

Audit Committee

Annual Report 2008

Kildare County Council



February 2009

Contents

Section 1:	Introduction	2
Section 2:	Chairman's Statement	3
Section 3:	Role of the Audit Committee	5
Section 4:	Audit Committee Charter	5
Section 5:	Internal Audit Charter	5
Section 6:	Internal Audit Plan 2008	5
Section 7:	Briefings from Senior Management	6
Section 8:	Audit Committee Objectives for 2008 and Related Outcomes	6
Section 9:	Training	9
Section 10:	Conclusion	9

Section 1: Introduction

Section 5 of the Local Government (Business Improvement Districts) Act 2005 provides for the establishment of Audit Committees in Local Authorities and Circular Fin 11/07 of 23 May 2007 also refers. Kildare County Council's Audit Committee was established by way of resolution of the Council dated 22 October 2007 and the external members were approved by the Council on the nomination of the County Manager following consultation with the Mayor. The members of the Audit Committee are as follows:

- Mr Denis Doherty, Chairman
- Mr Sean Carey, Vice-Chairman
- Ms Mary Ann O'Brien
- Mr Charlie Carri
- Councillor John McGinley
- Councillor Billy Hillis
- Councillor Paul Kelly

The committee is supported and assisted by Mr Eamonn O'Sullivan, Director of Services, Corporate Services, Human Resources and ICT.

During the course of 2008 the Audit Committee met on the following dates:

- 5 February 2008
- 4 March 2008
- 10 June 2008
- 9 September 2008
- 2 December 2008

In addition a Training Day was held for the Audit Committee on 7 May 2008.

Section 2: Chairman's Statement**Statement by the Chairman of Kildare County Council's Audit Committee.**

I am honoured to present this first Annual Report of the Audit Committee of Kildare County Council. Our first meeting took place on 5 February 2008 and we held a further four meetings during 2008. In addition, we participated in a training day, organised by the Institute of Public Administration, which we judged to be both beneficial and interesting.

Much of our time in 2008 was devoted to:

- Developing our own understanding of our role;
- Briefing ourselves on the current state of development of the functions in relation to which our committee has a role;
- Developing working relationships with Management, Internal Audit and Local Government Audit;
- Communicating our understanding of our role to all with whom we work.

Our role is advisory rather than supervisory. We will be in a position to provide an independent view of the financial reporting process, internal controls and audit functions. Our main aim is to contribute to enhancing the corporate governance of Kildare County Council. We shall strive to fulfil our role by working with Management, Internal Audit and Local Government Audit on the functions that contribute to good governance.

At the end of our first year we formed the view that Kildare County Council is well governed, well managed and that there exists a culture that is conducive to pursuing greater efficiencies, value for money and reforms of a kind that will benefit the people of Kildare. We received full co-operation and support from the County Manager and his staff in relation to all aspects of our work. We held fruitful meetings with the Local Government Auditor and the Internal Auditor. In 2009, we look forward to building on the solid foundations we were able to lay during our first year.

In expressing thanks to all members of staff who facilitated our work during the year I wish to thank in particular Mr Eamonn O'Sullivan, Director of Services, and Ms Annette Aspell, Secretary, for their invaluable support of our committee.

I wish also to acknowledge the keen interest, commitment and valuable contributions of all members of our Committee.

Denis Doherty

Chairman

Section 3: Role of the Audit Committee

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 systematic review of the control environment and governance procedures of the Council. The committee has a role in promoting good accounting practices, ensuring better and more informed decision-making, and improving the focus on value for money throughout the organisation. The committee also supports the work of the Internal Audit Unit and advises the County Manager in relation to the operation and development of the Unit.

Section 4: Audit Committee Charter

The Audit Committee's Charter was adopted by the members of Kildare County Council at their meeting on 31 March 2008. The Charter sets out the role, functions and membership of the committee. It also deals with matters such as the holding of meetings, working procedures and reporting structure. A copy of the Audit Committee Charter is attached hereto at Appendix 1.

Section 5: Internal Audit Charter

The Internal Audit Charter was considered by the committee at their inaugural meeting on 5 February 2008. This document sets out the terms of reference for the Internal Audit Unit within Kildare County Council. A copy of the Internal Audit Charter is attached hereto at Appendix 2.

Section 6: Internal Audit Plan 2008

At their meeting on 4 March 2008 the committee considered the content of the Internal Audit Plan for 2008. This plan sets out the details of audits to be carried out during the year and incorporates details of audits in progress [not yet completed]. The committee was satisfied with the content of the plan for 2008, but indicated that they may wish to recommend items for inclusion in the future.

Section 7: Briefings from Senior Management

The committee met with the County Manager and several members of the Senior Management Team during the year including:

- Head of Finance
- Director of Services – Transportation and Public Safety
- Director of Services – Water and Environmental Services
- Director of Services – Community and Enterprise and Economic Development
- Senior Engineer – Water Services
- Senior Executive Officer – Economic Development

The committee agreed that such meetings assist them with familiarisation of issues, developing an understanding of relevant issues and building relationships. During the course of the year the committee was briefed in relation to a number of issues including:

- Management of capital projects (with particular reference to transportation capital projects)
- Corporate Risk Register
- Register of Lands
- Value for Money Initiatives.

In addition, at its inaugural meeting in February 2008, the committee received a briefing from the Local Government Auditor. The Internal Auditor also briefed the committee in relation to the work of the Internal Audit Department, including the content of the Internal Audit Charter and the Internal Audit Plan for 2008.

Section 8: Audit Committee Objectives for 2008 and Related Outcomes**Local Government Auditor's Report on the Annual Financial Statement for 2006**

In considering the Local Government Auditor's Report on the Annual Financial Statement for 2006, the committee noted a number of recommendations that had been made by the Local Government Auditor, with particular reference to the areas of rate collection and debt management. The Head of Finance was in a position to inform the committee that, following on from the publication of the report, better structures had been put in place to deal with these issues.

Value for Money

From the outset the committee considered Value for Money to be a key issue. During the course of the year the committee considered many aspects of value for money throughout the organisation and, in this regard, received presentations from members of staff particularly in relation to capital projects and efficiencies. The members welcomed the focus placed on this issue by the County Manager resulting in the assignment of two senior members of staff during the year to develop efficiency initiatives and look at best practice and innovation within the organisation.

Throughout the course of discussions on this issue, the members were conscious of the social contribution of local authorities and also the constraints/restrictions attached to how some monies could be spent. The committee recommended the introduction of a three year strategy on value for money, to include annual proposals. As part of the strategy each department would be required to indicate what initiatives they had developed. The committee noted some of the initiatives already introduced including the e-payments facility.

Risk Management

The committee received presentations during the year on how the issue of Risk Management was being addressed by Kildare County Council. The committee had an opportunity to review the Corporate Risk Register and noted that a series of workshops had been held for staff, facilitated by the Institute of Public Administration, during the previous year. Each department is required to review the Departmental Risk Register on a six monthly basis and it is also reviewed by Kildare County Council's Management Team on an ongoing basis.

Change Management

The committee considered the area of Change Management to be of considerable significance to their work. They welcomed presentations during the year on this subject and noted the ongoing project within the organisation to promote efficiency measures and improve customer service. Based on the presentations received the committee considered that, while it was satisfied that efficiencies and value for money initiatives were ongoing throughout the organisation, it was unclear that they were being adequately recorded or measured. It was agreed that any initiatives undertaken needed to be tangible and measurable. By way of example, the committee noted a number of efficiencies introduced in the Planning Department including:

- ❑ Over-the-counter validation of planning applications;
- ❑ Number of development control inspections undertaken are ahead of the national average;
- ❑ Preparation of Local Area Plans, previously outsourced, now largely being prepared in-house.

Review of Budgetary and Reporting Structures

The Head of Finance attended meetings of the committee during the year and circulated reports setting out comparison budgetary positions for 2007 and 2008. The committee noted the slowdown in revenue collection towards the end of the year and the difficulties encountered in achieving revenue collection targets. In relation to the budget for 2009 the committee noted a number of issues, including, cutbacks in local government funding, drop in activity levels and loss of revenue from sources such as development contributions, refuse service and commercial rates.

Management of Capital Projects

As part of their consideration of value for money, the committee reviewed in detail the management of capital projects and received presentations from staff employed in this area of work. In considering this issue the committee reflected on value for money for citizens, the employment of consultants/contractors, public private partnerships and fixed price constraints.

Register of Lands

From the outset the committee noted the importance of having a comprehensive and accurate register of lands available. Work progressed on this area during the year and a computer system was identified and sourced by Kildare County Council. Procedures and resources are currently being put in place to deal with this issue. The Committee will maintain a monitoring role in relation to the implementation of the new system.

Section 9: Training

The committee members attended a training day on 7 May 2008 facilitated by the Institute of Public Administration. On reviewing the training the committee agreed that it had been well presented, very focussed and assisted in the formulation of a work programme.

Section 10: Conclusion

Kildare County Council's Audit Committee was established in 2008 and is functioning well. Reflecting on the first year of the committee, the members were satisfied with reporting and co-operation from the County Manager and staff of Kildare County Council and a good working relationship now exists. The first year of operation had afforded the committee an opportunity to scope a number of areas of interest and, it was agreed that this formed the basis for beginning an ongoing process, which would gain momentum and effectiveness over time. The committee are satisfied that during the first year of operation they had an opportunity to begin evaluating a number of areas that fall within their remit including:

- Review the Council's financial and budgetary reporting practices and procedures;
- Foster the development of best practice in the internal audit function;
- Review Local Government Auditors' reports;
- Assess and promote value for money/efficiency;
- Consider whether processes are in place to manage risks effectively.

The committee is satisfied that:

- The members have been able to familiarise themselves with the role of the Committee and are well briefed on their areas of responsibility.
- The Council appears to be well governed, well managed and the members and management are supportive of the role of the Audit Committee.
- The work programme of the Committee for 2009 will benefit from and reflect the value of the work undertaken by the Committee in 2008.

Kildare County Council

Audit Committee Charter

Role of the Committee

The Audit Committee will 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 Council.

The Committee will have a role in promoting good accounting practices, ensuring better and more informed decision-making, and improving the focus on value for money throughout the organisation. It will also support the work of the Internal Audit Unit and advise the County Manager in relation to the operation and development of the Unit.

The Committee's role is advisory.

Functions

The functions of the Committee shall be to:

- Review the Council's financial and budgetary reporting practices and procedures.
- Generally foster the development of best practice in the internal audit function and as part of this:
 - Review the internal audit charter and bring any recommendations to the attention of the County Manager
 - Review and assess the draft annual internal audit plan
 - Monitor implementation of the internal audit plan on a quarterly basis and the extent to which audit objectives are being achieved
 - Assess the outcome of the internal audit process, having regard to any findings and recommendations of the internal audit unit and management responses thereto
 - Assess the implementation of agreed corrective actions by management having regard to follow-up audits
 - Review the report of audit activities by the Internal Audit Unit, within three months of the year end.
- Request special reports from Internal Audit as considered appropriate.
- Review Local Government Auditors' reports, and assess management response and follow-up actions.
- Assess and promote value for money/efficiency, including collection performance across income streams.
- Consider whether processes are in place to manage risks effectively, in accordance with organisational guidelines and business plans.
- Report to the Council at least annually, and in any event within three months of the end of each calendar year, providing such advice and making such recommendations, if any, to the Council as the committee considers appropriate.

Membership

The committee shall be comprised of seven members, four external members and three serving Councillors.

The Committee was established by resolution of the Council dated 22 October 2007 and the external members were approved by the Council on the nomination of the County Manager following consultation with the Mayor. Appointments to the Committee shall be for the duration of the elected Council, with subsequent committees to be established within three months of the first meeting of each council.

The Chair of the Committee shall be selected by its members, and shall be one of the external members.

At least two of the external members should have financial management/audit expertise. Training and support should be provided to assist members in discharging their functions.

Meetings

The Committee shall meet at least four times a year. The quorum necessary for the transaction of business shall be three. In the absence of the chairperson and vice-chairperson, those present shall select a chairperson for the meeting. A copy of the minutes of meetings shall be forwarded to the County Manager.

The County Manager, Directors of Service (including the Head of Finance) and the Head of the Internal Audit Unit should attend meetings, when requested to do so by the committee.

The County Manager will facilitate the Committee in relation to briefings required by them from him and/or other council officials.

Independence

The committee shall be independent in the performance of its functions and responsibilities and shall not be subject to direction or control from any other party.

Working Procedures

The Committee will adopt its own working procedures, which may include as necessary the commissioning of independent professional advice following due notice to the Council and the County Manager.

Access

The Chairperson of the Committee, or any other member of the committee acting with the specific authority of the Chairperson, will have the right of access to the County Manager and to the Mayor of the Council.

The Chairperson of the Committee will invite the relevant Local Government Auditor to meet the Committee at least once a year to discuss matters of mutual interest.

The Local Government Auditor or the Head of the Internal Audit Unit may, with the agreement of the Chairperson of the committee, request a meeting to discuss a matter of exceptional importance.

The Local Government Auditor and the Head of Internal Audit may communicate with the Committee as they consider necessary.

Reporting

In presenting a report to the Council, the committee shall simultaneously forward a copy of the report to the County Manager.

Following presentation of an annual or other report by the committee, the Council will be entitled to discuss the findings with the County Manager.

Amendment of Charter

This Charter may be amended or updated by resolution of the Council.

Signed:

Chairperson

County Manager

Dated:

Internal Audit Charter

for the County Council of Kildare and the Town Councils of Athy, Naas, Leixlip and Newbridge

Policy Statement

It is the policy of the above Authorities to maintain and support a quality Internal Audit function that operates to the highest professional standards.

Definition and Role

Internal Audit is an independent appraisal function established by the management of an organisation for the review of the internal control systems, as a service to the organisation and to support the achievement of corporate objectives, to add value and improve the Authorities' operations. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, effective and efficient use of resources. Internal control has been defined as the whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure, as far as possible, the completeness and accuracy of records.

Internal Audit is responsible for giving assurance to the Manager on the existence, adequacy and effectiveness of the Council's internal control and risk management systems. Internal Audit also assists line managers by evaluating and reporting on the elements of the internal control systems for which they are responsible and making recommendations for improvement where necessary. Line management has full responsibility for the establishment and maintenance of the internal control systems.

Kildare County Council

Internal Audit's role, as part of the overall governance and control environment in the Authorities, is to provide audit assurance that all significant operating risks are identified, managed and controlled effectively at reasonable cost throughout the organisation. In the discharge of its role, Internal Audit is required to have integrity and to act professionally and ethically. It will adhere to the recognised standards and guidelines and will have regard to best practice as enunciated, in particular, by the Institute of Internal Auditors and the Auditing Practices Board. The Internal Audit function of the Kildare Authorities will have regard to any recommendations made by the Local Government Audit Service's Value for Money reports on the internal audit function.

In exceptional circumstances Internal Audit may also be assigned other duties.

Authority

Internal Audit operates with the direct authority of the above Authorities and under the general supervision and guidance of the County Manager. It is empowered and authorised to audit all systems and activities within the authorities managed by the Kildare County Manager and has unrestricted access to all records, reports, personnel, consultants, I.C.T. systems and assets, for audit purposes. Management and staff are required to assist Internal Audit in the fulfilment of its functions and to provide all the information and explanations required by Internal Audit staff for the proper performance of their duties.

Responsibilities of Internal Audit

Internal Audit discharges its responsibilities by critically and objectively evaluating and appraising, on a systems and risk-focussed basis:

- ◆ the adequacy and reliability of all internal control systems (financial, management etc, including the relevant technology) and procedures.
- ◆ the adequacy, reliability and integrity of the information being provided for decision making and for accountability and the extent to which this information is used.
- ◆ compliance with accounting and management controls.
- ◆ compliance with corporate objectives, policies, plans and strategies.

- ◆ compliance with laws and regulations, including where applicable, the E.U. Commission's "Management and Control systems Audit Manual".
- ◆ the reliability and integrity of financial, accounting and other information systems and the means used to identify, measure, classify and report such information.
- ◆ Procedures and arrangements to account for the acquisition, safeguarding, custody and disposal of assets, and for verifying their existence, effective use and safeguarding.
- ◆ operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- ◆ The economic, efficient and effective use of resources and by reviewing performance and performance measurements.

Any deficiencies or weaknesses in systems, controls and arrangements as outlined above which are identified, shall be reported to the appropriate officers with recommendations for improvement.

Internal Audit will maintain ongoing liaison with the external Local Government Auditors, who have responsibility for the audits of the above Authorities, to ensure maximum coverage is achieved and duplication of work is minimised. Internal Audit shall ensure the confidentiality and safekeeping of all records and information accessed in the course of its work.

Strategic Audit Plan and Annual Plan

Internal Audit is responsible for the preparation of the Strategic Audit Plan setting out audit priorities for the medium term and for agreeing it with the County Manager and for its submission and assessment by the Audit Committee. The Strategic Plan shows the intended coverage of all areas identified by a risk management process. In line with the Strategic Plan an Annual Audit Plan should be prepared and also agreed with the County Manager and submitted to the Audit Committee for review and assessment.

Prior to drawing up the Strategic and Audit Plans, Internal Audit will consult the members of the Management team in regard to audit topics and will take account of any topics put forward by them.

Internal Audit will be responsible for the effective implementation of the Audit Plans.

Independence

In order to preserve its objectivity and independence, Internal Audit will not assume operating responsibilities for, and will remain independent of, the activities it audits. However, it may, if deemed appropriate, or if requested by management, review systems under development and advise on appropriate controls without prejudicing its right to subsequently audit such systems.

Reporting Arrangements

Reporting by the Internal Audit function (through the Head of Internal Audit) shall be directly to the County Manager on an ongoing basis and quarterly, or otherwise as requested, to the Audit Committee. The Head of Internal Audit will have direct access to the Manager. Audit reports will also issue to appropriate line managers.

Internal audit will prepare an annual report on its activities.

Audit Approach and Methodology

In carrying out its duties Internal Audit will work constructively with management and staff.

Implementation and Reporting

Internal Audit will normally notify Heads of Sections when an area is approved for inclusion in the Audit Work Programme and at least one month prior to the commencement of an audit. Internal audits are generally systems-based and risk focussed, and involve the examination of files and relevant documentation, interviews with key staff, testing of controls and the use of questionnaires. A draft report of the audit will be discussed within a reasonable time with line management to confirm its factual accuracy and to agree, where possible, the conclusions, recommendations and action plans for improvements.

The final report, incorporating management's response if required, will then issue to the line management concerned, the relevant Director, the County Manager, the Audit Committee and to the Local Government Auditor.

Follow-up

The Head of Internal Audit may, as part of the annual audit work programme, request periodic updates from management on the implementation of audit recommendations, in order to evaluate progress thereon. Issues raised by Internal Audit are to be reviewed periodically by the Audit Review Group. The Audit Review Group shall comprise the County Manager and the members of the Management Team.

Management Responsibilities

Management has primary responsibility for establishing and maintaining a proper and effective control environment and for managing risk. Management also bears primary responsibility for the prevention and detection of fraud and resolving any fraud that may occur. Internal Audit is responsible for ensuring that its audit programme and methodologies take due account of the possibility of fraud. It may fully investigate any fraud or suspected fraud uncovered.

Directors of Service and Heads of Section will be expected to co-operate with Internal Audit in the Strategic and Annual Audit Planning process, by identifying, through the use of risk analysis, areas and activities which carry significant financial, operational and other business risks.

Kildare County Council

Directors of Service, Heads of Section and their senior staff are expected to cooperate and work proactively with Internal Audit and to respond in a timely manner to final reports. They will be responsible for deciding the appropriate action to be taken in response to reported audit findings, in the absence of specific recommendations by Internal Audit. They will also be responsible for addressing audit concerns and for the timely implementation of accepted audit recommendations. These issues in turn to be included, as necessary, in the periodic review by the Audit Review Group.

M. Malone
County Manager

Dated 31/07/2008

M Bermingham
Internal Audit & Checking