

**COMHAIRLE CHONTAE LONGFOIRT
LONGFORD COUNTY COUNCIL**

AUDIT COMMITTEE

**ANNUAL REPORT
FOR YEAR ENDED 31 DECEMBER 2018**

February 2019

Section 1 - Background to Audit Committee

The concept of an Audit Committee was first introduced by section 122 of the Local Government Act 2001. It was envisaged that an Audit Committee would have an independent role in advising the Council on financial reporting processes, internal control, risk management and audit matters, as part of a systematic review of the control environment and governance procedures of the Council. Section 5 of the Local Government (Business Improvement Districts) Act 2006 amended the relevant provisions of the 2001 Act. The 2006 Act enhanced the role of audit committees and allowed for the inclusion of outside expert membership on such committees. It was thought that the new provisions introduced by the 2006 Act reflected best practice and development in corporate governance in both the public and private sectors. In May 2007 the Department of the Environment, Heritage and Local Government requested that each local authority make the appropriate arrangements to establish an Audit Committee.

The Executive of Longford County Council dealt with these recommendations in a timely fashion and at the monthly meeting of the Members of Longford County Council held on 18th June 2007 the Head of Finance outlined the requirements for the establishment of an Audit Committee as set out by the Department of the Environment, Heritage and Local Government. It was agreed that the County Manager, in consultation with the Mayor and the Corporate Policy Group, would bring a proposal regarding the membership of the Audit Committee to the September meeting of the Council. At the September 2007 meeting of the Council the Manager was in a position to inform Members that three external members had been nominated and he sought the nomination of two serving or retired Councillors as members of the Audit Committee. Councillors Seamus Butler and Alan Mitchell were duly appointed and the inaugural meeting of the Audit Committee took place on 14th May 2008.

This is the eleventh annual report of the Longford County Council Audit Committee and covers the period from the 1st January 2018 to the 31st December 2018.

The legislative framework for Audit Committees was significantly expanded by the Local Government (Audit Committee) Regulations 2014 (S.I. No. 244 of 2014), which came into operation on the 6th June 2014 and which imposed substantial additional obligations on members of the Audit Committee and further expanded the work to be undertaken by the Committee.

Section 2 - Role & Functions of the Audit Committee

The Audit Committee has an independent role in advising the Council on financial reporting processes, internal control, risk management and audit matters, as part of the systematic review of the control environment and governance procedures of the Council.

The Committee has a role in promoting good accounting practices, ensuring better and more informed decision-making, and improving the focus on value for money and costs saving throughout the organisation. It also supports the work of the Internal Audit Unit and advises the Chief Executive in relation to the operation and development of the Unit.

Its role is advisory in nature and the Committee holds office for the duration of the Council term.

Matters discussed at Audit Committee meetings are confidential.

The functions of the Audit Committee are to:

- Review financial and budgetary reporting practices and procedures within the local authority;

- Foster the development of best practice in the internal audit function and, as part of this, to:
 - Review the internal audit charter and bring any recommendations to the attention of the Manager;
 - Review and assess the draft annual internal audit plan;
 - Monitor implementation of the internal audit plan on a quarterly basis and the extent to which audit objectives are being achieved;
 - Assess the outcome of the internal audit process, having regard to any findings and recommendations of the internal audit unit and management responses thereto;
 - Assess the implementation of agreed corrective actions by management having regard to follow-up audits;
 - Review the report of audit activities of the Internal Audit Unit within three months of the year end.

- Request special reports from Internal Audit as considered appropriate;

- Review Local Government Auditors' reports, and assess management response and follow-up actions;

- Assess and promote value for money/efficiency, including collection performance across income streams;

- Consider whether processes are in place to manage risks efficiently, in accordance with organisational guidelines and business plans;

- To review the council revenue and capital reports on a least a quarterly basis;

- Review performance and expenditure reports from each Directorate as required;
- Review performance indicators and value for money reports when prepared;
- Report to the council at least annually, and in any event within three months of the end of each calendar year, providing such advice and making such recommendations, if any, to the Council as the Committee considers appropriate.

The Local Government (Audit Committee) Regulations 2014 (S.I. No. 244 of 2014) placed additional obligations on its members as follows:-

- (a) The Chairperson is under a duty to ensure that each member of the Audit Committee undertakes an induction programme within three months of his or her appointment to the Committee;
- (b) The Chairperson must also ensure that the training needs of the Audit Committee and of individual members are reviewed on an annual basis and reported to the local authority and the Chief Executive;
- (c) To immediately report to the Chairperson any conflict of interest that arises during his or her membership of the Committee;
- (d) To put procedures in place to monitor and manage potential conflicts of interest of Committee members;
- (e) To adopt an Internal Audit Charter, which must be reviewed annually by the Audit Committee and the local authority.

The 2014 Regulations also provide that the Audit Committee shall prepare an annual work programme which shall be adopted with or without amendment by the local authority and shall include-

- (a) the approval of the annual internal audit plan;

- (b) a review of the annual financial statement;
- (c) a review of the audited financial statement and auditor's report;
- (d) the preparation of the annual report as provided for in Regulation 15(1) of the Regulations;
- (e) the review of periodic internal audit reports;
- (f) the review of relevant findings and recommendations of the National Oversight and Audit Commission ("NOAC") and the response of the Chief Executive to such findings and recommendations and take further action as appropriate; *and*
- (g) any other actions necessary to discharge its functions.

In addition, the Audit Committee is required to meet separately at least annually with:-

- the Local Government Auditor,
- employees of the internal audit unit of the local authority, *and*
- the Chief Executive.

Of particular importance is Regulation 12(1) of the 2014 Regulations which provides:

- (1) that the Audit Committee shall ensure that procedures are in place whereby employees of the local authority may in confidence raise concerns about possible irregularities in financial reporting or other financial matters *and*
- (2) that the arrangements specified above shall include arrangements for the proportionate and independent examination of such matters.

The Committee has not been made aware of any concerns having been raised by any employee of the Council about possible irregularities in financial reporting or other financial matters.

The 2014 Regulations also provide that the Audit Committee shall undertake annually a review of its own effectiveness and shall report its findings to the local authority. Thereafter, it shall be a matter for the Chairperson, in consultation with the Chief

Executive and the Cathaoirleach, to ensure that appropriate follow-up action is undertaken by the Committee.

Section 3 - Membership of the Audit Committee:

The current membership of the Audit Committee is as follows:-

- Mr. Michael Connellan is a Solicitor based in Longford Town and was formerly an elected member of Longford Town Council
- Ms. Ciara Gillen is a Chartered Accountant and principal of C.B. Gillen & Co., Chartered Accountants. Lanesborough, Co. Longford
- Mr. Denis Glennon who joined the Committee on the 29th September 2015 was formerly an elected member of Longford County Council. He was nominated to the Committee to fill the vacancy created by the death of Gerry Brady (RIP) on the 7th April 2015
- Mr. Patrick Groarke, Chairperson of the Committee, is a Solicitor based in Longford Town *and*
- Mr. Pat O'Brien, Vice-Chairperson of the Committee, is the principal of O'Brien & Co., Chartered Accountants and Registered Auditors based in Longford Town.

Section 4 - Chairperson's Statement:

Statement of Patrick Groarke, the Chairperson of the Audit Committee of Longford County Council.

This is the eleventh Annual Report of the Audit Committee of Longford County Council covering the period from the 1st January 2018 to the 31st December 2018.

The Corporate Policy Group of Longford County Council, following consultation with the Chief Executive, nominated us as members of the Audit Committee and this nomination was formally approved by the members of Longford County Council at its meeting held on the 16th July 2014. The members of the Audit Committee took up office on the 1st August 2014 and had their inaugural meeting on the 25th September 2014. Unfortunately, Gerry Brady (RIP), one of the initial members of this Committee, died on the 7th April 2015. Denis Glennon was nominated and appointed to take his place.

The Audit Committee is a vital component of good corporate governance. It is intended to provide an independent expert review, assessment and advice on financial management and reporting processes, internal control systems and procedures, risk management and audit matters. It is wholly reliant on the competence and effectiveness of the internal audit function of the local authority in question. The Committee's role is primarily an advisory one and we are not vested with any executive powers or any statutory powers of investigation or enquiry. The statutory functions of the Audit Committee are set out in Section 122(2)(a) to (f) of the functions of the Local Government Act 2001 and in S.I. 244 of 2014 entitled Local Government (Audit Committee) Regulations, 2014 and are more precisely defined in Section 2 of this report.

Throughout 2018 we have had various meetings with members of the Executive of Longford County Council. We met with John McKeon, the Head of Finance, on the 9th February, 9th March, 20th April, 27th July and 7th December 2018. We met with

Mr. John Brannigan, Director of Services on the 9th of February and the 9th March 2018. We met with Mr. Ray Murphy, Internal Auditor on the 9th February, 9th March, 20th April, 27th July and 7th December 2018. We also met with Ms. Fiona Baskett, Internal Auditor Assistant on the 27th July 2018 and with Ms. Mary Gouldsbury, Health and Safety Officer on the 9th March 2018.

Although we have our own independent agenda, the Committee continues to closely monitor the recommendations which are made each year by the Local Government Auditor. We met with Ms. Anne Halion, the Local Government Auditor, on the 7th December 2018 and discussed her Statutory Audit Report for the year ended 31st December 2017 in considerable detail. Thus, we complied with the provisions of Section 60 of the Local Government Reform Act, 2014.

After that, we met with John McKeon, the Head of Finance, at our meeting on the same date and we discussed Ms. Halion's report with him. We also went through with him Ms. Halion's Management Letter dated the 4th September 2018 addressed to the Chief Executive. We queried Management's response to certain of the matters highlighted in Ms. Halion's Management Letter and we reviewed the timeframe for implementing those responses.

Internal Audit Reports

In previous years, we have made it clear on numerous occasions that we remained generally dissatisfied with the quality of the internal audit reports and indicated that we wanted to see significant improvements. Towards that end we had a full and frank discussion about this with Mr. Mahon and Mr. McKeon on the 15th February 2017. We made it clear that we would not in future accept and indeed would reject reports which were not in the required format and/or to an acceptable standard.

Both Mr. Mahon and Mr. McKeon satisfied us that they are fully aware of the critical importance of the internal audit function within Longford County Council and they put in place what they regarded as the appropriate and necessary systems to improve the quality of the internal audit reports so as to make them fit for purpose whilst at all

times maintaining the independence that is of critical importance to the internal audit function. The independence of the internal audit cannot be compromised in any manner. Mr. Mahon and Mr. McKeon took on board everything we said and fully followed through on their commitments to us. In 2018 Longford County Council appointed external consultants, Crowleys DFK Chartered Accountants, to provide support and advice to the Internal Audit & Procurement Advisory Services of the Council. This had also been recommended by the Audit Committee and is further evidence of the executive's appreciation and acknowledgement of the importance of the internal audit function of the Council. A member of the Audit Committee participated in the tender evaluation process to determine the successful submission.

On a positive note, we are very pleased with the excellent progress that has been made in this area during the year in question. The Internal Audit Department of Longford County Council is functioning to a very high standard. The quality of internal audit reports is now excellent. We wish to commend Mr. Ray Murphy, the Internal Auditor, and Ms. Fiona Baskett, the Internal Audit Assistant, for their professionalism, expertise and dedication in bringing this about. Longford County Council now has an internal audit department that we are proud of and that counties of a similar size could benchmark from.

Local Government Auditor's Report

In her report, the Local Government Auditor focused on eight main issues:-

(a) Financial Standing

- Statement of comprehensive income
- Financial Position
- Loans Payable

(b) Income Collection

- Summary of Major Revenue Collections
- Commercial rates
- Housing rents and annuities
- Housing loans

- Tenant Rent Review

(c) Transfer of Water and Sewerage Functions to Irish Water

(d) Capital Account

- Unfunded Balances
- Capital Credit Balances
- Turnkey Housing Units at Millrace Park

(e) Fixed Assets

- Property Interest Register
- Housing Stock Reconciliation
-

(f) Procurement

(g) Local Authority companies

- Longford Pool Construction Ltd.
- Longford Enterprise Development Co. Ltd.

(h) Governance

- Risk Register
- Internal Audit
- Audit Committee

(i) Internal Audit

- Ms. Halion stated as follows in her Report:

“The internal unit is staffed by two staff members and completed six reports in 2017 and 2018. I have taken account of this work during the course of my audit. The Council also engaged an external consultancy service to provide support and advice to the unit in 2017.”

The Chief Executive’s response to that was as follows:-

“The establishment of the CCUI which encompasses both Internal Audit and Procurement during the latter half of 2017, has been

very successful to date. This unit, and the wider organisation, is further supported by an external consultancy service appointed in late 2017. There is a collaborative knowledge transfer programme in place from the external consultants to the CCU. This coupled with a structured training programme for the staff members in the CCU will add long term value to the organisation and ensure that internal audit is as effective as it can be within the Council. The role and support of the Audit Committee in this process is also acknowledged and appreciated.”

With regard to the Audit Committee, Ms. Halion reported that it *“held five meetings in 2017 and approved the annual internal audit work plan for the year. The Committee’s work also included reviewing the Council’s risk register, audit reports and following up on recommendations from previous audit reports. The committee submitted their 2017 annual report to the members at their meeting in March 2018, in accordance with Section 80 of the Local Government Act 2014.*

(j) Risk Register

- Pointing out that the Council’s Corporate Risk Register had been updated in 2018, following consultation with and a review of the previous risk register by Irish Public Bodies Insurance plc, Ms. Halion stated that the updated Corporate Register links the risk registers for each Directorate to the overall Corporate Plan.
- In his response to that the Chief Executive said that the aim of the programme of risk management was *“to create awareness amongst every employee of their obligations regarding risk and mitigation of risk in their workday activities and dealings. The feedback from these workshops and the input and direction from our Audit*

Committee and from Irish Public Bodies Insurance to the risk management process is acknowledged and appreciated”

When we met Ms. Halion on the 7th December 2018, we reviewed her Management Letter dated the 4th September 2018 to the Chief Executive and discussed the following matters therein with her and with Mr. McKeon.

- Development Contributions
- Disaster Recovery Plan
- Fire Charges
- Derelict Site Levies
- Paid Parking
- Purchasing Procedures
- Local Authority Companies
- Section 183 Register
- Ethics Returns
- P35 Return

We will continue to monitor these matters (and indeed all other matters coming within our remit) over the coming year and, if necessary, we will request periodical reports from the relevant directorates.

The Committee also prepared and submitted to NOAC a detailed and comprehensive Performance Appraisal of our work for 2017 and for 2018 thus complying with our statutory obligations in that regard. A special word of thanks to both Ciara Gillen and Denis Glennon for the commitment, hard work and time they put into that.

We are pleased to report that both management and staff have diligently and courteously worked with us throughout 2018.

The Committee wish to formally thank the Chief Executive Paddy Mahon, the Head of Finance, John McKeon, and all of the management and staff within the various directorates for their assistance and co-operation over the past twelve months. We also wish to formally thank and congratulate the Internal Auditor, Mr. Ray Murphy, and his assistant, Ms. Fiona Baskett, on their work throughout the year. As this is our last Audit Committee Report, we must express our sincere thanks to our hard-working, diligent and professional (not to mention patient!) Committee Secretary Anne Lee for her support and assistance throughout the past year and indeed since our appointment in 2014.

What started off for us as members of the Audit Committee in 2014 as a somewhat hair-raising, if not daunting, experience has ended with a sense of success, achievement and accomplishment as we pass the baton on to those who succeed us. We wish them every success during their term of office.

Section 5 - Operation of the Audit Committee

In 2018, the Audit Committee met on the 9th February, 9th March, 20th April, 27th July, 28th September and 7th December. The Committee considered the internal audit reports which were prepared by the Internal Audit Department of Longford County Council. It also

- reviewed collection performance
- reviewed the income and expenditure projections in order to fully analyse the effectiveness of any cost cutting measures

In addition, as we have already shown, the recommendations made by the Local Government Auditor in the Statutory Audit Report for 2017 were carefully monitored

and followed up by us. In 2018, the Audit Committee was notified by the internal audit department of the Executive's and its responses to issues or weaknesses identified in either the external auditor's report or the management letter. The Committee has noted a commitment from the internal audit function to respond to and implement the recommendations of the external auditor in a timely manner. The Committee has also noted that additional personnel have been allocated to the internal audit function of the Council.

During the year:-

(a) The Audit Committee approved the following Audit Plan for 2018:

- The detailed updated Internal Audit Report on the Civil Defence Function (First conducted in 2017. This was kept on the agenda throughout 2018).
- Internal Audit Report on Fire Charges
- Public Liability Claims
- Human Resources- staff recruitment
- Performance Indicators - Statutory Report
- Public Spending Code - Statutory Report
- Travel and Subsistence
- Housing Assistance Payments (HAP)
- Audit Findings Implementation.

(b) Other Reports/Presentations received by the Committee in 2018:

- (1) Longford County Council Annual Budget for 2018. It was agreed that the Quarterly Budget updates presented to the council would also be available to the Audit Committee
- (2) The Audit Committee received updates on the following:
 - Council Risk Management Policy
 - Risk Register
 - Risk Management Programme 2018

The Audit Committee was to be notified of all High Risk items.

- (3) The National Oversight and Audit Commission (NOAC) report on the Operation of Audit Committees in Local Government, Report No 15. June 2018. The Audit Committee is committed to implementing those recommendations on Page 18 of the report, that are not already in place.
- (4) GDPR compliance update.
- (c) The development by Internal Audit of the 'Audit Findings Tracker' provided the Audit Committee at all its meetings with the following critical information:
 - Audit Title
 - Audit Recommendation
 - Assurance/Risk Level (High, Medium, Low)
 - Applicable Directorate
 - Responsibility
 - Status of Recommendations
 - Implementation of Actions
 - Deadline
 - Management Response
 - Audit Update.

This Audit Findings Tracker has proved a useful mechanism for tracking the detailed recommendations of the Audit Committee, the Internal Audit Function and the Local Government Auditor.

- (d) The Committee also continued to consider whether procedures were in place whereby employees of the local authority could in confidence raise concerns about possible irregularities in financial reporting or other financial matters *and* that the arrangements included arrangements for the proportionate and independent examination of such matters;
- (e) The Committee is in the process of reviewing the both the Internal Audit Charter and the Audit Committee Charter;

Section 6 - Going forward

The annual work programme to be adopted by the Audit Committee will include:-

- (a) Ensuring that the internal audit function within Longford County Council is effective, efficient, fully resourced, independent and fit for purpose;
- (b) Reviewing all internal audit reports;
- (c) Fostering the development of best practice in the internal audit function;
- (d) Reviewing and considering both the Internal Audit Charter and the Audit Committee Charter and bringing any recommendations to the attention of the Chief Executive;
- (e) Reviewing and assessing the draft annual internal audit plan;
- (f) Monitoring implementation of the internal audit plan on a quarterly basis;
- (g) Assessing the extent to which audit objectives are being achieved;
- (h) Assessing the outcome of the internal audit process, having regard to any findings and recommendations of the internal audit unit and management responses thereto;
- (i) Assessing the implementation of agreed corrective procedures by management having regard to follow-up audits;
- (j) Reviewing the report of audit activities by the internal audit unit, within three months of the year end;
- (k) Requesting special reports from Internal Audit Unit as considered appropriate;
- (l) Reviewing the Council's financial and budgetary reporting practices and procedures;
- (m) Reviewing the Local Government Auditor's reports and assessing management response thereto and follow-up actions;
- (n) Meeting with the Local Government Auditor and discussing her report;
- (o) Assessing and promoting value for money/efficiency in all areas;
- (p) Assessing the existing processes for the effective management of risk;

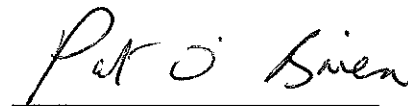
- (q) Reporting to the Council at least annually and in any event within three months of the end of each calendar year, providing such advice and making such recommendations, if any, to the Council as the Committee may consider appropriate.
- (r) Assessing the effectiveness of existing protocols whereby employees of the local authority may in confidence raise concerns about possible irregularities in financial reporting or other financial matters;
- (s) Ensuring that those protocols include arrangements for the proportionate and independent examination of such matters;
- (t) Reviewing its own performance and effectiveness.

Thus, we have outlined the various recommendations which the Audit Committee has made to the Executive in relation to the matters within its remit. We have also set out in Section 5 of this report a summary of the areas which we have reviewed in 2018. Our recommendations will be noted in the minutes of our meetings which are, of course, available to elected members of the Council upon request through our Committee Secretary.

Signed:



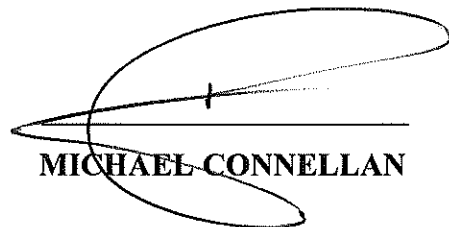
PATRICK GROARKE
Chairperson



PAT O'BRIEN
Vice Chairperson



CIARA GILLEN



MICHAEL CONNELLAN



DENIS GLENNON