

Minutes of the National Oversight and Audit Commission (NOAC) meeting

Tuesday 17<sup>th</sup> January 2017

Venue: Conference Room, Offices of the RTB, O'Connell Bridge House, D'Olier St., Dublin 2

Attended by:

Chairman Pat McLoughlin  
Members John Buckley  
Tara Buckley  
Connie Hanniffy  
David Holohan  
Paul Lemass  
Michael McGreal  
Martina Moloney  
Sharon O'Connor

Secretariat Maurice Coughlan  
Sheila McMahon  
Mark Crosbie

Apologies Colleen Savage  
Henry Upton

Guest Níamh Larkin, Director of Audit, Local Government Audit Service

The members were circulated with a revised list of the sub-group membership following on from the Chairman's assignment of the new members to vacancies on the groups, the infographics of the 2015 Performance Indicators published by the LGMA and also with a brochure of the projects that featured in the 2016 Excellence in Local Government Awards, which may provide a context for further discussion of a local authority showcase event.

Minutes of meeting of 6/12/2016 and matters arising

The minutes of the meeting of 6<sup>th</sup> December 2016 were agreed without amendment. The Chairman explained that he had met with the secretariat to discuss implementation by the September deadline of the revised Code of Corporate Governance for State Bodies and the preparation of the letter to the Secretary General and the Department of Public Expenditure and Reform (D/PER) in relation to the elements applicable to NOAC. He had requested the inclusion of a standing agenda item for NOAC meetings in relation to declarations of conflict of interest and the members confirmed that they were aware of no conflicts in relation to the items scheduled for discussion at the meeting.

Review of LGAS 2015 Audit Reports

The meeting discussed the circulated summary of the salient elements of the audits of the 2015 Annual Financial Statements (AFS) in respect of 16 of the local authorities. A further 7

have been published since Christmas and a summary of the other 15 reports will be circulated when the final 8 audits have been published. There was consensus that while the positives were the day to day financial position of the authorities, the fact that none of the reports was modified and the reduction of Donegal County Council's deficit, common themes of concern that emerged from many of the reports related to procurement practices, asset management, resourcing of the internal audit function, housing loans and rents collection and unfunded balances. The Financial Performance Sub-Group was asked to prepare an overall summary of the issues raised in the reports, indicating which items were already under examination by NOAC or elsewhere and suggesting the residual items that NOAC should look at and how they should be examined.

The Internal Audit function is about to be examined by the PMO Project Sub-Group and it was agreed that the focus of this study should be more on the function itself rather than on its configuration and the shared services aspect. It should start by looking at commentary on Internal Audit contained in the individual LGAS Audit reports and the internal audit requirements for State Bodies (but not local authorities) specified in the Corporate Governance Code. The issue of a Statement of Internal Financial Control discussed at a previous meeting also needed to be part of the review.

#### Discussion with Níamh Larkin, Director of Audit, LGAS

Níamh Larkin joined the meeting at 10.30 to discuss the VFM Unit work programme. The motor tax audits have been brought forward to the first couple of months of the year which means that work on the AFS audits will commence earlier in the year. She expects that 29 of the 31 audits will have been completed by the end of September and this will free up the Auditors for other work for the final 3 months of the year. Discussions were taking place regarding a request to audit SICAP funding but there should be at least 5-6 weeks available for VFM work to be carried out by all the Auditors. Templates in relation to the proposed shorter fact based report proposals had been trialled in 3 local authorities before Christmas and showed up variations in treatment by different authorities, particularly in relation to the unfunded balances, which are relevant to financial sustainability. Her objective is that future VFM studies will focus more on major expenditure items and high risk areas as indicated by the audit and NOAC performance indicator reports. In response to a query from the Chairman about the structure and role of the VFM Unit's Consultative Committee, Níamh indicated that her preference is to have decided the risk areas that should be examined before going to the Consultative Committee, as she favours involving the Heads of Finance and Chief Executives when at the stage of firm proposals for studies.

John Buckley expressed the view that working more closely with NOAC might help to reduce any potential conflict with the independent role of the LGAS and the way it works within the existing Consultative Committee and General Accounts Working Group structure. NOAC would be anxious to support the Director as she is key to its role and NOAC's existence could be the

basis on which previous structures are replaced. Given the newness of the SICAP programme, he queried the LGAS involvement at such an early stage. Níamh clarified that there is an agreement that the SICAP funding is to be audited, that a meeting was scheduled for the following day to discuss how this was to be done in light of an internal audit gap that had recently arisen and that the options included getting this work done by external auditors. John also raised the format of the local authority accounts and the volume of information that appears on the balance sheet only. Níamh agreed that the local authority accounting methodology is a long way from the accounting standards that would apply in other jurisdictions – the audit checks for compliance with the Accounting Code of Practice and not FRS 102. She is of the view that changes, working with the Heads of Finance and Chief Executives, are needed but advised that this is a slow process. In reply to a query regarding the Audit Committees, Níamh said the legislation provided for a meeting between the Auditor and the Committee only when the audit was complete, while she favoured meeting at the audit planning stage also – they were, therefore, including a discussion on the forthcoming audit at the meeting following completion of the previous audit.

The Chairman referred to the fact that NOAC's financial scrutiny role entitles it to make suggestions on data collection in relation to the audit function but also enables it to be much more directive in relation to the VFM role. He proposed that he, John Buckley and Martina Moloney should have a discussion with Níamh and relevant Department officials to decide the respective roles, work out a future structure, including in relation to the Consultative Committee, decide on the priority areas and report back to the next NOAC meeting. He complimented the Director's proposal to introduce some VFM studies that would be completed in a short timeframe and thanked her for her input to the meeting.

#### Work Plan for 2017 and next Thematic Reviews

The circulated draft Work Plan was agreed and there was further discussion as to the next thematic reviews, including whether to expand the circulated list of previously discussed topics to include well established large expenditure areas and housing loans and other issues raised in the Audit reports. There was consensus that the IT area previously discussed should be a priority and should now be scoped to chart the study at a helicopter level with a breakdown of the various topics and to cover what is being looked at by the CCMA and what should be looked at by NOAC. Phased reporting may be necessary. Preparation of the scoping paper may require outside expertise and should involve consultation with the Chief Information Office in D/PER and the relevant IT people in the LGMA and the Department.

#### Statement of Strategy 2017 – 2019

The draft changes were discussed and agreed subject to some amendments. The document is to be recirculated with some additional changes discussed at the meeting and the members given a further opportunity to seek amendments before it is finalised. The secretariat was

asked to obtain a list of any reviews or evaluations of functions carried out by local authorities that were being conducted by the Department or the LGMA and feed back to the members.

#### Performance Indicators re 2016 Activity

Martina Moloney stressed that NOAC needed to decide on the 2016 indicators at this meeting as the Guidelines would have to issue to the local authorities before the end of the month given the objective of publication of the 2016 report in September. The circulated note reflected the recommendations of the Performance Indicators Sub-Group in light of various comments received and the consultations it had undertaken.

The members discussed and agreed the recommended changes and also to collect remediated dwellings data in respect of the H5 indicator, to leave the brown bin indicator unchanged for 2016 in light of the information obtained in discussions with the EPA and the Connacht-Ulster WERLA and to collect both the number of Trading Online Voucher applications approved by the LEOs and the number that were drawn down in 2016. It was also agreed that an additional data item would be collected but not published on the number of single rural dwellings that are planned for demolition or disposal, so as to get an idea whether the scale was sufficient to warrant considering a request for their exclusion from the housing indicators in the future.

#### Customer Survey, Housing and Financial Performance Sub-Group Updates

The first draft of the desktop study part of the next customer survey has been completed but requires refining. It shows that the websites of 21 local authorities are user-friendly while 10 are not and that information on Municipal District functions, Audit Committee reports and organisation charts are not readily available. The Customer Service Officer is not listed in many cases. Strong areas were information on annual reports, minutes of Council meetings, licensing and financial information, complaints procedures, information for potential business owners and in relation to water supply. Social media links were better than expected. The secretariat will move on to drafting the questionnaire for issue to the local authorities.

The Housing Sub-Group had met in the first week in January and provided the secretariat with a number of changes to the structure and content of the Management and Maintenance report and suggestions regarding the Conclusions and Recommendations. When the revised draft is ready, the Sub-Group will decide if a further meeting is required or if the report is ready for circulation to the members.

A draft of the report of the consideration by the 31 Audit Committees of the LGAS reports on their 2014 Audits was being considered by the Financial Performance Sub-Group, which will meet to discuss it.

#### Next Meeting

The next meeting of NOAC is scheduled for Tuesday 28<sup>th</sup> February 2017 at 10.00 a.m. in the offices of the RTB.