

**Donegal County Council
Internal Audit Department**



Final Audit Report

DONEGAL COUNTY COUNCIL

IA22/06 - Donegal Local Enterprise Office

December 2022

Table of Contents

1. Executive Summary	4
2. Assurance Rating.....	5
3. Introduction & Scope	5
4. Objectives	6
5. Methodology	6
6. Background	6
7. Relevant Legislation, Guidance and Circulars.....	7
8. Findings	8
8.1 Service Level Agreement	8
8.2 Policies and Procedures	8
8.3 Donegal Local Enterprise Development Plan 2021-2024	9
8.4 Financial Procedures	10
8.5 Services Provided	11
8.5.1 Measure 1	12
8.5.2 Measure 2	13
8.5.3 Training and Financial Supports	13
8.5.4 Donegal Local Enterprise Week	19
8.6 Staffing.....	19
8.7 Covid-19 Business Supports	20
8.7.1 Business Continuity Vouchers	20
8.7.2 MicroFinance Ireland Business Supports	21
8.7.3 Covid-19 Restart Grant	22
8.8 Financial Management	22
8.8.1 Funding Sources.....	22
8.9 Brexit	23
8.10 Statistics and Performance Indicators	24
8.11 Future Planning/Long Term Strategy.....	26
8.11.1 Inflation and Rising Costs.....	27
8.11.2 Climate Change and the "Green Agenda"	27
8.11.3 Digitalisation.....	28
9. Conclusions and Recommendations	29
9.1 Policies and Procedures.....	29
9.2 Staffing	30
9.3 Covid-19 Business Supports	30

- 9.4 Statistics and Performance Indicators..... 31
- 9.5 Future Planning/Long Term Strategy 32
- 10. Acknowledgement 33
- Appendix 1 – Circulation List 34
- Appendix 2 – Audit Classification 35
- Appendix 3 – IA22/06 Donegal Local Enterprise Office - Summary
Recommendations 36
- Appendix 4 - Donegal LEO Performance Metrics..... 38

1. Executive Summary

One of the key objectives of Donegal County Council’s Corporate Plan is “To take a lead role in promoting sustainable economic development and job creation in Donegal”, supporting entrepreneurship and job creation in Donegal through the Local Enterprise Office (LEO) is one of the main supporting strategies for achieving this objective.

Donegal Local Enterprise Office acts a ‘one stop shop’ for small/micro businesses and entrepreneurs to provide advice and support in all aspects of the business lifecycle from set up, development through to growing the business.

The past two years have proved to be extremely difficult for businesses as global events such as the Covid-19 pandemic and war in Ukraine have contributed to an uncertain economic environment. The Donegal LEO had a vital role to play in providing additional supports to local businesses during this period, resources such as Business Continuity Vouchers and improved MicroFinance Ireland loans helped small businesses to cope with the changing environment.

From the work carried during this audit and the resulting findings it evident that both the processes and controls employed by the Donegal LEO will help ensure that the objectives outlined in their Development Plan are achieved over the short-term. However, it is important to note that the LEO has also experienced a number of staff changes over the past two years. A number of positions remained unfilled throughout 2021 and 2022 which placed extra demands on resources during this period of unprecedented economic uncertainty.

In order to ensure that the LEO can offer appropriate support and continues to achieve its objectives under its Development plan it is vital that the LEO staffing structure adheres to the guidelines set out as part of its current Service Level Agreement.

The draft audit was circulated to relevant parties on 24th November 2022. Internal Audit’s findings and recommendations for remedial action, where applicable, are included herein.

2. Assurance Rating

This audit has been assigned an assurance rating of:

Level 2 – Adequate

See **Appendix 2** for Classification of Audit Assurance.

Based on the work carried out in this audit, Internal Audit found that there is a generally adequate system of risk management, control and governance employed in the Donegal Local Enterprise Office and the systems in place should ensure that essential objectives are fully achieved.

The main area which requires attention is the staffing structure within the Office. Several key positions remained unfilled for long periods of time during 2021 and 2022 which resulted in increased workloads for staff and the prioritising of key areas over elements of the LEO's commitments through the new Development Plan.

Although some of these staffing issues have been addressed, it is vital that the Office retains its full staff complement as agreed in the Service Level Agreement between Enterprise Ireland and Local Authorities. This will enable the LEO to adapt and adjust to an ever-changing economic environment which has remains in an uncertain state following global events such as the Covid-19 pandemic and the ongoing war in Ukraine.

3. Introduction & Scope

The Local Enterprise Offices enable Local Authorities to facilitate close collaboration with various supports and enablers delivered by the Local Government sector. From an economic perspective, Local Authorities play a critical role in putting in place initiatives to stimulate the local economy and to support business in creating employment. This role has been of critical importance over the past two years given the impact Covid-19 has had on small businesses.

Local Enterprise Offices act the first point of contact for advice and information to help entrepreneurs and existing micro-enterprise and small business owners, they are operated under the terms of a Service Level Agreement with Local Authorities.

The LEO promotes enterprise and entrepreneurship in the County and is also tasked with the fostering of innovation and export capabilities within firms; as well as contributing to the wider economic development of the County.

The scope of this audit was to:

- Research relevant Legislation
- Review the activities of the Local Enterprise Office
- Examine the policies and procedures in place
- Evaluate the impact of Covid-19 restrictions, their effect on work processes and supports provided to local businesses from the LEO

4. Objectives

The main objectives of this audit were to assess the goals and processes carried out by the Donegal Local Enterprise Office.

The audit identified the systems, policies and procedures in place for the operation of the LEO and also evaluated these along with the controls in place, identifying any potential risks in relation to same.

This audit also assessed various statistics relating to the work of the LEO and the impact of Covid-19 on its work activities over the past 2 years.

5. Methodology

The audit was approached as follows:

- Identify relevant legislation, policy and procedures in place.
- Engage with relevant Training Centre staff.
- Examine various statistics in relation to training programmes.
- Identify any potential risks in work processes and make recommendations where necessary.

6. Background

Irish Government reform in April 2014 resulted in the dissolution of the 35 City and County Enterprise Boards (CEBs). The Department of Jobs, Enterprise and Innovation (DJEI) re-structured the delivery of supports for micro-enterprises through the establishment of Local Enterprise Offices (LEOs) within the Local Authorities (LAs).

There are 31 LEOs in the various LAs across the country which operate under a Service Level Agreement between Enterprise Ireland and the LAs. Local Enterprise Offices provide information on State supports for small and micro-businesses and also provide information on financial and other supports available to the business community.

The LEO mission statement is: *"to develop and sustain a positive enterprise ecosystem at local level throughout the country that will drive new added-value start-ups, facilitate further growth of micro and small businesses and enhance local economies"*.

The LEOs are funded by the Department of Enterprise, Trade and Employment and are a significant element in the enhanced role which Local Authorities now have in the whole area of economic development.

The main functions of the LEOs are to provide:

- Business Information and Advisory Services
- Enterprise Support Services
- Entrepreneurship Support Service
- Local Enterprise Development Services

Their key focus is to maximise opportunities for job creation and retention, attained through:

- Promoting the general economic development of their areas
- Creating and raising local enterprise awareness and developing an enterprise culture and community-based enterprise activity
- Providing a single/first point of contact service to the business community
- Influencing the allocation of resources for micro-enterprise from EU, private and public funding sources
- Providing support to private sector and community initiatives so as to secure the establishment and/or expansion of commercially viable micro-enterprise projects
- Providing comprehensive pre and post start-up support to new and expanding micro-enterprises providing business advice, counselling and mentoring
- Delivering management and capability development programmes aimed at improving owner/manager skills to assist the survival and growth of micro-businesses
- Providing financial interventions to support business development.

7. Relevant Legislation, Guidance and Circulars

- Local Government Reform Act 2014 – Government of Ireland
- The Industrial Development Act 1986-2014
- County and City Development Board Dissolution Order 2014 – Government of Ireland
- The National Development Plan 2021-2030 – Department of Public Expenditure and Reform
- The Local Authority Accounting in Ireland Code of Practice and Accounting Regulations 2018 - Department of Housing, Planning and Local Government
- Circular 08/2015 “National Eligibility Rules for Expenditure Co-Financed by the European Regional Development Fund (ERDF)” – Department of Public Expenditure and Reform (DPER)
- Framework Service Level Agreement (Between Enterprise Ireland and Local Authorities)
- Local Enterprise Offices Procedures Manual 2016 (Updated July 2022) – Enterprise Ireland
- Local Enterprise Office Personal Data Protection Notice
- Donegal Local Enterprise Development Plan 2021-2024 – Donegal County Council

8. Findings

8.1 Service Level Agreement

Enterprise Ireland (EI), through its Centre of Excellence (CoE), provides a range of strategic, administrative, technical and financial supports to the LEOs to enable them to develop a suitable environment for maximising the contribution of the micro-enterprise sector to the economy. Financial support includes the administration and distribution of funding to each LA/LEO in accordance with procedures agreed between EI and DETE, to meet the LEO funding requirements enabling LEOs fulfil their obligations in carry out their various functions.

A Framework Service Level Agreement (SLA) sets the context for the operation of the LEOs by the Local Authorities, on behalf of EI. Under this SLA, EI plays an oversight role in the activities of the LEOs ensuring the appropriate matching and linking of national policy and programmes with local policies and programmes. The LEO also reports to EI on a quarterly basis.

This Service Level Agreement provides the framework for the operation of Local Enterprise Offices, business units within the Local Authority. The purpose of the SLA is to detail the relevant policies, operational guidelines, metrics and other service provisions to which apply to Local Enterprise Offices.

The SLA underpins the key objectives of the LEOs under four main headings:

- Business Information and Advisory Services
- Enterprise Support Services
- Entrepreneurship Support Services
- Local Enterprise Development Services

LEOs play a collaborative role and perform a number of roles across a range of support areas and infrastructural plans e.g. Local Community Development Committees, Local Economic and Community Plans, Regional Enterprise Action Plans etc.

8.2 Policies and Procedures

The Enterprise Ireland Procedures Manual outlines the responsibilities, tasks and procedures for all relevant bodies (i.e. EI, Local Authorities and the LEOs) and personnel involved in the implementation of this EU co-financed activity.

The manual complies with European Commission requirements as set out in Circular 08/2015 - National Eligibility Rules for Expenditure Co-Financed by the European Regional Development Fund (ERDF) under Ireland's Partnership Agreement 2014-2020.

This Procedures Manual was compiled to ensure that the activities of each respective LEO comply with all applicable obligations and responsibilities placed on it by the various Acts, regulations, procedures, etc.

The Procedures Manual provides guidance to LEOs in several key areas:

- Operational arrangement for drawing down Exchequer funding from EI by the LAs for the LEOs
- Operational arrangement for Refundable Aid (RA) debt
- Project evaluation and approvals process
- Procurement (training/consultancy/procurement in capital grant-aided projects) subject to the LA process
- Making payments
- Treatment of receipts
- National eligibility rules as per Department of Public Expenditure and Reform Circular 08/2015
- Responsibilities of Intermediate Body and Beneficiaries
- Publicity requirements
- EU rules on competition and State aid, environment and equality
- Audit requirements; file retention and storage

It provides additional and updated procedures to incorporate regulations and requirements facing the LEOs is used in conjunction with circulars currently in operation. Each LEO may opt to add additional procedures relevant to its own particular circumstances.

The manual is reviewed annually by EI's Centre of Excellence (CoE) and is available for inspection by the various bodies involved in the Financial Management and Governance of the LEO, e.g. the Certifying Authority, Managing Authority, the European Social Fund (ESF) and European Regional Development Fund (ERDF), Internal Audit Units, the European Commission or its agents, and the European Court of Auditors.

8.3 Donegal Local Enterprise Development Plan 2021-2024

This Plan sets out the vision, strategic and operational objectives and actions proposed by the LEO within Donegal County Council for a four-year period and in particular, details the actions and activities to be delivered from 2021 onwards. It is anticipated that the plan and its activities will be reviewed and updated on an annual basis during the period of the plan - however many of the actions undertaken will also carry over into the following years given the current strategy on Enterprise Development in the county.

The Development Plan outlines the LEO's mission and overarching objectives over the next five years:

- Providing business information and advisory services
- Providing enterprise and entrepreneurship support services
- Providing economic development services

The Plan also identifies several key strategic areas to prioritise over its life cycle which will help the Donegal LEO achieve these objectives, including:

- Entrepreneurship, Competitiveness & Digitalisation
- Green and blue sustainability
- Innovation
- Exporting and Internationalisation
- Developing Clusters & Networks

Business areas/sectors are also identified where the LEO believes there are new opportunities for businesses within the county, these areas include Food/Seafood, Creative Industries, ICT/FInTech, FDI/Local spin-outs, Tourism, Patient Centric Health (Medical Devise/Digital Health), Social enterprise and the Circular economy

8.4 Financial Procedures

LEOs, through the LA process and procedures, must demonstrate effective financial controls, including the maintenance of proper accounting records, and are subject to audit by EI, the ERDF and other bodies as required. This financial information is publicised and reported to stakeholders, as required.

These controls also contribute to the prevention and detection of fraud or other irregularities and form the audit trail to support the ERDF co-funding claim. The internal control system is reviewed in line with LA risk management and must:

- be embedded in the operations of the LEO and form part of its culture.
- be capable of responding quickly to evolving risks within the LEO as identified via the LA risk management system; and
- include procedures for the immediate reporting of any significant control failing(s) or weakness(es) to appropriate levels of management, together with details of corrective action(s) being taken.

EI's CoE prepares a budget to indicate the estimated expenditure to be incurred by the LEOs during the year under the following categories:

1. Administration - Pay and Non-Pay
2. Measure 1
3. Measure 2
4. Other Programmes

The CoE makes an interim payment to each LEO at the start of each year to enable the LEOs to make payments in advance of final budget allocations by the Board of EI. Such payments must be formally requested by letter to EI's CoE. LEOs also receive funding in addition to the Measure 1, Measure 2 and administration allocation from EI's CoE e.g. European Globalisation Adjustment Fund (EGF).

The Donegal LEO is subject to the same payment processes as Donegal County Council and use the Agresso Financial System for recording income/expenditure and making payments to suppliers.

A number of financial transactions for 2021 were interrogated as part of this audit in order to ensure that relevant procurement and payment legislation such as the Local Authority Accounting in Ireland Code of Practice and Accounting Regulations are being adhered to by the LEO.

8.5 Services Provided

Local Enterprise Offices act as a first point of contact for entrepreneurs and business owners seeking information and support on starting or growing a business in Ireland.

The Office provides information on State supports for small and micro-businesses and can provide direction in relation to other supports and bodies with programmes relevant to small business as well as important local services and compliance requirements can be provided.

Some of the services provided by LEOs include:

- Directing financial supports to micro businesses (businesses with 10 or less employees)
- Advising on a range of alternative funding options available
- Providing business information, advisory services and enterprise support
- Delivering training to meet the needs of businesses including: “Start Your Own Business” and “Managing Your Business” e.g. Marketing, Sales, Financial Management, Strategy and Business Planning.
- Providing mentoring services with experienced experts.
- Providing guides to services most relevant to support the growth and development of businesses
- Providing advice on local authority regulations, planning, accessibility, environment, procurement and other issues potentially affecting a business
- Connecting entrepreneurs and business owners with appropriate State resources for your business including relevant agencies such as:
 - Department of Social Protection - Enterprise Supports
 - Microfinance Ireland - Business Loans
 - Revenue - Start Up Relief for Entrepreneurs
 - Education and Training Boards - Business Courses
 - Credit Review Office - When a lender has refused credit
- The creation of “progression pathways” for high-potential companies to Enterprise Ireland
- Advising on local property solutions for start-ups and business expansions
- Organising key enterprise event.
- Facilitating effective business networking
- Promoting entrepreneurship education in the local community
- The LEO website (www.localenterprise.ie) gives access to online information about our supports and services

Other services and programmes completed by the Donegal LEO in 2021 included:

- Managing the regional research project carried out by Lancaster University into the challenges and opportunities for entrepreneurship in the NW region under the 2020 Regional Action Plan.
- Launched the new Creative Coast website with over 190 creative businesses currently featuring.
- Contributed to the preparation of the new Regional Enterprise Plan.

In 2022, as part of the Donegal Strategic Enterprise Development Plan, the Local Enterprise Office committed to continue with its core programmes and supports including:

- Further development of the Food Coast initiative
- Development of the Creative Coast initiative
- Development of the Donegal Engineering Cluster
- Delivery of the schools' enterprise programme
- Delivery of Local Enterprise Week
- Design and delivery of pre-accelerator and accelerator programmes

8.5.1 Measure 1

Measure 1 grants help to establish and develop new and existing enterprises provided the enterprise can become commercially viable. There are four grant types:

- Feasibility Study Grants
- Priming Grants
- Business Expansion Grants
- Technical Assistance for Micro Exporters' Grant

Policy and exchequer funding in respect of these grants comes from DETE, the cumulative level of grant aid to any eligible business must not exceed €150,000 over a three-year period.

De Minimis Aid also provides small amounts of State Aid given to businesses not exceeding €200,000 over any three fiscal years irrespective of size or location in Ireland. If the business is part of a group, then the €200,000 limit applies to the group.

To qualify for Measure 1 funding, among other criteria, a business must not employ more than ten people and must operate commercially with the geographic location of the LEO.

8.5.2 Measure 2

Funding is provided for mentoring, training and entrepreneurial development programmes under the Measure 2 process. The Head of Enterprise, together with relevant LEO executives, is required to draw up a proposal for Measure 2 Programmes for the coming year, including estimated expenditure proposed. The LEO is required to submit their Measure 2 budget estimate to the CoE when requested, the LEO must comply with National Eligibility Rules and National Procurement Guidelines when determining proposed Measure 2 activities.

The CoE also provides supports for training and development such as the “Start Your Own Business” Programme, Accelerate Management Development Programme, Food Starter Programme etc.

The implementation of Measure 2 activities must adhere to the following criteria:

- All trainers engaged by the LEO in the delivery of Measure 2 Programmes are recruited via a tendering process in line with the national thresholds for the procurement of supplies and services
- Mentors are recruited by way of a Mentor Panel, which is at the discretion of each LEO – the Head of Enterprise has discretion to add mentors as the need arises
- The LEO executive assesses the request for Measure 2 assistance and determines eligibility
- The approved Measure 2 assistance must be consistent with the overall objective of the Measure funding the project
- The Head of Enterprise must ensure that there is no overlapping of EU aid at transaction level and that the requirements in relation to monitoring and compliance of ‘De Minimis Aid’ provisions have been complied with
- Measure 2 Programmes are monitored on an ongoing basis
- Evidence of proof of payment to the suppliers of Measure 2 Training/Development must be made available for audit purposes

8.5.3 Training and Financial Supports

The LEO also provides a number of specific supports to entrepreneurs and business owners, these include:

- Trading Online Vouchers (TOVs)
- Co-Innovate Programme
- Feasibility, Priming and Expansion Grants
- Digital Start Scheme
- Online Training Courses
- Food Supports
- Mentoring Services
- Technical Assistance for Micro Exporters
- Agile Innovation Fund

Trading Online Vouchers (TOVs)

This scheme is funded by the Department of Enterprise, Trade and Employment (DETE) and is aimed at smaller businesses with little or no trading online capability, operating in sectors which often do not require an online presence. The DETE provides funding to EI who manage the allocation of funds to the LEOs to meet expenditure under the scheme.

The scheme offers skills training, mentoring and a grant of up to €2,500 (subject to match funding) to help microenterprises with 10 or less employees and turnover of less than €2m, to develop their e-commerce capability and increase their turnover by trading online.

The business must be operational for 6 months and applicants must attend a training workshop and the voucher must be availed of within the following 6 months. The voucher cannot be used for enhancing website content and must include an e-commerce approach (e.g. online ordering or bookings).

The original terms of the scheme required matched funding of 50% from the business, however after the advent of Covid-19, the vouchers covered 90% of the costs involved. This resulted in a large uptake in the number of applicants and approvals. In the wake of Covid-19, LEOs have allowed businesses that have already availed of a TOV to apply for a second voucher. This led to increased applications and caused delays in receiving the voucher and/or booking workshops, mentors provided advice and guidance in the interim period.

In order to compare uptake in TOV approvals during the Covid-19 pandemic, the 2020/21 figures were compared to 2019:

Year	Approvals	Amount (€)
2019	44	100,746
2020	473	1,269,284
2021	133	284,646
Totals	606	1,553,930

The number of approvals in 2020 shows a significant increase of 429 from the previous year. In total, 213 (45%) of approved TOVs were paid out in 2020 and all remaining approved applications Covid-19 TOVS were paid out by mid-2021.

Co-Innovate Programme

The LEO also receives funding from the Co-Innovate Programme through InterTrade Ireland. This Programme was launched in September 2017 and aims to increase the numbers of SMEs involved in research and innovation across the border region of Ireland (Cavan, Donegal, Leitrim, Louth, Monaghan, Sligo), Northern Ireland and parts of western Scotland, from 22% to 33% over the next five years.

The five-year €16.6 million project was announced under the EU's INTERREG VA Programme, managed by the Special EU Programmes Body. It is one of 60 funding programmes across the European Union that have been designed to help overcome issues that arise from the existence of borders.

Match-funding for Co-Innovate has been provided by the Department of Enterprise Trade and Employment in Ireland, the Department for the Economy in Northern Ireland, Scottish Enterprise and Highlands and Islands Enterprise.

To date the LEO in Donegal has received €193,837 in funding from the Programme, with just under €60,000 being spent on training courses and other supports for the 2020-21 period. The figures below detail the supports provided by the Donegal LEO office through the programme during this time:

Supports	2020	2021
Enquiries	13	7
Ready Reckoners	11	1
Workshop Bookings	10	0
Business Status Review	13	2
Innovation Audit	2	2
Innovation Capability Programme	3	0
Strand 4	4	3
Strand 5	1	0

Feasibility Grants

Feasibility grants can be applied for through the LEO, they offer 50% of the investment or €15,000 (whichever is less) to assist entrepreneurs/business owners in researching the sustainability of a product or service.

Applicants are advised to meet with a LEO Business Advisor to discuss their application, meetings can be online or in person.

Priming Grants

This is a start-up grant for businesses that have been operating for less than 18 months and is used for staff hire, Sole Traders, Limited Companies and Partnerships can apply. Applicants can receive up to €15,000 to help financially support employees, there is no repayment required for this grant.

The amount received depends on the wages being offered by the business owner and can be used in relation to both full-time and part-time employees. The grant is usually paid in 2 tranches after 6 and 12 months, the LEO requires payslips and records of payments from successful applicants.

Expansion Grants

The Expansion Grant applies to businesses that have been operating for more than 18 months and is used as a support for job creation. Sole Traders, Limited Companies and Partnerships are also eligible to apply and can receive up to €150,000.

Digital Start Scheme

Digital Start is a pilot initiative from the LEO designed to give clients a “digital edge” in the marketplace by optimising processes to delivering an improved digital experience for customers. The aim of the initiative is to help businesses prepare and implement a plan for the adoption of digital tools and techniques across the business.

Digital Start provides support to obtain digital strategy, technical and/or advisory services for eligible businesses. This Digitalisation process supports competitiveness, productivity, and value creation and covers five main areas:

1. Data processing and analysis (i.e. gathering customer trends, values insights)
2. Cloud computing (i.e. moving software/data to the cloud for accessibility)
3. Cybersecurity (i.e. protecting records, information, IP and data from attacks)
4. “Internet of Things” (software/technology connectivity)
5. “Industry 4.0” (i.e. process automation in manufacturing facilities and utilisation of AI)

The programme provides strategic intervention for businesses to work for free with third party consultants worth up to €4,500 in order to:

- Assist businesses identify where they are on their digital business journey
- Develop a digital adaptation plan based on their identified need
- Implement their digital adaptation plan

It is not intended to cover costs associated with website development, digital marketing, or hardware but improve areas like business process optimisation, enhancing the digital customer experience or utilising data better.

The Scheme is generally open to businesses in the manufacturing industry who employ up to 10 people.

Food Supports

A number of support programmes are available to small businesses through the Donegal LEO, these programmes include:

- The Digital School of Food - a free to use learning hub that has been designed to support food manufacturing businesses from start-up to the growth phase
- Food Starter Programme - an online 4 x 1/2-day programme designed to help those with a food idea, or those at a very early stage of starting up a food business. Typically, within the first 24 months
- Food Academy Programme - a tailored Food Business Development programme for early to mid-stage food business owners

The LEO also provides a variety of food-related courses and access to a number of food networks and contacts.

Online Training Courses

The Donegal LEO provides a diverse range of training programmes aimed at micro/small business and entrepreneurs looking to acquire new skills or develop existing ones. The aim is to enable and equip participants to start or grow their own businesses.

The range of training courses currently being offered include:

- Small Business Accounts
- Action Plan Workshops for Creative Industries
- Green/LEAN courses for Micro Businesses
- Brexit information
- Craft and Design Workshops
- Food photography and Styling Workshops
- Start your own Business (SYOB) Programme
- Trading Online Voucher Workshops
- Business Information Sessions

Courses are offered at discounted rates to ensure value for money and cost efficiencies.

Mentoring Programme

The LEO Mentoring Programme is designed to help support and guide entrepreneurs and business owners as they develop their skills and capabilities. The Programme is designed to provide practical assistance and help business owners effectively deal with issues and challenges.

There is a panel of mentors established from experienced businesspeople who are available to help owner/managers to grow and develop their skills so that they receive advice relevant to issues which may impede their company's growth and expansion.

The mentor's role in the process involves several key elements:

- Listening to the business owner
- Providing advice and direction
- Helping the business owner identify problems and suggest areas for improvement
- Discuss solutions and innovations for improving business activity
- Help in the decision-making process
- Share their experience and knowledge
- Provide structure and context for discussion
- Offer assistance in compiling a business plan

The LEO mentoring programmes aim to match the knowledge, skills, insights and entrepreneurial capability of expert mentors with small business owners/managers who require practical and strategic advice and guidance.

Entrepreneurs who are starting their business or seeking to expand/grow their existing business can avail of this service through a range of mentoring options. There is a fee of €13/hour to the business, and mentoring is normally issued in blocks of 3, 6 or 9 hours. This is decided upon by the Local Enterprise Office and is related to the complexity of the challenge.

In 2021 there was a total of 287 participants in mentoring assignments provided by the LEO in Donegal, this constituted an increase of 67 on the previous year and an increase of 181 on the 2019 figures. The volume of these increases illustrates the importance of mentoring supports to businesses during the Covid-19 pandemic.

It should be noted that the "Start your own business" course also includes a mentoring element.

Technical Assistance for Micro Exporters

The Technical Assistance for Micro Exporters (TAME) grant helps fund the costs of businesses investigating and researching export markets. The grant covers 50% of eligible costs up to a maximum of €2,500 per year.

Eligible costs include participating in a trade expedition, translation costs, and developing an export-related website. As this is an export-led grant, applicants may be introduced to an Enterprise Ireland mentor.

Agile Innovation Fund

This fund offers up to 50% of costs in support of innovation projects with a total cost of up to €300,000. This business grant applies to LEO and EI clients only.

The grant supports the development of new or improved products, services or business processes with the level of funding depending on the size of the business involved.

8.5.4 Donegal Local Enterprise Week

Donegal Local Enterprise Week took place from 1st-5th March 2021, due to the ongoing Covid-19 restrictions, events were carried out on a “virtual” basis with attendees viewing presentations online. The theme of the week was embracing change in a changing world with each event having a keynote speaker and focusing on a different topic as part of the overarching theme:

- “Spring back and step forward” – building leadership and resilience
- Sustainability and the Circular Economy
- “Beyond Brexit – rising to the challenge”
- Recipes for successful start-ups

A number of other virtual classes and events in relation to mental health and overall wellbeing also took place, these included: yoga workshops, office-based workouts, nutritional advice and other alternative therapies.

8.6 Staffing

LEO staff resources and their roles are outlined in Appendix 2 of the Service Level Agreement between Donegal County Council and Enterprise Ireland.

The approved Officer roles are:

- Head of Enterprise
- Senior Enterprise Development Officer
- Business Advisor
- Assistant Business Advisor
- Administrator (Grade 3 or 4)
- LEO Graduate/LA Graduate

Currently the Donegal LEO office is made up of:

- Head of Enterprise
- Assistant Head of Enterprise/CEDO
- Local Authority Graduate (3-year contract)
- 2 x Asst. Staff Officers (1.8 WTE)

At the time of carrying out this audit the following positions were either vacant or due to be filled:

- 2 x Business Advisors – 1 position due to be filled in October 2022
- Asst. Business Advisor – Unfilled since July 2021

The SLA includes a provision on the subject of staffing and gives an undertaking that a Protocol would be developed between Enterprise Ireland and the County and City Managers' Association (CCMA) - regarding the filling of positions in the LEOs.

The SLA states that the LEO should be supported to have in place the agreed staff complement with the necessary business skills and functional competencies to support delivery of the services as outlined and is of a consistent standard among all LEOs throughout Ireland.

8.7 Covid-19 Business Supports

The Covid-19 pandemic had a significant impact on small/micro businesses with many owners and managers requiring additional support. Some industry experts estimate revenue shortfalls for 2020 alone reportedly falling between €10.3 and €11.7bn across the entire Irish SME sector.

During this period the Local Enterprise Office assisted businesses by providing additional services and supports such as:

- Retraining and upskilling
- Helping businesses to pivot or redevelop their business plans
- Enabling them to create an online presence to continue trading and explore new markets
- Providing additional funding measures

Funding measures such as the Trading Online Vouchers (TOVs) along with other supports such as the Business Continuity Vouchers, Mentoring and the Micro Enterprise Assistance scheme enabled businesses to access additional funding and supports. The TOVs provided further support to businesses dependant on online sales as well as other businesses that had no online presence previously.

During 2021, many of the exceptional Covid-19 and Brexit related supports provided via the LEO ceased, as businesses prepared for returning to normal practices. This resulted in an increased focus on LEOs delivering core enterprise supports to support start-ups and expansions, with a particular emphasis on developing capabilities such as LEAN business practices, export and scaling capabilities.

8.7.1 Business Continuity Vouchers

Businesses employing up to 50 staff, were eligible to apply for a Business Continuity Voucher to the value of €2,500 towards third party consultancy costs to assist with developing short-term and long-term strategies to deal with the pandemic. The purpose of the voucher was to provide contingency planning advice to assist businesses to continue trading through the crisis.

The primary aim of the scheme was to support businesses in making informed decisions on immediate measures needed to continue trading in the midst of the pandemic while securing the safety of all employees and future business viability through identification of remedial actions.

The Business Continuity Voucher provided support to businesses in relation to:

- Developing a business continuity plan
- Assessing current financial needs in the short to medium term
- Reducing variable costs, overheads and expenses
- Reviewing and exploring supply chain financing options
- Implementing remote working processes or procedures
- Accessing ICT and HR expertise
- Preparing a business case for application to emergency financial interventions available through Banks, SBCI and Microfinance Ireland

Between January and December 2020, there were 679 applications for the scheme, 574 of these applications were approved totalling €917,560.

8.7.2 MicroFinance Ireland Business Supports

Microfinance Ireland (MFI) is a not-for profit lender established to deliver the Government's Microenterprise Loan Fund. It provides loans of between €2,000 and €50,000 to commercially viable businesses that employ fewer than 10 people with an annual turnover of less than €2 million. Overall, there have been 252 applications for MicroFinance Ireland loans in Donegal between 2012 and 2021* with 123 being approved totalling just over €2.1m. (*as at 30/09/21)

In 2020, MFI, as part of a government initiative to support small businesses through the challenges presented by Covid-19 and protect job creation and sustainment in Ireland, made a one-off business loan available to help offset the impact of Covid-19 on small businesses. Businesses could apply for a loan ranging from €5,000-€50,000 through their LEO. The loans were interest-free for the first 6 months. After 6 months, the applicant was required to pay a reduced interest rate of 4.5%, the loan terms were typically up to 3 years.

Loans could be used for working capital or changes required by the business to manage Covid-19. Prior to applying for the loan, the business was required to submit a business plan detailing cash flow projections and up to date management accounts. LEOS provided dedicated staff to support applicants through the overall process and committed to responding to applications within 72 hours. This version of the loan ceased in Q1 2022, but the original MicroFinance loan is still available to businesses under the original terms.

The Micro-Enterprise Assistance Fund was also established in 2020, this was a specific response scheme to aid Self-Employed businesspeople. Between September and December 2020, there were 12 applications for this support with 6 being approved totalling €5,750.

8.7.3 Covid-19 Restart Grant

This grant was announced in March 2020 by the Irish Government and administered through Local Authorities. Businesses could apply for reimbursement of up to €10,000 depending on their rates bill for 2019. Applications were prioritised based on the Covid-19 restrictions in place and the Government’s re-opening guidelines.

The grant was intended to alleviate costs relating to re-employing staff, putting in place social distancing measures and buying stock. By January 2021 Donegal County Council had processed over 4,500 payments totalling €24,296,505 to 2,214 businesses.

8.8 Financial Management

LEOs, through the LA process and procedures are required to demonstrate effective financial controls, including the maintenance of proper accounting records, which will be subject to audit spot checks by EI, the ERDF and other bodies as required. These controls form part of the internal control process and help ensure that the LEO, inter alia the LA and EI, is not unnecessarily exposed to avoidable financial risks; that financial information on which they rely can be confirmed and; that such information is publicised and reported to stakeholders, as required.

The controls also contribute to the prevention and detection of fraud or other irregularities and form the audit trail to support the ERDF co-funding claim. This internal control system is reviewed in line with LA risk management and embedded in the operations of the LEO.

The financial controls are required to be capable of responding quickly to evolving risks within the LEO as identified via the LA risk management system and include procedures for the immediate reporting of any significant control failing(s) or weakness(es) to appropriate levels of management, together with details of corrective action(s) being taken.

8.8.1 Funding Sources

Local Enterprise Office Donegal is funded annually by Government through Enterprise Ireland from the Department of Enterprise, Trade and Employment (DETE). The CoE is responsible for the administration and distribution of DETE funding to each LA/LEO in accordance with procedures agreed between EI and DETE.

The LAs/LEOs receive a Capital allocation for:

1. Measure 1 Grants – direct grant assistance to companies.
2. Measure 2 – soft supports for training and development such as the Start Your Own Business Programme, Accelerate Management Development Programme, Food Starter Programme etc.

3. Other Programmes such as:

- a) Ireland’s Best Young Entrepreneur Investment Fund and Boot Camp Training.
- b) LEO Innovation Investment Fund or similar programmes.

The LAs/LEOs also receive an administration grant towards Pay and Non-Pay expenditure:

- The pay allocation funds a proportion of the sanctioned LEO staff salary costs with the respective LA funding the balance of staff salary cost.
- The Administration Grant also contributes towards the administration costs incurred by the LEO such as Travel and Expenses, Office Supplies, Telephones etc.

LEO Donegal works with both EI and the DETE on it’s resourcing requirements to ensure maximising it’s budget allocation and Value for Money.

The LEO is also part-funded from its own resources with the income received from the training and advice courses that it provides through Measure 2 (██████████). In order to provide a comparison between the income received before and after the advent of Covid-19, figures from the period 2019-2021 were compared:

Year	Amount (€)
2019	15,475
2020	7,998
2021	15,020
Total	38,493

The remainder of the LEO’s funding comes from DCC, in 2021 there was an allocation of €1,598,093 in the Council’s Revenue Budget, this amount was increased to €1,679,231 in the 2022 budget.

8.9 Brexit

Businesses in Ireland now face risks from the ending of the Brexit transition period. Uncertainty remains about the type of trading relationship that will exist between the EU and the UK when the transition period ends and the effect this will have on Irish businesses exposed to the UK market. Any new trading relationship will have implications for the Irish economy, businesses and the financial system.

The Annual Survey of Local Enterprise Office clients in Donegal highlights that 75% of its client base currently sells products or services into Northern Ireland and Great Britain. This high level of engagement with UK markets, plus its key role as a supplier of raw materials and Donegal’s geographic location emphasises the need for firms in Donegal to assess its reliance on the UK markets and respond accordingly.

The Local Enterprise Office has committed to adapt and tailor its supports in response to the needs of businesses arising from Brexit with supports such as the mentoring programme being of vital support to businesses. The findings of the annual portfolio survey, carried out in Q4 each year, assists in identifying the perceived and real challenges facing businesses. Custom training programmes are provided as required as well as additional support programmes in this area.

Under the Brexit border stimulus, a suite of border Brexit programmes commenced in Q4 2020 and continued into 2021.

These programmes focused on assisting firms to address areas such as financial management, exporting/customs training, innovation and the green agenda. The Donegal LEO is also responsible for programmes in the green economy and retail areas as part of specific border county Brexit programmes.

Within the Enterprise Europe Network (EEN) project, which is managed nationally by Local Enterprise Office Donegal for the 31 LEOs, there were two national 'meet-the-buyer' events held in 2021.

In 2022 Stage One of both the SinCE-AFC and PASSPARTOOL INTERREG Europe projects was completed. These are joint EU projects where LEO is the partner for Donegal:

- SinCE-AFC: Deals with circular economy, provides online conferences and also deals with 'green agenda'
- PASSPARTOOL: This programme promotes innovation among the business community and focuses the transfer of knowledge between businesses

8.10 Statistics and Performance Indicators

In January 2022, the Department of Enterprise Trade and Employment announced a number of results for LEOs nationally for 2021:

- There were 7,440 new jobs created through LEOs in 2021
- There was a 9% job increase from 2020
- 2021 was the 8th year of year-on-year job growth
- There was a net employment gain of 2,999 in 2021*
- 7,158 total small businesses employing 35,729 people were supported
- 85% of employment in businesses supported by LEOs is outside Dublin
- The LEOs approved grants to 1,021 businesses in 2021, with over €24m in funding approved to projects.
- In 2021, LEOs trained 60,324 participants focused on upskilling the entrepreneur and owner/manager
- Of these trained, 5,854 participants completed 'Start Your Own Business' programmes
- 14,149 business owners supported by dedicated 1:1 Mentoring
- LEOs processed applications for the EI Agile Innovation Fund with 27 projects approved in 2021
- LEOs facilitated 449 LEAN interventions and 293 Green consultancies

*The net jobs created by LEO supported companies in 2021 compares with a net loss of 1,494 the year before.

Donegal LEO is also subject to a number of performance metrics as part of it's Development Plan, these indicators are categorised under a number of different headings, the 2021 targets were based on the office's output figures for 2020 and are included in **Appendix 3**.

The LEO report for key metrics in 2021 presented the following figures at year end:

Heading	Total
No of clients	246*
Total Jobs (FT + PT)	1,349
Gross Job Gains (FT + PT)	262
Gross Job Losses (FT + PT)	-187
Net new Jobs	75
Measure 1 Payments	773,945
No. of Projects Paid	44
Training Participants	2,925
Mentoring Participants	287
Trading Online Vouchers Approved	133 €284,646
MFI applications submitted	9

The Enterprise Ireland Impact Report is published each year and gives a breakdown of actual job creation figures for LEOs nationally. In order to assess the effect of Covid-19 on job creation in Donegal, the figures for the period 2019-2021 were analysed:

Year	No. of Clients	All Jobs (F/T & P/T)	Gross Total Job Gains	Net Job Gains/Losses
2019	239	1,331	303	+57
2020	242	1,283	226	-33
2021	244*	1,374	262	+ 103

As expected, there was a net job loss within the county in 2020, however, the rate of overall job losses was relatively low despite the Covid-19 restrictions, with most of the losses occurring in the P/T category.

*There is a slight discrepancy in the number of clients reported by the LEO and the Enterprise Ireland figures, please see comment from the LEO Senior Executive Officer Below.

Comment from Senior Executive Officer, LEO:

"The EI figures are correct. EI adjusted our initial figures with removal of 2 clients resulting in 244 clients and this impacted an uplift in Net Job Gains to 103".

In order to ascertain Donegal’s overall performance in job creation in 2021, the figures were compared against counties of similar size and population.

County	No. of Clients	All Jobs	Gross Job Gains	Net Gains/Losses
Kerry	285	1,272	313	145
Tipperary	268	1,345	236	81
Mayo	210	1,164	172	46
Clare	230	1,330	278	153
Wexford	231	1,630	465	288
Mean	245	1,348	293	143

As can be seen from the data, Donegal’s figures are in line with other comparable counties, however the average overall job gains and net gains are slightly less.

8.11 Future Planning/Long Term Strategy

The substantial negative impact of Covid-19 and associated economic restrictions have had a major impact on Small Businesses in Ireland over the past two years. Although there was significant recovery in the domestic economy in 2021 with reduction in restrictions, the pressure of adjusting to the changes in economic circumstances arising from the pandemic has resulted in businesses having to adjust their business models.

This audit also looked at the potential impact of Brexit on small businesses in Donegal given its unique location and the reliance of some businesses on the UK market. Both EI and the LEO Development Plan must take into account this evolving business climate and identify the various challenges which may affect local businesses economically and inhibit job growth in the short/medium term within County Donegal.

These factors are damaging to the enterprise sector as the costs of doing business may rise too quickly for some firms to absorb, resulting in the closure of otherwise viable enterprises. To help counteract these threats, during 2021, the Local Enterprise Office delivered a number strategic actions including:

- The preparation of the LEO Enterprise Development Plan for the period 2021-2024.
- The preparation of the 10-Year Enterprise Development Plan for County Donegal.
- Contributing to the preparation of a new bid for the next COSME funded Enterprise Europe Network Programme for the period 2022-2027 - This programme provides support network SMEs with international ambitions.

8.11.1 Inflation and Rising Costs

Another competitive issue facing small businesses today is the high inflation environment and rising input prices. Rising energy and fuel prices along with international supply chain bottlenecks affecting logistics have been driving forces for price rises since mid-2021. Russia's invasion of Ukraine has sparked further energy price increases and placed increasing pressure on businesses and consumers alike.

In August 2022, the Chief Executive of the Independent Association for Small and Medium Businesses (ISME) called on the Irish Government to provide further support to SMEs as they faced escalating energy costs coming into the winter months. ISME used examples of measures put in place by other EU countries such as providing subsidies to businesses or reducing the VAT rate on gas to offset the rising costs.

8.11.2 Climate Change and the "Green Agenda"

The emergence worldwide of a renewed focus on climate change and sustainability beyond mere words and gestures is driving a new dimension of understanding enterprise and industry which can be an important aspect of Donegal's future.

The new focus on sustainability and reducing businesses' carbon footprint also presents new opportunities in the "Blue and Green" economies in various industries such as Tourism, Engineering and Manufacturing. A survey carried out by the Small Firms Association in January 2022 found that 61% of small business see the green economy as a priority for their business in 2022. Businesses identified high costs as the most significant challenge that small businesses face as they consider their green transition.

The Local Enterprise Development Plan has identified the green economy and sustainability as a key strategic priority area over the four-year lifespan of the plan.

Donegal's rural location, its natural assets as well as its existing marine-based industries places it in a unique position in relation to adapting to evolving environmental programmes and new industries in this sector.

The Donegal LEO intends to explore this potential and co-ordinate concerned efforts in these areas to support new industries by delivering initiatives such as the "Green for Micro" programme. This is a free programme that helps small businesses take the first step towards becoming more sustainable, giving them access to a green consultant worth up to €2,500 who demonstrates changes that can benefit businesses. Developing a 'greener' policy can offer many benefits to business, including:

- Increased cost savings
- Improved resource efficiency (e.g. using less energy, water, and materials)
- Reduced environmental footprint and greenhouse gas emissions
- Opportunities for higher and additional value on products and services
- Increased access to customers, improved corporate image and reputation.
- Increased resilience to climate change impacts

8.11.3 Digitalisation

The emergence of Digitalisation in the global economy offers new opportunities for large and small businesses alike. This digital transformation, often called the "fourth industrial revolution", is of vital importance to ensure competitive advantage in business as well as delivering growth and job creation.

There has been an increased focus on Digitalisation over the past two years as it has become an accelerated by the Covid-19 pandemic and it now forms an integral part of most enterprises. This transformation is driven by the need for businesses to adjust and improve their online capabilities as well as dealing with new challenges and risks.

A recent study conducted by the European Commission and European Investment Bank stressed the need to address the knowledge gap for traditional SMEs by promoting Education and Coaching. These measures will help raise awareness of the potential benefits of digitalisation and support SMEs in developing implementation plans and roadmaps.

Being a rural county, Donegal now has the opportunity to provide new forms of working such as remote and hybrid working and also has the chance to attract new talent to local communities.

The Donegal LEO has included Digitalisation as a key strategic area in its Local Enterprise Development Plan and places an emphasis on the need for greater levels of Digitalisation among small and medium businesses within the county. The LEO also recognises the need for upskilling and training before certain objectives can be achieved in this area.

The Donegal LEO has conducted an in-depth analysis of its portfolio clients and will use the information provided to target supports and help businesses to grow in scale. The LEO has also committed to ensuring that management development programmes will now contain modules on competitiveness and digitalisation.

9. Conclusions and Recommendations

It is recommended that the findings in this report be considered, and that appropriate remedial action be taken where necessary.

9.1 Policies and Procedures

Conclusion

The Enterprise Ireland Procedures Manual outlines the responsibilities and procedures in relation to the operations of LEOs. The latest version (4.1) became operational on 1st July 2022.

The document provides guidance in relation to key areas such as Procurement, financial processes, EU competition rules and file retention. Although the EI procedures manual is a comprehensive document that covers all areas of the work undertaken by LEOs, it is not specific to individual offices and not all aspects of the guidelines are relevant to the Donegal LEO.

Recommendation

It is recommended that LEO and Donegal County Council management review all procedural documents with a view to producing a Standard Operating Procedures document in order to ensure best use of LEO resources.

Response from Head of Enterprise, LEO:

"The Enterprise Ireland Procedures Manual is relevant to all 31 LEO offices across Ireland. Clarification from IA on the observation and recommendation is required, particularly that "all aspects of the manual is not relevant" is required. The deficiencies in the existing manual that would merit a new Standard Operating Procedures document to be produced are not clear. In the absence of a clear rationale on the need for an additional Standard Operating Procedures document, the recommendation would not be accepted".

Response from Internal Audit:

While it is accepted that the Enterprise Ireland manual is relevant to all LEOs, a bespoke SOP document may be relevant to the work carried out by individual LEOs. However, this would have to be agreed by all stakeholders after discussion and analysis.

9.2 Staffing

Conclusion

The SLA between Enterprise Ireland and Donegal County Council outlines the staffing structure for the LEO, it states that the LEO should be supported to have in place the agreed staff complement with the necessary business skills and functional competencies in order to ensure delivery of key services.

The assignment of appropriate staff to fill vacancies in the Donegal LEO is the responsibility of Donegal County Council. The filling of posts below the level of Head of Enterprise is administered through DCC's HR Section following standard recruitment procedures.

Although some positions were filled in 2022, at the time of carrying out this audit a number of positions were either vacant or were awaiting to be filled.

These positions were:

- 2 x Business Advisors
- 1 x Asst. Business Advisor

A lack of resources in the Office may have a detrimental effect on the planned courses and programme outputs for the LEO as well as underperformance in relation to performance indicators both externally and internally.

Recommendation

It is recommended that a review of the staffing structure of the LEO is conducted in conjunction with Donegal County Council with a view to ensuring the agreed resources as outlined in the SLA are in place.

Response from Head of Enterprise, LEO:

"The recommendation is accepted".

9.3 Covid-19 Business Supports

Conclusions

The advent of the Covid-19 pandemic in 2020 which continued into 2021 and 2022 placed unprecedented pressure on small and micro businesses as they were forced to adapt to the new social distancing measures and legislation put in place by the Irish Government as well as delays and disruptions to their supply chain.

Supports provided by the LEO such as Trading Online Vouchers, Business Continuity Vouchers, increased Mentoring services and the Micro Enterprise Assistance scheme enabled businesses to access additional funding and helped ensure that they stayed in business during this time.

However, most of these supports ceased or were scaled back in 2021 and it is unclear if these measures will be reinstated or other supports be put in place should Covid-19 protocols return.

Recommendations

It is recommended that all relevant stakeholders (the LEO, Donegal County Council, Enterprise Ireland etc.) engage in a review of the impact of Covid-19 on small/micro businesses over the past two years with a view to putting in place an action plan providing further business supports should Covid-19 protocols be reinstated.

Response from Head of Enterprise, LEO:

"The reinstatement of Covid-19 supports will be a decision of the Government and a review of the supports if deemed necessary will be undertaken at a national level with input from each LEO. It is considered that an additional review at a local level in Donegal would not be necessary".

Comment from Internal Audit:

Response noted.

9.4 Statistics and Performance Indicators

Conclusion

From comparing the Donegal LEO targets in its Development Plan and the annual LEO/Enterprise Ireland reports, it is apparent that the LEO has exceeded most of its goals in relation to its targeted performance metrics for 2021 apart from the number of expected clients, training participants and MFI applications. Key figures such as the total number of jobs, gross and net jobs created are all ahead of the targets set out based on the previous year's results.

During the period 2017 to 2020 the actual number of LEO Donegal portfolio clients reduced in number from 266 to 242, there was a slight increase in 2021 with 244 clients now on the LEO portfolio.

It is vital that the LEO continues to monitor relevant data and trends over the short-medium term to measure the true impact of the pandemic and economic crises as the demand for various business supports change.

Recommendation

It is recommended that the LEO continues to carry out thorough analysis of its portfolio clients in order to tailor the relevant supports under Measures 1 and 2 of the LEO Development Plan.

Response from Head of Enterprise, LEO:

"LEO Donegal complete an Employment Survey and analysis of its portfolio clients on an annual basis. This review provides the basis for Enterprise Ireland's review of performance, the subsequent management of the client portfolio and the targeting of supports throughout the year".

Comment from Internal Audit:

Response noted.

9.5 Future Planning/Long Term Strategy

Conclusion

The work of the LEO in Donegal has been severely impacted over the past few years by the advent of Covid-19 and Brexit. This has meant additional supports being required for small businesses as they faced new challenges in the wake of these events. As discussed previously in this report, a lack of staff resources placed extra constraints on the delivery of these supports, adding to an already demanding workload.

Given the current unpredictable economic situation both nationally and globally, it is vital for organisations such as Enterprise Ireland and the LEO to be flexible in their work programmes. These organisations must constantly assess potential and emerging risks to small businesses in order to ensure minimal impact on their activities as issues arise.

Recommendation

The Donegal Local Enterprise Development Plan is due to run until 2024, however given the current economic environment nationally and globally, it is recommended that a review of the plan be carried out by both the LEO and Enterprise Ireland in advance of this date to assess emerging and potential further risks and help 'future proof' the long-term strategy of the LEO.

Response from Head of Enterprise, LEO:

"The annual review of performance meeting with Enterprise Ireland is the mechanism in place to review the Donegal Local Enterprise Development Plan. The meeting is held every December and the external risks impacting the Plan are considered and mitigations identified".

Comment from Internal Audit:

Response noted.

10. Acknowledgement

I would like to acknowledge the assistance and co-operation of the Local Enterprise Office staff during the course of this Audit.

Sean Canning

A/INTERNAL AUDITOR

Appendix 1 – Circulation List

07/12/2022 **Final Report sent to:**

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Appendix 2 – Audit Classification

Level	Definition
1. Substantial	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is a robust system of risk management, control and governance - The systems in place should ensure that objectives are fully achieved - The control processes tested are being applied consistently
2. Adequate	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is a generally adequate system of risk management, control and governance - The systems in place should ensure that essential objectives are fully achieved - The control processes tested are, in general, being applied consistently - However, there are some weaknesses in control that are placing some objectives at risk. There is a risk that some objectives may not be fully achieved - Some improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance
3. Limited	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is a weak system of risk management, control and governance - There is considerable risk that objectives will not be achieved - The control processes that exist are not being applied consistently - There are some significant weaknesses in control in a number of areas - Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance
4. Unsatisfactory	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is an inadequate system of risk management, control and governance - The system has failed or there is a real and substantial risk that the system will fail to meet its objectives - Systems/processes are open to significant error or abuse - Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance
5. No Assurance	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - Internal Audit has been unable to form an opinion on the system of risk management, control and governance - Internal Audit has been unable to access or has been prevented from accessing essential information required to form an opinion - Internal Audit has not received the cooperation of staff/management

Appendix 3 – IA22/06 Donegal Local Enterprise Office - Summary Recommendations

	Recommendations	Response from Directorate	Follow-up Actions undertaken by	Timeline
1	<p><u>9.1 Policies & Procedures</u></p> <p>It is recommended that LEO and Donegal County Council management review all procedural documents with a view to producing a Standard Operating Procedures document in order to ensure best use of LEO resources.</p>	<p><i>The Enterprise Ireland Procedures Manual is relevant to all 31 LEO offices across Ireland. Clarification from IA on the observation and recommendation is required, particularly that "all aspects of the manual is not relevant" is required. The deficiencies in the existing manual that would merit a new Standard Operating Procedures document to be produced are not clear. In the absence of a clear rationale on the need for an additional Standard Operating Procedures document, the recommendation would not be accepted.</i></p>	N/A	
2	<p><u>9.2 Staffing</u></p> <p>It is recommended that a review of the staffing structure of the LEO is conducted in conjunction with Donegal County Council with a view to ensuring the agreed resources as outlined in the SLA are in place.</p>	<p><i>The recommendation is accepted.</i></p>	Head of Enterprise/Director of Economic Devt.	
3	<p><u>9.3 Covid-19 Business Supports</u></p> <p>It is recommended that all relevant stakeholders engage in a review of the impact of Covid-19 on small/micro businesses over the past two years with a view to putting in place an action plan providing further business supports should Covid-19 protocols be reinstated.</p>	<p><i>The reinstatement of Covid-19 supports will be a decision of the Government and a review of the supports if deemed necessary will be undertaken at a national level with input from each LEO. It is considered that an additional review at a local level in Donegal would not be necessary.</i></p>	N/A	

4	<p><u>9.4 Statistics & Performance Indicators</u></p> <p>It is recommended that the LEO continues to carry out thorough analysis of its portfolio clients in order to tailor the relevant supports under Measures 1 and 2 of the LEO Development Plan.</p>	<p><i>LEO Donegal complete an Employment Survey and analysis of its portfolio clients on an annual basis. This review provides the basis for Enterprise Ireland’s review of performance, the subsequent management of the client portfolio and the targeting of supports throughout the year.</i></p>	LEO	Ongoing
5	<p><u>9.5 Future Planning/Long-Term Strategy</u></p> <p>It is recommended that a review of the plan be carried out by both the LEO and Enterprise Ireland in advance of this date to assess emerging and potential further risks and help ‘future proof’ the long-term strategy of the LEO.</p>	<p><i>The annual review of performance meeting with Enterprise Ireland is the mechanism in place to review the Donegal Local Enterprise Development Plan. The meeting is held every December and the external risks impacting the Plan are considered and mitigations identified.</i></p>	LEO	Ongoing

Appendix 4 - Donegal LEO Performance Metrics

Metric	Area	2020 Output	2021 Target
Jobs	LEO Client Portfolio	242	252
	Total Portfolio Employment	1,283	1,323
	Gross Jobs Created	226	200
	Net Jobs Increase	-33	+44
Progression Pathway	Number of Clients transferred to E.I.	6	4
Measure 1	Number of Clients Approved Grant Funding		
	Feasibility	6	5
	Priming	7	10
	Business Expansion	13	15
	TAME	7	10
	No. of Projected New Jobs Associated with Approvals	81	85
Trading Online Vouchers	No. of TOVs approved	473	130
Agile R&D	No. of Companies approved	1	2
E.I. Grant Support Measures	No. of Companies supported	0	1
Measure 2	Training/Development Programmes		
	Total no. of programmes	94	80
	Total no. of participants	4,614	4,000
	No. of SYOB programmes	8	8
	No. of SYOB participants	115	120
	No. of Management Development programmes	5	19
	No. of Business Coaches assigned to clients	52	45
Mentoring	Total no. of individual mentoring	220	140
	Total no. of group mentoring participating	0	0
	Total no. of mentoring participants	220	140

Schools Entrepreneurship	Number of Schools Participating	22	22
	Number of Students Participating	1,201	1,200
Competitiveness	No. of Companies who have undertaken a Lean for Micro Assessment by a Lean Expert	5	15
	No. of Companies who will undertake Green Start Programme	0	10
Export Enterprise Development Programme	No. of clients undertaking Export Enterprise Development Programmes in Enterprise Ireland	0	1
	No. of clients undertaking LEO Export Development Programmes	18	10
MFI	Number of Applications submitted	25	19

Source: Donegal Local Enterprise Development Plan 2021-2024