



Comhshaol, Pobal agus Rialtas Áitiúil  
Environment, Community and Local Government



## **Guidance for Audit Committees in Local Authorities**

**Department of the Environment, Community and Local Government**

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**Abbreviations used in this document:**

CCMA	County and City Management Association
CPG	Corporate Policy Group
NOAC	National Oversight and Audit Commission
LGAS	Local Government Audit Service
DPER	Department of Public Expenditure and Reform

Regulations refer to Local Government (Audit Committee) Regulations 2014

# 1. Introduction

There is an ever-increasing demand in both the public and private sectors for accountability and transparency.

Good corporate governance involves better-informed decision-making; accountability for the stewardship and control of resources; and the efficient use of these resources to deliver quality public services and better outcomes for citizens. The existence of an independent audit committee is recognised internationally as an important feature of good corporate governance.

It is recognised that audit committees play a crucial role in the governance framework of local authorities, particularly in the context of increased public sector accountability. They have an independent role in advising the Council on financial reporting processes, internal control, risk management and audit matters as part of the systematic review of the control environment and governance procedures of the local authority.

The requirement for each local authority to establish an audit committee followed the introduction of the Local Government (Business Improvement Districts) Act 2006 and was guided by best practice and developments in corporate governance in both the public and private sectors. Section 122 of the Local Government Act 2001 provided a legal basis for the existence of audit committees, which are now operating in every city and county council in accordance with the guidelines issued by the Department in 2007 and based on the requirements set out in the 2006 Act. The Government's *Action Programme for Effective Local Government* committed to fully setting out the role of audit committees in law with the appropriate regulations and guidance.

The Local Government Reform Act 2014 gives statutory effect to the *Action Programme for Effective Local Government* and re-states the legislative provisions relating to audit committees. It provides for the establishment of audit committees by all local authorities within a specific timeframe and confers specific responsibilities on audit committees in relation to the auditor's report and audited financial statement.

The statutory functions of audit committees are set out in the 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;
- 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; and

- to review systems that are operated by the local authority for the management of risks.

There is a significant amount of best practice guidance material for audit committees in both the public and private sectors. The purpose of these guidelines is to combine best practice principles from the available materials with practical advice from former audit committees operating in a local government context.

This guidance will be kept under regular review in consultation with local authorities, audit committees and the CCMA and may be supplemented or revised from time to time as required.

## **2. Good governance principles for Audit Committees**

Drawing on good corporate governance practices, the following principles should guide and inform the work of audit committees:

### **Purpose of the Audit Committee**

Good governance means focusing on the purpose of the audit committee and on its outcomes. The committee's purpose and vision should be clearly communicated and should inform its activities at all times.

### **Independence, objectivity and understanding**

The audit committee should be independent and objective in carrying out their duties and should uphold and promote high standards of behaviour.

### **Communication and organisational awareness**

The committee has a duty to convey the importance of its work to the organisation and to assist in fostering an organisational culture that promotes integrity, honesty, high quality performance and adherence to organisational values as espoused in the corporate plan.

### **Membership**

Members should be carefully selected to have an appropriate mix of knowledge and experience and should work constructively and collaboratively to a common end. Members should be willing to develop individual capacity and competency through ongoing training opportunities.

### **Authority and accountability**

The audit committee should provide clarity in relation to accountability, organisational assurance and scrutiny.

### **Promoting best practice**

The audit committee should promote best practice within the organisational structure and should seek to demonstrate and uphold best practice in its own work at all times.

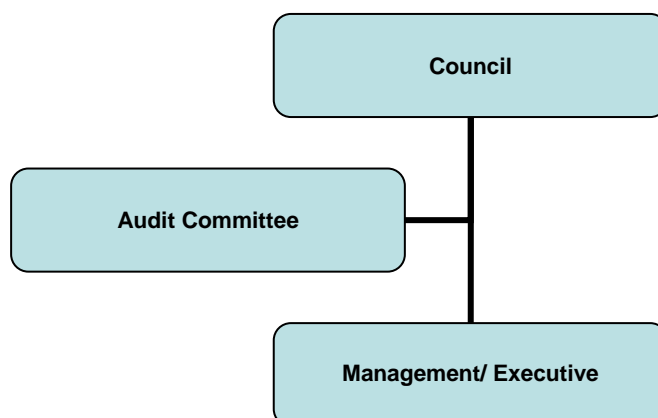
### 3. Purpose and Role of Audit Committees in Local Authorities

*The Audit Committee is part of the governance framework, tasked with considering the organisation's internal control systems and procedures and providing assurance to the Council regarding the suitability of those systems.*

#### 3.1 Local government context

In the private sector, audit committees form a key element in the governance process by providing an independent expert assessment of the activities of management and the quality of the risk management, financial reporting, financial management and internal audit. Another important role is to ensure that external audit recommendations are fully addressed, that the quality of internal audit is of an appropriate standard and that the executive management has full regard to internal audit recommendations. Operating correctly, an audit committee's role as watchdog for the independence of audit is vital and, by ensuring that the information made available to the management board is reliable, it enables the board to make judgements about the effectiveness of the management of the company and its future prospects.

In a local government context, the audit committee's role is to support the elected Council by providing an independent assessment of the activities of management in controlling the local authority and the quality of the risk management, financial reporting, financial management and internal audit. The results of this assessment should be reported to and considered by the Council. In so doing, the audit committee should identify any matters in respect of which it considers that action or improvements are needed and make recommendations as to the steps to be taken. Within the organisational structure, the audit committee's position in reporting directly to the Council maintains its independence from the executive. Each member of the committee has a specific role to play in ensuring that the committee maintains its independence and objectivity. In discharging its role, the audit committee should act in a collective manner.



It is important to note that, in any context, the operations of the audit committee do 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.

### **3.2 Functions of audit committees in a local government context**

The statutory functions of an audit committee are set out in section 59 of the Local Government Reform Act 2014. These are:

#### **(a) To review financial and budgetary reporting practices and procedures within the local authority**

In terms of the financial cycle of a local authority, the review of practices should incorporate all stages from the adoption of the annual budget, to in-year monitoring of the local authority's financial position, through to the completion of the annual financial statement. Consideration of the annual external audit cycle process is important in that context. Additionally, the audit committee should consider directing the internal audit unit to undertake audits on financial management and reporting arrangements and existing financial policies, procedures and protocols as it considers necessary.

#### **(b) To foster the development of its internal audit function**

The work of the internal audit is carried out primarily for the benefit of the Chief Executive but it is likely to be a significant resource used by the audit committee in discharging its responsibilities. The audit committee has an important role in promoting the understanding of internal audit's function and status within the organisation, enhancing the independence and perceived value of internal audit and assisting the internal audit unit in judging priorities.

The audit committee should review the effectiveness of the internal audit function; review with management and the internal auditor the Audit Unit's charter and annual work programmes, activities and staffing; and ensure that no limitations are placed on the work of the internal audit unit. The committee should consider the preparation of a multi-annual or strategic audit plan. The committee should look to receive regular progress reports on the audit plan and assignments. Best practice determines that the audit committee should be available to discuss privately any matters that the internal auditor or auditors wish to bring to their attention.

#### **(c) 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;**

Section 60 of the 2014 Act requires the committee to consider the audited financial statement and LGAS auditor's report or special report at the next practicable meeting following receipt, and the committee must report to the Council on its findings at the next practicable meeting of the Council. In general, the committee should be seeking management assurances regarding issues raised by the auditor during the course of his or her audit. Likewise, the committee should undertake some follow-up examinations in relation to any significant issues raised by the auditor. The 2014 Act provides that the audit committee may invite the auditor who conducted the audit to



attend a meeting of the committee within three months of the report having been submitted to the Council to discuss his or her audit and report with the committee.

**(d) To assess and promote efficiency and value for money with respect to the local authority's performance of its functions;**

In exercising this function, the audit committee should be considering the full spectrum of a local authority's services and performance. The use of indicators and measures of performance will be an important feature. These may include those developed locally, regionally or nationally or those developed for the purpose of fulfilling a service level agreement or input to a shared services arrangement. In this way, committees should take account of any finding or recommendation made by the LGAS or the NOAC. Likewise, the assurances of management and appropriate audit reporting will assist the committees in this regard.

**(e) To review systems are operated by the local authority for the management of risks.**

Local authorities are engaging with the process of risk management as a key element of corporate governance. A risk management policy should be in place for all city and county councils. Individual departments and sections within local authorities should be responsible for their own input to the risk register. Training should be provided to staff concerned to assist in embedding a risk management culture throughout the authority and the risk manager/unit should report on the most significant corporate risks to the audit committee on a regular basis. The audit committee should seek to be reassured that an appropriate framework exists and that the culture of the organisation sufficiently supports such an approach. The audit committee may seek checks that the authority complies with the agreed risk management policy and that management actions support that.

**3.3 National Oversight and Audit Commission**

The audit committee should review the relevant findings of the NOAC and should ensure that its work programme takes NOAC's findings and recommendations into account. It should review the Chief Executive's response to issues raised by the NOAC. The audit committee should also consider directing the Internal Audit Unit to undertake audits on matters raised by the NOAC where it identifies risks or matters of concern in relation to any of the systems, processes or activities of the local authority, be it the Council of elected members or the executive.

## 4. Composition of Audit Committees

***The Audit Committee is independent of the organisation and objective in its consideration of the reports made to it.***

### **4.1 Establishing an audit committee**

The 2014 Act requires that each local authority establishes an audit committee within three months of the polling day for the newly elected Council.

Article 4 of the Regulations prescribes the configuration of the membership of the committee and the manner in which members should be appointed. The specific configuration of the committee is a matter for the relevant elected Council to determine in accordance with the needs of the individual authority.

To maintain independence, members should be appointed to an audit committee based on their individual skills and experience. Members must act and make decisions with an open and enquiring mind from their own perspective as an audit committee member while safeguarding the interests of the local authority that has appointed them. International best practice suggests that personal qualities of individual members include:

- an ability to ask relevant questions, evaluate answers and continue to probe for information until completely satisfied with the answers provided;
- the desire to always encourage openness and transparency;
- the ability to think independently and objectively;
- strong ethical values, including a thoughtful approach to ethical issues that might be faced;
- a sense of integrity and an ability to give direct and honest opinions; and
- the ability to be open to, accept and foster change.

In general, audit committees should consist of members with an appropriate mix of skills and experience to enable the committee to perform all of its functions effectively. The required skill-set of the committee should be reviewed periodically in light of the prevailing circumstances of the local authority. If any weakness in skills, experience or ability is identified, the membership should be strengthened to reflect the additional skill required (Regulation 5). In considering the skills and experience required, an audit committee should not rely excessively on the skills of any one member. Instead an audit committee should consist of individuals who, as a whole, possess an appropriate mix of desired skills and experience.

The Regulations require a certain number of members to have knowledge or experience in finance, audit or accounting. Best practice suggests that there are significant benefits in a situation where every member of the committee has experience in finance, audit or risk management. Examples of the professional qualifications and accreditation that could be used to determine this knowledge are included in Appendix 1.

#### **4.2 Appointment process**

Regulation 4 prescribes the manner in which nominations and appointments to audit committees should be made. It is essential that the process be transparent and proper cognisance be taken of the requirement for individual members to be independent of the local authority. It is up to the Council and the CPG to assess the integrity and independence of an audit committee candidate. The CPG should have a strong understanding of the relevant definitions of independence and how a lack of independence occurs and is interpreted in practice. External appointees should be selected in such a way as to avoid any existing or potential conflict of interest. Regulation 4(8) requires local authorities to ensure where possible that a committee is gender balanced.

The CPG should nominate candidates for appointment, having consulted with the Chief Executive, and the appointments should be made by resolution of the local authority. The role requirements should be clearly communicated to potential members at the outset, including time commitments and an indication of the frequency of meetings.

The appointment of an audit committee member should be formalised in an official letter of appointment signed by the Cathaoirleach of the local authority. The letter of appointment should include such matters as:

- Duration of appointment
- Role of the audit committee
- Role and responsibility of the member
- Confidentiality requirements (including media engagement)
- Timing and location of meetings
- Fees (if applicable)
- Independence and conflicts of interest
- Performance appraisal
- Induction process
- Termination of appointment/ resignation arrangements etc.

#### **4.3 Rotation and terms of appointment**

Under Regulation 4(9) local authorities are provided with the power to appoint members to audit committees for a length of time that they consider appropriate, either for the full duration of the Council or for a shorter period. The length of appointment of an audit committee member should be clearly set out at the time of appointment. Local authorities should consider the benefit of staggering or varying the length of the terms of membership of each of the members so as to refresh the skills and understanding of the committee. Staggering or rotation also creates the opportunity for more members of the Council to gain a greater and first-hand understanding of the important issues dealt with by the audit committee, thus contributing to greater understanding of the Council. However, given the complex nature of the audit committee's role, rotation needs to be balanced with the desire to have members who possess the necessary skills and experience to discharge their responsibilities effectively.

#### **4.4 Replacement of members**

In order to execute its functions adequately, the audit committee should be properly comprised at all times. Where a vacancy arises, it is the duty of the Chairperson to inform the Cathaoirleach and the Chief Executive accordingly.

Regulation 4(13) prescribes the role of the Chairperson where a vacancy on the committee arises. In considering an appropriate replacement, the CPG and Council, in consultation with the Chairperson, should consider the existing skills mix of the committee and reflect on how best the vacancy can be filled in order to ensure that the committee continues to be comprised in such a way that it can effectively discharge its functions.

#### **4.5 Appointment and the role of the Chairperson**

Effective leadership of the audit committee is critical to its acceptance as the provider of quality, independent advice. The Chairperson of the committee should:

- be fully appreciative of the role and functions of the committee,
- possess sound communication and strong leadership skills, and
- have and retain the full confidence and support of the Council.

The Chairperson provides feedback to the Council on the audit committee's composition and organisation. Specifically the Chairperson should be in a position to:

- provide clarification to members on the audit committee's responsibilities;
- plan and manage the audit committee meetings;
- oversee the provision of briefing to the audit committee in advance of meetings, where necessary;
- develop the effectiveness of the audit committee; and
- seek to demonstrate the value of internal audit to the organisation.

Regulation 4(10) provides that the Chairperson of an audit committee shall be selected by the committee, and consistent with best practice, shall be one of the external members.

An outgoing Chairperson should ensure that the new Chairperson is sufficiently briefed to assume the role of the chair.

The Chairperson should ensure that the audit committee has the appropriate skills and knowledge (see below).

#### **4.6 Secretary to the audit committee**

Regulation 10(4) requires the Chief Executive to make available to the audit committee a member of staff to be known as the Secretary of the Audit Committee. The Secretary should be responsible for the preparation and circulation of meeting agendas and accurately minuting all decisions of the committee in consultation with the Chairperson. The Secretary is also responsible for the timely tabling of all correspondence, reports and other information relevant to the committee's activities and operations. The Secretary may also assist with the drafting of the committee's

annual work plan in consultation with the Chairperson (see Regulation 15 and section 7 of the guidance notes for further information on the reporting requirements).

In selecting an appropriate member of staff to provide such support, the Chief Executive should take account of the confidential nature of many of the discussions of the committee and of the need for the committee to remain independent in its considerations. Practice to date has shown that some local authorities choose to appoint either the Head of Finance, the Head of Internal Audit or a Director of Services to this position. Consideration should be given to the particular role and any challenges that might arise in the context of the audit committee's oversight role and potential conflicts of interest.

#### ***4.7 Induction and continuing development of audit committee members***

It is good practice to provide a formal induction programme for new members of the audit committees. Regulation 5 requires that such a programme should be agreed between the Chairperson, the Council and the Chief Executive and provided to each member within three months of his or her appointment. An induction programme should ensure that all members of the committee have an understanding of:

- the role of the committee and its position within the governance structure of the local authority;
- the objectives of the organisation and its current significant issues and risks;
- the financial position and arrangements for budgetary and financial reporting;
- the organisation's structure, including governance arrangements and key relationships such as that with other government agencies and community or enterprise groups;
- the organisation's culture; and
- any relevant legislation or other rules governing the organisation and the sector generally e.g. in relation to ethics and standards in public office.

Many of these topics may be more relevant to external members and as such, particular cognisance should be taken of their individual needs, subject to their background and individual expertise and experience. Fundamentally, such training should be targeted to assist members in fulfilling their role on the audit committee.

A robust audit committee evaluation process should also highlight the development needs of individual members or of the audit committee as a whole. Where further training is required, it is the duty of the Chairperson to discuss such requirements with the Chief Executive and to make reference to such requirements in the committee's annual report to the Council. The regulations require, in response, that the Chief Executive should arrange appropriate training where practicable (Regulation 5).

The Secretary to the committee may also be tasked with ensuring that appropriate development opportunities are made available to the audit committee members.

Best practice indicates that the most effective means of updating the audit committee is through briefings by internal and external audit, by the Chief Executive and other

senior managers within the local authority (including the Head of Finance), and by communication with other audit committees.

## 5. Duties and Responsibilities of Membership

***Each member of the Audit Committee is appointed to serve a critical role in ensuring the organisation has effective and robust processes in place regarding internal control, risk management, compliance, ethics and financial disclosures.***

### **5.1 Independence and objectivity**

Independence is one of the cornerstones of the audit committee's effectiveness, particularly when overseeing areas where informed judgements are required.

Audit committee members should be capable of communicating with management and the auditors and be ready to challenge and ask probing questions about the local authority's risk management and control systems, accounting and corporate reporting. Regulation 4(1) makes it clear that committees are independent in their activities and accountable to the Council for their performance.

### **5.2 Performance**

All committee members are expected to attend each meeting in person and a member may be disqualified if he or she attends less than 75% of meetings per year and the absence is not due to an acceptable reason such as illness or force majeure. In such a case, the Chairperson shall inform the member in writing of his or her disqualification.

In addition, in order for the committee to function effectively, each member should review the briefing provided in advance of meetings and participate constructively in meetings.

### **5.3 Conflicts of interest**

Audit committee members should declare any matter in which they have an interest. Regard should be had to relevant legislation e.g. ethics and standards in public office requirements.

Each member of the committee should take personal responsibility for declaring proactively at the outset of each meeting any potential conflict of interest relating to business arising on the committee's agenda or from changes in the member's personal circumstances. Regulation 6 requires the committee to have in place a procedure for dealing with conflicts of interest as they arise. A suggestion might be that the Chairperson of the audit committee should determine an appropriate course of action with the member. For example, the member might simply be asked to leave while a particular item of business is taken or, in more extreme cases, the member could be asked to step down from the committee. If it is the Chairperson that has a conflict of interest, the Council should ask another member of the committee to lead in determining the appropriate course of action. A key factor in determining the course of action is the likely duration of the conflict of interest: a conflict likely to endure for a long time is more indicative that the member should step down.

#### **5.4 Confidentiality**

Regulation 7 prescribes that all information acquired by a member of an audit committee during the course of his or her membership of the committee is confidential to the local authority and should not be released to third parties, either during the member's term of appointment or afterwards, without the permission of the Chairperson. It may be useful for the committee to consider how it might deal with requests of this manner, e.g. in circumstances where a member has received a media query. It may be appropriate in that context to provide details on the agreed processes within the committee's charter.

#### **5.5 Payment of fees**

External audit committee members generally serve in a voluntary capacity.

The payment of fees for membership of an audit committee is a matter for the local authority concerned. However, in setting any such fees, consideration should be given to the standard fees applicable to audit committees of central Government Departments and State agencies, which are set by the Department of Public Expenditure and Reform. These fees are €402.39 per diem for a Chairperson and €285 per diem for an ordinary external member, subject to an annual maximum of €2,414 and €1,710 respectively.

It should be noted that fees are only payable to external members. Fees cannot be paid to serving civil or public servants or public sector employees under the "One Person, One Salary" rule.

Where a local authority feels that it is appropriate to pay an allowance to attract personnel with appropriate skills, there should be a clear link between any fees paid and attendance at audit committee meetings.



## 6. Working Procedures and Performance of Functions

*The audit committee's authority is derived from its responsibility to provide assurance to the Council and it is accountable to the elected Council for its performance in that regard.*

### 6.1 Charter

Regulation 8 requires that audit committees must operate in accordance with a written charter that is approved by the Council and is reviewed annually. A charter should be used to guide the behaviour and activities of an audit committee on an ongoing basis and should be drafted in the context of the governance framework of the local authority.

There are a number of specific items that the written charter should include:

- (i) the purpose of the committee;
- (ii) how the committee will undertake its functions;
- (iii) the composition of the Audit Committee;
- (iv) the responsibilities of membership, including matters relating to confidentiality and independence;
- (v) matters relating to the conduct of meetings;
- (vi) access and working procedures, including procedures for managing conflict of interests;
- (vii) reporting responsibilities;
- (viii) arrangements for the review of the effectiveness and performance of the committee; and
- (ix) any other matter that the committee considers appropriate.

A sample charter is included at Appendix 2.

### 6.2 Work Programme

Best practice dictates that audit committees are most effective when a detailed work programme has been agreed. Regulation 10 requires committees to develop an annual work programme and this should be agreed by the Council. Specifically, the work programme should include the following:

- (a) approval of the annual internal audit plan;
- (b) review of the annual financial statement;
- (c) review of the audited financial statement and auditor's report;
- (d) review of the annual report of the local authority;
- (e) review of periodic internal audit reports; and
- (f) review of the findings and recommendations of NOAC and the Chief Executive's response to these.

The work programme should align with the audit committee charter which should guide the behaviour and operation of the committee on an ongoing basis.

### **6.3 Meetings**

Meetings of the audit committee should be held on a regular basis. Regulation 10 requires committees to meet no less than four times a year. Proceedings, recommendations and discussions should be formally minuted. A detailed agenda is important in keeping the committee focused and agendas should be set by the Chairperson in consultation with the Secretary and other members as appropriate.

A quorum for meetings should be agreed and set out in the charter. Likewise, members should agree how, in the absence of the Chairperson, the meeting will be chaired.

The quality and timeliness of pre-meeting materials, an appropriate balance between discussion/debate and listening to presentations and good prioritisation of issues all help drive the effectiveness and efficiency of audit committee meetings.

### **6.4 Access and authority of the audit committee**

A good relationship between the Council and the audit committee, as well as with management and auditors, is important. Maintaining the balance between a good working relationship and the necessary requirements of robust oversight is at the heart of the audit committee role. The mutual value that is to be gained from maintaining an effective relationship should not be overlooked.

Regulation 11 sets out the authority that the committee has in relation to meetings with the Chief Executive, the external auditor and the staff of the internal audit unit.

The audit committee may request the attendance of the Chief Executive, the external auditor, staff of the internal audit unit and other staff as required. Best practice has identified that annual separate meetings with each are effective and as such the Regulations require that committees meet separately at least annually with the external auditor, the internal audit unit and the Chief Executive.

The Chief Executive has a key role in supporting the effectiveness of the audit committee. This may be achieved by the audit committee meeting formally with him or her on an annual basis or, in addition, requesting briefings on certain matters from time to time. It may also be beneficial for the Chairperson to meet the Chief Executive after each audit committee meeting to discuss the key issues of the discussion and to request any follow-up action as appropriate. Equally, it may be determined that there is value in the Chairperson meeting the Chief Executive at the end of the year to review the performance and achievements of the committee during the year and to discuss the key issues and focus of the audit committee for the coming year.

From time to time it may be beneficial for the audit committee to meet senior staff of the local authority, including the Head of Finance, for briefing or clarity on issues arising.

The external auditor and the audit committee should have a strong relationship. Open, regular, frank and confidential dialogue will allow the committee to utilise the

technical knowledge and experience of external audit in assessing, for example, the quality of the local authority's control system and financial reports.

While in a local authority context the internal audit function reports to senior management on a day-to-day basis, audit committees have a responsibility for oversight and therefore need to determine appropriate communication channels and reporting arrangements with internal audit. The audit committee should have processes in place to ensure confidential exchanges with the internal auditor, with regular meetings scheduled. The committee should concentrate on gaining assurance that the local authority's risk management, control and governance arrangements are adequate and effective. For this purpose, the committee should ensure that there is an adequate system to monitor the implementation of agreed internal audit recommendations and actions.

Regulation 11(5) provides that where advice is required in relation to a matter that is being considered by the audit committee and is sufficiently material to warrant the services of a specialist consultant external to the local authority, the audit committee may request the Chief Executive and Cathoirléach to make such expert assistance available.

### **6.5 Qualified Privilege**

Regulation 16 provides that members of an audit committee are entitled to qualified privilege in relation to any statement made at any meeting that the member attends in his or her capacity as a member of an audit committee.

Section 60(7) of the 2014 Act provides qualified privilege to local government auditors in relation to any statements made by them at any meeting attended in their capacity as auditors.

### **6.6 Protected Disclosures**

Regulation 12 requires committees to have in place arrangements for dealing with cases where general staff members wish to raise issues directly with the audit committee. In general, audit committees should publish their policy on the procedures for submitting such reports and the process by which any such reports will be considered. Any policy should be cognisant of any legislative requirements and in line, where applicable, with any Government or Departmental policy in operation.

### **6.7 Code of Ethics**

In addition, due regard should be given to the Local Government Act 2001 (as amended) and any associated Regulations, including the requirement for the annual declaration and disclosure of interests for the local government sector. In particular, regard should be had to the Ethical Framework for the Local Government Service (Part 15 of the Local Government Act 2001 (as amended)).

### **6.8 Freedom of Information/Data Protection/Access to Information on the Environment**

Committees should have regard to statutory requirements in relation to Freedom of Information, Data Protection and Access to Information on the Environment and ensure that their obligations in this regard are fully and properly implemented.

### **6.9 Evaluating Performance**

The Audit Committee should strive to achieve best practice in its performance and Regulation 13 requires the audit committee to undertake a review of its own effectiveness annually. This review should assess its performance and achievements against its charter and the annual work programme. The aim of this assessment is to ensure that the audit committee is meeting its objectives efficiently and effectively. The findings of the self-assessment should be included in the annual report of the committee that is presented to the Council. Views of relevant stakeholders should be sought to inform this review.

Where the assessment highlights a need for enhancements of the role, operational processes or membership of the committee, the Chairperson should take action to ensure that such enhancements are implemented. The Chairperson may need to consult with the Chief Executive or the Cathaoirleach to obtain appropriate support to ensure all enhancements are implemented.

The close link between improving and enhancing performance and effectiveness and the ongoing training needs of members of the Committee (see Regulation 5) should be noted. The provision of appropriate training as required is core to maximising the achievements and effectiveness of the audit committee.

## **7. Reporting**

***The Audit Committee should seek to be comprehensive, transparent and robust in meeting its reporting obligations.***

### ***7.1 Report on the committee's findings in relation to the audited financial statement or auditor's report***

Section 60 of the Local Government Reform Act 2014 placed a specific reporting requirement on audit committees in relation to the audited financial statement and auditor's report or special report. The Act requires the committee to consider the reports at the next meeting of the committee following their receipt. The auditor who conducted the audit is required to attend the meeting of the committee where the reports are discussed (s60(2)). The committee is then required to report formally to the Council on its findings. In doing so, the audit committee should identify any matters in respect of which it considers that action or improvements are needed, and how management has responded to any issues arising, and make recommendations as to the steps to be taken.

### ***7.2 Audit committee's annual report***

Regulation 15 requires committees to prepare and submit a report to the Council on its activities and findings during that year within three months of the end of the year. The report should also include the committee's assessment of its own effectiveness and performance in so far as it relates to the work programme agreed by the Council. Matters relating to any training and any challenges or obstacles that the committee has encountered should be included.

The report should be formally submitted to the Council and the Chief Executive on the agreement of the committee.

The committee's report should be considered at a meeting of the Council and provision has been made in the Regulations at 15(4) to allow the Chairperson to address the Council and to provide any clarity the Council may need in relation to the report. There is significant value for the Council in taking the opportunity to discuss with the Chairperson the activities and findings of the committee. The committee provides an independent service to the Council and it is to the Council's benefit to develop a strong relationship in that regard. It is suggested that it may be practical for the Council to also consider the draft work programme for the forthcoming year at that meeting.

### ***7.3 Other reporting***

There is no statutory requirement for the Audit Committee to report more than annually to the Council. However, there may be benefit in the Council receiving an update on progress against the work programme targets midway through the year to allow for additional engagement and to build the relationship with the Council and increase the Council's awareness in relation to the work of the committee.

## **Appendix 1 – Examples of relevant professional experience and competence**

Members of –

- Accounting Technicians Ireland
- Association of Accounting Technicians
- Association of Chartered Certified Accountants
- Certified Public Accountants
- Chartered Accountants Ireland (audit/evaluation)
- Chartered Institute of Internal Auditors (audit/evaluation)
- Chartered Institute of Management Accountants (audit/evaluation)
- Corporate Governance Association of Ireland
- Institute of Certified Public Accountants in Ireland
- Institute of Incorporated Public Accountants
- Institute of Taxation
- Chartered Institute of Public Finance and Accountancy

Qualifications –

- Business/Accounting/Financial Management
- Value for Money (VFM)
- Audit
- Corporate Governance
- Risk Management

## Appendix 2 - Sample Charter

### Purpose

The audit committee has an independent role in advising the Council on financial reporting processes, internal control, risk management and audit matters, as part of the governance arrangements that operate within a local authority.

### Functions

The functions of the audit committee are as prescribed by section 59 of the Local Government Reform Act 2014:

- a) To review the financial and budgetary reporting practices and procedures within the local authority:

*[details of what reports and practices it will review and when]*

- b) To foster the developments of best practice in the performance by the local authority of its internal audit function:

*[detail of how it will effect this function, e.g. approval of the annual audit plan; review of periodic internal audit reports.]*

- c) 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 that authority on its findings:

*[detail any engagement it may have with the external auditor]*

- d) To assess and promote efficiency and value for money with respect to the local authority's performance of its functions:

*[detail of how it will effect this function, e.g. in the context of the internal audit activities; consideration of performance indicators, VFM reports from LGAS or other relevant reports including from NOAC].*

- e) To review systems that are operated by the local authority for the management of risks:

*[detail of the periodic reporting arrangements the audit committee may have in this regard]*

- f) To review the findings and recommendations of the NOAC and the response of the Chief Executive to these and take further action as appropriate:

*[detail of action to be taken]*

### **Composition of Audit Committee**

*[Details of the number of members; confirmation of procedures where a vacancy arises etc.]*

### **Meetings**

The audit committee is established by resolution of the Council upon nomination by the CPG, who will consult with the Chief Executive.

The Chairperson of the committee shall be selected by its members and shall be one of the external members.

New members will undertake an induction programme within three months of appointment.

The committee will meet [X] number of times per year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, but no less than 75% of meetings in a single year. A member may be disqualified where he or she fails to attend 75% of the meetings of the committee in any calendar year.

*[Quorum]*

The committee will invite members of management, internal and external audit, or others to attend meetings and provide information, as necessary.

*[Preparation of agendas; arrangements for minuting and approval of minutes]*

### **Confidentiality**

The agendas, papers, reports, documentation and discussions of the committee are confidential and will contain sensitive material and information necessary to allow members to carry out their duties. Members and those in attendance shall not, without the approval of the Chairperson, discuss matters arising with third parties or directly or indirectly disclose to this parties information obtained in the course of their duties, either during the term of their membership or at any time afterwards.

### **Access and Working Procedures**

The committee should adopt its own working procedures.



*[Details of how the annual work programme will be drafted and agreed.]*

*[This section could cover issues such as -*

- how the committee will deal with conflicts of interest;*
- how the committee will engage with the chief executive, other management, internal audit unit and the external audit;*
- how the committee will engage with the Council;*
- how the committee will access external advice or assistance.]*

### **Reporting**

*[Arrangements for the drafting, agreement and submission of the audit committee's reports, including how it will report on its findings in relation to the audited financial statement and auditor's report in accordance with section 60 of the Local Government Reform Act 2014.]*

*[How and to whom the report will be circulated].*

### **Review of Performance and Effectiveness**

*[Details of how and when the committee will review its effectiveness and its performance as set out in the annual work programme.]*

### **Review of the Audit Committee Charter**

The charter will be subject to review no later *[than X date]* and approved by the Council no later than *[x date]*.

Signed:

Dated:

## Appendix 3 – Useful Documents and References

Local Government Act 2001 (as amended)

Local Government Reform Act 2014

Local Government Codes of Conduct

*Local Authority Governance Principles: A Guide for Elected Members* (IPA)

[www.lgma.ie](http://www.lgma.ie)

Local Government Management Agency

[www.environ.ie](http://www.environ.ie)

Department of the Environment, Community  
and Local Government

[www.auditcommitteeinstitute.ie](http://www.auditcommitteeinstitute.ie)

Audit Committee Institute Ireland

[www.sipo.gov.ie](http://www.sipo.gov.ie)

Standards in Public Office Commission