



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

20<sup>th</sup> March, 2019.

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

## **AUDIT COMMITTEE ANNUAL REPORT 2018**

**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 2018.

**Is mise le meas,**

**James Clune,**  
**Senior Executive Officer,**  
**Corporate Services.**



COMHAIRLE  
CATHRACH & CONTAE  
**Luimnigh**  
**Limerick**  
CITY & COUNTY  
COUNCIL

Audit Committee Annual Report  
2018



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## 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 2018:

- Mr John Field, Director of Management Planning & Reporting, 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 Aghinish up to his resignation from the committee on 28<sup>th</sup> June 2018
- Councillor Jerome Scanlan (Member of Limerick City and County Council) up to his resignation from the committee on 26<sup>th</sup> September 2018
- Councillor James Collins (Member of Limerick City and County Council)
- Councillor Joe Pond (Member of Limerick City and County Council)
- Councillor Michael Hourigan (Member of Limerick City and County Council) was nominated to the Audit Committee on 26<sup>th</sup> November 2018.

## 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. Mr. Christy O'Connor left the Council during 2018 to take up an appointment as Director with Kerry County Council. The Audit Committee acknowledges the contribution Mr. O'Connor made to the workings of the Committee and to risk management and corporate governance in the Council and wishes him well in his new post.

During 2018 a total of fourteen 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 2018.

Both Mr. Damien Clancy and Councillor Jerome Scanlan resigned from the Audit Committee during 2018 and the committee acknowledges the contribution both made to the workings of the committee and the valuable experience they brought to the committee.

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 5<sup>th</sup> March, 2015. This contract was extended for a further year

## 5. Declarations of Interest

At the Commencement of each meeting of the Audit Committee the Chair offered those present an opportunity to declare an interest with regard to any of the items due for discussion. At a meeting of the Audit Committee, at which the internal Audit Review of the PPN was discussed, Ms. Brid Quinn noted that, while she had registered on-line with the PPN, she did not attend at meetings and her primary interest was for the purpose of academic research. No other declarations were made during the course of meetings of the Audit Committee held in 2018.

## 6. Activities

### 6.1 Meetings

The following table shows a list of Audit Committee meetings held in 2018 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
13/02/2018	Yes	No	Yes	No	Yes	Yes	Yes
17/04/2018	Yes	No	No	Yes	Yes	No	Yes
28/06/2018	Yes	No	Yes	Yes	Yes	Yes	Yes
26/08/2018	Yes	No	Yes	Yes	Yes	NA	Yes

## 6.2 Review of Audit Committee Charter

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

## 6.3 Audit Committee Work Programme 2018

The Audit Committee agreed a number of additions to the 2018 Work Programme including reviews of Audit Committee training needs, the Draft AFS, the Local Government Auditor's Management Letter, the effectiveness and role of the Internal Audit Function and the process of reviewing risk registers. The Audit Committee agreed the Work Programme 2018 as set out below and brought same to the Council for approval.

### AUDIT COMMITTEE WORK PROGRAMME 2018

ITEM	QTR
Agree and Submit Annual Work Programme to Council for adoption.	Q1 2018
Consider Financial Update from Head of Finance.	Q1 2018
Review Effectiveness of Audit Committee for submission to Council.	Q1 2018
Review Risk Management, Value for Money and Efficiency in relation to Physical Development Directorate.	Q1 2018
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q1 2018
Review Periodic Internal Audit Reports.	Q1 2018
Receive Quarterly Risk Update from Chair of Senior Forum.	Q1 2018
Review Periodic Internal Audit Reports.	Q2 2018
Receive Quarterly Risk Update from Chair of Senior Forum.	Q2 2018
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q2 2018
Review Audit Committee Annual Report for submission to the Council.	Q2 2018



Review Risk Management, Value for Money and Efficiency in relation to Regional Services Directorate and discuss process for ongoing review.	Q2 2018
Review Annual Internal Audit Plan.	Q2 2018
Meet separately with Chief Executive.	Q2 2018
Review Audit Committee Charter.	Q2 2018
Review Audit Committee Training Needs.	Q2 2018
Review Draft Annual Financial Statement including audit representation letter, accounting policy, judgements and disclosures.	Q2 2018
Review Periodic Internal Audit Reports.	Q3 2018
Receive Quarterly Risk Update from Chair of Senior Forum.	Q3 2018
Review Risk Management, Value for Money and Efficiency in relation to an individual Directorate / Operational Unit subject to review in quarter 2.	Q3 2018
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q3 2018
Review any Value For Money Studies issued by Local Government Audit Service.	Q3 2018
Meet separately with staff of Internal Audit Unit.	Q3 2018
Review effectiveness and role of Internal Audit Function.	Q3 2018
Meet Separately with Local Government Auditor.	Q4 2018
Review any Audited Financial Statements, Auditor's Report or Auditor's Special Report, Assess Action Taken and Report to the Council.	Q4 2018
Review Periodic Internal Audit Reports.	Q4 2018
Receive Quarterly Risk Update from Chair of Senior Forum.	Q4 2018
Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate.	Q4 2018
Review Risk Management, Value for Money and Efficiency in relation to an individual Directorate / Operational Unit subject to review in quarter 2.	Q4 2018
Consider Financial Update from Head of Finance.	Q4 2018

During the course of 2018 the Audit Committee held a review session with the Management Team and as a result did not find it necessary to meet separately with the Chief Executive. A separate meeting had been planned with the Local Government Auditor but had to be deferred. 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.

#### 6.4 Review of Effectiveness of the Audit Committee

The Audit Committee reviewed the replies to the Self-Assessment Questionnaire that had been circulated and agreed that, in relation to accounting policies, estimates and disclosures, the Head of Finance would brief the Audit Committee in this regard, when the draft AFS was brought to its attention. It was agreed that the Audit Representation letter and Management letter, issued by the Local Government Auditor, would be brought to the attention of the Audit Committee.

The Committee noted that it was satisfied with its role; functions and responsibilities; together with the resources and skills provided by, and to, the Committee. The Committee was also satisfied with the scope and scale of the activities carried out by it in conjunction with the Internal Audit function within the Council.

As part of the review the Committee agreed the following issues to be brought to the attention of the Council.

- The lack of gender balance on the Committee with only one of the seven members being female;
- The need to ensure attendance at meetings. Two Audit Committee meetings had to be rescheduled during 2018 due to the lack of a quorum,
- Succession planning for the future, such as by staggering or varying the length of the terms of membership of each of the members, to provide for carry-over of experience to the term after mid-2019 when a new committee will be appointed. This is provided for in the Guidance for Audit Committees in Local Authorities (June 2014) and is considered essential to ensure the necessary balance of members on a new committee with the required skills and experience to discharge its responsibilities effectively, particularly with the appointment of a new Committee in mid-2019.

It was agreed that the self-assessment questions would be reviewed by the Audit Committee in advance of the next assessment and that a glossary of terms should be included with same. The SEO Corporate agreed to contact the IPA in relation to training needs for the Audit Committee.

#### 6.5 Review of Audit Committee Training Needs

The Audit Committee agreed that the IPA should be requested to give a one hour training event to the Audit Committee to include contemporary issues, including reporting obligations. This

would be followed by a one hour session to be attended by both the Audit Committee and the Management Team to cover the control environment, along with the ongoing review of Risk Management, and the role of the Audit Committee and Management in relation to same. This training took place on 11<sup>th</sup> September, 2018.

## 6.6 Local Government Auditor's Statutory Audit Report for the Year ended 2017

The Local Government Auditor reviewed his report with the Audit Committee. The Committee welcomed the Auditor's opinion on the Annual Financial Statement which was unmodified and the assurance from the Auditor that the financial statements were free from material misstatement, whether caused by fraud or other irregularity or error.

The Audit Committee noted management's response to the issues raised and the commitments made to the future actions, as recorded in the Audit Report.

The Audit Committee noted the strong improvement in rates collection and the Council's dependence on a small number of accounts, with the top 20 customers accounting for 32% of the total rates income for the year.

The Audit Committee gave detailed consideration to the individual items raised by the Auditor in the statutory audit report and expressed its satisfaction with the commitment of Management regarding the actions and improvements needed.

The Audit Committee requested that all action items in the report be extracted and the list provided would form the basis for regular review by the Audit Committee. The Committee also requested that items arising in NOAC Reports be similarly extracted and reviewed.

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.

## 6.7 Internal Audit Planning

The Audit Committee reviewed the Draft Internal Audit Plan, 2018 and agreed that the PPN review would replace the planned review of burial grounds.

The Audit Committee noted the value and extent of transactions processed by the HAP Shared Service Centre

With regard to the proposed Internal Audit Review of the Public Spending Code, the Audit Committee agreed with Deloitte that the audit would include a review of some elements of Project Management, namely, expenditure over-runs, change orders and cost management. In line with a Departmental circular on the Public Spending Code, some post-project reviews would be carried out and such reviews would be published on the council's website.

The Audit Committee requested that the planned Internal Audit Review of Regeneration include an overview of the scale of the projects involved.

Deloitte advised the Committee of the scale of expenditure involved in the projects to be undertaken by Limerick Twenty Thirty (LTT) DAC and that an internal audit review of same was not planned. The Audit Committee agreed to meet with representatives of LTT to be appraised of the company's governance structures and operational arrangements

## 6.8 Internal Audit Reports

### 6.8.1 Review of HAP Shared Service Centre

The Audit Committee considered and approved the Draft Internal Audit Review of HAP Shared Service Centre dated 13<sup>th</sup> April, 2018.

### 6.8.2 Follow Up Review.

The Audit Committee considered the Draft Follow Up Review of Recommendations Deemed Implemented, dated June, 2018 which evaluated the status of 57 recommendations that had been deemed implemented by the Council. The Audit Committee noted the Management Response to the issues raised in the report and urged the finalisation of policies, where still incomplete.

### 6.8.3 Public Spending Code Review

The Audit Committee considered the Public Spending Code Review dated 22<sup>nd</sup> May, 2018 and noted that the report contained two high priority risks associated with exceeding budget allocation on capital job codes.

### 6.8.4 PPN – Governance and Recruitment Process

The Audit Committee reviewed the Draft PPN Review of Governance and Recruitment Process dated 30<sup>th</sup> May, 2018 noting a number of high, medium and low priority recommendations. Following discussion, Deloitte reviewed the report and a finalised version of the Internal Audit Review of PPN – Governance and Recruitment process was subsequently agreed by the Audit Committee.

## 6.9 Status Updates on Deloitte Internal Audit Recommendations

At each of its meetings, the Audit Committee reviewed a spreadsheet showing summaries of and the current status of each internal audit recommendation. A written update on the status of all



high priority recommendations, not yet implemented, was requested and reviewed by the Audit Committee.

## 6.10 Review of Risk Management, Value for Money and Efficiency

### 6.10.1 Physical Development Directorate.

The Audit Committee reviewed the Risk Register for the Physical Development Directorate, focussing particularly on the processes involved in drawing up and maintaining the Risk Register and ensuring effective external audit of projects.

### 6.10.2 Regional Development and Cultural Services Directorate

The Audit Committee reviewed the Risk Registers for the Regional Development and Cultural Services Directorate. The Committee was made aware of the activities and principal issues relating to risk, value for money and efficiency within the Directorate.

### 6.10.3 Ongoing review of Risk Management, Value for Money and Efficiency.

The Audit Committee underlined the importance of tracking the implementation of recommendations made by the Local Government Auditor and those arising from NOAC Reports and highlighted the need for fact-based value for money audit reports. The Head of Finance drew attention to the role played by the Business Improvement Unit in relation to value for money and it was agreed that this unit should give a review of its projects to the Audit Committee in spring 2019. The Audit Committee stressed the importance of focusing on those controls that, when applied to the inherent risk, reflected only a small change or no change to the resultant residual risk and it was agreed that the Corporate Risk Register would be reviewed at the next meeting of the Audit Committee.

## 6.11 Review of Reports from the National Oversight and Audit Commission

The Audit Committee considered management responses to;

- NOAC Report No. 3 Tenant Satisfaction Survey,
- NOAC Report No. 10 Rented Houses Inspection and
- NOAC Report No. 29 Approved Housing Bodies.

The Audit Committee noted Management's Responses to the NOAC Reports and stressed the need to include timeframes for implementation and follow up of issues highlighted in the reports. The Head of Finance noted that sufficient funding was not always available to implement recommendations and that this, and other sector-wide issues arising from the reports, would be brought to the attention of the Department by NOAC.

The Audit Committee considered NOAC Report no. 17 dated July 2018 - *Internal Audit in Local Authorities*.

The Audit Committee requested that the recommendations of the report be listed for the next meeting, showing whether each recommendation was already implemented and, where not, detailing the management response and timeline for implementation.

#### 6.12 Risk Management

The SEO Corporate Services informed the Audit Committee that risk registers were reviewed quarterly at Directorate level, with these reviews informing quarterly reviews of the Corporate Risk Register by the Management Team. He pointed out that the process was managed by Corporate Services.

The Audit Committee agreed that the method of reviewing Risk Management would be considered following the review with the Regional Services Directorate, which completed the current cycle of Directorate reviews by the Committee.

#### 6.13 Protected Disclosures

The Audit Committee was informed that consideration would be given to the appointment of a female officer to the role of Protected Disclosures Officer, in addition to the existing officer, should the need for same arise.

#### 6.14 Audit Committee Briefings and Updates

##### 6.14.1 Update from Procurement Officer – Follow up to Accounts Payable Review.

The Audit Committee considered a report from the Procurement Officer on the background to eleven payments highlighted in the Internal Audit Review of Accounts Payable, as having been raised following the submission of an invoice.

The Audit Committee noted that the majority of payments related to capital jobs and that deadlines, prior to the drawdown of grants, had been mentioned in two cases.

##### 6.14.2 Budget 2018

The Head of Finance presented details of the Council's Budget for 2018 and confirmed that there had been no change from the drafts to the adopted budget.



#### 6.14.3 AFS 2017

The Audit Committee considered the Unaudited Annual Financial Statement 2017 and received a presentation showing the background and details of the Unaudited AFS 2017. The Audit Committee noted that all the borrowing associated with Limerick 2030 DAC had not yet been drawn down and that, in relation to the Henry Street Site, interest only repayments were being made and half of the space had been sublet.

#### 6.14.4 Refund of Medical Fees to Job Applicants

The Acting Head of Finance noted the position in neighbouring authorities with some authorities paying the job applicant and another paying the doctor. The Audit Committee noted the importance of ensuring that any payment made was tax compliant. The Head of Finance noted the difference in costs where Councils engaged directly with the doctor rather than the job applicant.

#### 6.14.5 Associated Companies

The SEO Corporate noted that guidance for Associated Companies was being reviewed in terms of draft guidelines issued by the LGMA and guidelines developed in Cork County Council.

#### 6.14.6 Planning Process

The Chief Executive informed the committee that this was a statutory process, subject to external objections and appeals and that further information from the applicant was sometimes required. Notwithstanding same, he pointed out that the Council had a system for preplanning consultations in place and an Accounts Manager under the Economic Development Directorate was available to advise on the planning process.

#### 6.14.7 Analysis of Service Indicators

The secretary of the Audit Committee noted that the report, analysing service indicators for the Council over the previous three years, had not yet been signed off by Management and would be brought to the Audit Committee when finalised.

## 7. Conclusion

2018 saw adaptation of the new operating model within the Council and further consolidation 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 2019. The Committee is aware 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 in all spheres of LCCC with the development and implementation of the organisation's governance framework.

During the term of office of this Audit Committee a significant number of recommendations have been made for improvements to the control environment. Implementation of these recommendations is being monitored and reviewed by the Committee. Such improvements are necessary and are an essential element of the ongoing process of developing the control and governance environment of the Council.

Considering the issues dealt with during 2018 and based on the information provided by Internal Audit, the Local Government Auditor, Management and individual Directorates, the Committee is satisfied that a robust governance environment exists and that Management are committed to the ongoing enhancement and improvement of governance processes and procedures.

John Field  
Cathaoirleach

