

## **POWERS OF LOCAL GOVERNMENT AUDITORS**

### **Background**

Following correspondence with the Northern Ireland Audit Office, this briefing paper looks at:

- the internal presence of audit controls within local councils;
- the changes that will take place for Local Government Auditors when there are 11 councils, rather than 26;
- and the extent to which Local Government Auditors can audit the Rural Community Network (RCN).

### **1. Internal Audit: Which Local Government Council Had No Form of Internal Audit in 2006-2007?**

- The above question is related to the *2006-07 Chief Local Government Auditor's Report*<sup>1</sup>. During this period there was no requirement for district councils to have an internal audit presence.
- The position changed from *2007-08* with the introduction of the *Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006*. This required district councils to maintain an adequate and effective system of internal audit, and to conduct an annual review of this.
- All district councils now broadly comply with this, although in some cases, local government auditors will draw to the attention of councils areas where internal audit, and particularly how it is used, can be improved.

### **2. Will there be Local Government Audit Changes in moving to 11 District Councils?**

The move to 11 district councils does not necessitate changes in the powers of local government auditors as set out in the *Local Government (NI) Order 2005*. NIAO has, however, suggested to DoE that it would be an opportune point to examine these.

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<sup>1</sup> <http://www.niauditoffice.gov.uk/pubs/onereport.asp?arc=False&id=240&dm=0&dy=0>

Two important items that NIAO has asked DoE to consider are:

- Value for Money powers:

“Our current powers are similar to those of central government auditors in NI but less extensive than those which apply to local government elsewhere in the UK. The essential difference is the capacity to audit, and comment upon, a council’s performance. Our current powers limit us to covering how council policy has been implemented. We have indicated to DoE that extension of ‘Performance Audit’ powers to local government auditors in NI should be part of the post *Review of Public Administration* (RPA)<sup>2</sup> system of local government.”

- Surcharge Powers:

“We remain the last local government auditors in the UK with the statutory powers to hold councillors to account, and require repayments, for losses arising from their wilful misconduct (a disqualification from office for five years also applies). We have asked DoE to remove these powers and bring NI into line with the rest of the UK by introducing a statutory code of conduct for members. We believe we have adequate reporting powers with regards district councils to dispense with surcharge powers which we regard as ineffective. These would be further enhanced with ‘Performance Audit’ powers”.

#### Transition Committees:

- With regards Transition Committees, DoE issued a consultation document earlier this year on the matter – *Local Government Reform Establishment of Transition Committees in Statute*<sup>3</sup>. At paragraph 27, this outlines that Transition Committees will be local government bodies.
- Under the *1972 Local Government Act*, as updated by the *Local Government (NI) Order 2005*, all local government bodies must be audited by a local government auditor. The legislation defines local government bodies as either district councils or a joint committee of two or more councils. In the document, DoE envisages Transition Committees as falling within the definition of a joint committee.

### **3. Does the Local Government Auditor Have Powers to Audit the Rural Community Network (RCN)?**

- As noted above, the Local Government Auditor’s powers extend to local government bodies.
- Beyond this, the Local Government Auditor does have powers where he requires access to documentation relating to a local government body which

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<sup>2</sup> <http://www.rpani.gov.uk/>

<sup>3</sup>

<http://minutes.belfastcity.gov.uk/Published/C00000113/M00009620/AI00006227/Appendix1EstablishmentofTransitionCommitteesinStatuteConsultationDocument.pdf>

is held by a third party. Most typically this is where, as part of an audit of a district council, the Local Government Auditor asks for information from a grant funded body.

- Grant funding is a small part of council activity, so this audit work will not cover all grant funded bodies.
- With regards to testing of the RCN, the response from NIAO stated:

“I am not aware of any RCN testing we have done as part of our council audits. My colleagues in central government audit within NIAO confirm that DARD is RCN’s main funder. As RCN is not a body set up by government it does not fall within the NIAO central government remit – but the same principle of periodically reviewing grant funding will apply. I am not sure if RCN will be funded by the seven rural development joint committees of councils set up by DARD under the *Local Government (Constituting a Joint Committee) Order (NI) 2009*. These seven committees will fall within our remit as they are local government bodies”.

15<sup>th</sup> October 2009