

## **AUDIT COMMITTEE – 6 December 2011**

### **Report of the Head of Strategic Support**

#### ITEM 11 Internal Audit Benchmarking

##### Purpose of Report

To advise the Committee of the results of the Council's participation in the CIPFA benchmarking club for Internal Audit.

##### Recommendations

The Committee is asked to note the report.

##### Reason

To assist the Committee in its ongoing monitoring of the effectiveness of the Council's Internal Audit service.

##### Background

The Council has participated in the benchmarking club for Internal Audit administered by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The club, which is run annually and costs £380 for district council membership, is designed to allow participating councils to benchmark the costs and resources of their Internal Audit services against other members. This year 18 district councils have participated from across the country, as well as a number of county councils and unitary authorities.

As well as providing comparisons against other district councils, the club also offers the facility to benchmark against a small number of selected councils which represent a useful 'comparator group' for more direct conclusions to be drawn. The comparator group for Charnwood was selected based on participating district councils falling within the 'Top 30' of our CIPFA 'nearest neighbours' and is comprised of Broxtowe, Chelmsford, Erewash and Stafford Councils.

The main conclusions which can be drawn from the benchmarking report are that for financial year 2010/11:

- Charnwood's Internal Audit service has the lowest comparative cost per £M turnover of the district councils in our comparator group and the 2nd lowest comparative cost of all the 18 district councils who participated in the club. This indicates that Charnwood's overall Internal Audit costs are considerably below the average relative to the value of the Council's spending (i.e. £1,440 per £m turnover at Charnwood, or 39% lower than the overall district council average of £2,380 and 41% lower than the comparator group average of £2,449).
- Charnwood's Internal Audit service has the second lowest available resources comparative to the size of the organisation of all the district Councils that participated (4.5 audit days per £m turnover at Charnwood, which is 46% lower than the overall district council average of 8.3 days) and the lowest within the comparator group (average 8.6 days) which indicates that Charnwood's available Internal Audit resources are considerably below the average relative to the value of the Council's spending.
- Charnwood's net cost per chargeable audit day is £322, which is 9% higher than the average of £295 across all of the district Councils that participated. However, this is mainly due to a large proportion (c.50%) of the Improvement Manager (Audit & Risk)'s time being allocated to risk management and therefore not included in the Audit Plan as chargeable audit days, but the full salary costs of this post are included in the costs used in the benchmarking.

It is of course for each local authority to determine the nature and level of Internal Audit service which it requires, and these results should not be taken to indicate that Charnwood's level of Internal Audit service is inadequate or ineffective. The benchmarking data available from the club largely relates to 'inputs', being the costs of the service and the available resources, i.e. measures which relate to economy and efficiency. 'Output' measures, which relate to effectiveness, are monitored via the results that the Committee receives in respect of delivery of the Internal Audit plan, auditee satisfaction with the services provided by the Internal Audit team, the annual review of effectiveness undertaken by a joint Member/officer panel, and periodic reviews undertaken by the external auditors.

All of these measures have to be taken into account when considering the Internal Audit service. It is, however, pleasing to note that the benchmarking club data indicates that the service is achieving satisfactory economy and efficiency relative to other district councils, whilst the results from our local performance monitoring and the recent findings of the panel set up to consider the effectiveness of the service confirm that the service is satisfactory in this element as well.

There is therefore evidence from a number of sources to provide assurance to the Committee that the Internal Audit service is being delivered in an economic, efficient and effective manner.

It is proposed that in future the Council should participate in the CIPFA Internal Audit benchmarking club at least in alternate financial years, or if there is any significant change in the service, to ensure that up to date data is available on which to form a judgement on the efficiency of the service in terms of 'input' measures.

Background Papers: Detailed CIPFA Benchmarking Reports

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