

## **Chapter 24**

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**Department of Community, Equality and Gaeltacht  
Affairs**

**Managing Cohesion and Integration**



# Managing Cohesion and Integration of Local Community Development Structures

24.1 Social inclusion measures are delivered through a complex network of local structures including local development companies, urban partnerships, regional and local drugs task forces, joint policing committees, community development projects, family resource centres and city and county childcare committees.

24.2 At the core of this extended network are City and County Development Boards of which there are 34 - one in each county and city area. The boards provide a measure of coordination for integrated service delivery through the development and implementation of agreed strategies for economic, social and cultural development in their city/county area. Several government departments have roles in supervising the measures.

## Local and Community Schemes Review

Arising from a review process in 2003, initiated by the Minister for Community, Equality and Gaeltacht Affairs, in conjunction with the Minister for Environment, Heritage and Local Government and the Minister for Justice and Law Reform, agreement of Government was sought and given to a number of proposals at structural, institutional and programme level for the improvement of service delivery of local and community development schemes.

Proposals for structural change included varying requirements on groups across provincial, Gaeltacht and large urban areas to advance improvements in linkages, cohesion and sharing of resources and a requirement on Departments/public bodies to look to existing local or community development bodies and or local authorities for delivery of any further initiatives in this area.

Programme level changes approved included

- conferring responsibility on City and County Development Boards for endorsement of plans by community and local development agencies and overseeing and promoting an integrated approach to service provision at local and community level
- improved alignment of community development structures through, for example,
  - further convergence of LEADER<sup>a</sup> groups and partnership companies in rural areas
  - a review of multiple sources of finance with a view to simplification, transparency and improved value for money
  - new requirements on sharing of facilities, such as accommodation and administrative supports to the greatest extent practicable and
  - a review of the membership of local and community development bodies.

Note:

- a LEADER is the EU Community Initiative for Rural Development that provides approved Local Action Groups with public funding (EU and National) to implement multi-sectoral business plans for the development of their own areas.

24.3 The focus of this report is on the cohesion process led by the Department of Community, Equality and Gaeltacht Affairs (the Department).

24.4 The process was based on the following principles

- the need to improve on the ground services
- the need to streamline structures so as to avoid overlaps, duplication and undue administrative overheads
- the objective of bringing transparency, coordination and improved control to the funding and operation of local and community development measures
- the need to strengthen the democratic accountability of agencies and service providers.

24.5 To support the cohesion process almost €16 million was provided by the Department over the years 2004 to 2009 inclusive. The funding was administered on behalf of the Department by the City and County Development Boards. Financial support for the cohesion process was provided over three phases as outlined in Figure 125.

**Figure 125 Funding for the Cohesion Process 2004 – 2009**

Year	Focus <sup>a</sup>	Funding €
2004	Improved linkage	3,248,600
2005 – 2007	Improved coverage/integration	10,327,027
2008 – 2009	Supporting cohesion	2,126,151
<b>Total</b>		<b>15,701,778</b>

Source: The Department of Community, Equality and Gaeltacht Affairs

Note:

a This focus is outlined in more detail below.

24.6 The funding in 2004 was aimed at improving linkages between local agencies, supporting multi-agency actions and promoting the sharing of resources in order to maximise the impact of available funding.

24.7 The core objectives of the 2005 – 2007 funding round was to achieve

- full city and county coverage by local development structures
- the integration of LEADER and partnership groups (including community partnerships) so that local and rural development programmes are delivered by one body in each area
- alignment of the boundaries of the new bodies with city and county boundaries (or local authority electoral areas) as far as is practicable, and
- promotion of volunteering at a local level in the context of preserving voluntary participation in local development structures.

24.8 Allocations from 2008 onwards were aimed at supporting actions or activities designed to facilitate cohesion. The cohesion process involved in general, the winding down of activity conducted through existing companies and the creation of a lesser number of new companies with expanded capacity. In some cases, there was no need to establish a new company – staff of the entities being subsumed came together under an existing structure. It also involved the adoption of revised governance arrangements, the transfer of State contracts and undertakings in relation to staff and assets and liabilities to the new entities.

## Outcome of Cohesion Process

24.9 The outcome of the cohesion process has been that from 1 January 2009, the number of companies delivering rural development and/or social inclusion programmes has been reduced from 94<sup>183</sup> to 52<sup>184</sup> local development companies<sup>185</sup> providing full coverage within counties and across the country. In addition, the plans of each local development company and companies delivering the Community Development Programme (CDP)<sup>186</sup> are submitted to the relevant county/city development board for endorsement.

## Next Steps in Integration

24.10 In a further phase the Department sought to redesign its community development/social inclusion programmes – in particular the Local Development Social Inclusion Programme (LDSIP) administered on its behalf by an intermediary body, Pobal<sup>187</sup> and the CDP which it administered itself. Both were being delivered through different local delivery structures.

24.11 Assisted by the Centre for Effective Services (CES)<sup>188</sup>, a re-designed programme (LCDP<sup>189</sup>) commenced from January 2010 at which stage the LDSIP and the CDP came to an end. The new programme aims to tackle poverty and social exclusion through partnership and engagement between government, its agencies and people in disadvantaged communities. It is underpinned by four high level goals to

- promote awareness, knowledge and uptake of a wide range of statutory, voluntary and community services
- increase access to formal and informal educational, recreational and cultural development activities and resources
- increase work readiness and employment prospects
- promote engagement with policy, practice and decision-making processes on matters affecting local communities.

24.12 The second phase aims to have the new programme delivered through an integrated delivery structure incorporating the CDPs into the local development companies. The number of entities administering the programme is expected to fall from approximately 216 (approximately 164 CDPs and 52 local development companies) to 52 local development companies by the end of 2010.

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<sup>183</sup> 56 partnership companies, 2 employment pacts, 24 rural development (or LEADER) companies and 12 integrated local development companies (companies which were delivering both rural development and social inclusion programmes).

<sup>184</sup> 53 on foot of the cohesion process. Subsequently, Dublin Inner City Partnership closed bringing the number to 52.

<sup>185</sup> The term 'local development company' is used throughout this report to refer to both urban partnerships and integrated local development companies.

<sup>186</sup> The abbreviation 'CDP' is used interchangeably throughout this report to refer to both the community development programme itself and the companies delivering the programme in the local communities. Also commonly referred to as community development projects.

<sup>187</sup> Pobal is a not-for-profit company with charitable status that manages programmes on behalf of the Irish Government and the EU.

<sup>188</sup> An independent centre set up in partnership between the Government and Atlantic Philanthropies to promote evidence-based policy and practice in child, family and community services.

<sup>189</sup> Local Community Development Programme.

## Chapter Focus

The chapter, based on local reviews outlines

- any residual factors emanating from the cohesion efforts of the Department
- other challenges arising from the implementation of the new LCDP and the further consolidation of delivery structures.

## Cohesion Process – Local Development Companies

24.13 In the case of local development companies, the audit noted that considerable progress had been made on achieving cohesion. Some areas where improvements or further work was necessary included

- ensuring that the new LCDP entities operate under a strategic plan
- identifying any surplus assets arising out of cohesion
- managing emergent unintended effects of winding up
- providing for enhanced output reporting.

### *Strategic Planning*

It is important especially in the case of new entities that there be role clarity. A strategic plan is desirable in order to ensure that there is clarity and coherence in relation to the goals and objectives of the new local development companies and the enlarged companies that will emerge after CDP integration.

24.14 The LDSIP has been in transition since 2006. As a result, no strategic planning has taken place at the local level. The practice has developed, that based on the amount of funding allocated by the Department, the local development company prepares an annual programme of activities and a budgeted expenditure profile. The planned programme of activities is in general, rolled on from one year to the next without formal evaluation.

24.15 The LCDP, which came into effect at the start of 2010, has recently requested strategic plans to be prepared by local development companies by end 2010.

Strategic planning and review should become a regular feature of the governance and management of local development companies. Close liaison is required with City or County Development Boards to ensure proper coordination and integration with strategic and action plans of those bodies.

## **Surplus Assets**

It would be expected that some scope for asset consolidation would arise from the cohesion / integration process.

24.16 The audit noted that due diligence had been carried out in 2008 on three companies whose operations were being subsumed into a new company - Louth Leader Partnership - under the cohesion process. While the due diligence exercise had regard to property and freehold or leasehold interests, it did not identify other assets such as office furniture and equipment, ICT equipment and software which were owned by those companies. The report recommended that a complete review take place of all equipment and resources available within the companies being cohesed and that specialist advice be taken on the integration of ICT systems.

24.17 The examination at Westmeath Community Development Limited noted that one company which was to form part of the cohesion process, - Athlone Community Task Force - continued in existence with only its operations under the LDSIP funding transferred to Westmeath Community Development Limited. The staff continued to work from the Athlone premises which remained in the ownership of Athlone Community Task Force. Rent became payable for office space from Westmeath Community Development to Athlone Community Task Force.

24.18 The Accounting Officer stated that the Department has strongly advised companies who have wound up, or are in the process of winding up, that where there are net assets, they are likely to be due directly or indirectly to the fact that the company was in receipt of State funding over several years. The Department has made clear its position that net assets (e.g. cash, property) should be transferred to the relevant new integrated company. The Department has pointed to the fact that this would be a legal requirement in many cases.

There is a need for a thorough asset identification process to ensure that State assets are not lost in the cohesion/integration process. It would be desirable to put arrangements in place to confirm that

- the interests of the State in property and other assets are appropriately protected under the cohesion/integration process, and
- where it is not proposed to transfer assets of the companies being subsumed to the new company, that those assets are being dealt with in an acceptable manner taking account of any State funding and the community objectives for which they were acquired.

The Department is in the process of following up outstanding matters in this regard and a review will commence shortly on wind up issues and associated matters.

## **Implications of Winding Up**

Apart from difficulties relating to property there can also be implications for funding claims. There is a need to ensure that companies under cohesion are not prematurely wound up leaving the State exposed to financial risk due to inability to enforce conditions attached to grants, including funding recoupment in certain circumstances.

24.19 During a review at Louth Leader Partnership it was noted that an issue had arisen over whether the new company - Louth Leader Partnership, would be entitled, should the situation arise, to pursue recoupment of grants awarded by one of the companies being wound up under cohesion. Personal guarantees had been sought as a condition of the grants and in the event of the business being dissolved within five years, the directors would be personally liable for repayment of the grants in full.

24.20 Legal advice was sought in relation to the implications of winding up the company that had given the grants and whether Louth Leader Partnership could legally pursue those grants in the event of default. The advice indicated that the old company would need to remain in existence in order to pursue this debt.

The Department needs to identify the financial exposure which currently exists for the State under conditions attached to grants given by companies being wound up.

The Accounting Officer stated that in those cases where a company wished to wind up but found it was not possible to complete the orderly transfer of its rights and obligations, it remained a matter for the existing board to continue to exercise its responsibilities until matters had been satisfactorily resolved. As of July 2010, the Department has confirmed that 32 companies have wound up definitively.

### **Output Reporting**

In order to demonstrate the application of State funds for the purposes intended and the extent of achievements, output reporting needs to be well defined and a system put in place that captures the required data for subsequent project and programme evaluation.

Without adequate output reporting and monitoring, there is a risk that the programme will fail to fully achieve the objectives for which it was established.

24.21 Under the LDSIP, local development companies set target outputs in their annual programme of activities. Generic output indicators were used and data captured in a database system - SCOPE<sup>190</sup>.

24.22 A value for money examination of the LDSIP in 2007 made a number of recommendations to improve the monitoring, evaluation and the definition of LDSIP performance indicators. For example, in relation to the SCOPE system, it proposed

- A greater focus on outcomes and impact rather than process.
- Relating national indicators to baseline positions.
- A focus on progression, with a small number of indicators tracked over time.
- Regular common follow-up surveys of LDSIP beneficiaries to examine their status. Useful indicators in this regard would be people's employment status, their levels of third-level access, overall quality of life indicators, health standard indicators, participation in education, reduced dependency on social welfare and literacy levels.
- A cross-checking of SCOPE data against national data (for example, CSO<sup>191</sup> data) on the same target group to, *inter alia*, gain an understanding of the extent of LDSIP interaction with priority groups.

<sup>190</sup> System for Coordinated Programme Evaluation.

<sup>191</sup> Central Statistics Office.

24.23 In 2008, the Department engaged the CES to assist with the redesign of the LDSIP and the CDP including the specification of outcomes that would facilitate effective programme evaluation. While key output indicators have been defined for the new programme, impact indicators have yet to be fully established. Examples of output indicators are

- Number of actions promoting awareness/knowledge of local statutory, voluntary and community services.
- Number of beneficiaries and local community groups participating in and engaging with all local services.
- Number of beneficiaries and local community groups participating in educational recreational and cultural actions.
- Number of action/employment interventions to prepare people for the labour market.
- Number of beneficiaries and local enterprise/employers participating in labour market actions.
- Level of funds leveraged from other organisations to deliver social inclusion activities.

24.24 While output indicators have been specified, associated targets have not been set for 2010. It is intended that the 2010 output data when captured, will form a baseline and be used for the setting of future targets.

24.25 However, there is currently no system capturing the baseline data. The SCOPE system that was used to capture output data under the old programme was suspended in 2010 pending the introduction of a new system. Notwithstanding the absence of a system to record and analyse the data, it is understood that documentation underlying the realisation of outputs is available for data input. In this context, the SCOPE system is being re-introduced as an interim measure pending a procurement competition for the development of a new system.

24.26 In the area of output reporting, there would appear to be a lack of coordination between the CES, the Department and Pobal in relation to proposed evaluation mechanisms. While Pobal appear to be charged with ensuring that systems are in place to capture the output and impact data established by the CES, there did not appear to be guidance on mechanisms by which this might be done.

24.27 It is not clear whether consideration has been given to the 'duplicate' reporting that occurs where activities are jointly funded by LCDP and other sources. In general, the same outputs will be reported to the separate sponsoring departments. For example, the number of individuals receiving training through the Flexible Training Unit of the Dodder Valley Partnership have been reported both as an output of the LCDP to the Department of Community, Equality and Gaeltacht Affairs and as an output of the Department of Education and Skills where it has part-funded training programmes under the Back-to-Education Initiative.

24.28 A key milestone established for the CES in October 2008 was to have independent external evaluators appointed by the second quarter of 2011 in order to evaluate delivery of the LCDP. The continuing validity of this milestone however is not clear, given that 2010 is now being seen as a baseline year only.

24.29 The Accounting Officer stated that Pobal, with the agreement of the Department, is tendering for a new planning and monitoring system for the LCDP. This new model will involve the collection of a wide range of data, which will support greater clarity of output and outcomes from the programme and its overall evaluation. It will also allow for integration of planning, monitoring, and reporting systems to support direct linkages through each step of the programme cycle.

24.30 In relation to the proposed evaluation of the LCDP, the Accounting Officer stated that the CES is drafting a tender brief for a feasibility study to be completed before the end of 2010. This will establish the nature, extent and quality of national/local data currently being collected under the LCDP. It will also establish what activities are currently taking place under the programme's goals and objectives and their consistency across the different companies. The findings from the study will then be used as baseline information from which the formal evaluation of the LCDP will be undertaken. Subject to budgetary considerations, the Department anticipates having external evaluators appointed by the end of the first quarter 2011.

It is important that a system be put in place to adequately capture the required outputs from 2010 onwards. Finalisation of impact indicators should be speeded up so that processes can be introduced to ensure the required information is captured and evaluation facilitated.

A greater level of coordination between the CES, Pobal and the Department is desirable in the area of information capture and monitoring.

Consultation should take place with other funding providers prior to a decision on a new performance monitoring system in order to establish if there is a case for developing a system which caters for their reporting needs also. The acquired system should also meet the internal management reporting requirements of the local development companies.

## **Conclusion – Cohesion**

At this juncture, the benefits of cohesion have yet to be realised in terms of fully integrated service delivery, rationalisation of property, staff redeployment and savings. The current phase of cohesion has focussed largely on the realignment of structures and schemes. While it is accepted that it may be appropriate to focus, initially, on the formal integration of agencies from the viewpoint of governance structures, it would be desirable in order to ensure value for the State, that opportunities for increased synergies and greater efficiencies be thoroughly examined at an early stage. With the forthcoming integration of CDPs, the local development companies will become more complex and attention to process rationalisation may become more pressing. The next phase should seek to capitalise on these critical potential benefits.

## **Future Challenges**

24.31 Based on reviews in the course of audit the following challenges were noted for the integration process

- achieving operational coherence following integration
- ensuring that all viable activities are retained and overlaps minimised
- ensuring synergy in the operations of integrated entities
- implementing recommendations of a value for money and policy review of the LDSIP carried out in 2007 insofar as it is applicable to the LCDP
- addressing financial management and control.

## ***Achieving Operational Coherence***

24.32 A particular challenge derives from the fact that the size of some CDPs may present difficulties for both the CDP and the local development company into which they are expected to be subsumed. For example, the audit noted one particular CDP which employs 45 staff. CDP funding represents only approximately 17% of its total income. The integration process proposes that the local development company incorporate this larger entity within its structure.

24.33 In general, the examination noted that considerable resistance exists from the community development projects to the proposed integration. There is also a lot of uncertainty surrounding the process and what its impact will be.

24.34 From a governance viewpoint, CDPs are governed by voluntary boards of management. These may not always have the necessary expertise to ensure proper governance and financial control.

24.35 Inspections carried out at five CDPs as part of this examination noted issues such as

- A lack of documented financial procedures and policies.
- Weak controls over expenditure. In one particular CDP, control over expenditure was entirely vested in two employees of the company with no board approval. In another CDP, there was a lack of control over credit card and electronic funds transfer payments.
- Expenditure on items that did not appear to fit with the aims of the programme. For example, coach hire and leaflet distribution in protest at proposed cuts in funding, Christmas gifts for staff, overnight trip away for three members of staff.
- The non-existence of a lease agreement to support payments for rent of premises in one CDP as well as the absence of a lease agreement to support the subletting of part of the premises.
- Staff contracts not signed and in one instance, no contract in existence.
- A failure to document board approval of increases in staff salaries.

24.36 Taking account of the bottom-up nature of the CDPs, their location across the most disadvantaged communities in the State and the voluntary nature of their boards, the audit reviews would suggest a need to significantly strengthen output setting and reporting. Inspection work noted a lack of back up to support outputs reported in the annual output statements.

24.37 It was noted that three cases of fraud involving the misappropriation or misapplication of funds by staff in three community development projects had been reported to the Department's audit committee in 2009. A Garda investigation into one case had concluded that there was not enough evidence for a criminal prosecution but that the project could pursue a civil action. The project does not have the funds to pursue a civil action and has in fact been declared insolvent. It is in the process of being wound up. In a second case, an amount of €24,000<sup>192</sup> deemed to have been misappropriated was returned and the company continues to exist. In the third case, the company continues to exist and a file has been sent to the Director of Public Prosecutions.

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<sup>192</sup>

The amount repaid by the ex-staff member was €26,237 (This included interest).

24.38 The Department acknowledged the management and control issues arising. It drew attention to the fact that its services had uncovered and reported the fraud cases referred to. The Department also indicated that, since taking responsibility for the CDP earlier this decade, it has undertaken a number of initiatives to tackle issues arising, including

- closure of a number CDPs where serious governance issues arose
- strengthening of the departmental inspection services into a single function across programmes, including CDPs
- provision of guidance and training support to boards of CDPs and
- extensive ongoing support and advice to CDP staff.

24.39 The Accounting Officer stated that the Department has processes in place to satisfactorily address these matters, and has in the past suspended payment to the CDPs involved or removed funding entirely.

24.40 It has also been the practice of the Department to periodically issue instructions to CDPs on political impartiality and abstaining from relating activities.

24.41 The Department regards integration as essential to further strengthen management processes, control and outputs in this regard.

The Department needs to address the issues which hinder the completion of the integration process as quickly as possible so that the risks associated with funding a large number of small entities are reduced. In this respect, given their variability in size and function, it may be necessary to review each CDP on a case-by-case basis.

Issues such as governance, management, staff roles and lines of reporting, property, budget and activities should all be addressed promptly to ensure that the synergies expected from the process are achieved.

### ***Viability, Overlaps and Leverage***

24.42 Towards the end of 2009, the Department carried out a review of all CDPs (180 projects at that point) with the aim of identifying the potential for achieving improved efficiencies in the delivery arrangements and identifying projects that represented a poor fit with programme objectives. The key criteria under which projects were assessed were

- fit with objectives of the programme
- relevance
- need for the project within the community and value for money
- governance.

24.43 Following the initial review, 29 CDPs (16%) were deemed non-viable. Following an appeals process, ten were successful in having the decision reversed bringing the percentage deemed non-viable to 10.5%.

24.44 It was noted that there was a large concentration of CDPs in a particular area of Dublin and all within close proximity to each other. In addition, it was evident that greater value is leveraged where the CDP is engaged in delivering additional activities funded by other State sources. However, two of the five CDPs visited as part of this examination had limited other sources of

funding. Thus, those CDPs were not driving wider service provision (CDP funding is for staff salaries and overheads).

In examining the justification for continued future funding for the integrated set of local development and social inclusion activities the extent to which other community services are being delivered should be taken into account.

### ***Achieving Synergy***

24.45 A formal process exists whereby the plans of the CDPs or local development companies are submitted to the City or County Development Boards for endorsement in advance of submission to the Department.

24.46 A similar type process was introduced for CDPs as part of the new LCDP and in advance of full integration. This required CDPs, prior to receipt of any funding for 2010, to develop a work plan setting out planned activities, outputs and outcomes for approval by the designated local development company with which they would be integrating.

24.47 The examination noted that in general, this approval process by the designated local development companies was little more than a signing exercise. It did not involve any detailed examination of work plans for coherence with the local development companies own work programme. In one instance, the work plan was received from the relevant CDP only hours before it was required to be submitted to the Department. Staff at one local development company observed that for 2010 the local development company appeared to have all of the responsibility in relation to CDPs but none of the authority.

24.48 The Department has advised that under the revised programme it is developing a process whereby both long-term strategic plans and annual work plans of the local development companies will be developed and submitted to the City and County Development Boards. City and County Development Boards will be required to ensure coherence of the local development strategic plan with the City or County Development Board plan and to examine for potential duplication of effort and synchronisation of priorities with other State agencies. The City or County Development Board will be asked to comment and confirm conformity of the local development companies' annual work plan with its strategic plan.

24.49 Local Development Companies were asked to prepare by end-June 2010, a plan and implementation strategy including timelines for integrated service delivery.

24.50 The examination noted little progress in this regard with some CDPs not engaging in the process.

The Department needs to ensure that the local development companies and CDPs engage fully with the process and address the need for coherent strategies and plans as a priority and a condition of funding in 2011.

24.51 The Accounting Officer stated that at this juncture all companies – both local development companies and CDPs – currently funded through the programme have signed up to

- implement the new programme in the context of the Department's integration strategy
- meet the specified deadline dates (submission of work plans by 26 March 2010 and of integration plans by 30 June 2010). The integration plans outlining the next steps

(including provision for transfer of undertakings, transfer of assets etc.) between now and end 2010 have been submitted and are currently being assessed by Pobal.

24.52 In addition, the Accounting Officer stated that the LCDP integration model will reduce the administrative burden on City and County Development Boards through the submission, by each local development company, of a single plan for each area which will include the community development element of the LCDP.

### ***Value for Money Review***

24.53 In 2007, Fitzpatrick Associates were commissioned by the Department to undertake a value for money and policy review of the LDSIP. The results are likely to be equally applicable to the LCDP.

24.54 Of the 26 recommendations made by the consultants, the Department has confirmed that

- five of the recommendations have been completed or implemented
- in six cases the recommendations are in the process of being implemented and
- the balance are under consideration.

24.55 The recommendations still under consideration include

- The respective roles of the Department and Pobal regarding policy and implementation, need to be clarified in a robust service level agreement.
- The Department should consider putting Pobal's role out to tender.
- A need for the Department and Pobal to develop a more proactive communication strategy for the programme in terms of engagement with other departments and agencies about the role of cross-cutting programmes.
- A national Liaison Committee should be established to improve the relationship between the programme and mainstream providers at national level.
- Mainstream service providers should provide better and more coordinated support to their representatives on local boards and committees.
- New local structures need to develop an overall strategy that integrates the programme into a wider suite of activities.
- The Department or Pobal should provide one-off central support to new entities to examine their HR issues and ensure that the critical local leadership and management skills needed are available in the new structures.

The Department should review the applicability of the recommendations in the context of the new LCDP and ensure that the relevant ones are fully addressed in the new programme.

### ***Addressing Financial Management and Control***

24.56 Audits by Pobal noted a range of financial management and control issues in the course of work during the past two years. These included instances where

- Internal financial procedures documents were not sufficiently comprehensive and internal review procedures were not evident.
- Timing differences with regard to reported expenditure were identified as a result of transfers into internal bank accounts and cheques written at year-end but not issued until the

following year. It was also noted that several local development companies had significant cash reserves relating to unspent grant funding.

- Project files were incomplete.
- The procedures for conducting third party audits were unsatisfactory and some partnerships did not fulfil the minimum requirements.
- Insurance policies did not indemnify the Department and Pobal.
- Internal control risks were identified with regard to the use of internet banking/electronic funds transfer systems.
- Apportionment policies were not always satisfactorily documented or formally approved.
- Prompt payments legislation was not fully complied with.
- Centralised cash receipts books were not maintained.

These issues need to be addressed by increased monitoring in the particular areas highlighted, issuing best practice letters by Pobal and providing additional supports and training.

24.57 The Accounting Officer stated that Pobal has carried out, and continues to carry out, a range of actions in response to issues identified during audits. In the case of each individual audit, the identified issues are individually followed up with the company to ensure resolution.

24.58 Pobal's audit unit also routinely checks whether recommendations arising from any previous audits have been implemented, as committed to by the relevant local development company and reports on this.

24.59 Where audit issues are not resolved, this can result in a series of sanctions ranging from restrictions on the funding (where the company is confined to core costs pending the resolution of the issues on hand) to the ultimate sanction (termination of the contract).

24.60 Pobal has also carried out a range of actions to rectify weaknesses identified as a result of the audit process and to learn and relay the lessons from the audit process.

## Conclusion

The number of local development companies has been reduced from 94 to 52 on foot of the cohesion process. In a further phase, the Department assisted by CES redesigned the LDSIP and the CDP. This redesigned programme (LCDP) commenced in January 2010. The next phase aims to deliver the new programme through an integrated structure incorporating the CDPs into the local development companies by the end of 2010.

In the case of local development companies, considerable progress had been made in achieving cohesion. Some areas where improvements or further work are necessary include – ensuring new LCDP entities operate under a strategic plan, the identification of any surplus assets arising out of cohesion, managing emergent unintended effects of the winding up of entities and providing for enhanced output reporting.

The report sets out some issues that need to be addressed so that the follow-on integration process is completed efficiently and effectively

- moving to delivery based on a strategic approach to local development and social inclusion initiatives funded through the LCDP
- addressing any remaining barriers to integration
- maximising the extent to which other community services are delivered or levered and the impact of local networks optimised
- implementing relevant recommendations from a 2007 value for money review of the predecessor programme.