

Agenda Item No: 7 **Report No:** 197/13
Report Title: Internal Audit Benchmarking 2012/13
Report To: Audit and Standards Committee **Date:** 2 December 2013
Ward(s) Affected: All
Report By: Head of Audit and Performance
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Purpose of Report:

To inform Councillors of the comparative performance of internal audit departments in local authorities in Sussex for 2012/13.

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 and Standards Committee agreed revised Performance Indicators (PIs) for Internal Audit at its meeting on September 2013, and the continuation of two separate performance reports being presented to the Committee. The first of these reports is the annual benchmarking exercise with other internal audit departments in Sussex.
- 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 2012/13.

3 SAG Benchmarking Study 2012/13

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 2012/13.

Lewes DC
Arun DC
Chichester DC
Eastbourne BC
Hastings BC
Horsham DC
Rother 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 As agreed by the Audit and Standards Committee in September 2013, the performance measures for LDC Internal Audit now comprise 17 PIs. The results from the SAG benchmarking exercise include 13 PIs that are directly comparable with the LDC results. The remainder of the benchmarking exercise covers issues such as the staffing and organisation of internal audit that are not covered by the LDC PIs.

3.4 The LDC PIs and the SAG benchmarking results for 2012/13 are given in the table at Appendix A, together with the Lewes results for 2011/12.

3.5 The key results from the benchmarking study are:

- The Internal Audit staff at LDC are among the most experienced.
- The cost per chargeable day (£264.57) at LDC was the third lowest and below the average for the group as a whole because the LDC Internal Audit Section generates the highest number of productive days (729).
- LDC Internal Audit Section has the second lowest number of days (246) and the lowest proportion (25%) of time for non audit activities.
- The cost of providing the audit service at LDC is £192,869, a reduction of £7,093 (3.5%) from the 2011/12 exercise.

3.6 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 BDO Management Letters and the results of other assessments. For example, the BDO Annual Governance Report for 2012/13 includes the comment that BDO 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 Risk Management Implications

- 5.1** 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.

6 Legal Implications

- 6.1** There are no legal implications arising from this report.

7 Sustainability Implications

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

8 Equality Screening

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

9 Background Papers

- 9.1** Annual Report on Internal Audit Performance and Effectiveness 2012/13. This can be found at:

<http://cmis.lewes.gov.uk/CmisWebPublic/Binary.ashx?Document=6336>

10 Appendices

- A** Sussex Audit Group (SAG) Benchmarking Results 2012/13.

Appendix A

Sussex Audit Group (SAG) Benchmarking Results 2012/13

Authority/Indicator	A	B	C	D	E	F	LDC	LDC 2011/12
Input of resources								
1. Staffing FTE	3	3.8	3.6	2.7	3.5	2.5	3.8	3.8
2. Employee costs	£110,617	£129,364	£129,357	£138,135	£179,551	£115,766	£160,954	£166,271
3. Total costs	£118,819	£165,916	£158,854	£162,566	£182,284	£146,636	£192,869	£199,962
4. Cost per chargeable day	£243.98	£298.03	£284.74	£315.66	£259.29	£420.16	£264.57	£254.60
Productivity and Efficiency								
5. Number of core systems audits carried out in the year	7	5	12	10	10	10	12	12
6. Number of days spent on core systems audits	103	141	129	165	199	188	289	268
7. Number of audits/reviews in original plan	46	29	32	19	31	24	52	47
8. % of original plan carried out	50%	59%	91%	100%	87%	75%	81%	92%
9. Number of audits/reviews in revised plan	26	29	29	12	30	N/A	53	57
10. % of revised plan carried out (*)	62%	21%	62%	100%	100%	N/A	92%	93%
11. Number of chargeable days	487	557	558	515	703	349	729	785
12. Number of non chargeable days	297	398	324	187	266	222	246	200

Authority/Indicator	A	B	C	D	E	F	LDC	LDC 2011/12
13. % of draft reports issued within 15 days of the end of the audit.	N/A	N/A	N/A	N/A	N/A	N/A	94%	95%
Compliance with professional standards								
14. Positive opinion from BDO review of Internal Audit as per the Management Letter	N/A	N/A	N/A	N/A	N/A	N/A	Positive opinion	Positive opinion
15. Total external audit fees	£90,187	£73,852	£110, 820	£132,750	£126749	£151,028	£131,358	£130,862
Outcomes and degree of influence of the service								
16. % of recommendations implemented (*)	N/A	N/A	N/A	N/A	N/A	N/A	76%	83%
17. All comments from client satisfaction questionnaires in Categories 1 (Very Good), 2 (Good) or 3 (Satisfactory).	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%