

Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh – Chief Internal Auditor
Date of Meeting	27 th November 2014

INTERNAL AUDIT BENCHMARKING

1.0 Purpose of the report:

1.1 This report presents the key findings from the recent Chartered Institute of Public Finance (CIPFA) benchmarking exercise relating to the internal audit service.

2.0 Recommendation(s):

2.1 To note the results of the CIPFA benchmarking exercise.

3.0 Reasons for recommendation(s):

3.1 To update the Committee on the results of the CIPFA benchmarking exercise.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered.
None

4.0 Council Priority:

4.1 The relevant Council Priority is 'Deliver quality services through a professional, well-rewarded and motivated workforce'.

5.0 Background Information

5.1 In line with the Strategic Audit Plan, the Internal Audit Service undertakes periodic benchmarking with the Chartered Institute of Public Finance (CIPFA). This exercise was last performed in 2010 and therefore it was appropriate to re-perform the exercise in 2014.

5.2 Blackpool was compared with 47 other unitary authorities who also participated in

the exercise. A summary of the key results follows.

5.3 **Cost Analysis**

The cost of the internal audit service in 2013/2014 demonstrates that Blackpool's cost is below average indicating a value for money service. This is shown in the following table:

Benchmarks	Blackpool	Average
Mainline audit days per £'m gross turnover	2.47	2.51
Cost per £'m gross turnover	£700	£734
Cost per auditor (in-house)	£51,667	£54,370
Overhead cost per auditor (in-house)	£7,424	£10,227

5.4 The number of chargeable days per auditor is in the upper quartile with Blackpool Council demonstrating 197 days against an average of 180 days.

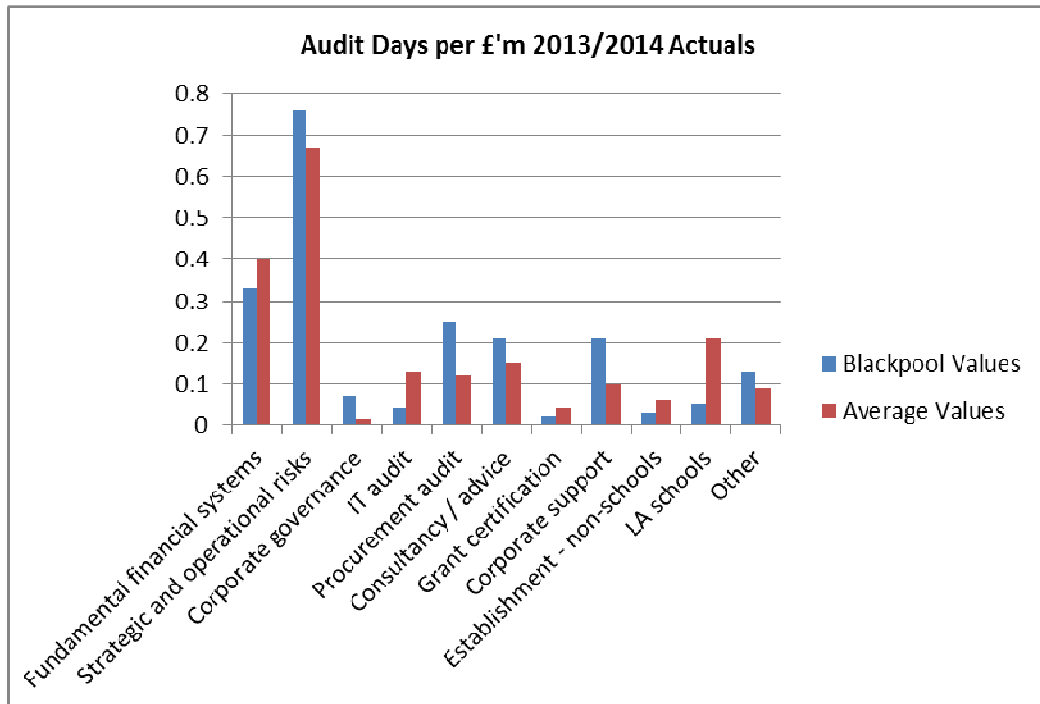
5.5 A similar pattern is estimated in 2014/2015 however an increase in corporate overheads has resulted in the cost per auditor being slightly higher than the average as shown below:

Benchmarks	Blackpool	Average
Mainline audit days per £'m gross turnover	2.04	2.53
Cost per £'m gross turnover	£717	£736
Cost per auditor (in-house)	£56,066	£54,563
Overheads cost per auditor (in-house)	£12,459	£9,866

5.6 It is evident from the benchmarking exercise that the number of days available for training is below average at Blackpool Council and this is an action to address in 2014/2015.

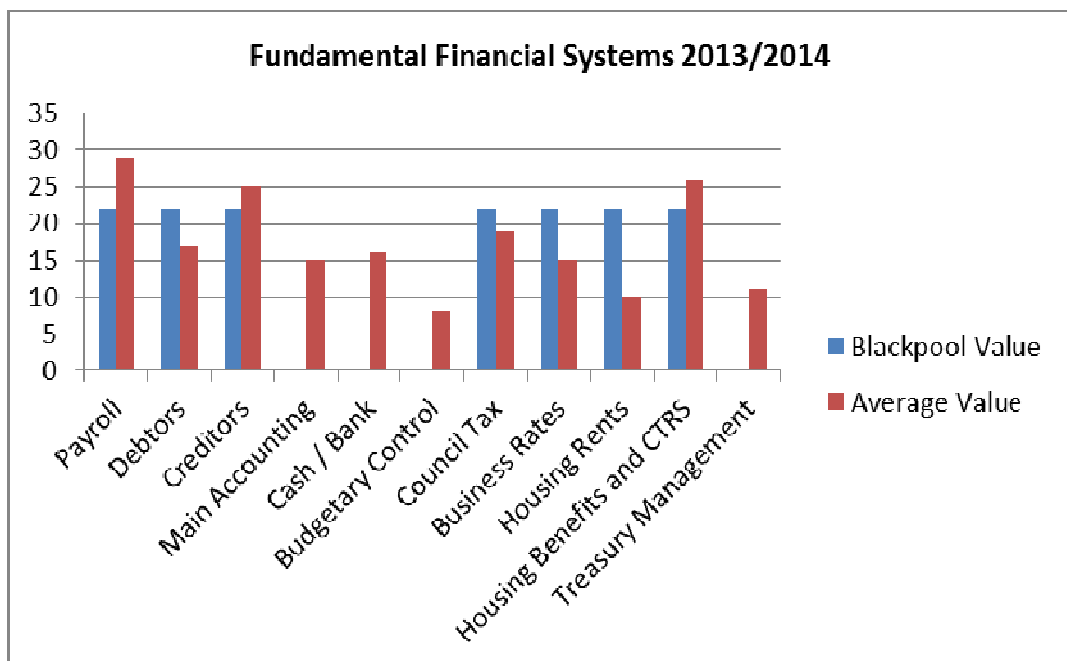
5.7 **Audit Coverage**

The benchmarking highlights that in the majority of types of audit work Blackpool is similar to other authorities as shown in the following table:



5.8 Key differences can be noted on the schools and IT audits where Blackpool currently undertakes significantly less work in these areas and procurement and corporate support where Blackpool completes considerably more than other authorities.

5.9 Further analysis of the fundamental financial systems provides the following information in terms of differences between coverage:

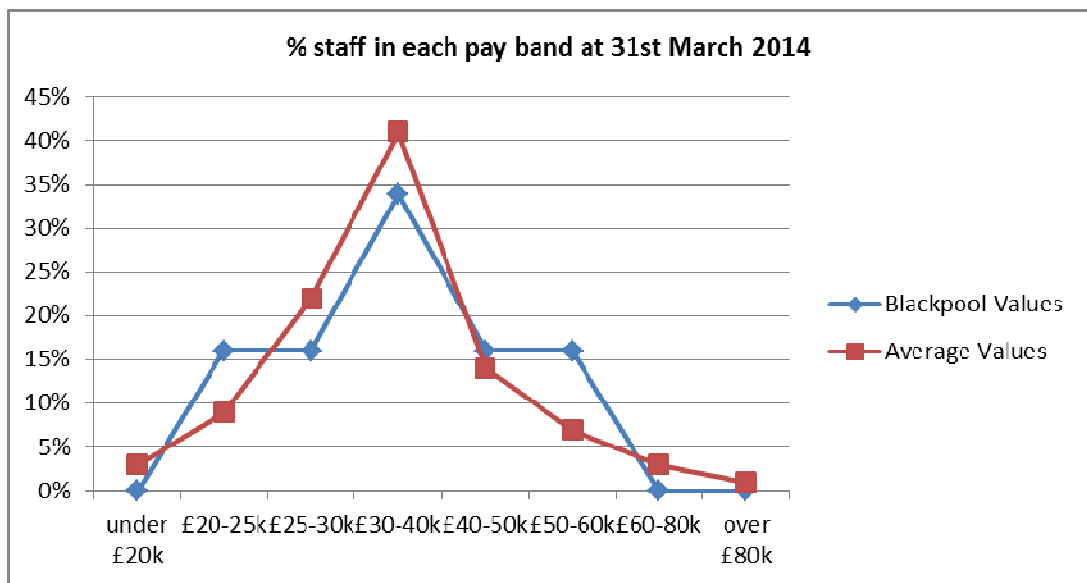


5.11 This illustrates that the team do not routinely undertake testing on areas such as main accounting, cash / bank, budgetary control and treasury management and these are areas which will be considered going forward. The results of this will be used to help inform the development of the new financial control assurance testing regime.

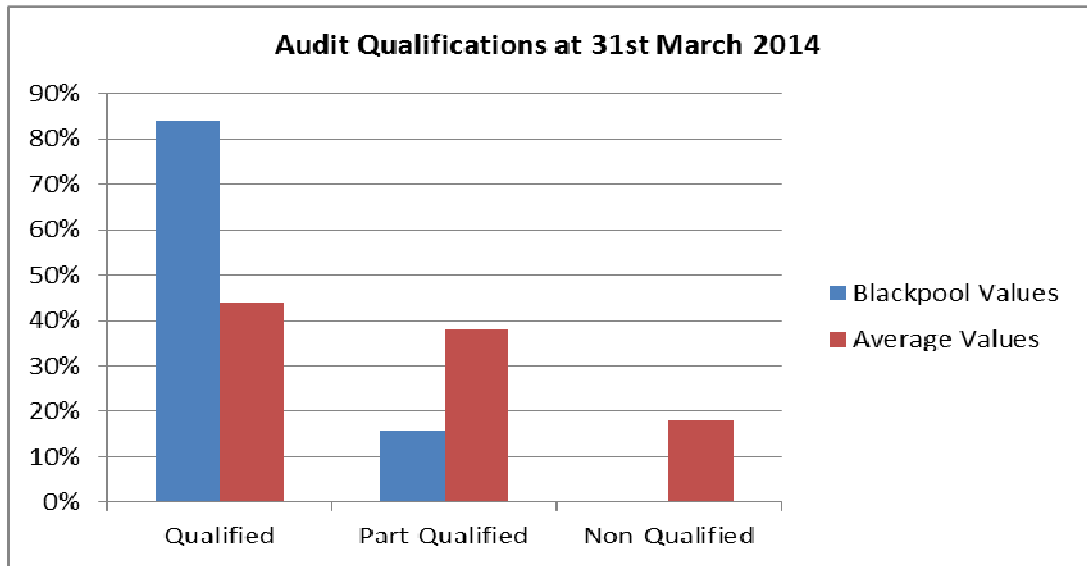
5.11 The benchmarking has also highlighted that the team undertake less than average work on the risk management process and performance management and this will be something which will be explored for the 2015/16 audit plan.

5.12 **Staffing**

In terms of the percentage of staff in each pay band the results of the benchmarking show that Blackpool follows a similar pattern to other local authorities and this is shown in the following graph:



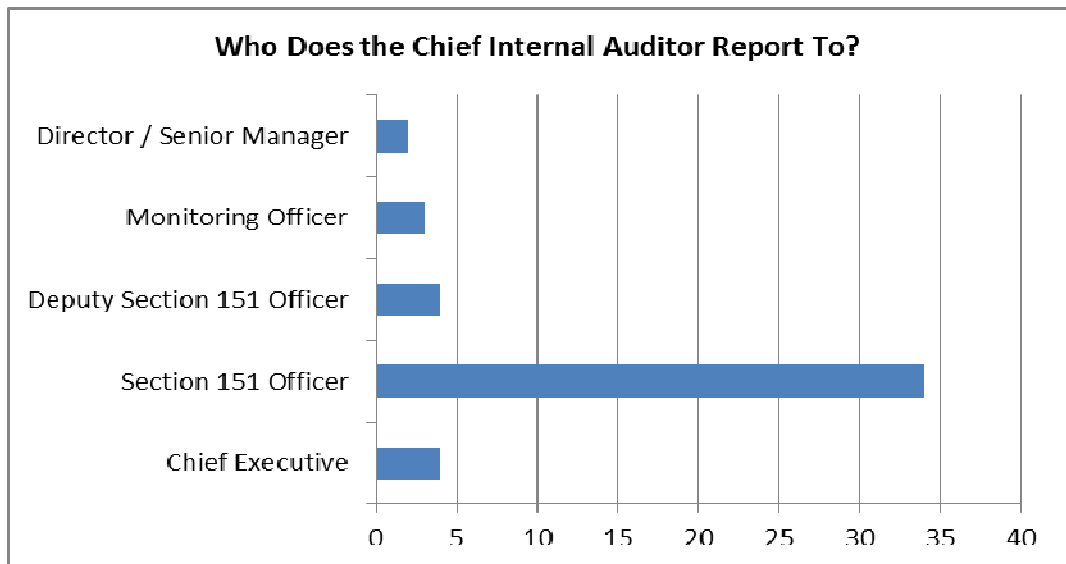
5.13 The results also show that the team have a high percentage of qualified and part qualified staff which is a demonstration of the commitment made to professional training by the Council as highlighted in the following graph:



5.14 The report does highlight that in 2013/2014 there were no audit trainees employed by the team although only 9% of authorities do currently employ a trainee who is actively training.

5.15 **Audit Context**

Blackpool Council is in line with the vast majority of other authorities in terms of the Chief Internal Auditor reporting to the Section 151 Officer as illustrated below:



5.16 In line with a number of other authorities the Chief Internal Auditor is responsible for risk management and counter fraud in addition to the internal audit service.

5.17 In terms of which areas the Chief Internal Auditor is the notifiable officer, Blackpool, like the majority of other authorities deals with anti-bribery, anti-money laundering and RIPA. The main difference between Blackpool and other authorities is that the Chief Internal Auditor at Blackpool is not the only notifiable officer under the whistleblowing policy.

5.18 In line with the majority of other authorities, Blackpool's internal audit function has assessed itself as complying with the Public Sector Internal Audit Standards however has not yet agreed in which year we are proposing to have an independent review to check compliance.

5.19 **Corporate Governance**

Just over half of participants confirmed that the internal audit team leads in preparing the Annual Governance Statement and over half of respondents do not conduct an audit of the Annual Governance Statement.

5.20 Unlike the majority of other authorities the Chief Internal Auditor takes a lead in compiling the Strategic Risk Register and does not undertake an audit of the risk register.

5.21 In common with the vast majority of other authorities the Chief Internal Auditor reports to the Audit Committee. The benchmarking shows that the most Audit Committees meet four times a year, with the second most popular frequency being five times a year. The majority of Audit Committees are represented by seven members on the Committee.

5.22 **Actions to Consider**

As a result of the benchmarking exercise the following actions will be considered:

- Review the fundamental financial systems audit work to assess whether it is feasible to increase the scope of work to cover accountancy functions.
- Consider increased coverage in areas such as risk management, ICT audit and performance management in line with other authorities.
- Identify suitable, cost effective, training options for the team.

Does the information submitted include any exempt information?

No

List of Appendices:

None

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 Actions identified as part of this benchmarking exercise will be delivered within the constraints of the internal audit budget.

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 The data to inform this benchmarking exercise was submitted to CIPFA who analysed the results on behalf of the Council.

13.0 Background papers:

13.1 None