



National Oversight and Audit Commission

Internal Audit in Local Authorities

NOAC Report No 17- July 2018

TABLE OF CONTENTS

| | |
|--|----|
| Introduction | 1 |
| NOAC Review Objectives | 2 |
| Methodology | 2 |
| LGAS Reports 2016 | 3 |
| PMO Project | 3 |
| | |
| Findings and Recommendations | |
| Existence and Nature of Service | 6 |
| Audit Standards and Quality Assurance | 7 |
| Audit Charter and Authority | 8 |
| Budget and Resources | 9 |
| Independence and Access | 11 |
| Focus of Testing | 12 |
| Reporting and Communications | 13 |
| Overall NOAC Conclusion | 15 |
| | |
| Appendices: | |
| A - Income and Expenditure | 16 |
| B - Summary of Recommendations Internal Audit in Local Authorities 2000 | 17 |
| C - Spend of the Authority in 2016 (per AFS) | 21 |
| D - 2017 Internal Audit Budget | 22 |
| E - Summary of 2016 Local Government Audit Service 2016 | 23 |
| F - Summary of Internal Audit areas of focus for 2016 | 28 |

Introduction

There are 31 local authorities in Ireland and in 2016 their combined Revenue Expenditure was €4,009 million along with €1,454m on capital expenditure. At the year-end they held assets and liabilities of €89,117m. The composite outturn for all local authorities for 2016 was as outlined in Appendix A. Each local authority has its own administrative functions some of which are delivered through shared services. The accountable person in local authorities is the Chief Executive.

As in most modern management systems, the responsibility for internal control and effective delivery of services rests with management and all local authorities now have review functions in the form of Audit Committees.¹ A key element of this internal control system is internal audit. When it functions well it provides

- A broad range of appraisal and evaluation of the local authority's administration and delivery systems
- Independent assurance by way of feedback to management and the audit committee on the operation of checks and controls established within those systems
- Assurance on value for money through examinations of the economic, effective and efficient use of resources allocated by the local authority.

Corporate governance and risk management have assumed greater importance in both local and central government management. The overall objective of internal audit is to provide objective and relevant assurance and contribute to the effectiveness and efficiency of governance, risk management and control processes.

The operation of internal audit in local authorities was last examined by the Local Government Audit Service in 2000. The review found that there was considerable scope for improvement to the practices and procedures used by internal audit to deliver a professional service. In general, there was an absence of effective planning and the scope of the actual work undertaken was limited. Important audit techniques, such as risk assessment were not employed, and the level of systems review was low.

¹ Internal Audit in Local Government 2000

Standard audit procedures in relation to controlling, recording and reporting were in need of development, as was the need for audit review procedures. The absence of professionally qualified accountants/auditors in internal sections has contributed to the under development of internal audit operations. Moreover, the inadequate level of internal audit training then provided, meant that internal audit staff did not, in many instances, have the skills necessary to carry out audits to the standard required.

The report went on to set out detailed findings and recommendations. These are set out in Appendix B.

NOAC Review Objectives

The focus of NOAC's current review is on the general governance of the function and in particular, it sought to establish:

- Whether internal audit was functioning in local authorities and the nature of internal audit services
- The authority under which the functions operated and whether they were governed by Audit Charters
- The extent of their budgets and resources
- The audit standards to which they operated and the quality assurance arrangements
- Their independence and access to information
- The focus of reviews and testing by the functions and
- Their reporting and communication arrangements.

Methodology

NOAC reviewed the recent reports of the LGAS insofar as they referred to the internal audit functions of local authorities and compiled a questionnaire which it issued to NOAC Coordinators in each local authority. It also reviewed the status of a project by the Programme Management Office of the City and County Managers association to provide for collaboration in the areas of internal audit.

LGAS Reports 2016

Internal audit plays an important role in supporting audit committees within local authorities and in challenging management on corporate governance, risk management and internal control. It is for these reasons that a strong independent internal audit function is vital within local authorities. The main comments in the local government audit report of 2016 was

- In cases where the internal audit function was operating satisfactorily, auditors took account of the work carried out by them in planning their audits
- In many cases the internal audit function was under resourced due to a number of posts being left vacant for extended periods, a reduction in staff numbers during the year or insufficient resources being allocated to this function. Auditors identified difficulties in this regard in twelve local authorities
- The level of internal audit resources used in relation to the public spending code and the impact this had on the effectiveness of the internal audit unit in its wider governance remit.
- Auditors also referred to the fact that they had met with audit committees since the previous audits to discuss the contents of their audit reports and follow up actions required. One audit report made reference to the fact that the audit committee did not meet in 2016, which is a breach of the Local Government (Audit Committee) Regulations 2014.

PMO Project

The Local Government Internal Audit Network (LGIAN), established in 2000 as the Local Government Internal Audit Development Group and renamed the Local Government Internal Audit Network under the Constitution in 2015, is a forum for internal auditors within local government to share knowledge and experiences in order to improve the efficiency and effectiveness of the function across the sector. All local authorities with internal audit functions are represented. The project envisaged the establishment of an Internal Audit Centre of Excellence. However, it did not proceed in that form and was revised into a project that would involve sharing knowledge and experience across the sector.

Amongst the objectives of the project as ultimately adopted were, inter alia:

Through collaborations of adjacent authorities, regional or sub-regional combinations

- To develop audit tools and techniques
- To share knowledge and insight
- To procure expertise, advice, assistance and/or support for specialist audits
- To review, examine and discuss key audit themes and evolving topics

Update

3 regional networks that have been established aligned to the Regional Assembly structure, Northern and Western Region, Eastern & Midlands Region and Southern Region. Regional networks meet on average 3 times a year. In addition to the regional networks, 2 Local Government Internal Audit Network (LGIAN) National meetings are held every year

To develop and implement more definitive standards for internal audit practitioners in local government

Update

This is currently under review by the CCMA Finance Committee. A two-day training course held in Q4 2016 for chief auditors from each of the 26 local authorities that have in-house internal audit function on the IIA's ***International Professional Practices Framework*** and particularly the ***International Standards for the Professional Practice of Internal Auditing***. The training was exceptionally well received with 28 auditors in attendance

To strengthen governance arrangements for the internal audit function in local government

Update

The Alfresco Internal Audit Portal was developed to facilitate collaboration and is active. The LGIAN members participate in the Public Spending Code (PSC) on an annual basis carrying out the PSC's quality assurance element Section 4 In-Depth checks for their local authorities. A sub-group of the national network has been established to review and consider the overall training requirements of the network in the future. Training is provided on an ad hoc basis

and some members of the network have, on occasion, joined the Heads of Internal Audit Forum (Civil Service) training supported by the Chartered Institute of Internal Auditors.

Collaborative Topics presented at LGIAN:

- Payroll, MyPay
- Corporate Governance
- Procurement
- Internal Audit Collaboration
- IT Audit
- Public Spending Code
- Social Housing
- Freedom of Information
- Local Government Audit Service
- Procurement
- Audit Software
- Risk Management
- GDPR
- Audit Software
- Cyber Security

To strengthen Governance Arrangements for the Internal Audit function in the local government sector.

Update

LGIAN report into the CCMA Finance Committee meetings and also forward progress reports to them for consideration.

Findings and Recommendations

NOAC was established in July 2014 under the Local Government Reform Act to provide independent oversight of the local government sector. This statutory function includes the scrutiny of performance in respect of the financial resources available to local authorities. NOAC is of the view that the findings and recommendations included throughout this report should be considered as a minimum for best practice and should be adopted fully where appropriate.

Existence and Nature of Service

All 31 local authorities have an internal audit function, with 22 authorities operating this function in-house. Three authorities - Leitrim, Louth and Mayo - have this function fully outsourced. Dublin City, Dún Laoghaire-Rathdown, Galway City, Limerick, Monaghan and Wicklow use a combination of in-house and outsourcing.

All authorities with Internal Audit staff have an on-going training plan in place, with the exception of Waterford, which has ad-hoc training. Professionally outsourced training is provided to staff in Cavan, and Mayo, while Galway County and Roscommon opt for an on-the-job training approach. The remaining authorities that provide training do so by means of combined professional and on-the-job training.

- All local authorities have internal audit functions and there is on-going training plan in place for authorities except in the case of two authorities where the Internal Audit function is outsourced.
- Where internal audit services are procured by local authorities, the contract should provide for the supply of trained professional staff.
- Training and development is an area where the collaboration model envisaged by the PMO could benefit authorities. Training could be planned and delivered more efficiently in a regional setting.

Only 10 authorities advised that their Internal Audits are undertaken in conformity with the Institute of Internal Auditors standards. The 10 are Dún Laoghaire-Rathdown, Kerry, Kilkenny, Laois, Leitrim, Limerick, Louth, Mayo, Offaly and Wicklow. However, some authorities like South Dublin stated that they are in substantial compliance with the standards. In response to the question as to whether any External Quality Assurance review of Internal Audit has been undertaken, only six authorities confirmed that this was the case - Dublin City, Fingal, Galway County, Kerry, Leitrim and Mayo.

- NOAC recommends that all internal audit functions operate in accordance with the Standards of the Institute of Internal Auditors.
- It also recommends that the quality of the service be reviewed through on-going monitoring of the performance of the function, periodic self-assessments and by way of evaluation by a qualified reviewer at least every five years.

Audit Charter and Authority

A formal Internal Audit terms of reference, approved by the Audit Committee, is in place in all authorities other than Louth and Waterford. When questioned if a compliance test was carried out in 2016 with regards to the operation of the Internal Audit unit against the stated function in the charter, only Dublin City, Kerry, Mayo, South Dublin and Westmeath confirmed this to be the case. The results of this compliance test were only reported to the Audit Committee by Kerry and Mayo.

- NOAC recommends that all internal audit units operate under a formal written Terms of Reference and that charters be reviewed annually by Audit Committees.
- A central focus of this review should be whether the charter covers a broad range of review including value for money and whether the unit has the capacity, taking account of contracted-in expertise to cover the functions set out in the Terms of Reference.

Budget and Resources

Local authorities combined current and capital spend of the Authority in 2016 (per AFS) and the staffing resource band in outlined at Appendix C. There is an overall reported spend of €4.9 million on internal audit services. The spend ranged from €27,500 in Leitrim to €548,000 in Dublin City. The spend reported by each local authority is set out at Appendix D.

24 internal audit units had three staff or less with 12 local authorities operating with one staff member and a further 12 having two or three staff members Fingal, Kerry, Kildare and South Dublin have 4 to 7 staff and Cork County and Dublin City have greater than 7. Leitrim has no staff due to the outsourcing of the function.

Internal audit functions need to possess or obtain the knowledge, skills or competencies needed to deliver their audit plans. A broad range of qualifications was reported and in the case of Laois, South Dublin and Wexford professional internal audit qualifications were specifically outlined as holding profession qualifications as Chartered Internal Auditor, Certified Internal Auditor and Diploma in Internal Audit Practice. Many others had several qualifications but the highest or most relevant qualification was recorded. It is worth noting that included in the qualifications are 12 qualified accountants and Dublin City cited no formal qualifications but 40 years on-the-job experience. Due to outsourcing of the function, Leitrim and Limerick declared no qualification and Roscommon also stated no formal qualification.

Local authorities were asked whether the audit committee had conducted an assessment of the adequacy of Internal Audit resources, including staff skills, within the last 2 years. 17 authorities had done so - Cork City, Cork Co, Dublin City, Dún Laoghaire-Rathdown, Fingal, Galway City, Kerry, Kilkenny, Leitrim, Limerick, Longford, Louth, Mayo, Monaghan, Offaly, South Dublin and Waterford. The remaining 14 had not carried out an assessment. The outcome for those who have carried out a review was that in general there was an increase in resources/staff, an audit plan was drawn up and one authority is still considering the review.

All local authority Internal audit function are reviewed by the local government audit services who carry out and publish the annual audit report for each local authority and in Appendix E a summary is provided for all the published 2016 reports.

There is no designated post of Head of Internal Audit in the local government sector. For purposes of this report the grade of the most senior person in the internal audit function is reported.

The grade of staff applicable to the head of Internal Audit was as follows:

- 21 authorities have a Grade 7 as head of Internal Audit.
- Grade 8 in Cork County, Dublin City, Kerry and Mayo (4),
- Grade 6 in Cavan, Galway City and Monaghan (3),
- none in Leitrim, Limerick and Louth where the service is outsourced

- Audit Committees should in conjunction with the Head of Internal audit review the skills and competencies required to carry out the audit tasks included in the audit plan and identify how any gap can be filled.
- NOAC recommends that the capacity of internal audit units be supplemented as appropriate by the procurement of staff for specific assignments so as to ensure that there is audit coverage of the key risks over a review cycle agreed with the Audit Committee. This is particularly important in the case of units with only one or two members. Where services are procured under contract NOAC recommends that it be a term of the contract that the service be provided in accordance with the Standards of the Institute of Internal Auditors.
- NOAC also recommends that local authorities encourage existing staff to obtain appropriate professional qualifications and assign new staff to these functions who are either qualified or seeking to achieve qualification.

Independence and Access

All authorities where services are delivered through in-house units reported that the Internal Audit Unit has unrestricted access to all functional areas, records, property and personnel in the performance of their audits. In the case of Leitrim which is entirely outsourced the audit topics are selected by the Audit Committee in consultation with the Head of Finance.

Respondents to the questionnaire reported that in all cases the working relationship with the Audit Committee and senior management functioned in a way that ensures the independence of the Internal Audit Unit with regard to audit topics. Limerick and Leitrim, due to the outsourcing of the function, indicated that the audit plan is drawn up in advance for the contractors and any work outside the agreed plan would have to be priced and agreed by management and referred to the Audit Committee. The outsourced function was acquired by public tender in some cases and in others through the OGP framework for Accounting and Audit services.

A challenge in outsourced services is to ensure that the survey of the risks and the compilation of the audit plan is comprehensive. In these instances, NOAC recommends that local authorities consider either

- designating an audit liaison officer to review the risks faced by the authority and ensure that audit activity is focused on those areas over a reasonable cycle
- assigning this preliminary survey as a first task to a contracted firm and agree a programme of work based on that review.

Focus of Testing

Local authorities carry out a wide range of audit work and as these have been synthesised in Appendix F to outline the Internal Audit areas of focus for 2016.

In relation to whether the work programme of Internal Audit included Value for Money assessment of services and performance, it was confirmed that this was the case for all except Louth, Longford and Wicklow. {Caveat based on actual work programmes}

With regard to the review of procedures for handling cash receipts, all internal audit functions covered this aspect of administration except Fingal. Public Spending Code reporting was carried out by all internal audit functions except Cork County.

NOAC recommends that rolling multi-year audit programmes be established. Such programmes should be adjusted based on an annual risk assessment. In formulating the programme, the broad aim should be to strike a balance between assignments designed to review

- Financial performance and internal controls
- Operational performance examining the efficiency and effectiveness of service delivery
- Compliance with regulations and bye-laws
- Security of systems for processing transactions and storing information.

The assessment of the capacity of the function to deliver such a balanced programme should form part of the annual review by the Audit Committee.

Reporting and Communications

The Head of Internal Audit reports as follows

- directly to the Chief Executive in nine authorities - Carlow, Kildare, Limerick, Longford, Louth, Meath, Sligo, South Dublin and Westmeath
- to the Chief Executive (CE) and Director of Finance in seven authorities - Cavan, Cork City, Donegal, Dublin City, Galway City, Waterford and Wicklow
- to the CE and Director of Corporate in three authorities - Cork County, Galway Co. and Monaghan
- to the Director of Finance in four authorities - Clare, Mayo, Roscommon and Wexford
- in a further two authorities to the Director of Corporate - Kilkenny and Offaly
- to the Chief Executive and Audit Committee in Dún Laoghaire-Rathdown,
- to the Chief Executive, Audit Committee and Director of Corporate in two local authorities - Fingal and Kerry and
- to the Chief Executive, Audit Committee and Director of Finance in two authorities - Laois and Tipperary
- Leitrim, as the function is outsourced indicated that the Internal Auditor reported directly to the Audit Committee.

It is essential that strong communication channels are in place for the function and it was confirmed that these are in place between the head of Internal Audit and the Audit Committee to ensure confidential exchanges of information in all authorities with just one exception – Galway County.

All heads of Internal Audit have full discretion regarding the contents of the audit report and all internal audit work plans are approved by the Audit Committee and the Chief Executive. All heads of Internal Audit have unrestricted access to the Chief Executive and the Chairperson of the Audit Committee with the exception of Carlow, Galway City and Leitrim.

There was quite a range of responses in relation to the frequency with which Internal Audit met with the Audit Committee in 2016. Roscommon had no meeting and Longford had two

and Galway City had three. 17 authorities had 4 meetings: Carlow, Cavan, Clare, Donegal, Fingal, Galway Co., Kilkenny, Leitrim, Louth, Mayo, Meath, Offaly, Sligo, South Dublin, Waterford, Westmeath and Wexford. The remaining 11 had 5 or more meetings: Cork City, Cork Co., Dublin City, Dún Laoghaire-Rathdown, Kerry, Kildare, Laois, Limerick, Monaghan, Tipperary and Wicklow.

All Heads of Internal Audit meet with the external auditor at least once a year and the Internal Audit units all follow up and monitor the implementation of report recommendations.

- NOAC recommends that all internal audit reports, which should incorporate the responses of management, be addressed to the Chief Executive and a copy sent simultaneously to the Chairperson of the Audit Committee.
- In their general operation all internal audit functions should have confidential access to the Audit Committee and Chief Executive.

Overall NOAC Conclusion

It is clear that Internal Audit has a vital role to play in ensuring that best practices are adopted by local authorities in the management of public funds handled by them and in the governance of operations generally. The primary responsibility for the prevention and detection of fraud and other irregularities rests with the management of the audited bodies. It is essential that management establish an adequate system of internal control, including security, segregation of duties, proper authorisation procedures and an effective internal audit function. It is clear that while management is responsible to stakeholders for the establishment and maintenance of internal control, that the role for a more professional internal audit function to assist management has become evident

It would appear from the result of the survey that some of the recommendations made in the local Government Audit Service report on Internal Audit in Local Authorities published in December 2000 are still not adopted by some authorities and these recommendations remain valid for this report. NOAC has considered the surveys and the additional information supplied and has listed a number of recommendations which are throughout the report.

NOAC would like to acknowledge the cooperation it received from the local authorities, LGAS and the LGMA in preparing this report

Appendix A- Income and Expenditure

| Income & Expenditure Account Statement [°] | | | |
|---|-------------------|---------------|-----------------|
| Expenditure by Division | Gross Expenditure | Income | Net Expenditure |
| | 2016 | 2016 | 2016 |
| Housing & Building | 960,800,179 | 924,650,781 | 36,149,399 |
| Roads Transportation & Safety | 908,395,868 | 577,513,466 | 330,882,402 |
| Water Services | 362,257,184 | 352,242,076 | 10,015,108 |
| Development Management | 319,458,754 | 123,635,718 | 195,823,036 |
| Environmental Services | 651,002,391 | 205,814,659 | 445,187,733 |
| Recreation & Amenity | 389,249,993 | 60,601,265 | 328,648,728 |
| Agriculture, Education, Health & Welfare | 39,501,014 | 20,382,131 | 19,118,883 |
| Miscellaneous Services | 378,814,250 | 209,624,709 | 169,189,542 |
| Total Expenditure/Income | 4,009,479,634 | 2,474,464,803 | 1,535,014,831 |
| Net cost of Divisions to be funded from | | | |
| Rates & Local Property Tax | | | 1,467,969,516 |
| Rates | | | 311,515,896 |
| Local Property Tax | | | 52,830,615 |
| Pension Related Deduction | | | 1,832,316,027 |
| Surplus/(Deficit) for Year before Transfers | | | 297,301,196 |
| Summary of Capital Expenditure [°] | | | |
| Expenditure by Division | Gross Expenditure | | |
| | 2016 | | |
| Payment to Contractors | 529,420,688 | | |
| Purchase of Land | 52,254,453 | | |
| Purchase of Other Assets/Equipment | 338,746,589 | | |
| Professional & Consultancy Fees | 88,241,152 | | |
| Other | 402,736,030 | | |
| Total Expenditure (Net of Internal Transfers) | 1,411,398,912 | | |
| Transfers to Revenue | 42,758,963 | | |
| Total Expenditure (Incl Transfers) ^{°°} | 1,454,157,875 | | |

[°] Figures taken from [Amalgamated Local Authority AFS 2016](#)

^{°°} Excludes internal transfers, includes transfers to and from Revenue account

Appendix B

Summary of Recommendations Internal Audit in Local Authorities 2000

Staffing Resources allocated to internal audit

1. Internal audit should be adequately staffed, taking account of expenditure levels and according to audit coverage required.
2. The role of internal audit should be expanded from the checking of routine transactions. Undertaking non internal audit work should be discontinued.
3. The head of internal audit should be pitched at the appropriate grade level in order to attract a high calibre of candidate to develop the service, and to provide a career path in internal audit.

Delivering internal audit

4. Risk assessment should be used by internal audit at the overall planning stage and, also, when identifying the scope of an individual process review.
5. In consultation with the Manager, a strategic plan setting out audit priorities for the medium to long term should be prepared. It should show the intended coverage identified in the risk assessment process. All material areas within the authority should be reviewed regularly.
6. In line with the strategic plan, an annual audit plan should be prepared each year and agreed with the Manager. It should set out the intended coverage by internal audit for the year.
7. The strategic and annual audit plans should be reviewed by the internal auditor on a regular basis and updated, where necessary, to include an examination of changes in risks, particularly where a system/process has been amended or replaced.
8. An audit planning memorandum should be used to plan each audit assignment. This should summarise what the audit review hopes to achieve and how it proposes to do it.
9. Internal audit should set out its findings and recommendations by means of formal written reports. These reports should be discussed and agreed with line management.
10. To maintain internal audits independence, all reports issued should be submitted directly to the Manager.

11. To ensure that the impact of a report is not lost, formal detailed procedures for follow up of agreed recommendations should be adopted.

12. A *Fraud and Corruption Alert Plan* should be developed by management in all local authorities.

13. Internal audit should formally assess the arrangements for preventing, detecting and investigating fraud and corruption, including the adequacy of a *Fraud and Corruption Alert Plan*.

14. Internal audit should examine, evaluate and report on the:

- accounting and other management information systems in place
- adequacy and integrity of financial and other data prepared
- establishment of, and compliance with procedures and controls
- implementation of policies and achievement of stated goals
- adherence to laws and regulations
- attainment of economy, efficiency and effectiveness
- safeguarding and use of assets
- risk exposure to fraud and/or corruption.

Internal audit, inter alia, may also be called upon to:

- review performance and performance measurements
- carry out special investigations
- provide a consultative role to management
- co-operate with external audit.

15. Internal audit should examine and report on compliance with the requirements in relation to E.U. co-funded projects, as set out in:

- Commission Regulation (EC) No. 2064/97
- Department of Finance Circular 23/98 on Financial Management and Control Procedures for the ERDF
- EU Commission Management and Control Systems Audit Manual
- Circular letter 1A 1/099

16. Adequate training to relevant professional/ accredited diploma level should be provided to internal audit staff, so that they have the skills to carry out audits effectively.

17. To ensure that professional standards and guidelines are incorporated into the work of internal audit in local authorities, the head of an internal audit section should be required to be a qualified member of one of the recognised accountancy bodies or of the Institute of Internal Auditors.

Operating framework for internal audit

18. Every internal audit function should operate under an *Internal Audit Charter*. The charter should include statements on the:

- role of internal audit
- responsibilities of internal audit
- status of internal audit
- independence of internal audit
- scope of internal audits work
- audit methodologies used
- reporting arrangements
- Manager's role and responsibilities.

19. The *Internal Audit Charter* should be approved by the Manager and should be made available to all sections of the local authority, so that there is clear understanding about the role of internal audit within the authority.

20. Internal audit and the Local Government Auditor should liaise to ensure that:

- maximum coverage is achieved
- duplication of work is minimised.

Other internal audit issues

21. Internal audit should incorporate the appraisal of economy, efficiency and effectiveness into its audit schedules.

22. Internal audit, when assessing a local authority's IT risk, needs to consider the adequacy of the IT policy and procedures in place at the authority.

23. Internal audit needs to consider tools and techniques, such as computer aided auditing techniques, to make optimal use of IT when carrying out audits.

24. Audit coverage of laws and regulations, governing local authority operations, should be extended and incorporated into audit work schedules.

25. Internal audit should assess implementation and compliance with policy as outlined in strategy statements and business plans. This can form part of systems review or be undertaken separately.

26. The performance indicators identified in the *Internal Audit Guidance Handbook* should be produced and monitored from year to year. Unless otherwise specified, the indicators should be reported for the financial year.

27. All internal audit units should evaluate their performance in comparison with the good practice benchmarks identified in the *Internal Audit Guidance Handbook*

28. Local authorities should consider the benefits of having an audit committee. If set up, an audit committee should have written terms of reference, which sets out clearly its authority and duties. Consideration should also be given to external representation on the committees, in the interests of better governance.

Appendix C

What was the combined current and capital spend of the Authority in 2016 (per AFS) and the staffing resource band.

| Local Authority | € | IA Resource | Outsourced |
|------------------------|---------------|-------------|------------|
| Carlow | 68,570,568 | 1 | N |
| Cavan | 74,538,200 | 1 | N |
| Clare | 126,000,000 | 2/3 | N |
| Cork City | 235,180,724 | 2/3 | N |
| Cork Co | 363,000,000 | >7 | N |
| Donegal | 188,324,603 | 2/3 | N |
| Dublin City | 1,050,100,000 | >7 | Combined |
| Dun Laoghaire Rathdown | 179,689,134 | 2/3 | Combined |
| Fingal | 282,000,000 | 4/7 | N |
| Galway City | 79,700,000 | 1 | Combined |
| Galway Co | 164,616,109 | 2/3 | N |
| Kerry | 162,517,673 | 4/7 | N |
| Kildare | 223,000,000 | 4/7 | N |
| Kilkenny | 108,100,00 | 2/3 | N |
| Laois | 68,467,595 | 1 | N |
| Leitrim | 44,630,332 | | Outsourced |
| Limerick | 308,360,000 | 1 | Combined |
| Longford | 50,110,000 | 2/3 | N |
| Louth | 119,008,654 | 2/3 | Outsourced |
| Mayo | 212,000,000 | 1 | Outsourced |
| Meath | 140,002,181 | 1 | N |
| Monaghan | 72,148,352 | 1 | Combined |
| Offaly | 68,000,000 | 2/3 | N |
| Roscommon | 84,609,464 | 1 | N |
| Sligo | 88,835,490 | 1 | N |
| South Dublin | 284,443,099 | 4/7 | N |
| Tipperary | 174,892,131 | 2/3 | N |
| Waterford | 163,000,000 | 2/3 | N |
| Westmeath | 86,997,703 | 1 | N |
| Wexford | 140,187,754 | 2/3 | N |
| Wicklow | 159,218,460 | 1 | Combined |

Appendix D - 2017 Internal Audit Budget

| Local Authority | € |
|------------------------|-----------|
| Carlow | 66,800 |
| Cavan | 62,174 |
| Clare | 117,737 |
| Cork City | 222,590 |
| Cork Co | 332,598 |
| Donegal | 161,003 |
| Dublin City | 548,000 |
| Dun Laoghaire Rathdown | 228,500 |
| Fingal | 318,000 |
| Galway City | 87,410 |
| Galway Co | 173,227 |
| Kerry | 242,866 |
| Kildare | 229,000 |
| Kilkenny | 90,000 |
| Laois | 66,000 |
| Leitrim | 27,500 |
| Limerick | 142,000 |
| Longford | 119,246 |
| Louth | 100,000 |
| Mayo | 139,000 |
| Meath | 63,714 |
| Monaghan | 90,580 |
| Offaly | 104,344 |
| Roscommon | 57,300 |
| Sligo | 76,179 |
| South Dublin | 291,900 |
| Tipperary | 128,983 |
| Waterford | 172,000 |
| Westmeath | 65,076 |
| Wexford | 211,437 |
| Wicklow | 160,050 |
| Total | 4,895,214 |

Appendix E - Summary of 2016 Local Government Audit Service 2016

In the Overview of the work of the Local Government Audit Service 2016 report it noted that in many cases the internal audit function was under resourced due to a number of posts being left vacant for extended periods, a reduction in staff numbers during the year or insufficient resources being allocated to this function. Auditors identified difficulties in this regard in twelve local authorities. Comments on the individual local authorities' internal audit function are summarised below

Carlow County Council

During the 2016 audit the head of internal audit has recently left the post and no staff was assigned to this important area. The position of head of the unit is likely to be filled shortly.

Chief Executive's Response

The Council is cognisant of its obligations in relation to governance, risk management, ethics and internal audit. A member of staff has been assigned to internal audit effective 12 from 23 October 2017.

Cavan County Council

Despite the high quality of output of the internal audit. It is considered however, that insufficient resources are being committed to this function.

Chief Executive's Response

The Council will examine the level of resources in Internal Audit based on current staff compliment and an analysis of level of resources applied to Internal Audit in similar sized local authorities.

Clare County Council

Internal Audit unit working well.

Cork City Council

There was a reduction in the staff numbers employed in IA from four to three during 2016.

Chief Executive's Response

The reduction referred to was due to a vacancy that arose and has been filled in 2017.

Cork County Council

Internal Audit's ability to carry out its annual work plan was negatively impacted during 2016 due to two staff members being transferred out of the unit and not being replaced. The unit also had no permanent head of audit for a period of five months. Internal Audit had a staff complement of eight at the beginning of 2016.

Chief Executive's Response

The staffing issue which developed in 2016 has now been addressed by the appointment of staff to the vacancies in 2017. Management are committed to ensuring that the Internal Audit Unit remains adequately resourced

Donegal County Council

In 2016 the Council's Internal Audit function consisted of 3 personnel a reduction from 2012 when there was 5. This has an impact on the ability of Internal Audit to continue to carry out its work to the same level going forward.

Chief Executive's Response

It is considered that the staffing compliment of the Internal Audit compares well with other similar sized local authorities, both in number and grade.

Dublin City Council

The internal audit function is a key part of the Council's organisational governance and will be fully resourced and assisted by external service providers in delivering this important function

Dun Laoghaire Rathdown County Council

The staff compliment in the Council's internal audit function increased to two members of staff in 2016, who were assisted in this role by the provision of additional services from the panel of service providers for the supply of Accounting and Auditing Services, established by the Department of Justice. The enhancement in the internal audit function is to be commended.

Chief Executive's Response

There is a comprehensive and thorough audit plan, which has been developed through risk management, in conjunction with the Audit Committee and departmental management.

Fingal County Council

During 2016 the Council's newly reconstituted internal audit function consists of four personnel, headed up by a Senior Executive Officer (part time), assisted by an Administrative Officer and two Staff Officers.

Galway City Council

The Internal Audit Unit (IAU) has consisted of a single member of staff for the last number of years. This person is a member of the Institute of Internal Auditors. The Council procured external services to support the existing resource during 2016. It was recommended that it was necessary to increase internal resources to support this vital function on an ongoing basis.

Chief Executive's Response

The services of external auditors were procured in 2016 in order to support the delivery of the Internal Audit work programme and ensure this function is adequately resourced

Galway County Council

No specific comments

Kerry County Council

The quality of output of the internal audit unit is of a high standard.

Kildare County Council

The Council's internal audit function provides assurance the Council's corporate governance and internal procedures are operating effectively.

Kilkenny County Council

As a result of the resignation of the Internal Auditor in October 2016, there was no member of staff assigned to the internal audit function between that month and February 2017. As a temporary measure, the Council contracted a private firm of auditors to provide one of the firm's staff two days per week to fill this role. A new head of internal audit has recently been appointed and a further deployment of a second member of staff to the unit was noted

Laois County Council

In 2016 the Council's internal audit function consisted of one staff member. This unit provides an important role regarding assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements.

Leitrim County Council

In 2016, the internal audit function of the Council was provided by an external professional firm of auditors who completed four audits during the year. The Council's annual internal audit work plan was approved by the audit committee in 2016.

Longford County Council

No specific issues.

Chief Executive's Response

A new Control and Compliance Unit was established in 2017. This unit comprises the Internal Audit function which is appropriately staffed.

Louth County Council

No specific issues.

Mayo County Council

Since 2015 the Council's Internal Audit Function has been outsourced to a private firm. In 2017 the contract was retendered. Currently, the number of days attributed to Internal Audit activities is 70. Given the scale, diversity and complexity of County Council activities it

was considered that this is an insufficient number of days allocated for audit and assurance activity

Chief Executive's Response

A work programme, which was approved by the Audit Committee and the IA firm, has concluded a number of reports and the council will continue to keep this function under review in the context of workforce planning and available resources

Meath County Council

The staff compliment in the Council's internal audit function continues to be cause for concern, as it consists solely of one member of staff and that this needs to be reviewed. Following a recommendation at the last audit that the reporting arrangements should be reviewed, the internal auditor now reports directly to the CE.

Chief Executive's Response

The Council's management team made a change to the internal reporting arrangements as recommended in previous audit.

Monaghan County Council

Internal Audit unit working well

Offaly County Council

The head of internal audit reports directly to the audit committee and the Head of Finance in carrying out the work of the unit. The independence of the Internal Auditor is essential and should be reflected in the reporting structure. There was no response provided on Independence issue.

Roscommon County Council

There was no effective internal audit function in place throughout 2016, which is a breach of the regulations referred to. As a consequence of the lack of an effective Internal Audit Unit (IAU), no reports were prepared in 2016 and this contributed to the absence of a functioning Audit Committee. Management need to ensure that an adequately resourced IAU is in place for future years.

Chief Executive's Response

An Internal Auditor was appointed in Q2 2016 however, due to exceptional circumstances the position was not taken up until Q1 2017. A number of policy documents have been developed, reports have been drafted and three Audit Committee meeting have taken place in 2017 with a further meeting scheduled for December 2017.

Sligo County Council

There was no internal audit function in place in Sligo County Council in 2014 or January 2015. There was an internal auditor appointed from January 2015 to March 2016. A part time internal auditor was appointed from March 2016 to January 2017 and from January

2017 to August 2017 there was no internal audit function in place. A properly resourced internal audit function is essential to ensure the Audit Committee is supported. It was disappointing to note this critical management control function was not operational or substantially operational in Sligo County Council for the periods outlined above.

Chief Executive's Response

A full time Internal Auditor was appointed in June 2017. Although this role was vacant from March 2016 the Audit Committee continued to meet. It was confirmed that the Council continued to be committed to the maintenance of the Internal Audit role.

South Dublin County Council

Internal Audit unit working well

Tipperary County Council

Internal Audit unit working well

Waterford City and County Council

The staffing resources issues within the Council's Internal Audit (IA) unit was highlighted and it was considered that the IA function needs to be properly resourced, with suitably qualified persons. Shortcomings in the resourcing of the unit have been highlighted for a number of years and remain to be addressed.

Westmeath County Council

Internal Audit unit working well

Wexford County Council

Internal Audit unit working well

Wicklow County Council

The internal audit unit currently consists of just one member of staff (part time) and the Council towards the end of 2015 outsourced part of its internal audit function to a firm of consultants. One of the general themes raised in their reports is the need for internal controls, processes and procedures to be fully documented. Their contract ended in June 2017 and since then no internal audit work carried out. It was recommended that this situation should be rectified as soon as possible.

Chief Executive's Response

The staff member assigned to Internal Audit currently reports directly to the Head of Finance for operational purposes. Future focus and attention will be given in relation to the need to fully document processes and procedures. The Council are preparing tender documentation to sourcing consultants to provide audit services to the organisation.

Appendix F - Summary of Internal Audit areas of focus for 2016

| | Payroll | T&S | Ethics | Other Admin | Cash/Income | Procurement | Culture | Environment | Recreation | Assets | Property | PSC | Motor Tax | ICT | Grants | Other |
|------------------------|---------|-----|--------|-------------|-------------|-------------|---------|-------------|------------|--------|----------|-----|-----------|-----|--------|-----------|
| Carlow | X | X | X | | X | X | | | | | X | | X | X | | X |
| Cavan | | | | | X | X | X | X | X | | | X | X | | X | X - NPDR? |
| Clare | | X | | | | | | | | | | X | X | X | X | X |
| Cork City | | X | | | | | X | | | | X | X | | X | | X |
| Cork Co | | X | | | X | X | X | X | | X | X | | | | | X |
| Donegal | | | | | X | X | | | | | | X | | X | | X |
| Dublin City | X | | | | | X | | | | | | | X | X | | X |
| Dun Laoghaire Rathdown | X | | | X | | X | | | | | | | | X | | X |
| Fingal | X | X | | | X | X | | | | X | X | X | | | | X |
| Galway City | | | | | X | | | | | | | X | | | X | X |
| Galway Co | | | | X | | X | | | | | | X | X | | | X |
| Kerry | | | | | X | | X | | | X | X | X | X | X | X | X |
| Kildare | X | | | X | X | X | | | | X | X | X | | | X | X |
| Kilkenny | | | X | | X | X | | | | X | | | | | X | |
| Laois | | | | X | | | | | | | | X | | | | X |
| Leitrim | | X | | | | | | | X | | | X | | | | |
| Limerick | X | | | X | | X | | | | | X | X | | X | | X |
| Longford | | | | X | X | X | | | | | | X | X | | | X |
| Louth | X | X | | X | X | X | | X | | X | X | | | X | | X |
| Mayo | X | | | X | X | X | | | | X | | X | | | | |
| Meath | X | | | X | | | | | X | | | | X | | | X |
| Monaghan | | | | | X | X | X | X | X | | | X | | | X | |
| Offaly | | | | X | X | X | | | | | X | | | X | | |
| Roscommon | | | | | | | | | | | | X | | | | |
| Sligo | | | | | X | | | | | X | | | X | | | |
| South Dublin | | | | X | X | | | | X | X | X | X | | | | X |
| Tipperary | | X | X | X | X | | X | X | X | X | X | | X | X | X | X |
| Waterford | | | | X | X | | X | | | X | | X | | | X | X |
| Westmeath | | X | | X | | X | | | | | X | X | | | | X |
| Wexford | X | | | X | | X | | | | X | X | X | | | | |
| Wicklow | | | | | X | | | | | | | X | | X | X | X |