

Governance, Risk and Best Value Committee

10.00am, Tuesday 27 November 2018

Internal Audit – CIPFA benchmarking exercise outcomes and actions

Item number	7.2
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The purpose of this paper is share the outcomes of the Internal Audit (IA) Chartered Institute of Public Finance and Accountancy (CIPFA) 2018 audit benchmarking exercise, which is based on the Council's 2017/18 IA structure; plan delivery; and financial performance.

The CIPFA report is based on responses received from participating IA teams across UK local authorities and highlights a number of potential areas for targeted improvement based on their survey responses, many of which have already been actioned.

This paper also details how these potential improvement areas have been addressed.

Internal Audit – CIPFA benchmarking exercise outcomes and actions

1. Recommendations

- 1.1 The Committee is requested to note:
 - 1.1.1 the outcomes of the CIPFA audit benchmarking club report; and
 - 1.1.2 the progress made by IA in addressing the key themes identified from the benchmarking exercise.

2. Background

- 2.1 In June 2018, IA participated in a CIPFA corporate services benchmarking club exercise for Audit as part of the commitment made by the Council's Executive Director of Resources to formally benchmark the relative performance and cost of the Council's Corporate Services. This benchmarking process is open to all UK local authorities.
- 2.2 The survey covered the following areas:
 - 2.2.1 cost analysis – comparison of actuals and planned data for mainline costs, cost per auditor, and overhead costs;
 - 2.2.2 audit coverage – analysis of actual and planned audit days by type of audit;
 - 2.2.3 staffing - salary bands, part time FTE and qualifications;
 - 2.2.4 audit context - levels of outsourcing, management reporting and responsibilities;
 - 2.2.5 corporate governance – analysis of the organisation's Annual Government Statement, and IA findings / agreed management actions from the past 12 months; and
 - 2.2.6 outputs – IA reporting habits.
- 2.3 The survey outcomes were based on actual costs and information on team performance (including annual plan content and delivery) for 2017/18; with 2018/19 budget and plan data also provided.

- 2.4 A report was also obtained that compared the Edinburgh IA outcomes against 12 local authorities (2 Scottish and 10 English) who were available as comparators (as not all authorities take part). The relevant report is attached at Appendix 1.

3. Main report

Cost Analysis

- 3.1 The cost analysis section of the report highlights that Edinburgh's IA costs per £m organisational turnover were (and will) remain lower than average as the Edinburgh IA team size is smaller when compared to other authorities with a similar (or lower) gross revenue turnover.
- 3.2 However, based on the information submitted, costs per auditor were higher and productive days lower when compared to other IA public sector teams. This is attributable to lack of historic staff turnover within the IA team. At the time the data was provided for the benchmarking, existing team members were long serving Council employees, positioned at the top of pay grades, and in receipt of the maximum annual leave associated with their continuous service. Additionally, there had been historically limited investment in internal team development, given the prior arrangement with an external audit partner, with a focus on evolving and improving the efficiency of the audit process. It is also recognised that Edinburgh has a buoyant recruitment market for these skills, making attracting staff to the Council more difficult.
- 3.3 Actions implemented to address higher than average costs per auditor and lower than average productive days are included at sections 3.10 to 3.14 below.

Audit Coverage

- 3.4 Audit coverage outcomes highlight that the focus of the Council's 2018/19 IA plan focussing on strategic and corporate risks; transformation and major projects; corporate governance; commissioning; and core technology was aligned with peers who participated in the survey.
- 3.5 The 2018/19 IA plan included a number of 'themed' reviews (for example Payments and Charges, and Emergency Prioritisation and Complaints) that will provide assurance across a number of services. This approach provides assurance on how effective directorates/divisions are at working together to deliver services, and typically seeks to identify control weaknesses at handover points in processes. This approach is reflected in the benchmarking as a decreasing focus on specific operational and departmental risks, as there was no 'themed review' classification included in the CIPFA questionnaire.
- 3.6 A systems access review was also included in the plan which focuses on the identification of potential inappropriate access rights to financial systems (e.g. the control weakness that resulted in the £1m fraud loss at Dundee City Council), and a review of the adequacy of payroll system controls. These reviews are being

performed in partnership with Scott Moncrieff. This focus on financial systems is not aligned with other survey participants.

- 3.7 A post-implementation review of the effectiveness of the school's first line assurance framework was also included in the 2018/19 plan, in contrast to other authorities who are reducing their coverage of schools.
- 3.8 Similarly, our plan includes increasing focus on non-financial systems in contrast to our peers. This reflects ongoing focus on Building Standards, where system enhancements are required to improve the effectiveness of workflow management; systems used by Customer and Digital Services to support the HMO licence payment process; and systems used to register the homeless.
- 3.9 Focus on 'other activities' is decreasing in line with peers. Whilst it is not fully clear from the survey what these 'other activities' comprise, it is likely that they refer to operational activities (for example corporate governance and fraud) that are performed by some public-sector IA teams.

Staffing

- 3.10 In addition to the higher than average costs per auditor (noted at 3.1 above), this section of the report highlights that the number of qualified auditors; team members in training; and employee turnover was lower than average in comparison to local authority peers, whilst the number of part-time employees was aligned with average peer responses.
- 3.11 Since the delivery of IA services was brought 'in house' in May 2017, the team has been restructured, with capacity increased from seven to eleven FTE, and three new Senior Auditor roles introduced. Part of the cost of this has been offset by the movement of generalist work carried out by PWC back to the Council team. Three of the six original team members have now left the Council; and seven new team members (including the Chief Internal Auditor) have been appointed. One role at auditor level is currently vacant, with recruitment underway.
- 3.12 The team restructure has resulted in a reduction in costs per auditor and increased the total number of productive days as a result of salary placements and annual leave allocations.
- 3.13 These changes have also significantly increased both the number of qualified auditors and team members in training, and it is expected that this will result in further increases in both productivity and efficiency.
- 3.14 The opportunity to improve audit efficiency by using data analytics is currently being explored, and implementation of the new TeamCentral automated follow-up process will also improve efficiency. Further efficiency improvements could also be considered by additional automation of the audit process, using existing systems.

Audit Context

- 3.15 Audit context outcomes illustrate that the most local authority IA teams have an 'in house' Head of Audit, with the majority reporting to the section 151 officer (Section

95 Officer in Scottish Authorities) or statutory chief financial officer in benchmark club authorities, in contrast to the Council's model where the Chief Internal Auditor reports to the Head of Legal Risk (who is also the Council's Monitoring Officer) and then to the Executive Director of Resources. Reporting to the statutory chief financial officer is not aligned with good governance practice and could potentially result in conflicts of interest and challenges in relation to IA independence.

- 3.16 This section of the report highlights that some Heads of Internal Audit also have responsibility for first line operational activities such as counter-fraud; the whistleblowing hotline; anti-bribery; anti-money laundering activities; and second line assurance activities such as risk management. There is often debate as to whether this is desirable or appropriate.
- 3.17 Whilst good practice recommends that IA should be an independent third line of defence with no first line operational or second line assurance responsibilities, it is not uncommon for IA teams to have responsibility for second line assurance activities. Where this is the case, it is important to ensure that ongoing independent assurance on these activities is obtained to confirm ongoing compliance with Public Sector Internal Audit Standards (PSIAS) independence requirements.
- 3.18 The benchmarking exercise also confirms that Edinburgh is the only IA team that has confirmed that they are non-compliant with PSIAS requirements, with 50% of PSIAS compliance assessments based on external quality reviews. It should be noted that the questionnaire supporting the benchmarking did not request information on the extent of and specific areas of non-compliance. Elected Members will be aware that this non-compliance stems from the specific issue arising from the historic IA follow-up process which has now been addressed.
- 3.19 The report also highlights that the Council is part of the group of 31% of respondents who do not perform risk maturity assessments as part of the IA reporting process. This assessment typically confirms whether management has identified the risks associated with IA findings; the extent to which the risks are managed; and whether management are risk aware, or risk naïve.
- 3.20 Risk maturity assessments consider the maturity and effectiveness of an organisation's risk management framework across the areas included within the scope of each audit. It is IA's opinion that implementation of risk maturity assessments would not add value until the Council's risk culture is more fully embedded at all levels. It is expected that a review of the Council's risk management framework will be included in the 2019/20 IA plan.
- 3.21 Additionally, the report notes that Council's IA team does not take the lead in preparing the annual governance statement (AGS) in line with 56% of participants, and currently do not audit the AGS. Only 28% of participating IA teams are involved in auditing the AGS. However, IA has requested oversight of the AGS to confirm that the content is in accordance with the outcomes of completed audit work.

- 3.22 Responses in relation to the annual audit opinion indicate that Edinburgh was the only authority that provided a limited assurance opinion, as most of opinions provided in 2017/18 were either favourable or adequate. Unfortunately, the benchmarking data does not provide any comparator on quality of audit activity.

Corporate Governance

- 3.23 This confirms that the Council takes longer to implement agreed management actions in comparison to other authorities.
- 3.24 The survey also confirms that 15 respondents have an independent reporting line to a Governance, Risk, and Best Value Committee (or equivalent governance forum); that the Council's GRBV Committee meets more frequently than those of other local authorities; and that most committees comprise solely Elected Members with no Independent Members.
- 3.25 Most participating authorities also appear to present an annual audit plan for approval, with only 13% of participants planning on a rolling six monthly basis.

Outputs

- 3.26 This section focuses on the outcomes of IA reports, and highlights that that the Council has received a higher percentage of limited (amber) and inadequate (red) IA assurance reports in comparison to the average across other participating authorities. This outcome is also linked to provision of the 2017/18 red rated IA opinion presented to the GRBV in July 2018. Again, the benchmarking data does not provide any comparator on quality of audit activity or whether other authorities are concentrating on key risk areas, but it is assumed that this is the case.
- 3.27 The survey also highlights that the Council's IA team produced fewer IA reports in comparison to the average number of reports produced by other authorities. It should be noted that survey only requested details of audit completed across the Council, and this outcome does not reflect the audit work performed for the Edinburgh Integration Joint Board; the Lothian Valuation Joint Board; and third-party arms-length external organisations.

Summary

- 3.28 Whilst the report identified that the Council is an outlier in some regards to its peers based on the data provided, the reasons for this were already identified and it is considered that an improved picture would be achieved in terms of alignment were the comparison to be run against data reflecting the current IA position.

4. Measures of success

- 4.1 Resolution of the findings highlighted in the benchmarking exercise will improve the skills set of the IA team and efficiency of delivery of the annual plan.

5. Financial impact

5.1 There are none arising directly from this report.

6. Risk, policy, compliance and governance impact

6.1 There are none arising directly from this report.

7. Equalities impact

7.1 There are none arising directly from this report.

8. Sustainability impact

8.1 There are none arising directly from this report.

9. Consultation and engagement

9.1 Not applicable.

10. Background reading/external references

10.1 [Internal Audit Annual Plan 2018-19](#)

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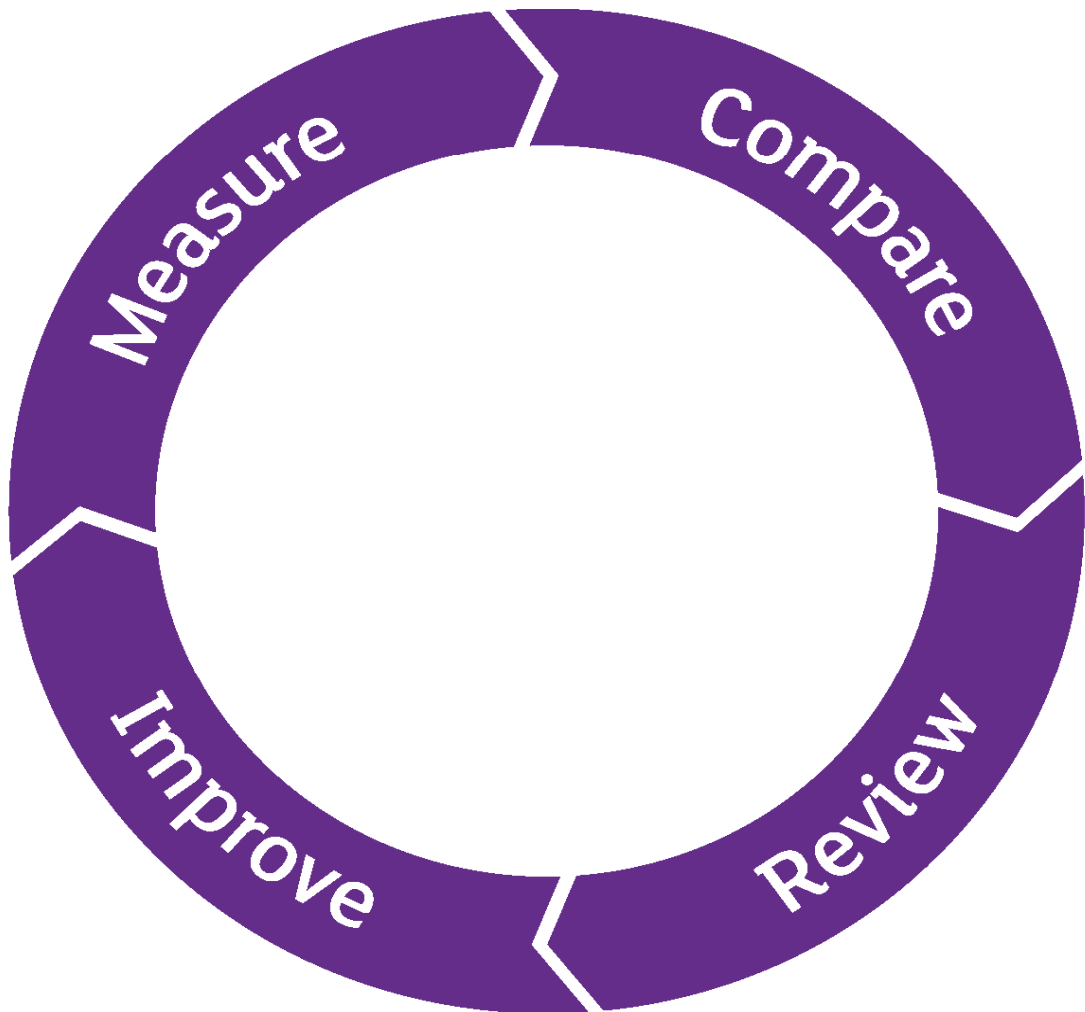
11. Appendices

Appendix 1 – CIPFA Benchmarking Report

Analytics & Research

audit benchmarking club

2018 - Edinburgh Final Report



Introduction

This report closely follows the order of the questionnaire and you may find it helpful to have a copy of your questionnaire to hand when looking through the report.

The report contains a great deal of information that we hope you will find interesting and useful in the management of Audit. However, unlike our other benchmarking reports, it has little direct cost or performance comparisons.

Our aim is to produce benchmarks that are reasonably accurate, but they cannot possibly be precise to the nearest penny. Therefore, members should bear in mind that we are looking for their best estimates throughout the questionnaire, and they are encouraged not to spend unreasonable amounts of time and effort on obtaining absolutely precise figures.

As well as measuring the audit days on different categories of audits we are also collecting data on the number of audit reports produced allowing analysis between audit days and audit reports. It will also allow further analysis of total audit activity and output.

We are also collecting data on assurances provided, starting with the annual opinion issued in accordance with PSIAS. The intention here is to inform the internal auditor's understanding of the risks and challenges affecting their client organisation and how internal control is being impacted. It is not intended to be used as a benchmark of how good an authority is. The information should help internal auditors to provide context when reporting or planning future work.

We will be keen to receive feedback from users on how the club can best support you.

At the end of the Benchmarking process, your authority will also receive supplemental materials which will provide further depth to this report:

- **Interactive report:** an Excel spreadsheet containing all the bar charts found in this report. The user can change the charts to show custom comparator groups.
- **Database:** an Excel spreadsheet containing all data submitted by club members in 2018. The user can also populate a copy of the questionnaire with the data for any member.
- **Narrative report:** a report containing an analysis of the responses to the text based parts of the questionnaire.

We hope you find the report useful. Please let us know any ideas you have that could help improve the exercise.

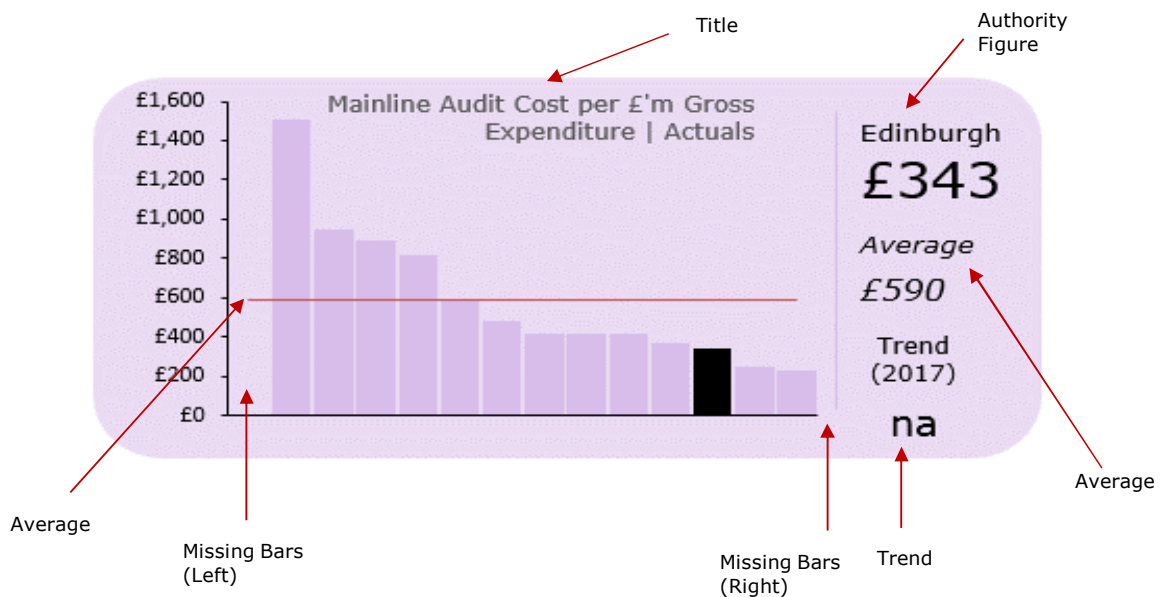
Useful Information

Averages: Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts: We display a large amount of data on charts as this allows us to show data for entire groups efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.) Below we have annotated some examples of the charts we use.

Bar Charts

This is our standard way of displaying a full set of data for a particular indicator



Title: Title of this particular data set

Authority: Figure for your authority

Average: The average figure of all the authorities included in this report.

Trend: The figure that you provided to us for the previous years' club.

Purple Bars: Each purple bar represents an authority in the comparator group

Black Bar: Your authority's figure

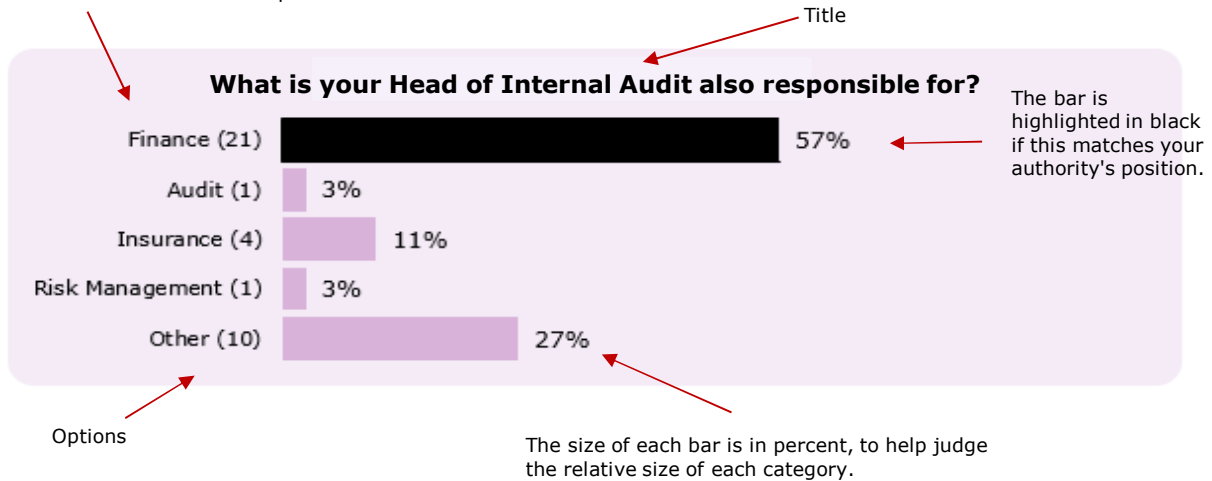
Missing Bars (Left): Missing data or data that has been excluded. These figures are not included in the average.

Missing Bars (Right): Represents values which are 0 and have been included in the average

Useful Information

Summary Bar Charts

The number in brackets is the number of authorities that match this option.



Please note: Depending on the type of data being displayed more than one bar may be highlighted black.

Definitions of Assurance Levels:

Excellent (positive): The control system is effective ensuring service delivery is robust and resilient and client objectives are consistently achieved.

Good (positive): There is a sound system of internal control designed to achieve the client's objectives and manage key risks.

Although key controls are to be put in place, they are not consistently applied in all areas.

Limited (negative): Overall, there are significant weaknesses in the system of internal controls in relation to key risks.

Although this puts some of the client's objectives at risk in one or more key area, there are some adequate controls in place.

Inadequate (negative): Control processes are weak leaving the system open to significant error or abuse and non achievement of the client's objectives.

Significant non-compliance with basic control processes expose the client to error or abuse.

CIPFA Audit Benchmarking Club

2018

Contents

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Section 2: Cost Analysis

This part focuses on side to side comparison of Actuals and Planned data for mainline costs, cost per auditor, and overhead costs.

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Section 3: Audit Coverage

This part focuses on the breakdown of audit days by type of audit. Both Actuals and Planned days are analysed.

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Section 4: Staffing

This section examines staffing salary bands, part time FTE and qualifications.

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Section 5: Audit Context

This part focuses on levels of outsourcing, management reporting and responsibilities.

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Section 6: Corporate Governance

This part analyses the organisation's Annual Government Statement, as well as agreed actions/recommendations from the past 12 months.

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Section 7: Outputs

This section examines the reporting habits of your Internal Audit.

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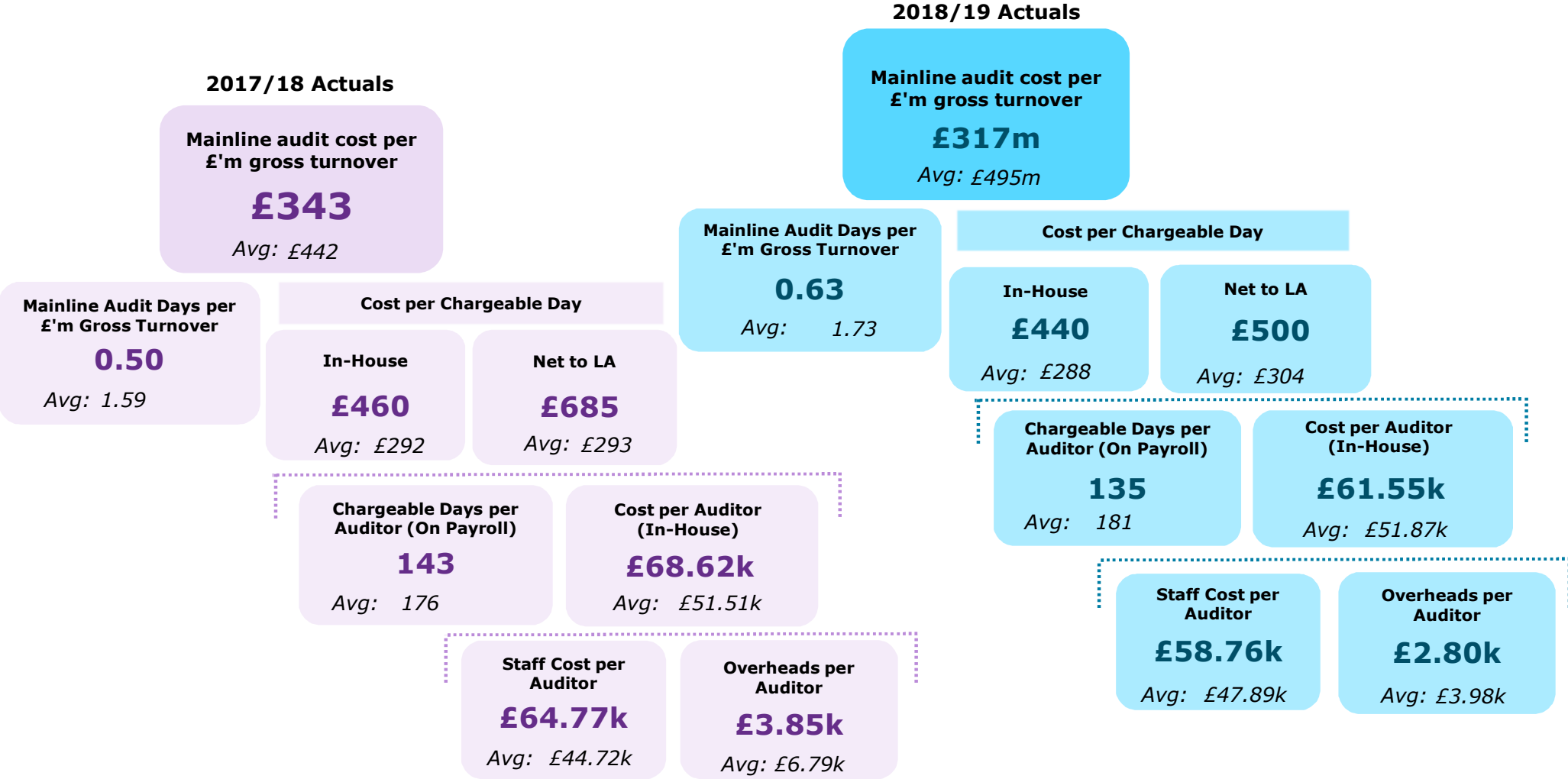
Section 1: Quartile Figures

This section contains data on relative costs and days per auditor in your organisation. Two of the tables present a statistical overview splitting the respondents' sample into three quartiles (25%, 50% and 75%), as well as taking into account the highest and lowest value submitted. This allows you to see the distribution of the data and position yourselves amongst the sample.

Edinburgh	<i>Average</i>	Minimum Value	Lower Quartile	Median	Upper Quartile	Maximum Value	
Cost/auditor £'k							
Pay	£64.8k	£44.7k	£33.7k	£39.3k	£41.6k	£50.8k	£64.8k
Pay	£58.8k	£47.9k	£39.4k	£45.3k	£47.7k	£50.1k	£58.8k
Overheads	£3.8k	£6.8k	£0.3k	£1.6k	£3.6k	£6.6k	£47.1k
Overheads	£2.8k	£4.0k	£0.8k	£1.7k	£2.6k	£4.3k	£15.8k
Total	£68.6k	£51.5k	£34.2k	£43.0k	£48.6k	£56.0k	£86.3k
Total	£61.6k	£51.9k	£41.8k	£48.4k	£51.1k	£57.1k	£61.6k
Chargeable Days per auditor	143	176	143	163	172	187	260
Chargeable Days per auditor	135	181	135	177	184	188	202
Cost per day (net to LA)	£685	£293	£63	£254	£283	£325	£685
Cost per day (net to LA)	£500	£304	£185	£267	£285	£360	£500
Chargeable Days per £'m	0.5	1.6	0.5	1.1	1.3	2.2	3.3
Chargeable Days per £'m	0.6	1.7	0.6	1.1	1.4	2.2	3.6
Cost per £'m	£343	£442	£227	£294	£417	£510	£895
Cost per £'m	£317	£495	£221	£312	£394	£615	£1,014

The Total Cost per Auditor in 2017/18 for Edinburgh is situated in the interval between the upper quartile and the maximum value implying that more than 75% of the authorities have a lower or equal total cost per auditor.

Section 2: Cost Analysis



In-house means staff on payroll & agency staff, exc. bought-in & contracted out.

This tree diagram displays a number of key cost benchmarks. For each benchmark two figures are given, the first being the authority's value and the second (in italics) is the group average.

Section 2: Cost Analysis | Continuation

Basic Data for Edinburgh	2017/18 Actuals	2018/19 Planned
Gross turnover £'m	£1,758m	£1,871m
FTE staff (on payroll)	6	9
FTE agency staff	0.5	0.7
Staff cost (on payroll) £'k	£360k	£507k
Agency staff cost £'k	£61k	£60k
Overheads cost £'k	£25k	£27k
Bought-in cost £'k	£201k	£45k
Contracted out cost £'k	£0k	£0k

Benchmarks	2017/18 Actuals		2018/19 Planned	
	Edinburgh	Avg.	Edinburgh	Avg.
Mainline audit days per £'m gross t/o	0.50	1.59	0.63	1.73
Cost per £'m gross turnover	£343	£442	£317	£495
Chargeable days per auditor (on payroll)	143	176	135	181
Cost per auditor (in-house)	£68.62k	£51.51k	£61.55k	£51.87k
Staff cost per auditor (in-house)	£64.77k	£44.72k	£58.76k	£47.89k
Overheads cost per auditor (in-house)	£3.85k	£6.79k	£2.80k	£3.98k

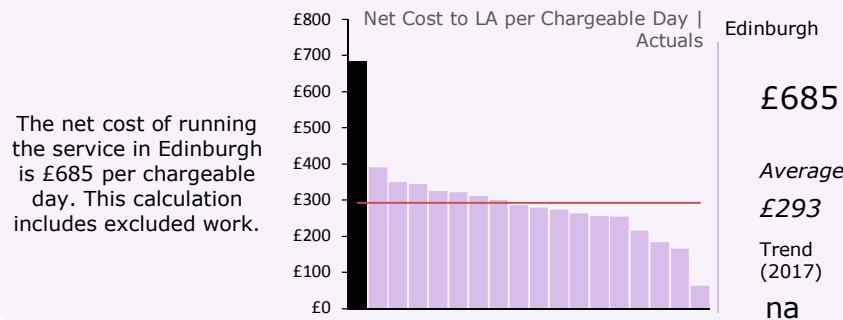
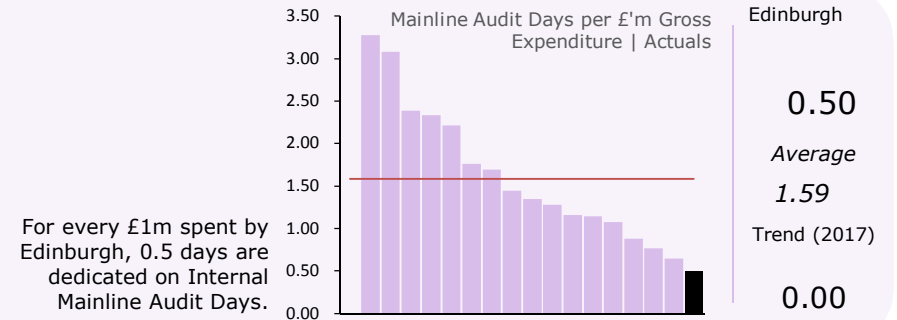
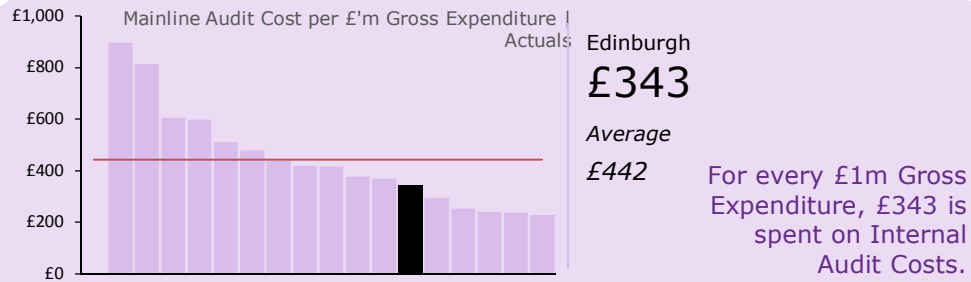
Chargeable Audit Days	Audit Days	Cost £'k	Cost / Day	Avg.
In-House Actuals 2017-18	970	£446k	£460	£292
In-House Actuals 2018-19	1,351	£594k	£440	£288
Bought-In* Actuals 2017-18	155	£201k	£1,297	£375
Bought-In* Actuals 2018-19	80	£45k	£563	£318
Contracted-Out Actuals 2017-18	0	£0k	na	£391
Contracted-Out Actuals 2018-19	0	£0k	na	£363
Total Actuals 2017-18	1,125	£647k	£575	£301
Total Actuals 2018-19	1,431	£639k	£446	£296
Work for Other Bodies Actuals 2017-18	245	£44k	£180	£255
Work for Other Bodies Planned 2018-19	245	£46k	£188	£259
Net to LA Actuals 2017-18	880	£603k	£685	£293
Net to LA Planned 2018-19	1,186	£593k	£500	£304
Excluded work Actuals 2017-18	0	£0k		
Excluded work Planned 2018-19	0	£0k		
Mainline Audit Actuals 2017-18	880	£603k		
Mainline Audit Planned 2018-19	1,186	£593k		

* Bought-in days are shown inclusive of non-chargeable days to show a consistent cost/day figure.

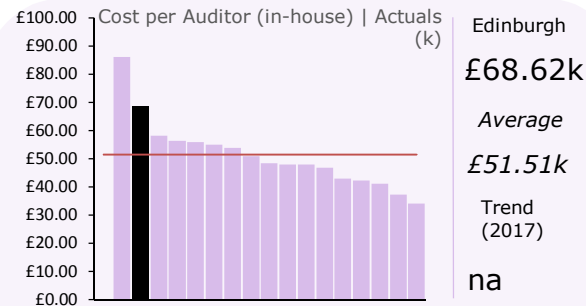
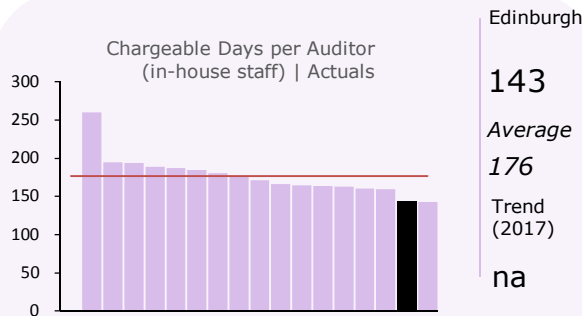
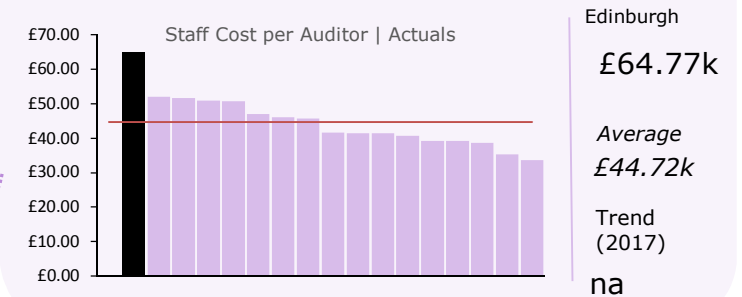
Audit Questionnaire, Sections 3 & 4(b)

Section 2: Cost Analysis | Continuation

Breakdown of Mainline Audit Costs | Actuals



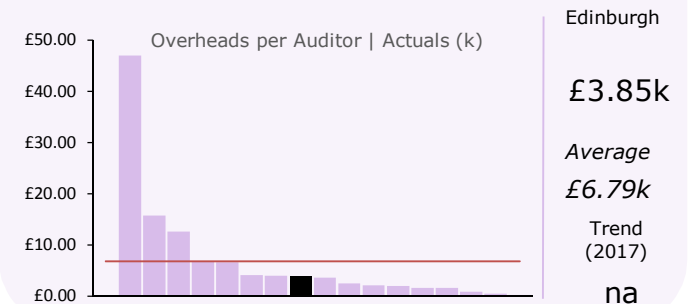
Edinburgh spends £64.77k per in-house auditor. This is the total cost per auditor for only agency staff and staff on payroll. This is 45% more than the average amount spent per in-house auditor.



Edinburgh spends £68.62k per in-house auditor. This is the total cost per auditor with contracted-out and bought-in costs deducted.

This is 33% more than the average amount spent per in-house auditor.

The overhead costs include any indirect and direct costs, contracted-out and bought-in costs excluded.

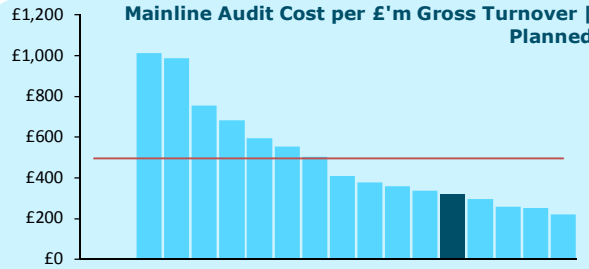


Edinburgh spends 143 days per in-house auditor (staff on payroll and agency staff).

This is 19% less than the time spent on average.

Section 2: Cost Analysis | Continuation

Breakdown of Planned Mainline Audit Costs | Planned



Edinburgh

£317

Average

£495

Trend (2017)

na

For every £1m Gross Expenditure, £317 is planned to be spent on Internal Audit Costs.

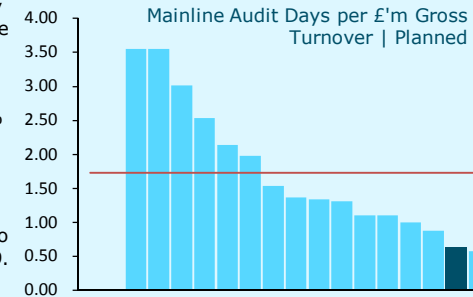
This is a decrease of 8% compared to 2017-18 Actuals.

On average, the Internal Audit spent is estimated to increase by 12% in 2018-19.

For every £1m spent by Edinburgh, 0.63 days are dedicated on Internal Mainline Audit Days.

This is an increase of 27% compared to 2017-18 Actuals.

On average, the Internal Audit days are estimated to increase by 9% in 2018-19.



Edinburgh

0.63

Average

1.73

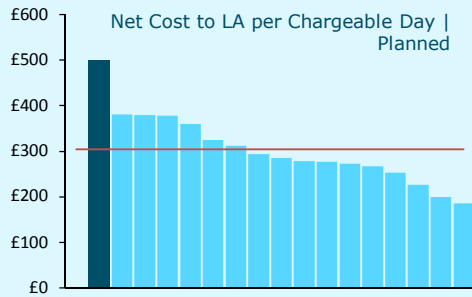
Trend (2017)

na

The net cost of running the service in Edinburgh is £500 per chargeable day. This includes excluded work.

This is a decrease of 27% compared to 2017-18 Actuals.

On average, the net cost of running the service is expected to increase by 4% in 2018-19.



Edinburgh

£500

Average

£304

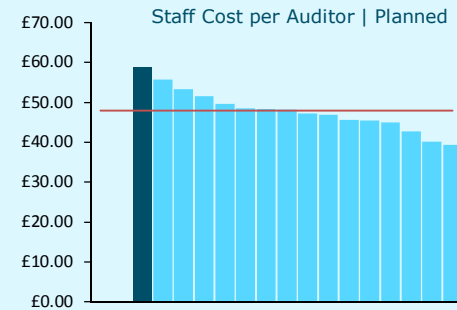
Trend (2017)

na

Edinburgh spends £58.76k per in-house auditor. This is the total cost per auditor for only agency staff and staff on payroll.

This is a decrease of 9% compared to 2017-18 Actuals.

On average, the spend per in-house auditor is expected to increase by 7% in 2018-19.



Edinburgh

£58.76k

Average

£47.89k

Trend (2017)

na

Chargeable Days per Auditor (in-house staff) Planned

Edinburgh

135

Average

181

Trend (2017)

na

Edinburgh spends 135 days per in-house auditor (staff on payroll and agency staff).

This is a decrease of 6% compared to 2017-18 Actuals.

On average, the days spent per in-house auditor are to increase by 3% in 2018-19.

Cost per Auditor (in-house) Planned

Edinburgh

£61.55k

Average

£51.87k

Trend (2017)

na

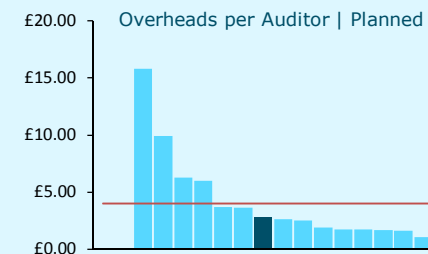
Edinburgh spends £61.55k per in-house auditor. This is the total cost per auditor with contracted-out and bought-in costs deducted.

This is a decrease of 10% compared to 2017-18 Actuals.

On average, the spend per in-house auditor is expected to remain stable with a slight decrease of 0.7% in 2018-19.

The overhead costs per auditor for Edinburgh are to face a decrease of 27% compared to 2017-18 Actuals.

The average change between planned and actual data is a decrease of 41%.



Edinburgh

£2.80k

Average

£3.98k

Trend (2017)

na

Section 2: Cost Analysis | Continuation

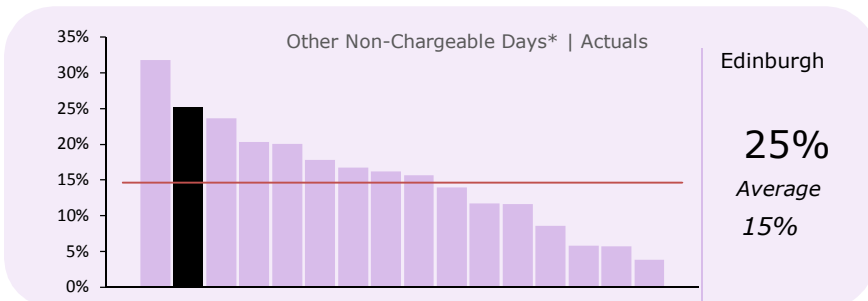
Analysis of Days per Auditor

Edinburgh	Number of Days		Days per FTE		Average Days per FTE	
	2017/18 Actuals	2018/19 Planned	2017/18 Actuals	2018/19 Planned	2017/18 Actuals	2018/19 Planned
Total Days PA	1,560	2,340	260	260	260	260
Non-Productive Days:						
Bank Holidays	36	54	6	6	9	7
Annual Leave	162	266	27	30	30	31
Special Leave	0	0	0	0	1	0
Sickness	140	287	23	>max	7	4
Training	10	27	2	3	9	7
Available Days	1,212	1,706	202	190	208	209
Other Non-Chargeable Days	351	495	59	55	33	27
Chargeable Days	861	1,211	143	135	176	181

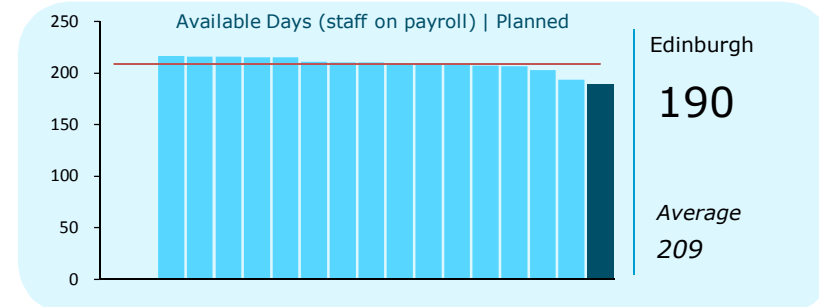
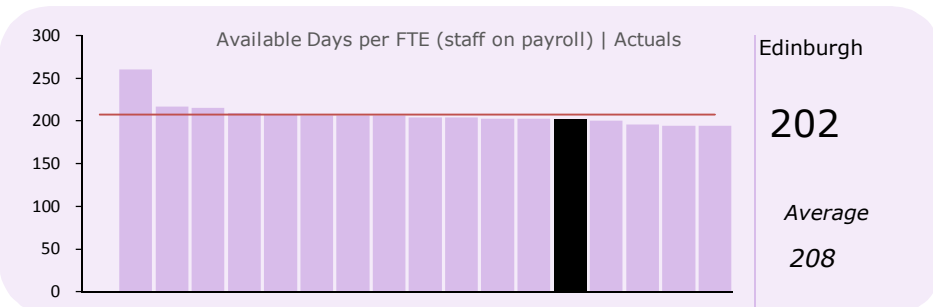
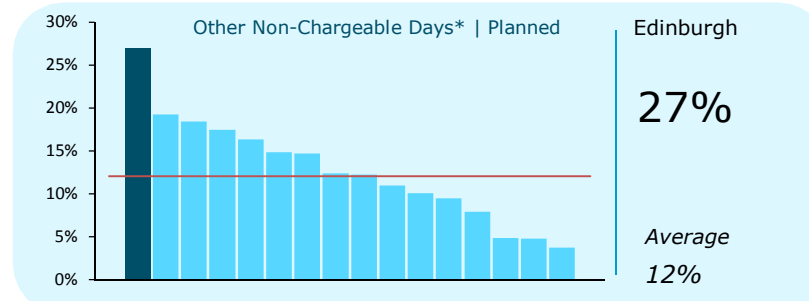
Overhead Costs	Total Cost		Cost per FTE		Avg. Cost per FTE	
	2017/18 Actuals	2018/19 Planned	2017/18 Actuals	2018/19 Planned	2017/18 Actuals	2018/19 Planned
Transport & travel	£0k	£0k	£0.00k	£0.00k	£0.15k	£0.22k
Other running costs	£6k	£7k	£0.92k	£0.73k	£1.01k	£1.04k
Accommodation	£0.00k	£0.00k	£0.00k	£0.00k	£0.88k	£0.95k
IT	£19k	£20k	£2.92k	£2.07k	£0.81k	£0.80k
Other central charges	£0.00k	£0.00k	£0.00k	£0.00k	£4.57k	£1.22k
Total Overhead Cost	£25k	£27k	£3.85k	£2.80k	£6.79k	£3.98k

Agency Staff Days

	2017/18 Actuals	2018/19 Planned
Total Agency Staff Days	164	210
Non-Chargeable Days	27	35
Chargeable Agency Staff Days	137	0



*This is displayed as a percentage of all available days, including agency staff and bought-in audit.



Section 3: Audit Coverage

3a. Audit Days by Type of Audit per £'m 2017/18 Actuals

Types of Audit	Mainline Audit Days Actuals			Bought-In Audit Days Actuals			Contracted-Out Audit Days Actuals		
	Days (number)	Days/£'m Turnover	Days/£'m Turnover Avg.	Days (number)	% of Total Mainline Days	% Avg.	Days (number)	% of Total Mainline Days	% Avg.
Fundamental Financial Systems	15	0.01	0.26	..	0.0%	9.8%	..	0.0%	6.3%
Fundamental Non-Financial Systems	30	0.02	0.15	..	0.0%	10.0%	..	0.0%	0.0%
Strategic and Corporate Risks	30	0.02	0.15	..	0.0%	6.4%	..	0.0%	6.3%
Operational and Departmental Risks	190	0.11	0.25	..	0.0%	8.2%	..	0.0%	7.7%
Corporate Governance	0	0.00	0.09	..	na	8.3%	..	na	8.3%
Core IT	60	0.03	0.07	..	0.0%	21.1%	..	0.0%	6.7%
Commissioning which includes contracts and procurement	30	0.02	0.06	..	0.0%	0.4%	..	0.0%	8.3%
Establishments – non-schools (planned and reactive audits)	420	0.24	0.02	..	0.0%	0.0%	..	0.0%	0.0%
LA schools (planned and reactive audits)	0	0.00	0.10	0	na	0.0%	..	na	1.9%
Transformation and major projects	75	0.04	0.02	..	0.0%	1.8%	..	0.0%	14.3%
Consultancy and audit related advisory services	20	0.01	0.10	..	0.0%	0.1%	..	0.0%	9.1%
Other (please specify below)	10	0.01	0.32	0	0.0%	0.0%	..	0.0%	0.0%
Total Mainline Audit Days	880	0.50	1.59	..	0.0%	6.5%	..	0.0%	5.2%

Gross Expenditure
£'m
£1,758m
Avg: £809m

3b. Audit Days per £'m 2018/19 Planned

Types of Audit	Mainline Audit Days Plan			Bought-In Audit Days Plan			Contracted-Out Audit Days Plan		
	Days (number)	Days/£'m Turnover	Days/£'m Turnover Avg.	Days (number)	% of Total Mainline Days	% Avg.	Days (number)	% of Total Mainline Days	% Avg.
Fundamental Financial Systems	90	0.05	0.22	..	0.0%	6.3%	..	0.0%	6.3%
Fundamental Non-Financial Systems	80	0.04	0.08	..	0.0%	0.0%	..	0.0%	0.0%
Strategic and Corporate Risks	90	0.05	0.18	..	0.0%	6.3%	..	0.0%	6.3%
Operational and Departmental Risks	192	0.10	0.35	0	0.0%	7.7%	..	0.0%	7.7%
Corporate Governance	40	0.02	0.10	..	0.0%	7.7%	..	0.0%	7.7%
Core IT	90	0.05	0.11	..	0.0%	19.6%	..	0.0%	6.7%
Commissioning which includes contracts and procurement	40	0.02	0.08	..	0.0%	0.0%	..	0.0%	8.3%
Establishments – non-schools (planned and reactive audits)	60	0.03	0.01	..	0.0%	0.0%	..	0.0%	0.0%
LA schools (planned and reactive audits)	50	0.03	0.08	..	0.0%	0.0%	..	0.0%	10.0%
Transformation and major projects	300	0.16	0.04	..	0.0%	0.0%	..	0.0%	0.0%
Consultancy and audit related advisory services	45	0.02	0.08	..	0.0%	0.0%	..	0.0%	0.0%
Other (please specify below)	9	0.00	0.26	..	0.0%	7.1%	..	0.0%	0.0%
Contingency*	100	0.05	0.14	..	0.0%	0.0%	..	0.0%	7.7%
Total Mainline Audit Days	1,186	0.63	1.73	..	0.0%	6.1%	..	0.0%	5.8%

Gross Expenditure
£'m
£1,871m
Avg: £730m

Audit Questionnaire, Section 4(a)

Section 3: Audit Coverage | Continuation

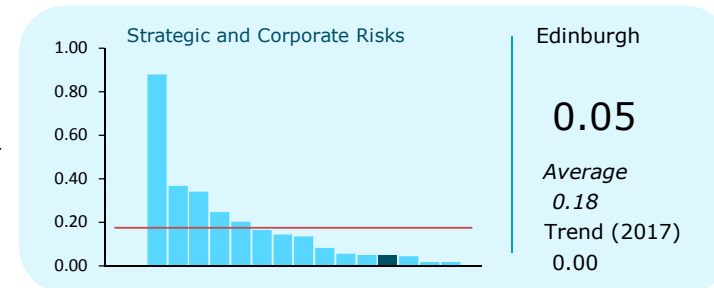
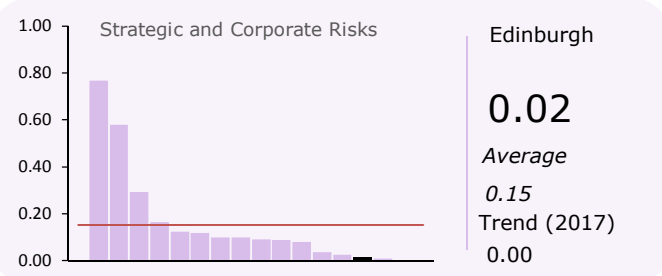
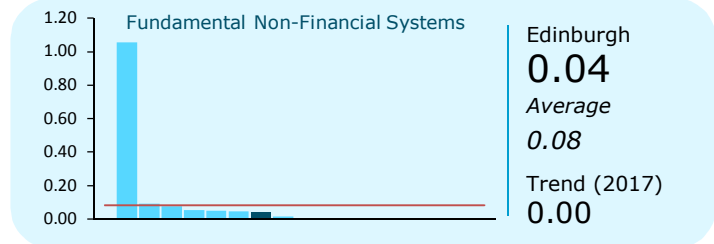
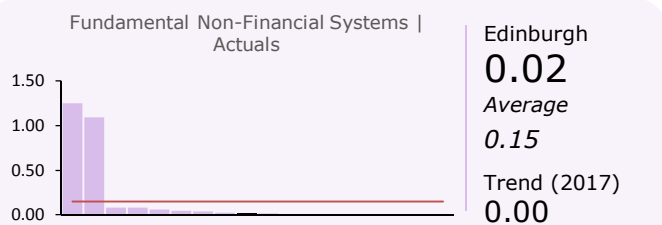
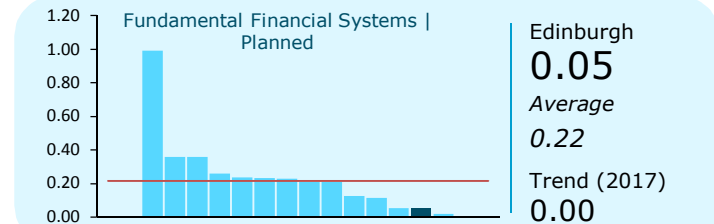
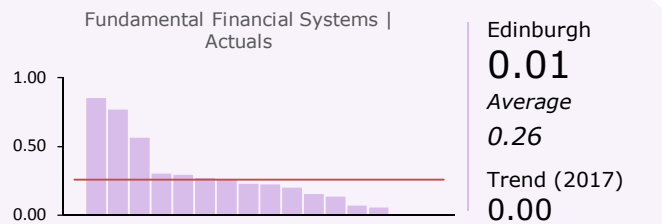
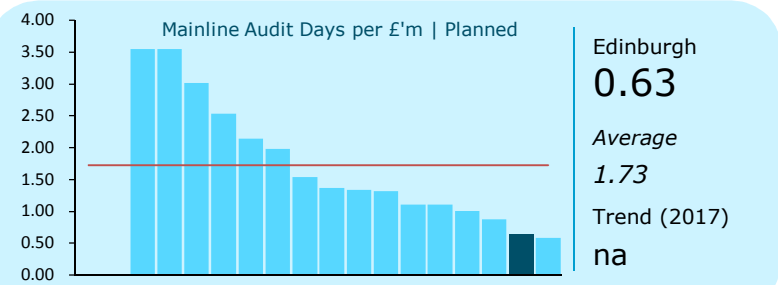
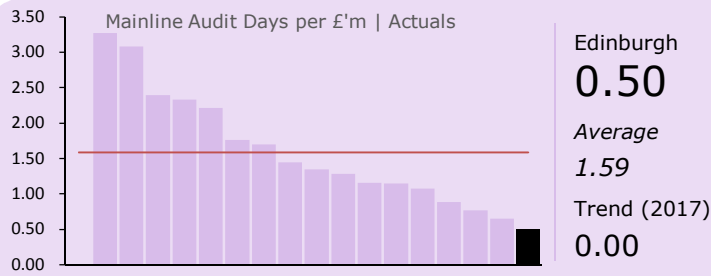
All of the figures should be interpreted as the number of days spent on the particular activity for each million pound spent by Edinburgh.

Edinburgh spent 0.5 days on Mainline Audit for 2017-18.
With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is an increase for the next financial year.

Edinburgh spent 0.01 days on Fundamental Financial Systems for 2017-18.
With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is a decrease for the next financial year.

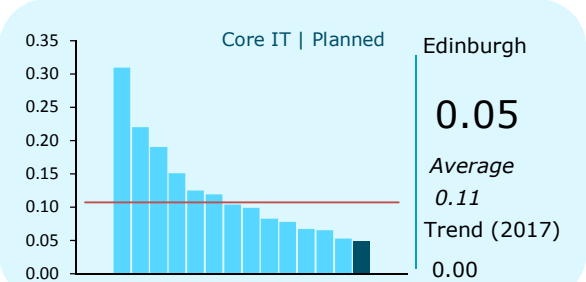
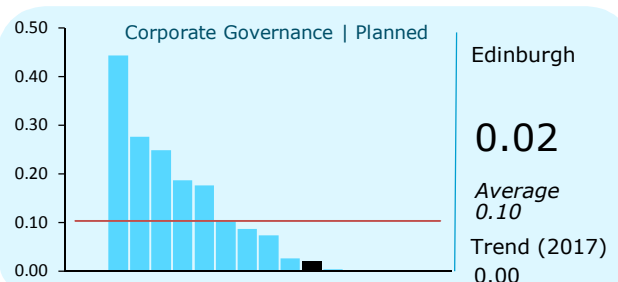
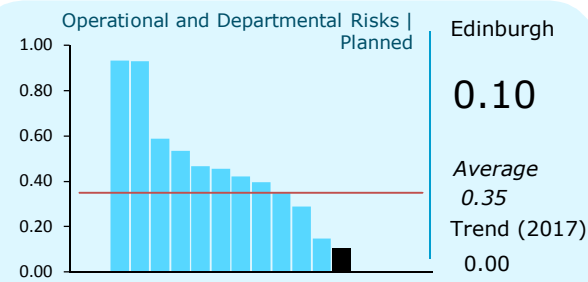
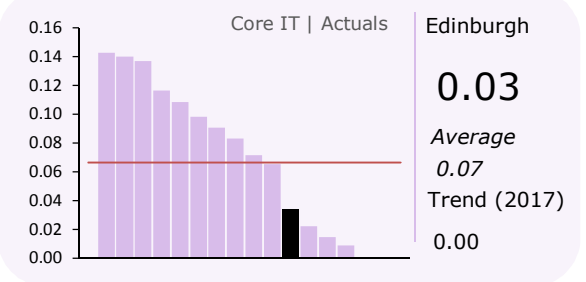
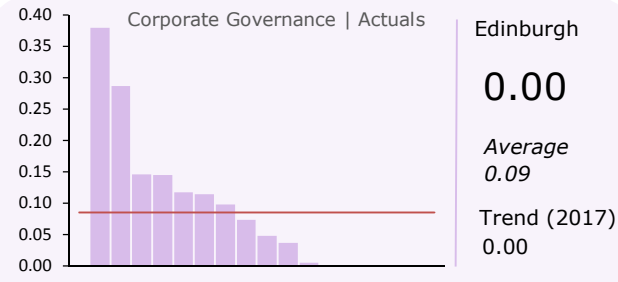
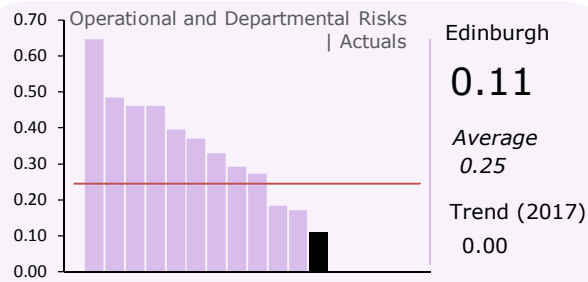
Edinburgh spent 0.02 days on Fundamental Non Financial Systems for 2017-18.
With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is a decrease for the next financial year.

Edinburgh spent 0.02 days on Strategic and Corporate Risks for 2017-18.
With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is an increase for the next financial year.



Audit Questionnaire, Section 4(a)

Section 3: Audit Coverage | Continuation



All of the figures should be interpreted as the number of days spent on the particular activity for each million pound spent by Edinburgh.

Edinburgh spent 0.11 days on Operational and Departmental Risks for 2017-18.

With regards to its planned data, Edinburgh expects to have a decrease in the number of days in 2018-19. The average trend is an increase for the next financial year.

Edinburgh spent 0. days on Corporate Governance for 2017-18.

With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is an increase for the next financial year.

Edinburgh spent 0.03 days on Core IT for 2017-18.

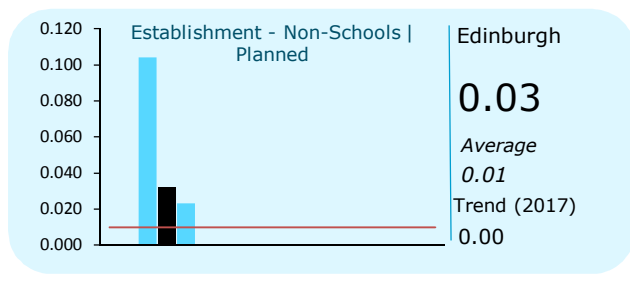
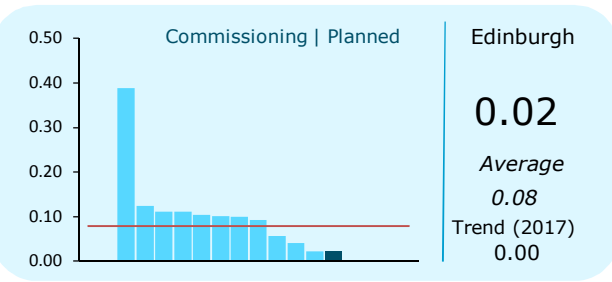
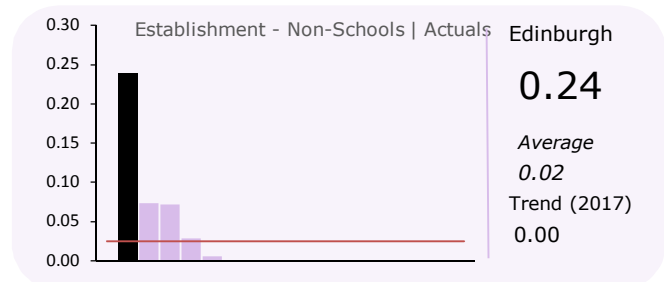
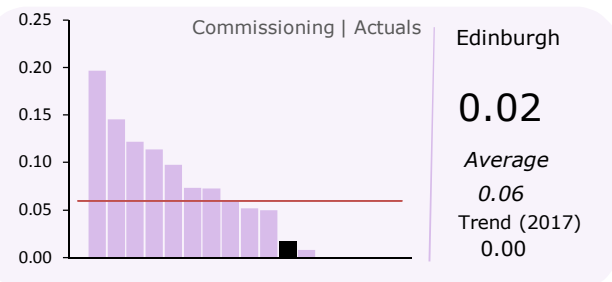
With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is an increase for the next financial year.

Edinburgh spent 0.02 days on Commissioning for 2017-18.

With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is an increase for the next financial year.

Edinburgh spent 0.24 days on Non School Establishments for 2017-18.

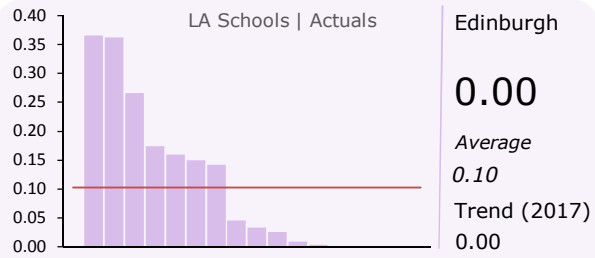
With regards to its planned data, Edinburgh expects to have a decrease in the number of days in 2018-19. The average trend is a decrease for the next financial year.



Section 3: Audit Coverage | Continuation

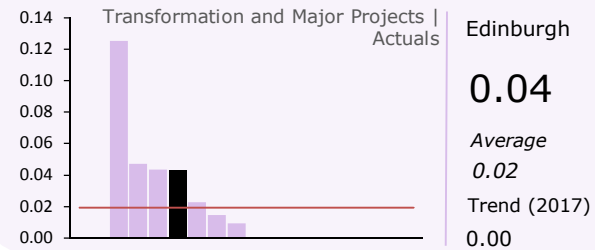
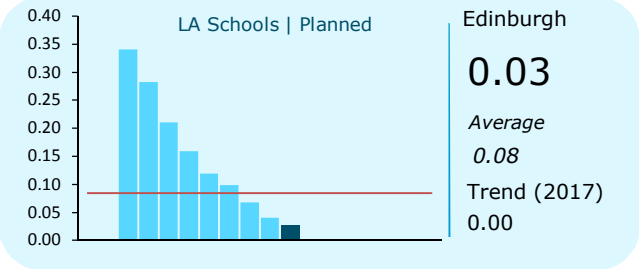
3a. Audit Days by Type of Audit per £'m 2017/18 | Continuation

All of the figures should be interpreted as the number of days spent on the particular activity for each million pound spent by Edinburgh.



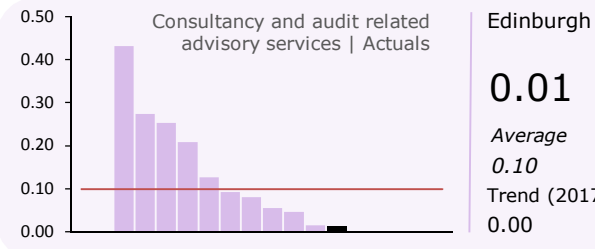
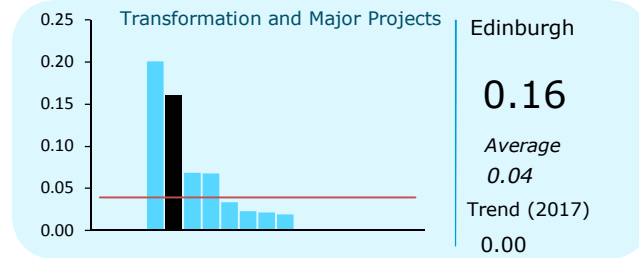
Edinburgh spent 0. days on Schools for 2017-18.

With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is an decrease for the next financial year.



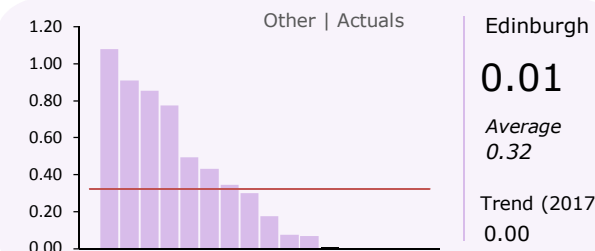
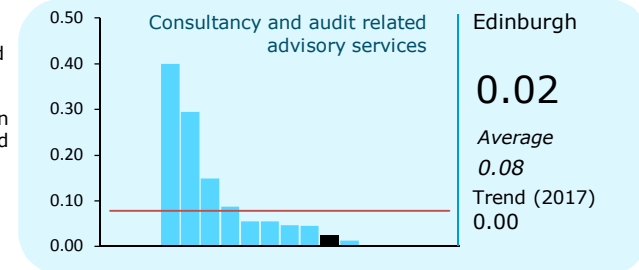
Edinburgh spent 0.04 days on Transformation and major projects for 2017-18.

With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is an increase for the next financial year.



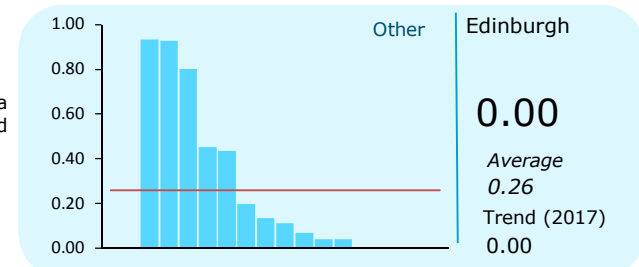
Edinburgh spent 0.01 days on Consultancy and audit related advisory services for 2017-18.

With regards to its planned data, Edinburgh expects to have an increase in the number of days in 2018-19. The average trend is a decrease for the next financial year.



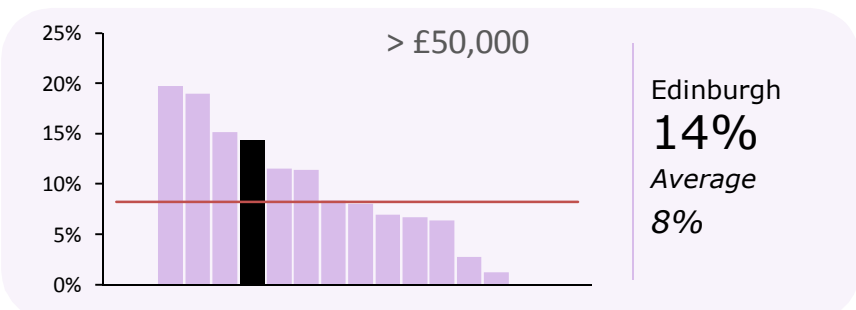
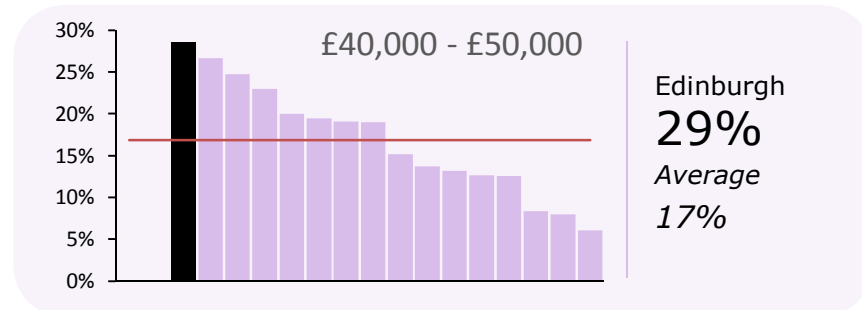
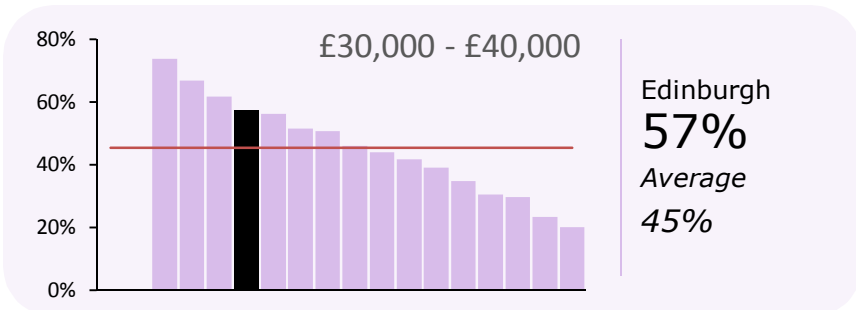
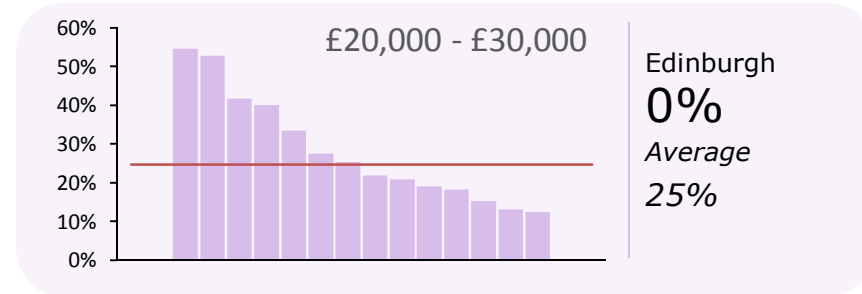
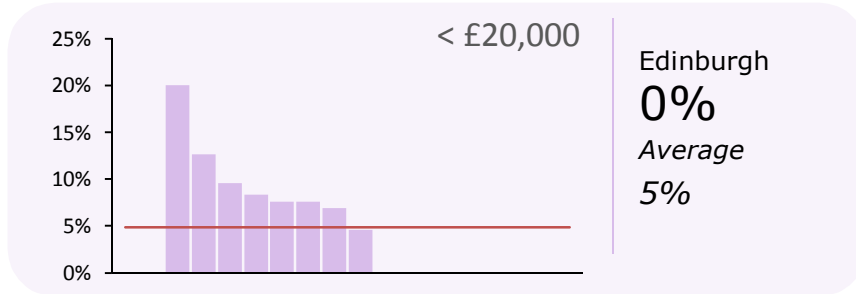
Edinburgh spent 0.01 days on Other Activities for 2017-18.

With regards to its planned data, Edinburgh expects to have a decrease in the number of days in 2018-19. The average trend is an decrease for the next financial year.



Section 4: Staffing

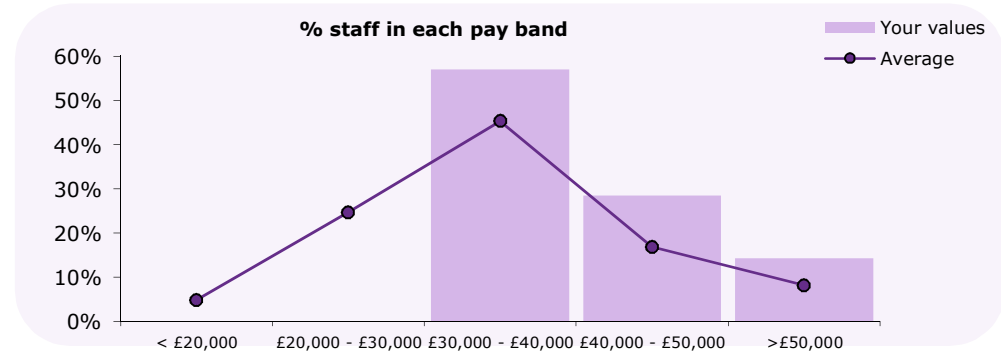
Staff Salary Bandings at 31 March 2018



Section 4: Staffing | Continuation

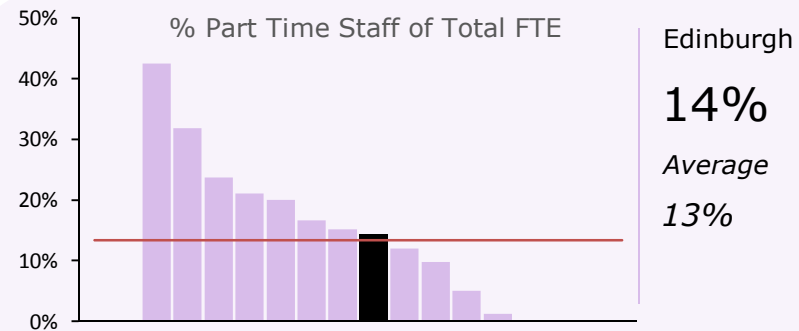
Staff Salary Bandings at 31 March 2018, Part Time Staffing, and Qualifications

Bands	FTE	% of Total	Avg. %
under £20k	0.0	0%	5%
£20k-30k	0.0	0%	25%
£30k-40k	4.0	57%	45%
£40k-50k	2.0	29%	17%
> £50k	1.0	14%	8%
Total	7.0		



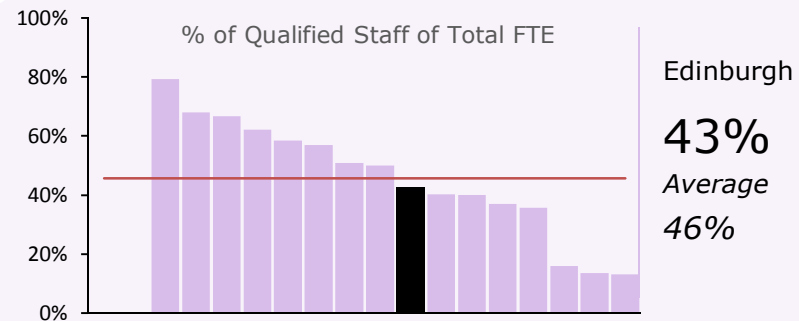
Part Time Staff at 31 March 2018

Staff	FTE	% of Total	Avg. %
Full time	6.0	86%	87%
Part time	1.0	14%	13%



Audit Qualifications at 31 March 2018

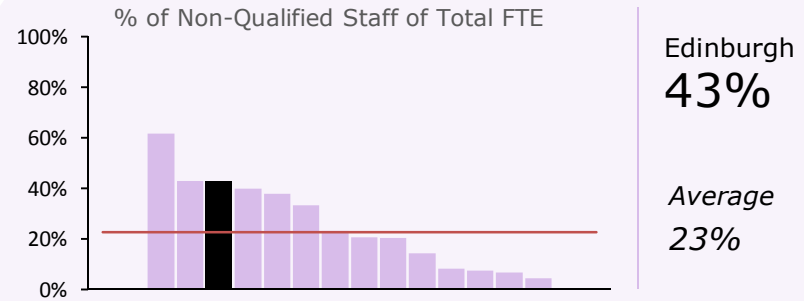
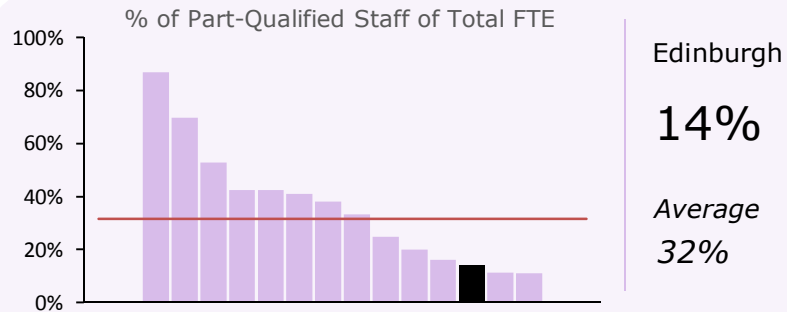
Staff	FTE	% of Total	Avg. %
Qualified	3.0	43%	46%
Part-Qualified	1.0	14%	32%
Non-Qualified	3.0	43%	23%
Total	7.0		



Audit Questionnaire, Section 6(a) & (b)

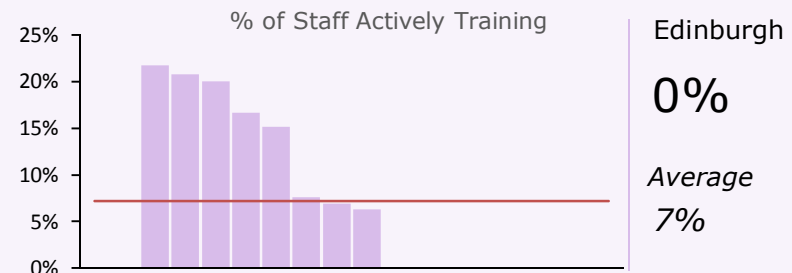
Section 4: Staffing | Continuation

Audit Qualifications at 31 March 2018 Continuation



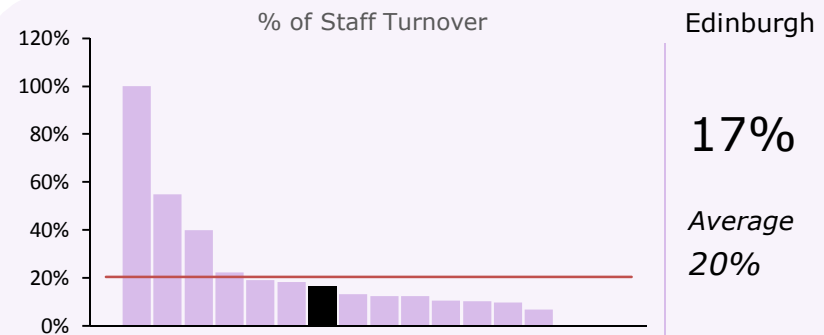
% Audit Staff in Training at 31 March 2018

Staff	FTE	% of Total	Avg. %
Trainees	0.0	0%	7%



Audit Staff Level Changes

Staff	FTE	% of Total	Avg. %
Staff at 31 March 2017	6.0		
Staff leaving the audit section	1.0	17%	20%
Staff joining the audit section	2.0	33%	27%
Staff at 31 March 2018	7.0		



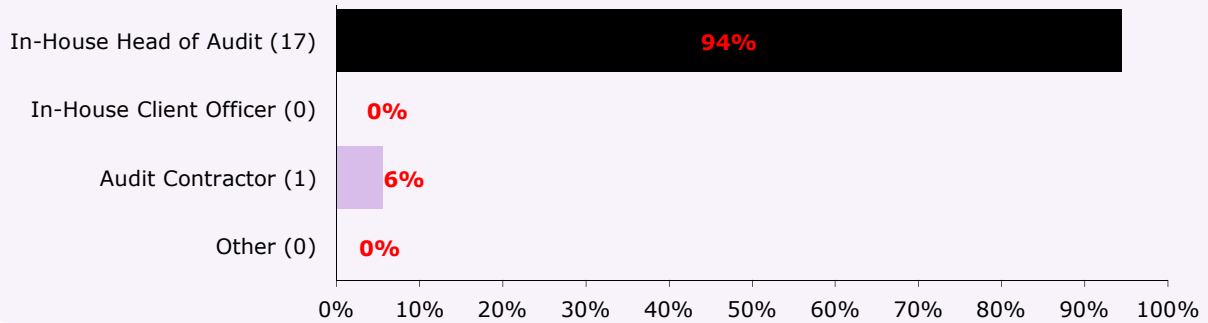
Section 5: Audit Context

Level of Outsourcing within Internal Audit

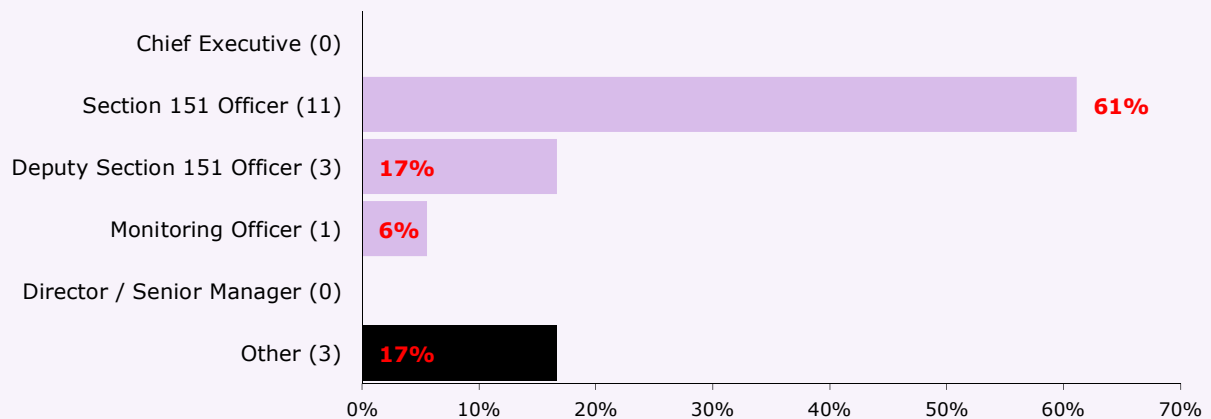
Service Structure	% Delivered	Avg.
In-House	100%	82%
Outsourced to a SSA	0%	6%
Outsourced to an EC	0%	12%

SSA = Shared Service Arrangement
EC = External Contractor

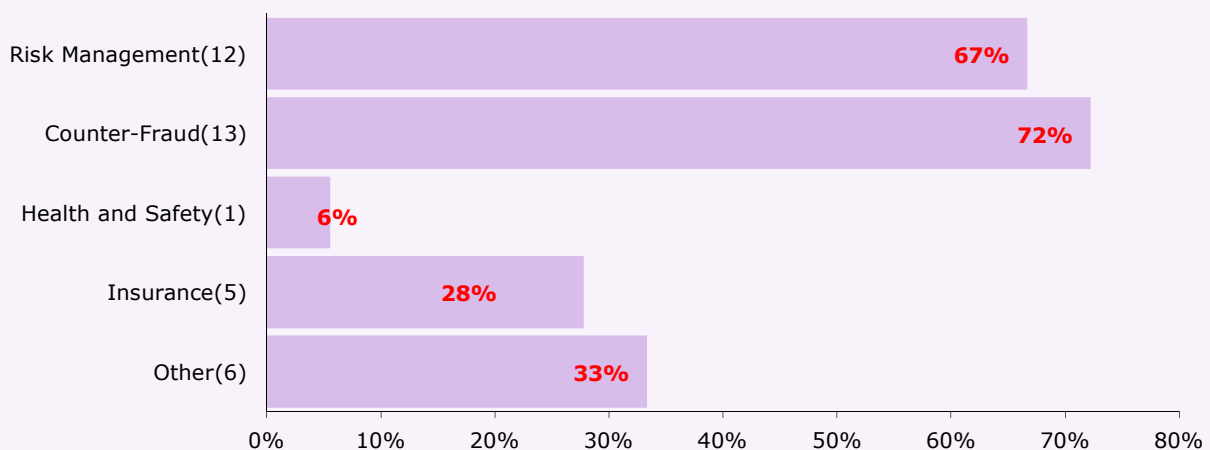
What is the role of your Head of Internal Audit?



What is the management reporting line of your Head of Internal Audit?



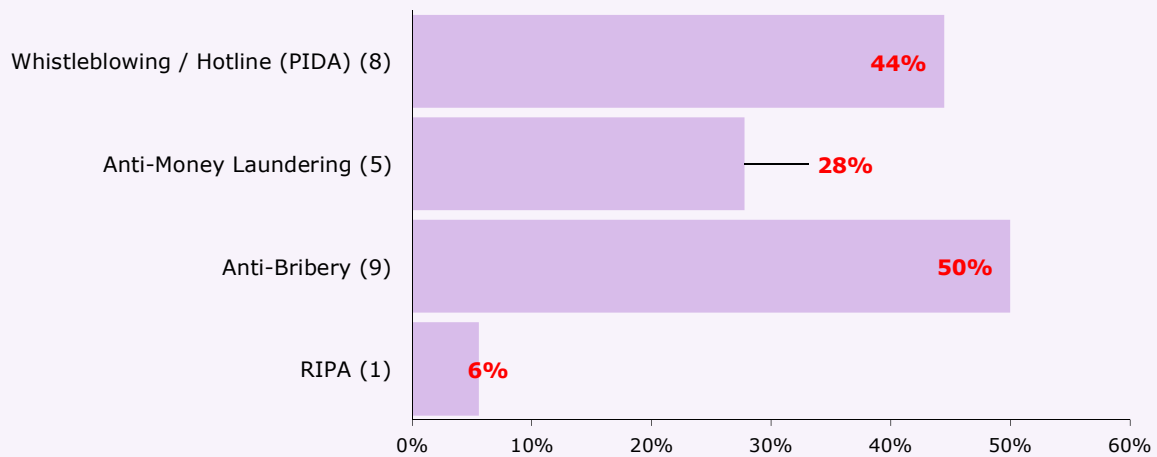
What is your Head of Internal Audit also responsible for?



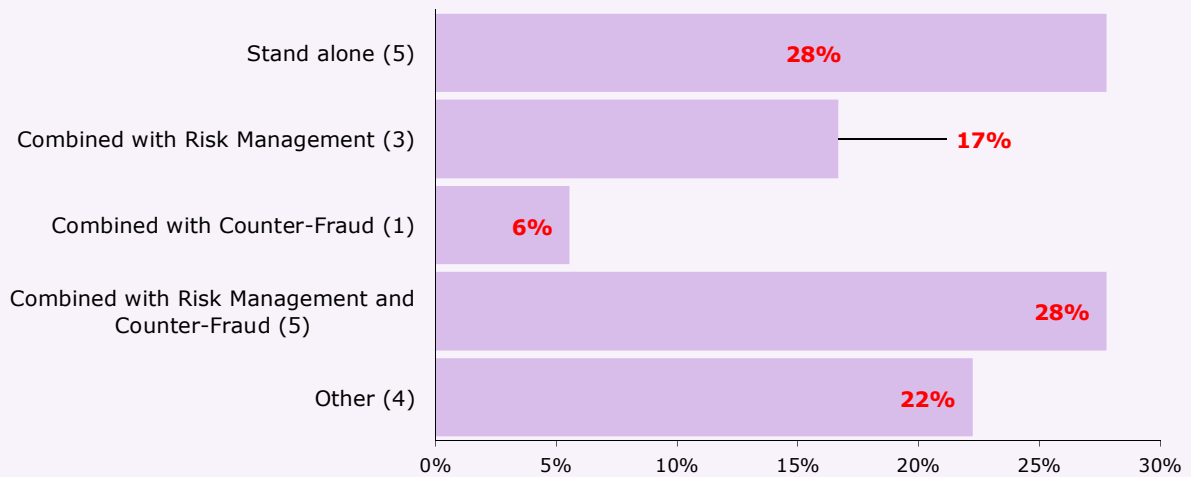
Audit Questionnaire, Sections 1 & 7(a)

Section 5: Audit Context | Continuation

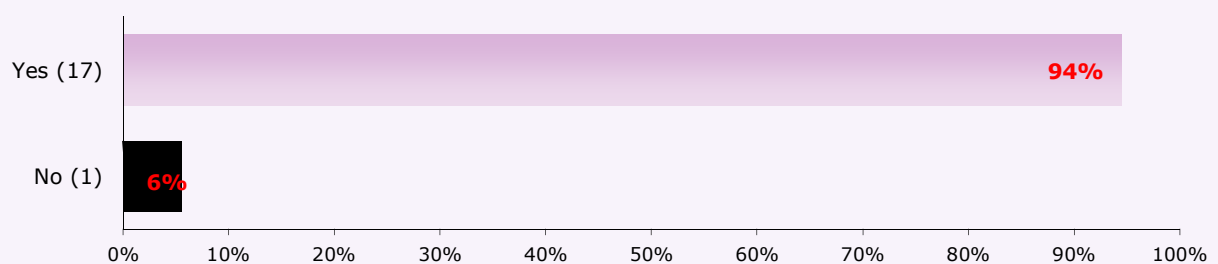
What areas is the Head of Internal Audit the notifiable officer for?



Where does the Audit function fit into your structure?

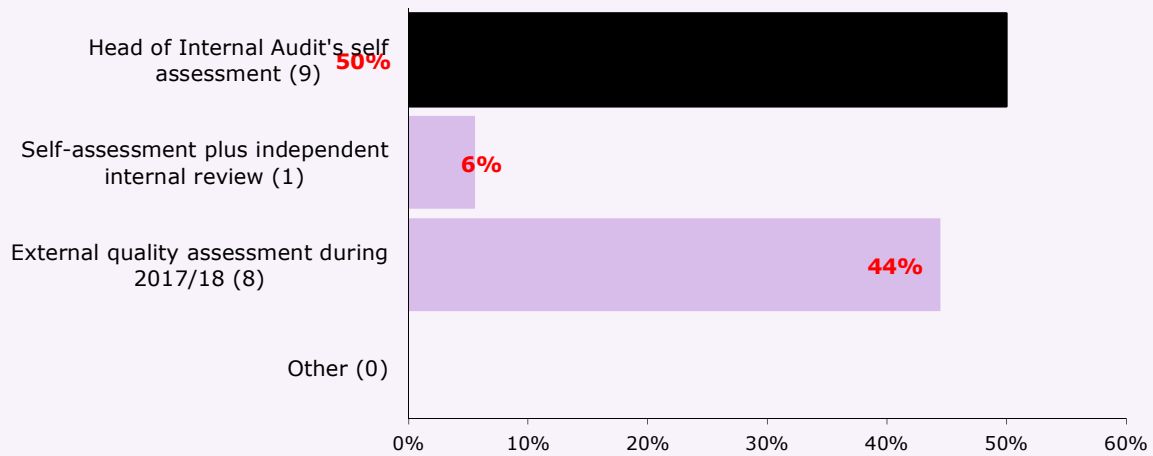


Does your Internal Audit function comply with PSIAS?



Section 5: Audit Context | Continuation

What is the basis for the head of internal audit's statement in the Annual Report?



Year of External Quality Assessment

2016/2017

Plan for External Quality Assessment

2021/2022

Who undertook/will undertake External Quality Assessment?

Another Scottish local authority
Internal Audit team

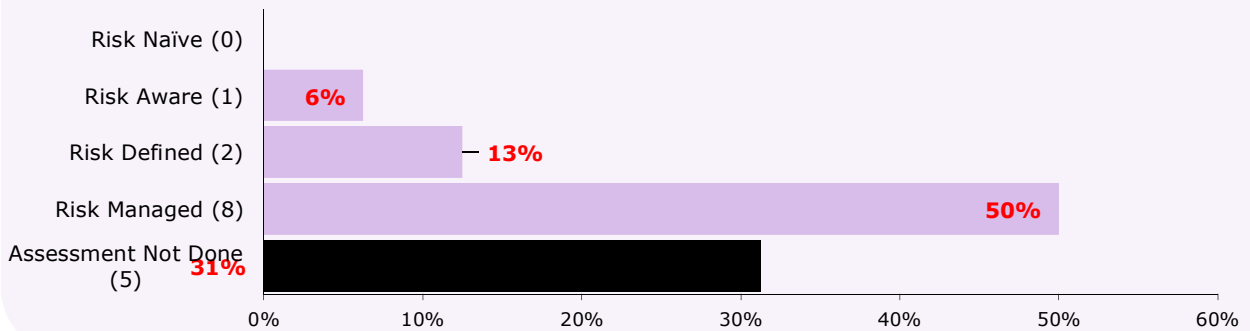
Does External Quality Assessment include compliance with Local Government Application Note and PSIAS?

No

Section 6: Corporate Governance

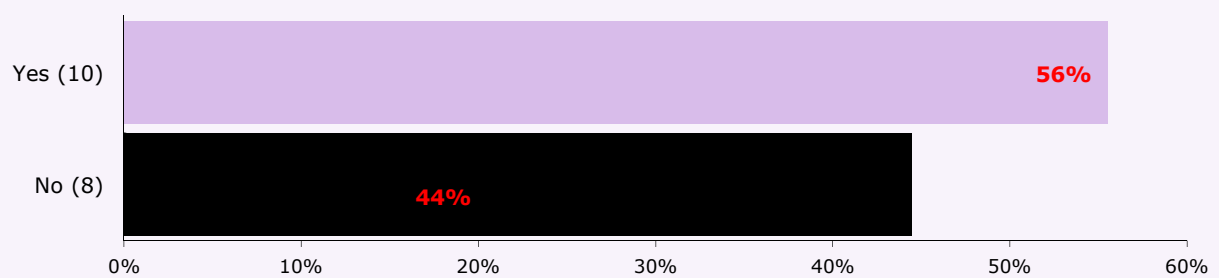
The Council

What is the outcome of risk maturity assessment?

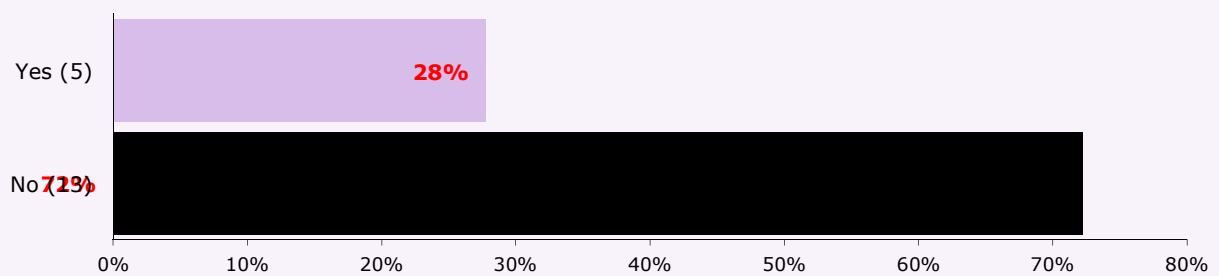


The Council's Annual Governance Statement

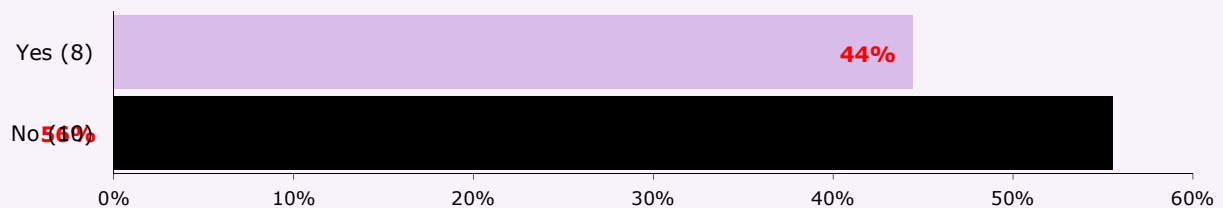
Does Internal Audit take the lead in preparing the Annual Governance Statement?



Do you audit the Annual Governance Statement?

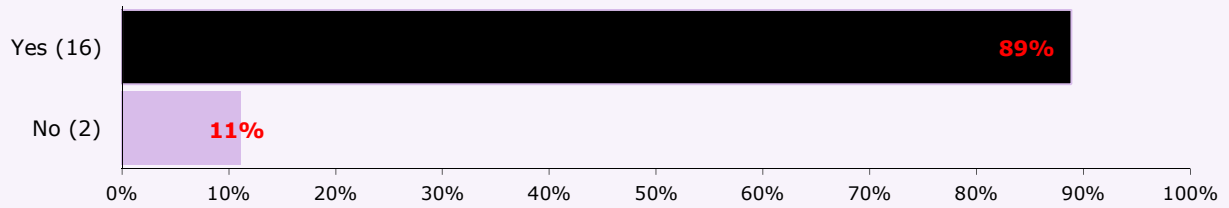


Does Internal Audit take the lead in the risk management framework?

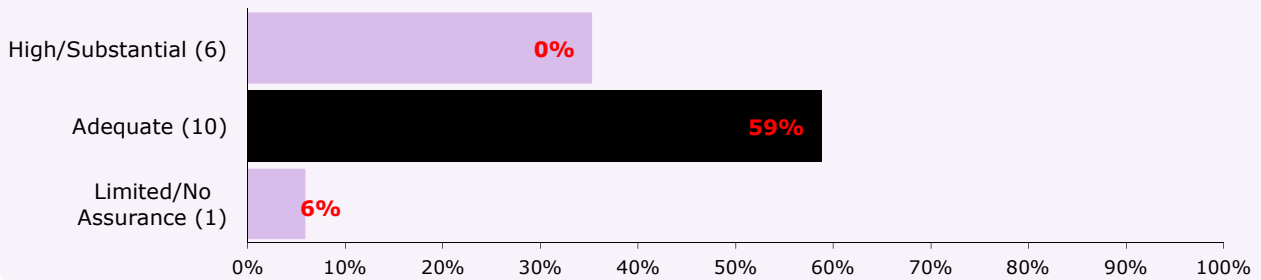


Section 6: Corporate Governance

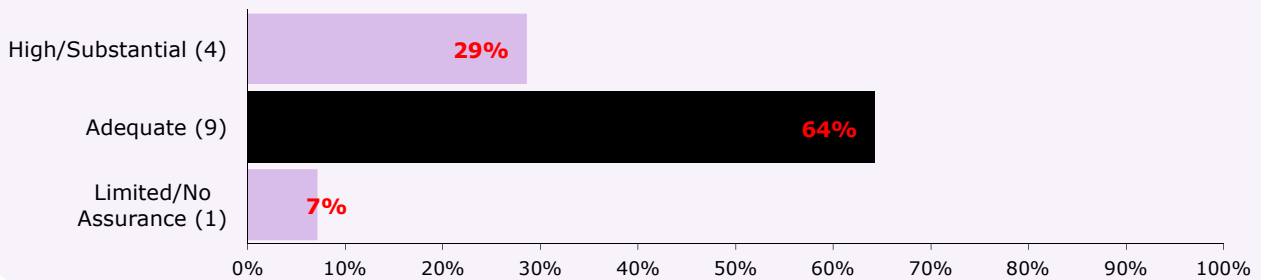
Do you audit the risk management framework?



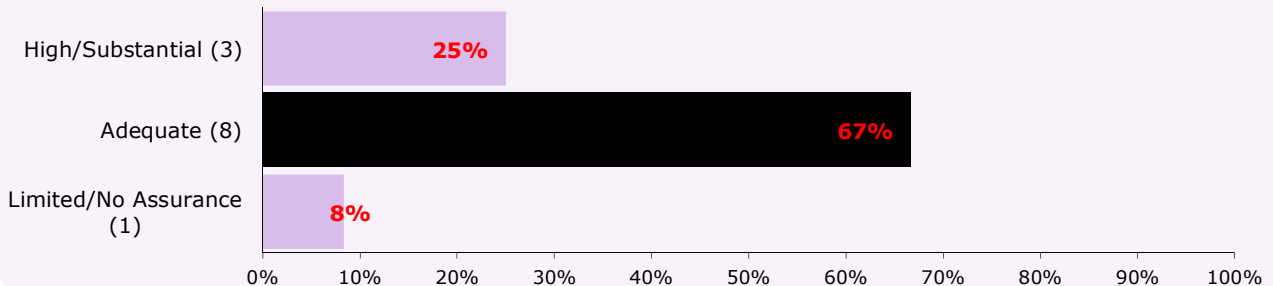
What was the Head of Internal Audit overall annual audit opinion?



What was the Head of Internal Audit annual audit opinion for other than non-LA schools?



What was the Head of Internal Audit annual audit opinion for LA Schools?

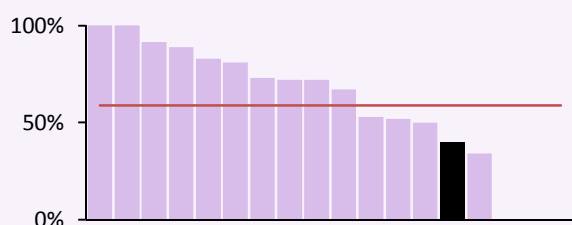


Section 6: Corporate Governance

High Risk / Priority Actions or Recommendation

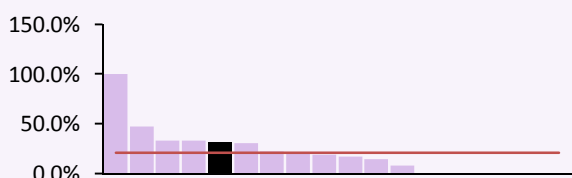
In relation to follow up work you have undertaken over the past 12 months, what proportion of previously agreed actions/recommendations have been implemented by management?

Fully Implemented



Edinburgh
40.0%
Average
58.8%
Trend (2017)
0%

In Progress/Partly Implemented



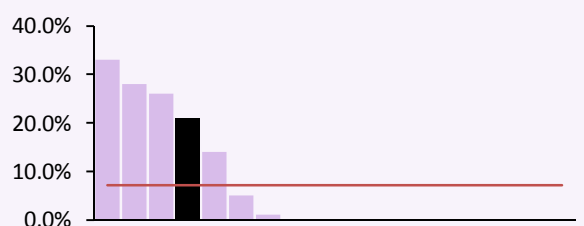
Edinburgh
31.0%
Average
20.8%
Trend (2017)
0%

Not Applicable/No Longer Relevant



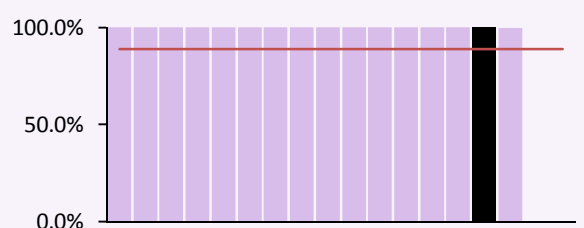
Edinburgh
8.0%
Average
2.2%
Trend (2017)
0%

No Action



Edinburgh
21.0%
Average
7.1%
Trend (2017)
0%

Total



Edinburgh
100.0%
Average
88.9%
Trend (2017)
0%

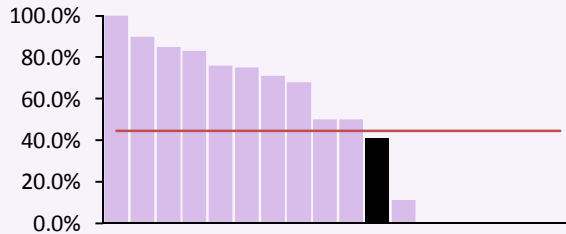
Audit Questionnaire, Section 8(b)

Section 6: Corporate Governance

Medium Risk/Priority Action or Recommendation

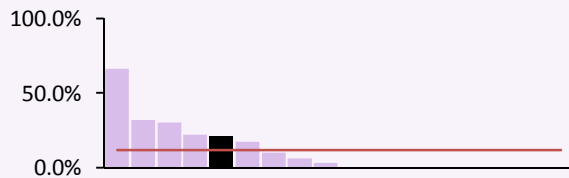
In relation to follow up work you have undertaken over the past 12 months, what proportion of previously agreed actions/recommendations have been implemented by management?

Fully Implemented



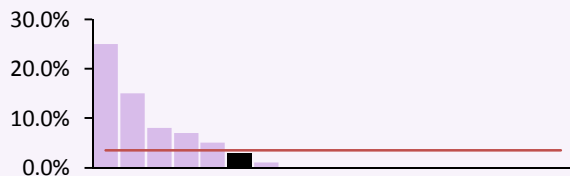
Edinburgh
41.0%
Average
44.4%
Trend (2017)
0%

In Progress/Partly Implemented



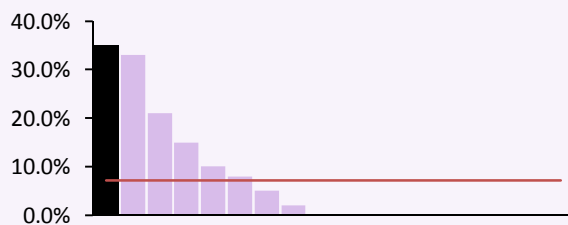
Edinburgh
21.0%
Average
11.5%
Trend (2017)
0%

Not Applicable/No Longer Relevant



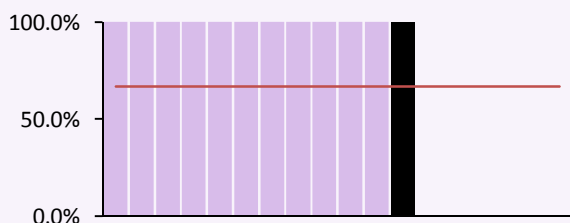
Edinburgh
3.0%
Average
3.6%
Trend (2017)
0%

No Action



Edinburgh
35.0%
Average
7.2%
Trend (2017)
0%

Total



Edinburgh
100.0%
Average
66.7%
Trend (2017)
0%

Section 6: Corporate Governance

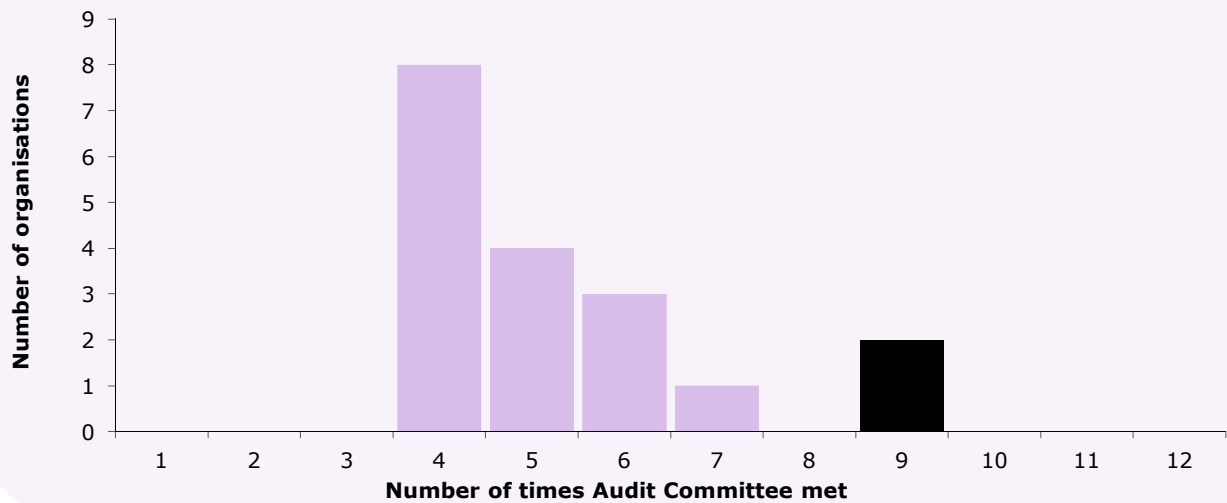
Reporting to Members

As Head of Internal Audit, who do you report to?

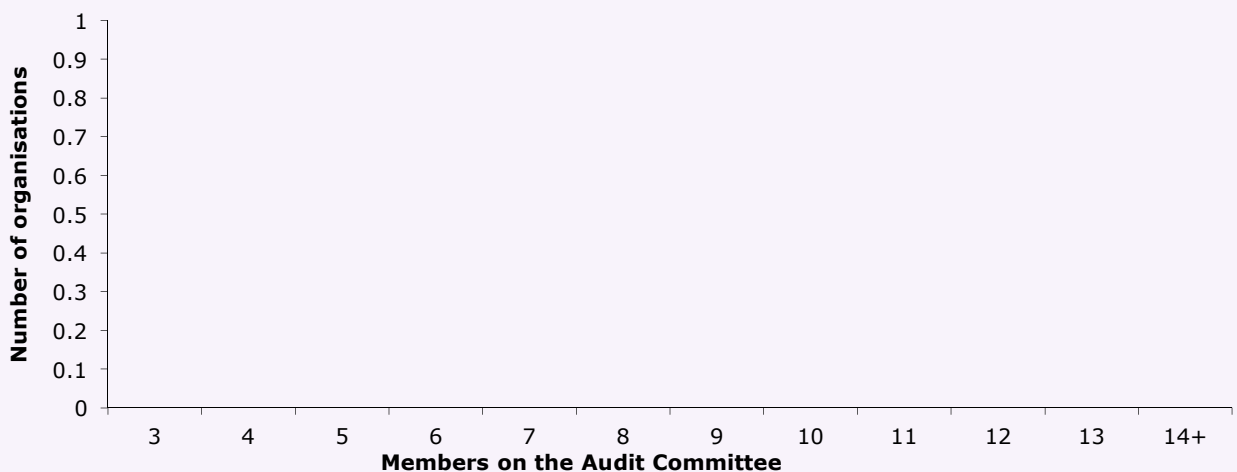
Governance Risk and Best

Responded the same: 15 members

How many times did the Audit Committee meet in 2017/18?



How many members and non-members are on the Audit Committee?



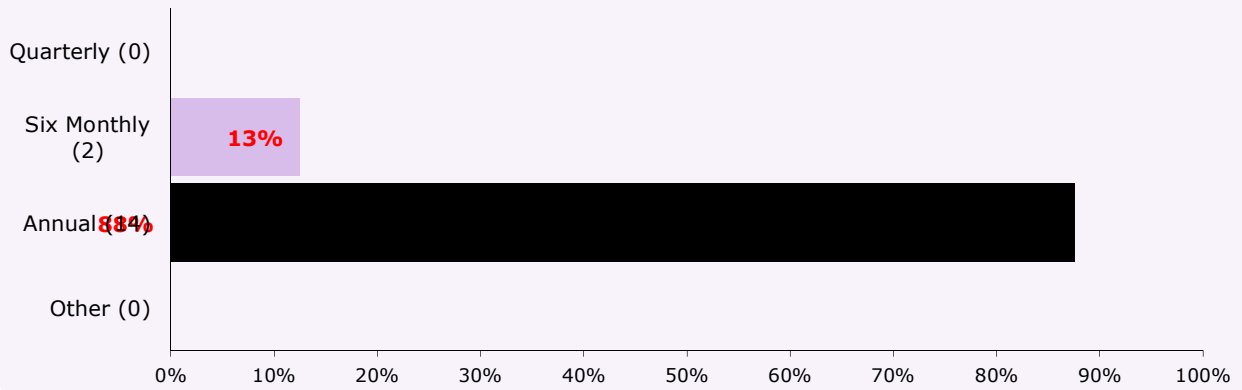
How many of the Audit Committee members are independent?

Audit Committee	No.	Avg.
Elected Members	11.0	-0.8
Independent Members	0.0	1.2
Total	11.0	#DIV/0!

Section 6: Corporate Governance

Audit Plan

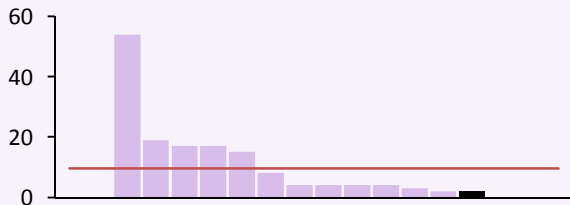
What is the timeframe of your formally approved audit plan?



Section 7: Outputs

The purpose of this section is to examine the reporting habits of Internal Audit. An effective reporting structure allows for establishing gaps and areas of improvement. The figures below aim to demonstrate whether there is room for development of reporting in your Authority compared to other Members.

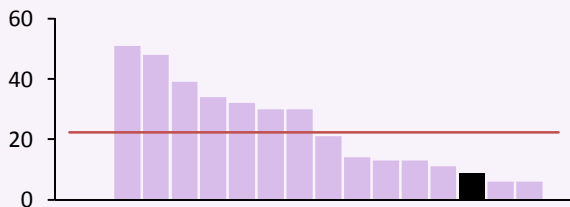
Number of Reports with Excellent Assurance



Edinburgh
2
Average
10

Out of all reports produced by Edinburgh, 7% have received an excellent quality assurance rating, compared to an average of 35%.

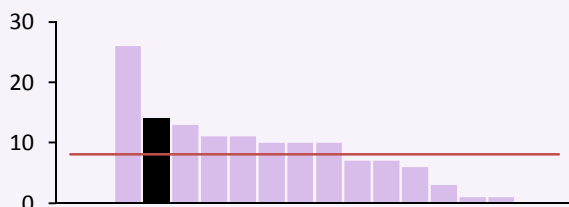
Number of Reports with Good Assurance



Edinburgh
9
Average
22

Out of all reports produced by Edinburgh, 33% have received a good quality assurance rating, compared to an average of 83%.

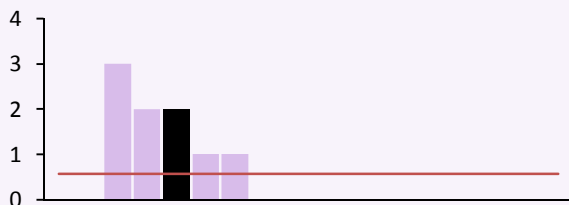
Number of Reports with Limited Assurance



Edinburgh
14
Average
8

Out of all reports produced by Edinburgh, 51.85% have received a limited quality assurance rating, compared to an average of 30.1%.

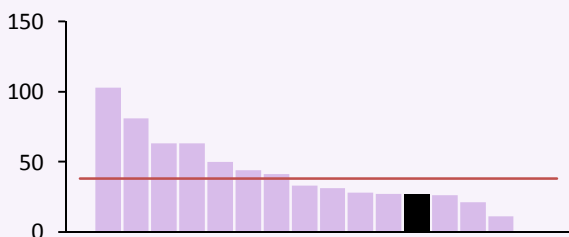
Number of Reports with Inadequate Assurance



Edinburgh
2
Average
1

Out of all reports produced by Edinburgh, 7.41% have received a limited quality assurance rating, compared to an average of 2.1%.

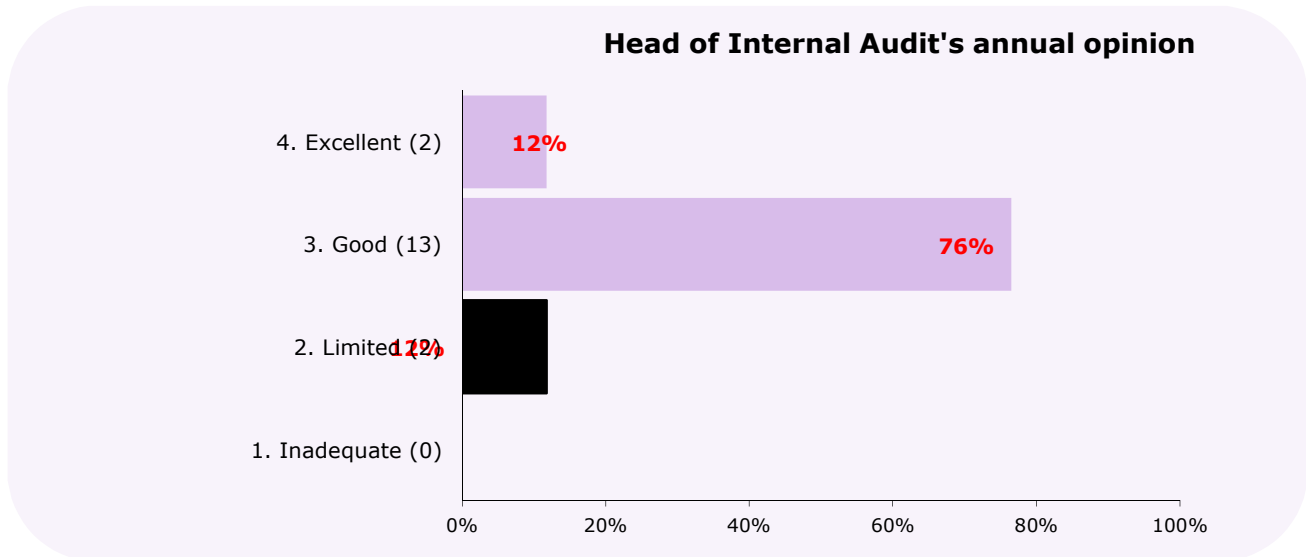
Total Number of Reports



Edinburgh
27
Average
38

Section 7: Outputs | Continuation

This year the Audit Benchmarking club has included the self-evaluation of the Head of Internal Audit on risk areas. This aims to provide a quick snapshot of the overall assurance level that your authority faces. The scale of assurance levels is defined below, as per the questionnaire. Although this scale depicts different types of performance, it does not contain any sort of prescriptive evaluation.



Excellent (positive)	The control system is effective ensuring service delivery is robust and resilient and client objectives are consistently achieved.
Good (positive)	There is a sound system of internal control designed to achieve the client's objectives and manage key risks. Although key controls are to be put in place, they are not consistently applied in all areas.
Limited (negative)	Overall, there are significant weaknesses in the system of internal controls in relation to key risks. Although this puts some of the client's objectives at risk in one or more key area, there are some adequate controls in place.
Inadequate (negative)	Control processes are weak leaving the system open to significant error or abuse and non achievement of the client's objectives. Significant non-compliance with basic control processes expose the client to error or abuse.

Audit Questionnaire, Section 9

CIPFA is the leading professional accountancy body for public services, whether provided by the public or private sectors. It provides education and training in accountancy and financial management, and sets and monitors professional standards.

CIPFA also provides professional services to public sector organisations and managers. These include: statistical and technical information services, research services, consultancy, advisory networks and forums.

CIPFA holds more data on local government performance than any other organisation in the world and our Corporate Services Benchmarking Clubs are the market leader in local government benchmarking, with high levels of participation and customer satisfaction. Our detailed reports, databases, and interactive tools provide you with solid evidence to support decisions on budget and improvement.

We also do...

In addition to Audit, other Benchmarking Clubs include Accountancy, Benefits, Counter-Fraud, Legal and Risk Management.

We also provide other Audit related services through CIPFAstats and TISonline.

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www.cipfa.org/services/benchmarking

Contact us

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www.cipfa.org/corporateservices

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E: customerliaison@cipfa.org T: 020 7543 5600



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