

Minutes of the National Oversight & Audit Commission (NOAC) meeting  
Tuesday 28<sup>th</sup> of October 2014

Venue: Offices of the PRTB, O'Connell Bridge House, D'Olier Street, Dublin 2

Attended by:

Chairman Pat McLoughlin

Members Kevin Baneham

John Buckley

Tara Buckley

Garrett Fennell

Connie Hanniffy

Paul Lemass

Martina Moloney

Padraig McNally

Micheál Nolan

Colleen Savage

Henry Upton

Secretariat Sheila McMahan

Declan Grehan

Guests Noel O'Connell, Local Government Audit Service (LGAS)

Richard Murphy, LGAS

Pat Guiney, LGAS

David O'Connor, LGMA Programme Management Office (PMO)

Maria Melia, PMO

Fearghal Reidy, PMO

Minutes of meeting of 16/09/2014

The Chairman advised the meeting that the format of minutes of future meetings would be more as a record of decisions taken. The minutes of the meeting of 16/9/2014 were agreed without amendment. There were no matters arising.

Discussion with LGAS

Richard Murphy and Pat Guiney gave presentations to the NOAC members on the role and responsibilities of the LGAS and the VFM Unit within it respectively. A lengthy discussion between the members and the Director of Audit followed about the LGAS role in the case of those Local Authorities running a hefty deficit, those LAs not supplying their Annual Financial Statements within the required end March time limit, the continued funding of non-compliant LAs, the role that LA Audit Committees can play in resolving the growing deficits, the implications for the audit service of the transfer of LA assets to Irish Water, issues in relation to Local Enterprise Offices and service level agreements, challenges arising from shared services, training for members of LA Audit Committees on their expanded role,

audit implications of LA pension liabilities, levels of response to the public notices of audits, deficits on the capital side adequacy of LGAS resourcing, the manner of selection of topics for VFM studies, the timeframe involved, reasons for non-implementation of VFM study recommendations as highlighted by follow-up progress reports, how best practice is shared and the current VFM study on the funding of social housing provision by Approved Housing Bodies.

Noel O'Connell responded that the LGAS role is to report on the issues and to stress to LAs that legislative requirements must be complied with, but that addressing the issues raised is a matter for the local authorities and for the Department (DECLG). There is no penalty for the late submission of Annual Financial Statements but the need for timely submission was highlighted in the last activity report. The purpose of the activity reports also published by the LGAS is to bring the major findings together for all LAs and there is a need for greater comparative data. Under the recent local government reforms 160 people are now looking at governance in the new LA Audit Committees and the LGAS is involved in the training of those. The implications of the transfer to Irish Water will become clearer as 2015 progresses, new controls have to be put in place re shared services and this could be the subject of a national study in a few years' time. The pensions issue is a major time bomb that is being looked at by the Department of Public Expenditure and Reform in respect of the public service generally but the amount of the liability should be at least noted in the accounts. Public submissions average about 5 or 6 every year. Capital side deficits are about a half billion. The amendment of the section 120 charging and the surcharging provisions makes it easier to criticise any extravagances by LAs in the audit reports. 95% of the LGAS focus is on the statutory audit and its VFM work could do with more resources. The situation should improve after 2015 when the benefits of the reduction in the number of local authorities should be available. In relation to the VFM unit studies, clearance of a topic for study can take some time, with the final decision taken by the Director of Audit. Any non-compliance with VFM report recommendations is usually attributed to lack of resources or the process taking longer to complete. The current study of AHB funding will not include an examination of the accounts of these bodies as that is outside the LGAS remit but the questionnaire will establish whether their accounts are submitted to LAs as required. The VFM unit is available to present the findings of any of their studies to the NOAC members.

The Chairman and members expressed their thanks to the Director of Audit and his colleagues for their attendance at the meeting and the briefing provided. In the subsequent discussion, the Chairman commented that the Commission will have to consider how the VFM Unit's activities will fit into NOAC's work plan. He suggested that NOAC should carry out a desk audit of the LAs not in compliance with the requirement to prepare the Annual Financial Statement, including the associated risk exposure, for inclusion in NOAC's work plan and also carry out an evaluation of the independence of the new Audit Committee structures.

### Discussion with LGMA Programme Management Office

The LGMA Programme Management Office was represented by David O'Connor, the Senior Responsible Officer and Maria Melia and Fearghal Reidy. In outlining its origins in the requirement to implement the LGER Group's recommendations, David O'Connor made the point that PMO's key strength is that it is drawn from the local authorities themselves. While the PMO doesn't run projects itself, it helps the projects to get started and oversees them to make sure they're performing satisfactorily. Short updates were provided on a number of shared services initiatives including the centre of excellence for Audit, the Building Control Management system, Treasury Management, Procurement and Housing Assessment. The different IT systems in LAs, which was a huge problem, has been resolving naturally and the use of opensource products has resulted in large cost savings. The business case assessment for each project is rigorous and external delivery of a service is always considered. There is a high level of attendance at meetings and a very collaborative approach between LAs to achieving best practice. The PMO needs to revisit the 2012 data capture exercise for the LGER Implementation Group, which was an enormous task to gather information that was as accurate and auditable as possible. Although it has fewer staff now, the new LA accounting software packages should help and it will want NOAC's support in revisiting the exercise. The PMO has identified 6 of NOAC's statutory functions that it can help with. The meeting agreed that it would be important to avoid any overlap between NOAC and the Public Service Reform Oversight Group that oversees the PMO's work. The Chairman stated that the NOAC would like to see the PMO's work plan for 2015 and a status report before December and expressed the Commission's appreciation of their attendance.

In the subsequent discussion, it was agreed that NOAC should ask the PMO to do their data sweep and might consider doing a look back review of some of the business cases for robustness.

### NOAC Draft Corporate Plan

The members discussed the structure of the corporate plan and acknowledged that as NOAC is a new body, the corporate plan will be subject to change as the work of the Commission evolves. It was suggested that it should be recast as Statement of Strategic Intent to apply for a period of two years only and include a final paragraph on deliverables and that the work plan should be developed as a separate document. In the latter regard, the members discussed the need to develop their understanding of the role, how they will perform their scrutiny function and what specific activities should be included in their work plan. They agreed that they should take a half day to have a workshop with a suitable facilitator for this purpose on 25<sup>th</sup> November 2014 at 9.30 a.m.

### Draft Guidelines for LA's on preparation of their Corporate Plans 2015-2019

The members discussed the draft guidelines in the context of NOAC's function to monitor the adequacy and evaluate the implementation of a corporate plan prepared by either a

regional assembly or council. It was suggested that an accompanying process checklist to be completed by the LAs and assemblies and an adequacy checklist for the members to be provided by the secretariat would be necessary. The point was made that these plans tend to be approved at the Council meeting where they are first circulated and therefore could be already approved by the time they are submitted to NOAC. It was also pointed out that it would not be possible for NOAC to review all of these plans within the statutory time limits. The members did not have any other observations on the content of the guidelines.

#### Performance Indicators - Reporting on LA performance for 2014 and 2015

The members agreed that this item should be looked at by a sub-group consisting of Constance Hanniffy, Martina Moloney and Paul Lemass who would come back to the Commission with their proposals for the years in question. The point was made about the lack of financial indicators in both the existing service indicators and the recommendations for their amendment being inconsistent with NOAC's function to scrutinise financial performance and value for money and that a financial indicator should be included for each functional area in the indicators. The sub-group is to look at this aspect also.

#### Customer Survey Proposal

The Chair acknowledged the work done by Colleen Savage in preparing the customer survey proposal. A sub-group consisting of the Chairman, Paul Lemass, Micheál Nolan and Colleen Savage was formed to finalise this proposal by conference call. It was agreed that it would suffice to survey a representative sample of LAs rather than all 31 councils.

#### Code of Business Conduct

The members agreed to accept the Code of Business Conduct as drafted which they should now sign up to and supply a copy of the signed final page to the secretariat.

#### Draft Scoping Paper re LA Housing Function Review

A sub group was formed to progress this item consisting of Kevin Baneham, John Buckley, Paul Lemass and Padraig McNally.

#### LGAS revised Code of Audit Practice

The Director of Audit had circulated this revised Code to the NOAC for any comments and the members agreed that the content was fine and they did not have any observations to offer.

#### Next Meeting

The next meeting will be on Tuesday 16<sup>th</sup> of December 2014 at 12 noon.

#### Any Other Business

The position re the development of a website for NOAC was raised. The Secretariat advised that development was underway at present and a session on the management of the site was arranged for 30<sup>th</sup> October so it should be live before the next meeting.