

COMHAIRLE CHONTAE LONGFOIRT
LONGFORD COUNTY COUNCIL



AUDIT COMMITTEE

ANNUAL REPORT

FOR YEAR ENDED 31 DECEMBER 2020

June 2021

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 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 18 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 14 May 2008.

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 6 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 Chief Executive;
 - 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. James Morgan, Chairperson of the Committee, is a Chartered Accountant and based in Longford Town
- Ms. Luie McEntire, farmer and was formerly an elected member of Longford County Council
- Mr. Louis Belton, former Dail Eireann and Seanad Eireann representative and was formerly an elected member of Longford County Council.
- Ms Mary Rose McNally, Solicitor, based in Strokestown, Co. Roscommon.
- Ms Brid Mimmagh, Solicitor, based in Longford Town.

(Brid Mimmagh was nominated following the resignation of Uremui Adejmi)

Section 4 - Chairperson's Statement:

Statement of James Morgan, the Chairperson of the Audit Committee of Longford County Council.

This is the thirteenth Annual Report of the Audit Committee of Longford County Council covering the period from **1 January to 31 December 2020**.

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 10 July 2019.

The members of the Audit Committee took up office on 1 August and we had our inaugural meeting on 4 October 2019.

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 2020 we have had various meetings with members of the Executive and staff of Longford County Council. All meetings were held in compliance with the Government's COVID-19 health guidelines in place at the time.

- We met with John McKeon, the Head of Finance, on 7 February, 24 July, 4 September, 16 October, 4 December and 18 December 2020.
- We met with Ms Fiona Baskett, Internal Auditor, on 7 February, 24 July, 4 September, 16 October, 4 December and 18 December 2020.
- We met with Ms Linda Hogan, Data Protection and Information Compliance Officer, on 16 October 2020.
- We met with Ciaran Murphy, Senior Executive Officer and Chief Officer Longford Local Community Development Committee, on 4 December 2020.
- We met with Paddy Mahon, Chief Executive, on 18 December 2020.
- We met with John Brannigan, Director of Services, on 18 December 2020.
- We met with Ms Maura Hegarty, Administrative Officer, on 18 December 2020.
- We met with Ms Aoife Moore, Executive Planner, on 18 December 2020.
- We met with Liam Hand, Internal Audit Assistant, on 18 December 2020.

Although we have our own independent agenda, the Audit Committee continues to closely monitor the recommendations which are made each year by the Local Government Auditor.

We met with Donal Cahill, the Local Government Auditor, on 4 September 2020 and discussed his Statutory Audit Report for the year ended 31 December 2019 in considerable detail.

Thus, we complied with the provisions of ***Section 60 of the Local Government Reform Act, 2014.***

We also met with John McKeon, the Head of Finance, at our meeting on the same date and we discussed Mr. Cahill's report with him.

Internal Audit Reports

The Internal Audit Department of Longford County Council is functioning to a very high standard. The quality of audit reports is excellent. We wish to commend Ms Fiona Baskett, the Internal Auditor, for her professionalism and expertise.

As well as carrying out various Internal Audits under the Annual Audit Plan, Ms Baskett is responsible for the co-ordination of NOAC's Performance Indicators Reporting, all steps of the Public Spending Code Quality Assurance Report and the annual review of the Social Inclusion and Community Activation Programme.

In 2020, the Audit Committee reviewed the following Reports:

- Travel and Subsistence Internal Audit Report
- NOAC Performance Indicators Report 2018
- Treasury Management Internal Audit Report
- NOAC Performance Indicators Report 2019
- Public Spending Code Quality Assurance Report 2019
- Social Inclusion Community Activation Programme Report 2018
- Housing Maintenance Internal Audit Report

Local Government Auditor's Report

In his report, the Local Government Auditor focused on ten main issues:-

(1) Post Balance Sheet Event

- COVID-19
- Disclosures in Annual Financial Statements
- Actions taken to address the financial uncertainty of COVID-19
- Financial impact

(2) Financial Standing

- Statement of Comprehensive Income
- Financial position
- Capital Account analysis

(3) Major Revenue Collections

- Summary of the major revenue collections
- Rates
- Rents
- Housing loans

(4) Transfer of Water and Sewage Functions to Irish Water

- Service Level Agreement
- Water related assets

(5) Capital Account

- Capital balances- unfunded

(6) Fixed Assets

- Assets management

(7) MyPay Shared Services

- Payroll shared services
- Pensions shared services

(8) Local Authority Companies

- Longford Pool Construction Ltd
- Local Enterprise Development CLG

(9) Development Contributions

- Overview
- Bad debt provision
- Arrears

(10) Governance

- Overview
- Internal audit
- Risk management
- Data protection
- Ethics
- Procurement
- Fraud policy

The Local Government Auditor stated as follows in his report: *“The Internal Audit Unit completed a programme of audits during 2019. I took account of the internal audit reports as part of my audit planning”.*

The Chief Executive’s response to this and all other comments under Governance was as follows: *“The Council is committed to ensuring that the proper governance structures are put in place, properly resourced, supported by appropriate policies and procedures and monitored by the management team on an ongoing basis”.*

Section 5 - Operation of the Audit Committee

In 2020, the Audit Committee met six times, on 7 February, 24 July, 4 September, 16 October, 4 December and 18 December 2020.

The Committee considered the Internal Audit reports which were prepared by the Internal Audit Department of Longford County Council.

The Committee also:

- Considered the Annual Financial Statement for the year ending 31 December 2019
- Considered the Local Government Audit Service Statutory Report for the year ended 31 December 2019
- Adopted the Internal Audit Charter 2020
- Agreed and adopted the Annual Audit Work Plan 2020
- Considered the Budget 2021 report
- Reviewed the Audit Tracker on a quarterly basis
- Reviewed the relevant reports from NOAC
- Considered and prepared the Audit Committee Report for 2020
- Considered a presentation on the General Data Protection Regulations and Compliance
- Considered a presentation on Regeneration projects in County Longford

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 the 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 his 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 2020.

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.

We are pleased to report that both management and staff have worked diligently and courteously with us throughout 2020 despite the additional demands that the COVID-19 pandemic presented.

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 year.

We also wish to formally thank Ms Fiona Baskett, Internal Auditor on her work throughout the year.

We also express our sincere thanks to Committee Secretary, John McKeon, and to Claire McNabola, Staff Officer for their support and assistance throughout 2020.

Signed: 16 July 2021

James Morgan

JAMES MORGAN
Chairperson

Luie McEntire

LUIE MCENTIRE

Louis Belton

LOUIS BELTON

Mary Rose McNally

MARY ROSE MCNALLY

Brid Mimmagh

BRID MIMNAGH