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To: Governance and Audit Committee – 14 September 2011

Subject: INTERNAL AUDIT BENCH MARKING RESULTS

Classification: Unrestricted

Summary: This report summarises the 2010/11 Internal Audit Benchmarking Results.

FOR ASSURANCE

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. The number of county councils who have participated in the benchmarking has decreased this year, probably as a result of the costs of the exercise. Including Kent County Council only 13 counties (i.e less than half of all Counties) participated compared to 21) last year. Appendix A lists the county councils who participated.
3. Table 1 below provides the main headlines from the benchmarking exercise.

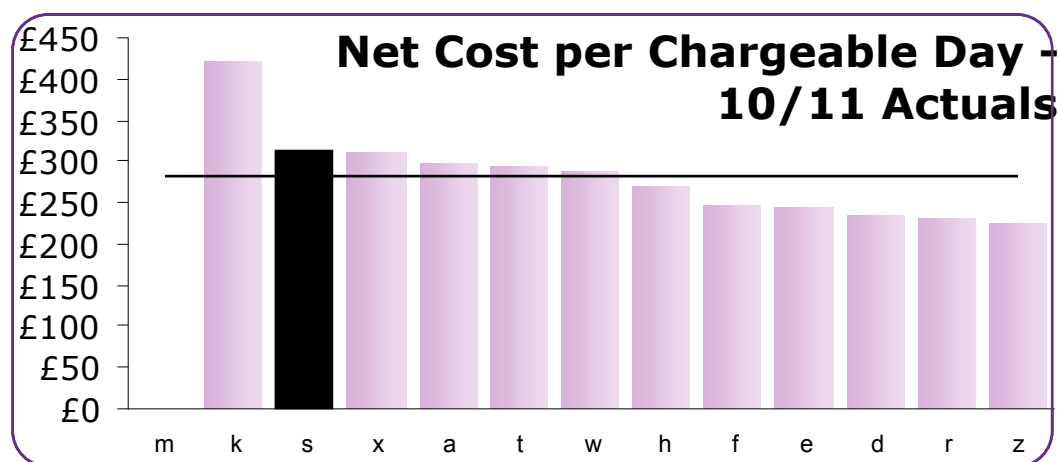
Table 1: Summary of 2010/11 position - *The figures in brackets show data for 2009/10*

	Kent	Average	Lower quartile	Upper quartile
Cost/auditor £k				
Pay	£42.3 (£42.5)	£43.0 (£42.0)	£39.42 (£40.24)	£45.7 (£44.0)
Overheads	£7.8 (£10.4)	£7.3 (£6.1)	£4.18 (£3.29)	£8.8 (£8.2)
Total	£50.2 (£52.9)	£50.4 (£48.1)	£45.20 (£43.80)	£53.3 (£52.2)

	Kent	Average	Lower quartile	Upper quartile
Days per auditor	166 (179)	178 (177)	170 (170)	184 (180)
Cost per day £	£314 (£318)	£282 (£272)	£243 (£238)	£302 (£314)
Days per £m Turnover	0.76 (1.01)	1.72 (2.06)	1.54 (1.86)	2.00 (2.29)
Cost per £m Turnover	£238 (£321)	£476 (£557)	£433 (£496)	£543 (£597)

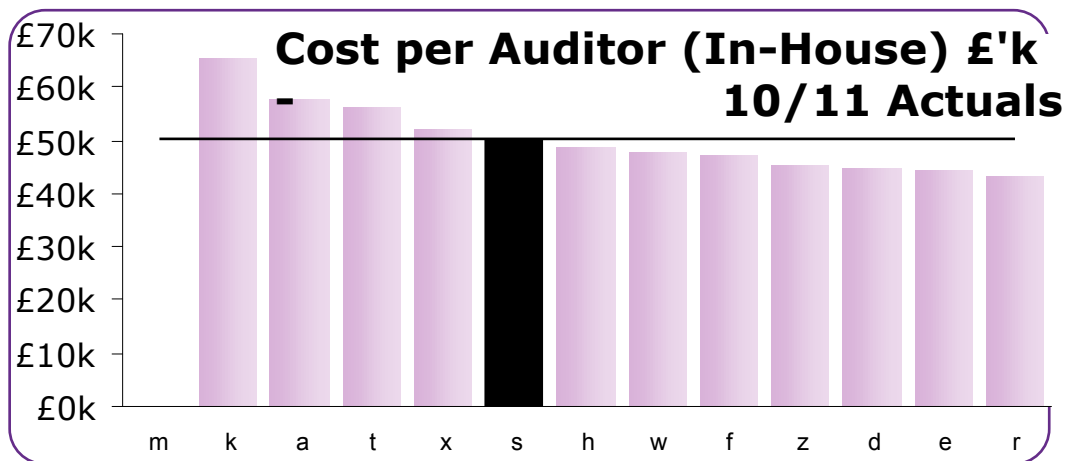
4. The following charts provide further details.

Productivity

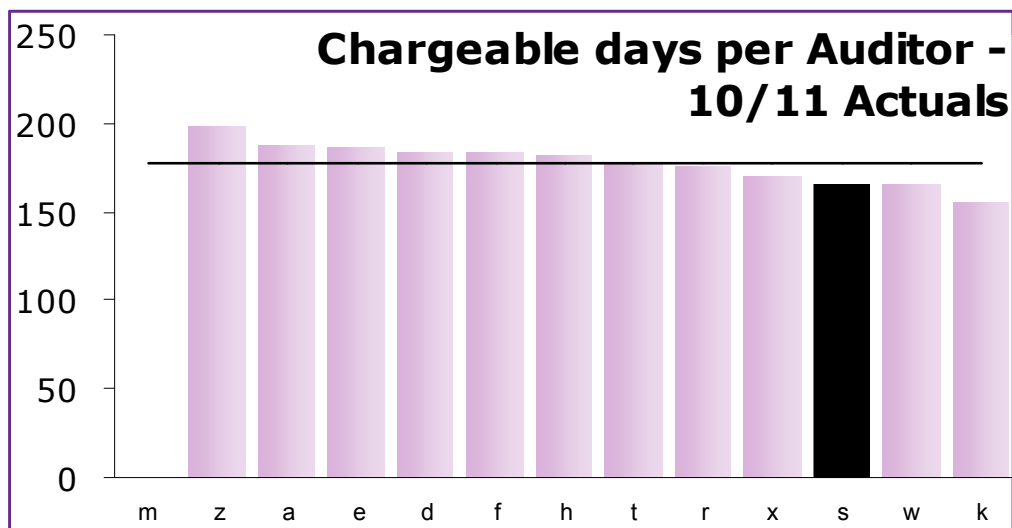


Source: CIPFA

5. Our **cost per chargeable day** has remained relatively stable for the past three years, and for 2010/11 was £314 (£318 in 2009/10, £315 in 2008/09). The average cost per chargeable day is £282 per day. Our costs are above average in part because we co-source specialist audit work, such as IT, from the private sector. Up to January 2011 the section also had a 41% of its budget given over to management. One of the aims of the recent restructure of IA was to reduce this cost, and it is expected that the cost per chargeable day for 2011/12 will move closer to the average.
6. 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.

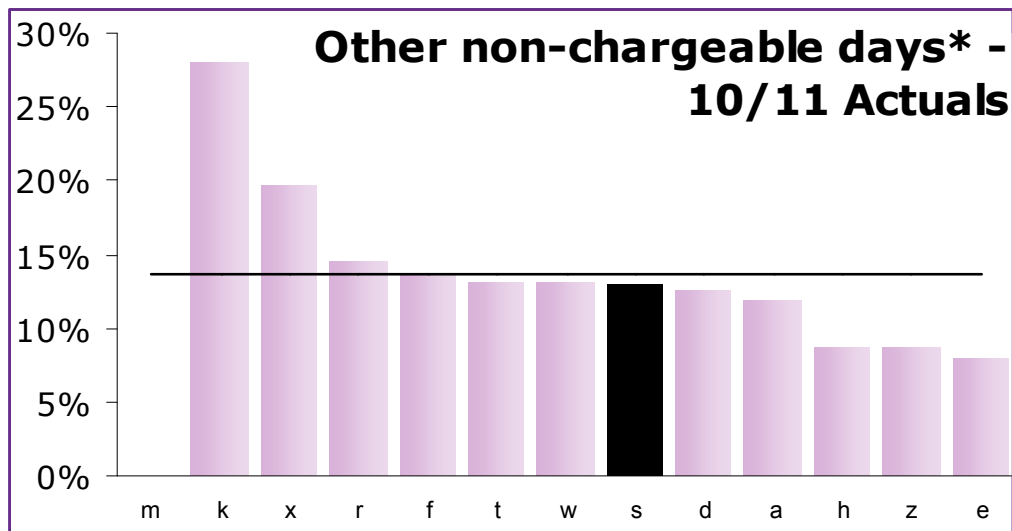


7. The cost per auditor, which is a crude indicator, has decreased from nearly £53,000 (13th highest) to £50,150 which is just below the average of £50,350. Again it is expected that this costs will fall in 2011/12.



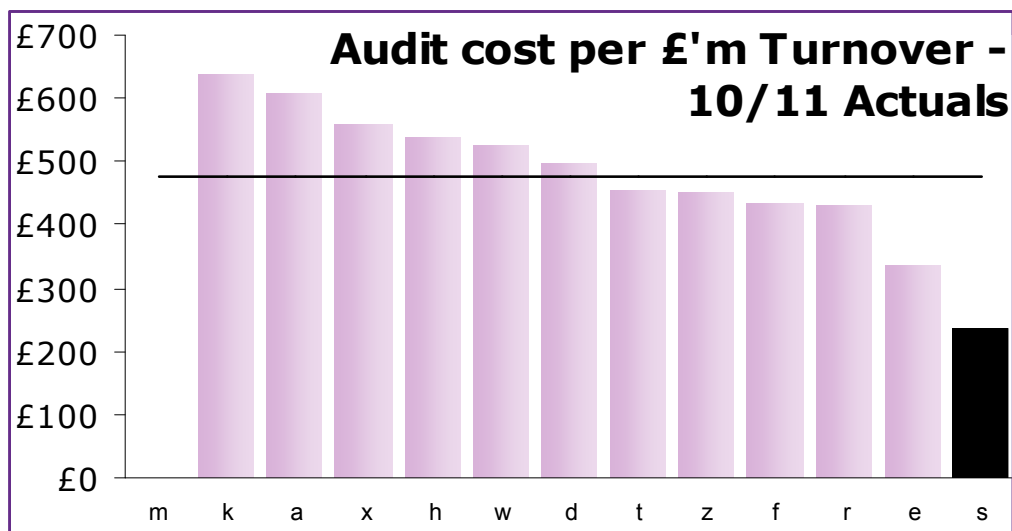
8. The number of 'chargeable' days per auditor has decreased from 179 to 166, compared to the average of 178. There have been a number of factors that have resulted in this slight drop in productivity, including:
- Mid-year restructure (with resulting consultation, interviewing etc)
 - the introduction of a formal in-house training programme for all staff
 - support to five members of staff to obtain professional qualifications (PIIA)
 - relocation of the team to a new office.
9. To ensure that the team remains as productive as possible a number of new initiates have been introduced, including:
- more rigorous work scheduling to reduce downtime
 - personal chargeability targets linked to TCP awards
 - clearer definitions of chargeable and non-chargeable, with a focus on reducing the latter.
10. Although the sections chargeable time reduced slightly in 2010/11, the non-chargeable time (bank holidays, annual leave, training, sickness, administration, team meetings and other tasks that are not directly related to specific audit work)

remains around the average of those that participated in the benchmarking, as shown below.



Comparative spend on audit

11. Kent County Council spends the least on its audit service per £m of gross turnover than other county councils in the survey. This is consistent with previous year's results. One reason for this outcome is that Kent's Internal Audit does not carry out 'school audits' (i.e. compliance visits, and Financial Management Standards in Schools (FMSiS) assessments) which is the norm in other County areas. If it were possible to include this teams' costs in the data submitted it is likely that the audit cost would move closer to the average, although it is likely that it would still be at the lower end.



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

Recommendation

13. Members are asked to consider the outcome of the annual benchmarking for assurance on the economy and efficiency of the Internal Audit section.

Janet Armstrong
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