

LOCAL GOVERNMENT AUDIT IN IRELAND

Origins and Current Situation

Local government audit had an embryonic start in the 1830s when the idea of public accountability and external audit came significantly into focus in relation to local public bodies at the same time as the introduction of the practice of levying a rate for the relief of the poor. The landowners and other persons of property from whom the rate was levied had a real interest in knowing how the rates were collected and spent. From these beginnings, local government audit increased in scope and stature in the 1870s. The auditors were generally referred to as 'auditors of the poor law unions'. Our auditors were officially called 'Local Government Auditors' in 1941 under the Local Government Act of that year.

The current statutory remit of the Local Government Audit Service (LGAS) is contained in sections 114 to 126 of the Local Government Act, 2001. The LGAS is responsible for the audit of all local bodies such as city, county, borough and town councils, as well as regional authorities and assemblies and some other miscellaneous bodies (such as harbour commissioners, motor tax offices etc). The total number of bodies under its remit is 184.

The role of the Director of Audit is a statutory position and the functions of this office are set out in section 116 (4) of the Local Government Act, 2001. The main functions are to:

- (a) organise, direct and allocate resources within the LGAS
- (b) assign audits of particular local authorities or other bodies to particular local government auditors
- (c) provide such advice and assistance as the Minister may from time to time require for the purposes of maintaining a Code of Audit Practice
- (d) direct the Local Government (Value for Money) Unit established by section 14 of the Local Government (Financial Provisions) Act, 1997, and to ensure that the work of the unit is incorporated into local government audit practice
- (e) report from time to time to the Minister on matters set out in *paragraphs (a) to (e)* and generally on the performance of the LGAS.

The legislation underpins the separate statutory role of the Director of Audit. While he works in cooperation with the Department, the independence of his office is protected to allow him to undertake his mandate, he is not, for example, a member of the Management Advisory Committee (MAC) and as such is not involved in either its day to day management or policy formulation.

Local government auditors are also independent of the Department and the audited bodies, when discharging their professional functions. This independence is protected in legislation in accordance with section 116 (2) of the Local Government Act, 2001.

Each local government auditor is assigned an audit ‘district’ under warrant of authority from the Director of Audit. An audit ‘district’ comprises a number of audits grouped, as far as possible, in convenient geographical areas, and these are further grouped into three regions, Western, Southern and Eastern. Principal Auditors assist in the regional organisation and supervision of audits. In addition they have direct responsibility for the major audits in their region.

Human resources

The following gives a breakdown of the current staff structure within the LGAS:

Staff	Total	Financial Audit	VFM Unit
Director of Audit			
Principal Local Government Auditors	7	6	1
Local Government Auditors	20	17	3
Assistant Auditors	14	11	3
Total	41	34	7

All audit staff are professionally qualified accountants and have, for many years been recruited externally, having worked in industry, private audit firms, public sector bodies, and this mix of skills enhances the organisation. The LGAS was the first public sector audit body in Ireland to be a recognized employer for continuing professional development (CPD) purposes for members of the Association of Chartered Certified Accountants (ACCA).

Role of Local Government Audit Service

The LGAS provides independent scrutiny of the financial stewardship of local authorities. Its role is to:

- Carry out audits of local authorities and other bodies in accordance with its Code of Audit Practice, thereby fostering the highest standards of financial stewardship and public accountability;
- Promote the achievement of value for money in authorities by undertaking Value for Money (VFM) audits and publishing reports thereon.

A breakdown of the types of bodies subject to local government audit is as follows:

Status of Body	Number
City Councils	5
County Councils	29
Borough Councils	5
Town Councils	75
Regional Authorities	8
Regional Assemblies	2
Motor Taxation Offices	29
Miscellaneous	31
Total	184

Local authority expenditure

		2009
		€Billion
Revenue Expenditure (approx)		5.03
Capital Expenditure (approx)		6.70
		11.73

Local Government Audit Procedures

The process of local government audit has been updated and consolidated in sections 114 to 126 of the Local Government Act, 2001. Audits are carried out in accordance with a prescribed Code of Audit Practice, which covers:

- Purpose of audit
- Powers and duties of auditors
- The audit approach
- Outputs from audit
- Public accountability.

Special formalities attach to the serving of notices of audit, the deposit by bodies subject to audit of their books and draft annual financial statements for public inspection immediately prior to audit, the closing of audits, and the availability to the public of copies of the audited annual financial statements and any associated audit reports.

In addition to entering an audit opinion on the annual financial statement of each body audited, local government auditors may also issue associated audit reports. These public reports may provide brief commentaries on significant trends or outturns disclosed in the accounts, such as budgetary comparisons, capital projects, inter-authority transactions, reliance or otherwise with the authority's internal audit function, revenue collection performance, residual matters from previous audits and other internal financial control issues.

Before reports are finalised, the auditor must consult with the manager or chief officer of the audited body and their comments may also be incorporated into the auditor's final report. This is a new requirement, which was provided for in Section 120 (4) of the Local Government Act, 2001.

Auditors may also issue management letters in accordance with the Code of Audit Practice.

Publication of audited financial statement and any associated audit report

When an audit has been completed the local authority is required to furnish a copy of the audited financial statement and any report to every member of the local authority for consideration at the next practicable meeting of the local authority or body concerned.

Members of the public, who request these documents, are entitled to them on payment of the cost of making the copies. On the Minister's direction, a local authority may be directed to publish the auditor's report in a newspaper circulating throughout its administrative area.

Value for Money Audit Unit

The Value for Money audit unit of the LGAS consists of a central research team, staffed by a principal local government auditor and three local government auditors, together with further audit days provided by assistant auditors at district level.

The Director of Audit has established a VFM audit consultative committee representing the main stakeholders, and chaired by himself, to identify significant local systems, practices and procedures that would form part of the work programme for the Unit. Also, an advisory group is established for each VFM study undertaken, comprising representatives from local authorities, the Department and/or individuals with expertise in a particular field.

The Unit has produced 25 VFM reports to date. The work of the VFM Unit has focused on undertaking national studies on single-issue topics and publishing reports thereon. During 2009 the Unit will broaden its sphere of activity by

- issuing progress reports on the implementation, by local authorities, of the recommendations contained in national studies issued by the Unit
- enquiring into council's arrangements for securing economy, efficiency and effectiveness in the use of resources through the use of a questionnaire and structured interviews
- carrying out spot-checks, on behalf of the Department on capital projects undertaken by local authorities in accordance with guidelines issued by the Department of Finance.

Audit Committees

Audit committees have been established in all City and County Councils in accordance with section 5 of the Local Government (Business Improvement Districts) Act, 2006. This initiative has added considerably to the corporate governance agenda in local government. These committees normally comprise of five members, three external members including the Chairperson and two councillors. They carry out their functions under a formal charter. The local government auditors meet with these committees at least one a year to discuss the actions taken by the local authorities on foot of any audit recommendations contained in the statutory audit reports. These committees also oversee the work carried out by the authorities' internal auditors.

The LGAS actively promoted the establishment of these new audit committees in its Value for Money Report No. 23 titled *Follow-up report on the Development of Internal Audit in Local Authorities*.

(See Department's web www.environ.ie under local government audit service for all published documents)