

Comparison of the Powers of the Auditor General with the Local Government Auditor

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Introduction:

Auditor General:

The *Comptroller and Auditor General* for Northern Ireland (C&AG) is the head of the *Northern Ireland Audit Office* (NIAO). The C&AG is independent of government and reports to the Assembly. The Public Accounts Committee, a standing Committee of the Assembly, has the statutory responsibility to consider these reports.

Local Government Auditor:

Local Government in Northern Ireland is comprised of 26 district councils and a number of joint committees. Local government auditors are responsible for the audit of these bodies and the *Local Government Staff Commission* and the *Northern Ireland Local Government Officers' Superannuation Committee*.

1 Role of the Auditor General:

The *Comptroller and Auditor General* is responsible for:

- Authorising the issue of money from the *Northern Ireland Consolidated Fund* to enable Northern Ireland Departments to meet their necessary expenditure, and for ensuring that there are adequate arrangements for the collection of revenue; and
- The external audit of central government bodies in Northern Ireland, including: Northern Ireland Departments and their Executive Agencies and a wide range of other public sector bodies, including Executive non-Departmental Public Bodies and health and personal social service bodies.
- Undertaking a financial audit and a value for money audit and the results of his work are reported to the Northern Ireland Assembly.
- The C&AG works closely with the Assembly's Public Accounts Committee which takes evidence from senior officials on his reports.

The Post of C&AG – Duties & Responsibilities¹

Legislation Establishing Functions of the Post:

- The legislation establishing the status, functions and powers of the C&AG includes the *Audit (Northern Ireland) Order 1987*², the *Northern Ireland Act 1998*³, *The Government Resources and Accounts Act (Northern Ireland) 2001*⁴ and the *Audit and Accountability (Northern Ireland) Order 2003*⁵.

Duties of the C&AG Post:

- The *1998 Act* specifies that the C&AG shall not in the exercise of any of the functions, be subject to the direction or control of any Minister, Department or the Assembly.
- However, the C&AG must not question the merits of government policy objectives.

The C&AG plays a key role in the arrangements for ensuring that government is held to account effectively for the use of public resources. The C&AG is expected to:

- Take personal responsibility for the judgments on financial audit and value for money reports.
- Set the strategic direction of the Office, with sufficient knowledge of the public sector to focus the available audit resources on those areas of government and those issues where audit scrutiny can have the most useful impact.
- Work effectively with the Assembly and, in particular, to facilitate the *Public Accounts Committee's* consideration of reports. The C&AG is expected to be in attendance at the Committee's sessions;

¹ http://www.niassembly.gov.uk/personnel/2009/cag/cag001_09_spec.htm

² http://www.opsi.gov.uk/si/si1987/Uksi_19870460_en_1.htm

³ http://www.opsi.gov.uk/acts/acts1998/ukpga_19980047_en_1

⁴ http://www.opsi.gov.uk/legislation/northernireland/acts/acts2001/nia_20010006_en_1

⁵ <http://www.opsi.gov.uk/si/si2003/20030418.htm>

2 Powers of Local Government Auditor⁶:

Expression of Concerns/Opinions:

Local government auditors audit the statement of accounts and give their opinion, including:

- Whether they present fairly the financial position of the local government body and its expenditure and income for the year in question; and
- Whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

The chief local government auditor is empowered to:

- Prepare, annually, a report as to the exercise by local government auditors of their functions.
- Prepare and keep under review, a code of audit practice prescribing the way in which auditors are to carry out their functions.
- Make arrangement for certifying claims and returns in respect of grants or subsidies made or paid by any Northern Ireland department or public authority.
- Commission comparative and other studies designed to enable a local government auditor to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local government bodies.

Establish and Maintain Code of Audit Practice:

- The first Code of Practice was subject to an extensive process of consultation which began in *November 2005*. The draft Code was derived from a similar document prepared by the Audit Commission in England, and adapted to reflect local government in Northern Ireland. The Code was laid in the Assembly on *28th March 2006*.
- The code must be approved by the Assembly at least every five years. In the intervening period the chief local government auditor may update the Code where this is thought to be necessary.
- The audit role does not include providing financial or legal advice or consultancy to the local government body.

6

http://www.niauditoffice.gov.uk/pubs/CorporateDocuments/NI_Statement_of_local_government_audit_or_responsibilities_June2008.pdf

Statement of Accounts:

The statement of accounts, which comprise the published accounts of the local government body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the local government body to:

- put in place systems of internal control which contribute to the regularity and lawfulness of transactions;
- Maintain proper accounting records; and
- Prepare statement of accounts that present fairly the financial position of the body and its expenditure and income and that are in accordance with applicable laws, regulations and accounting policies.

Financial Management Arrangements by the Auditor⁷:

- Following similar legislation in England, the *Local Government (Northern Ireland) Order 2005* established specific duties for local government auditors in examining accounts.
- The local government auditor must ensure that the local government body has made proper arrangements for securing **economy**, **efficiency** and **effectiveness** in its use of resources.

Role of Corporate Governance within Councils⁸:

In the *Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006*, the DoE made provisions which place additional corporate governance responsibilities on local government bodies from *April 2007*. These include formal requirements for local government bodies to:

- Maintain an adequate and effective system of internal audit which covers both the accounting records and the systems of internal control. The effectiveness of internal audit is to be considered at least annually by the local government body as part of its review of the system of internal control.
- Currently there is no requirement for local government bodies to have a system of internal audit. As at *31st December 2006* one council had no form of internal audit. In the other 25 councils the absence of an annual review meant that the effectiveness of internal audit varies considerably between councils.

Power to Review Statement of Internal Control:

⁷ <http://www.niauditoffice.gov.uk/pubs/onereport.asp?arc=False&id=240&dm=0&dy=0>

⁸ <http://www.niauditoffice.gov.uk/pubs/onereport.asp?arc=False&id=240&dm=0&dy=0>

- The annual audit by the local government auditor does not extend to the system of internal control. The local government auditor will however review the *Statement on Internal Control* to ensure it is consistent with his findings. From 2007-2008 the local government auditor's annual letter to a local government body may include significant examples of internal control weaknesses.
- There are opportunities for local government auditors to reduce detailed testing of systems and transactions where a local government body can demonstrate effective corporate governance arrangements.
- Although there is no requirement for local government bodies to introduce Audit Committees, as at 31st December 2006, 14 councils had established such a committee.