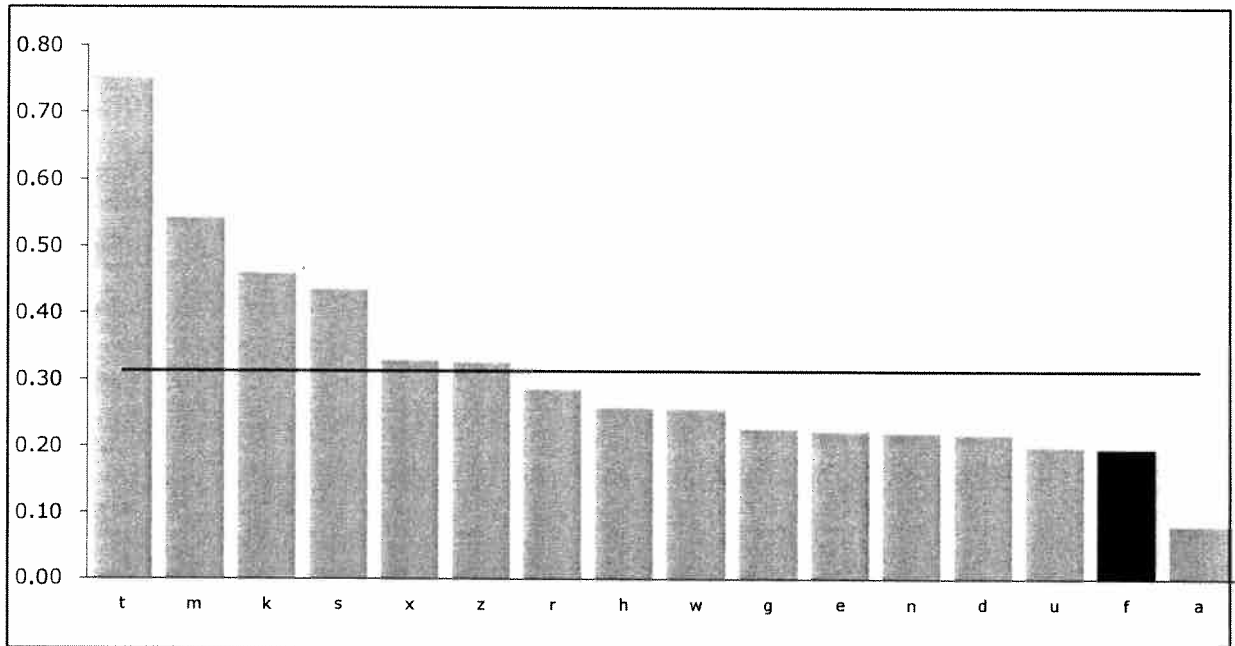
Table 3 – Non-chargeable days as a percentage of total audit days



17.2 **Audit coverage.** In order to demonstrate how the chargeable audit days are utilised in carrying out the planned audit programme, Tables 4- 7 below compare the audit coverage provided by Haringey with other London comparators. The definitions of each type of audit area and work is prescribed by the CIPFA benchmarking exercise to ensure a consistent approach to cost and time allocation.

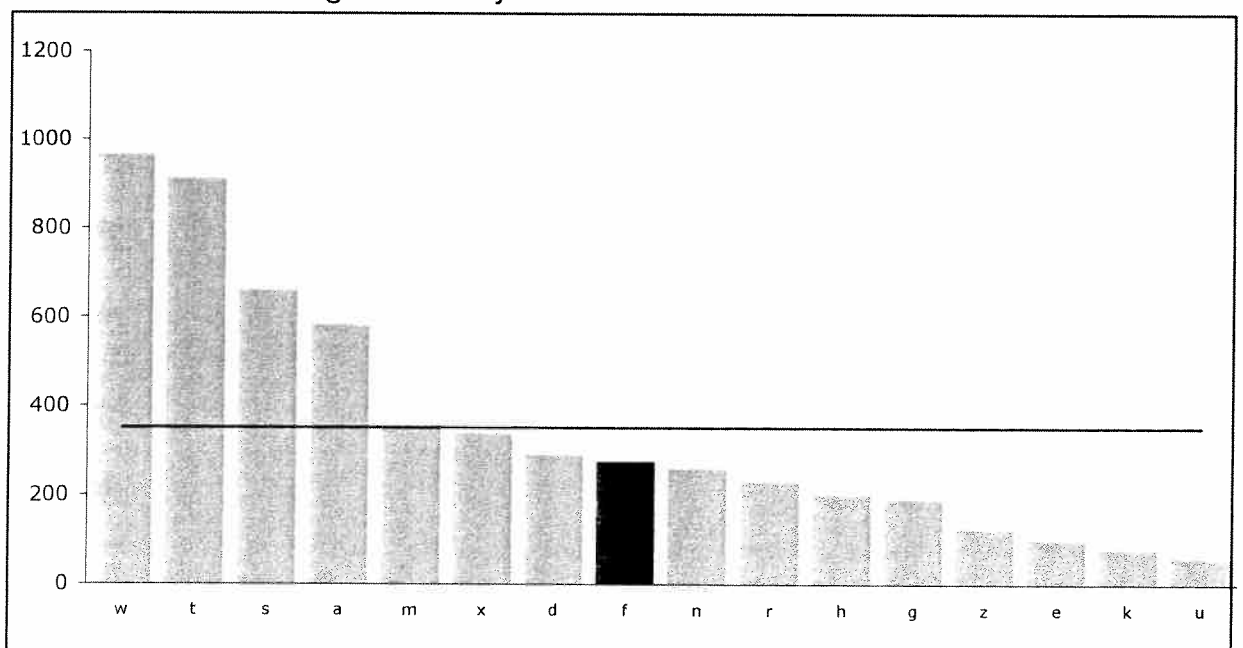
Key Financial Systems. Table 4 below shows the overall amount of resources used to audit the authority's key financial systems. From the table, it can be seen that total time spent on auditing fundamental financial systems was lower than other comparators. This reflects the increasing levels of assurance 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.

Table 4 – Audit Coverage – key financial systems



Audit Coverage – other systems. Table 5 below shows the overall amount of resources used to audit the authority’s other financial and non-financial systems. Audit time spent on other areas, is lower than the London average, but broadly in line with most of the comparator organisations. Haringey’s risk based approach to internal audit is agreed with both the Council’s external auditors and all Directors and Assistant Chief Executives to ensure that available audit resources are used to provide assurance on the areas which have the most significant risks.

Table 5 – Audit coverage – other systems



Audit coverage – Fraud. Table 6 below shows the overall amount of resources used on both pro-active and reactive fraud investigation. Total audit time spent on fraud investigation is lower than the London average, although as noted above other authorities include a corporate team to deliver a larger proportion and volume of anti-fraud work.

Table 6 – Audit time – fraud

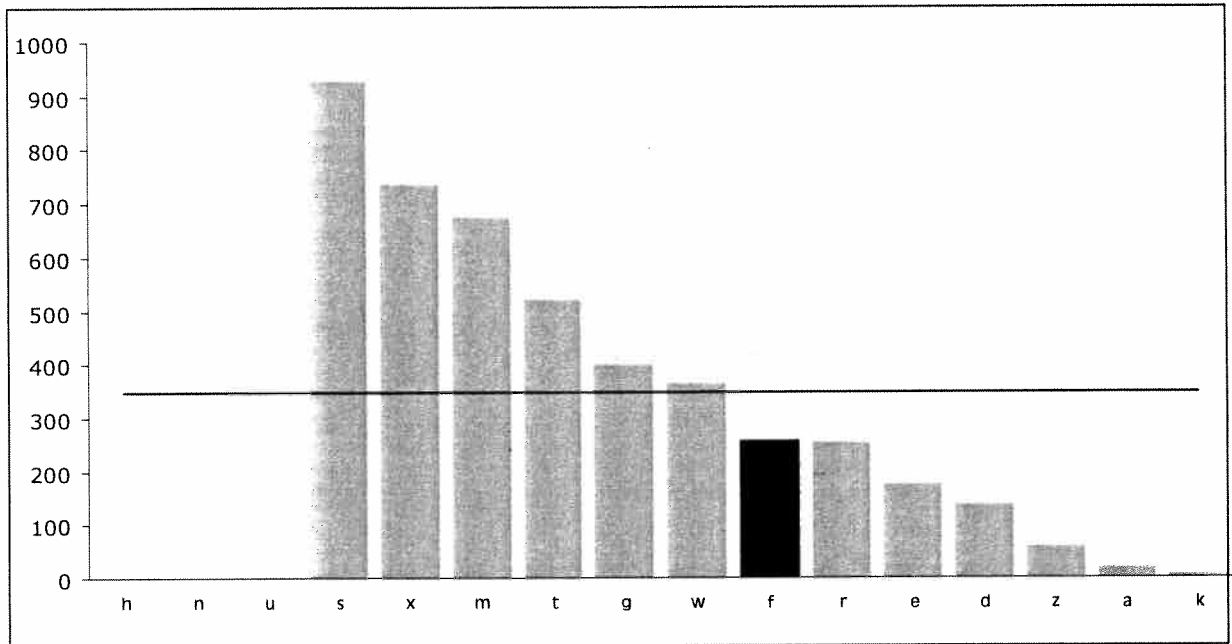
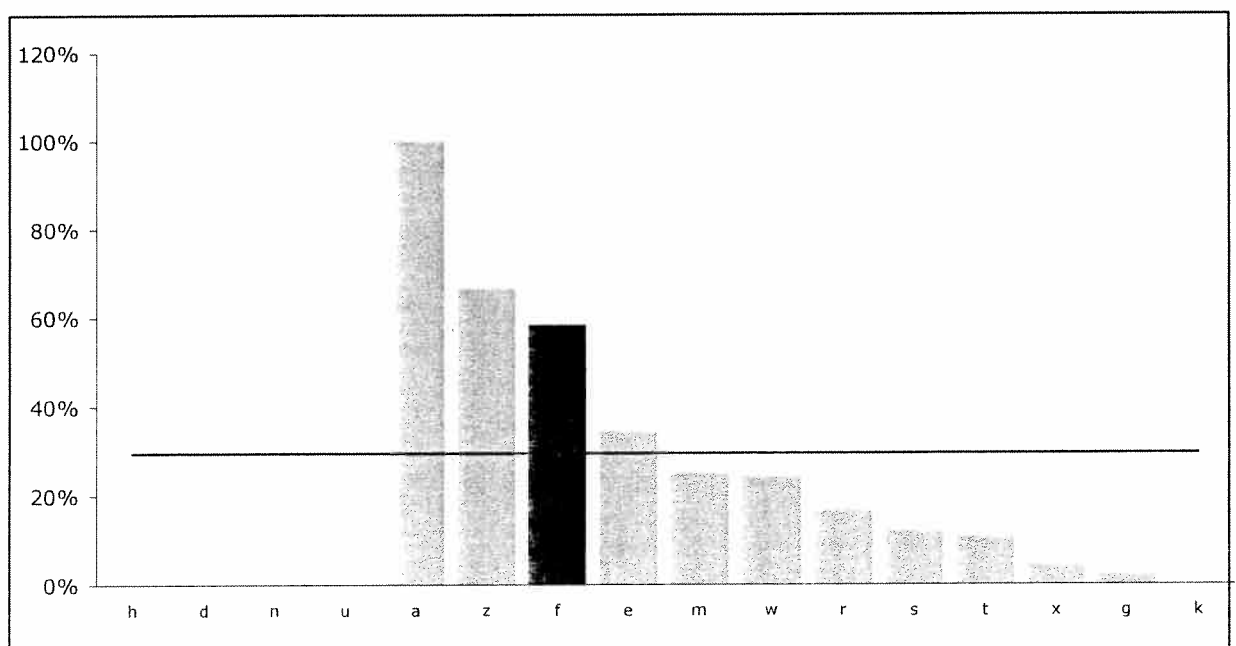
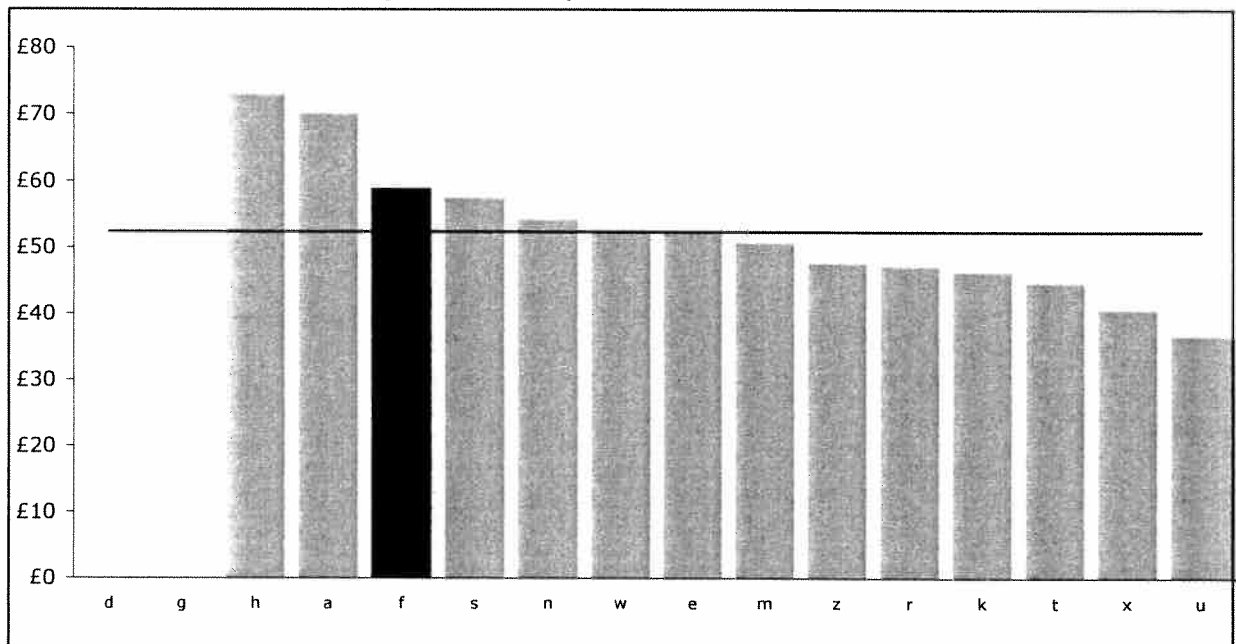


Table 7 below shows the percentage of investigations progressed to internal disciplinary action, which is above the London comparator average.



17.3 **Staffing.** Table 8 below shows an analysis of average salary costs 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.

Table 8 – analysis of average staff salary costs



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 other London Boroughs with relatively similar profiles to Haringey were chosen as comparator authorities for benchmarking purposes in order to compare performance and value for money. Compared to the other London authorities, based on 2009/10 actual costs:

- Haringey's audit cost per £m turnover was £539 (£583 in 2008/09) compared against the London group average of £955 (£988 in 2008/09). Haringey's expenditure per £m turnover was the fifth lowest of the other London authorities in the comparator group.
- The cost per chargeable day for Haringey was £351 (£369 in 2008/09) compared against the London group average of £376. Corporate overhead costs were the second highest compared to the London comparator group, although some outer London authorities' costs were substantially lower compared to more central authorities.
- Haringey delivered 170 chargeable days per auditor, which was 1 day below the London comparator group. Levels of sickness (4 days) was below the comparator group average; and the amount of non-chargeable time of 6.5% of all available days was also below the London comparator average of 7.7%.

- 18.2 In overall cost terms, Haringey has the fourth highest turnover value of all the 18 London comparator authorities. 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 currently include the resources for a corporate anti-fraud resource/team. The latest figures from the benchmarking exercise indicate that development of corporate resources to tackle fraud has increased since the previous benchmarking exercise. This is an issue which is currently being reviewed within Haringey in order to secure more effective use of audit and counter-fraud resources.