

AILG ELECTED MEMBER INDUCTION TRAINING PROGRAMME

Elected Members Governance & Oversight
Role, Internal/External Audit (LGAS), Audit
Committees & National Oversight and
Audit Committee (NOAC)

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Topics Today

- ❖ Local Authority Governance
- ❖ Elected Members Governance and Oversight Role
- ❖ Internal Audit, LA Audit Committee & External Audit (LGAS)
- ❖ National Oversight and Audit Committee (NOAC)

Local Authority Governance

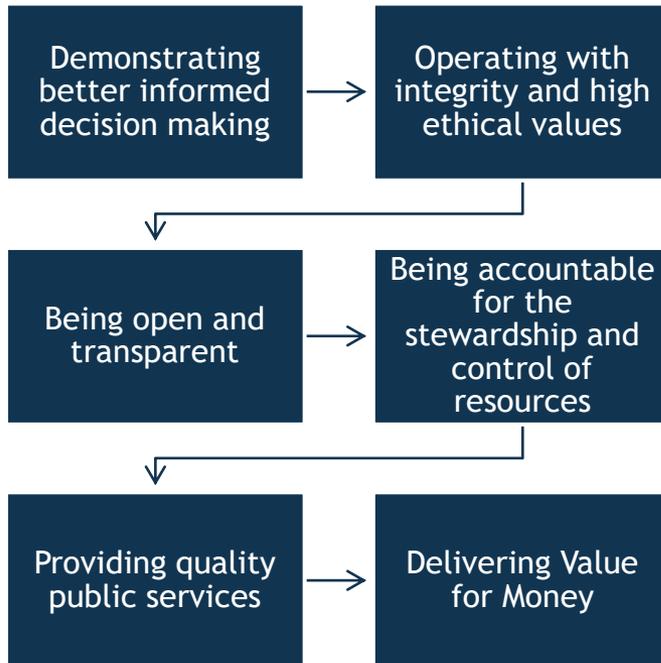
- ❖ Corporate Governance has been defined simply as “the system by which organisations are directed and controlled”
- ❖ Good governance in the public sector is about delivering priorities, achieving objectives, behaving with integrity, and acting in the public interest and in ways that are consistent with legal, regulatory and government policy obligations.
- ❖ The statutory governance requirements for local government are set down in legislation, regulations, and statutory instruments, notably the Local Government Act 2001 (as amended)
- ❖ It is also important to note that the operation of local authorities is affected by a range of other legal and regulatory requirements relating to specific services and functions it provides and relating to its role as an employer and corporate entity.

Local Government in Ireland is big business

Local Authority Governance

- ▶ 31 local authorities across the country, with estimated expenditure for 2024, in excess of €7.2 billion
- ▶ Multifunctional, delivering over 1,100 individual services across roads; planning; housing; economic and community development; environment, recreation and amenity services; fire services and maintaining the register of electors.
- ▶ Multiple strategic objectives which can be difficult to balance
- ▶ An island with limited markets and supply chain can be difficult to do business in
- ▶ Sustainable development – we must be out front in the green agenda

Good Governance



Everyone has a part to play



Elected Members



Audit Committee



Management/Executive



Central Government

1. Leadership
2. Values and Behaviour - (Nolan Principles – Selflessness / Integrity / Objectivity / Accountability / Openness/ Honesty/ Leadership)
3. Structures, Roles and Functions
4. Capacity & Capability
5. Decision Making – Risk, Finance and Control
6. Stakeholder & Accountability
7. Sustainability & Climate Action

Elected Members Governance & Oversight Role

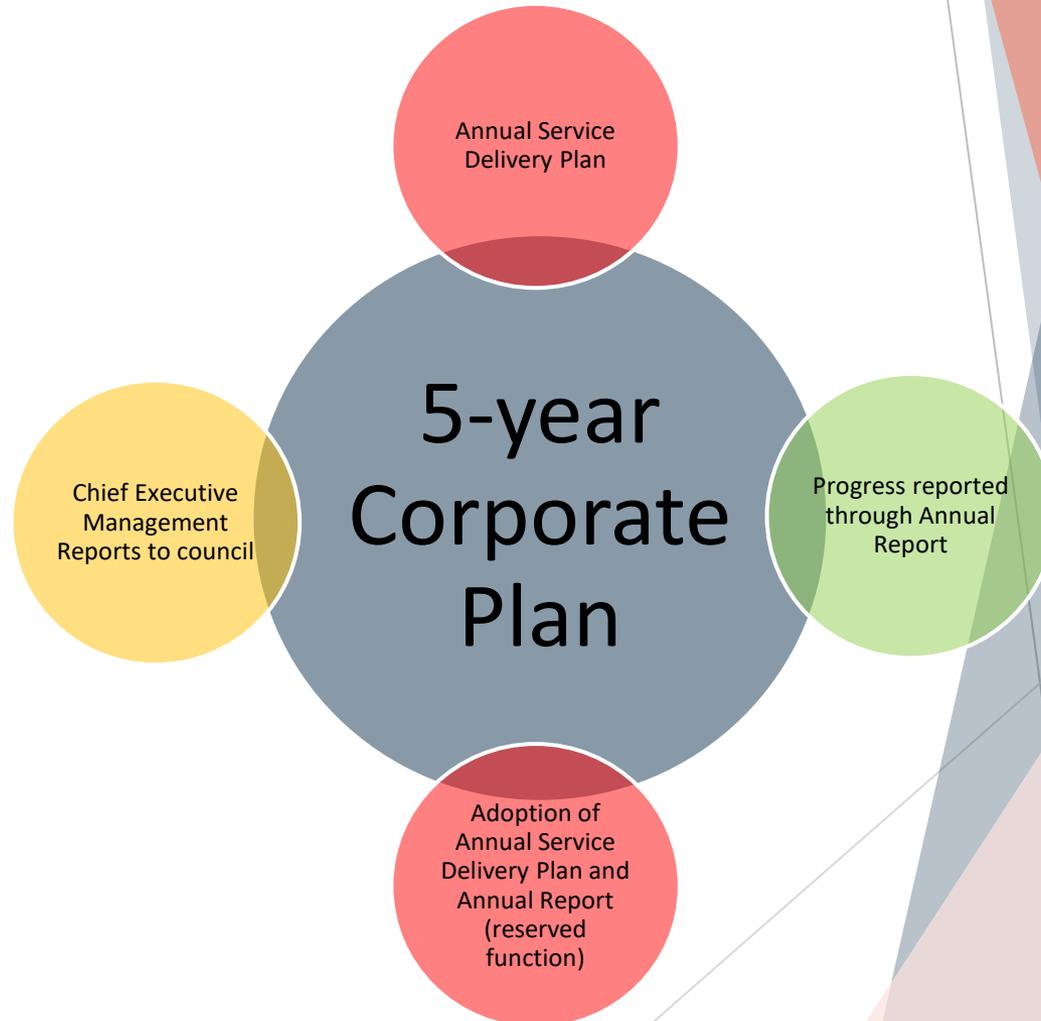
- ❖ Local authorities, Elected Members, management and staff, should act in the public interest at all times.
- ❖ This entails respect for the rule of law, ethical behaviour and adherence to the principles of public life
- ❖ The powers vested in local authorities should be accompanied by a high degree of accountability, effective governance, and mechanisms to ensure adequate consistency and standards of performance.
- ❖ Elected Members have a significant governance and oversight role within their local authority and have various powers in relation to the functions of the Chief Executive.
- ❖ This enables the members to play a significant part in overseeing and directing the affairs of the local authority generally.

Independent Review of the Role and Remuneration of Local Authority Elected Members

Sara Moorhead SC

Elected Members Governance & Oversight Role

How do Elected Members influence and monitor policy?



Elected Members Governance & Oversight Role

Elected Members oversight – What can you do? (1)

Local Government Act 2001 (as amended by the 2014 Act)

Elected members have the preeminent role in local government

Create the overall policy framework within which the council's executive operates

Play a significant role in oversight, governance and compliance

Under the Local Government Act 2001 (as amended by the 2014 Act) elected members:

Can require the submission of financial statements (Section 105)

Approve Policy Documents (Section 134)

Receive reports on the Capital Programme (Section 135)

Receive information on business or transactions of the council (Section 136)

Elected Members Governance & Oversight Role

Elected Members oversight – What can you do? (2)

Local Government Act 2001 (as amended by the 2014 Act)

Obtain a monthly report on the performance of the executive functions (Section 136)

Receive specifications and cost estimates of particular works (Section 137)

Can require the CE to inform them before performing any specified executive functions (Section 138)

Can prohibit the undertaking of new works (Section 139)

Can direct that a second legal opinion be obtained (Section 132)

Can require that a particular act, matter or thing be done by the chief executive (Section 140)

Bring questions and motions to statutory council meetings (Schedule 10)

Authorise the borrowing of money and the disposal of assets

Role of Internal Audit

- ▶ Offer an independent, objective, assurance and consulting activity
- ▶ Provide management and the Audit Committee, with assurance on risk management, internal controls and governance systems
- ▶ Operates under a charter
- ▶ Develops plans using a risk-based approach which may be guided by:
 - ▶ Concerns raised by the Chief Executive and SMT
 - ▶ LG Auditor observations from AFS Audit
 - ▶ A request from Audit Committee
 - ▶ Issues high-lighted by other L.A.'s/press etc.



What types of things do I.A. look at?

- ▶ **Governance** - the system by which the function is controlled and operates, and the mechanisms by which it, and its people, are held to account
- ▶ **Compliance** – are legal and statutory obligations being met?
- ▶ **Administration** – accountability, oversight controls, efficiency and effectiveness of operations
- ▶ **Ethics** – transparent decision –making + context
- ▶ **Risk management** – identification (internal and external), opportunities, risk appetite an early warning systems
- ▶ **Good record keeping** - helps learning if things go wrong



How Audit Committees came about?

The requirement for local authorities to establish an Audit Committee is set out in the Local Government (Business Improvement Districts) Act 2006

Guided by best practice and developments in corporate governance

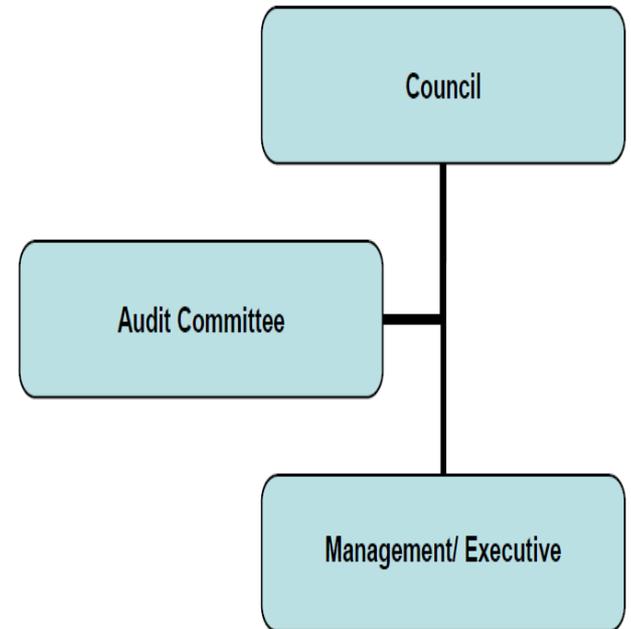
The Local Government Act 2001 provided the legal basis for the existence of Audit Committees

The Local Government Reform Act 2014 gives statutory effective to the Action Programme for Effective Local Government

LGRA 2014 provides for the establishment of audit committees within a specific timeframe

Reporting Framework

- ❖ The audit committee report directly to the Council and therefore maintains its independence from the executive.
- ❖ Each member of the audit committee has a role to play in ensuring the committee maintains its independence and objectivity
- ❖ The operation of the audit committee does not diminish the statutory duties and responsibilities imposed on the local authority, be it the Council of elected members or the chief executive under any other statute



Establishing an Audit Committee

- Members of the audit committee are nominated by the corporate policy group, having consulted with the chief executive.
- Small to medium local authorities - five members:
 - ❖ No less than three external members
 - ❖ No more than two serving or retired elected members
 - ❖ Two or more persons with experience in finance, auditing or accounting
- Larger local authorities - seven members:
 - ❖ No less than four external members
 - ❖ No more than two serving or retired elected members, and
 - ❖ Three or more persons with experience in finance, auditing or accounting
- The chair is selected by the committee from the external members



Audit Committee administration support

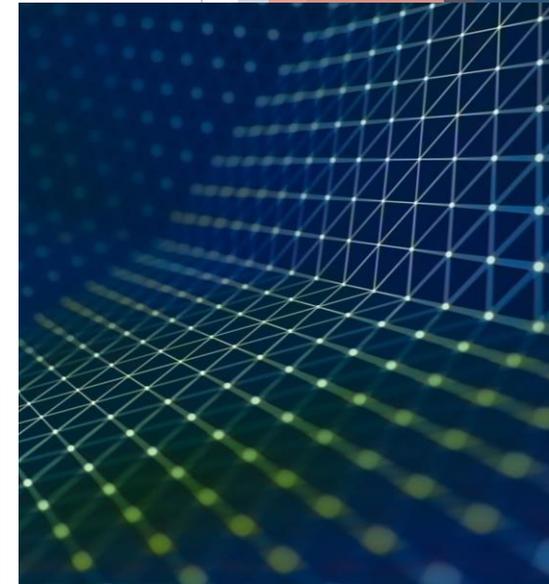


The Chief Executive nominates a member of staff as Secretary to the Audit Committee. E.g., Director of Service Corporate Services



The secretary, in consultation with the Chair of the Audit Committee, is responsible for:

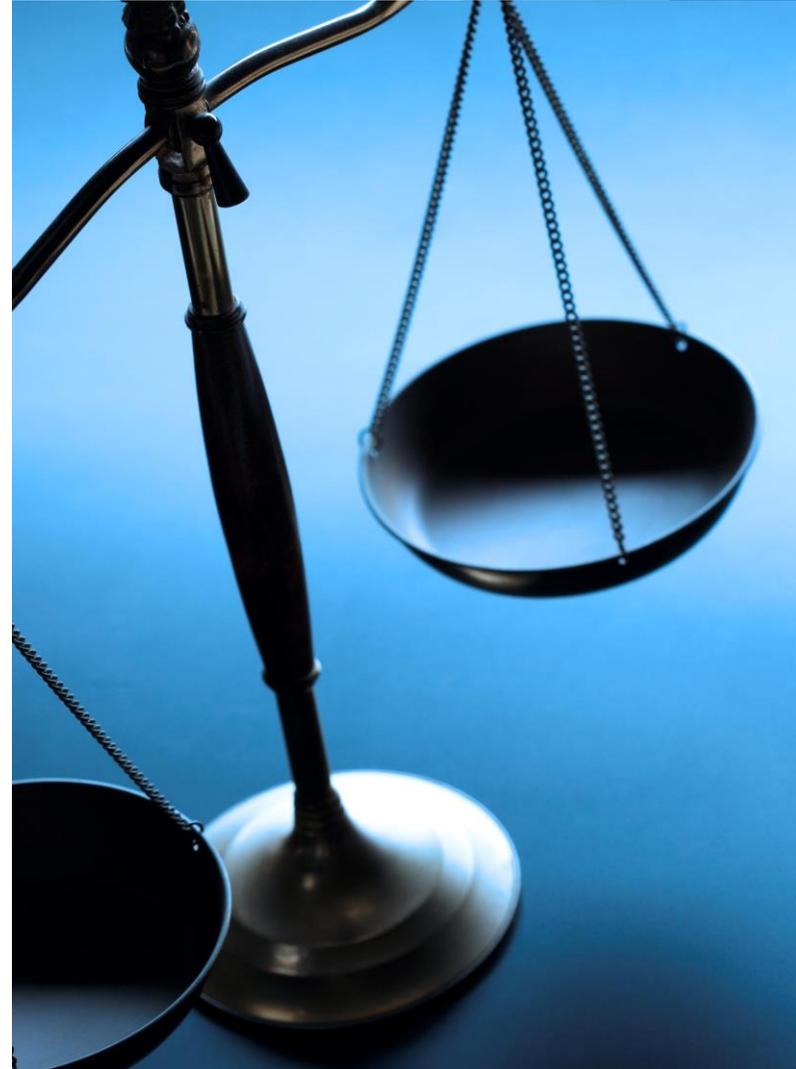
- Preparing and circulating relevant documentation for meetings
- Assisting the committee with key documents, which are presented to the Council for consideration and approval:
 - Audit committee charter
 - Audit committee's annual work programme
 - AFS Report
 - Annual report



Local Authority Audit Committees

Mandate and accessibility

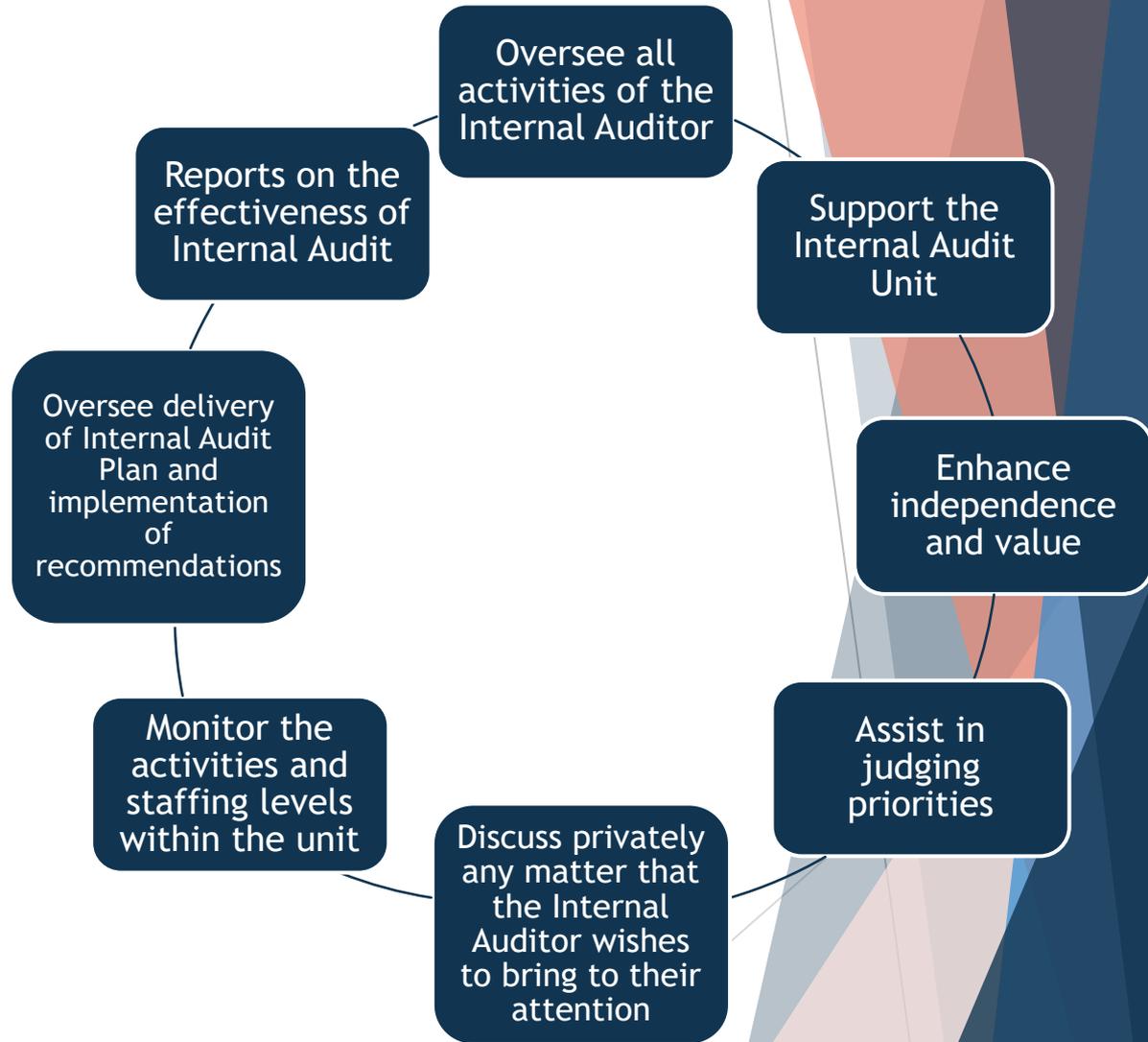
- ▶ Establishing balance between good working relationships and requirement for robust oversight
- ▶ Access to information, data, reports or any other documents
- ▶ Access to staff and the LGAS Auditor
- ▶ Meet at least annually with:
 - ▶ The external auditor of the LGAS
 - ▶ Employees of the internal audit unit
 - ▶ The chief executive
 - ▶ It may be beneficial to meet senior staff
- ▶ The audit committee should have a strong working relationship with the external auditor
- ▶ Obtain specialist consultancy services if required



Statutory Functions of the Audit Committee

- ▶ Meet a minimum of 4 times a year
- ▶ Carry out a comprehensive programme of work on behalf of the elected members:
 - a) Review financial and budgetary reporting practices and procedures within the local authority
 - b) Foster development of best practice performance of the internal audit function
 - c) Review any audited financial statement, auditor's reports or auditor's special report in relation to the local authority, and assess any response actions taken within the authority by the Chief Executive and report its findings to the authority
 - d) Access and promote efficiency and value for money with respect to the local authority's functions
 - e) Review risk management systems operated by the local authority

**Internal Audit
Function –
What does
Audit
Committee do?**



Local Authority Audit Committee

Audit Committee Annual Report

The audit committee prepare an annual report for the elected members to include:

- ▶ The programme of work carried out by the Audit Committee under its statutory functions
- ▶ Any matters which the audit committee considers that actions or improvements are needed
- ▶ The committee's assessment of its own effectiveness and performance
- ▶ Training needs and challenges or obstacles encountered

Provisions have been made in the regulations, to allow the Chairperson to address the Council and to provide any clarity the Council may need in relation to the annual report

Local Authority Audit Committee

Review of risk management systems – What does Audit Committee do?



Seek assurance that an appropriate/active risk management framework is in place:



Risk Management Policy



Corporate Risk Register - significant corporate level risk



Directorate specific risk registers



Business Unit risk registers



Risk overseers report to the audit committee on a regular basis

Local Government Audit Service (LGAS)

- ▶ Statutory function - provide independent scrutiny of the financial stewardship of LA's
- ▶ Provide an opinion on the Annual Financial Statements, not just assurance
- ▶ Contribute to improved standards within the sector
- ▶ Promote good corporate governance
- ▶ Present their findings directly to the Audit Committee
- ▶ Value for Money Unit



Riailas na hÉireann
Government of Ireland

**Statutory Audit Report to the Members of
Tipperary County Council
for the Year Ended 31 December 2022**

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
gov.ie/housing

Local Authority Audit Committees & External Audit (LGAS)

Review of any audited Financial Statements, auditor's reports etc. – What does Audit Committee do?



Meet with the auditor of the LGAS to carry out an annual review of the audited AFS



Review the auditor's report, the auditors special report and the management letter



Discuss managements responses and the adequacy of those responses



Discuss the report with the executive and seek assurances in relation to any matter highlighted



Report findings to the Council.



Review actions taken by the executive

National Oversight and Audit Commission (NOAC)

National Oversight and Audit Commission (NOAC)

The 2014 Local Government Reform Act made provisions for the establishment of NOAC. It has broad statutory functions.

National independent oversight body for the local government sector

Functions cover all local authority activities

Scrutinises performance generally and financial performance specifically

Supports best practice across the sector

Oversees implementation of national local government policy and public service reform

Thank You

