An Roinn Tithíochta,
Rialtais Áitiúil agus Oidhreachta
Department of Housing,
Local Government and Heritage

Mr. Liam Quinn,
Chief Executive Officer,
Waterford Area Partnership CLG,
Westgate Retail Park,
Tramore Road,
Waterford.

3rd February, 2023

Inspection visit to review the Social Inclusion & Community Activation Programme (SICAP) - 2021

Dear Mr. Quinn,

I refer to the inspection of the company's implementation of the Social Inclusion Community Activation Programme (SICAP), which was undertaken during January, 2023. 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 to undertake an audit of the SICAP programme covering the financial year ended 31 December 2021.

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.

I also requested and received an update on the findings and recommendations made following the completion of the previous SICAP review, undertaken in respect of the 2018 financial year. These previous findings included some significant governance issues relating to company operations. One of the main actions implemented since the issue of my previous audit letter was the engagement of a private firm of consultants to develop a revised and improved Governance and Management Plan. I have been advised that the company is currently operating under the governance of a new Board of Directors and I note that a new executive team has also been put in place.

While there has been some progress made in implementing the previous recommendations made, the main issue being reported again is the unavailability of the company 2021 annual financial statements. I was advised that the 2021 statutory audit process is expected to commence in a couple of months, when the accounting records and the year-end balances have been established. A number of other issues have been highlighted as set out in the appendix to this letter.

As outlined to you, at the closing audit meeting, all of the 2018 and the current 2021 financial year recommendations should be fully considered and implemented without delay.

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.

As you indicated to me at the closing meeting, that this letter will need to be presented to the board, I request that you provide an acknowledgement and provide your formal response to all of the issues raised by **3rd March, 2023**.

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

Yours Sincerely,

Eamonn Daly
Local Government Auditor

	Audit Issue	Implication	Priority Rating	Recommendation	Management Response	Target for Implementation
Social Inclusion Community Activation Programme						
1	**2021 Annual Financial Statements (AFS)**					
	The company's AFS for 2021 have not yet been finalised. I was advised that the statutory 2021 audit cannot yet commence because complete financial data for that year is still not available. This is due, in part, to continuing weaknesses in the company's internal financial controls that impact management's ability to extract accurate and complete financial information on a timely basis. In the absence of an audited 2021 AFS, I was not able to obtain external verification as to the accuracy or	Non-compliance with the company's statutory obligation 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 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	There remains a critical need for company management to implement a robust and fit for purpose financial system to adequately capture all of the financial data, in an integrated manner as advised during the current review, for all programmes managed by the company. New comprehensive internal controls and procedures, fully documented, are needed to ensure that the company complies with all of its statutory requirements. The extraction of accurate 2021 and 2022 financial data should be a priority standing agenda item at future management team meetings, until complete, to facilitate the	A cloud-based integrated accounts system (AIQ) has been implemented as planned from the beginning of 2023. Documented processes are in place and are reviewed annually. Dates for review of all internal control protocols and procedures will be added to Finance Committees workplan. Provision of 2021 data to our auditors (OSSB) is currently in train and the approval of the 2021 AFS is scheduled for April 27th. Following this the 2022 data will be provided	Completed. Ongoing (2021) 27/04/2023 (2022) 28/06/2023

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	completeness of the programme financial data provided to me for examination as part of this inspection visit. However, I was able to confirm the 2021 programme “Lot cost report” to the company’s primary source of financial records presented for review. Also, the results of the sample review of financial data undertaken during this inspection visit did not indicate any material differences between the lot cost report and the underlying primary records. There was a similar finding issued following the 2018 review of the programme.			commencement of the delayed 2021 annual company statutory audit and the timely commencement of the 2022 annual audit process.	to OSSB with the 2022 AFS approval planned for June 28th at which point we will be back on track	

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2	**Programme staff - timesheets** Where direct staff salary costs are apportioned across a number of different funding streams, the programme requirements state that supporting documentation (e.g. timesheets) must be prepared and retained to record the actual time worked on the programme. I noted that the required timesheets were not completed by relevant staff in 2021. I have been advised that while timesheets have been prepared since October 2022 they do not specifically record the time spent on the programme. These timesheets are prepared to record compliance with the Organisation of Working Time Act, 1997.	Non-compliance with programme requirements.	High	The programme requirements should be adhered to in full.	Timesheets will be introduced for relevant personnel to record the actual time worked on the programme.	March 2023.

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3	**Errors in programme financial records** The following financial errors were noted following a review of the programme costs claimed for 2021: • Incorrect use of the approved apportionment rate (67% instead of 59%) and the inclusion of costs from another programme (€11,962); • Office costs charged fully to the programme instead of being apportioned (€362); • Company related insurance costs were charged in full to the programme instead of being apportioned to	Errors in the 2021 claim for programme funding.	Medium	The errors identified should be discussed with the Chief Officer of the LCDC to determine what corrective action, if any, is now required in respect of the amounts funded in 2021. The current efforts by company senior management to develop a fit for purpose integrated accounts system should be completed without further delay to facilitate a more accurate programme grant claiming mechanism.	The CEO has discussed the matter with the Chief Officer, and it is agreed that this issue will be referred to the LCDC for discussion and decision. This was the first time that apportionment was applied, and the process has improved significantly in 2022 and will continue to evolve in 2023. The inability of other programmes to fully absorb associated costs is a nationwide issue which is not unique to WAP and the ILDN are seeking to address this. A cloud-based integrated accounts system (AIQ) has been implemented as planned from the beginning of 2023.	April 2023 Completed.

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	other programme costs (€2,826); The total amount of financial errors noted from the sampled review of non-pay costs was €15,150. I noted that the payments claimed for programme funding in 2021 were primarily generated from Excel spreadsheets. The company's primary financial records were not fully integrated to the main accounts system.					
4	**<u>Apportionment Policy</u>** I noted that the programme apportionment policy was only reviewed once during 2021.	Non-compliance with programme requirements.	Medium	In accordance with programme requirements, the apportionment policy should be reviewed and approved four times annually.	2021 was the first year to implement an apportionment policy in WAP and it was only initiated in quarter 4. A process has now been put in place to ensure quarterly reviews going forward.	31/03/2023 and quarterly thereafter

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5	**Governance Code** It was recommended following the completion of the 2018 programme inspection that the company should consider formally adopting the Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland (the code). I have been advised that the process for implementing the provisions of the code has commenced.	Weaknesses in the internal control environment.	Medium	As previously recommended, 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 this letter.	WAP submitted a compliance report to the Charities Regulator last October as required under the Charities Governance Code. This submission can be accessed by any member of the public. The report estimates that WAP is 80% compliant with the code and will achieve full compliance by October 2023 when our Strategic Plan and Risk Register is completed, both of which are underway.	Ongoing.
6	**Local Community Groups (LCG)** In one file examined, the supporting documentation for the grant awarded to an LCG was not on file. I acknowledge that there is evidence of follow up	Insufficient back-up documentation.	Medium	The relevant LCG should continue to be requested to provide the necessary back-up documentation.	Contact will be made with the LCG to request documentation is provided. Our LCG Grant Form states that 'unspent funding must be reimbursed, and any	March 2023

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	actions by the company to obtain copies of the relevant invoices and receipts. However, I was advised that these were never provided by the LCG.				expenditure deemed ineligible will be recouped'. This will be amended to add that LCGs will not be eligible for further funding unless required documentation is provided	
7	**Procurement of goods and services** Programme Implementers must adhere to public procurement requirements in line with S.I. No. 284/2016 European Union Regulations 2016. A review of contracts during the current inspection visit highlighted the following non-compliant payments: Ten external service providers (both direct and non-direct) were sourced and retained by the company without	Non-compliance with programme requirements.	Medium	A review of the relevant procurement contracts should be undertaken without delay to ensure that there is full compliance with the programme's procurement requirements.	There are valid reasons for the continued use of a number of the non-direct service provider specifically in the areas of IT and copiers for example. It is noted that a number of services such as office cleaning, light & heating and insurance for example need addressing and a plan will be put in place during 2023 to ensure that the requisite requirements are met going forward. In relation to the direct service providers whilst verbal explanations exist there was limited documentary evidence	01/01/2024 Ongoing

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	recourse to compliant tendering procedures.				to back this up. This will be addressed during 2023 with an increased staff awareness of the need for documented quote justification forms, where required.	
8	**Beneficiary records** A review of a sample of programme beneficiary files highlighted that course attendance lists were included on the individual personal files, which contained the personal details of other attendees included the names and contact numbers.	This is a potential General Data Protection Regulation (GDPR) breach.	Medium	Individual files should only record personal information of the relevant individual. Details of the other course attendees should not be placed on individual personal files.	Attendance sheets placed on Beneficiary file to have other participants' data redacted. Item added to Internal audit process.	March 2023 March 2023
9 (i)	**Travel & Subsistence claims** An error was noted in one of the claims reviewed. The receipts provided for reimbursement did not match the dates included	Weakness in the internal control environment.	Low	All staff should be reminded to ensure that receipts match the dates being claimed.	Staff will be reminded accordingly as well as their authorising line manager. A member of the Finance team ensures the accuracy of all submitted claims since Q2	Completed.

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	in the claim.				2022 prior to payment being processed.	
(ii)	There was insufficient back up documentation provided for one of the seven claims reviewed.			Relevant and sufficient back up documentation should be provided for all incidental business costs incurred.	Sufficient back up documentation has been required since Q2 2022.	In place since Q2 2022
				The internal controls for the checking, approving and payment of claims need to be reviewed and improved on, where considered necessary.	See above.	
10	**Invoicing and clarification of programme payments**					
(i)	Invoices for directly related programme expenditure did not make adequate reference to SICAP on the invoices.	Non-compliance with good internal control procedures.	Low	All invoices that are direct costs, specific to the programme expenditure, should reference SICAP for all goods and services procured.	Suppliers have been advised that they need to quote a WAP purchase order number on all invoices submitted in 2023. All future purchase order numbers issued to suppliers will contain the relevant programme reference as a part of the PO.	01/03/2023

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(ii)	The programme requirements state that all costs claimed for funding must be net of value added taxation (VAT).			All payments claimed for programme funding must be nett of VAT.	With the exception of non-reclaimable VAT this is in place since Q2 2022	In place
	It was noted that two payments, totalling €2,638 were claimed gross of VAT. The VAT element of these payments amounted to €312.			The VAT element of relevant invoices must be claimed for funding separately, in line with established programme protocols.	See above.	In place
(iii)	Four of the invoices reviewed were approved after the payments were made.			The internal controls for the checking, approving and payments of relevant programme invoices need to be reviewed and improved on, where considered necessary.	This was an error in the dating of these documents by the interim CEO, where he had initially remotely approved the payments on IBB. No further action required.	n/a
11	**Sub-contractors listings**					
	It was noted that a listing of current sub-contractors that provide	Weakness in the internal control environment.	Low	The company's sub-contractor listings should be	A sub-contractor listing will be submitted to the LCDC in Q1 & Q4 annually going forward.	31/03/2023

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	direct services to the programme was not up to date. I acknowledge that the company provide the LCDC with a sub-contractor listing on an annual basis.			regularly reviewed and updated when necessary.		