



Comhairle Cathrach Chorcaí Cork City Council

**Audit Committee Annual Report
for the year ended
31st December 2018**

12th March 2019

Cork City Council Audit Committee Annual Report 2018

Chairman's Statement

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Chairman's Statement

As Independent Chairman of the Audit Committee for the Council, I am pleased to present the Committee's annual report for 2018 and to acknowledge the work and commitment of the members of the Committee, the internal audit unit and Council management and staff. The Audit Committee is an important part of the overall control assurance framework within the Council and this report reviews the work of the Audit Committee (AC) in 2018 and outlines the manner in which the AC has sought to deliver on its key governance functions. As is the norm, the committee met with the Local Government Auditor on 18th December 2018 to consider his statutory audit report for 2017 and other relevant issues. As required, we subsequently met with the Chief Executive on 29th January 2019 to discuss the audit report and related issues.

As required by the legislation, a separate report in relation to the 2017 statutory audit report has also been prepared for tabling at the Council meeting.

The AC has an independent role in the provision of assurance to the Council and this includes oversight responsibilities for the consideration of the adequacy and effectiveness of the internal control systems, control environment and control procedures, financial reporting, monitoring compliance with governance procedures within the Council, reviewing the effectiveness of Internal Audit Unit and providing advice and professional guidance in relation to the development of the Unit.

The AC met on a total of five occasions in 2018. In addition to the agenda items covering all aspects of the Committee's role and work programme, the Chief Executive, Directors of Service and management were invited and provided detailed briefings and presentations on a range of relevant issues impinging on control and governance issues within the Council. These engagements informed the work of the Committee and our understanding of the wider control environment within the organisation.

During the year, we formally corresponded with the Chief Executive on two occasions, in October and December. The first correspondence firstly acknowledged the progress that has been made with delivery of the internal audit plan which had been greatly facilitated by active engagement and commitment of the management team. Secondly, the correspondence expressed disappointment with the findings of the procurement audit specifically with the levels of weaknesses and the non-compliance issues identified and noted the prioritisation being given to rectify the situation. Our second correspondence related to the tax settlement with the Revenue Commissioners and we also separately wrote to the Lord Mayor in relation to this matter.

In conclusion, on behalf of the Committee and on my own behalf, I would like to thank all those who prepared reports and documentation for our deliberations. We thank

Stephanie Cronin, Head of Internal Audit Unit and other members of the Unit for their work and delivery of the audit programme and in servicing the needs of the Committee over the year. We note that Stephanie is moving to another position with the organisation and we wish her success with this new role. We would also like to welcome Deirdre Foley, as the new Head of Unit and we look forward to working with her in 2019. We would also like to acknowledge the contributions and assistance received from the Chief Executive, Head of Finance, Directors of Service, and wider management and staff.

Finally, on a personal level, I would like to sincerely thank colleague members of the Audit Committee for the wisdom, insights, experience and valued judgements on the wide range of issues that we examined in 2018.

A handwritten signature in black ink, appearing to read 'Aidan Horan', written in a cursive style.

Aidan Horan, Audit Committee Chairman

2018 AUDIT COMMITTEE ANNUAL REPORT SUMMARY

MEMBERSHIP¹

1. Cllr Chris O Leary, member of Cork City Council
2. Cllr John Buttimer, member of Cork City Council
3. Cllr Sean Martin, member of Cork City Council
4. Ms Gillian Keating, non-executive member
5. Mr Sean Angland, non-executive member
6. Ms Margaret Lane, non-executive member
7. Mr Aidan Horan, non-executive member (Chairman)

MEETINGS

16th January 2018
20th March 2018
3rd July 2018
11th September 2018
18th December 2018

AUDIT COMMITTEE WORK PROGRAMME HIGHLIGHTS

- **Internal Audit and Control**
 - Approval of 2018 annual audit plan, scoping papers and monitoring of progress with completion of audits throughout the year
 - Consideration of the 2019 Audit Plan and areas for review in the coming year
 - Internal audit activity and reviews undertaken consistent with the audit plan agreed included the required public spending code audits, procurement, housing acquisitions, street furniture, income controls, development contributions and prompt payments as well as spot checking activity and follow up reviews.
 - Review of audit report contents, findings, management responses and recommendations. Follow up with directorates as necessary.

¹ Membership as at 31st December 2018

- Ongoing review of audit recommendations trackers with specific emphasis on work of the corporate group and management assurance arrangements for tracker process and sign off
 - Consideration of resourcing issues and options to address delivery of the internal audit work programme including use of external service provider on some topic areas.
 - Significant work undertaken by internal audit to support the development of assurance frameworks at directorate level , based on the three lines of defence approach.
- **Stakeholder interactions**
- Interaction with the Local Government Auditor, who is retiring shortly, to discuss the 2017 statutory audit report and areas within the management letter and other relevant matters.
 - Interaction and correspondence with the Chief Executive to discuss audit report issues, areas of concern to the Committee and also the level and quality of management engagement with the Committee and Internal Audit.
 - Presentations from Directorates in relation to internal control, risks and uncertainties and relevant internal audits completed, in progress or scoped for future periods
 - The Chief Executive’s monthly report to Council and update on financial position and performance are regular agenda items
 - March meeting included invitation to all the senior management team at which the audit engagement process was discussed
 - Discussions in relation to KPIs per directorate as well as NOAC indicators
- **Risk Management**
- Management updates on risk management process and implementation arrangements and presentations on the corporate risk register and some directorate level risk reports.
- **Information Technology**
- IT / IS Assurance mapping process undertaken which will potentially inform future reviews in this area.
- **Miscellaneous**
- Consideration of Audit Committee effectiveness.

- Arrangements considered for the initiation and conduct of an external quality assessment for internal audit and role of peer review process.
- The Corporate Governance Framework was presented and this will inform the audit planning process in 2019 and beyond
- Attendance at the Local Authority Southern Region Audit Committee Forum in Fota Island in May
- Regular updates on GDPR implementation
- Local Government Audit – VFM reports and also NOAC reports circulated during the year.

1.0 Introduction

Under the provisions of the AC charter for the Council the Committee is required to produce an annual report. This report includes details on audit committee activities, audit assignments undertaken and amplify, as considered appropriate, on risk management, control and assurance concerns of the Committee.

The membership of the Committee for 2018 was as follows:

- Cllr Chris O Leary, member of Cork City Council
- Cllr John Buttimer, member of Cork City Council
- Cllr Sean Martin, member of Cork City Council
- Ms Gillian Keating, non-executive member
- Mr Sean Angland, non-executive member
- Ms Margaret Lane, non-executive member
- Mr Aidan Horan, non-executive member (Chairman)

In accordance with the regulations, the Audit Committee comprises seven members, four external members (including the Chairman) and three elected members and this annual report from the Chairman was approved by the Committee.

This annual report covers the period from the 1st January 2018 to 31st December 2018 during which time the Committee met formally on five occasions. Statutory Instrument 244 of 2014 (Local Government Audit Committee Regulations) obliges the committee to meet no less than four times in a calendar year.

2.0 Role of the Audit Committee

The role and functions of the Audit Committee reflect the provisions of relevant legislation and regulations and additional obligations are included in the Local Government Reform Act 2014. The functions as outlined in Section 59 of the Local Government Reform Act 2014 are included as an appendix.

3.0 Role and Responsibility of the Internal Audit (IA) Unit

Internal auditing is an independent and objective appraisal activity that is guided by a philosophy of adding value to improve the operations of the Council. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. An updated IA charter has been reviewed by the Audit Committee.

The agreed audit plan for 2018, the work programme, timeframes and the use of audit resources were monitored by the Committee at each meeting.

4.0 Role of Management

Management within the Council have the key responsibility and accountability for the:

- adoption and implementation of good governance arrangements
- establishment of an effective control environment
- review and maintenance of effective internal controls
- compliance with risk management policy including the establishment and maintenance of integrated risk management structures
- prevention and detection of fraud and irregularities and resolution of any such situation
- support of the work of internal audit including the provision of information, responding in a timely manner to audit queries and appropriate implementation of audit recommendations

5.0 Review of 2018 Audit Committee Activities

Committee meetings

The Audit Committee met formally on five occasions in 2018 and each meeting was of half day duration and at each meeting detailed reports, documentation and presentations were provided.

The initial part of each meeting is for Chairman's business and the AC members meet without the executive present. This allows the Committee to deliberate on matters arising on the agenda, the contents of meeting documentation and also provides an opportunity to discuss additional relevant issues.

Throughout the year, the Chief Executive, members of the management team and senior colleagues were formally invited to meet the Committee. The focus of these engagements was on business priorities, key risks and uncertainties and how these were being addressed, audit report findings and recommendations as well as the nature and extent of interaction with IA. The Committee note the improvements in 2018 relating to the level and quality of engagement and in particular the turnaround of reports with management comments. The committee also received regular updates on level of protected disclosures and on the progress with the Boundary extension and transitional arrangements.

Areas reviewed included Directorate activities within Housing and Community, Roads and Transportation, ICT and Business Services and Finance as well as updates on GDPR preparedness and implementation plans. At each meeting, the Committee also receive

regular updates on financial position and performance from the Head of Finance including trends and evolving budgetary and financial risk areas. The committee also met with the Governance, Risk and Compliance Officer.

Work in relation to the risk management system continues and the meetings with the Chief Executive, Directors and management colleagues provide the opportunity to review progress in this area. These interactions continued as a standing item on the AC agenda for 2018.

Final audit reports, incorporating management comments were provided to the AC as well as to the auditee, relevant senior and line management. Final audit reports and minutes of AC meetings are also made available to the Local Government Auditor.

The Committee formally corresponded with the Chief Executive in October and December and received formal acknowledgement to these letters.

Internal Audit Plan

Progress in implementing the internal audit plan was monitored by the AC with regular progress reports furnished by IAU.

The following table sets out details of reports and reviews carried out by Internal Audit in 2018. The unit also provided the Committee with a detailed 2018 annual report.

Internal Audit Reports

The thirteen audit reports issued during 2018 are set out in the following table:

Ref	Audit Description	Date
17-08	ICT Secondary Systems	Mar 2018
17-09	Procurement	Sept 2018
18-01	Public Spending Code Capital – RAS	Jul 2018
18-02 (i)	Public Spending Code Capital – Housing Acquisitions - Bishopsgrove	Jul 2018
18-02 (ii)	Public Spending Code Capital – Housing Acquisitions – Sheridan Park	Jul 2018
18-02 (iii)	Housing Acquisitions	Sept 2018
18-03	Civic Amenity Site – Income Controls	Jul 2018
18-04	Income Controls: Parking Discs	Sept 2018
18-05	Income Controls: Park & Ride	Dec 2018
18-06	Income Controls: Multi Story Car Parks	Dec 2018
18-07	Prompt Payments	Dec 2018
18-08	Street Furniture	Dec 2018
18-09	Development Contributions	Dec 2018

In respect of each report, the Committee review the overall audit opinion, the findings, conclusions and recommendations as well as management responses to the control issues raised. Two of the reports had a limited assurance opinion. Follow up audit

arrangements on all the reports are being instituted where necessary. The revised tracker process, overseen by the Corporate Services Group, is being utilised.

3 of the 68 audit recommendations issued during the year were deemed to be of High Priority. This is considerably lower than the trend across the period 2011 to 2017 and is a very positive development.

Recommendations					Observations
Period	High	Medium	Low	Total	
2018	3	38	27	68	9
	4%	56%	40%	100%	
2011 to 2017	534	380	234	1,148	26
	47%	33%	20%	100%	

The 2018 programme of work highlighted a number of recurring trends including better levels of engagement with internal audit, undocumented controls in some areas and a lack of sufficiently detailed policies, procedure manuals and risk registers or control systems as well as the challenge of extracting meaningful available from the various information systems and databases.

Risk Management

In 2018, the Committee continued to be briefed on the work in relation to embedding a risk management culture and integrating risk management across the Council. Updated risk registers were presented at meetings during the year. In 2018, progress on addressing key risks and uncertainties and the updating of risk registers remained a regular Audit Committee agenda item.

Local Government Auditor

In accordance with the AC Charter, the Committee met with the Local Government Auditor (LGA) on 18th December 2018. At that meeting, the 2017 AFS and the statutory auditors report, management letter and related matters were discussed with the LGA without the executive present. Following this meeting the committee met with the Chief Executive on 29th January 2019 and this engagement formed the basis for the S121 report which is being separately sent to the Council.

The Committee noted to forthcoming retirement of the LGA, Mr Pat Healy, and in thanking him for his work over the years, wished him a long and happy retirement.

6.0 Audit Committee Effectiveness Review

Consistent with the obligations of Statutory Instrument 244 of 2014 (Local Government Audit Committee Regulations) the Committee is required to review its own effectiveness, and the general work of the Committee in the context of its mandate. The committee discussed progress in this regard at the December meeting.

As the term of this committee ceases in May 2019, and by way of assisting the incoming committee membership, at the April 2019 meeting, the committee will reflect on lessons learnt and potential for improvements in overall effectiveness, looking back over the last five years.

7.0 Assurance arrangements

The AC, IA and the LGA are key elements of the overall control and assurance framework within the Council. The IA and AC are key elements of “the third line of defence” after the first line - individual line management and staff; and the second line - the business risk and control functions within each Division / unit. Providing clarity and ensuring greater understanding and appreciation of the differing assurance roles and control responsibilities within these three lines is an ongoing priority for the Committee. Given the committees concern about the control environment and the management assurances processes, this area will be kept under active review and in 2018 the internal auditor has done significant work to assist Directorates with this process.

The Committee wish to emphasise the importance of maintaining the investment in internal audit expertise while acknowledging the availability of external expertise to support the work of the unit.

8.0 Acknowledgements

The Committee would like to thank the Chief Executive, Directors, senior management and other colleagues for their co-operation and assistance during the year. In addition the Committee would particularly like to acknowledge the work of Stephanie Cronin, Head of IA, the IA team and John Hallahan, Head of Finance and members of his team in supporting the committee.

9.0 Conclusion

This annual Audit Committee report outlines the progress made in 2018 across all areas of the committee’s functions.

The Audit Committee looks forward to assisting and supporting the City Council in the forthcoming year by delivering effectively on its mandate through its interactions with senior and line management, internal and external audit.

Appendix

1 AUDIT COMMITTEE STATUTORY FUNCTIONS

Functions of the Audit Committee (Section 59 Local Government Reform Act 2014)
To review financial and budgetary reporting practices and procedures within the local authority that has established it;
To foster the development of best practice in the performance by the local authority of its internal audit function;
To review any audited financial statement, auditor's report or auditor's special report in relation to the local authority and assess any actions taken within that authority by its chief executive in response to such a statement or report and to report to that authority on its findings;
To assess and promote efficiency and value for money with respect to the local authority's performance of its functions
To review systems that are operated by the local authority for the management of risks.