

Kilkenny County Council

Audit Committee

Annual Report 2016

Chairperson's Statement

This is the third annual report of the Audit Committee 2014 – 2019 of the Council. I am honoured to serve as Chairman of the committee and I compliment my fellow committee members on their hard work, vigilance and professional input into the work of the committee and look forward to continue to work with them over the next 2 years.

I am very pleased to introduce the Annual Report of the Kilkenny County Council Audit Committee on behalf of the membership of the Audit Committee and to present it to the Chief Executive, the Cathaoirleach and Members of Kilkenny County Council.

The committee has received full cooperation and the necessary assistance from the staff of the Council and the Local Government Auditing service to conduct its affairs in a satisfactory manner.

Membership

The composition of the Committee is as follows:

Dr. Sean Brady, Chairman of the Committee. Dr Brady is a Director of the Irish National Stud and formerly Managing Director of Minch Malt and Irish Sugar.

Cllr. Fidelis Doherty. Local Electoral Area - **Piltown**

Cllr. Andrew McGuinness. Local Electoral Area - **Kilkenny City East**

Dr. Maura Joyce. Dr. Joyce trained as auditor with Coopers and Lybrand. Maura worked for Avonmore for many years in senior positions (now Glanbia).

Mr. Joe Allen. Mr. Allen is a former Principal Officer of the Department of Environment, Community, and Local Government.

Role of Committee

Audit committees play a crucial role in the governance framework of local authorities. They have an independent role in advising Council on financial reporting processes, internal control, risk management and audit matters.

Statutory Functions

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 best practice in the performance by the local authority of its internal audit function

To review any audited 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 function

To review systems that are operated by the local authority for the management of risk.

Internal Audit Plan

Each year a new plan of work for Internal Audit is designed and prepared based on risk evaluation and on consultation with the management of the Council and the Audit Committee.

The list of Internal Audit Assignments carried out in 2016 is as follows:

Public Spending Code – In Depth Review of Capital and Revenue Projects

- 1) Kilkenny Central Access Scheme
- 2) Ballynaslee Realignment N77

Bank Controls – Internet Banking

Irish Water Recoupments

Register of Interests/Ethics Register

Housing Assistance Payment

Review of Risk Register

Meetings of the Audit Committee

The Committee met on four occasions during 2016.

Presentations from Management

Mr. Martin Prendiville, Head of Finance, made a presentation to the Audit Committee at the meeting of 7th March 2016.

Ms. Maria Melia, Director of Services for Housing made a presentation to the Audit Committee at the meeting of 30th May 2016.

Mr. Simon Walton, A/Director of Services for Environment and Water Services made a presentation at the meeting of 5th December, 2016.

Mr. Tim Butler, Director of Services made a presentation on the Risk Register at the meeting of 5th December, 2016.

The Audit Committee met with the Local Government Auditor on the 26th September 2016.

Internal Audit Development

The Internal Audit department is a function of the Corporate Services Directorate. It is the responsibility of Internal Audit to give assurance to the Chief Executive on the existence, adequacy and effectiveness of the Council's internal controls and risk management systems.

The Committee acknowledges the level of training and development provided by the Council to assist the Internal Auditor. The Committee is of the view that further human resources support would benefit the internal audit function.

There was a period from the 14th October, 2016 to February, 2017 following the resignation of Mr. Niall McCabe where the Council did not have an internal auditor.

Financial and budgetary management reporting

The Council's total gross revenue expenditure for 2016 is estimated at €79.3 million while income is estimated to balance same – at present the Annual Financial Statement is in draft format. Capital expenditure is estimated at €33.6 million.

As reported in 2015, the Council operates standard local government financial management systems, Agresso, and accrual accounting practises. This was upgraded with Agresso MS 4 in 2016 which will give the Council greater ability to focus on efficient procurement.

The Council must operate within its annual budget and achieve income targets while at the same time provide a good standard of public and community services. To this end it is noted that the Council implements continuous financial control and audit systems to monitor the performance of the organisation, its flows of funds, all income and expenditure. The operation of the quarterly management account reporting through accountable line managers is central to the good financial control is evidence in the year under review. It is also noted by the committee that individual service areas carry out a review of expenditure and income on a monthly basis.

Risk Register

The Council first prepared a Risk Register in 2006 and since then has regularly updated the document. The Risk Register is an internal document prepared to identify the main risk areas facing the Council and to put measures in place to mitigate against the risks. Risks can be financial, physical, political, legal, or, reputational. The Risk Register was presented to the committee at the December meeting and is an important document for review by the Management Team and at Service Review Meetings. The Committee views the update of the Register as critical and will review the Register in 2017.

Work Priority for 2017.

Income Risk

The Council faces continuing pressures in generating income and managing debtors, this major risk requires close monitoring by the committee.

Budgetary Controls

Controls of over budget expenditure are key to the efficient operation of the Council. The Committee will continue to require quarterly updating of the budgetary position of the Council and provide advice and commentary as necessary.

Internal Audit Plan

The information gathered through Internal Audit reports provides the committee with significant insight into the management and operations of the Council. Audits of cash handling, Banking-on-line IT Governance, Accounts Payable and Local Partnership will be among the areas examined in 2017.

Conclusion by Chairperson

We remain satisfied that Kilkenny County Council has proper governance procedures in place. We received full cooperation from Colette Byrne, Chief Executive and her staff in relation to all aspects of our work. We particularly thank Simon Walton for his hard work with the Committee for 18 months to September, 2016 and Tim Butler, Directors of Services for his support to the committee. We wish Niall McCabe, Internal Auditor, well as he returns to Wexford, and Ms. Maria Melia as she returns to Kerry.

The Audit Committee is disappointed that the position of Internal Auditor was vacant for the period October 2016 to February 2017 but pleased that this has been filled on a temporary contract basis by PWC from February pending the filling of the position by interview. Having requested additional resources for Internal Audit, the Committee is also pleased that an additional post has been included in the work force plan and will be filled in June 2017.

I wish to reserve a special word of thanks to my Audit Committee colleagues for their contributions. The level of commitment brought by the members in the oversight of the governance of Kilkenny County Council has been of a very high order and has benefitted the people of Kilkenny.

Dr Sean Brady

Chairman of Kilkenny County Council Audit Committee