

**Agenda Item No:** 8 **Report No:** 21/13  
**Report Title:** Internal Audit Benchmarking 2012  
**Report To:** Audit Committee **Date:** 28 January 2013  
**Ward(s) Affected:** All  
**Report By:** Director of Finance  
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### **Purpose of Report:**

**To inform Councillors of the comparative performance of internal audit departments in local authorities in Sussex for 2012.**

### **Officers Recommendation(s):**

- 1 To note the benchmarking results from the participating authorities in Sussex, and the conclusion that the internal audit function at LDC is adequately resourced and is achieving satisfactory standards of output and efficiency (see Section 3).
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### **Reasons for Recommendations**

- 1 The remit of the Audit Committee includes a duty to review whether the internal audit function is adequately resourced and is able to discharge its function effectively.

### **Information**

#### **2 Background**

- 2.1 The Audit Committee agreed Performance Indicators (PIs) for Internal Audit in September 2001, and the Committee receives feedback on the PIs at its June meeting each year. Periodically, the Audit Committee has also received reports that have compared the auditing performance of the Council with that of other local authorities.
- 2.2 The Internal Audit Section at Lewes is a member of the Sussex Audit Group (SAG), which was established to enable internal audit functions within public bodies in East and West Sussex to share best practice. SAG has conducted a benchmarking exercise to compare internal audit performance across a range of PIs and other measures. The latest available information is for the financial year 2011/12.

### **3 SAG Benchmarking Study 2012**

**3.1** SAG comprises 15 internal audit functions from local authorities and a local university. Not all the members take part in the benchmarking studies, and the results from the following seven members were included in the exercise for 2012.

Lewes DC  
Arun DC  
Chichester DC  
Crawley BC  
Eastbourne BC  
Hastings BC  
Horsham DC

**3.2** With seven authorities providing a response there is sufficient information for comparative purposes. Member authorities provide the information on the understanding that the results for specific authorities will not be separately identified.

**3.3** The major part of the benchmarking exercise covers issues such as the staffing and organisation of internal audit, and the SAG indicators are not the same as those agreed by the Audit Committee for internal LDC use. The main SAG indicators for 2012 are given in the table at Appendix A, together with the LDC results for 2011.

**3.4** The key results from the benchmarking study are:

- All of the seven internal audit functions in the study were at full strength for most of 2011/12 including LDC, which at 3.8 FTE was at its authorised complement.
- The internal audit staff at LDC are among the most experienced.
- LDC enjoys the second lowest external audit fee of those authorities in the SAG benchmarking study.
- The cost per chargeable day (£254.60) at LDC was the third lowest and below the average (£275.81) for the group as a whole because the LDC Internal Audit Section generates the highest number of productive days per team member.
- LDC Internal Audit Section has the second lowest number of days (200) and the lowest proportion (20%) of time for non audit activities.
- The total cost, including external audit fees, of providing the audit service at LDC is £323,490, a reduction of £17,737 (5.2%) from the 2011 exercise.

**3.5** The conclusion that can be drawn from the benchmarking study is that the Internal Audit function at LDC is adequately resourced and is achieving satisfactory standards of output and efficiency. This conclusion is supported by comments in recent PKF Management Letters and the results of other assessments. For example, the PKF Annual Governance Report for 2011/12 includes the comment that PKF are able to place reliance on the work of Internal Audit.

### **4 Financial Appraisal**

**4.1** There are no additional financial implications arising from this report.

## **5 Sustainability Implications**

- 5.1** I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is an internal monitoring report.

## **6 Equalities Impact Assessment**

- 6.1** This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required.

## **7 Risk Management**

- 7.1** I have completed the Risk Management questionnaire and this report does not require a full risk assessment because the issues covered by the recommendations are not significant in terms of risk.

## **8 Background Papers**

- 8.1** Annual Report on Internal Audit Performance and Effectiveness 2011/12. This can be found at:  
<http://cmis.lewes.gov.uk/CmisWebPublic/Binary.ashx?Document=5064>

## **9 Appendices**

- A** Sussex Audit Group (SAG) Benchmarking Results 2012.

## Appendix A

### Sussex Audit Group (SAG) Benchmarking Results 2012

Authority/Indicator	A	B	C	D	E	F	LDC	LDC 2011
Authorised number of Internal Audit staff (FTE)	3.0	3.8	4.0	3.6	2.7	3.5	3.8	3.8
Actual number of Internal Audit staff (FTE)	3.0	3.8	4.0	3.6	2.7	3.6	3.8	3.8
Actual/budget audit days to carry out the audit plan	524/492	593/643	805/813	596/586	515/515	686/686	785/753	771/760
% of actual/budget audit days	106%	92%	99%	102%	100%	100%	104%	101%
% of number of reviews carried out in plan	47%	73%	59%	100%	100%	90%	93%	92%
Actual non audit days (including vacancies)	263	400	297	342	187	332	200	207
% of non audit days/ total days	33%	40%	21%	36%	27%	33%	20%	21%
Total annual cost (£)	117,582	161,920	234,595	173,316	177,969	172,314	199,962	203,727
Cost per chargeable day (£)	224.39	273.05	291.31	290.60	345.57	251.19	254.60	264.24

	A	B	C	D	E	F	LDC	LDC 2010/11
Audit experience								
0-5 years	2		1	1	1			
6-10 years		2		3				
11-15 years		1				1		
16-20 years						2		
21+ years	1	1	3		2	1	5	5
Total external audit fee (£)	154,898	116,216	160,320	211,032	132,000	150,000	123,528	137,500
Total annual cost and external audit fee (£)	272,480	278,136	394,915	384,348	309,969	322,314	323,490	341,227