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Introduction

As local authorities are forced to cut costs and to make difficult decisions, the need to maintain robust processes and to remain fully accountable for public funds is greater than ever. This is where the internal audit function fulfils a vital role.

But auditors themselves must also strive continuously to ensure that their work represents value for money. They must deliver a high-quality service that meets the needs of their organisations. And they must do this in an environment that is challenging both financially and operationally.

In this short guide, CIPFA lifts the lid on its successful audit benchmarking club and provides valuable insight into the current state of local government internal audit services across the United Kingdom.

OVERVIEW OF THE GUIDE

The aim of this guide is to provide readers with insight into the performance of local government internal audit functions, drawing on the quantitative and qualitative data submitted by members of the benchmarking club.

We go beyond a simple narrative description of the findings of the benchmarking club to include analysis of these findings and interpretation of what they might mean for local authority audit functions.

We start by looking at **the internal audit function** itself. We explore what it does, how it is organised and how its role and structure vary across local authorities. We also consider trends and recent developments in how local authorities provide audit services, and the nature and role of the audit committee.

We then get into the detail of the benchmarking data. We look first at **the cost of the internal audit function**, including the overall cost of the function, the number of chargeable and total audit days available and the cost of having an internal auditor on staff.

We look at **the work of the internal audit function**. We reflect on the way in which audit work is planned, the scope and coverage of internal audit work and the involvement of the internal audit function in corporate governance and counter-fraud activities.

We consider **the staffing of the internal audit function**. This includes the number of staff in the function, the salaries that they earn and the qualifications that they hold.

We conclude by **looking to the future** of the internal audit function. We consider the key themes that are impacting its work. We explore the issues and challenges that local authority auditors are facing. And we ask how they are addressing them.

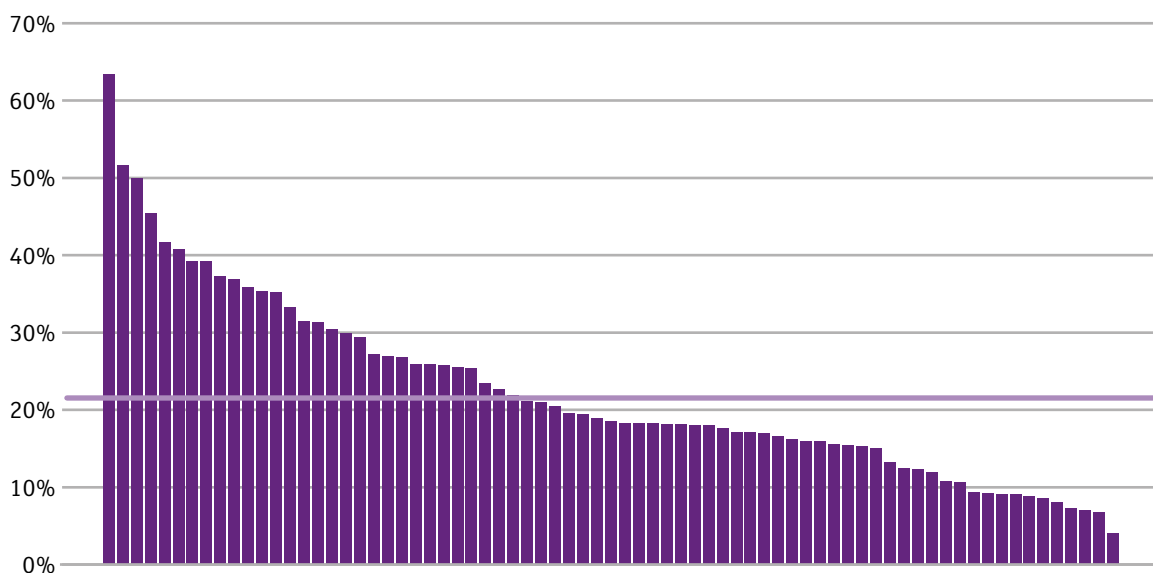
USING THIS GUIDE

To help readers to get the most from this guide, we have included a number of features designed to highlight key ideas.

We have included at the start of each chapter a short summary of the main findings from the work of the benchmarking club. This is aimed specifically at senior managers, who may wish to understand the key issues, but not to go into too much detail.

Where we present data from the benchmarking club, this is frequently in the form of bar charts like the example in Figure 1 below. Each bar represents the value submitted by an individual member of the benchmarking club and the horizontal line shows the group (mean) average. ‘Missing’ bars on the left represent missing data or excluded data and are not included in calculating the average. ‘Missing’ bars on the right represent zero values and are included in the average.

Figure 1: Example bar chart with benchmarking club data



Source: CIPFA Audit Benchmarking Club, 2014

Where we present time series data, the financial and performance data from the years 2008/09 to 2013/14 is ‘actual’ data. Data for the 2014/15 financial year is ‘forecast’ data compiled on the basis of local authorities’ budgets and internal audit plans.

We have also included a small number of anonymised case studies, which highlight specific issues that members of the benchmarking club have faced or action that they are taking in response to them.

THE CIPFA AUDIT BENCHMARKING CLUB

The CIPFA Audit Benchmarking Club draws on financial, activity and performance data from over 60 local government bodies across England, Scotland, Wales and Northern Ireland. This includes local authorities of all shapes and sizes, from metropolitan districts, unitary authorities and county councils to London boroughs and shire districts.

Members of the benchmarking club submit an annual return setting out detailed information about their audit function. To ensure consistency, members are provided with comprehensive guidance on data definitions and submission formats. Furthermore, all data is validated by CIPFA and subsequently reviewed by the submitting organisation.

This approach ensures that all data supplied to the benchmarking club is comparable across organisations and over time. It allows organisations to understand not just how well they are doing, but how well they are doing in comparison with their peers.