



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

Seirbhísí Corparáideacha,
Comhairle Cathrach agus Contae Luimnigh,
Ceanncheathrú Chorparáideach,
Cé na gCeannaithe,
Luimneach

Corporate Services,
Limerick City and County Council,
Corporate Headquarters,
Merchants Quay,
Limerick

EIRCODE V94 EH90

t: +353 (0) 61 557150

f: +353 (0) 61 415 266

12th March, 2018.

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

AUDIT COMMITTEE ANNUAL REPORT 2017

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 2017.

Is mise le meas,

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



COMHAIRLE
CATHRACH & CONTAE
Luimnigh

Limerick
CITY & COUNTY
COUNCIL

Audit Committee Annual Report
2017

Contents

1.	Introduction.....	3
2.	Membership of the Audit Committee.....	3
3.	Acknowledgements.....	3
4.	Role of the Audit Committee.....	4
5.	Activities.....	5
5.1	Meetings.....	5
5.2	Review of Audit Committee Charter.....	5
5.3	Audit Committee Work Programme 2017.....	5
5.4	Review of Effectiveness of the Audit Committee.....	7
5.5	Local Government Auditor’s Reports.....	7
5.5.1	Local Government Auditor’s Statutory Audit Report for 2015.....	7
5.5.2	Local Government Auditor’s Statutory Audit Report for 2016.....	8
5.6	Internal Audit Planning.....	9
5.6.1	Internal Audit Plan 2017.....	9
5.6.2	Internal Audit Plan 2018.....	9
5.7	Internal Audit Reports.....	10
5.7.1	Data Protection Review.....	10
5.7.2	Housing Maintenance Review.....	10
5.7.3	Public Spending Code Review.....	11
5.7.4	Accounts Payable Review.....	11
5.7.5	Treatment of Tax for Travel and Subsistence Review.....	12
5.7.6	Service Level Agreements.....	12
5.7.7	Incoming Mail Review.....	13
5.8	Status Update on Deloitte Internal Audit Recommendations.....	13
5.9	Review of Risk Management, Value for Money and Efficiency.....	13
5.9.1	Review of Risk Management, Value for Money and Efficiency with the HAP Shared Service Centre.....	13
5.9.2	Review of Risk, Value for Money and Efficiency with the Economic Development Directorate.....	14
5.9.3	Review of Risk, Value for Money and Efficiency with Support Services Directorate.....	14
5.10	Review of Reports from the National Oversight and Audit Commission (NOAC).....	15
5.11	Risk Management.....	15
5.12	Protected Disclosures.....	16
5.13	Audit Committee Briefings.....	16
5.13.1	Financial Governance of Limerick 2030.....	16
5.13.2	Procurement and Sale of Property.....	16
5.13.3	Development Contributions and Offsets.....	16
5.13.4	Update on Procurement.....	17
5.13.5	Succession Planning and Cost Implications of Recruitment.....	17
5.13.6	Update on Annual Financial Statement (AFS) 2016.....	18
5.13.7	Business Improvement Unit.....	18
6.	Conclusion.....	18

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 2017:

- 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.
- Mr Damien Clancy, Chairman of Rusal Aughinish.
- Councillor Jerome Scanlan (Member of Limerick City and County Council)
- Councillor James Collins (Member of Limerick City and County Council)
- Councillor Joe Pond (Member of Limerick City and County Council)

3. Acknowledgements

Mr. Conn Murray, 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 2017 a total of twenty eight different staff members attended at meetings of the Audit Committee, primarily to review the operation of risk, value for money and efficiency in their Directorate and also to deliver specific updates at the request of the Audit Committee. Mr. Tom O'Callaghan, Administrative Officer, Corporate Services acted as Secretary to the Audit Committee during 2017.

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 reviewing 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 monitors 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.

It should be noted that, following a competitive tendering process the Council appointed Deloitte to provide a range of specified internal audit services for a period of 3 years commencing on 5th March, 2015.

5. Activities

5.1 Meetings

The following table shows a list of Audit Committee meetings held in 2017 and the attendance of the Audit Committee Members at same.

Date of Meeting	Cllr. Jerome Scanlan	Cllr. James Collins	Cllr. Joe Pond	Tony O'Brien	Brid Quinn	Damien Clancy	John Field
22/03/2017	Yes	Yes	Yes	Yes	Yes	Yes	No
21/06/2017	Yes	No	No	Yes	Yes	Yes	Yes
20/09/2017	No	No	Yes	Yes	Yes	Yes	Yes
14/12/2017	Yes	No	Yes	Yes	No	Yes	Yes

5.2 Review of Audit Committee Charter

The Audit Committee reviewed the Audit Committee Charter and brought the review to the attention of the Council.

5.3 Audit Committee Work Programme 2017

The Audit Committee considered a Draft Audit Committee Work Programme 2017 and discussed the importance of succession planning, the provision of cover for key roles in the Council and the importance of taking future pension costs for any new positions into consideration. It was agreed that Human Resources should review succession planning and the long term cost implications of recruitment with the Audit Committee.

The Audit Committee noted the importance of including the HAP Shared Service Centre on the Audit Plan 2017 and requested an update in relation to same be provided in Q3 2017.

The Audit Committee noted the role to be played by the Business Process Improvement Unit in implementing, across the Council, recommendations arising from the Internal Audit Control Review of Housing Maintenance and requested that a review of the achievements of the Business Process Improvement Unit in this regard be provided in Q4 2017.

The Audit Committee agreed the Work Programme 2017 as set out below and brought same to the Council for approval.

AUDIT COMMITTEE WORK PROGRAMME 2017

ITEM	QTR
Meet Separately with Local Government Auditor	Q1 2017
Agree and Submit Annual Work Programme to Council for adoption.	Q1 2017
Approve Annual Internal Audit Plan.	Q1 2017
Review any Audited Financial Statements, Auditor's Report or Auditor's Special Report, Assess Action Taken and Report to the Council.	Q1 2017
Prepare Annual Report for submission to the Council.	Q1 2017
Review Risk Management, Value for Money and Efficiency in relation to HAP Hub	Q1 2017
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q1 2017
Review Periodic Internal Audit Reports.	Q1 2017
Receive Quarterly Risk Update from Chair of Senior Forum.	Q1 2017
Review Periodic Internal Audit Reports.	Q2 2017
Receive Quarterly Risk Update from Chair of Senior Forum.	Q2 2017
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q2 2017
Review Succession Planning and Long Term Costs Implications of Recruitment with Human Resources.	Q2 2017
Review Effectiveness of Audit Committee for submission to Council.	Q2 2017
Review National and Local Procurement Strategies and Initiatives with Procurement Officer.	Q2 2017
Meet separately with Chief Executive.	Q2 2017
Review Internal Audit Charter.	Q2 2017
Review Periodic Internal Audit Reports.	Q3 2017
Receive Quarterly Risk Update from Chair of Senior Forum.	Q3 2017
Review Risk Management, Value for Money and Efficiency in relation to an individual Directorate / Operational Unit.	Q3 2017
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q3 2017
Review any Value For Money Studies issued by Local Government Audit Service.	Q3 2017
Meet separately with Employees of Internal Audit Unit.	Q3 2017
Consider Financial Update from Head of Finance.	Q3 2017

Consider update on proposals to carry out Internal Audit Review of HAP Shared Services.	Q3 2017
Review Periodic Internal Audit Reports.	Q4 2017
Receive Quarterly Risk Update from Chair of Senior Forum.	Q4 2017
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q4 2017
Review Risk Management, Value for Money and Efficiency in relation to an individual Directorate / Operational Unit.	Q4 2017
Consider Financial Update from Head of Finance.	Q4 2017
Review achievements of Business Process Improvement Unit.	Q4 2017

During the course of 2017 the Audit Committee met separately with both the Chief Executive and the Local Government Auditor. Given the presence of staff from Deloitte at any meeting at which an internal audit report was reviewed, it was not considered necessary to meet separately with Deloitte, the Council's internal audit provider. The Audit Committee will keep under review the number of NOAC reports and associated management responses brought to its attention to ensure this corresponds with the range of reports published.

5.4 Review of Effectiveness of the Audit Committee

The Audit Committee considered the report of the Secretary to the Audit Committee in relation to the requirement for the Audit Committee to assess its own effectiveness annually, along with Audit Committee Self-Assessment Questionnaire to be completed by each member of the Audit Committee in this regard.

While the outcome of this review was included on an agenda for the last meeting of the Audit Committee in 2017, the extent of other business covered at that meeting delayed the consideration of this item until early 2018.

5.5 Local Government Auditor's Reports

As part of a planned approach to ensure the timely audit of local authority finances, the Local Government Audit Service has succeeded in reducing the time lag between the end of financial year and the commencement of audit of that year. This, combined with the timing of Audit Committee Meetings, resulted in the Local Government Auditor's Reports for both 2015 and 2016 being brought before the Audit Committee in 2017.

5.5.1 Local Government Auditor's Statutory Audit Report for 2015.

The Audit Committee considered the Local Government Audit Service Statutory Audit Report to the Members of Limerick City and County Council for the year ended 31st December, 2015 and associated Audited Annual Financial Statement for the year ended 31st December, 2015 and reviewed same with the Local Government Auditor.

The Audit Committee noted the costs being recouped by the Council in respect of the provision of the HAP Shared Service Centre and highlighted the importance of ensuring that the full costs of this service, including overheads, continue to be recovered.

The Committee discussed individual items raised by the Auditor in the Statutory Audit Report and noted that it was satisfied with the commitment of Management regarding actions and improvements that were needed.

The Audit Committee noted that no concerns had been raised in relation to loss of funds or value for money, nor was there any specific issue that should be brought to the attention of the Council.

5.5.2 Local Government Auditor's Statutory Audit Report for 2016.

The Audit Committee considered the Statutory Audit Report to the Members of Limerick City and County Council for the year ended 31st December, 2016 and Audited Annual Financial Statement for the year ended 31st December, 2016 and reviewed same with the Local Government Auditor.

The Audit Committee welcomed the Auditor's opinion on the AFS which was unmodified and the assurance from the Auditor that the financial statement was free from material misstatement, whether caused by fraud or error. The Audit Committee also welcomed the Auditor's opinion that the Council continued to show a satisfactory Statement of Financial Position (Balance Sheet) at 31st December 2016 and noted the Auditor's opinion that strict budgetary control and proactive financial management are required to maintain this position.

The Audit Committee noted the contents of the Statutory Audit Report for Limerick City and County Council for year ended 31st December, 2016. It also noted Management's response to the issues raised and commitments made to future actions as recorded in the Audit Report.

The Audit Committee noted the continued improvement in the collection of commercial rates and the importance of same, in consideration of the significant contribution commercial rates make to the Council's revenue income. The Audit Committee discussed the implications of delays by the Valuation Office in valuing a number of properties in the Council's administrative area and noted that a number of these properties had been valued since the time of audit.

The Audit Committee discussed the delay in transferring a number of assets to Irish Water and noted the background to same and that the supply of water would not be affected as a result.

The Audit Committee discussed the collection of amounts due to the Council on foot of loans issued under the Improvement Works in Lieu Scheme and noted that the Council had a charge on each related property.

The Audit Committee noted that the Council's 74% collection yield for housing loans in 2016 compared to a national average of 71% (based on draft AFS figures) and that the Council's exposure in this regard was small compared to national figures.

The Audit Committee discussed areas appropriate for future internal audit review and noted the views of the Local Government Auditor in this regard.

The Audit Committee noted that no concerns had been raised in relation to loss of funds or value for money, nor was there any specific issue that should be brought to the attention of the Council.

5.6 Internal Audit Planning

5.6.1 Internal Audit Plan 2017

The Audit Committee considered the Draft Internal Audit Plan (2017) and discussed the merits of an internal audit focus on operational issues, given the issues raised by the Internal Audit Review of Housing Maintenance. The Chief Executive noted that the issues raised by the Housing Maintenance review would be taken on board in other operational areas, through the work of the Business Process Improvement Unit, and it was agreed that the Unit should give an update on its progress to the Audit Committee in Quarter 4, 2017, at which point the Audit Committee would reconsider possible areas for Internal Audit Review. Details of this review are included in Section 15.13.7 below.

The Audit Committee noted the extent of the transactions, scale of operations and risk associated with the HAP Shared Service Centre and highlighted the need for HAP to be included in the Internal Audit Plan. The Chief Executive noted that various options for the running of the HAP Shared Service Centre were being explored and stressed that unnecessary risk would not be imported. He pointed out the need for the Department of Housing, Planning and Local Government to fund the cost of any internal audit review of HAP and undertook to contact the Department in this regard. It was agreed that an internal audit review of HAP would be added to the Audit Plan, under these circumstances.

The Audit Committee agreed the Audit Plan and were pleased to note, subsequently, that a separate internal audit review of HAP had been agreed.

5.6.2 Internal Audit Plan 2018

The Audit Committee considered the Draft Internal Audit Plan, 2018 version 0.01 dated 15th November, 2017.

Deloitte advised on 14th December 2017 that the Internal Audit review of HAP was almost complete. It was noted also that Limerick 2030 was establishing an Audit and Risk Committee. The Audit Committee discussed the implications of Limerick 2030 in terms of the workings of the Audit Committee; guidance issued to Associated Companies and the Code of Governance for Public Bodies, with regard to thresholds for Audit Committees.

The SEO Corporate Services undertook to review the Guidance issued to Associated Companies and to revert to the Audit Committee in relation to same.

The Audit Committee discussed issues relating to delays in the Planning Application/Approval Process and matters within, and outside, the control of the Council that impacted on same. It

was agreed that this issue should be discussed in more detail, with consideration being given to the future internal audit review of this area.

The Audit Committee discussed the inclusion of Burial Grounds on the Draft Internal Audit Plan and noted the benefits of resolving any perceived issues of control weaknesses in relation to same, prior to it being considered for Internal Audit Review.

The Audit Committee agreed that the Internal Audit Plan 2018 be adopted, with the exception of the proposed review of Burial Grounds which would be reconsidered later in 2018.

5.7 Internal Audit Reports

5.7.1 Data Protection Review

The Audit Committee considered the Draft Internal Audit Data Protection Review dated 25th January, 2017.

Deloitte noted that the Council was both a processor and controller of Personally Identifiable Information (PII) and highlighted the requirements of the new General Data Protection Regulations, which would have significant implications for HAP operations.

The Audit Committee noted that a number of medium priority recommendations had been listed in the report and noted also Management's commitment to address same. The Audit Committee agreed that the report be finalised.

5.7.2 Housing Maintenance Review

The Audit Committee considered the Draft Housing Maintenance Control Review from Deloitte, dated 7th February, 2017.

The Chief Executive informed the Audit Committee that this review had been carried out at his request, following consultation with the Chair of the Audit Committee and that the findings would facilitate a restructuring of maintenance operations, in conjunction with the Business Process Improvement Unit. He noted that additional financial resources had been allocated by the Council to housing and maintenance operations in 2017 and that any underlying issues were being tackled. The Director, Service Operations noted that while, previously, supervisory engineering staff in the operational areas had responsibility for both Housing and Road maintenance, there would now be a supervisory engineer over each of these services with responsibility across all Districts, thereby ensuring a more consistent approach.

The Audit Committee discussed the benefits of applying a grading to maintenance requests based on their urgency and recommended that best practices in this regard be established. The Chief Executive noted that best practice for the operation of the service, both in Ireland and abroad, was being reviewed.

The Audit Committee noted the issues raised around adequacy of budgets and related delays in processing orders at year end. The Audit Committee recommended that the Council take a

once off financial hit in this regard and take steps to ensure that the practice did not continue. The Chief Executive pointed out that the procedures associated with the new version of Agresso would assist in resolving this issue.

The Audit Committee agreed that the Audit Report should be finalised and Deloitte agreed that they would follow up on the recommendations made.

5.7.3 Public Spending Code Review

The Audit Committee considered the Draft Public Spending Code Review from Deloitte dated 25th May, 2017.

Deloitte gave an overview of the report in terms of scope, approach, projects reviewed and key findings and the Audit Committee discussed same, along with the related recommendations. The Audit Committee noted the review by Deloitte of 'Post Project Review Stage' and that Deloitte had initially selected the project (Capital MRCC Station End) from the category 'Expenditure Recently Ended' on the 2016 Public Spending Code Inventory Listing and subsequently established that it was not completed. The Audit Committee raised issues regarding Ownership of Inventory Listing; Classification of Projects, i.e. under consideration, active or completed; Budget versus Governance and Processes in place; Status of Projects and Need for Review; and Updating of Inventory Listing.

The A/Head of Finance responded to the Committee that a new Project Management Tool was being piloted in the Council; that a major review had been undertaken of the Capital Account that had resulted in closure of over 200 job codes and that a staff member had been assigned to work on the Inventory Listing and with the related Departments.

It was agreed that the recommendations contained in the report were appropriate, but that overall governance of the Capital Ledger needed to be reviewed and required further consideration. The Audit Committee raised concerns regarding the accuracy of the inventory listing and it was noted that half yearly meetings were now to be held between the Finance and Project staff to review each project and ensure the inventory listing was accurate and up to date. The Audit Committee agreed that the report should be finalised.

5.7.4 Accounts Payable Review

The Audit Committee considered the Draft Accounts Payable Review from Deloitte dated 12th June, 2017. Deloitte gave an overview of the scope, approach and summary findings and noted that one High Priority finding, relating to control weaknesses associated with conflicts of interest and access to internet business banking, had been highlighted. In addition, a number of Medium Priority findings had also been identified.

In relation to staff with roles on associated companies, the Audit Committee discussed the issue of conflicts of interest in the context of other processes such as the Annual Declaration of Interests/Code of Conduct for Employees. The SEO Corporate noted that this matter was being addressed in the Council's Draft Policy on Associated Companies that was to be brought to the Management Team in the immediate future.

It was noted that the review identified a number of invoices that had been received before purchase orders had been raised and that this issue had been raised previously in the “Procure to Pay Review” undertaken in April 2015. The A/Head of Finance outlined new procedures in this regard, including an exceptions report that would be brought to the Management Team monthly, for review and action, and highlighted the importance of invoices being sent directly to Accounts Payable. The A/Head of Finance confirmed that the date the invoice was received in Accounts Payable was the date prompt payment timescales commenced.

The Audit Committee requested that a written report from the Procurement Officer in relation to the instances highlighted in the review, where purchase orders were raised after the invoice date, be considered at a future meeting. The Audit Committee agreed that the report should be finalised.

5.7.5 Treatment of Tax for Travel and Subsistence Review

The Audit Committee considered the Draft Treatment of Tax for Travel and Subsistence Review from Deloitte dated 13th September, 2017 and noted that the report contained a number of high priority recommendations in accordance with the Revenue Commissioners’ requirements on the payment of travel and subsistence, without tax.

The A/Head of Finance outlined the outcome of the Council’s most recent engagement with the Revenue Commissioners on this issue and reviewed the steps to be taken by the Council to ensure that travel and subsistence for outdoor workers would only be paid on foot of a properly completed, vouched and certified log sheet. The Audit Committee queried the possibility of these log sheets being completed electronically and the SEO Corporate noted that access to suitable technology and cost would be issues in this regard.

The Audit Committee noted the issues that had been raised, based on the limited sample, and discussed the merits of reviewing the payment of all allowances. The Audit Committee agreed that the report be finalised.

5.7.6 Service Level Agreements

The Audit Committee considered the Draft Service Level Agreement (SLA) Review from Deloitte dated 14th September, 2017 which reviewed the overall use of SLAs by the Council and noted that no high priority recommendations had arisen from the report.

The Audit Committee noted the importance of having a clear definition for an SLA, when it was to be put in place and the need to acknowledge the presence of similar type provisions in related contracts. It was noted that Deloitte had not received responses, in two instances where enquiries were made, in relation to the existence of SLAs in association with amounts paid to third parties and that there had been a considerable delay between the date of issue of the report and the date it had been brought to the Audit Committee. The Audit Committee agreed that the report should be finalised.

5.7.7 Incoming Mail Review

The Audit Committee considered the Incoming Mail Controls Review from Deloitte dated 19th September, 2017 and noted that one high risk item had been identified, with interim and long term recommendations recorded in relation to same.

The Audit Committee acknowledged the further analysis and engagement that would be required by the Council to implement the interim recommendations and discussed the feasibility of implementing the long term scanning recommendation. The SEO Corporate highlighted the complexity of the Council's operations, with an excess of 500 services provided, and undertook to review, in other organisations, the operation of systems that scan and distribute mail electronically, with a view to assessing the feasibility of implementing same in the Council. The Audit Committee noted the timeframes for implementation of the report's recommendations and agreed that the report be finalised

5.8 Status Update on Deloitte Internal Audit Recommendations

The Audit Committee discussed the priority assigned to recommendations included in Internal Audit Reports and noted that, where recommendations were classified as 'high priority,' an update report on these findings should be included for discussion at the next scheduled Audit Committee Meeting. It was noted that the Secretary to the Audit Committee was preparing a template, in Excel format, listing all findings contained in Internal Audit Reports that required comment/action from Sections. It was agreed that this template would be reviewed at all future meetings.

The Audit Committee subsequently reviewed the status update on the implementation of recommendations made in Deloitte's Internal Audit Reports and emphasised the importance of a continued focus on those recommendations, not yet implemented.

It was agreed that the date of each internal audit report should be included in any summary and noted that a sample of recommendations, and in particular high risk items, could be tested to verify implementation of same. The Committee was informed that the follow up of recommendations was kept under review by the Management Team.

5.9 Review of Risk Management, Value for Money and Efficiency

5.9.1 Review of Risk Management, Value for Money and Efficiency with the HAP Shared Service Centre

The Audit Committee considered a briefing on HAP Shared Service Centre dated 23rd March, 2017 and the HAP Risk Register.

The Director, HAP Shared Service outlined the various Government Departments and structures that HAP reported to and noted the scale of transactions involved, the reliance on IT Systems and the ongoing need to stress test same. He noted that the system was designed to prevent arrears and keep processes streamlined, with continuous efforts made to make the operation as efficient as possible. He pointed out that 35% of clients paid through the

Household Budget Scheme with a further 35% paying by standing order and noted that online payments were under review.

The Audit Committee discussed a number of areas showing high residual risk and stressed the importance of implementing the actions listed, in order to reduce same. It was noted that the level of rent due from tenants was a matter for each Local Authority and that any arrears, while appearing on the Council's accounts, were recouped from the Department with whom the Council had an agreed cash flow arrangement.

The Director, HAP Shared Service acknowledged that this was a high profile service with the primary focus on collecting rent and paying landlords and noted the importance of the data, associated with the service, to a number of Government Departments.

5.9.2 Review of Risk, Value for Money and Efficiency with the Economic Development Directorate.

The Audit Committee reviewed the Risk Registers for the Economic Development Directorate.

The staff from Economic Development presented an overview of the activities included in each Department, along with the principal risks identified and how value for money and efficiencies were achieved. It was noted that each Department/Team worked initially on their individual risk register and the group then came together to review all risks, collectively. The Audit Committee pointed out the need to clarify some of the controls listed to ensure that they could be readily verified, during any subsequent audit.

The Audit Committee discussed the need for an overall strategy for the Directorate to be documented, showing planned income and expenditure and with performance indicators included to show that the Directorate was achieving its targets.

The Audit Committee highlighted the importance of measuring and monitoring performance in areas such as turnaround of planning applications, turnover of vacant properties, footfall and the availability of housing for potential new employees in the area.

The Economic Development Staff outlined a range of services and supports it offered to business, along with details of the consultation that takes place as part of the planning process.

The SEO Corporate Services informed the Committee that the Management Team had recently approved a business plan covering the period up to mid-2019 and undertook to make same available to the Audit Committee.

5.9.3 Review of Risk, Value for Money and Efficiency with Support Services Directorate.

The Audit Committee considered the Risk Register for the Support Services Directorate. The Support Services Directorate team presented and reviewed the principal activities, primary risks and issues relating to value for money and efficiency in each of the Support Services Departments.

The Audit Committee discussed issues around ICT Security, continuity of service and noted the merits of carrying out spot checks to verify the quality of data retained in Sugar CRM.

The Audit Committee queried procedures relating to inactive job codes and the A/Head of Finance noted that budgets were moved from inactive codes to those in need of additional budget allocation.

The Audit Committee discussed the impact HAP operations had on the Council's ICT Services, Financial Management System and Bank Account and the long term implications of staff recruitment in this area. It was agreed that an internal Audit Review of HAP would be brought to a future meeting of the Audit Committee.

5.10 Review of Reports from the National Oversight and Audit Commission (NOAC)

The Audit Committee considered the NOAC Reports set out below;

- NOAC Report No. 8 dated April, 2016 on the Financial Performance of Local Authorities 2013-2015 and Management's response to same.
- NOAC Report No. 9 dated July 2016 on the Public Spending Code and Management's response to same.
- NOAC Report No. 7 dated April, 2016 on Local Authority Rates Collection 2013 – 2014 and Management's response to same.

The Audit Committee noted the reports and management responses and that same had been considered at meetings of the management team.

5.11 Risk Management

The Audit Committee received updates from the SEO Corporate, Chair of the Senior Forum, on the ongoing review of risk management in the Council, which included the following;

- The value of the different Directorates bringing details of their Risk Management to the Audit Committee for review and role played by the Audit Committee in contributing to same.
- The Limerick City and County Council Corporate Risk Register had recently been updated to take account of a new high level Cyber Security Risk.
- That Risk Registers were now being held in a single location and that the Senior Forum would take account of the risk related issues raised in Internal Audit Reports.

The Audit Committee noted the importance of embedding the risk management process in the organisation and of taking account of staff turnover in this regard.

5.12 Protected Disclosures

The Audit Committee received updates in relation to protected disclosures from the SEO, Corporate, Designated Officer under the Protected Disclosures Act. The Audit Committee highlighted the importance of following agreed procedure in the event of any disclosures.

The Audit Committee reviewed the following; (i) report of the Senior Executive Officer, Corporate Services, dated 14th June, 2017, on Protected Disclosures; (ii) Limerick City and County Council Protected Disclosures Policy and Procedures dated April 2017; and (iii) Audit Committee Protocol dated June 2017. The Audit Committee discussed the merits of having a second Designated Officer to receive disclosures, taking into account gender balance and requested that consideration be given to same.

5.13 Audit Committee Briefings

5.13.1 Financial Governance of Limerick 2030

The Audit Committee considered the report of the company secretary Limerick Twenty Three dated 13th March, 2017 and stressed the importance of ensuring proper governance structures were in place given the extent of the expenditure and income that would be involved, the nature of the business and the risks that could be associated with same. The SEO Corporate noted that a process was in place whereby associated companies reported on their activities to Management.

5.13.2 Procurement and Sale of Property

The Audit Committee considered the report of the Senior Executive Officer, Property Services that included details of how decisions to purchase property were made, how price was decided and, in relation to disposal of property, the appropriate use of licences and leases.

The SEO, Property Services noted that his department worked closely with the Strategic Directorates and that the strategic value of any property was considered, before disposal was proposed. Where a property was considered to have strategic value, licences or short term leases were considered to ensure a return from a property in the interim. He noted that the Council had more control under a licence agreement, which permitted use of a property without transferring ownership, and that the Council could extract itself more readily from same. The Audit Committee noted that licence agreements were not brought to the elected members for approval and discussed the merits of using leases, where use of a property would extend beyond 12 months. The SEO Property pointed out that details of proposed licence agreements were brought to the attention of Members at operational briefings.

5.13.3 Development Contributions and Offsets

The Audit Committee discussed instances where the value of works carried out by developers, on behalf of the Council, was offset against development contributions and noted associated risks in relation to the value put on these works, inflation and general control of the process.

The Audit Committee also noted instances where bonds had been inadequate or not in place and a move to insurance bonds, in place of cash bonds, with associated risks. The Audit Committee requested an update on the procedures and controls in place to control the risks in these areas.

At a subsequent meeting the Audit Committee considered the following (i) report on Planning Bonds dated 13th June, 2017, and (ii) report on Offsets dated 13th June, 2017.

It was noted that the question of ownership for work carried out was, in the majority of cases, covered as a condition of Planning and it was agreed that the evaluation of work carried out in relation to Offsets should be included in the appropriate risk register

The process of drawing down bonds was explained and it was noted that, in the majority of cases, the cost did not have to be incurred before drawdown of the bond. It was also noted that the drawdown of a Bond would commence approximately 2/3 months before it was due to expire.

5.13.4 Update on Procurement

The Audit Committee considered the following; (i) Presentation on National and Local Procurement Strategies and Initiatives dated 21st June, 2017; (ii) Report on Procurement Procedures and Thresholds dated February 2017 (Revision 5); and (iii) 'Corrective Action and Preventative Action Plan' Form

The Procurement Officer presented details of National and Local Procurement Strategies and Initiatives and noted that, from information available, compliance in excess of 90% was being achieved in relation to purchasing. He pointed out that control advantages of Agresso MS4 were being harnessed and developed, that pan-organisational compliance was growing and that instances of non-conformance were being tackled. He stressed that procurement was the responsibility of the budget holder and that his role was one of advice and monitoring.

The Audit Committee noted the number of staff involved with procurement throughout the organisation and the related training required, in what was a complicated process.

The Audit Committee discussed procurement procedures for Associated/Local Development Companies; the analysis of companies that had been awarded contracts by the Council; and how the extension of tenders operated from a procurement perspective.

The Audit Committee stressed the importance of including Procurement Compliance on all Risk Registers.

5.13.5 Succession Planning and Cost Implications of Recruitment

The Audit Committee considered document entitled '*HR – Our Approach.*'

The A/Director of Corporate Services elaborated on the costs associated with recruitment in terms of advertising and interview boards and noted the process of seeking ‘expressions of interest’ for certain jobs where skill-sets could be matched to the relevant position.

5.13.6 Update on Annual Financial Statement (AFS) 2016

The Audit Committee considered the following reports which had been circulated to the Council for the May 2017 Council Meeting: (i) report of the Chief Executive dated 5th May, 2017, on the Unaudited Annual Financial Statement for Financial Year ended 31st December, 2016; (ii) Unaudited Annual Financial Statement for Year ended 31st December, 2016, and (iii) report of A/Head of Finance dated 21st April, 2017, seeking the approval of the Council to additional expenditure over budget for financial year ended 31st December, 2016.

The A/Head of Finance noted the improvement in collection of rates and ‘tidy-up’ of Capital Account and noted that this was a reflection of a very positive year.

5.13.7 Business Improvement Unit.

The Administrative Officer, Business Improvement Department circulated, and presented an overview of the work of the Business Improvement Unit that included Business Improvement Strategy Development, Service Catalogue Maintenance, Service Design Coordination, Business Improvement Support and Project Management Maintenance. The presentation also highlighted the benefits of Business Improvement Methodology, the approach adopted and the nature of the projects undertaken.

6. Conclusion

2017 saw the consolidation of the new operating system within the Council and further development of the risk and control model.

As is evident from the extent of the activities set out above, the Audit Committee continued to engage actively 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 substantial number of review, communication, presentation and follow-through procedures have been agreed as a result of the Audit Committee’s interaction with, and oversight of, a wide range of operations within Limerick City and County Council. Implementation of these changes will be monitored by the Audit Committee during 2018. The Committee notes that a number of initiatives within the overall governance framework of the organisation are at the early stages of development and implementation. The Committee looks forward to seeing evidence of continued engagement with the development and implementation of the overall governance framework across the organisation.

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

John Field
Cathaoirleach