An Roinn Tithíochta,
Pleanála agus Rialtais Áitiúil
Department of Housing,
Planning and Local Government

Mr. Eamonn Daly,
Local Government Auditor,
Local Government Audit Service,
Department of Housing, Planning &
Local Government,
Customs House, Dublin 1.

5th February 2020

Mr. Richard Grant,
Chief Executive Officer,
Waterford Area Partnership CLG,
Westgate Retail Park,
Tramore Road,
Waterford.

Re: Inspection visit to review the Social Inclusion Community Activation Programme - SICAP

Dear Mr. Grant,

I refer to the inspection of the company's implementation of the Social Inclusion Community Activation Programme (SICAP), the on-site work of which was undertaken during the period 8th – 15th January, 2020. The review of the SICAP activity and the inspection of the company's records was conducted in accordance with the requirements of the memorandum of understanding agreed between the Local Government Audit Service and the Social Inclusion and Communities Unit of the Department of Rural and Community Development (DRCD) to undertake an audit of the SICAP programme covering the financial year ended 31 December 2018.

The purpose of the review visit was to obtain an understanding of how the SICAP programme is being implemented by Waterford Area Partnership CLG (the company) pursuant to the programme requirements. The review included an examination of a sample of financial and non-financial records.

During the course of the review certain matters relating to accounting procedures and internal controls were identified and I am now writing to draw your attention to these matters.

The scope of the review does not extend to providing assurance on the arrangements in place in your organisation for ensuring the proper conduct of financial business or the managing of performance and use of resources. Neither do I search specifically for fraud or test the effectiveness of all control systems. While the review cannot be expected to identify all weaknesses or irregularities that may exist, I do however report to you our findings or observations on matters which I believe should be addressed.

My procedures included an examination of the internal controls, accounting systems and procedures only to the extent considered necessary for the effective performance of the review and which specifically related to SICAP.

Review findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.
The findings set out in this letter are detailed as follows:

- The matters examined and my finding(s).
- The implication.
- The priority rating.
- My recommendation(s).
- Management's response.
- Target date for implementation.

Each finding has been categorised and an explanation of the category is noted below. This will assist you to gain an understanding of the nature and significance of the issue raised.

The findings have been categorised as follows;

- High – my finding represents a significant weakness in the current control environment, financial management or governance and requires immediate action by management.
- Medium – my finding represents a weakness in the current control environment, financial management or governance and requires management action in the near term.
- Low – my finding is an opportunity to improve the effectiveness of the control environment, financial management or governance.

During the course of the review, enquiries were made regarding the current position of the financial correction imposed on the company as a result of ineligible expenditure that was identified in a previous audit of SICAP during the period 2015-2017. I noted that the final agreement with the DRCD provided for the company being required to refund €86,117 in twenty equal instalments over a 10 year period commencing in 2018. I was advised by company management that the required bi-annual payments are being made in accordance with the agreement and that these instalments are currently up- to-date. The repayments of these instalments should remain a priority matter for company management to ensure that full settlement of the financial correction is made within the agreed timeframe.

Other issues of a more minor nature were discussed with you and your team during the course of the review.

I request that you provide an acknowledgement and provide your formal response to all of the issues raised within **two weeks** of the receipt of this letter, if possible.

In closing, I would like to express my appreciation for the co-operation afforded to my colleague Ms. Cora Bluett and I by you and your team throughout the course of the visit.

Yours sincerely,

Eamonn Daly

Eamonn Daly
Local Government Auditor

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
Corporate Governance and Contract Management						
1.	**Completion of the audit of the 2018 Annual Financial Statement (AFS)**					
	As at the date of this letter, the company's audited annual financial statement for 2018 has not yet been finalised. I was advised that company management was still dealing with the matters raised during the audit by the company's statutory appointed auditors. Accordingly, the company has not complied with the programme requirements to submit, to both the LCDC and POBAL, a copy of the audited AFS within six months of the financial year end. It also appears that the company has not complied with Irish Company Law requirements in respect of the completion of the AFS and the filing of the annual	Non-compliance with the statutory obligation for the company to file an annual return and financial statements as set out in Companies Act 2014. Non-compliance with the programme requirements and the funding agreement which state that the accounts of programme implementer (PI) companies should be finalised, approved and submitted to Pobal and the LCDC no later than six months after the date of the financial year end.	High	Company management should continue to fully engage with the company appointed auditors to resolve all matters raised by the firm during the course of the statutory audit for 2018 to ensure that the audit process is completed without further delay. The Chief Officer of the LCDC should be kept informed and formally advised of the 2018 statutory audit expected completion date. The Chief Officer should also be made aware of any matters raised by the statutory auditors that refer specifically to the operations of the SICAP programme. The 2018 audited AFS should, immediately on receipt, be submitted to the	The company management will continue to fully co-operate with appointed Auditors to bring all outstanding matters to a close, this process to be given the upmost priority. The Chief Officer of the LCDC will be provided with a daily update on progress up to the completion date of the Audit. I have notified him of the matters raised by the statutory auditors that refer specifically to the operations of the SICAP programme. The Audited AFS will be submitted to the LCDC at the earliest possible opportunity.	All outstanding queries to be addressed and actioned immediately. Target completion date: 11 March, 2020. In place, and ongoing. 12 March, 2020.

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
	return to the Companies Registration Office.			LCDC as required under the conditions of the funding agreement.	We are doing everything possible to answer all outstanding Audit queries. We note that 12 March, 2020 is a deadline to have approval from the LCDC.	
2.	**<u>Organisation Management Plan</u>** The programme requirements state that the company must comply with the Organisation Management Plan (OMP) that was submitted as part of its successful tender to manage the programme in Waterford. Following discussions with company senior staff during the course of the recent review, it appears that the following deviations from the OMP currently exist: (i) Company Financial Controller - I was advised that this important senior management position was only filled for approximately	Non-compliance with the statements contained in the company's tender application and the programme requirements.	High	The company's current staffing structure (see also point 3 below) needs to be comprehensively reviewed with the necessary corrective actions being both identified and implemented in a timely manner. The new organisational structure should fully comply with the OMP as outlined in the company's tender submission and specifically in respect of the members of staff that are assigned responsibilities for managing and administering SICAP. The LCDC should immediately be formally made aware of these matters to	All staff employed under SICAP will work exclusively as per SICAP Tender Document. The company will examine resources available across all non-SICAP Programmes to apply apportionment costs. Priority will in the first instance be given to the CEO position. We have opened up discussions with all of our non-SICAP funders to address funding issues in relation to apportionment costs. We are examining all options available to us for the	May, 2020 as part of the completion of the internal review. Immediate & ongoing.

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
	9 months since January 2018 (the commencement date for the programme). I was further advised that there is currently no Financial Controller appointed to the company. (ii) It appears that some staff, who hold positions that were referred to in the tender submission as being exclusive to SICAP, are currently and have for some considerable time been assigned additional responsibilities for administering other public funded programmes.			facilitate discussions on how best to initiate the corrective actions needed and to identify any SICAP contractual implications for the manner in which the company is currently structured.	management of non-SICAP programmes. The apportionment policy to be updated to reflect the LCDC funding agreements. The company will appoint a Financial Controller, with overall responsibility for the financial management of company programmes. From 2 March, 2020 all non-administrative SICAP staff will work exclusively on SICAP.	May 2020.
3.	**Restructuring of Organisation Management Plan** I was advised that a restructuring of the company's Organisation Management Plan was conducted during 2018 and changes were made to the roles of some staff employed in the direct	Non-compliance with the programme requirements.	High	With regard to the members of staff that are assigned responsibilities to administer and manage SICAP, it is critically important that the relevant contracts of employment correlate to the actual duties performed and	A HR Specialist will be engaged on Board Approval. All Contracts to be examined under HR review. Contracts to include job descriptions, and duties, exclusively to SICAP.	March, 2020 Board meeting. April, 2020.

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	implementation of SICAP actions. During the course of this review it was noted that the contracts of employment for these staff were not updated to adequately reference the specific SICAP job description and the proportion of time that was being allocated to the programme for each relevant member of staff.			match the salary costs that are chargeable to the programme.	As a matter of urgency, the company will ensure that the current Team Management Structure is in line with the OMP in the tender document.	May, 2020.
4.	**Corporate Governance - Code of Practice** As outlined in the programme requirements, PIs are encouraged to adopt the Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland (the code). I was advised that the company has not yet adopted the code.	Non-compliance with good corporate governance standards.	Medium	The company should ensure that the highest standards are both implemented and maintained in the operation and administration of all public funding received. The formal implementation of the various elements of the code should assist company management in achieving the necessary improvements in internal controls required, some of which are outlined in	The company will establish a Board Task Group to explore the Charities Governance Code and to implement and adopt accordingly.	April, 2020 to July, 2020.

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				this letter.		
5.	**<u>Code of Practice for Employees</u>** The programme requirements state that PIs should have a code of practice for employees. It was noted that the company's Employee Handbook has not been updated to include recent changes to legislation.	Non-compliance with programme specific conditions.	Medium	The company must ensure that the code of practice for its employees is in accordance with the programme requirements and fully conforms to current legislation.	Will be put in place in reference to the Governance Code. The Code is in preparation.	April, 2020 to July, 2020. Board approval March, 2020.
6.	**<u>Conflict of Interest Procedures</u>** The code of practice for employees, when implemented, should include a requirement for all relevant members of staff to declare conflicts of interest arising during the course of discharging their duties. I was not provided with any documentary evidence that the company currently has such employee conflict of interest procedures in place.	Risk of non-compliance with good corporate governance practice and the requirements of standard codes of practice for employees.	High	The code of practice for employees should make specific reference to the requirement for all employees to make all necessary declarations of interest as and when they arise. A formal record should be maintained of all such declarations.	Will be put in place in reference to the Governance Code. The existing processes and declarations will be reviewed and updated in line with current regulations, and a workshop with Board and staff members will be convened to inform the completion of statements will be implemented.	April, 2020 to May 2020.

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	During the course of the review, I noted some cases of potential conflicts of interest that could have required appropriate declarations to be made if a standard code of practice was in place.				The process will be prioritised and included in the above.	
7.	**Code of Practice for Sub-Contractors** The programme requirements state that PIs should have a code of practice for dealing with sub-contractors that are retained to provide services for the programme. I was advised that no such code is currently in place.	Non-compliance with programme specific requirements.	Medium	A code of practice for sub-contractors should be established that specifies the levels of standards of professional conduct and practice required.	Procurement procedures, including those with Tutors will be agreed with the LCDC in line with SICAP requirements and implemented. Procedures will then be included in the company WAP financial / procurement standard operational procedures.	April, 2020.
8.	**Transfer of Services to Sub-contractors** (i) I was advised that no written consent was either requested of or provided by the LCDC to allow the	Non-compliance with programme specific conditions.	Medium	In accordance with the programme requirements all services provided on a sub-contracting basis must be	Sub-contract procedures including those with Tutors, will be agreed with the LCDC in line with SICAP	April, 2020.

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
	company to sub-contract or transfer any part of the programme services as is required under the programme requirements. (ii) It was noted that a contract awarded in respect of the provision of training services was dated and signed after the delivery of the course.	Poor financial management practice.		agreed in advance and in writing with the Contracting Authority. Where local arrangements are agreed, as provided for under the programme requirements, these should be formally documented. In accordance with best practice, all contracts should be signed and awarded in advance of the services being delivered.	requirements and implemented. Procedures will then be included in the company's financials / procurement procedures. Procedures are now in place to ensure that all contracts are signed and awarded in advance of the services being delivered.	Immediate.
9.	**Complaints Procedure** I was advised that there is currently no complaints procedure in place which provides for SICAP clients to submit complaints and to receive reports on the outcome of the investigation of any such complaints submitted.	Non-compliance with the programme requirements.	Medium	Company management should make arrangements to establish a complaints procedure in accordance with the programme requirements.	The company will establish a complaints procedures in line with the programme requirements. A draft procedure has been developed.	March, 2020.

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10.	**Property Lease Agreement** I was advised that the lease agreement for the company's use of its registered headquarters has lapsed and has not yet been replaced.	Non-compliance with programme requirements.	High	In accordance with good practice and the programme requirements, a formal written lease agreement must be in place for every instance where a PI is renting premises for the implementation of the programme.	The company has begun discussions with the Landlord to renew and update property leases. When items 1,2,3 of the above have been addressed, the company will be in a position to finalise the lease.	New leases to be in place by June, 2020.
11.	**Documentation of Procedures** It was noted during the review that there was a lack of clearly defined operational procedures for the programme.	The programme requirements may not be adhered to and some procedural matters may not be completed.	Medium	A full operations procedures manual is required covering the full scope of the current programme.	The company will review and update its operational procedures to provide clear guidance to the board & staff.	April to December, 2020.
Financial Requirements						
12.	**Financial Records** I acknowledge that the company's financial records pertaining specifically to SICAP was of a high	Risk of non-compliance with good financial controls.	Medium	When the audited 2018 AFS is available, the SICAP related figures disclosed therein should be reconciled	On receipt of AFS 2018, the company will immediately reconcile to the data inputted to IRIS.	April, 2020.

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
	standard with programme receipts and payments being adequately maintained. I noted that the relevant financial records were adequately reconciled from the underlying source data to the IRIS database. However, as noted at point 1 above, due to the 2018 audited AFS for the company not being available at the time of this review, a reconciliation of programme financial data to the amounts disclosed in the AFS could not be performed.			and agreed to the company's own source programme financial data to confirm their accuracy.		
13.	**Procurement** I acknowledge that a review of the larger value contracts indicated that the procurement of the services acquired were compliant with the programme requirements. However, it was noted In a small number of cases that	Non-compliance with national procurement regulations. There is a risk that value for money for these services was not obtained.	High	The national public procurement regulations and guidelines should be followed for all relevant purchases of goods and services.	With immediate effect, the national procurement guidelines are being followed. The company will have its Procurement Procedures formally adopted and approved by the board.	Immediate. March, 2020.

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	payments were made without recourse to formal procurement procedures that included the following: (i) I was advised that the company's statutory auditors have been retained for in excess of 20 years and that an employee of this firm was contracted to the company to provide an internal financial role for a period of approximately 3 months in 2018. (ii) A consultant was appointed to implement a restructuring of the company, the cost for which was charged in part to SICAP (see also point 14 below).				On completion of the AFS 2018, the company will go out to tender for the provision of the audit services.	April, 2020.
14.	**<u>Overhead Apportionment Policy</u>** The company is required to prepare an annual overhead cost apportionment policy detailing the proportion of overhead costs that are to	Non-compliance with programme requirements.	Medium	As set out in the programme requirements, costs charged to the programme must be in accordance with the company's written approved	To be reviewed against the apportionment policy.	Process to begin in March with a full review completion date of May, 2020.

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	be charged to the programme. It was noted that a payment of €3,600 for consultancy work relevant to the company restructuring was charged to the programme at an apportionment rate of 80%. This apportionment rate did not form part of the approved apportionment policy.			apportionment policy to ensure actual expenditure is accurate.		
15.	**<u>Travel & Subsistence Claims</u>** Weaknesses in the processes of approving travel and subsistence (T&S) claims were identified during the review as follows: (i) T&S claims for staff undertaking SICAP related duties did not contain adequate reference to the programme as the purpose for the journeys made.	Weakness in internal controls.	Medium	A full review of the processes and procedures of approving the payment of T&S claims is required to result in the implementation of a revised and adequate programme (company) policy. All elements of T&S claims that are relevant to the programme should make appropriate reference to SICAP as being the purpose for the journeys made and the costs incurred.	With immediate effect, all T&S claims are being checked to ensure appropriate reference to SICAP is being made where relevant. A full review of T&S procedures and policies will be undertaken.	Immediate. Review and implement by end of March, 2020.

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
	(ii) Payments of T&S claims in respect of meetings and events that were not directly related to the programme were identified.				All policies and procedures will be compliant with Department and SICAP requirements.	Immediate.
	(iii) There was insufficient backup documentation attached to claims for reimbursement of expenses incurred during meetings.				No remittance of T&S claims will be processed without fully complying with Department requirements.	Immediate.
	(iv) Payment of subsistence receipts in some cases did not correspond to a relevant business journey.					
	(v) Mileage expenses were approved when it appeared that public transport was also available for the times recorded on the claims.					
	(vi) A small element of double claiming (i.e. same cost charged twice against the programme) was also noted.					

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
16.	**<u>Processing of invoices for payment and clarification of SICAP related expenditure</u>** It was noted that the invoices sampled for review in respect of directly related programme expenditure, did not generally make adequate reference to the programme.	Risk of non-compliance with good internal financial controls.	Low	All invoices in respect of wholly related programme expenditure should make appropriate reference to SICAP to clearly identify the programme as the reason for the costs being incurred.	With immediate effect, all invoices in respect of wholly owned programme expenditure will appropriate reference to SICAP. The company will review its internal purchasing procedures as part of the overall procurement review.	Immediate. To be completed by May, 2020.
Programme Monitoring						
17.	**<u>Administration of Beneficiary Files</u>** While it was considered that the files were generally well maintained, it was noted following a sample review of participants files that there were some minor errors as follows: (i) Inconsistencies between the intervention records in	Inaccurate data input on IRIS.	Low	The programme requirements and recommendations made by Pobal in respect of the maintenance of beneficiary files should be adhered to in full.	The company will continue to examine and adapt its internal file management system with reference to authentication audits and the LCDC requirements.	Immediate. Continuous review by file management task group.

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
	the beneficiary files and the records on the IRIS database for three cases reviewed. (ii) The individual PAPs (Personal Action Plans) were not correctly completed in four cases where outcomes were inaccurately recorded as interventions. (iii) The required data consent signature was absent for one participant examined. (iv) There was a lack of follow up contact documented in the paper file for three cases reviewed.					
18.	**Publicity** In a number of files reviewed it was noted that participants attended courses that were provided by the company. For such courses, it was evident that	Non-compliance with the programme requirements.	Medium	The company should, in all relevant situations, adequately publicise SICAP and acknowledge the programme funders in all SICAP information and	The company will review its current publicity policy and develop a new protocol and policy which will meet the requirements of all funders.	Review from April to May, 2020. Full implementation by June, 2020.

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
	the SICAP logo was not printed on the course attendance sheet.			publicity material.		
19.	**<u>Grants to Local Community Groups (LCG)</u>** It was noted, in some cases, that invoices obtained from the grant aided organisations were not stamped as paid by the relevant organisations thus confirming that payment had been made.	Non-compliance with good financial procedures and governance.	Medium	All grant aided organisations should be advised that only invoices marked paid should be forwarded to the PI as verification that payment had been made.	With immediate effect, all grant aided organisations are being advised that only invoices marked paid should be forwarded to the company as verification that payment was made. This issue will be addressed by the adoption of the company's procurement policy.	Immediate. April, 2020.