



Committee and Date

Audit Committee

20 September 2011

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Item No

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Public

INTERNAL AUDIT BENCHMARKING RESULTS 2011

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1. Summary

This report provides members with details of the results from the CIPFA Audit Benchmarking Club 2011 for unitary authorities. The full report has previously been provided to members electronically prior to the meeting and additional copies will be available to view at the committee. The report compares Shropshire's data with a group of similar authorities providing information in various tables and graphs. The information from this report normally feeds into the Annual Internal Audit report submitted to the June Audit Committee, but the data was not available at this time.

Overall during 2010/11 both auditor costs and days per auditor remained lower than average. The latter reflected the impact of two long term sickness cases that occurred during the year and continue into 2011/12. Against these pressures the team delivered 99% of the revised plan (90% of the original plan) in line with its target to deliver 90% of the plan at the year-end providing good coverage across all significant risk areas.

2. Recommendations

The Committee are asked to consider and endorse, with or without comment, the contents of this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures and is closely aligned to the Council's strategic an

operational risk registers. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the Internal Control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal controls create an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.

3.2 Benchmarking is a useful tool which enables the Council to consider how Internal Audit performs in comparison to similar authorities. It is both an opportunity to learn from others about more efficient and effective ways of delivering a given service but also, where figures are different, to investigate, understand and accept why this is and where the culture, business risk and requirements of organisations differ.

3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or climate change consequences of this proposal.

4. Financial Implications

4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Background

5.1 The CIPFA Audit Benchmarking Club 2011 results for Shropshire Council have been circulated electronically to members ahead of the meeting today, via email from the Audit Services Manager. This report provides a summary of the information provided in the document.

Audit Performance

5.2 Benchmarking is accepted as a key method for comparing performance across a range of councils providing similar services. Internal Audit has been a member of the CIPFA Audit Benchmarking Club since its inception. The information it provides is seen as invaluable in helping us to check our performance against our peers and best in class.

5.3 The exercise is conducted annually and provides data comparisons in respect of costs, audit coverage, staffing, and performance over time and compares Shropshire's data with its quartile equivalents for the tier of authority.

5.4 With any benchmarking data some caution with interpretation should be exercised, the CIPFA Benchmarking Club is long established and has been annually refined and improved since its inception so it is recognised as being a reliable set of comparative performance indicators. The data identifies Shropshire as performing well with its Unitary peers, particularly in cost per day. Days of audit delivered per auditor has been just lower than the average, 165 compared to 172 and this is due to two long term sickness cases in the team.

5.5 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the CIPFA Code of Practice, benchmarking the service against others in the sector and evaluating improvements made over the last twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee’s delivery of its responsibilities and direct from customers as they provide responses to surveys sent out after each audit.

Performance against the plan

5.6 The team achieved 99% of the revised plan (90% of the original plan) in line with its target to deliver 90% of the plan at the year end.

5.7 Members will recall that it was necessary to reduce the plan twice by a total of 312 days due to a redundancy, long term sickness, maternity leave, additional non audit work arising from the administration of the Department for Work and Pension’s (DWP) Employment Authentication Service and changes to the FMSiS framework. Part of which is reflected on the days per auditor statistics in the CIPFA benchmarking report.

Key Indicator	2009/10 Actual	2010/11 Actual	2011/12 Estimate	2011/12 Unitary Average	Variation
Days per Auditor	178	165	179	180	1day
Cost per Day	£274	£270	£272	£312	£40

5.8 During 2010/11 Costs per auditor were below average in respect of both staff and overheads. For the first time our chargeable days per auditor fell below the average, this is entirely due to two long term sicknesses which arose in the year.

5.9 We delivered higher than average coverage in the areas of fundamental financial systems in particular the high risk areas of main accounting and cash systems reflecting our priorities in these key areas. We also encountered high levels of fraud work; and specifically targeted operational risks covering housing rents, benefits administration and NNDR which were new to the Council. Corporate governance and IT systems also remain high priorities, all of which

are key in providing assurance to the Council of the effectiveness of its Governance structures and concentration in these areas reflected the risks of the new shape of the Council. Below average time was spent on corporate support, grant certification and strategic risks since these were considered lower risk last year balanced against our finite resources.

- 5.10 Staffing is delivered through higher than average qualified staff in full time posts. Most teams have a combined Head of Audit and Risk, this is no longer the case at Shropshire, however the two areas still work closely together.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA Internal Audit Benchmarking Results 2011

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member: All

Appendices: None