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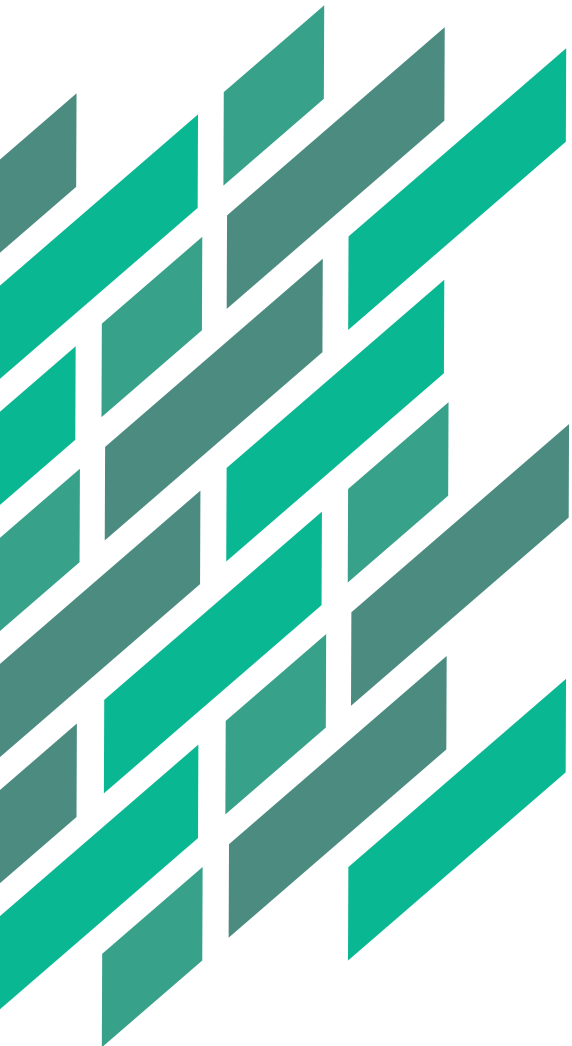
National Oversight
and Audit Commission



Internal Audit in Local Authorities Report 2023

NOAC Report No. 65 – March 2024

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Foreword

It is with great pleasure that I introduce the National Oversight and Audit Commission (NOAC) Internal Audit in Local Authorities Report. This report is informed by a comprehensive survey carried out by NOAC in the summer of 2023.

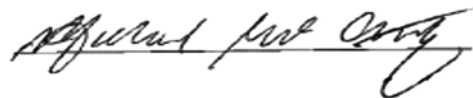
The internal audit function in the local authority is an independent assurance activity and assists with the review and evaluation of how internal controls are functioning including the design and operational effectiveness of these controls. It is a key source of assurance and part of governance and control measures to ensure that significant operational risks are identified, managed, and effectively controlled.

As outlined in the report, there are 31 local authorities in Ireland which are responsible for the provision of over 1,100 services and in 2022 had a combined budgeted current expenditure of €6.3bn, a budgeted capital expenditure in the region of €4.51bn and they operate in complex legislative, political, and local contexts.

NOAC recognises that the role of Internal Audit is vital for local authorities. It promotes good governance in the organisation and encourages better informed and longer-term decision-making as well as the efficient use of resources. It provides an independent, objective assurance and can bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and the governance processes.

In the report there are 17 recommendations and 15 key findings. All local authorities must adopt the recommendations fully where applicable. As part of the ongoing scrutiny process and to promote best practice in this area NOAC will be reviewing the adoption and adherence to these recommendations arising from the findings.

I would also like to extend a sincere thanks to NOAC Working Group 4 (WG4), who played a crucial role in guiding and overseeing the development of the report. I extend my gratitude to the Secretariat for their important work in this report and for the assistance of others including NOAC members and the Head of Internal Audit in the Department of Housing, Local Government and Heritage for their assistance in the survey and the report.



Michael McCarthy
NOAC Chair

21st March 2024

Executive Summary

There are 31 local authorities in Ireland, which in 2022 were responsible for the provision of 1,100 services and had a combined revenue expenditure of €6.3bn and capital expenditure of €4.5bn.

It is clear from the survey carried out by NOAC that all local authorities appreciate and understand how vital the role of internal audit is.

The results of the survey found that there has been an increase in the use of partially outsourced internal audit services.

There were several positive findings including that all local authorities shared their reports with their Chief Executive (CE) and Audit Committees and recommendations were agreed with management. In addition, all had a formal communication channel between the Head of Internal Audit (HIA) and the Audit Committee and had unrestricted access to the Chair of the Audit Committee. All local authorities are members of an internal audit network except the three local authorities that fully outsource this function.

However, there were several areas where recommendations from the NOAC 2018 report were not implemented by some local authorities. NOAC is concerned that only one local authority had completed an external quality assurance review in the last five years despite this being a recommendation of both the Institute of Internal Auditors and the NOAC 2018 report. This is an area which must be addressed now as a matter of urgency by all local authorities.

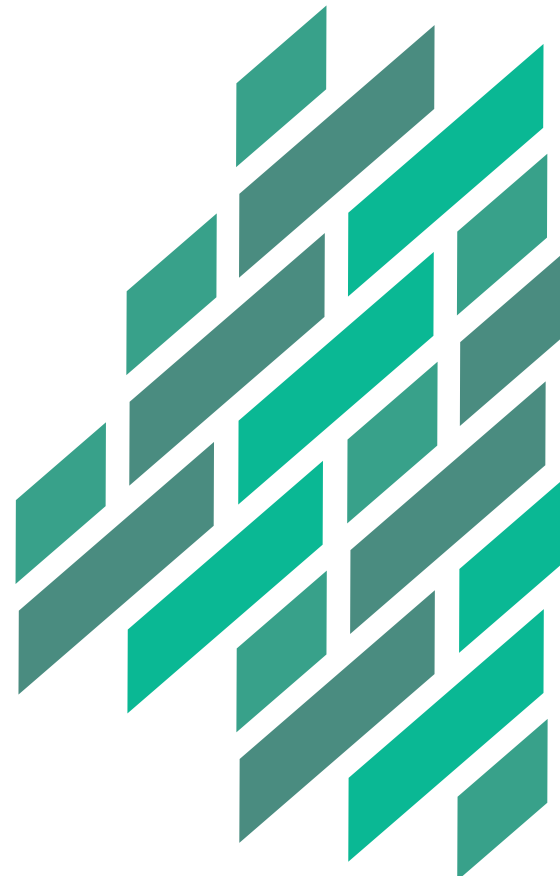
It was recommended in 2018 that local authorities encourage existing staff to obtain appropriate professional qualifications and assign new staff to these functions who are either qualified or seeking to achieve qualification. The finding from this review was that only 36% of local authority HIAs were qualified members of an Accountancy Body or the Institute of Internal Auditors.

Seven local authorities did not have a Fraud and Corruption Alert Plan and nine did not examine their IT risk and the adequacy of its IT policy and procedures.

NOAC has made 17 recommendations in this report to address these, and other issues identified.

These recommendations must be implemented fully where applicable to ensure that internal audit continues to provide independent, objective assurance and ensure that a systematic and disciplined approach is used to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

As part of the ongoing scrutiny process and to ensure and promote best practice in this area, NOAC will be reviewing the implementation of these recommendations.



Introduction

There are 31 local authorities in Ireland which are responsible for the provision of over 1,100 services including housing, roads, planning, fire services, environment and waste, library services and economic development, to name a few.

In 2022, according to the Department of Housing, Local Government and Heritage these local authorities had a combined budgeted current expenditure of €6.3bn and a budgeted capital expenditure in the region of €4.51bn.

It is vital that local authorities have robust internal controls in place and the review function of internal controls and effective delivery of services is conducted by each local authority's Audit Committee. However, the responsibility for internal control and effective delivery of services rests with local authority management. In terms of internal control, internal audit is a key function and the overall goal is to provide objective and relevant assurance and contribute to the effectiveness and efficiency of governance, risk management and control processes. When internal audit is functioning well in a local authority, it allows for:

- 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, and
- Assurance on value for money through examinations of the economic, effective and efficient use of resources allocated by the local authority.

Each local authority audit unit is expected to operate under an Internal Audit Charter. All of the Council's activities fall within the remit of Internal Audit. Internal Audit is part of the Council's corporate governance and internal control structure and reports both internally and to the Audit Committee.

The Audit Committee also has a role in reviewing the findings and recommendations of NOAC and the response of the Chief Executive to these and to take further action as appropriate.

The operation of the committee is directed by the Local Government (Audit Committee) Regulations 2014, and related guidance as issued in June 2014. The committee operates in accordance with a written charter that is approved by Council.

Audit Committees meet on average four times each year. The Chief Executive is required to attend at least one meeting each year.

The Local Government Audit Service (LGAS) from the Department of Housing, Local Government and Heritage is responsible for Councils' External Audits. Internal audit maintains an ongoing liaison with this service. The Local Government Auditor is required to meet the Audit Committee each year to present and discuss the statutory audit report on the Annual Financial Statements.

NOAC Background

NOAC is the national independent oversight body for the local government sector in Ireland. It was established in July 2014 under the Local Government Reform Act 2014 to provide independent oversight of the local government sector.

NOAC's functions are wide ranging, covering all local authority activities and involving the scrutiny of performance generally and financial performance specifically. NOAC also has a role in supporting best practice, overseeing implementation of national local government policy and monitoring and evaluating implementation of corporate plans, adherence to service level agreements and public service reform by local government bodies.

The work of NOAC is carried out mainly through its four Working Groups on Local Government Governance, Efficiency and Reform, Performance Indicators, Communications and Customer Survey, and Financial Management and Performance.

Specifically, NOAC's Financial Management and Performance Working Group oversees NOAC's functions under section 126C(1)(b), (e) and (f) of the Local Government Reform Act 2014 to:

- Scrutinise financial performance including relating to value for money,
- To oversee how national policy in relation to local government is implemented by local government bodies, and
- To monitor and evaluate the implementation of public service reform by local government bodies.

NOAC Review Objectives

The focus of NOAC's current review is on the general governance of the internal audit function in local authorities. It will compare findings with those of the NOAC Internal Audit Report 2018 and consider how the recommendations made therein were implemented.

In particular, NOAC will explore what improvements have occurred since 2018 and what areas have not improved. It will also examine the trends in the internal audit function in the local government sector and make recommendations on how this function can be improved across the local government sector.

Methodology of 2023 Survey

NOAC conducted a review of the internal audit function of local authorities to examine what improvements had taken place since 2018 and if recommendations had been adopted and been used to improve the internal audit function and role. To do this, NOAC conducted a survey of all 31 local authorities in relation to their internal audit functions. This survey was circulated to the Chief Executives of all local authorities on 22 June 2023 via an online survey tool.

Local authorities were asked to complete a questionnaire and provide a list of all reports undertaken in 2021, 2022 and planned for 2023 to provide an understanding of the range of topics undertaken by their internal audit divisions.

NOAC has conducted its analysis of the survey responses which are outlined further below in the Findings and Recommendations section and used those responses as part of conducting its trend analysis and recommendations.

Furthermore, NOAC recognises that each local authority differs in terms of size and population density and this can have an impact on its ability to allocate resources. Therefore, when conducting its analysis of its findings, NOAC has endeavoured to group local authorities into three categories as laid out in Table 1 hereunder in order to allow such differences to be taken into account. This method of categorisation of local authorities by levels of urbanisation has been utilised in previous NOAC reviews.

Table 1: Categorisation of local authorities by size

LARGE	MEDIUM	SMALL
Cork County	Clare	Carlow
South Dublin	Cork City	Westmeath
Fingal	Donegal	Leitrim
DLR	Kerry	Offaly
Dublin City	Kilkenny	Galway City
Galway County	Louth	Cavan
Kildare	Mayo	Sligo
Limerick	Waterford	Roscommon
Meath	Wexford	Laois
Tipperary	Wicklow	Longford
		Monaghan

Findings and Recommendations

As noted above, NOAC provides independent oversight of the local government sector and as part of its remit it is tasked with 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 applicable.

The NOAC survey examined how the 31 local authorities operated their internal audit function. In particular, it sought to establish whether the function was;

- Operated entirely in-house
- Partially outsourced or
- Fully outsourced

NOAC found that twelve local authorities, as noted in Table 2, either fully outsourced or partially outsourced their internal audit services by contract. This compares to six in 2018, which indicates a trend of increasing use of outsourcing of internal audit services by local authorities. Mayo, Leitrim and Louth County Councils fully outsourced their internal audit services as was the case in 2018.

Table 2: *Local authorities operation of internal audit services*

In-house	Partially Outsourced	Fully Outsourced
LARGE		
Cork County	Fingal	
South Dublin	Dún Laoghaire-Rathdown	
Galway County	Dublin City	
Kildare	Limerick	
Meath		
Tipperary		
MEDIUM		
Donegal	Clare	Mayo
Kerry	Cork City	Louth
Kilkenny	Wicklow	
Waterford		
Wexford		
SMALL		
Carlow	Galway City	Leitrim
Westmeath	Monaghan	
Offaly		
Cavan		
Sligo		
Roscommon		
Laois		
Longford		

Finding 1

- There has been an increase in the use of partially procured services.
- Smaller sized local authorities tended to use an in-house approach.
- Medium sized local authorities had a higher proportion of full or partial outsourcing of the service.

In addition, NOAC investigated whether the contract used by those local authorities who procured internal audit services, partially or fully, specified that the service was provided in accordance with the Standard of the Institute of Internal Auditors. Of note Fingal County, Cork City and Mayo County Councils did not specify this requirement while Monaghan County Council failed to respond to this question.

While NOAC was pleased that most local authorities ensured that their fully/partially provided internal audit services would meet this standard, it is a concern that a third of such fully/partially outsourced services, did not specify this.

Recommendation 1

All internal audit functions of local authorities must operate in accordance with the standards of the Institute of Internal Auditors.

Recommendation 2

Those local authorities who partially or fully outsource their internal audit function are responsible and accountable to ensure that the required qualifications, expertise, and experience is being procured. In addition, they must ensure that the relevant standards of the Institute of Internal Auditors are being met by the relevant provider. It is essential that this is implemented as soon as possible.



1 Governance Arrangements

Strong governance ensures that a framework of structures, policies and processes are in place in an organisation to achieve certain outcomes. It is essential in discharging statutory and policy obligations as well as achieving objectives and delivering on priorities efficiently and effectively.

NOAC recognises the importance of best practice governance arrangements and the operation of internal audit standards in the functioning of local authorities' internal audit function and provision of public services.

Governance arrangements in internal audit ranging from audit charters, communication, independence, responsibilities, and more were examined.

1.1 Internal Audit Charter

Of the 31 local authorities, only Mayo County Council did not capture the role, responsibilities, and authority of the internal audit in a charter. It was the only local authority that fully outsourced its function which did not have a Charter. It is important that an Internal Audit Charter is put in place immediately. Where charters are used, it is important that these are reviewed every three years. Limerick County Council has not reviewed its Charter in the last three years.

1.2 Head of Internal Audit reporting arrangements

Finding 2

NOAC found that all local authorities had a formal communication channel between the HIA and its Audit Committee. In addition, all local authorities had unrestricted access to the Chair of its Audit Committee.

1.3 Standard Operating Procedures

Five local authorities (Table 3) did not have a standard operating procedure or manual in place. Leitrim, Louth and Mayo County Councils fully outsource their internal audit functions, but of these, only Mayo reports that it does not have a standard operating procedure or manual in place.

Table 3: Standard operating procedure/manual not in place

LARGE	Limerick
MEDIUM	Donegal
	Kilkenny
	Mayo
SMALL	Carlow

Recommendation 3

All local authorities should ensure that there is a standard operating procedure or manual in place for the Internal Audit function. Those local authorities who do not have this in place must ensure that this is done as soon as possible.

1.4 Independence and Objectivity

The majority of local authorities stated that they had an annual system in place to confirm the independence and objectivity of their internal audit function. However, nine local authorities confirmed that they did not have such a system in place (Table 4).

Table 4: Local authorities lacking a system to confirm independence

LARGE	Cork County
	Fingal
	Galway County
	Tipperary
MEDIUM	Donegal
	Waterford
	Wicklow
SMALL	Westmeath
	Sligo

Recommendation 4

All local authorities should ensure that there is a system in place to confirm the independence and objectivity of their internal audit function on an annual basis. The nine local authorities that do not have such a system in place must ensure that this is done as soon as possible.

Finding 3

Five local authorities noted that its HIA held responsibilities outside of their internal audit role (Table 5). Those local authorities noted responsibilities such as facilitating risk register updates, involvement in governance reviews, oversight of risk management and having a management role in terms of corporate services. Kerry County Council reported that its HIA held a management role that may give rise to a potential conflict of interest for the management part of the role.

Table 5: Head of Internal Audit holds additional responsibilities

LARGE	Fingal
	Kildare
MEDIUM	Clare
	Cork City
	Kerry



2 Staffing and Training

NOAC recognises the ongoing challenge of recruitment in the local government sector and asked local authorities to provide information on their staffing level and vacancies as well as their training programmes. The full breakdown of information is provided in Appendix C.

As Mayo, Leitrim and Louth County Councils fully outsourced their internal audit functions, they did not report any staff for this function. As a result, NOAC has excluded these three local authorities from its calculation of total staffing averages given they would have an impact on the overall results.

2.1 Staffing

Taking this into account, the average number of staff across those 28 local authorities' internal audit units was 2.84. Table 6 sets out the average number of staff per grouping of local authorities. The larger local authorities had an average staff count of 4.06, the medium local authorities 2.88 and the smaller local authorities 1.61. This is likely to be a reflection of their size.

In the 2018 report, NOAC found that 12 local authorities had one staff member, 12 local authorities had between two and three staff, four local authorities had between four and seven staff and two local authorities had greater than seven staff members.

Table 6: Internal Audit Staff

Local authorities	Internal Audit Staff	Average
LARGE	40.6	4.06
MEDIUM	23	2.88
SMALL	16.1	1.61

Finding 4

The average number of internal audit staff per local authority is 2.76.

The breakdown of staff by grade in each local authority's internal audit unit, excluding those local authorities that had fully outsourced the function was examined. Grade 8 is the most senior grade and Grade 3 the least senior grade.

The breakdown of the information by all local authorities is provided in Chart 1 below and in Appendix C. Additionally, NOAC decided to break down its findings by local authority size grouping which is laid out in Table 7 below.

Chart 1: Local authority staff grades

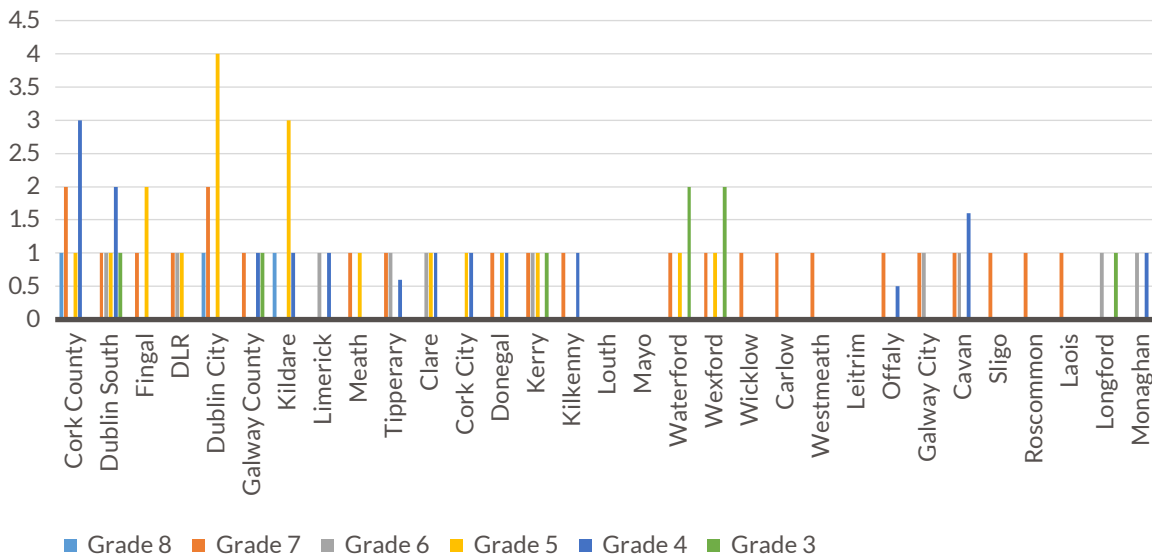


Table 7: Breakdown of Staff by Grade

Local authority	Grade 8	Grade 7	Grade 6	Grade 5	Grade 4	Grade 3	Total
LARGE	3	10	4	13	8.6	2	40.6
MEDIUM	0	6	2	6	4	5	23
SMALL	0	8	4	0	3.1	0	15.1
Total	3	24	10	19	15.7	7	

As expected in terms of breakdown by grade, the larger authorities had the highest staffing count. Only the large authorities had staff at Grade 8.

Of note, the large local authorities had a considerably higher staff count by grade given resources available, though small local authorities had a similar staff count compared to the medium sized authorities. It should be noted that, as in the full table in Appendix B, three local authorities did not provide breakdowns by grade because they were fully outsourced, Louth, Leitrim & Mayo County Councils.

In terms of vacancies, six local authorities noted that they had one or two vacancies in their internal audit units at the time of the survey, as per Table 8 below. None of the smaller local authorities noted any vacancies.

Table 8: Staff Vacancies

LARGE	Cork County – 2
	South Dublin – 2
	Dublin City – 1
MEDIUM	Offaly – 1
	Galway City – 1
	Roscommon – 1

2.2 Training for Internal Audit

Seven local authorities (Table 9) noted that they did not have an ongoing training plan in place for its internal audit staff. Excluded are Mayo, Louth and Leitrim County Councils who had fully outsourced the function while Galway County and Kildare County noted the use of PMDS and training courses to provide this option which could be considered a formal training plan. However, South Dublin, DLR, Carlow, Offaly and Roscommon County Councils did not expand with details. This was a negative development in comparison with 2018 where all local authorities with internal audit staff, except for one, had an on-going training plan in place.

While NOAC would recognise the use of PMDS as part of developing a formal training plan, it would be concerned that five local authorities noted that they did not have a formal process in place for staff development, regardless of that organisation’s size.

Table 9: Local authorities without ongoing training plans (excluding Mayo, Louth & Leitrim)

LARGE	South Dublin
	Dún Laoghaire-Rathdown
	Galway County
	Kildare
SMALL	Carlow
	Offaly
	Roscommon

Recommendation 5

All local authorities should ensure that they have ongoing training plans for their internal audit staff and these should be reviewed annually. A formal identification of training needs must be carried out for each member of staff of internal audit.

2.3 Adequacy of Internal Audit Resources

NOAC asked local authorities whether they had conducted an assessment of the adequacy of their internal audit resources including staff skills in the previous two years. This data is set out in Table 10 below.

Table 10: No recent assessment of internal audit resources

LARGE	South Dublin
	Fingal
	Dún Laoghaire-Rathdown
	Kildare
	Tipperary
MEDIUM	Cork City
	Donegal
	Wicklow
SMALL	Carlow
	Westmeath
	Offaly
	Sligo
	Roscommon
	Laois
	Longford

Finding 5

Of the 31 local authorities, 15 had not conducted an assessment of the adequacy of their internal audit resources including staff skills in the previous two years. There has not been an improvement in this area, since 2018.

Furthermore, which is of particular concern, 14 local authorities failed to provide a date of their last assessment. These were Carlow, Cork City, Donegal, Dún Laoghaire-Rathdown, Fingal, Kildare, Laois, Offaly, Roscommon, Sligo, South Dublin, Tipperary, Westmeath and Wicklow County Councils.

Kildare noted that it was in the process of developing its workforce plan, Longford advised it had conducted its last assessment in 2019, Cork City had conducted its assessment prior to 2019 and Donegal County Council had not conducted an assessment since 2010.

The three local authorities' internal audit services which are fully outsourced are not included here.

Recommendation 6

NOAC recommends that all local authorities conduct assessments of the adequacy of internal audit resources including staff skills on a regular basis, to ensure that they are functioning to the required level and to a high standard.

All local authorities that did not fully outsource their service noted that they supported and/or encouraged staff to obtain the appropriate professional qualifications in this area, with the exception of Galway City Council. NOAC was pleased to see this given it was a recommendation of the 2018 report.

NOAC believes that the sharing of experiences, particularly in the area of good practice is key to developing better services and is in the interest of the local government sector. This is emphasised in NOAC's annual Good Practice in Local Government Seminar, in its Performance Indicator Reports, through the individual Scrutiny Process and throughout NOAC work. Details of its range of work and reports are available on the NOAC website.

2.4 Local Authority Internal Audit networks

Local authorities were asked if their HIA or any internal audit staff were part of a local authority network for internal audit. NOAC was pleased to find that all local authorities with the exception of those that outsourced their services were members of such a network.

Finding 6

All local authorities, with the exception of those outsourcing the function, were members of an internal audit network.

Recommendation 7

NOAC encourages all local authorities to continue their involvement in internal audit networks to ensure the continuing understanding of how the service can be improved and to share best practice.

2.5 Qualifications and Experience of HIAs

NOAC looked at the qualifications of HIAs in each local authority. It found that HIAs, had on average, 5.3 years' experience.

Three local authorities were not able to answer this question and were excluded in calculating the average number of years' experience.

Table 11: Local authorities excluded in calculation of HIA average experience

Local authority	Comment
Galway City	Vacant position
Roscommon	Vacant position
Monaghan	Newly Appointed

Finding 7

Despite it being a recommendation in the 2018 report, only 10 local authority HIAs, were qualified members of an accountancy body or the Institute of Internal Auditors (Table 12). This represents just 36% of local authorities.

The smaller authorities had a much higher rate of HIAs with membership of an accredited body.

Table 12: HIAs with membership of an accredited body

LARGE	South Dublin
	Fingal
	Kildare
	Limerick
MEDIUM	Wicklow
SMALL	Offaly
	Galway City
	Cavan
	Laois
	Longford

Recommendation 8

All local authorities must encourage existing staff to obtain appropriate professional qualifications and assign new staff to these functions who are either qualified or seeking to achieve qualification. It is critical that this recommendation be implemented as soon as possible in those local authorities whose Head of Internal Audit is not qualified or seeking to achieve qualification.

3 Audit Planning

Audit planning is primarily conducted at the beginning of the audit process to ensure that appropriate attention is devoted to important areas, to identify potential problems and work is properly coordinated.

NOAC recognises the importance of audit planning in ensuring the delivery of internal audit. NOAC surveyed all 31 local authorities on a variety of areas to gain a better understanding of how their internal audit functioned in this sphere.

3.1 Audit Plans

NOAC was pleased to note that all local authorities prepared annual Audit Plans which were agreed with the Chief Executive. Additionally, all local authorities advised that their annual Internal Audit Plan was approved by their Audit Committee and Chief Executive with the exception of Cavan County Council.

Of the 31 local authorities, seven noted that they did not examine or report on compliance in relation to EU co-funded projects as outlined in Table 13.

Table 13: Non-reporting on compliance with EU projects

LARGE	South Dublin
	Fingal
	Dublin City
	Limerick
MEDIUM	Cork City
	Mayo
SMALL	Galway City

3.2 Fraud & Corruption Alert Plans

One of the basic principles of public sector organisations is the proper use of public funds. Where resources are wrongfully diverted and not used for the intended purpose, the local authority's ability to achieve its objectives is impacted. All local authorities are committed to maintaining high standards in the delivery of its objectives and the management of the funds entrusted to it.

Fraud and Corruption alert plans ensure the promotion of a culture of honesty and integrity which deters fraudulent activity. The purpose is also to facilitate the prevention and detection of fraud and the development of procedures which will aid in the investigation of fraud and related offences.

Finding 8

Seven local authorities did not have a Fraud and Corruption Alert Plan.

Table 14: Local authorities without a Fraud and Corruption Alert Plan

LARGE	Cork County
	Fingal
MEDIUM	Donegal
SMALL	Offaly
	Roscommon
	Laois
	Longford

Recommendation 9

It is very important to ensure that Fraud and Corruption Alert policies are in place for all local authorities. It is essential that all local authorities who do not have such a plan in place must do so as soon as possible. This was a recommendation in the 2000 LGAS report on Internal Audit in local authorities.

3.3 Audit Planning

NOAC found that four local authorities, Dún Laoghaire-Rathdown, Tipperary, Donegal and Sligo County Councils, did not complete their audit planning in line with professional internal audit standards (Table 15).

Table 15: Local authorities with audit planning not in line with professional standards

LARGE	Dún Laoghaire-Rathdown
	Tipperary
MEDIUM	Donegal
SMALL	Sligo

Recommendation 10

It is very important that those local authorities which have not carried out their planning in line with professional internal audit standards do so by end of 2024 to ensure conformity with other local authorities and to follow best practice in the function.

3.4 IT Risk and IT Policy & Procedures

Finding 9

Nine local authorities, as set out in Table 16, did not examine their IT Risk and adequacy of IT Policy & Procedures.

While this does not mean that those local authorities' procedures are not sufficient it is important to be vigilant in this area.

Table 16: Local authorities that do not examine IT Risk and adequacy of IT policy and procedures

LARGE	Galway County
	Meath
	Tipperary
MEDIUM	Donegal
	Wexford
SMALL	Carlow
	Galway City
	Sligo
	Longford

Recommendation 11

All local authorities must review their IT risk policy and procedures regularly to ensure that they are robust, fit for purpose and updated and that public services and information are safe. This was also a recommendation of the 2018 report.

3.5 Change of Risk Assessment

NOAC asked local authorities whether they had conducted an examination of change of risks, particularly where a system or process had been replaced or amended. While the majority of local authorities confirmed that they did, eight local authorities noted that they had not (Table 17).

Table 17: Change of risk assessment

LARGE	Dún Laoghaire-Rathdown
	Dublin City
	Galway County
MEDIUM	Cork City
	Wicklow
SMALL	Carlow
	Westmeath
	Galway City

Recommendation 12

All local authorities must ensure examine/ update their risk assessments, particularly where a system or process has been replaced or amended given the unforeseen impacts that can occur.

Recommendation 13

NOAC recommends that local authorities establish multi-year plans as they can give an overall high level approach to internal audit which could provide greater direction to local authorities and benefit Audit Committees in seeing overall longer term goals. A multi-year plan is useful to visualise the coverage of the audit universe over a desired time frame. The approach allows progress to be monitored against an annual plan.

3.6 Internal Audit Planning

NOAC asked how local authorities approached their annual Internal Audit Plans. It asked whether these plans were produced on a multi-year or annual basis. Clare, Sligo, Galway City and Westmeath County Councils noted that they had multi-annual plans that lasted either two or three years. Tipperary and Kerry also noted they had a Strategic Audit Plan that lasted the term of each of their Audit Committees (Table 18).

Table 18: Internal Audit Plans

LARGE	Tipperary
MEDIUM	Clare
	Kerry
SMALL	Westmeath
	Galway City
	Sligo

It is disappointing that only 6 local authorities have confirmed that they have developed multi-year plans despite this being a recommendation in the 2018 report.

Finding 10

Only six local authorities have developed multi-year plans despite this being a recommendation in the 2018 report.



4 Reporting

Reporting is an essential method of analysing and communicating how structures function within each local authority.

4.1 Annual formal written report

Local authorities were asked if they shared their internal audit reports with the Chief Executive and Audit Committee and whether all individual internal audit reports and their recommendations were agreed with Management. NOAC was pleased to learn that this was the case for all local authorities.

Internal audit units were also asked whether they produced an annual formal written report and if these reports contained an overall audit opinion.

NOAC found that, as per Table 19, 18 local authorities did produce an annual report. However, of these, only South Dublin, Meath, Louth, Mayo, Leitrim, Galway City, Cavan and Laois County Councils provided for a written opinion. This was something that was recommended in the 2018 report.

Of interest, all three fully outsourced local authorities provided an annual report and opinion within it. NOAC would emphasise the importance of local authorities producing an annual formal written report in order to indicate any issues concerning financial management as well as make recommendations to modify procedures and improve operations.

Table 19: Local authorities providing an annual written report

LARGE	South Dublin
	Fingal
	Dún Laoghaire-Rathdown
	Galway County
	Kildare
	Meath
	Tipperary
MEDIUM	Cork City
	Kerry
	Kilkenny
	Louth
	Mayo
	Waterford
SMALL	Carlow
	Leitrim
	Galway City
	Cavan
	Laois

It is disappointing to note that 13 local authorities do not produce a formal written annual report.

Finding 11

13 local authorities do not produce a formal written annual report. This was a recommendation from the 2018 report.

Finding 12

All local authorities shared their internal audit reports with the Chief Executive and Audit Committee and all individual internal audit reports and their recommendations were agreed with Management.

4.2 Audit Tracking

NOAC is of the opinion that the use of trackers is an excellent way to ensure a step-by-step record and a clear audit trail. In fact, NOAC considers this to be a best practice exercise and, therefore, asked local authorities' internal audit units if they used this in their operations.

NOAC was pleased to note that the vast majority of local authorities used trackers in their operations with only Donegal, Mayo, Wexford, Leitrim, Roscommon and Laois County Councils not doing so.

In terms of how trackers were used, NOAC found that 11 local authorities used trackers for Internal Audit and Local Government Audit Service (LGAS) items as laid out in Table 20 below.

Table 20: Local authorities using audit trackers for both internal audit and LGAS items

LARGE	Fingal
	Dún Laoghaire-Rathdown
	Galway County
MEDIUM	Cork City
	Louth
	Wicklow
SMALL	Offaly
	Galway City
	Cavan
	Sligo
	Longford

Those local authorities that did not use trackers for internal audit and LGAS items made a number of comments including:

- that they used them for monitoring
- tracking recommendations from audit reports
- that they were moving to a system that would likely allow its use
- that a tracker was used by the Audit Committee and Senior Management Team; or that it was used for internal audit recommendations only (Table 21)

Table 21: Local authorities not using trackers for internal audit and/or LGAS items

LARGE	Dublin City
	Kildare
	Tipperary
MEDIUM	Clare
	Kerry
	Kilkenny
	Waterford
SMALL	Monaghan

Recommendation 14

All local authorities must compile an annual report to indicate any issues concerning financial management as well as make recommendations to modify procedures and improve operations. Those who do not produce such reports should ensure that they commence the practice now for 2023 calendar year.

Recommendation 15

While the majority of local authorities, (25), used trackers in their operations, it is recommended that all local authorities use this system to ensure a clear audit trail is available.

5 Performance

This section seeks to establish the performance of the local authority internal audit function in terms of adherence to the internal audit guidance, approach to quality assurance and compliance testing, as well as the regularity of Audit Committee meetings.

NOAC considers these actions as vital in terms of measuring the performance of process, compliance and that systems in place are robust.

5.1 External Quality Assurance Review

Of particular concern, only Clare County Council had completed an external quality assurance review in the last five years. In 2018, NOAC had noted that six local authorities had conducted external quality assurance reviews. The 2023 result is, therefore, a significant decline. It should be noted that the Institute of Internal Auditors' recommendation is that an internal audit function must have an external assessment carried out at least every five years.

Finding 13

It is of concern to NOAC to note that only one local authority had completed an external quality assurance review in the last five years. This is a recommendation of the Institute of Internal Auditors and was also included in the 2018 NOAC report.

Only eight local authorities noted that they identified and monitored performance indicators from year to year as set out in the Internal Audit Guidance Handbook (Table 22).

Table 22: Local authorities monitoring performance indicators

LARGE	Galway County
	Meath
MEDIUM	Cork City
	Louth
SMALL	Offaly
	Cavan
	Laois
	Longford

Recommendation 16

The Institute of Internal Auditors recommends that an internal audit function must have an external assessment carried out at least every five years. All local authorities must address this as a matter of priority.

5.2 Compliance Tests

NOAC also found that five local authorities had conducted compliance tests with regard to the operation of the internal audit unit against the stated function of their local authority's audit charter. They were South Dublin, Meath, Clare, Wexford and Cavan County Councils. In the 2018 report, only two local authorities did so. While this was a slight improvement, NOAC would encourage all local authorities to carry out such tests. Finally, in terms of Audit Committee meetings the majority met over four times a year, with only the Roscommon Audit Committee meeting twice in the year.

Finding 14

Five local authorities had conducted compliance tests with regard to the operation of the internal audit function against the stated function of their local authority's audit charter.

Recommendation 17

All local authorities should conduct compliance tests to ensure that the operation of the internal audit function against its stated function.

6 Budget Output

Local authorities in Ireland had a combined budgeted current expenditure of €6.3bn and a budgeted capital expenditure in the region of €4.51bn in 2022 according to the Department of Housing, Local Government and Heritage.

6.1 Internal Audit Budget

NOAC asked the local authorities to provide their 2023 internal audit budget, with the average budget being €203,659. This did not take account of those local authorities who were unable to provide an exact figure – Tipperary, Wexford, Roscommon and Monaghan.

The average budget for internal audit for 2023, excluding the local authorities that were unable to provide figures, was €5.5m.

Chart 2 provides a breakdown of the figures provided by local authority with Dublin City having, by far, the largest internal audit budget followed by Kildare and Cork County all having budgets over €400,000. In terms of smallest budgets, Louth, Mayo, Wicklow, Westmeath and Leitrim had budgets below €75,000.

6.2 External Contractor Budget

NOAC was also interested in what the internal audit budget for external contractors was in 2023. 12 local authorities outsourced their internal audit function and or partially outsourced and provided a specific budget. The total budget for this activity was €806,358 with an average budget for the year of €67,197.

The breakdown of these budgets are provided in Chart 3 with Fingal having the largest budget at €125,000 and Galway City having the smallest budget at €26,800.

Chart 2: Internal Audit budget

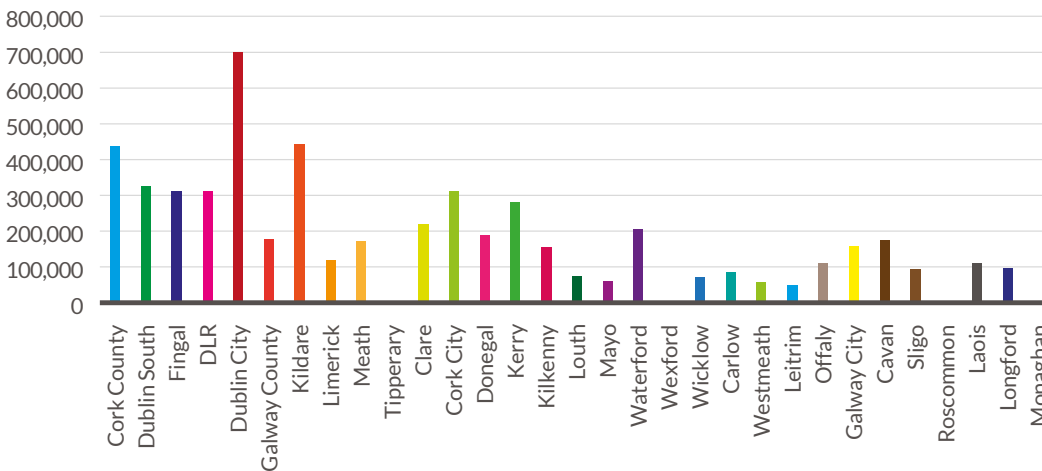
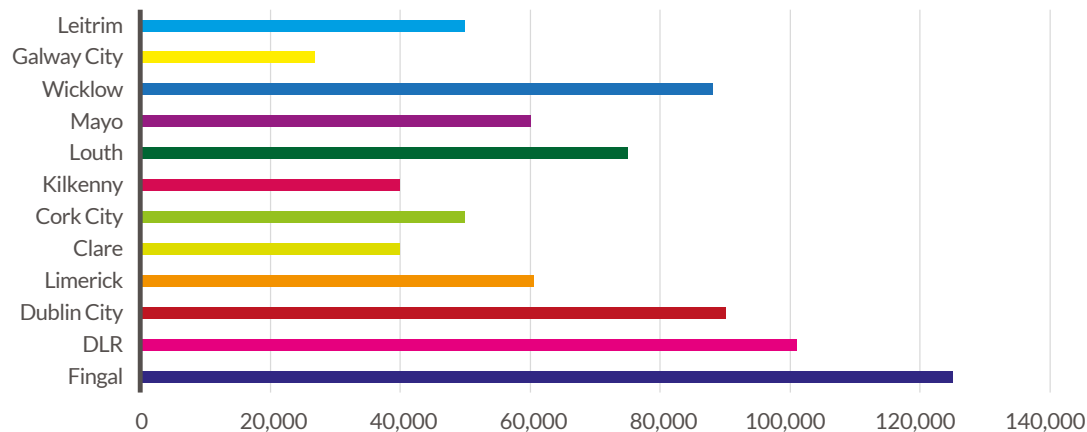


Chart 3: External Internal Audit Budget



NOAC also asked local authorities what percentage of the internal audit work programme was carried out by external contractors over 2021 and 2022. 19 local authorities noted that 0% of their internal audit work programme was carried out by external contractors in 2021 or 2022.

Louth, Mayo and Leitrim, had fully outsourced their function (100% over the two year period), while, Kildare had the lowest percentage of work, of those who outsourced, carried out by external contractors at 5%.

6.3 Volume of reports

In terms of volumes of reports prepared by internal audit units, local authorities produced 422 reports over 2021 and 2022 with an average of 13.61 reports per local authority.

A breakdown by local authority is provided in Chart 5 with Dublin City, Clare and Wexford County Councils producing the most while Laois, Sligo, Leitrim and Westmeath County Councils produced the least volume.

When report output is compared with local authority size, the average output in the medium sized local authorities was the highest with the smaller sized authorities producing, on average, the least volume (Table 23).

Table 23: Report output by LA size

Local authority	Average Reports
LARGE	15
MEDIUM	15.3
SMALL	11

Chart 4: Percentage of internal audit work carried out externally

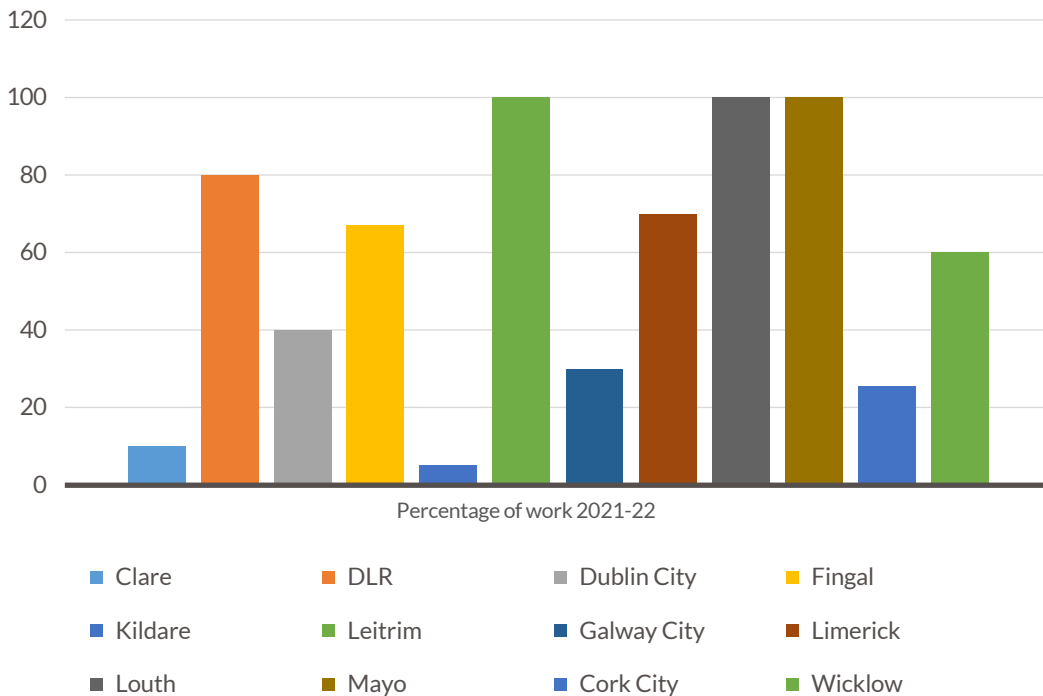
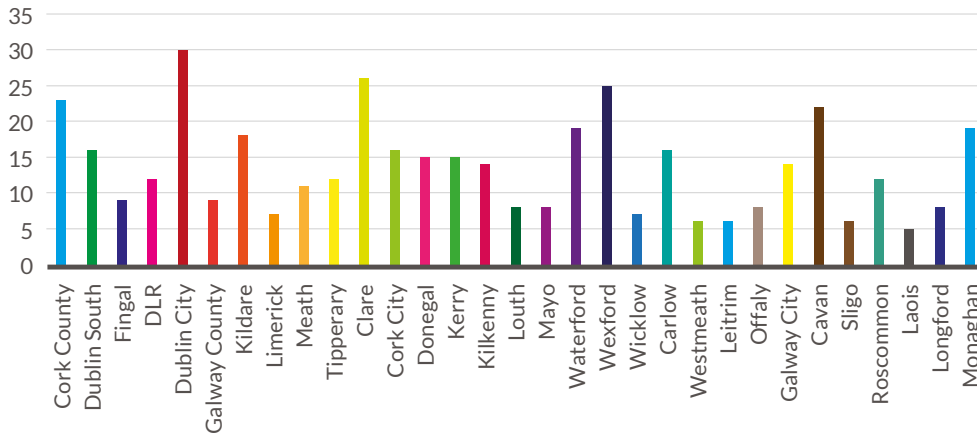


Chart 5: Volume of reports 2021 and 2022



6.4 Public Spending Code

The Public Spending Code applies to both current and capital expenditure and to all public bodies in receipt of public funds. The Code brings together, in one place, details of the obligations of those responsible for spending public money. Local authorities are responsible for carrying out the quality assurance requirements as part of the Code and NOAC is responsible for the incorporation of local authority reports into a composite report for the local government sector.

As per Chart 6, Dublin City, Cork City and Wexford devoted the most resources to the completion of the code while Louth, Mayo, Leitrim and Westmeath devoted the least amount of work days to the completion of the code. Three of these local authorities had fully outsourced their internal audit functions.

Medium sized local authorities spent more full time employee days on average on completing the code, while the small sized local authorities spent the least (Table 24).

NOAC asked local authorities to estimate the number of full time employee work days spent on the Public Spending Code in order to get an indication of the resources devoted to the completion of the code.

Chart 6: Work day spent on Public Spending Code work per full time equivalent (FTE)

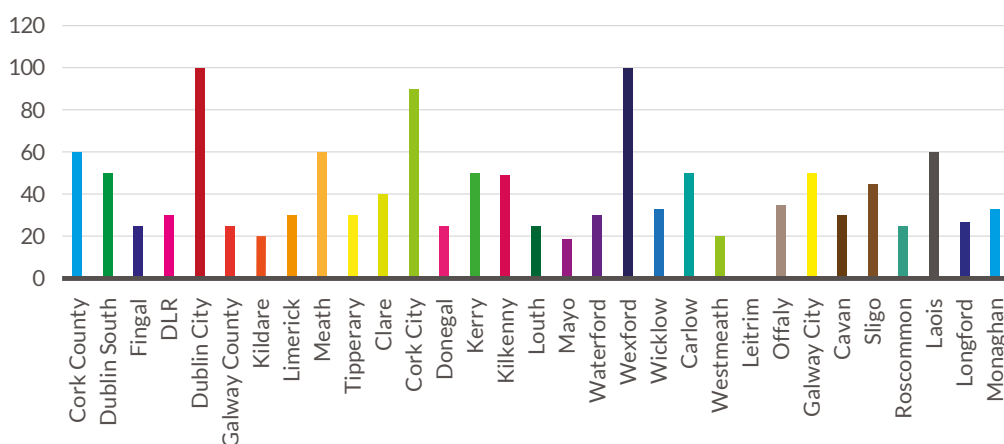


Table 24: FTE days spent on Public Spending Code work

Local authority	Average days spent on PSC
LARGE	43
MEDIUM	46.1
SMALL	35

Finding 15

Based on responses from local authorities 442 internal audit reports were produced between 2021 and 2022 with an average of 41.3 FTE days on the Public Spending Code. NOAC found that the medium sized authorities, on average, produced more internal audit reports and spent more time on the Public Spending Code than the larger local authorities.



Appendices



Appendix A

RECOMMENDATIONS

Recommendation 1

All internal audit functions of local authorities must operate in accordance with the standards of the Institute of Internal Auditors.

Recommendation 2

Those local authorities who partially or fully outsource their internal audit function are responsible and accountable to ensure that the required qualifications, expertise, and experience is being procured. In addition, they must ensure that the relevant standards of the Institute of Internal Auditors are being met by the relevant provider. It is essential that this is implemented as soon as possible.

Recommendation 3

All local authorities should ensure that there is a standard operating procedure or manual in place for the internal audit function. Those local authorities who do not have this in place must ensure that this is done as soon as possible.

Recommendation 4

All local authorities should ensure that there is a system in place to confirm the independence and objectivity of their internal audit function on an annual basis. The nine local authorities that do not have such a system in place must ensure that this is done as soon as possible.

Recommendation 5

All local authorities should ensure that they have ongoing training plans for their internal audit staff and these should be reviewed annually. A formal identification of training needs must be carried out for each member of staff of internal audit.

Recommendation 6

NOAC recommends that all local authorities conduct assessments of the adequacy of internal audit resources including staff skills on a regular basis, to ensure that they are functioning to the required level and to a high standard.

Recommendation 7

NOAC encourages all local authorities to continue their involvement in internal audit networks so ensure the continuing understanding of how the service can be improved and to share best practice.

Recommendation 8

All local authorities must encourage existing staff to obtain appropriate professional qualifications and assign new staff to these functions who are either qualified or seeking to achieve qualification. It is critical that this recommendation be implemented as soon as possible in those local authorities whose Head of Internal Audit is not qualified or seeking to achieve qualification.

Recommendation 9

It is very important to ensure that Fraud and Corruption Alert policies are in place for all local authorities. It is essential that all local authorities who do not have such a plan in place must do so as soon as possible. This was a recommendation in the 2000 LGAS report on internal audit in local authorities.

Recommendation 10

It is very important that those local authorities which have not carried out their planning in line with professional internal audit standards do so by end of 2024 to ensure conformity with other local authorities and to follow best practice in the function.

Recommendation 11

All local authorities must review their IT risk policy and procedures regularly to ensure that they are robust, fit for purpose and updated and that public services and information are safe. This was also a recommendation of the 2018 report.

Recommendation 12

All local authorities must ensure examine/update their risks assessments particularly where a system or process has been replaced or amended given the unforeseen impacts that can occur.

Recommendation 13

NOAC recommends that local authorities establish multi-year plans as they can give an overall high level approach to internal audit which could provide greater direction to local authorities and benefit Audit Committees in seeing overall longer term goals. A multi-year plan is useful to visualise the coverage of the audit universe over a desired time frame. The approach allows progress to be monitored against an annual plan.

Recommendation 14

All local authorities must compile an annual report to indicate any issues concerning financial management as well as make recommendations to modify procedures and improve operations. Those who do not produce such reports should ensure that they commence the practice now for 2023 calendar year.

Recommendation 15

While the majority of local authorities, (25), used trackers in their operations, it is recommended that all local authorities use this system to ensure a clear audit trail is available.

Recommendation 16

The Institute of Internal Auditors recommends that an internal audit function must have an external assessment carried out at least every five years. All local authorities must address this as a matter of priority.

Recommendation 17

All local authorities should conduct compliance tests to ensure that the operation of the internal audit function against its stated function.

Appendix B

KEY FINDINGS

Finding 1

- There has been an increase in the use of partially procured services.
- Smaller sized local authorities tended to use an in-house approach.
- Medium sized local authorities had a higher proportion of full or partial outsourcing of the service.

Finding 2

NOAC found that all local authorities had a formal communication channel between the HIA and its Audit Committee. In addition, all local authorities had unrestricted access to the Chair of its Audit Committee.

Finding 3

Five local authorities noted that its HIA held responsibilities outside of their internal audit role. Those local authorities noted responsibilities such as facilitating risk register updates, involvement in governance reviews, oversight of risk management and having a management role in terms of corporate services. Kerry County Council reported that its HIA held a management role this may give rise to a potential conflict of interest for the management part of the role.

Finding 4

The average number of internal audit staff per local authority is 2.76.

Finding 5

Of the 31 local authorities, 15 had not conducted an assessment of the adequacy of their internal audit resources including staff skills in the previous two years. There has not been an improvement in this area since 2018.

Finding 6

All local authorities, with the exception of those outsourcing the function, were members of an internal audit network.

Finding 7

Despite it being a recommendation in the 2018 report, only 10 local authority HIAs were qualified members of an accountancy body or the Institute of Internal Auditors. This represents just 36% of local authorities.

Finding 8

Seven local authorities did not have a Fraud and Corruption Alert Plan.

Finding 9

Nine local authorities did not examine their IT Risk and adequacy of IT Policy & Procedures.

Finding 10

Only 6 local authorities have developed multi-year plans despite this being a recommendation in the 2018 report.

Finding 11

13 local authorities do not produce a formal written annual report. This was a recommendation from the 2018 report.

Finding 12

All local authorities shared their internal audit reports with the Chief Executive and Audit Committee and all individual internal audit reports and their recommendations were agreed with Management.

Finding 13

It is of concern to NOAC to note that only one local authority had completed an external quality assurance review in the last five years. This is a recommendation of the Institute of Internal Auditors and was also included in the 2018 NOAC report.

Finding 14

Five local authorities had conducted compliance tests with regard to the operation of the internal audit function against the stated function of their local authority's audit charter.

Finding 15

Based on responses from local authorities 442 internal audit reports were produced between 2021 and 2022 with an average of 41.3 FTE days on the Public Spending Code. NOAC found that the medium sized authorities, on average, produced more internal audit reports and spent more time on the Public Spending Code than the larger local authorities.

Appendix C

Local authority	Grade 8	Grade 7	Grade 6	Grade 5	Grade 4	Grade 3	Total Staff
Cork County	1	2	0	1	3	0	7
South Dublin	0	1	1	1	2	1	6
Fingal	0	1	0	2	0	0	3
Dún Laoghaire Rathdown	0	1	1	1	0	0	3
Dublin City	1	2	0	4	0	0	7
Galway County	0	1	0	0	1	1	3
Kildare	1	0	0	3	1	0	5
Limerick	0	0	1	0	1	0	2
Meath	0	1	0	1	0	0	2
Tipperary	0	1	1	0	0.6	0	2.6
Clare	0	0	1	1	1	0	3
Cork City	0	0	0	1	1	0	2
Donegal	0	1	0	1	1	0	3
Kerry	1	1	0	1	0	1	4
Kilkenny	0	1	0	0	1	0	2
Louth	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced
Mayo	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced
Waterford	0	1	0	1	0	2	4
Wexford	0	1	0	1	0	2	4
Wicklow	0	1	0	0	0	0	1
Carlow	0	1	0	0	0	0	1
Westmeath	0	1	0	0	0	0	1
Leitrim	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced
Offaly	0	1	0	0	0.5	0	1.5
Galway City	0	1	1	0	0	0	2
Cavan	0	1	1	0	1.6	0	3.6
Sligo	0	1	0	0	0	0	1
Roscommon	0	1	0	0	0	0	1
Laois	0	1	0	0	0	0	1
Longford	0	0	1	0	0	1	2
Monaghan	0	0	1	0	1	0	2

Appendix D

SURVEY QUESTIONS

Governance Arrangements

- Is the role, responsibilities and authority of the internal audit captured in a charter?
- If yes, is this charter updated/reviewed at least every 3 years?
- Does the Head of Internal Audit report directly to the LA Chief Executive?
- Are formal communication channels in place between the Head of Internal Audit and the Audit Committee?
- Does the Head of Internal Audit have unrestricted access to the Chair of Audit Committee?
- Are there documented SOPs/manual in place?
- Is there a system in place where the IAU confirm their independence and objectivity on an annual basis?
- Does the HIA hold any additional roles/responsibilities outside of the Internal Audit role?
- If so please provide details

Staffing and Training

- Does your local authority have a permanent Internal Audit Unit or function?
- Are there any vacancies in the Unit?
- If so, how many vacancies?
- How many staff by grade are in the Internal Audit Unit?
- What grade is the Head of Internal Audit?
- How many years' experience does the HIA have in internal audit?
- Do you have an on-going Training Plan in place for your internal audit staff?
- If yes, what date was this plan was last reviewed?
- Is the Head of the Internal Audit Unit a qualified member of one of the recognised Accountancy bodies or the Institute of Internal Auditors?
- How many other staff members of the unit hold membership of one of the recognised Accountancy bodies or the Institute of Internal Auditors?
- Do you procure internal audit Services under contract?
- If yes, does the contract specify that the service be provided in accordance with the Standard of the Institute of Internal Auditors?
- Has an assessment of the adequacy of internal audit resources including staff skills been conducted over the last 2 years?
- Please provide a date for when this assessment of the adequacy of internal audit resources, including staff skills, was last carried out?
- Do you support/encourage existing staff to obtain appropriate professional qualifications?
- Is the Head of Internal Audit or any of the team part of any local authority network for Internal Auditors?
- If you are not part of a network would you be interested in joining one if such a network was established?
- In your opinion what would be the main purpose of such a network

Audit Planning

Does your Internal Audit Unit examine and report on compliance with requirements in relation to EU co-funded projects?

Does your Internal Audit Unit examine your local authority's IT Risk and the adequacy of IT Policy & Procedures?

Is an Annual Audit Plan prepared each year and agreed with the Chief Executive?

Do you use the Alfresco Internal Audit Portal?

Is the Annual Internal Audit Plan approved by the Audit Committee and Chief Executive?

Is the Internal Audit Plan prepared annually, or are there multi annual plans prepared? What is the term of multi annually plans, if this is the case?

Is an examination of change of risks carried out, particularly where a system or process has been replaced or amended?

Does your local authority have a Fraud and Corruption Alert Plan?

Is your audit planning completed in line with professional internal audit standards

Reporting

Are all internal audit reports shared with the LA CE and the Audit Committee?

Are individual internal audit reports and their recommendations agreed with Management?

Does your Internal Audit Unit produce an annual formal written report?

If yes, does this contain an overall audit opinion?

Does your unit use a tracker?

If so, is the tracker for internal audit and Local Government Audit Services items?

If you do not have a tracker please provide a reason for this.

Performance

How often has your Audit Committee met in the last 12 months?

Are the performance indicators identified in the Internal Audit Guidance Handbook monitored from year to year?

Has any External Quality Assurance review of internal audit been undertaken in the past 5 years?

Has a compliance test been carried out with regards to the operation of the Internal Audit Unit against the stated function in your local authority's Audit Charter?

What percentage of your work programme was outsourced for 2022?

Budget and Output

What is the 2023 internal audit budget?

What is the budget for external contractor costs for 2023?

How many reports were prepared by the Internal Audit Unit in 2021 and 2022?

How much of the internal audit time is spent on the Public Spending Code? Please provide this in work days of a full time employee.

Can you list the type of audits carried out in 2021, 2022 and planned for in 2023?

Appendix E

NOAC Internal Audit Report 2018

NOAC published its last report on internal audit in local government in 2018. The 2018 report reviewed reports from the Local Government Audit Service insofar as they referred to the internal audit functions of local authorities.

Additionally, NOAC compiled a comprehensive questionnaire which issued to each local authority in 2017 to form a basis for this report.

The focus of the 2018 review was to look at general governance of the internal audit function across all local authorities.

In particular, the review found that:

- Internal Audit had a vital role in ensuring best practice is adopted by local authorities in the management of public funds,
- The primary responsibility was the detection and prevention of fraud, and
- Some of the recommendations made in the local Government Audit Service report on Internal Audit in local authorities published in December 2000 were still not adopted by some local authorities.

NOAC made a number of conclusions and recommendations in the 2018 report such as:

- 22 local authorities operated an in-house function with three being fully outsourced,
- All local authorities with internal audit staff had on-going training in place,
- 10 local authorities advised that their internal audits were undertaken in conformity with the standards of the Institute of Internal Auditors,
- Four local authorities had carried out compliance tests in 2016,
- 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,

- 17 local authorities had conducted an assessment of the adequacy of Internal Audit resources, including staff skills, within the previous 2 years,
- In response to the questionnaire circulated, it was felt that the working relationship with the Audit Committee and senior management functioned in a way that ensured the independence of the Internal Audit Unit with regard to audit topics,
- The work programme of all but three local authorities included value for money assessments
- All HIAs had full discretion regarding contents of the audit report and work plans were approved by the Audit Committee and Chief Executives.

Overall, the review found that there was considerable scope for improvement in the practices and procedures used by internal audit to deliver a professional service.

The findings of this report, where possible, were compared to the NOAC 2023 Internal Audit Report and are laid out in the Findings and Recommendations section.

A copy of the 2018 report, and all NOAC reports, can be found on the NOAC website (www.noac.ie).



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