

3<sup>rd</sup> July, 2017

**To: The Mayor and Each Member of Limerick City and County Council**

**AUDIT COMMITTEE ANNUAL REPORT 2016**

A Chomhairleoir, a chara,

In accordance with Section 15 of the Local Government (Audit Committee) Regulations, 2014, the Audit Committee is required to prepare a report detailing its considerations and findings for the year just expired in relation to all matters within its authority, duties and functions and send same to the Local Authority for consideration.

I attach therefore, for your consideration, copy of the Limerick City and County Council Audit Committee Annual Report, 2016.

Is mise le meas,



**Christy O'Connor,**  
**Senior Executive Officer,**  
**Corporate Services.**



COMHAIRLE  
CATHRACH & CONTAE  
**Luimnigh**  

---

**Limerick**  
CITY & COUNTY  
COUNCIL

Draft

Audit Committee Annual Report  
2016

1	Introduction.....	3
2	Membership of the Audit Committee .....	3
3	Acknowledgements .....	3
4	Role of the Audit Committee.....	4
5	Activities .....	6
5.1	Meetings.....	6
5.2	Review of Audit Committee Charter .....	6
5.3	Development of Audit Committee Work Programme 2016 .....	6
5.4	Review of Effectiveness of the Audit Committee.....	8
5.5	Internal Audit.....	8
5.5.1	Internal Audit Plan.....	8
5.5.2	Internal Audit Reports .....	9
5.6	Risk Management, Value for Money and Efficiency.....	11
5.6.1	Review of Risk Management Framework.....	11
5.6.2	Review of Risk Management, Value for Money and Efficiency with the Social Development Directorate.....	11
5.6.3	Review of Risk Management, Value for Money and Efficiency with Service Operations Directorate .....	12
5.7	Review of NOAC Reports and Related Management Responses .....	12
5.7.1	Local Authority Corporate Plans.....	12
5.7.2	Performance Indicators in Local Authorities 2014 .....	13
5.8	Audit Committee Briefings .....	13
5.8.1	Financial Briefings.....	13
5.8.2	Tax Workshop delivered to Council Staff in January 2016.....	14
5.8.3	Audit Committee Briefing on Governance .....	15
5.8.4	Update on Change Management and the New Operating Model .....	15
5.8.5	Update on Budget Management for the New Operating Model.....	16
5.8.6	Protected Disclosures Act 2014.....	16
5.8.7	Licence Agreements .....	16
5.8.8	Lease of Lands at Gortadroma .....	17
5.8.9	Consideration of Letter of Representation in relation to Annual Financial Statement for Year ended 31 <sup>st</sup> December, 2014 .....	17
5.8.10	Property Register.....	17
6	Conclusion .....	17

## **1 Introduction**

Section 122 of the Local Government Act 2001 (as amended) and the Local Government (Audit Committee) Regulations 2014 provide for the establishment of Audit Committees in Local Authorities. The establishment and operation of Limerick City and County Council's Audit Committee has been carried out in compliance with the above legislation.

## **2 Membership of the Audit Committee**

In accordance with Section (3) of the Local Government (Audit Committee) Regulations 2014, where the total revenue expenditure by a local authority in 2013 exceeded €150m, the membership of an audit committee shall consist of seven members and shall include not less than four external members, not more than three serving or retired elected members and three or more persons having knowledge or experience in finance, auditing or accounting. Appointment of members of an audit committee is a reserved function. The following were members of the Audit Committee for Limerick City and County Council during 2016:

- Mr John Field, Head of Finance, University of Limerick, Cathaoirleach of the Audit Committee
- Mr Tony O'Brien, Management Consultant.
- Dr. Brid Quinn, Lecturer in Public Administration, University of Limerick.
- Damien Clancy, Chairman of Rusal Aghinish.
- Councillor Jerome Scanlan (Member of Limerick City & County Council)
- Councillor James Collins (Member of Limerick City & County Council)
- Councillor Joe Pond (Member of Limerick City & County Council)

## **3 Acknowledgements**

Mr. Conn Murray, Chief Executive, Mr Pat Dowling, Deputy Chief Executive, Mr Sean Coughlan A/Head of Finance and Mr Christy O'Connor, SEO Corporate Services attended at meetings and supported the work of the Audit Committee. During 2016 a total of twenty six different staff members attended at meetings of the Audit Committee. Councillor Joe Pond joined the Audit Committee in place of Councillor Shane Clifford, who had resigned from the Council. The Audit Committee acknowledges the contribution Councillor Clifford made to the Audit Committee and wishes him well for the future. Mr Pat Dowling was appointed as Chief Executive to Clare County Council during 2016 and the Audit Committee acknowledges the significant contribution he made to change management, the establishment of the new operating model in the Council and to the workings of the Audit Committee and we wish him well in his new post. Mr Gordon Daly was appointed Director of Service Operations with responsibility for Change Management and Ms Carmel Kirby was appointed A/Director, Home and Social Development during 2016 and both attended at meetings of the Audit Committee. Mr Donal Brennan, who had attended at meetings of the Audit Committee in his role as Chair of the Senior Forum to give updates on risk management, was appointed as Director in Laois County Council and the Audit Committee wishes him well in his new role. Mr. Tom O'Callaghan, Administrative Officer, Corporate Services acted as Secretary to the Audit Committee during 2016.

Limerick City and County Council provides resources to facilitate the Audit Committee's operation. The Committee acknowledges and appreciates the support of the Council, the Chief Executive and his staff in its work.

#### **4 Role of the Audit Committee**

The functions of the Audit Committee are as prescribed by section 122 of the Local Government Act 2001 (as amended) and expanded in the Audit Committee Charter.

**To review the financial and budgetary reporting practices and procedures within the local authority:**

- This incorporates review and consideration of all aspects of the financial cycle within Limerick City & County Council from budget preparation and adoption, monitoring of income and expenditures through to the completion of the annual financial statements.
- The audit committee reviews financial management and reporting arrangements in addition to auditing existing financial policies, procedures, controls and protocols as it considers necessary.

**To foster the development of best practice in the performance by the local authority of its internal audit function:**

To fulfil this function the Audit Committee:

- Reviews with management and the internal auditor the charter, activities, staffing and organisational structure of the internal audit function, its compliance with relevant professional standards and brings any recommendations to the attention of the Chief Executive. In this regard, the Committee seeks to ensure that no limitations are placed on the work of the internal auditors or unit.
- Approves the audit plan and monitor its implementation.
- Reviews audit reports, findings and recommendations and management responses.
- Reviews, on an ongoing basis, the audit engagement process.

**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 report its findings to the local authority:**

To fulfil this function the Audit Committee:

- Reviews with management and the external auditors the results of the statutory audit.

- Reviews with management and the external auditors the management letter and all matters required to be communicated to the committee under generally accepted auditing standards.
- Reports to Council on its findings.

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

To fulfil this function the Audit Committee:

- Reviews management's arrangements to ensure and demonstrate economy, efficiency and effectiveness across the organisation.
- Requests special reports from management or internal auditors as considered appropriate.

**To review systems operated by the local authority for the management of risks:**

To fulfil this function the Audit Committee:

- Evaluates the scope and effectiveness of the framework established by management to identify, assess, monitor and effectively manage risk.
- Reviews the corporate risk management policy and receives presentations from management on corporate, directorate, divisional and sectional risk registers.

**To review the findings and recommendations of the National Oversight and Audit Commission (NOAC) and the response of the Chief Executive to these and take further action as appropriate:**

To fulfil this function the Audit Committee:

- Reviews the relevant findings of NOAC and ensures that its work programme takes NOAC's findings and recommendations into account.
- Requests special reports from management or internal audit as considered appropriate.

Following a competitive tendering process the Council appointed Deloitte and Touche to provide a range of specified internal audit services for a period of 3 years commencing on 5<sup>th</sup> March, 2015.

## 5 Activities

### 5.1 Meetings

The following table shows a list of Audit Committee meetings held in 2016 and the attendance of the Audit Committee Members at same. Councillor Joe Pond was appointed to the Audit Committee on 23<sup>rd</sup> March 2016 following the resignation of Councillor Shane Clifford.

Date of Meeting	Cllr. Jerome Scanlan	Cllr. James Collins	Cllr. Joe Pond	Tony O'Brien	Brid Quinn	Damien Clancy	John Field
19/02/2016	No	No	NA	Yes	Yes	Yes	Yes
25/04/2016	Yes	No	No	Yes	Yes	No	Yes
20/06/2016	Yes	Yes	Yes	Yes	No	No	Yes
12/09/2016	Yes	Yes	Yes	Yes	Yes	Yes	Yes
14/12/2016	Yes	Yes	No	Yes	Yes	No	Yes

### 5.2 Review of Audit Committee Charter

The Audit Committee reviewed the Audit Committee Charter. The Charter was revised to reflect the nomination of Councillor Joe Pond to the Audit Committee in place of Councillor Shane Clifford, who had retired.

The Audit Committee noted the requirement to review the Audit Committee Charter annually and agreed that paragraph two of section 3.4 *Work Procedures and Access* should be amended to read *'Each year, the Committee will develop a detailed annual work programme and this will be provided to the Council.'*

### 5.3 Development of Audit Committee Work Programme 2016

The Audit Committee approved the Work Programme for 2016 as set out below and included actions to reflect that required of the Audit Committee in legislation. With regard to the Audit Committee's duties in relation to the assessment and promotion of efficiency and value for money with respect to the Local Authority's performance of its functions, it was decided that this obligation would be met through meetings with individual Directorates. Such meetings would be confined to the discussion of risk, efficiency and value for money, with any general information relating to the background and activities of the Directorate circulated to the Audit Committee in advance of the meeting.

The Chief Executive informed the Audit Committee that capital appraisal of projects was in place under the Public Spending Code and that procurement procedures covered the expenditure of the Council. In addition, NOAC was working towards making Service Indicators more relevant and both Internal Audit Reviews and Reviews carried out by the Local Government Value for Money Unit would continue to highlight issues in relation to efficiency and value for money. Greater efficiency and management information would also be delivered through the Sugar CRM System and a review of housing maintenance was underway which

would use new technology to provide better information in relation to costs per job and use of materials.

### **AUDIT COMMITTEE WORK PROGRAMME 2016**

<b>ITEM</b>	<b>QTR</b>
Agree and Submit Annual Work Programme to Council for adoption.	Q1 2016
Approve Annual Internal Audit Plan.	Q1 2016
Review Budget 2016.	Q1 2016
Review any Audited Financial Statements, Auditor's Report or Auditor's Special Report, Assess Action Taken and Report to the Council.	Q1 2016
Prepare Annual Report for submission to the Council.	Q1 2016
Review Effectiveness of Audit Committee for submission to Council.	Q1 2016
Review Periodic Internal Audit Reports.	Q1 2016
Receive Quarterly Risk Update from Chair of Senior Forum.	Q1 2016
Review Periodic Internal Audit Reports.	Q2 2016
Receive Quarterly Risk Update from Chair of Senior Forum.	Q2 2016
Review Risk Management, Value for Money and Efficiency in relation to Social, Home, Community & Sport Directorate.	Q2 2016
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q2 2016
Review any Value For Money Studies issued by Local Government Audit Service.	Q2 2016
Meet separately with Chief Executive.	Q2 2016
Review Internal Audit Charter.	Q2 2016
Review Periodic Internal Audit Reports.	Q3 2016
Receive Quarterly Risk Update from Chair of Senior Forum.	Q3 2016
Review Risk Management, Value for Money and Efficiency in relation to an individual Directorate / Operational Unit.	Q3 2016
Meet separately with Employees of Internal Audit Unit.	Q3 2016
Consider Financial Update from Head of Finance.	Q3 2016
Review Periodic Internal Audit Reports.	Q4 2016
Receive Quarterly Risk Update from Chair of Senior Forum.	Q4 2016
Review Risks / Issues in relation to an individual Directorate / Operational Unit.	Q4 2016
Meet separately with Local Government Auditor.	Q4 2016
Consider Financial Update from Head of Finance.	Q4 2016
Review National and Local Procurement Strategies and Initiatives with Procurement Officer.	Q4 2016

A number of items set down in the annual plan for 2016 were not covered within the year. The Audit Committee notes that NOAC published eleven reports up to the end of 2016, two of which were brought to the Audit Committee with the associated management response. The Audit Committee looks forward to considering the remainder of the reports over the coming year. The Audit Committee will review the Local Government Auditor's report on the AFS 2015 in early 2017 and will use that opportunity to meet separately with the Local Government



Auditor. The Chief Executive and Internal Auditors were available to discuss any issues of interest to the Audit Committee and it was not deemed necessary to meet separately with them during 2016. Due to the extent of the business covered, the Audit Committee postponed a planned review of national and local procurement strategies until early 2017.

#### **5.4 Review of Effectiveness of the Audit Committee**

The Audit Committee Members completed and subsequently reviewed a Self-Assessment Questionnaire relating to the performance of the Audit Committee. The Questionnaire contained 45 questions and dealt with topics such as Audit Committee Charter, Membership and Appointments, Meetings, Training and Resources, Financial Reporting, Internal Financial Controls and Risk Management Systems, Internal Audit Process, External Audit Process, Protected Disclosures, Conflict of Interest, and Audit Committee Self-Assessment.

A draft report, prepared in accordance with the requirements of the Local Government (Audit Committee) Regulations, 2014 and summarising the issues that had arisen from the Self-Assessment Questionnaire, was considered and approved by the Audit Committee and presented to the Local Authority Members for consideration.

#### **5.5 Internal Audit**

##### **5.5.1 Internal Audit Plan**

The Audit Committee maintained an overview of the implementation of the annual internal audit plan and agreed, in view of the ongoing requirement to carry out a review of the Public Spending Code, that the review of Regeneration Projects be deferred to a later date and replaced with a review of the Public Spending Code.

It was noted that Deloitte had been retained to examine an issue arising in the Operations area of the Council. In tandem with this, Deloitte had also been retained to carry out a broader review of the area in question. It was pointed out that these matters had not been part of the approved Audit Plan for 2016 but would be carried out in addition to same.

The Audit Committee discussed and agreed procedures and timescales for dealing with Internal Audit recommendations made prior to and under the Deloitte contract.

## 5.5.2 Internal Audit Reports

### 5.5.2.1 Internal Audit Information Technology Review

The Audit Committee reviewed the Draft Internal Audit Information Technology Review dated September 2015 and considered the recommendations in the report and Management's response to same.

The Audit Committee welcomed the Internal Audit Report and Management's response to same and noted that no high risk findings had been reported and that medium risk findings would revert to low risk when recommendations were implemented. The Audit Committee recommended finalisation of the report and it was noted that the implementation of recommendations would be followed up by Deloitte.

### 5.5.2.2 Follow-Up Review of previous Internal Audit Reports

The Audit Committee considered a Draft Follow-Up Review of previous Internal Audit Reports dated 16<sup>th</sup> March, 2016.

Deloitte gave an overview of the report and pointed out that there had been 320 previous Internal Audit recommendations which had been examined by Deloitte, in consultation with the appropriate staff in the Council. As requested by the Audit Committee, they had examined a sample of those recommendations that were deemed '*no longer relevant*' and '*fully implemented*' by Management. The report set out the status of a sample of 36 Internal Audit recommendations tested of which two were considered 'relevant but not implemented'.

The Audit Committee requested that a database be kept of the original 320 recommendations to provide clarity in relation to those which had been dealt with and those which required follow-up so that they could be tracked, going forward.

### 5.5.2.3 Associated Companies Review

Draft Internal Audit Report dated 31<sup>st</sup> March, 2016, was circulated and considered by the Audit Committee.

The report referred to the requirement for Local Authorities to disclose any interests in a company by its Members or Officers in Appendix 8 of their Annual Financial Statement (AFS). A spreadsheet had been prepared, based on information from the Companies Registration Office, which gave a listing of 28 Associated Companies. 5 of these companies had been selected for further review based on the level of exposure to financial/other risk by Limerick City and County Council. The report highlighted a lack of control and management oversight of the activities of Associated Companies at Limerick City and County Council and the need for procedures to be put in place in the following areas:

- Appointments/removal of Directors process.
- Appropriateness of Directors appointed to a Board.
- Training.

- Oversight of activities of Associated Companies.
- Central management and control over Associated Companies.

The Audit Committee requested that additional guidance be set out with regard the establishment of companies and the appointment of Directors and discussed the benefits of a quarterly financial reporting requirement for companies with a significant financial exposure.

Reference was made to legislative changes regarding the classification of companies and it was requested that further guidance in relation to the new requirements be provided.

The Audit Committee requested that the Draft Report be amended to take account of the above matters and to be brought back to a future meeting for approval.

#### *5.5.2.4 Payroll Review*

The Audit Committee considered the Draft Internal Audit Payroll Review dated 8<sup>th</sup> May, 2016.

Deloitte gave a brief overview of the report pointing out that two findings were in the Medium Risk category, while one was in the Low Risk category.

The Audit noted Management's response to the issues raised and the report was approved by the Audit Committee.

#### *5.5.2.5 Public Spending Code Review – May 2016*

The Audit Committee considered the Draft Internal Audit Report dated May 2016 on the Public Spending Code Review.

An overview of the report and the approach taken was given by Deloitte. This included the requirements in relation to the Public Spending Code: Expenditure Planning, Appraisal and Evaluation in the Irish Public Service - Standard Rules and Procedures. It was pointed out that 3 projects were randomly selected from the categories of expenditure as set out in the report as part of the Public Spending Code Review. It was noted that no high risk findings had been reported and Deloitte had discussed the two medium risk findings with Management and were of the belief that there was a firm commitment to addressing the issues identified in the short to medium term.

The Audit Committee discussed the projects selected for review and it was noted that a post-audit review process had not been undertaken in respect of any of these projects and that this was an item to be taken on board for any future similar audits. The position in relation to such reviews was outlined by Deloitte and by the A/Head of Finance and it was agreed that a comment would be inserted in the report in relation to this matter.

### **5.5.2.6 Review of Planning Applications**

The Audit Committee considered the Draft Internal Audit Review of Planning Applications which noted that, based on the work performed by Deloitte, nothing had come to attention that would suggest a significant breakdown in controls surrounding the planning application process. It was noted that a small number of low risk findings were identified and a commitment had been received from Management to address these issues.

The Audit Committee discussed risks and controls in relation to the logging of all planning applications and related documentation and the recording of details of preplanning meetings and highlighted the importance of including all such controls on the risk register.

## **5.6 Risk Management, Value for Money and Efficiency**

### **5.6.1 Review of Risk Management Framework**

The Audit Committee discussed risk management with the Chair of the Senior Forum on a quarterly basis and received updates on how the risk registers were being updated in conjunction with the new operating model.

The Audit Committee noted the preparation of a risk register in conjunction with the activities of the HAP Shared Service Centre and highlighted the importance of having clear service level agreements between the Shared Service Centre and its clients. It was noted that this risk register would be sent to the Department for review and that Improvements to risk registers were ongoing based on experience to date and feedback that the Council had received from the Audit Committee.

### **5.6.2 Review of Risk Management, Value for Money and Efficiency with the Social Development Directorate**

The Audit Committee considered the Risk Register for the Social Development Directorate and an overview of the development of the Risk Register was given by the A/Director, Social Development. The Audit Committee discussed in detail the background to, and controls associated with, those risks that were shown to have a high inherent risk. These included the areas of Regeneration Housing Capital Programme, Thermal Upgrade, Refurbishment, Housing Demolition and CCTV.

The Audit Committee also discussed, housing maintenance costs, condition surveys, responsibility of tenants and Community Associations' efficiency with the Social Development Staff.

A short overview was given of the current housing emergency and the actions being taken under the new Housing Plan to cater for same. The need for a strategic 5-year plan was raised and the Audit Committee stressed the importance of reviewing the associated actions on an annual basis and updating the Risk Register in line with such actions.

### **5.6.3 Review of Risk Management, Value for Money and Efficiency with Service Operations Directorate**

The Audit Committee considered the report of the Director, Service Operations, dated 6<sup>th</sup> December, 2016, enclosing risk registers for the Business Improvement Unit, Operations and Maintenance Services, Community Support Services, Planning and Environmental Services, Veterinary Services, Design and Delivery Services and Property Services.

It was noted that each risk register contained 9 risks that were common to each Department, along with risks specific to each Department. The Audit Committee were presented with an overview of activities of each Department and considered a range of risks, controls and examples of value for money and efficiency.

The Director, Service Operations, noted that ongoing Business Improvement reviews of services afforded opportunities to realise efficiencies and introduce value for money initiatives. He pointed out that risk was discussed at monthly meetings in all his Departments, with consideration being given to carrying out risk assessment at service level.

The Audit Committee discussed the possibility of reflecting corporate ownership of risk, where appropriate, in the Risk Registers. The Audit Committee also discussed the rating of some risks after controls were taken into consideration, the need to fully describe risks and controls, and the value of controls that failed to change the category of a risk.

The Audit Committee raised the issue of risk assessing changes to services and the benefits of assessing issues such as staffing from a long-term perspective with full costs, including the cost of pensions, taken into consideration. It was noted that a business case was made in relation to the hiring of any new staff and same had to be agreed by the Director concerned, Human Resources, the Head of Finance and, ultimately, the Chief Executive.

## **5.7 Review of NOAC Reports and Related Management Responses**

### **5.7.1 Local Authority Corporate Plans**

The Audit Committee considered the NOAC report entitled *Local Authority Corporate Plans 2015-2019*, and report from the SEO, Corporate, dated 3<sup>rd</sup> March, 2016, in response to same.

It was noted that the NOAC report represented a general review of the Corporate Plan process and that the Council's Corporate Plan would have to be reviewed when the Limerick Local Economic and Community Plan (LECP) 2016-2021 was finalised in July 2016. The Audit Committee highlighted the absence of reference to the financial resources needed to deliver the Corporate Plan and the need for the Council to be more specific in relation to work that had been carried out.

## **5.7.2 Performance Indicators in Local Authorities 2014**

The Audit Committee considered the NOAC report entitled '*Performance Indicators in Local Authorities 2014*' and Management's response to same dated 20<sup>th</sup> June, 2016.

The Audit Committee was informed of the difficulties in relation to nomination of a suitable Authority for the purposes of comparing indicators due to the wide variety of Indicators being considered and the difference across the various Local Authorities in Ireland and that guidance in relation to the grouping of comparable Authorities by NOAC would be of assistance.

It was noted that the year-on-year performance, based on Indicators, of the Council as a new Authority in existence since 2014, would commence from the 2014 Indicators. A separate report would be prepared to compare the 2014 and 2015 Indicators and this would be brought back to the Audit Committee, when available.

The Audit Committee welcomed the report which would assist in reviewing the ongoing performance of the Local Authority. As there were 35 Indicators, it was recommended that the Council would focus on a small number of Indicators on an annual basis with a view to setting targets for improvement. This would provide a more focused approach and could generate positive results.

## **5.8 Audit Committee Briefings**

### **5.8.1 Financial Briefings**

#### *5.8.1.1 Update on Annual Financial Statement (AFS) 2015*

At a meeting of the Audit Committee held on 20<sup>th</sup> June 2016 the Audit Committee received a presentation on the Unaudited AFS 2015 which had been circulated in advance of the meeting. The A/Head of Finance gave an overview of what was included in the presentation and pointed out that the AFS, as presented to the Council, was very positive taking account of the following:

- Surplus for the year on the Revenue Account.
- Significant debit balances and commitments on Capital Account addressed.
- Insurance legacy provided for.
- €1.5m provided for Rural Development Programme.
- In compliance with General Government Balance (GGB).
- Focused Debt Collection across all major income headings – significant reduction in arrears.
- Commencement of a number of strategic capital projects.

The A/Head of Finance acknowledged the efforts and support of the Council Members and the commitment of staff in relation to the whole financial management process and referred, in particular, to a number of additional policies approved by the Council during 2015 which had been of tremendous benefit in relation to the collection of outstanding rates. He also pointed

out that significant benefits had been achieved following the merger of Limerick City Council and Limerick County Council due to economies of scale and efficiencies and new opportunities such as the HAP Shared Service Centre.

The Audit Committee welcomed the progress highlighted in the presentation.

#### ***5.8.1.2 Financial Update and Budget 2017***

At a meeting of the Audit Committee held on 12<sup>th</sup> September 2016 the A/Head of Finance, gave an overview of the Council's financial position, pointing out that the budget process was about to commence and that decisions in relation to the Local Property Tax for 2017 were scheduled to be made at the September Council Meeting. It was noted that a Workshop on the Local Property Tax was due to be held with the Council Members on Friday, 16<sup>th</sup> September, 2016, and that a meeting with the Corporate Policy Group, in relation to the budget process, had already been held.

#### ***5.8.1.3 Overview of Budget 2017***

At a meeting of the Audit Committee held on 14<sup>th</sup> December 2016 the Management Accountant circulated and reviewed a presentation on Budget 2017 which highlighted –

- The background to, timetable for and key objectives of the Budget 2017.
- An overview of the Revenue Account which included an analysis of expenditure and income, including LPT and rates.
- Details of the Small and Medium Business Support Scheme 2017, the Tourism Sector Support Scheme 2017 and the Vacant Property Refund Scheme 2017.
- Analysis, by Division, of the Revenue Account.

It was noted that Elected Members of the Council had requested the Head of Finance to discuss with the Department their concerns at having to decide the LPT prior to, and not in conjunction with, the Budget Meeting.

The Audit Committee discussed the increasing costs of pension payments and risks associated with the cost of pensions into the future.

In relation to the cost of insurances, it was noted that the Council had negotiated a 10% reduction in the cost of Irish Public Bodies premium for 2017.

### **5.8.2 Tax Workshop delivered to Council Staff in January 2016**

The Audit Committee reviewed details of a Tax Workshop presentation given to Council staff by Deloitte in January 2016. It was noted that the workshop had been attended by up to twenty Council staff who had reported positively on same. No issues in relation to current Council practices had arisen at the workshop.

With regard the application of Relevant Contracts Tax (RCT) it was clarified that RCT can accrue within an overall contract and, in general, the Council adopted a conservative approach by applying RCT where any doubt arose.

### **5.8.3 Audit Committee Briefing on Governance**

Deloitte circulated and presented a briefing for the Audit Committee that included:

- The role of the Audit Committee.
- Assessing the effectiveness of the Audit Committee.
- Implications of the Companies Act, 2014.
- The Protected Disclosures Act, 2014.
- The requirements of the Public Spending Code.

The Financial Accountant confirmed that the implications of the Companies Act, 2014, were currently being considered in the Council.

The SEO, Corporate Services, informed the Audit Committee that an interim Protected Disclosures Policy was in place and was under review by the LGMA. The Audit Committee noted its role under the Audit Committee Charter was to ensure that a protected disclosure process was in place and discussed the potential for any serious cases to be brought to its attention.

### **5.8.4 Update on Change Management and the New Operating Model**

The Director, Service Operations, circulated and reviewed a special edition of the *Council Connect* magazine which detailed the structure and role of the Directorates and services under the new Operating Model. He noted that the Directors of the three Pillars – Economic, Social and Physical Development – would work closely together to agree strategy for the organisation and that the alignment of activities under the Services Operations Directorate into six interlinked service areas would foster a coordinated application of skill sets and increased efficiency in service delivery.

The Audit Committee queried how the new structure aligned with the Strategic Policy Committee structure and the reporting model to the Department. It was noted that the Finance Directorate did not have an associated SPC but that the Corporate Policy Group had a role in this regard. It was noted further that the Agresso Financial Management System, through the use of relations, allowed for reporting along conventional structures to the Department.

The Audit Committee highlighted the benefits of including details of the Operating Model in induction training for new staff.



### **5.8.5 Update on Budget Management for the New Operating Model**

The A/Head of Finance circulated and reviewed a document, based on Budget 2016, which gave an overview of how budgets would be managed under the new Operating Model and presented, under a number of headings, how revenue account budgets would be allocated between Strategic and Operations Directorates. It was noted that Strategic Directorates would submit budgets as part of the annual budget process and, once adopted, could allocate budget to the Operations Directorate as part of a schedule of works for the year. In these cases, the Strategic Directorate would retain responsibility for the strategic management of the budget, including code set-up, requests for overspends and budget transfers. The principle of operational level agreements was to be agreed between Strategic Directorate and Operations Directorate and a requirement for monthly meetings between Strategic Directorates and Operations Directorate was identified.

The Audit Committee noted the extent of expenditure allocated to HAP. The A/Head of Finance informed the Audit Committee that the Council had been awarded the contract to administer a shared service HAP Hub which, when fully running, would bring 111 jobs and involve annual expenditure of €445m. He noted that banking arrangements and the capacity of the Council's Agresso Financial Management System to deal efficiently with the level of transactions generated by HAP would have to be reviewed and stressed that HAP would not represent a burden on Council resources.

The Audit Committee noted the potential to build the allocation of risk management into service level agreements and also the potential benefits of introducing key performance indicators as part of the model and suggested that these be progressed locally, in advance of any regional or national initiatives. The Audit Committee also discussed the benefits of identifying qualitative measures, in association with the Operating Model, and the need to establish initial baseline data, in conjunction with same.

### **5.8.6 Protected Disclosures Act 2014**

The Audit Committee noted that the interim protected disclosure policy remained in place and that no protected disclosures had been made to the Council during the period 1<sup>st</sup> July, 2015, to 30<sup>th</sup> June, 2016.

### **5.8.7 Licence Agreements**

The Audit Committee considered the report of the SEO, Property Services, dated 13<sup>th</sup> December, 2016, setting out conditions under which the Council entered into licence agreements.

The Audit Committee discussed the risks associated with the purchase and disposal of property and emphasised the need for clear policy and procedures in this area. The Audit Committee requested that the risks and controls associated with the purchase and disposal of property be brought to a future meeting.

### **5.8.8 Lease of Lands at Gortadroma**

At an audit committee meeting held on 19<sup>th</sup> February 2016 the Chief Executive circulated and discussed a report on the lease of lands at Gortadroma.

### **5.8.9 Consideration of Letter of Representation in relation to Annual Financial Statement for Year ended 31<sup>st</sup> December, 2014**

The Audit Committee was circulated with correspondence dated 2<sup>nd</sup> November 2015 to the Local Government Auditor regarding the Annual Financial Statement for the year ended 31<sup>st</sup> December, 2014. The items listed in the correspondence were noted by the Audit Committee.

### **5.8.10 Property Register**

The Audit Committee noted that issues raised in relation to the Property Register had been discussed at Management Team and were being progressed and that a Property Register System, in use in Cork County Council, was to be purchased and brought into use.

## **6 Conclusion**

2016 continued to be a period of change within the Council with the introduction of a new operating model and the expansion of the HAP Shared Service HUB, which will ultimately see the Council processing HAP transactions on behalf of all Local Authorities in the State. As is evident from the activities set out above, the Audit Committee continued to actively engage in carrying out its functions as set out in Section 122 of the Local Government Act 2001 (as amended) and the Audit Committee Charter.

A number of review, communication, presentation and follow-through procedures were agreed as a result of the Audit Committee's interaction with various sections of Limerick City and County Council. Implementation of these changes will be monitored by the Audit Committee during 2017 as the new Operating Model is embedded.

From the information made available to us and our engagement with Council personnel, we are satisfied that Limerick City and County Council has proper governance procedures in place.

John Field  
Cathaoirleach