



7th March, 2023

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

AUDIT & RISK COMMITTEE ANNUAL REPORT 2022

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 2022.

Is mise le meas,

Laura Flannery
Senior Executive Officer
Corporate Services, Governance & Customer Services



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

Limerick City & County Council
Audit & Risk Committee Annual Report

2022

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 & Risk 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 and Risk Committee for Limerick City and County Council during 2022:

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
Emmett Devereux	Director of Government & Regulatory Affairs Cook Medical
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, Sean Coughlan Deputy Chief Executive and Director of Support Services, Laura Flannery, SEO Corporate Services, Tom O'Callaghan, Secretary to the Audit and Risk Committee, Ms. Bronwyn Hayes, Internal Auditor, Edel Langan, Internal Auditor* and Edel Cousins, Staff Officer, Corporate Services, Governance and Customer Services attended at meetings and supported the work of the Audit and Risk Committee.

* Edel Langan replaced Tom O'Callaghan as Secretary to the Audit and Risk Committee and Bronwyn Hayes as Internal Auditor from the May Audit and Risk Committee meeting onwards

During 2022, the following lists those who attended meetings of the Audit and Risk 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:

- Hugh McGrath, Senior Engineer Roads
- David Conway (CEO, Limerick 2030 DAC) and Cecil Lenihan (Head of Finance, Limerick 2030 DAC)

In addition, the Committee met with the Local Government Auditor to review the Audit Report.

Limerick City and County Council provides resources to facilitate the Audit and Risk 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 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, regular 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 auditor's 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.
- Monitors progress on implementation of any recommendations.
- 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 and Risk Committee, the Chair offered those present an opportunity to declare an interest with regard to any of the items due for discussion. One member made a declaration during a meeting held in 2022. No other declarations were made during the course of the Audit and Risk Committee meetings held in 2022.

5.2 Meetings

The following table shows a list of Audit and Risk Committee meetings held in 2022 and the attendance of the Audit and Risk Committee Members at same.

	25/02	13/05	09/09	03/10	11/10	02/12
Tony O'Brien	✓	✓	✓	x	✓	✓
Brid Quinn	✓	✓	✓	✓	✓	✓
John Coady	✓	✓	x	✓	✓	✓
Emmett Devereux	x	✓	x	✓	✓	x
Councillor John Egan	✓	✓	✓	✓	✓	✓
Councillor John Sheehan	x	✓	✓	✓	x	x
Councillor Brigid Teefy	✓	x	✓	✓	✓	✓

6. Review of Effectiveness of the Audit and 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 Audit Committee Work Programme 2022

The draft Audit Committee Work Programme 2022 was circulated and agreed during the meeting held on 13th May 2022. This was reviewed and adopted at the Full Council Meeting held on 23rd May 2022. The Committee continually verifies that its work is being performed in line with the Work Programme.

6.2 Review of Financial and Budgetary Reporting Practices

Financial Update / AFS 2021 update

The Head of Finance and Director of Support Services provided updates throughout the year and made a presentation to the Audit and Risk Committee based on the AFS for 2021. The presentations noted the following:

- Although it was a challenging year, the AFS 2021 showed a small surplus of income over expenditure.
- Revenue for 2021 is showing an increase in comparison to 2020.
- This is the first year LCCC has recorded over €1bn in expenditure, a substantial portion of which is HAP.
- Key areas of expenditure continue to be salaries and pensions.
- The Council is waiting on updated valuations. There are potential issues around backdating of valuation appeals, windfarm appeals, bad debts, valuation office delays and there will be no rates waiver from Q2 of 2022.
- Revenue had been increased in 2020 to cover restart grants and the rates waiver, the rates waiver was reduced in 2021. Rates collection is now up to 88%.
- Budget Variances have been noted and this mainly puts pressure on housing, roads and energy costs.
- There has been a reduction in Government grants for roads and water. The Council will need to match 2022 Road Grant levels in 2023. The move to Irish Water will have an impact on costs in relation to pensions and central management costs.
- There are significant health and safety works to be done at Merchants Quay and Dooradoyle offices, and funds has been set aside for this.
- The baseline for Construction Inflation has increased compared to May 2021. The budgets remain the same but less can be done due to the increased cost and availability of materials.
- Energy Inflation will increase the cost of public lighting, fuel, and retro fitting of corporate buildings.
- The Council are waiting on confirmation that the Department will fund the National Pay Agreement.
- There have been ECB interest rate increases leading to higher costs in relation to loan charges.

- Amenities have high maintenance costs, such as the Greenway, public pools etc.
- We have not yet had any requirement for an overdraft, however, there will be financial impacts in 2022 due to the rates waiver ceasing and energy cost increases.
- The 2023 budget draft timetable was discussed. The LPT property tax take reduced in 2022 and there is currently a business case with the Department to fund the shortfall.
- It was noted the Council had full support during Covid from the Department. The Council will make a similar case for support now particularly around LPT, energy costs, and valuations.
- Financial Update on 2022
 - Revenue Account
 - Covid Rates Waiver ceased from Quarter 2
 - Impact on Rates income post Covid
 - Significant pressures on LA cost base (relating to energy cost increases, and grass cutting cost increases).
 - Schedule of Municipal District Works progressing
 - Capital Account
 - Advance projects which members have considered as part of 3 year capital programme - €700m over 3 years
 - Examples Include: Housing Programme, Opera Project, O'Connell Street Public Realm, Active Travel, NCW Athletics Track.

6.3 Local Government Auditor's Statutory Audit Report for the Year Ended 2021

The Local Government Auditor attended the Audit and Risk Committee meeting in December 2022 and presented his 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 and Risk Committee noted:

- The contents of the Statutory Audit Report for Limerick City & County Council for the year ended 31st December 2021.
- Members discussed areas of concern raised by the Auditor.
- The Deputy Chief Executive and Director, Support Services stated that the centralised Requisitions Unit set up in 2021 was having a positive effect.

6.4 Review of Audit and Risk Committee Training Needs

Committee members were satisfied they held the necessary experience required. Audit and Risk Committee members were contacted by email and a link was shared with them to the IPA training courses available to establish whether they were interested in attending any of the IPA training courses available. This was further discussed as part of the Audit and Risk Committee work programme update during the meeting held in September 2022.

6.5 Internal Audit

Internal Audit Planning

The Strategic Internal Audit Plan 2022 was circulated and agreed at the Audit and Risk Committee meeting held in December 2021. Deloitte provided updates at various meetings throughout 2022 in relation to the progress on the plan.

Internal Audit Reports

The Committee considered and approved the following reviews, materials and internal audit reports throughout 2022:

- Social Inclusion and Community Activation Programme (SICAP) Review
- Payroll, Travel and Subsistence Review
- IT Governance Review
- Health and Safety Management Review
- Compliance with the Public Spending Code 2021
- Local Enterprise Office (LEO) Review

Deloitte completed an Internal Financial Controls Review – Budgeting, Limerick 2030 review and a Differential Rental Income Review during 2022 which are due to be finalised in 2023.

The Internal Auditor also updated the Audit and Risk Committee on the Compliance Checks being undertaken by Internal Audit unit.

7. Covid-19 Impact and Return to Workplace Update

The Senior Executive Officer confirmed that appropriate safety measures for staff working in offices continue to be in effect and all safe working practices remain in force. The Council continued to follow National Guidelines issued on returning to the workplace. Blended working arrangements were also introduced during 2022.

8. Budget 2023

The Head of Finance reported nothing significant in relation to the budget, other than the items flagged as part of the AFS2021 update.

It was noted that there is a national issue with turnkey houses where the Council purchases houses from developers. The Council is engaging with a third party firm in relation to this.

9. Governance

Mandatory Financial Governance training was rolled out to all staff member in Quarter 4, 2022 to create awareness of control and processes relating to fraud. As part of this, staff were made aware of a new Governance Framework that was established and approved in September 2022. This Governance Framework document outlines the requirements and responsibilities on employees.

The Financial Governance training and Governance Framework document provide staff with a clear and comprehensive summary of the principal aspects and elements of corporate governance within LCCC including the Fraud and Corruption policy. The framework provides Directors and Senior Managers with much of the guidelines needed to understand their duties, roles and responsibilities with respect to Governance.

It was further noted that since the implementation of the central Requisitions Oversight Unit, improvements have been noted in the procurement and the purchase to pay cycle.

10. Conclusion

As is evident from the extent of the activities set out above, the Audit and 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 and Risk 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 and Risk 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 2022 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.

11. 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, Laura Flannery, SEO Corporate Services, Bronwyn Hayes, Internal Auditor, Edel Langan, Internal Auditor, Edel Cousins, Staff Officer Corporate Services, James Clune, Head of HR, Deirdre Minogue, Administrative Officer HR, Alan Dooley, Head of Digital Services, Hugh McGrath, Senior Engineer, Roads, John Cooney, Health and Safety Manager, Joe Delaney, Director of Regeneration, Mike Cantwell, Head of Enterprise, Limerick Enterprise Office (LEO), David Conway (CEO, Limerick 2030 DAC), and Cecil Lenihan (Head of Finance, Limerick 2030) who attended meetings throughout the year 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 2023.

Yours truly,



Tony O'Brien

Chair – Audit and Risk Committee