

**REPORT OF:    AUDIT & PERFORMANCE MANAGER**

**TO:                ACCOUNTS AND AUDIT COMMITTEE**

**DATES:           27<sup>th</sup> JANUARY 2016**

**Contact Details:   Kevin Stansfield**

**Tel. No:            01282 661879**

**E-mail:             kevin.stansfield@pendle.gov.uk**

## **INTERNAL AUDIT – BENCHMARKING**

### **PURPOSE OF REPORT**

1. The purpose of this report is to inform the Accounts and Audit Committee of the outcome of a recent benchmarking exercise undertaken by the Lancashire District Audit Group of Internal Audit Unit's in Lancashire.

### **RECOMMENDATIONS**

2. That the Accounts and Audit Committee note the outcome of the benchmarking exercise undertaken by the Lancashire District Audit Group comparing the Council's Internal Audit Unit with its peers in Lancashire.

### **REASONS FOR RECOMMENDATION**

3. To demonstrate that the Accounts and Audit Committee is monitoring the performance and quality of the Internal Audit Unit.

### **ISSUE**

4. It is a matter of good practice for the Council to compare its services with other similar services as a means of determining whether the cost, quality and level of service are comparable. It also provides an opportunity to identify areas of good practice which can be adopted as a means of service improvement. The Public Sector Internal Audit Standards (PSIAS) require the Council's Internal Audit Unit to have a quality and improvement programme in place. One such method of meeting this requirement is through a process of benchmarking by comparing the cost, time or quality of what one organisation does against another similar organisation.
5. During 2015, the Lancashire District Audit Group undertook a benchmarking exercise. All Lancashire District Councils were invited to participate, and eight authorities submitted data. The exercise used 2015/16 budget data and 2014/15 actual expenditure and examined functions, roles and remit of each Internal Audit Unit.

6. The results of the Benchmarking exercise are contained in a spreadsheet which cannot be printed due to its size and complexity, but it will be distributed in electronic format with the minutes of this meeting.
7. Some of the key points include:-
  - Pendle's Internal Audit service was found to have the lowest cost base of each district council. This was primarily due to a low staffing cost base and the fact that a proportion of the Audit and Performance Manager's salary was charged to the Audit service. Audit staffing levels at Pendle at 31<sup>st</sup> March was 2.2 Full Time Equivalent (FTE) as compared to the district average of 3.6 FTE.
  - The overall cost per resident for providing an Internal Audit service showed Pendle to be the lowest at £2.39 per resident. The average district cost was £3.57. Similarly, the cost per chargeable audit day was £220 (second lowest), the district average was £292.
  - Pendle's risk and corporate governance arrangements was found to have a similar context to other similar authorities and we were also noted to have a dedicated counter-fraud resource which was consistent with the majority of authorities in the exercise.
  - Pendle's Internal Audit staff were found to be either part or fully qualified professionals.
  - Overall the benchmarking exercise showed Pendle's Internal Audit to be in a sound position when compared to local district neighbours.
8. Although not part of the Benchmarking exercise, Members should note that, in relation to the quality of services provided by Internal Audit, as assessed by those Officers whose work areas are subject to audit, there is a c90% satisfaction with the way in Internal Audit undertakes its work.
9. Members are asked to note the outcome of the Benchmarking exercise.

## **IMPLICATIONS**

### **Policy**

10. There are no policy implications arising from the contents of this report.

### **Financial**

11. There are no financial implications arising from the contents of this report.

### **Legal**

12. There are no legal implications arising from the contents of this report.

### **Risk Management**

13. There are no risk management implications arising from the contents of this report.

**Health and Safety:**

14. There are no Health and Safety implications arising directly from the contents of this report.

**Sustainability**

15. There are no sustainability implications arising directly from this report.

**Community Safety**

16. There are no community safety issues arising directly from the contents of this report.

**Equality and Diversity**

17. There are no equality and diversity issues arising from the contents of this report.

**Appendices**

Appendix A – Results of a Benchmarking Study undertaken on Lancashire District Council Internal Audit Services (to be circulated electronically)