



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

Seirbhísí Corparáideacha,
Comhairle Cathrach agus Contae Luimnigh,
Ceanncheathrú Chorparáideach,
Cé na gCeannaithe,
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To: The Mayor and Each Member of Limerick City and County Council

AUDIT & RISK COMMITTEE ANNUAL REPORT 2020

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 & Risk Committee Annual Report 2020.

Is mise le meas,

Laura Flannery

SEO Corporate Services, Governance & Customer Services



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Limerick City & County Council
Audit & Risk Committee Annual Report
2020

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 & Risk Committee for Limerick City and County Council during 2020:

Members	
Tony O'Brien (Chairperson)	Principal- Irida Consulting Limited
Dr. Brid Quinn	Retired- Lecturer in Public Administration University of Limerick
John Coady	Retired- Vice President of Administration & Finance Mary Immaculate College
David Costelloe	CEO Sarsfield Credit Union Ltd. – Resigned August 2020
Emmet Devereux	Director of Government & Regulatory Affairs Cook Medical Appointed September 21 st
Councillor John Egan	Municipal District of Cappamore-Kilmallock
Councillor John Sheehan	Municipal District of Newcastle West
Councillor Brigid Teefy	Municipal District of Cappamore-Kilmallock

3. Acknowledgements

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 2020, Irene Griffin Financial Accountant, Finance Department, Tina Knox Administrative Officer, Property Services, Jim Dore Head of ICT and Tom O’Callaghan Data Protection Officer attended at meetings of the Audit Committee, at the request of the Committee, to review the management of risk, value for money and efficiency in their Directorates and deliver specific updates.

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. Roles of the Audit & Risk 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. These are:

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.*

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:**

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:**

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:**

Here, 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.

The Committee wishes to advise the Members that it sought to carry out these functions as fully as required.

5. Activities

5.1 Declarations of Interest

At the commencement of each meeting of the Audit & Risk 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 2020.

5.2 Meetings

The following table shows a list of Audit & Risk Committee meetings held in 2020 and the attendance of the Audit Committee Members at same.

Date of Meeting	<i>Tony O'Brien Chairperson</i>	<i>Brid Quinn</i>	<i>John Coady</i>	<i>David Costelloe</i>	<i>Emmet Devereux</i>	<i>Councillor John Egan</i>	<i>Councillor John Sheehan</i>	<i>Councillor Brigid Teefy</i>
27th May	√	√	√	X	N/A		√	
4th September	√	√	√	Resigned	N/A	√		√
4th December	√	√	√	Resigned	√	√	√	√

6. Review of Effectiveness of the Audit & Risk Committee

Within the limitations suffered as a result of the Covid-19 pandemic, the Committee was satisfied with its defined role, functions and responsibilities; together with the resources and skills provided by, and to, it. The Committee was also satisfied with the scope and scale of the activities carried out by it in conjunction with the Council's own Internal Audit function and external services providers. A summary of activities is as follows:

6.1 Review of Financial and Budgetary Reporting Practices

The Head of Finance Sean Coughlan (Deputy Chief Executive) made a presentation to the Audit Committee based on the AFS for 2019 and the 2020 implications of Covid-19 taken into consideration. The presentation noted the following:

- The AFS 2019 showed a small surplus of income over expenditure
- 75% of income was now locally generated
- A recent rent review by the Housing Department had resulted in increased rent arrears with increased provision for same. Tenant Purchase could apply where there are no rent arrears
- It was anticipated that income for 2020 would be reduced significantly, this included expected reduced income in areas such as Paid Parking, Fire Safety Certs ,Planning Fees and Rates with sectors such as Retail, Hospitality, Fuel Depots affected
- A three month Waiver Scheme, with varying percentage write-off funded by the Department, was under consideration
- Business Restarts Grants varying in amount €2k to €10k has been advertised. Already 500 online applications had been received and it was anticipated that this number would rise to 4,000. The grants were open to occupiers of premises and those with multiple businesses could make multiple grant applications
- All expenditure headings were now under review with a prudent approach to be adopted to same
- The Council's cash flow position was currently satisfactory. An overdraft facility of €50M, primarily associated with the HAP Shared Services Centre, was in place. All Local Authorities were struggling to collect income. The Council recorded a significant reduction in standing orders/ direct debits that would have to be addressed
- In relation to compensation for national interventions in relation to Covid-19, the Department had set aside funding for same. Delays in delivering the road works programme had however resulted in the inability to charge a range of employees to the related job codes and this would have to be addressed with the Department

- It was acknowledged that the inclusion of HAP Shared Service Centre presented difficulties in assessing the remaining AFS figures and distorted the Council's position when comparing to other Local Authorities

It was agreed that, in relation to accounting policies, estimates and disclosures, the Head of Finance would brief the Audit Committee on these 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 2019

The Local Government Auditor attended the Audit Committee in February 2021 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:

- The contents of the Statutory Audit Report for Limerick City & County Council for the year ended 31st December 2019, together with the management response to the issues raised therein and commitments made as to future actions as recorded in the Audit Reports.
- The Auditor's comments pertaining to Regeneration Capital Account Unfavourable Balances and the undertaking to establish the current position in relation to same.
- The effect of Covid-19 restrictions on liabilities of Associated Companies and stressed the importance of ensuring that the independent Audits of each Associated Company's accounts were available by the 30th March deadline of each year.
- The Auditor's comment on Investigation into financial Irregularity.

- The Auditor's Emphasis of Matter- Uncertainty relating to Covid-19, drawing attention to Note 23 of the Annual Financial Statements, which referred to the impact of Covid-19, a non-adjusting post balance sheet event and described the uncertainty faced by the Local Government Authority as a result. The Auditor's opinion was not modified in respect of this matter
- 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 other than the Covid-19 Emphasis of Matter

6.4. Internal Audit

The Committee considered and approved the following reviews, materials and internal audit reports throughout 2020:

- Fixed Assets Report
- Review of GDPR & ICT Security

The Internal Auditor gave updates at each meeting on Internal Audit Function. The Audit Committee noted risks referencing fraud and corruption on the risk register and enquired as to whether there were any plans to carry out internal audit reviews in relation to same. It was noted that Deloitte had reviewed the risk register and had held discussions with Management in developing their Internal Audit Plan.

The Audit Committee stressed the important role played by an in-house Internal Audit Function in ensuring that adequate controls were in operation and the Director, Support Services informed the Audit Committee that an additional employee, at Staff Officer Grade, was to be included in the in-house Internal Audit team.

7. Risk Management during Covid-19

The SEO Corporate informed the Audit Committee that since the outbreak of Covid-19, a Crisis Management Team had met daily and he outlined the strategic aims of this Crisis Management Team. The SEO outlined the Covid related risks including the risk of not achieving Council objectives, the Financial risks to Council, the Impact on the Local Economy and the Cyber Risk associated with staff working from home.

The SEO clarified:

- In conjunction with the LGMA, a review was to take place to consider issues related to working from home such as, productivity, internet access and access to Council systems
- In relation to the level of business transacted since the start of Covid-19 restrictions, there had been an increased number of telephone calls received while website activity also remained high
- Working from home protocols would be reviewed to assess the necessity of including a warning in relation to home assistance smart devices and their potential to record conversations relating to Council customers

The SEO Corporate noted a review had been carried out across Directorate to identify consistencies in the types of risks recorded and associated controls. The output had been brought to the Senior Forum with 14 common risks identified for inclusion in risk registers across directorates. This Audit Committee requested one register per Directorate would be reviewed at each meeting in 2021.

8. Budget 2020

The Head of Finance presented details of the Council's Budget for 2020 and confirmed that there had been no change from the drafts to the adopted budget.

9. AFS 2019

The Audit Committee considered the Unaudited Annual Financial Statement 2019 and received a presentation showing the background and details of the Statement.

10. Governance Issues

The Chief Executive informed the Audit Committee an investigation had been carried out by the Council. The investigation was now concluded, an employee had been dismissed and the case had been referred to An Garda Siochana. The Chair of the Committee, the Local Government Auditor and Department had been kept informed throughout the process.

The Chief Executive also advised of a second case, unrelated to above and following a protracted process, an employee was dismissed for the unauthorised use of Council resources. While the case involved no direct loss to the Council it was considered that, given the circumstances, the case warranted dismissal.

11. Conclusion

As is evident from the extent of the activities set out above, the Audit & Risk 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 2020 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.

12. Acknowledgements

To the Members of Limerick City and County Council:

As Chair of your Audit and Risk Committee, I wish, on behalf of the Committee, to express particular appreciation to Dr. Pat Daly, Chief Executive, Sean Coughlan, Director of Support Services, James Clune, SEO Corporate Services, Bronwyn Hayes, Internal Auditor, Irene Griffin, Financial Accountant - Finance Department, Tina Knox, Administrative Officer - Property Services, Jim Dore Head of ICT and Tom O'Callaghan, Data Protection Officer for their support, their commitment to the Council and for the quality of their presentations and submissions made to us during the year.

We also wish to commend all the Council staff for their dedication and ability to adapt to the extraordinary working conditions that were encountered during the year and we express our fullest confidence in the services that the Council continued to provide to people of Limerick City and County during 2020.

Yours truly

Tony O'Brien
Chair – Audit and Risk Committee