

Governance Part 1: Scrutiny of Local Authorities

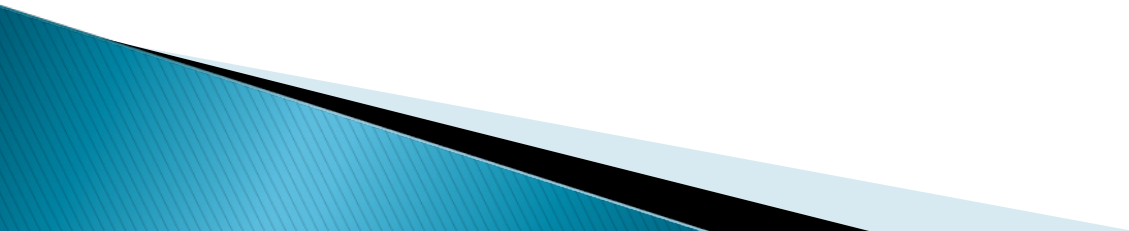
IPA



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External Audit : Local Government Audit Service



Role of the Local Government Audit Service

- The Local Government Audit Service (**LGAS**) provides **independent scrutiny** of the **financial stewardship** of **local authorities and other local bodies**.

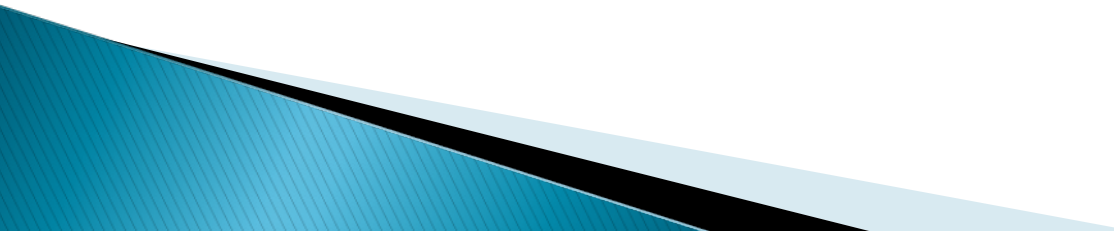
Role of LGAS

- carry out the audit of local government bodies in accordance with its statutory Code of Audit **Practice**, thereby **fostering the highest standards** of financial **stewardship and public accountability**
- undertake **Value for Money audits**, publish **reports** thereon and thereby assist local authorities in achieving better value for money.

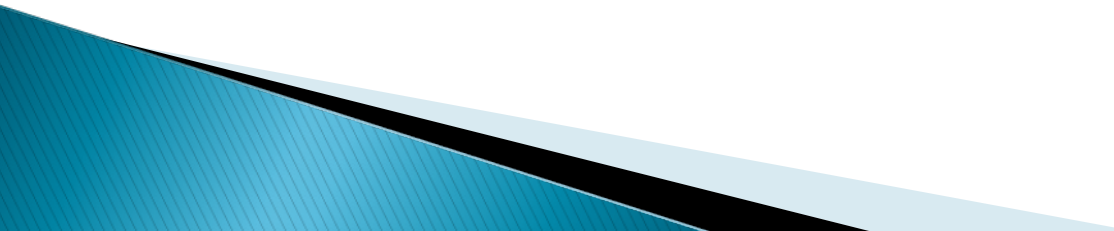
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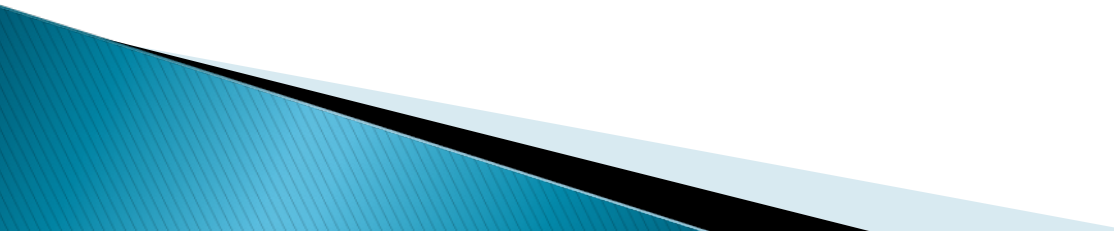


Financial Audits

- Local authorities are statutorily obliged to keep **proper books of accounts and to prepare annual financial statements of their activities to 31 December each year**. These statements are to be ready for audit by the following 31 March.
 - The audit of local government was updated and consolidated in sections 114 to 126 of the Local Government Act, 2001.
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Audits are carried out in accordance with a statutory Code of Audit Practice, which includes the following:

- Purpose of Audit
 - Powers and duties of Auditors
 - The audit approach
 - Outputs from audit
 - Public accountability.
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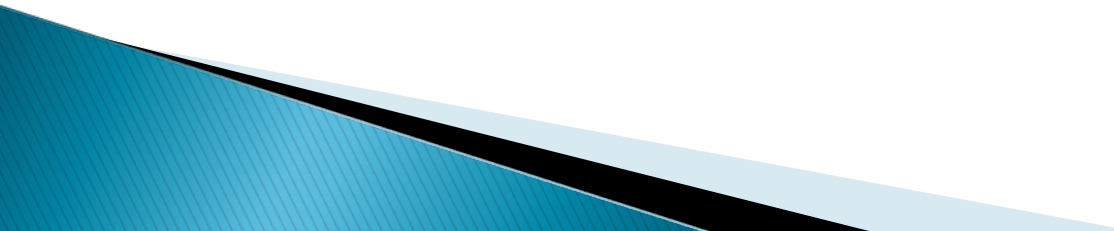
- Local Government Auditors are required to give an **audit opinion on the annual financial statements of local authorities** and other audited bodies.
 - The auditor's opinion is that the annual financial statement **presents fairly in accordance with the Code of Practice and Accounting Regulations**, the financial position of the Council at 31st December and its income and expenditure for the year then ended.
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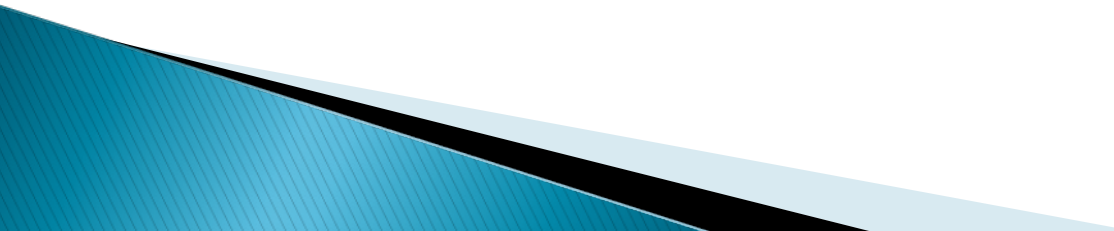
Auditors Report to elected members and to AC (for Consideration)

- Examples of what Auditors Report could highlight :
 - Unfunded capital balances
 - Income collection
 - Housing Loans
 - Development Contributions
- Auditors report also sets out the CE response to above items

- Auditors also assist local authorities in improving their **accounting and internal control systems** by issuing management letters as part of the external audit process.

Public Accountability

- Members of the public have **rights** as part of the **public accountability framework for local government**.
 - They can **inspect the annual financial statement, records and other documents relating to the accounts** to be audited for seven days before the formal audit commences.
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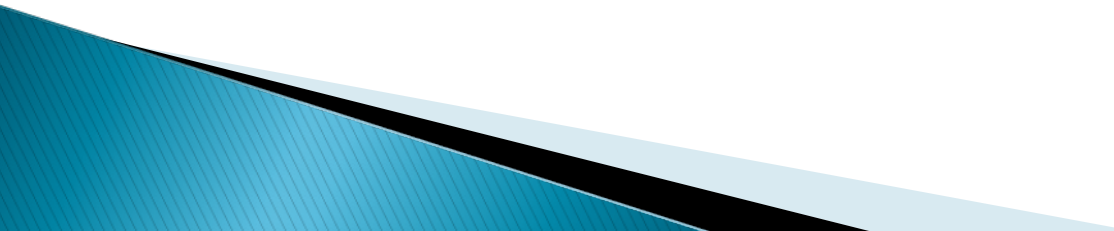
- **An objection to the inclusion of any item in, or the omission of any item** from, the accounts of a local government organisation undergoing audit may **be made to the auditor** by or on behalf of any person,
 - and such objection shall be **made in writing**, setting out the relevant particulars and grounds on which it is being made, within ten days of the commencement of audit.
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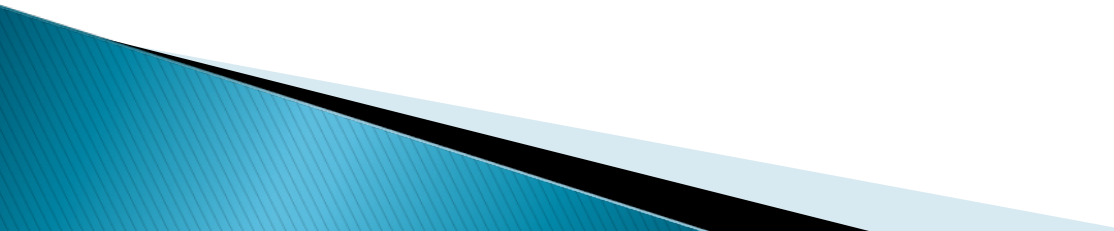
- The auditor shall consider such written objection in accordance with the Local Government (Financial and Audit Procedures) Regulations 2014.

On receipt of the formal notice of audit from the local government auditor, the Chief Executive, Director or Manager of a local government organisation, is obliged to do the following :

- Publish a notice, **seven days before the commencement of the audit**, in the principal office of the organisation informing the public of the audit
- Publish the fact that the **audit is to take place** on the appointed day in **a newspaper circulating** in the administrative area of the local government organisation
- **Inform the members of the local government organisation** and its bankers of the appointed date for the audit to commence
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Value for Money Audit Unit

- The Local Government Audit Service (LGAS) value for money unit carries out **VFM studies on local authority operations**, with a view to identifying best practice and
 - recommending ways of **improving existing procedures, practices and systems and thereby promoting efficiency and cost effectiveness.**
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- This work has focused on undertaking **national studies of single issue topics** and publishing reports thereon.
 - The unit is also carrying out progress reports on the implementation, by local authorities, of recommendations and performance indicators contained in national studies issued by the unit.
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Internal Audit



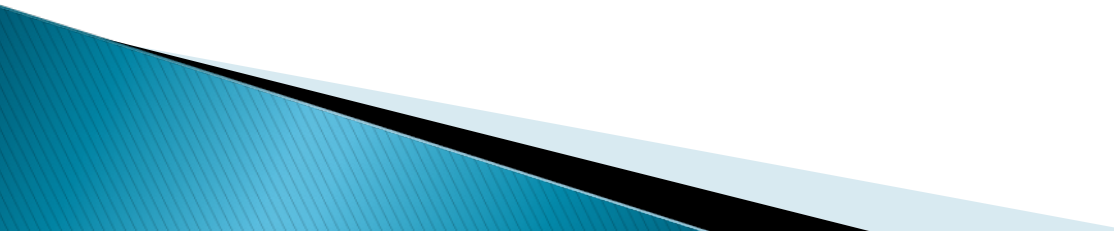
- Internal audit is **an independent, objective, assurance and consulting activity** designed to add value and improve the Council's operations.

Working in partnership with management,

- IA can bring a systematic, disciplined approach to evaluate and improve the effectiveness of **internal control, risk management and governance processes** within the organisation.
- While not absolving management of their control responsibilities, IA can ***provide management with assurance in relation to internal control arrangements*** within their areas

Internal Controls

Internal control is a process designed to provide **reasonable assurance** in relation to the following areas:

- ❑ **Compliance** with laws, regulations, policies and procedures.
 - ❑ **Effectiveness** and efficiency of operations;
 - ❑ **Safeguarding** of assets;
 - ❑ **Reliability and integrity** of operational and financial information
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- Management are **responsible and accountable** for ensuring that **effective internal control arrangements** are in place and operate within their directorates and across the organisation.

Internal audit charter

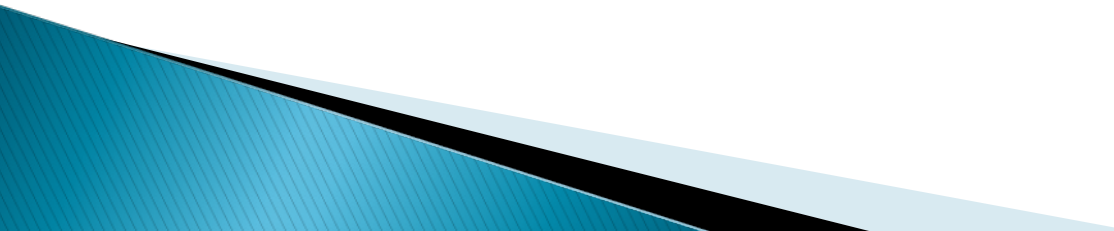
- The work of internal audit is governed by an **Internal Audit Charter**
- which sets out areas including **roles and responsibilities, authority and scope of internal audit work and reporting arrangements and compliance with audit standards.**

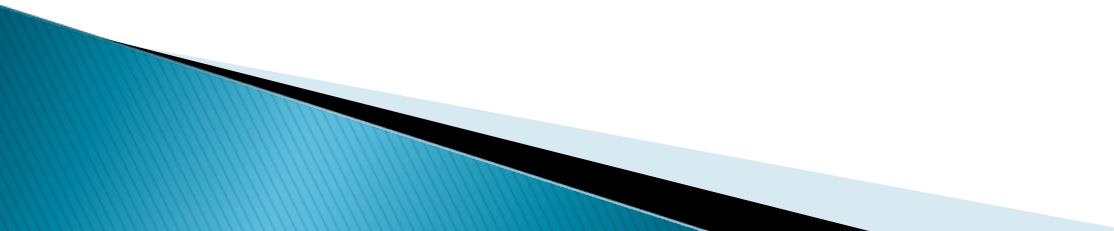
- Management, as part of their control **assurance role**, **are obliged to participate in the audit process**, preliminary review and scoping , fieldwork, reporting and follow up.

AUDIT COMMITTEES



The statutory functions of audit committees are set out in the 2014 Act as:

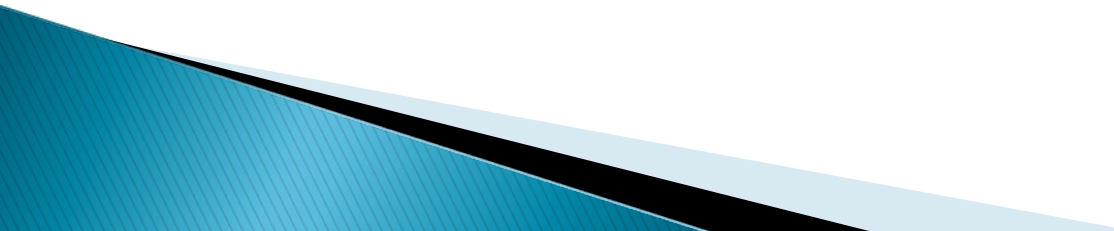
- to review **financial and budgetary reporting practices** and procedures within the local authority that has established it;
 - to foster the development of best practice in the performance by the local authority of its **internal audit function**;
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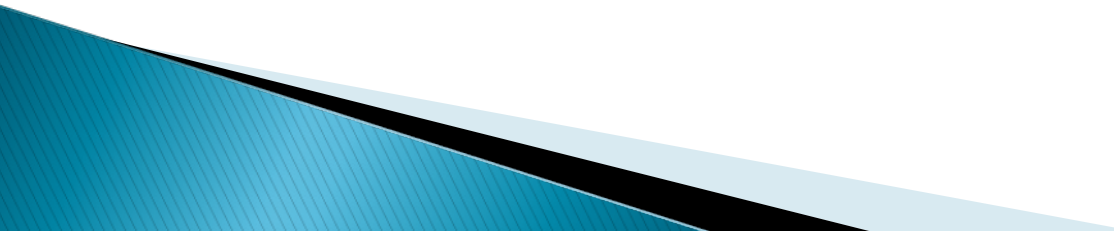
- to review **any audited financial statement, auditor's report or auditor's special report** in relation to the local authority and assess any actions taken within that authority by its chief executive in response to such a statement or report and to report to that authority on its findings;
 - to assess and promote efficiency and **value for money** with respect to the local authority's performance of its functions
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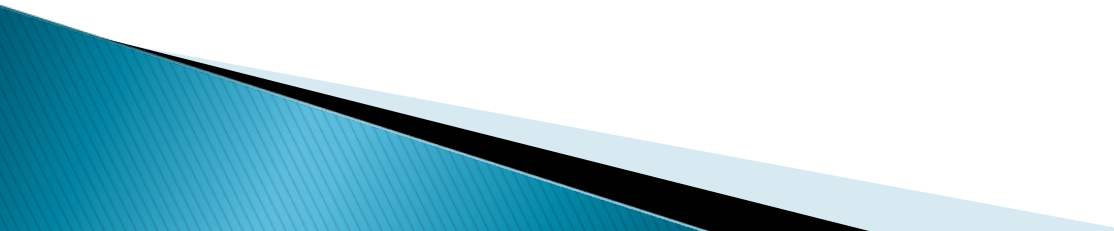
- to review systems that are operated by the local authority for the **management of risks**.

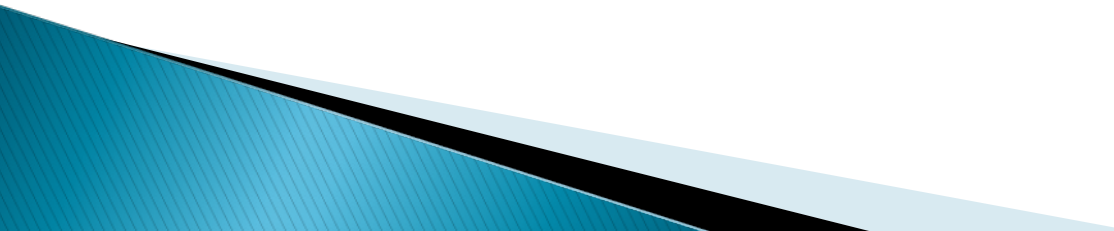
National Oversight and Audit Commission (NOAC)

:

- independent scrutiny of LG performance
 - function to ensure value for money achieved
 - reports to relevant Ministers
 - reports to be published
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- Monitor and evaluate adherence to **Service Level Agreements** entered into by any local government body;
 - Oversee how **national local government policy** is implemented by local government bodies;
 - Monitor and **evaluate public service reform** implementation by any local government body or generally;
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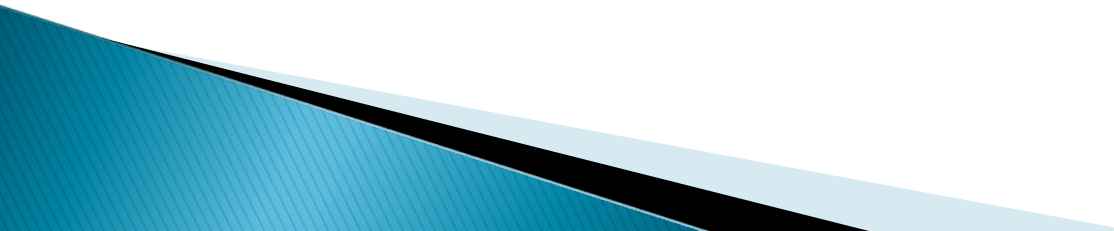
- **Scrutinise performance** of any local government body against **relevant indicators** as selected by NOAC (to include customer service) or as prescribed in Ministerial regulations;
 - **Scrutinise financial performance**, including **Value for Money**, of any local government body in respect of its financial resources;
 - Support **best practice** (development and enhancement) in the performance of their functions by local government bodies;
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- Monitor **adequacy of corporate plans** prepared by Regional Assemblies and councils and evaluate implementation of the plans by any local government body or generally;
 - Take steps under its other functions for the purpose of **producing any report** requested under the Act as well as produce reports under its own initiative; and
 - Carry out any additional functions conferred by Ministerial order.
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GOVERNANCE

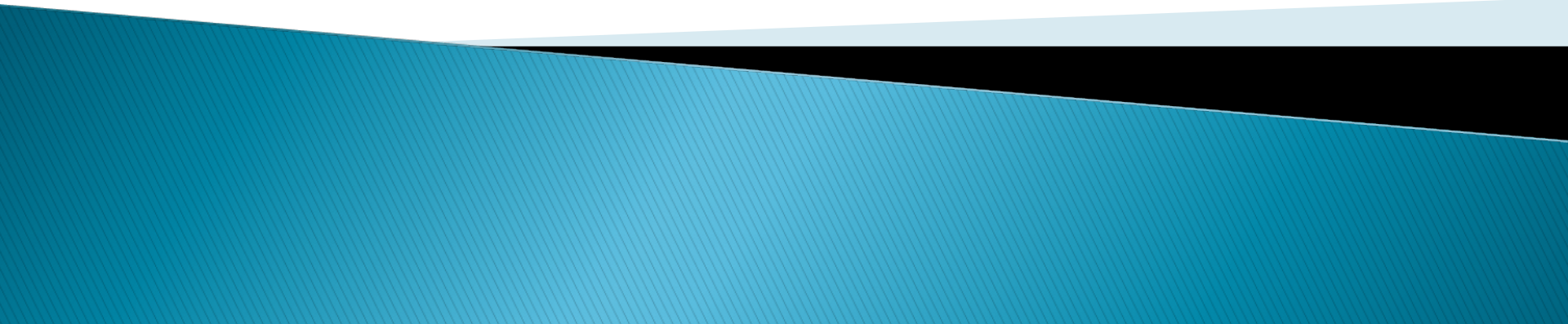


- **Governance is concerned with developing the appropriate structures** and processes for directing and managing an organisation so that stakeholders can be assured that the organisation is operating effectively and efficiently.

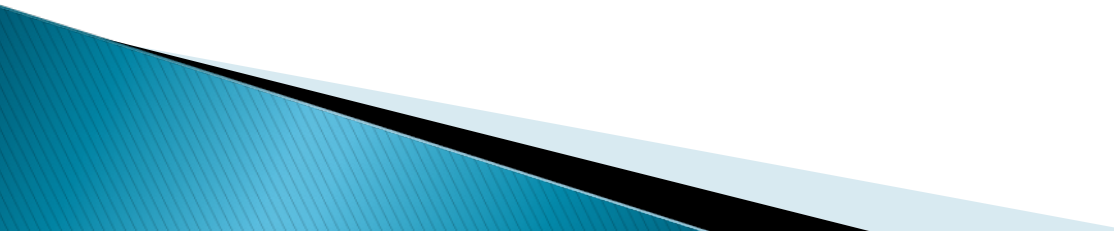
- In the case of Local Authorities, a **governance framework focuses** on the legal, regulatory and service obligations and on the sets of relationships between the Council, the Committees, the individual members, the Chief Executive, the executive management team, staff and stakeholders in determining the direction and performance of the organisation.
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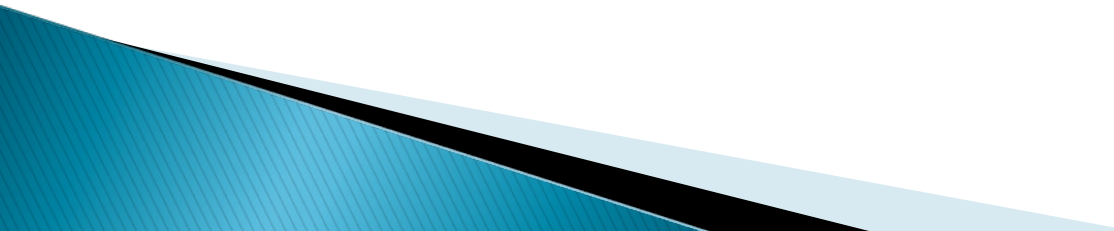
New Governance Framework

Being Developed



☐ **6 Core Principles and supporting principles**

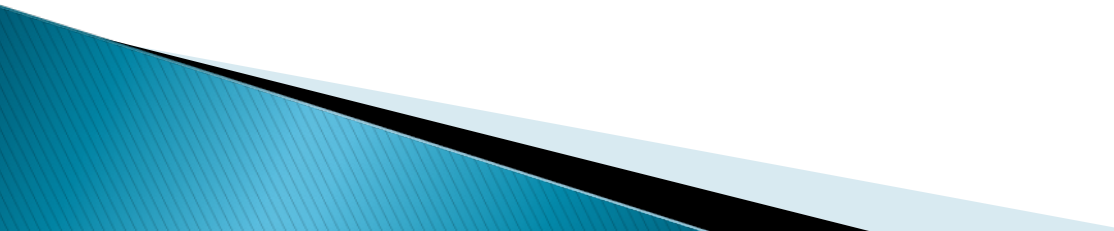
- ☐ Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a **vision** for the local area
 - ☐ Members and officers working together to achieve a common purpose with clearly defined **functions and roles**
 - ☐ Promoting values for the authority and demonstrating the values of good governance through upholding high **standards of conduct and behaviour**
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- Taking informed and transparent decisions which are subject to **effective scrutiny and managing risk**
 - –Developing the **capacity and capability** of members and officers to be effective
 - –Engaging with local people and other stakeholders to ensure robust **public accountability**
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Context : Risk and Governance

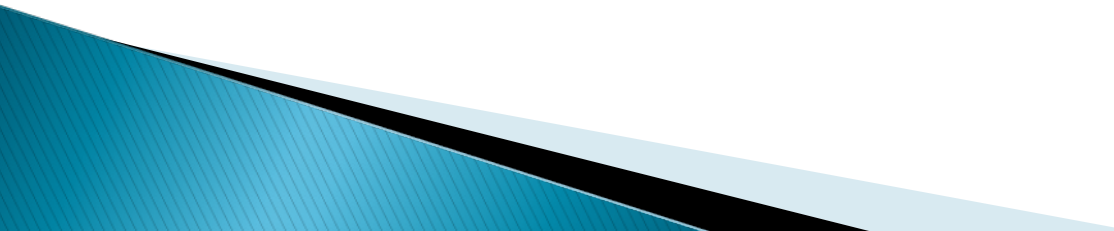
A sound system of internal control provides assurance that an organisation will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business, by circumstances which may be reasonably foreseen.

Members and chief executive must exercise leadership within a framework of prudent and effective controls within enables risks to be assessed and managed

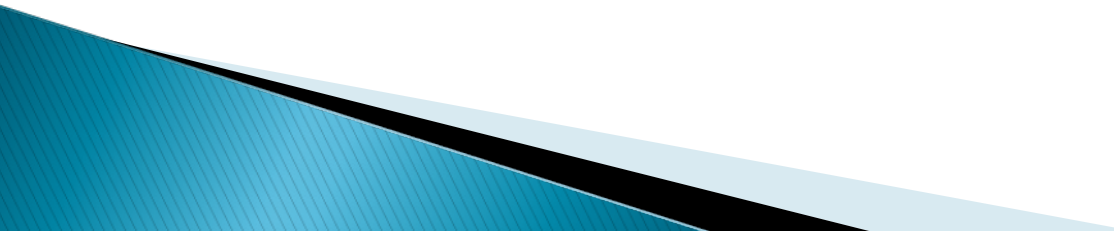


Risk Terminology

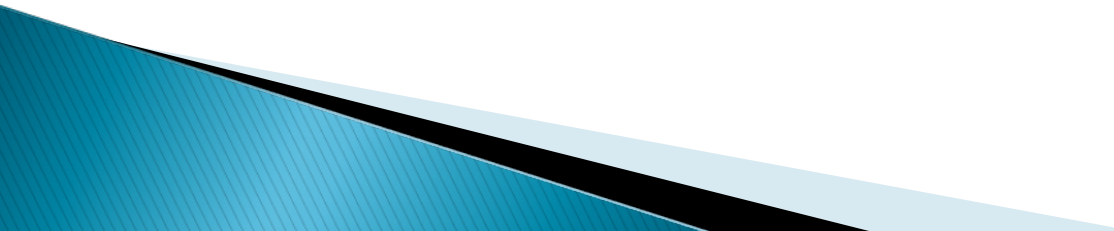
- Risks are events, actions or failures to act that could affect us in the achievement of priorities
 - Risk is “ the effect of uncertainty on objectives”
 - Risks – vulnerabilities – exposures

 - Principal risks and uncertainties
 - Risk Registers – corporate and directorate level
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Risk Management

- Co-ordinated activities to direct and control an organisation with regard to risk
 - Addressing risk
 - Treat
 - Tolerate
 - Transfer
 - Terminate
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Risk Management Policy

- Focusses on identifying, assessing and mitigating risk and assists the ongoing review and improvement of approaches to risk management in situations of uncertainty and change
 - Risk management should be integrated and integral to policy, planning and operational activity within the Council
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Risk Management Process

