

By: Janet Dawson – Head of Audit and Risk
To: Governance and Audit Committee – 16 September 2009
Subject: INTERNAL AUDIT BENCH MARKING RESULTS
Classification: Unrestricted

Summary: This report summarises the 2008/09 Internal Audit Benchmarking Results.

FOR INFORMATION

INTRODUCTION

1. Internal Audit is a member of the CIPFA/IPF Audit Benchmarking Club. Through this, information about Internal Audit's costs and productivity is compared against other county councils. We also compare our costs and productivity to the previous years to establish if we are improving and/or areas where we need to improve.
2. Our benchmarking results have improved considerably this year. The number of 'chargeable' days per auditor has increased from 150 in 2007/08 to 181 in 2008/09, the average is 179. Chargeable days represent the number of days that are spent on direct audit or audit related work. Non chargeable days represent non audit work, for example administration. In 2007/08 our chargeable days were below the average and our non chargeable were above the average, this was therefore an area that we concentrated on so that we could improve.
3. All staff were committed to improving their chargeable time. To achieve this we took the following action:-
 - We reviewed the way we used our internal time recording system to ensure that any non chargeable time could be quickly identified and monitored;
 - All staff were set targets for their chargeable time and this was monitored regularly during 'one to ones', reported on a monthly basis and discussed at each team meeting;
 - All potential chargeable work was identified in advance (for example pro active fraud work, completing terms of references etc) so that any 'down time' and potential non chargeable time was minimised.

4. This also had the effect of reducing our costs per chargeable day, although still slightly higher than the average, this reflects the use of external providers to deliver part of our service (mostly ICT audit work). This will be addressed in 2009/10 through the re-tendering of this part of the service.
5. An area that we will be addressing in 2009/10 is our charge out rates as this is currently below the average.

Summary of 2008/09 position

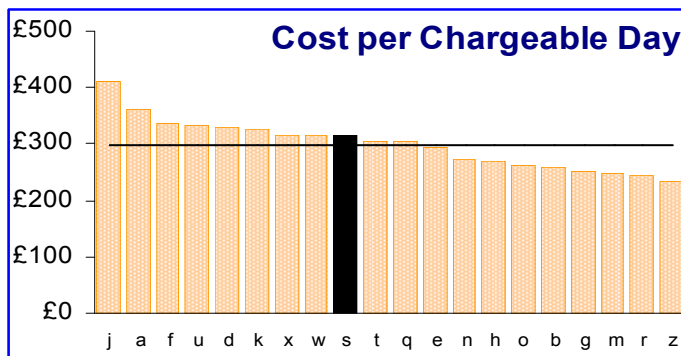
The table below shows Kent's position against other counties.

	Kent	Average	Lower quartile	Median	Upper quartile
Cost/auditor £k					
Pay	£38.4 <i>£40.7</i>	£42.4 <i>£39.1</i>	£38.42 <i>£35.77</i>	£40.0 <i>£37.5</i>	£42.7 <i>£39.4</i>
Overheads	£10.6 <i>£13.7</i>	£10.8 <i>£8.5</i>	£7.26 <i>£4.54</i>	£10.6 <i>£7.8</i>	£13.1 <i>£11.3</i>
Total	£49.1 <i>£54.5</i>	£52.0 <i>£47.6</i>	£46.31 <i>£42.19</i>	£51.2 <i>£44.6</i>	£54.2 <i>£53.7</i>
Days per auditor	181 <i>150</i>	173 <i>169</i>	166 <i>161</i>	171 <i>173</i>	179 <i>180</i>
Cost per day (net to LA)	£315 <i>£406</i>	£299 <i>£279</i>	£261.78 <i>£237.83</i>	£304 <i>£278</i>	£326 <i>£325</i>
Days per £m	1.00 <i>0.95</i>	2.27 <i>2.60</i>	1.71 <i>2.19</i>	2.22 <i>2.45</i>	2.54 <i>3.08</i>
Cost per £m	£316 <i>£384</i>	£666 <i>£705</i>	£537.44 <i>£578.31</i>	£605 <i>£660</i>	£813 <i>£811</i>

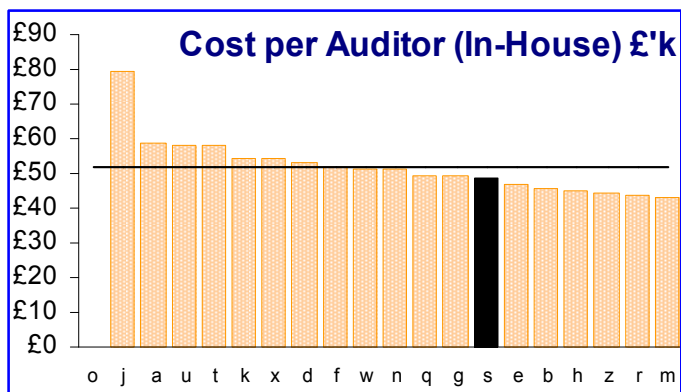
The figures in italics shows data for 2007/08

The following charts provide further details:-

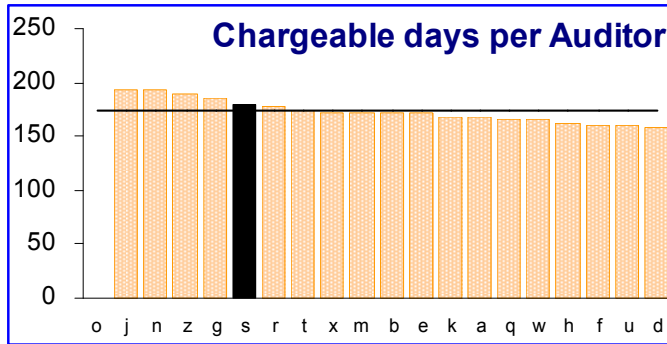
- Our **cost per chargeable day** has reduced from £406 in 07/08 to £315 in 08/09 and this has meant we have moved from the highest to 9th highest. The cost per chargeable day is slightly above the average of £299 per day this is because we have used external providers to deliver part of our service (mostly ICT audit work).



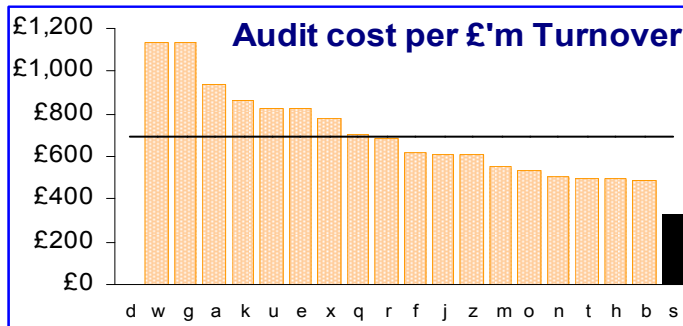
- The cost per chargeable day is affected by two variables: the **cost per auditor** (broken down into pay and overheads) and the **chargeable days per auditor**. Both of these indicators have improved in 08/09.



- Our **cost per auditor** has fallen from £54,458 (5th highest) in 07/08 to £49,051 in 08/09, (13th highest) which is slightly below the average of £52,000.
- The reduction in cost per auditor is due to a reduction in **staff cost per auditor** and **overheads cost per auditor** and reflects the reduced staffing costs as a result of the restructure.



10. The number of **chargeable days per auditor** has improved in 2008/09. In 2007/08 it was 149.7 compared to 2008/09 which was 180.6. The **chargeable days per auditor** is affected by many factors namely bank holidays, annual leave, training, sickness, and other 'non-chargeable' days for example administration.



11. Kent spends the least per £m gross turnover on its audit service than other county councils. However, Kent does not carry out 'school audits' or the Financial Management Standards in Schools (FMSiS) reviews that a number of other councils do. This is carried out by teams in the Children, Families and Education directorate.

12. A full version of the Benchmarking report is available upon request.

Recommendation

13. Members are asked to note this report.

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 3 September 2009