



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

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

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18th June 2020

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


AUDIT COMMITTEE ANNUAL REPORT 2019

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, the Chairperson of Limerick City and County Council Audit Committee Annual Report 2019.

Is mise le meas,



James Clune,
A/ Senior Executive Officer
Corporate Services, Governance & Customer Services



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Audit Committee Annual Report

2019

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 2019:

| January- May | | June- December | |
|-----------------------------------|--|-------------------------------------|--|
| John Field- Chairperson | Director of Management Planning & Reporting University of Limerick | Tony O'Brien- Chairperson | Principal- Irida Consulting Limited |
| Tony O'Brien | Principal- Irida Consulting Limited | Dr. Brid Quinn | Retired Lecturer in Public Administration University of Limerick |
| Dr. Brid Quinn | Lecturer in Public Administration University of Limerick | John Coady | Retired Vice President of Administration and Finance Mary Immaculate College |
| | | David Costelloe | CEO Sarsfield Credit Union Ltd. |
| Councillor James Collins | | Councillor John Egan | |
| Councillor Joe Pond | | Councillor Brigid Teefy | |
| Councillor Michael Hourigan | | Councillor John Sheahan | |

3. Acknowledgements

Mr. Conn Murray, Chief Executive January – May 2019, Dr. Pat Daly Chief Executive, Mr. Sean Coughlan Director of Support Services and Mr. James Clune, SEO Corporate Services, Ms. Bronwyn Hayes, Internal Auditor attended at meetings and supported the work of the Audit Committee.

During 2019, a number of Council staff members attended at meetings of the Audit Committee at the request of the Committee, primarily to review the management of risk, value for money and efficiency in their Directorates and deliver specific updates.

Mr. Tom O'Callaghan, Administrative Officer, Corporate Services acted as Secretary to the Audit Committee during 2019.

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.

1. 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.

2. 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, recommendations, and management responses.
- Reviews, on an ongoing basis, the audit engagement process.

3. 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.

4. 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.

5. 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.

6. 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.

In respect of its carrying out of its functions and obligations, the Committee is pleased to advise all Members that,

- The Council increased Internal Audit resources in January 2019 with the hiring of an In house Internal Auditor, and
- 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 September 2019.

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. No declarations were made during the course of meetings of the Audit Committee held in 2019.

5. Activities

5.1 Meetings

The following table shows a list of Audit Committee meetings held in 2019 and the attendance of the Audit Committee Members at same.

January - May

| Date of Meeting | <i>Councillor Michael Hourigan</i> | <i>Councillor James Collins</i> | <i>Councillor Joe Pond</i> | <i>Tony O'Brien</i> | <i>Brid Quinn</i> | <i>John Field</i> |
|---------------------------------|---|--|-----------------------------------|----------------------------|--------------------------|--------------------------|
| 13th February | √ | X | √ | √ | √ | √ |
| 2nd April | √ | X | X | √ | √ | √ |

June- December

| Date of Meeting | <i>Councillor John Egan</i> | <i>Councillor Brigid Teehy</i> | <i>Councillor John Sheahan</i> | <i>Tony O'Brien</i> | <i>Brid Quinn</i> | <i>John Coady</i> | <i>David Costelloe</i> |
|---------------------------------|------------------------------------|---------------------------------------|---------------------------------------|----------------------------|--------------------------|--------------------------|-------------------------------|
| 11th October | √ | √ | X | √ | √ | √ | √ |
| 13th December | √ | X | X | √ | √ | √ | X |

5. 2 Review of Audit Committee Charter

The Audit Committee reviewed the Internal Audit Charter and Audit Committee Charter and submitted the reviews to the attention of the Council.

5.3 Audit Committee Work Programme 2019

The Audit Committee agreed a number of additions to the 2019/2020 Work Programme covering 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 2019/2020 as set out below and submitted same to the Council for approval.

AUDIT COMMITTEE WORK PROGRAMME 2019 - 2020

| ITEM | QTR |
|---|---------|
| Agree and Submit Annual Work Programme to Council for adoption. | Q3 2019 |
| Consider Financial Update from Head of Finance. | Q3 2019 |
| Review Audit Committee Charter. | Q3 2019 |
| Review Audit Committee Training Needs | Q3 2019 |
| Review Annual Internal Audit Plans | Q3 2019 |
| Review Periodic Internal Audit Reports. | Q3 2019 |
| Receive Quarterly Risk Update from Risk Coordinator. | Q3 2019 |
| Review Risk Management Policy | Q3 2019 |
| | |
| Review Periodic Internal Audit Reports. | Q4 2019 |
| Receive Quarterly Risk Update from Risk Coordinator. | Q4 2019 |
| Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate. | Q4 2019 |
| Review approach to the evaluation of Risk Management, Value for Money and Efficiency and discuss process for ongoing review. | Q4 2019 |
| Meet separately with Chief Executive. | Q4 2019 |
| | |
| | |
| Meet separately with Local Government Auditor. | Q1 2020 |
| Review any Audited Financial Statements, Auditor's Report or Auditor's Special Report, Assess Action Taken and Report to the Council. | Q1 2020 |
| Review Local Government Auditor's Management Letter | Q1 2020 |
| Review Effectiveness of Audit Committee for submission to Council. | Q1 2020 |
| Receive Quarterly Risk Update from Risk Coordinator. | Q1 2020 |
| Review Risk Management, Value for Money and Efficiency in relation to an individual Directorate / Operational Unit | Q1 2020 |
| Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate. | Q1 2020 |
| Review Periodic Internal Audit Reports. | Q1 2020 |
| Review effectiveness and role of Internal Audit Function. | Q1 2020 |
| Review Audit Committee Annual Report for submission to the Council. | Q1 2020 |
| | |
| Meet Separately with staff of internal audit | Q2 2020 |
| Review any Value For Money Studies issued by Local Government Audit Service. | Q2 2020 |
| Review Periodic Internal Audit Reports. | Q2 2020 |
| Receive Quarterly Risk Update from Risk Coordinator. | Q2 2020 |
| Review relevant Findings and Recommendations of NOAC and Response of Chief Executive to same and take further action, as appropriate. | Q2 2020 |
| Review Risk Management, Value for Money and Efficiency in relation to an individual Directorate / Operational Unit | Q2 2020 |
| Consider Financial Update from Head of Finance. | Q2 2020 |
| Review Draft Annual Financial Statement including audit representation letter, accounting policy, judgements and disclosures. | Q2 2020 |

6. Review of Effectiveness 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.

6.1 Review of Financial and Budgetary Reporting Practices

It was 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.

6.2 Review of Audit Committee Training Needs

Committee members were satisfied they held the necessary experience required.

6.3 Local Government Auditor's Statutory Audit Report for the Year ended 2018

The Local Government Auditor attended the Audit Committee in December 2019 and presented her report. The Committee welcomed the Auditor's opinion on the Annual Financial Statement, which was unqualified 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.

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 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.

6.4 Internal Audit Planning

The Audit Committee reviewed the Draft Internal Audit Plan, 2019/2020 and agreed that a review of the Approved Housing Bodies sector would replace the planned review of SICAP to be carried out by Deloitte.

7. Internal Audit Reports

The Audit Committee Considered and Approved the following reviews, materials and internal audit reports throughout 2019:

- Accounts Receivables
- Paid Parking
- Fraud and Corruption Policy and Contingency Plan
- Public Spending Code 2018
- SICAP
- Risk Register
- Follow Up Recommendations

8. Risk Management

The SEO Corporate Services informed the Audit Committee that the complement of 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.

9. Budget 2019

The Head of Finance presented details of the Council's Budget for 2019 and confirmed that there had been no change from the drafts to the adopted budget.

10. AFS 2018

The Audit Committee considered the Unaudited Annual Financial Statement 2018 and received a presentation showing the background and details of the Unaudited AFS 2018.

11. Conclusion

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 in the Audit Committee Charter.

A substantial number of review, communication, presentation and follow-through procedural changes and amendments 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 on an on-going basis.

The Committee is also 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.

Considering the issues dealt with during 2019 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 within Limerick City and County Council and that Management continues to be committed to the ongoing enhancement and improvement of governance processes and procedures.

Tony O'Brien

Chairperson

Limerick City & County Council Audit Committee

