

REPORT OF: AUDIT & PERFORMANCE MANAGER

TO: ACCOUNTS AND AUDIT COMMITTEE

DATES: 25th JANUARY 2018

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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 2017, the Lancashire District Audit Group undertook a benchmarking exercise. All Lancashire District Councils were invited to participate, and six authorities submitted data. The exercise used 2017/18 budget data and 2016/17 actual expenditure and examined structures, costs, audit plans 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.

7. Some of the key points identified from the report are include below:-

- Pendle's Internal Audit service was found to have the lowest cost base of the district councils. This was primarily due to a smaller FTE headcount of 2 Auditors, the district average being 2.8. Equally, Pendle's cost of audit in comparison to turnover was also deemed to be the lowest. The caveat being that for chargeable days per auditor, Pendle is 4th out of 6, at 174 days albeit slightly below the district average of 177.
- 47% of Pendle's audit plan (being the highest) was focused on strategic and operation risks. The district average being 29%. Similarly, 32% of the plan focused on review of financial systems which was 3rd highest, and above the district average of 31%. That said, Pendle allocated the second lowest time to computer audit, (our remit for computer audit has been reviewed since) and no time has been allocated to consultancy advice and corporate support.
- The overall cost per resident for providing an Internal Audit service showed Pendle to be the lowest at £2.64 per resident, the average district cost was £3.77. Similarly, the cost per chargeable audit day was £250 (second lowest), the district average was £279.
- 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 counter-fraud resource which was consistent with the majority of authorities in the exercise. In terms of counter fraud 4.4% of the plan is allocated to this type of work with the district average being 4.7%.
- Pendle's Internal Audit service is complimented by fully and part qualified professional staff with relevant audit experience.
- The exercise also provided some useful information on what districts felt were emerging risks, and issues such as further financial constraints, GDPR, commercialisation, cyber-crime, loss of skilled personnel appeared to similar themes.

8. Members are asked to note the outcome of the Benchmarking exercise.

IMPLICATIONS

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

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

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

Risk Management: There are no risk management implications arising from the contents of this report.

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

Sustainability: There are no sustainability implications arising directly form this report.

Community Safety: There are no community safety issues arising directly from the contents of this report.

Equality and Diversity: There are no equality and diversity issues arising from the contents of this report.