



National Oversight and Audit Commission

Operation of Audit Committees in Local Government

NOAC Report No. 15 June 2018

NOAC (the National Oversight and Audit Commission) was established in July 2014 under the 2014 Local Government Reform Act to provide independent oversight of the local government sector. The statutory functions assigned to NOAC include the scrutiny of the Operation of Audit Committees in Local Government. This report is based on material in the reports of audit committees or in replies of their chairpersons to NOAC's inquiries.

TABLE OF CONTENTS

| | |
|---|----|
| Introduction | 1 |
| Purpose of NOAC Review | 2 |
| Outcome of NOAC's Review and Consultation with Chairperson of Committee | 4 |
| Review of Financial and Budgetary Processes | 4 |
| Review of Value for Money and Performance | 5 |
| Follow-Up of Response of Local Authorities to Matters Raised | 8 |
| Self-Assessment of Committee's Effectiveness | 11 |
| Review of Effectiveness of Internal Audit | 12 |
| Completion of the Audit Cycle | 13 |
| Table 1 - Review of Financial Statements and Audit Reports 2015 | 13 |
| Completion of Annual Report of Audit Committee | 14 |
| Table 2 - Completion of Annual Report 2015 | 14 |
| Internal Control and Risk | 14 |
| General Observations of Committee Chairpersons | 16 |
| Overall Conclusions of NOAC | 18 |
| Appendices | |
| A - Key Issues Raised with Councils | 19 |
| B - Checklist for the Effectiveness of Audit and Risk Committees | 20 |

Introduction

Operation of Audit Committees in Local Authorities

Audit Committees now operate across all 31 local authorities in Ireland. The latest legislative underpinning for those committees is set out in the Local Government Reform Act 2014. That Act provided for the establishment of committees by all local authorities within a specific timeframe and set out their responsibilities in relation to the audit report and the financial statements.

The statutory functions of audit committees are:

- To review financial and budgetary reporting practices and procedures within the local authority
- To foster the development of its internal audit function
- To review any audited financial statement, the 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 the authority on its findings
- To assess and promote efficiency and value for money with respect to the local authority's performance of its functions
- To review the systems operated by the local authority for the management of risks.

Following enactment of the 2014 legislation, the Department issued guidance giving practical advice on the implementation of the statutory functions. The guidance suggests a pattern of review aligned with the annual cycles of the local authority in the following main respects:

- Examination of the practices and procedures associated with the annual budget, in-year monitoring of the financial position and arrangements around adoption of the financial statements.
- Review of the annual work plans and resourcing of the internal audit function.
- Reporting to the local authority on its findings relating to the audited financial statements and any audited report including follow-up of issues raised.
- Review value for money achieved taking account of local and national indicators.
- Review of the existence of and compliance with the authority's risk management process.

The Audit Committees issue two main types of report:

- A report to the authority in regard to the committees functions in relation the annual financial statements and audited reports.
- An annual report on its activities and findings during the previous year.

Purpose of NOAC Review

NOAC set out to establish in respect of the activities and accounts of the year 2015, how well the statutory function and department guidance had been implemented by local authorities. It drew on the reports of the audit committees and in particular, it consulted the Chairs of Audit Committees on the following:

- The Committees arrangement for the review of the practices and procedures of the local authorities for reporting
- The arrangements in place to review the practices and procedures of the local authority for reporting on the annual budget, the on-going financial position throughout the year and the adoption of the financial statements

- Whether and to what extent the Committee assesses efficiency and value for money in the performance of local authority functions and in particular, whether arrangements are in place to review local and national indicators or review the outcome of management's examination of those indicators and whether the Committee reviews reports produced by the VFM Unit of the Local Government Audit Service (LGAS)
- Whether the Committee undertook an annual review of its own effectiveness and reported its findings to the Chief Executive and the nature of this review
- Whether and to what extent the committee reviews the effectiveness of the internal audit function, and the resourcing, charter and annual work programmes of the Internal Audit Unit
- Whether a written charter governing the committee's operation has been adopted by the local authority and is being reviewed annually
- The arrangements in place for reviewing the response of the local authority to any matters referred to it
- The date on which the Committee considered the audited annual financial statement (AFS) for 2015 and Auditor's report thereon

In addition, in certain instances, NOAC sought clarification from committees on matters arising from its review of the reports issued by them.

Outcome of NOAC's Review and Consultation with Chairpersons of Committees

The paragraphs that follow set out the result of NOAC's review of the reports of the Committees and of its subsequent consultation with Chairpersons. As there is considerable repetition in the replies it has sought to the degree possible to synthesise the replies and draw out any salient points.

Review of Financial and Budgetary Processes

In their reporting, around half of all committees outlined the processes they employed to review the financial and budgetary processes of the local authorities. These 14 Committees outlined a broadly similar procedure encompassing briefings on the budget, the ongoing financial position and financial statements of the local authority. NOAC communicated with 14 committees where the processes were not detailed in the reports.

The 12 Committees that replied specifically outlined a broadly similar procedure encompassing briefings on the budget, the ongoing financial position and financial statements of the local authority.¹ Dublin City Council considers that the monitoring of in-year financial position is a matter for the executive with the Audit Committee reviewing the procedures in place from time to time. Laois considers that going forward it may be opportune for the Committee to request a full update on the current financial position at every meeting. This was not the practice up to that point.

In all cases the Local Government Auditor met with each committee to assist with its consideration of the local authority accounts.

Overall, NOAC concluded that this element of the role of audit committees was fully addressed by those who responded. It is recommended that in their reporting all committees give an outline of how they approach their review of the processes surrounding the local authority budget, in-year budget monitoring and the adoption of the annual financial statement.

¹ Donegal did not provide a response to this query.

Review of Value for Money and Performance

While the statutory mandate of the committees is to assess and promote efficiency and value for money with respect to the local authorities' functions the practical application of this mandate to date involves reviewing the national indicators published by NOAC² and reports on Value for Money issued by the LGAS. Almost all committees reported carrying out such reviews or have committed to do so.

NOAC is beginning to examine the scope for grouping local authorities for comparative reporting purposes. It noted during its validation of national indicators for 2016 that some authorities had themselves begun to compile information comparing their performance against a selection of other authorities of similar size or profile. In its report on performance indicators for 2016, NOAC has included comparisons of performance between some authorities for a selection of the indicators and hopes that this improves the usefulness of the data³.

Some interesting approaches to deepening the value dialogue reported by committees were:

- Cork City Council presents a comprehensive monthly report setting out progress on the delivery of targets in the annual service delivery plan and the budget
- Dún Laoghaire-Rathdown and Louth consider that the monthly progress report on delivery of targets in the annual service delivery plan provides an effective oversight mechanism. In addition, both committees stated that the internal audit reports they review contain elements of value for money assessment
- Without impacting on the statutory remit of the Audit Committee, Donegal County Council has established a separate Value for Money Committee to review and monitor value for money topics such as procurement, process efficiencies, systems and related matters
- Dublin City's audit work plan places a heavy emphasis on achieving value for money, particularly in procurement, as a central theme in the audit work plan

² There are also internal indicators compiled by authorities to assist in the ongoing management of their businesses. These are also useful for monitoring purposes.

³As per the Performance Indicator Report 2015

- Fingal includes consideration of value for money in the Committee’s work plan. It meets with Directors of Service and Heads of Function throughout the year which affords it an opportunity to discuss value for money initiatives being taken
- Kilkenny intends to review the Council’s internal indicators in future
- Longford conducts a review of management’s arrangements to ensure and demonstrate efficiency, value for money and effectiveness and requests special reports from management or internal audit as appropriate
- South Dublin has instituted an annual process of reporting by the Director of Corporate Performance and Change Management on the extent of arrangements in place for assessing value for money across the organisation.

Some of the foregoing approaches adopted in individual authorities may be capable of transfer to other authorities to the extent that they are congruent with existing approaches.

Broadly speaking the approach of each committee could fall into three main categories:

- 1) A systems-based approach designed to assure itself that the local authority has systems procedures and practices that position it to evaluate the extent to which value is being achieved in the performance of functions.
- 2) A performance dialogue based on the results achieved as set out in national and local performance indicators or based on the service objectives of each function.
- 3) A direct review approach based on the outcome of internal audit or other assignments.

It is important that committees consider the depth of value for money review being achieved by internal audit functions and other review work within the authorities. One possible classification system for projects that examine operational performance might be:

- Economy: Projects designed to review cost minimisation or income maximisation
- Efficiency: Projects that examine the efficiency of the conversion of primary inputs into desired outputs
- Effectiveness: Projects that examine outcomes achieved or the penetration of services to the populations intended to be served.

It is important that committees consider all aspects of this value for money chain and how assurance can be cost-effectively achieved as part of a balanced review programme.

It would be useful for committees to include in their reporting a specific outline of their approach to the review of efficiency and value for money in the local authority. This might cover:

- The specific reports reviewed including VFM Reports from LGAS.
- The nature of its review of national indicators.
- Its consideration of efficiency reviews by internal audit or consultants.
- Other management reports reviewed with a value for money focus including local indicators.
- The extent of performance dialogue with functions within the local authority.

Follow-up of Response of Local Authorities to Matters Raised

In their reporting, Audit Committees set out a range of issues that were referred to each local authority for action. An outline of topics considered by committees is at Appendix A. It is important that individual recommendations are formally monitored and pursued until fully implemented.

Consequently, NOAC asked the Committees to outline the arrangements in place to review responses to matters raised in Audit Committee reports.

Most of the committees had procedures in place to track responses to matters raised. Audit Committees that instanced specific tracking procedures were those in the following local authorities:

Cork City Council, Donegal County Council, Dublin City Council, Kerry County Council, Kilkenny County Council, Laois County Council, Leitrim County Council, Limerick City and County Council, Longford County Council, Meath County Council, Offaly County Council, Roscommon County Council, South Dublin County Council, Tipperary County Council, Westmeath County Council and Wexford County Council.

Amongst the approaches to follow-up cited by Chairpersons were:

- Tracking responses to issues raised and review of progress with LGAS.
- Both the internal audit and audit committee recommendations are reviewed twice annually.
- Tracking issues raised through a governance monitoring process.
- Regular management attendance where issues raised can be addressed and followed up. The Audit Committee also meets with the Chief Executive on at least an annual basis and again issues can be followed up in this forum.
- Monitoring of progress of the council in addressing matters set out in the audit committee report.
- Follow up by the internal auditor or secretary of matters referred to the council.

- Consideration of responses of the Council in the ordinary course of the Committee business.
- Agreed procedures to update the committee on progress in implementing internal audit recommendations and those of the committee.
- Follow-up of internal audit recommendations.
- Specific recommendations are responded to by management while general issues are referred to Internal Audit for checking and report back.
- Consideration of recommendations year by year.
- Proactive consideration of concerns raised and dealing with them as they arise.
- Review of issues raised by the Committee in the course of Council meetings and scheduling of issues raised by the LGAS and internal audit together with management's response thereto.
- Attendance of the relevant Director of Services or senior staff member to brief the committee on matters raised in the course of which follow up actions are identified.
- Reliance on the internal audit function to ensure that issues are followed up and engagement with senior staff in an open and frank manner.
- Review of matters requiring further work at each audit committee meeting until the matter is resolved.

Other committees outlined arrangements for reporting their findings to local authorities and receiving feedback from members. Committees that outlined procedures for reporting were:

Carlow County Council, Cavan County Council, Clare County Council, Cork County Council, Galway City Council, Galway County Council, Kildare County Council, Louth County Council, Mayo County Council, Sligo County Council and Wicklow County Council.

Amongst the approaches to follow-up cited by Chairpersons of those audit committees were

- Presentation of Audit Committee report to elected members and follow up of matters raised with them.
- A system whereby the Director of Service reverts to the Committee with the comments or recommendations of the elected members on the Audit Committee report.
- Documentation of the comments of elected members upon presentation of the Committee report.
- Tabling of audit committee report and relaying of comments by members to the Committee.
- Recording of responses to issues raised in the audit committee report in the council minutes.
- Noting of the audit committee report by the Council.

Monaghan Audit Committee advised that thusfar there have been no issues to report to the Local Authority.

Some committees emphasised the process around tabling and presentation of reports to Councils. Such processes need to be supplemented by a system to track recommendations and review the responses of management.

As the central review organ in the local authorities, audit committees also need to have systems to ensure that recommendations of the LGAS and the internal audit function are dealt with.

Self-Assessment of Committee's Effectiveness

Overall 30 Audit Committees reported conducting such an assessment⁴ of their own effectiveness. 22 of these used a questionnaire drawn from a template set out in an appendix to the 2016 Code of Practice for the Governance of State Bodies. This template is set out at Appendix B. Other Committees reported that they are moving to adopt the self-assessment model set out in the Code of Practice.

Other evaluation approaches outlined included

- Reliance on the implementation of the Committee's work programme and processes as a guarantee of effective operation.
- Oral and written consultation with stakeholders.
- Facilitated workshops sometimes including training.
- Discussion amongst members.
- In addition to consultation by the Chairman with stakeholders, Leitrim reported using an anonymous questionnaire to members with 25 questions and freeform suggestions for improvement or areas of focus. Its review process is biennial.
- Limerick also uses a questionnaire to members to guide its review discussion.
- Longford submitted the results of its appraisal of the function.

Committees have either taken reasonable steps to evaluate their own effectiveness or are in the process of doing so. While there is no single ideal way of conducting this assessment NOAC would endorse the approach of using the Code of Practice template. There may be merit in alternating this with a facilitated workshop to ensure that the question of effectiveness is approached from different angles.

⁴ Sligo County Council Audit Committee did not specifically state that a review of the audit committee's own effectiveness was undertaken.

Review of Effectiveness of Internal Audit

All 31 authorities reported that their audit committees have reviewed the effectiveness of the Internal Audit units within the local authorities and no issues were raised through these reviews with the effectiveness of internal audit functions.

In fact, several Audit Committees were very positive about the work done by their respective Internal Audit teams. While not all the Audit Committees reported whether an Internal Audit charter existed or was reviewed, the majority advised that this was the case.

In addition all of the Audit Committees that replied advised that they were directly involved in the Internal Audit Annual Work Plan. Only one committee, Monaghan, noted that resourcing had been a concern but had begun to be addressed with a combination of increased internal resources and outsourcing.

Following on from the responses given in respect of this review, it is recommended that in their annual reporting, all committees give explicit assurance on

- The results of its review of the internal audit charter.
- The outcome of its review of the workplan of the function including a comment on the target audit coverage cycle for the main categories of expenditure, income and assets.
- The adequacy of resources available including outsourcing.
- The outcome of its review of internal audit outputs including tracking of recommendations.
- Their overall assessment of the effectiveness of internal audit functions.

In addition to the review of the effectiveness of internal audit carried out as part of this report, NOAC has conducted a separate review looking specifically at the internal audit functions across the local authority system. This report is at an advanced stage of development and will be published in the coming months.

Completion of the Audit Cycle

The finalisation of the audit committee reports for the financial year ended 31 December 2015 has to await production of the financial statements and the completion of audits by the LGAS. Table 1 below indicates the general timeliness with which the audit committee review takes place.

Table 1 Review of Financial Statements and Audit Reports 2015

| <i>Months after year-end</i> | <i>Number of Local Authorities</i> |
|-------------------------------------|---|
| 0-4 | 2 |
| 5-9 | 4 |
| 10-12 | 16 |
| 13-15 | 8 |
| 15-18 | 1 |

Early finalisation of the accounting cycle is a shared responsibility between those who produce the financial statements, the auditors and the audit committees that review them. Consequently, the timing of completion of the cycle is not wholly within the control of committees. Nonetheless 22 committees reported within twelve months of the year end. The LGAS has an objective of reducing the cycle further through earlier completion of audit work which should contribute to earlier completion of the accounting cycle within local authorities.

Completion of Annual Report of Audit Committee

The target for completion of the Annual Report of the Audit Committee is ‘within three months following the end of the previous calendar year’. Table 2 summarises the elapsed time from year end to agreement of the annual report for the 2015 annual reports.

Table 2 Completion of Annual Report 2015

| <i>Months after year-end</i> | <i>Number of Local Authorities</i> |
|-------------------------------------|---|
| 0-3 | 25 |
| 4-6 | 4 |
| 6+ | 2 |

There was substantial compliance in meeting the target for completion of the Annual Report of Audit Committee with 25 committees meeting the three-months deadline. Factors cited by those that completed the process later included:

- Low or no staffing in the audit committee or internal audit team.
- Illness of audit committee members.
- A misunderstanding as to who was producing the first draft of the report.

Internal Control and Risk

A key requirement in the conduct of public business is the systematic and secure processing of transactions and the safeguarding of assets. It is useful for organisations to approach assurance on these from two main viewpoints⁵:

- A control perspective which seeks to ensure that key features of safe management are in place including segregation of duties, authorisation and review controls and a systematic process for recording transactions.
- A risk perspective which seeks to identify and manage risks that might militate against secure processing and ultimately the achievement of the organisation’s objectives.

⁵ For a more complete view of the features of internal control from an organisational perspective see the COSO Model of the Threadway Commission published in 1992.

Accordingly, it has become practice in most public organisations (Government Departments and State Bodies) to publish Statements of Internal Financial Control and to put Risk Management Systems in place.

The reporting of audit committees gives explicit assurance that they had procedures for the review of risk management processes in local authorities.

The publication of a Statement on Internal Control as part of the financial statements is best practice in the private sector and an analogous practice operates throughout in public bodies underpinned by the Code of Practice for the Governance of State Bodies. Government Departments publish Statements of Internal Financial Control.

In response to NOAC's queries most Committee's considered that the introduction of a Statement of Internal Financial Control tailored to the accounting practices of local authorities would enhance the evidence available to them on the operation of the systems of control and risk management. Currently, Dublin City Council is the only local authority that provides such a statement.

NOAC is satisfied that Committees have processes for reviewing risk management systems and procedures operated by Councils.

NOAC is of the view that the completion of an annual statement of internal financial control would provide enhanced public assurance and underpin a structured annual internal review of controls and risk by providing a focus for management and audit committee review of the systems procedures and practices instituted by authorities to manage their businesses⁶

⁶ This is also envisaged in the checklist for the effectiveness of audit committees (see sections 35-37 at Appendix B.

General Observations of Committee Chairpersons

Audit Committee Chairpersons made a number of observations on the functioning of the committees to date. Many committees suggested that a network would be useful for the sharing on good practice and experiences⁷

- Cavan suggested that this should extend to Chairpersons, Secretaries and Internal Auditors
- Cork City and Dún Laoghaire-Rathdown and Louth noted that while diversity may be appropriate to reflect local context and unique circumstances there could be merit in seeking to develop a consistent practice across the country through the sharing of lessons learnt.
- Galway City Council was of the opinion that a structured engagement with members of other committees in the region or nationally would assist in the development and efficacy of its committee.
- Kildare noted that the committee had always been concerned about the lack of opportunity to compare the performance of its committee with that of others and learn from their experience.
- Laois was of the opinion that an annual conference or seminar to update members on important developments in local government would be beneficial and would allow members to network and share information and ideas.
- Leitrim also expressed an interest in sharing experience through a network.

It was noted by Laois that while training was delivered in 2014, it had not been provided since. Clare suggested that training be on a regional basis.

There was a suggestion by Tipperary that the work of committees could be facilitated if there was some process for drawing together a map of audit activity⁸ and recommendations from various sources including the LGAS, NOAC, the VFM unit and EU audit of projects. Wexford also suggested that a list of areas reviewed could help in its topic identification.

⁷ Wexford noted that it is part of an annual regional forum which it finds useful to get a sense of the work of other committees and network.

⁸ The topics dealt with by committees during 2015 are outlined at Appendix A. Matters reported on by the LGAS arising out of its 2015 audits are classified by an appendix to report no 16

Cork County was concerned about the extent to which a meaningful input is possible in circumstances where the unaudited AFS is received after it has in effect gone public⁹ and its review of the audited AFS follows the completion of the audit process. Laois also noted that the committee needed up to date information on which to base its assessment of the audited accounts and noted that it would be more beneficial if the process was timelier.

Limerick noted that it had found the practice of engagement and discussion with each directorate to be useful in its consideration of risk and Dublin City noted that since the business of a local authority has many layers it had been helpful to have presentations from different functions which gives an overview of each service or group.

Meath emphasised the importance of an effective internal audit function which helps create efficiency while Monaghan noted that the committee's effectiveness is dependent on the ongoing support which it receives from internal audit as well as management.

Other suggestions made by committees that could improve effectiveness of review included

- Earlier production of the Annual Performance Indicators
- Reviewing and refreshing central guidance in the light of practice changes since 2014.

⁹ The unaudited accounts are presented for audit by 31 March and sent to Councils by 30 June of the following year which means by the time the Committee receives them for review they are public.

Overall Conclusions of NOAC

All 31 local authorities have functioning audit committees that are addressing the functions envisaged in their mandates.

It is accepted that, as independent review organs, committees need to retain flexibility to adopt review strategies and formulate appropriate responses to the implementation of their mandate in the context of each local authority's structure and systems.

The variety of practices outlined in this report indicates that there may be scope for comparison of approaches and adoption of those that fit with the review strategy of individual committees. NOAC agrees with the views of Chairpersons who suggested that a seminar be organised to consider the different approaches of committees and the opportunities to adopt different review practices. It will consult on how this might be organised and led.

Following on from the conclusions set out at the end of each section NOAC recommends that all committees, in their reporting explicitly:

- Outline the processes used to review the financial and budgetary processes.
- Set out the approaches used to review efficiency and value for money.
- Outline the tracking mechanisms that are in place to follow up on recommendations of the committee, the internal audit function and the LGAS.
- Outline the approach taken to the review of the committee's own effectiveness in the year.
- Report the results of its review of the internal audit charter, its workplan and associated resource adequacy, the outcome of its review of internal audit reports and the overall effectiveness of the function.
- Set out the date of adoption of each of its reports.

NOAC is of the view that consideration should be given to the introduction of statements of internal financial control. These would make explicit the controls and risk management approaches being utilised by management to ensure that there is an adequate level of checks and balances in the processing of the local authority's transactions and the safeguarding of its assets.

More generally, reflecting on the financial and governance environment in which Audit Committees operate, NOAC is of the view that the governance of local authorities should, to the extent possible be brought into line with the principles underlying the Code of Practice for the Governance of State Bodies and the accounting of local authorities be fully in line with accounting standards.

Appendix A

Key Issues Raised with Councils

The range of matters that were highlighted by Audit Committees in their Annual Reports is set out below.

| Issues Raised | Authorities |
|--|--|
| Income collection challenges / shortfalls (incl. rates, loan income, rents). | Carlow, Cavan, Cork Co Co, Donegal, Galway City, Galway Co Co, Kilkenny, Laois, Leitrim, Longford, Louth, Mayo, Meath, Roscommon, Sligo, SDCC, Tipperary, Waterford, Westmeath, Wicklow. |
| Procurement Procedures Compliance | Carlow, Donegal, DCC, Fingal, Galway City, Galway Co Co, Kilkenny, Meath, Roscommon, |
| Late receipt of AFS | Cavan, Mayo, Tipperary, |
| Property & Fixed Assets Title & Registration | Cavan, Galway City, Kilkenny, Laois, Meath, Offaly, Roscommon, Wicklow, Cork City, Cork Co Co, Fingal |
| Compliance with Ethics Legislation | Cavan |
| Asset Transfers to Irish Water | Cavan, Clare, DCC, Donegal, Kilkenny, Laois, Leitrim, Longford, SDCC |
| Revaluation of Land and Assets | Clare |
| Unfunded Balances | Clare, Cork City, Kilkenny, Laois, SDCC, |
| Capital Projects / Capital Funding & Balances | Clare, Cork Co Co, Galway Co, Kilkenny |
| Budget to Outturn/ Over Expenditure / Budgetary Controls | Clare, Cork Co Co, Longford, Meath, Sligo, Westmeath |
| Financial Deficits | Galway Co Co, Mayo, Sligo, Waterford, Westmeath, Wicklow. |
| Financial Reporting | Cork Co Co, Leitrim |
| Loan Book/ Debt Issues | Cork Co Co, DCC, Donegal, Fingal, Galway Co Co, Laois, Sligo, Westmeath, |
| Property Management Issues | Cork Co Co |
| LA Companies - Financial Standing | DLR, Donegal, DCC, Galway City, Kilkenny, Laois, Longford, Roscommon, SDCC, Tipperary, |
| Development Contributions | DCC, Donegal, Roscommon, Wicklow |
| IA Resourcing | DCC, Fingal, Galway City, Laois, Longford, Mayo, Offaly, Roscommon, Wicklow, Cavan |
| Bad Debt Provision | Fingal, Galway Co Co, Laois, Louth, DCC, Roscommon |
| Unfinished Housing Estates | Roscommon |
| Risk Management | Wicklow, Cavan |
| Impact of Staff Restrictions | SDCC, Mayo, |
| Financial Impact of Mergers | Meath |
| Transfers to Reserves | DCC |
| Burden on Commercial Sector through Rating System | Donegal |
| Contract & Legal Costs Issues | Kilkenny, Sligo |
| ICT | Cavan |
| Health & Safety | Cavan |

Appendix B

Checklist for the Effectiveness of Audit and Risk Committees

| The Role of the Audit and Risk Committee The Audit and Risk Committee fulfils an important role in the governance framework of an entity by assisting the Board monitor the internal control environment, risk management and financial reporting and internal and external audit unit. The Committee does not undertake management responsibilities and is not a substitute for entity management controls and accountabilities. | Y | N | N/A | Comment / Action Required |
|--|---|---|-----|---------------------------|
| 1. Is there a written charter and terms of reference, setting out the roles and responsibilities of the Audit and Risk Committee and its members, and has it been communicated to all members? | | | | |
| 2. Do the terms of reference include the provisions as set out in paragraph 1.3 of this document? | | | | |
| 3. Do the terms of reference require the Audit and Risk Committee to regularly review its own effectiveness? If so, when was the last time such a review was carried out? | | | | |
| 4. Does the Audit and Risk Committee meet at least four times a year? | | | | |
| Membership, Independence, Understanding The Audit and Risk Committee should be independent and objective. In addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as a Committee member. | Y | N | N/A | Comment / Action Required |
| Membership and Terms of Appointment | | | | |
| 5. Does the Audit and Risk Committee have at least three, or in the case of smaller State bodies, two, independent non-executive Board members? | | | | |
| 6. For what duration are Audit and Risk Committee members appointed? | | | | |
| 7. Is there a standard letter of appointment for new Audit and Risk Committee members and does it include: <ul style="list-style-type: none"> • role of Audit and Risk Committee? • duration of appointment and renewal provisions? • the support and training to be provided? • the time commitment involved? • level of remuneration (where appropriate)? • rules regarding conflicts of interest? • performance management arrangements • termination arrangements? | | | | |

| Independence | Y | N | N/A | Comment / Action Required |
|---|----------|----------|------------|----------------------------------|
| 8. What is the breakdown of Audit and Risk Committee members and Chairperson in terms of executive Board members, non-executive Board members and external members? | | | | |
| 9. Is the Audit and Risk Committee Chairperson different to the Chairperson of the Board? | | | | |
| Relationship with the Executive and Other Participants | Y | N | N/A | Comment / Action Required |
| 10. Are the executive members of the organisation invited to attend Audit and Risk Committee meetings, participate in discussions and provide information to the Audit and Risk Committee as required? | | | | |
| 11. Do the CEO, Finance Director, Head of Internal Audit and the external auditor routinely attend all Audit and Risk Committee meetings? If not, do they attend for specific meetings or specific agenda items, at the request of the Committee? | | | | |
| Managing Conflicts of Interest | Y | N | N/A | Comment / Action Required |
| 12. Is there a register of Audit and Risk Committee members' interests? | | | | |
| 13. Are members regularly required to declare any potential conflict of interest with any of the business items on the agenda for Audit and Risk Committee meetings? | | | | |
| 14. In instances where a member declares an interest in an agenda item, what action is taken? | | | | |
| Skills and Experience The Audit and Risk Committee should collectively possess an appropriate range of skills (skills mix) to perform its functions to the required standard. | Y | N | N/A | Comment / Action Required |
| 15. Are there formal assessment criteria for the appointment of the Audit and Risk Committee Chair? | | | | |
| 16. Does the assessment criteria for Audit and Risk Committee members include (or expect members to acquire as soon as possible after appointment) an understanding of: <ul style="list-style-type: none"> • the organisation's culture, objectives and challenges? • the organisation's structure, including key relationships such as that with the relevant Minister and parent Department? • relevant legislation or other rules governing the organisation? | | | | |

| | | | | |
|--|---|---|-----|---------------------------|
| 17. Does the Audit and Risk Committee corporately possess knowledge, skills and experience of: | | | | |
| <ul style="list-style-type: none"> • accountancy/finance – with at least one member having recent and relevant financial experience? • governance, assurance and risk management? • audit? • technical or specialist issues pertinent to the organisation's business? • the wider environments, including the Government and accountability structures, in which the organisation operates? | | | | |
| Access to Additional Skills | Y | N | N/A | Comment / Action Required |
| 18. Is the Audit and Risk Committee empowered to co-opt members on a short-term basis to provide specialist skills needed at a particular time? When was the last time this was done? | | | | |
| 19. Can the Audit and Risk Committee procure specialist advice (at reasonable and approved expense to the organisation) on an ad-hoc basis, to assist the members with specific areas of Committee business? When was this last done? | | | | |
| Training and Development | Y | N | N/A | Comment / Action Required |
| 20. Is there a formal induction process (including individually tailored training) for new Audit and Risk Committee members? | | | | |
| 21. Does the Audit and Risk Committee and the Chairperson make recommendations to the Board on the Committee's and individual members training needs? | | | | |
| 22. Does the Audit and Risk Committee keep up to date with best practice and developments in corporate governance? How is this done? | | | | |
| Scope of Work The scope of the Audit and Risk Committee's work should be defined in the terms of reference, and encompass all of the assurance needs of the executive Board or the CEO, including particular engagement with the work of the internal and external audit and financial reporting issues. | Y | N | N/A | Comment / Action Required |
| Relationship with Internal Audit | | | | |
| 23. Does the Audit and Risk Committee monitor and review the effectiveness of the Internal Audit Unit? | | | | |
| 24. Does the Audit and Risk Committee consider that the independence, experience, expertise and professional standard of the internal audit team are appropriate for the organisation? | | | | |

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| 25. Does the Audit and Risk Committee consider whether the scope of internal audit work, the resources at its disposal and their access to information and people allow it to address significant risks within the organisation? | | | | |
| 26. Does the Audit and Risk Committee receive regular progress reports on work undertaken by the Internal Audit Unit? | | | | |
| 27. Does the Audit and Risk Committee review internal audit reports and management responses to issues raised, and monitor the progress made on internal audit recommendations? | | | | |
| 28. Does the Head of Internal Audit have direct access to the Chairperson of the Audit and Risk Committee? | | | | |
| Relationship with External Audit | Y | N | N/A | Comment / Action Required |
| 29. Does the Audit and Risk Committee periodically request the views of the external auditor on the work and effectiveness of the Audit and Risk Committee? | | | | |
| 30. Does the Audit and Risk Committee consider the external auditor management letter and other relevant reports and the management response, and monitor the progress made on the recommendations? | | | | |
| 31. Does the Audit and Risk Committee meet the external auditors at least once a year, without executive Board members being present, to discuss any issues of concern? | | | | |
| Relationship between Internal and External Audit | Y | N | N/A | Comment / Action Required |
| 32. Does the Audit and Risk Committee seek confirmation from internal audit and the external auditors on the effectiveness of their relationship? | | | | |
| Fraud | Y | N | N/A | Comment / Action Required |
| 33. Does the Audit and Risk Committee consider whether anti-fraud and corruption policies and procedures are in place and operating effectively? | | | | |
| 34. Does the Audit and Risk Committee consider whether there is an anti-fraud policy and code of conduct and its distribution to employees? | | | | |
| Internal Control | Y | N | N/A | Comment / Action Required |
| 35. Does the Audit and Risk Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period and that the system of internal reporting gives early warning of control failures and emerging risk? | | | | |

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| 36. Does the Audit and Risk Committee consider whether the Statement on Internal Control is sufficiently comprehensive and meaningful? | | | | |
| 37. Does the Audit and Risk Committee consider whether financial control, including the structure of delegations, enables the organisation to achieve its objectives and achieve good value for money? | | | | |
| Financial Reporting | Y | N | N/A | Comment / Action Required |
| 38. Does the Audit and Risk Committee review the draft of the financial statements? | | | | |
| 39. Before the Accounting Officer/CEO signs off the financial statements, does the Audit and Risk Committee consider whether: <ul style="list-style-type: none"> accounting policies, completeness of financial statements, anti-fraud policy and losses are properly recorded and accounted for? there has been a robust process in preparing the financial statements to ensure completeness and whether appropriate processes are in place to ensure accurate accounting records are maintained? suitable processes are in place to ensure regularity, probity and propriety are achieved? issues raised by the external auditors have been given appropriate attention? the comprehensiveness and meaningfulness of the State body's Statement on Internal Control and review of the Letter of Representation before issue by the State body? | | | | |
| Communication The Audit and Risk Committee should ensure it has effective communication with the Board, the Head of Internal Audit, the external auditor, and other stakeholders. | Y | N | N/A | Comment / Action Required |
| 40. Does the Audit and Risk Committee provide an annual report to the Board? | | | | |
| 41. Does the annual report of the Audit and Risk Committee present the Committee's opinion about: <ul style="list-style-type: none"> the adequacy of risk management and internal control systems? the adequacy of sources of assurance for same? governance issues and concerns? financial reporting for the year? quality of internal and external audit? | | | | |

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| <ul style="list-style-type: none"> the Audit and Risk Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed? | | | | |
| 42. Does the Chairperson of the Audit and Risk Committee have open lines of communication with the Board, the Head of Internal Audit and the external auditors? | | | | |
| 43. Do reports to the Audit and Risk Committee communicate relevant information at the right frequency, time and format to be effective? | | | | |
| The Role of the Audit and Risk Committee Chairperson The Chairperson of the Audit and Risk Committee has responsibility for ensuring that the work of the Committee is effective, that the Committee is appropriately resourced, and that it is maintaining effective communication with stakeholders. | Y | N | N/A | Comment / Action Required |
| Monitoring Actions | | | | |
| 44. Does the Chairperson of the Audit and Risk Committee ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence? | | | | |
| Appraisal | Y | N | N/A | Comment / Action Required |
| 45. Are records of attendance maintained and reviewed annually by the Board? What was average attendance over the three preceding years? | | | | |
| 46. Does the Audit and Risk Committee Chairperson ensure that Committee members are provided with an appraisal of their performance as a Committee member? | | | | |
| 47. Does the Audit and Risk Committee Chairperson seek appraisal of their performance from the Accounting Officer or Chairperson of the Board? | | | | |
| Appointments | Y | N | N/A | Comment / Action Required |
| 48. Is the Chairperson involved in the appointment of new Audit and Risk Committee members, including providing advice on the skills and experience required of the new individual? | | | | |

| Audit and Risk Committee Support The organisation should provide its Audit and Risk Committee with appropriate secretariat support to enable it to be effective. This is more than a minute-taking function, it involves providing active support for the work of the Committee and helping its members to be effective in their role. | Y | N | N/A | Comment / Action Required |
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| 49. Is the Audit and Risk Committee supported by a secretariat? | | | | |
| 50. Does the Audit and Risk Committee secretariat: <ul style="list-style-type: none"> • commission papers as necessary to support agenda items? • circulate meeting documents and meeting minutes to all Committee members, internal audit and external auditors in good time before each meeting? • for any agreed actions, document the owner, deadline and any advice given by stakeholders and monitor between meetings? • keep the Committee abreast of development in the State body? • maintain a record of when members' terms of appointment are due for renewal or termination? • ensure that appropriate appointment procedures are initiated when required? | | | | |