



**Comhairle Contae
Dhún na nGall**
Donegal County Council

FINAL REPORT
DONEGAL COUNTY COUNCIL

**IA22-01 Bundoran Waterworld CLG –
Operational Procedures**

April 2022

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1. Executive Summary

Bundoran Waterworld (BWW) CLG operates the Waterworld swimming complex in Bundoran and is one of Donegal County Council's Associated Companies. This Level 2 audit on the operating procedures of the complex was undertaken for a number of reasons:

- The length of time involved since previous audits were carried out on the business
- A number of issues were identified in the previous audit which were requested to be addressed
- The business is mostly cash operated and this poses potential risks which should be monitored on a regular basis
- Most of the complex has remained closed during 2020 and 2021 due to Covid-19 restrictions
- A new General Manager has been appointed and is due to commence duties for the summer season in April 2022

The audit was then added to the 2022 Internal Audit Work Programme at the request of the Head of Finance. The audit focused on the current financial procedures employed by the business and the administrative processes associated with same.

A number of issues were identified as part of the audit process which require an immediate response by BWW CLG as they will potentially affect both the reopening and day to day running of the business at both an operational and financial level. These issues included:

- At the time of the audit there was only one member of staff (the General Manager) employed by the business
- A lack of up-to-date operational policies and procedures
- The unavailability of an up-to-date lease
- Inconsistent cash lodgement procedures
- Both current and past financial supports provided by Donegal County Council

The draft audit was circulated to relevant parties on 23rd March 2022 with the final audit report issuing on 5th April 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 3 – Limited

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

Based on the work carried out in this audit, Internal Audit found that there is a weak system of risk management, control, and governance throughout the operating procedures of the Bundoran Waterworld complex.

The current control systems in place, particularly in relation to cash handling, recording and lodgement are not consistent and are open to human error. The lack of regular lodgements, especially during the busy tourist season, is also a potential security risk given the business is currently primarily cash operated.

The lack of up to date, hard copies of documentation also highlights a governance issue especially in relation to operational procedures and staffing issues.

It is recommended that prompt action be taken by the incoming General Manager and the Board of Directors to improve these areas as the Complex reopens for the new tourist season.

Internal Audit comment:

It is acknowledged by Internal Audit that there has been significant engagement from the Board of Directors and Management of this facility throughout the audit process and their prompt response to the issues identified in the final audit report is appreciated and welcomed.

The improvements that have been made in the procedures and policies in Bundoran Waterworld have been carried out in a prompt and efficient manner and this is reflected in the responses to the recommendations in Appendix 3.

However, following discussions with relevant parties, it is the opinion of the Internal Auditor that the assurance rating remains the same. It is envisaged that any further audits carried out in the near future will see an improved assurance rating.

3. Introduction & Scope

Local Authorities prepare their annual financial statements in line with the Accounting Code of Practice which requires Local Authorities to list all subsidiary or associate companies in their Annual Financial Statement each year.

DCC's Annual Financial Statement identifies 14 Associated Companies (per AFS 2020). DCC sets up Companies Limited by Guarantee (CLG) to manage community facilities as it is deemed the most efficient method of operating these facilities.

Board Members of these Companies and the executive of DCC have responsibility for governance, compliance, and oversight of these Companies.

BWW CLG was established for the purpose of operating the Waterworld Leisure Centre in Bundoran on behalf of DCC in 1991. Bundoran Waterworld (BWW) CLG is listed as an Associate Company on the 2021AFS.

DCC control the Company by virtue of having nomination rights for 5 of the 8 Board of Directors. According to DCC's audited Annual Financial Statement (AFS) for 2020, Waterworld Bundoran had Revenue income and expenditure of €634,333 for the 2019.

It should be noted that the business closed after its 2019 season and due to Covid-19 restrictions imposed in March 2020 and has remained closed throughout 2020 and 2021 but intends to reopen under new management in 2022.

4. Objectives

The audit objective is to carry out an assessment of corporate governance arrangements between BWW CLG and DCC, including:

- Appraise the corporate governance arrangements in place within BWW CLG
- Examine the level of oversight provided by the Board of Directors of the Management Company
- Examine the level of oversight provided by the executive of DCC over BWW CLG
- Assess the level of the Company's dependence on DCC
- Examine the potential for the financial exposure of DCC
- Make recommendations if necessary

The audit will focus on the financial policies and procedures in place within BWW CLG with particular emphasis on cash handling and recording as well as credit/debit card transactions.

5. Methodology

The audit will be approached as follows:

- Meetings and discussions to be held with the BWW CLG Secretary and Company Directors as well as relevant staff
- The Company's Constitutions/Articles and Memorandum of Association to be examined
- A review of BWW CLG 's Financial Accounts will be carried out
- Cash handling processes and procedures for both the swimming pool and seaweed baths will be observed and examined

6. Background

The Companies Act 2014 effectively became the new rule book for all company types including companies limited by guarantee. “Chapter 4” of the Companies Act relates to corporate governance and sets out Director Responsibilities, the effect of which has raised the level of personal responsibility that a Director and in particular a Company Secretary holds for the Company. Compliance with these requirements is mandatory and can result in significant penalties if there is a failure to comply.

A Management Agreement was signed between the Company and Bundoran Urban District Council (UDC) on 28th April 1992. It sets out the terms and conditions by which the independent Company will operate.

The Management Agreement requires that information be submitted to the UDC (now DCC) including projected income and expenditure and any publicity material before the publication of same.

On the 1st of June 2015, all Companies Limited by Guarantee without a share capital was automatically converted to CLG’s. The CLG is the new updated version of the Guarantee Company format and is governed by Part 18 of the Companies Act 2014.

A CLG will continue to have two document constitutions, including a Memorandum and Articles of Association and must have at least two Directors and must hold an Annual General Meeting (AGM).

7. Relevant Legislation, Guidance and Circulars

- The Companies Act 2014 (updated)
- Code of Practice and Accounting Regulations - December 2014
- The Financial Reporting Council’s (FRC) Corporate Governance Code, (formally known as the Combined Code) April 2016
- SWiFT 3000 - The National Standards Authority of Ireland (NSAI) - Code of Practice for Corporate Governance Assessment in Ireland
- Accounting, Finance and Governance Review – Irish Accounting & Finance Association (IAFA)
- “Managing Better” Financial Series 2018 – Pobal

8. Methodology

The audit was approached as follows:

- Meetings and discussions were held with the BWW CLG Secretary and the outgoing General Manager
- The Company’s relevant documentation was examined
- A review of BWW CLG ’s Financial Accounts was carried out

- Examination of the policies and procedures in place for the handling, recording and lodgement of cash

9. Previous Audit Findings

In 2017, as part of a series of audits on Section 8 Companies, the Internal Audit Section carried out an audit on Waterworld and BWW CLG. This audit focused on corporate governance arrangements between the company and Donegal County Council (DCC).

There were several key findings and recommendations made on completion of the audit which are relevant to this audit:

9.1 2017 Audit Findings

- Systems of internal controls, in particular cash handling, have not been audited independently since the Company was incorporated.
- A recoupable grant in the sum of €20,000 which was paid to the Company by DCC in 2015 remains outstanding.
- The Company does not report a "Surplus" or "Deficit" at the end of the financial year. Where the Company's operations result in a deficit, the amount is shown as "other debtors" which masks the true performance of the Company during the year.

9.2 2017 Audit Recommendations

- It is recommended that the Board of Directors arrange for an audit of the internal controls in each of the business units, with particular emphasis to cash handling procedures.
- It is recommended that the financial commitment budgeted for by DCC each year is recognised in the Company Accounts in the same year.
- It is recommended that Management re-examine the recoupable grant in the sum of €20,000 paid to the Company in 2015, to ensure that same is either repaid by the Company or reclassified in the Accounts of DCC as a contribution to the Company.
- It is recommended that the Company's Financial Accounts show the actual "surplus" or "deficit" each year.

10. Findings

10.1 2020-2021 Seasons

In April 2020 the decision was made by the Board of Management for the complex to remain closed due to the emergence of the Covid-19 pandemic and the resulting protocols in relation to social distancing measures. This decision was reviewed in June and the decision was made to remain closed for the remainder of the season with a view to reopening for Easter 2021.

However, due to the ongoing Covid-19 situation and following further public health advice, the Board of Management decided in June 2021 that the facility would remain closed for the 2021 season. The seaweed baths did open for a short period from July to September.

In February 2022 BWW announced through its social media outlets that the complex would reopen on n 9th April 2022.

10.2 Staffing

Three permanent staff are normally employed by the company; the General Manager (GM), Operations Manager and Office Administrator with 25-30 part-time staff (primarily lifeguards) employed during the holiday season. There is also normally 2 Complex Supervisors (Duty Managers) in place.

However, as of 8th March 2022 there is only one member of staff employed (the General Manager) with the operations manager recently resigning from their position. The current GM is due to retire shortly; his replacement has been appointed but is currently serving out their notice in their former role. BWW advertised for staff in January and has received applications for most of the vacant positions. The GM is planning on carrying out interviews to appoint staff for the upcoming season with applicants filling out an application form in lieu of a CV.

It is unclear as to when interviews will take place to fill the existing vacancies or how quickly these staff members can be appointed and trained. It is also unclear as to whether this process can be achieved by the scheduled reopening date of 9th April.

10.2.1 Staff Training

All new staff members are provided with induction training and receive an induction sheet and staff safety handbook, senior members of staff (managers and senior lifeguards) are allocated different sections of staff for induction and training.

New Lifeguards must provide proof of certification for water safety prior to commencing work. Relevant staff also receive manual handling, fire training and first aid responder training.

10.3 Operating Policies and Procedures

BWW currently has the following procedural documents in place:

- Emergency Action Plan (EAP)
- Safety Statement
- Employee Safety handbook
- Departmental Quality Manual (for the seaweed baths)

It should be noted that the updated Safety Statement for 2022 is not currently available due to the current closure of the facility; the GM confirmed that this will be in place before reopening.

There is a policy and procedures document for the complex which includes Standard Operating Procedures (SOPs). There is currently only one partial version of this document currently available. [REDACTED]
[REDACTED] he was unable to provide a soft copy of the document.

The GM confirmed that the Centre is audited by Ireland Active, which provides an industry-specific award for the Leisure, Health and Fitness sector in Ireland and the National Standards Authority of Ireland. The Centre was previously in adherence to ISO standards; however, this certification has not been available over the past two years due to the business closure.

10.4 Financial Procedures

BWW CLG operates as three business units as follows:

- Swimming Pool
- Seaweed Baths
- Café and gift shop

Each unit operates on a cash basis with each unit managing their own cash receipts. The Company's Employee Handbook includes a cash management procedures section. There is currently no system in place for online bookings although the GM confirmed he had looked at different systems in relation to this process.

There are 4 [REDACTED]
[REDACTED]
[REDACTED] There are Electronic Point of Service (Epos) terminals in reception and the seaweed baths.

The complex supervisor (duty manager) on duty takes regular "x and z" till reads and [REDACTED]. Only the [REDACTED]
[REDACTED] access to till takings and lodgements.

Till print outs distinguish between the types of admission (e.g. families vs. individuals), this information is then loaded into a spreadsheet. Lifeguards are instructed to take regular head counts of pool visitors in order to compare admission numbers and actual till receipts.

There are also 4 vending machines on campus (3 in reception and 1 in the café) as well as lockers and hair dryers which are operated by coin slots. This cash is recorded together as "miscellaneous income" on the daily spreadsheet.

[REDACTED]
 [REDACTED]
 [REDACTED] recorded on a spreadsheet prior to the start of business the following day. [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

10.4.1 Security measures

There are 3 CCTV cameras in reception: [REDACTED]
 [REDACTED] there are several other CCTV cameras onsite covering [REDACTED] access to certain CCTV cameras remotely [REDACTED]; this enables him to be available to deal with issues as they arise.

[REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

There are no screens or turnstiles in reception; a queuing system is in operation using directional barriers; this system does not permit recording of attendance numbers. Although there are standard locks on the windows in the facility, they are currently not in use.

10.5 Financial Accounts

The Financial Accounts are prepared and audited by an external audit firm; therefore, the audit of financial accounts did not form part of this Audit. However, in order to present an overview of the financial position of the company, the company’s financial information for the period from Appendix 8 (Interest of Local Authority in Companies and Joint Ventures) in DCC’s AFS has been included.

Date of AFS	Total Assets	Total Liabilities	Revenue Income	Revenue Expenditure	Surplus/Deficit
12/04/2019	114,055	114,055	582,211	582,211	0
30/06/2020	114,055	114,055	582,211	582,211	0
12/04/2021	83,067	83,067	634,333	634,333	0

The AFS figures for 2019 appear to be based on the financial figures for the previous year, which in turn were based on financial statements for year ending 31/12/2017.

The most recent financial accounts for the company were published in June 2021. The accounts were audited based on the “going concern” basis of accounting.

BWW CLG Income Statement shows income matching expenditure year on year which indicates a practice whereby the Accounts are balanced each year. The Company neither reports a profit or loss.

Debtor amounts and Creditor amounts in respect of monies owed to and owed from DCC and BWW CLG should be reconciled at year end. This does not appear to be current practice.

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The current Management Agreement states:

“10. The Company shall lodge all receipts and income from the Complex to a bank account to be designated by the Council and shall pay thereout all of the salaries, wages, expenses and other running costs or other payments to be made in respect of the Complex and shall submit to the Council fully audited accounts of receipts and expenditure annually”

[...] 17. Any surplus or receipts over expenditure as aforesaid shall be and remain the sole property of the Council that same are lodged in designated accounts by the Company in the Company’s name shall be held by the Company in trust for the Council and shall, as to any specified amount thereof, on request of the Council be lodged to the Council’s account provided always that the Council will keep a record of all such surplus monies from time to time”.

The Director’s report states that *“the Directors are aware of the risk that Donegal County Council can withdraw their support and will therefore endeavour to make the company profitable”.*

The previous audit report advised that it would be more appropriate from an accounting point of view to report the actual profit or loss and managing the balance in the Member’s Reserves:

"Internal Audit considers it more appropriate from an accounting and transparency point of view to report the actual surplus or deficit in the Income Statement and manage the rolling deficit in the Balance sheet".

The users of the financial statements would then be able to track the movement in reserves year on year to review the performance of the Company.

10.5.1 Financial Supports

Direct Financial Assistance from DCC

Donegal County Council provides an annual grant allocation to BWW CLG to offset running costs, this amounted to €20,000 per year for the period examined from 2019 to 2021.

This grant is included in the Council's adopted Revenue Budget each year and is funded from the County Development Fund (Centrally funded contributions).

Capital Works Grant

Between May 2019 and January 2021 DCC paid a grant for capital works to BWW in the amount of €74,834.58. This grant was allocated in four separate tranches of €16,669.24, €23,000, €13,165.34, and €22,000.

It is understood that these payments were made to maintain the facility and ensure it remained in "safe working order". These works included:

- Repair and maintenance of water slides
- The installation of sheds to house water pumps
- Boiler upgrade

It should be noted that the payment of €22,000 contains part payment for travel expenses and accommodation [REDACTED] for the contractor in the amount of £1,800. Internal Audit was unable to source backup documentation for this invoice.

A payment of €100,000 which was categorised as an "Annual Voluntary Contribution" was also made to the company by DCC in October 2020. This payment was made to the company following a request for financial assistance relating to revenue costs for 2020. A combination of the impact of the Covid-19 pandemic and the facility's closure for the 2020 season were cited as the primary drivers behind this request.

Electricity Charges

DCC is the owner of the building and therefore can include BWW CLG electricity account in the national electricity framework. DCC pays the electricity charges and subsequently recoups same from the Company. Below are the electricity charges invoiced by DCC for the period 2019-2021:

Year	Period	Amount
2019	Jan	999.16
	Feb	927.93
	Mar	1,037.83
	Apr	4,534.01
	May/Jun	12,386.30
	Jul-Sep	18,996.76
	Oct	917.82
	Nov/Dec	1,826.68
	Total	41,626.49
2020	Jan/Feb	2,131.34
	Mar-Jul	4,667.09
	Aug-Sep	1,679.33
	Oct-Dec	3,497.27
	Total	11,975.03
2021	Jan-Mar	3,504.92
	Apr/May	2,243.28
	Jun-Sep	4,900.25
	Oct-Dec	2,825.98
	Total	13,474.43

Recoupable Grant

A recoupable grant in the sum of €20,000 was paid to the Company by DCC in 2015. A Chief Executive Order was signed approving the payment of this financial assistance to BWW CLG. In the 2017 audit, this amount was recorded as being still outstanding at the end of 2016.

There is no confirmation from data on the Agresso Financial System as to whether this grant was ever repaid in the interim period. The GM was also unable to confirm whether this grant had been repaid or not.

Rates

BWW is subject to commercial rates and the rates billed each year are paid in full before the year-end. An initial three-month waiver of rates for businesses forced to close due to Covid-19 was announced in May 2020.

This was further extended until the end of 2020 and into 2021 due to the public health requirements and subsequent lockdowns which meant many rate payers had to close their business or suffered significant reductions in their turnover.

A 100% waiver was applied to all businesses with the exception of a small number of categories mainly banks, utilities, large supermarkets, and corporate entities.

BWW availed of the rates waiver in both 2020 and 2021.



█	█	█	█
█	█	█	█
█	█	█	█
█	█	█	█

Covid-19 Business Restart Grants

Another measure implemented by the Irish Government to counteract the impact of Covid-19 on businesses was the Covid-19 Business Restart Grants. The Grants were made available to businesses with a turnover of less than €5m and employing 50 people or less, which were closed or impacted by at least a 25% reduction in turnover.

The Grants acted as a contribution towards the cost of re-opening or keeping a business operational and re-connecting with employees and customers. The initial grant was the equivalent to the rates bill of the business for 2019, with a minimum payment of €2,000 and a maximum payment of €10,000.

This tranche of funding was followed up by the Restart Grant Plus scheme which had a minimum base grant of €4,000 to a max of €25,000.

BWW availed of both the Restart Grant Plus and subsequent top-up option, the company received €25,000 in September 2020 and a €10,000 top-up in October 2020.

10.6 Structure of the Company

There are currently seven Directors on the Board as follows:

[REDACTED]	[REDACTED]
[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]

Elected Directors hold office until the next AGM when they retire their position. Outgoing Directors can put themselves forward for re-election, if desired.

There are three sub-committees from the Board of Directors in operation as follows:

- Management Committee
- Finance Committee
- Marketing Committee

Each sub-committee reviews issues that require their particular expertise in advance of being discussed by the full Board of Directors.

It is unclear at present as to what the formal channel of communication between DCC and the Company is other than having a DCC Official nominated to the Board of Directors.

10.7 Company Documentation

10.7.1 Lease Agreement

The most recent lease agreement was signed by Bundoran Town Council and BWW CLG on 18th June 2013.

The town councils were abolished under the terms of the Local Government Reform Act, 2014, however both parties continued to operate under the terms of the lease agreement and DCC continued to charge BWW CLG an annual fee of €20,000 plus VAT in respect of rent.

The table below shows the lease amount invoiced by DCC and payments made by BWW CLG over the past three years:

Year	Lease Amount	VAT	Total Invoiced	Paid
2019	20,000	4,600	24,600	24,600
2020	20,000	4,200	24,200	24,200
2021	20,000	4,600	24,600	24,600

The 2017 Internal Audit Report recommended that a new lease agreement be put in place between BWW CLG and DCC and that same be renewed as and when required.

A new lease agreement was drafted in 2017, however it is unclear if this agreement was ever finalised and signed as it was not available for IA to inspect.

10.7.2 Insurance

DCC provides indirect financial assistance in the form of Property, Employer’s Liability and Public Liability Insurances. The full cost of Employer’s Liability and Public Liability Insurances are recouped from the Company. BWW also has plant and machinery insurance in place.

All insurance is provided by Irish Public Bodies (IPB) and is provided through indirect financial assistance by DCC, these costs are reimbursed by BWW after they reopen each season, this usually occurs in July or August each year. As owners of the building, DCC is responsible for, and pays the cost of Property Insurance.

[REDACTED]

[REDACTED]	[REDACTED]

11. Conclusions & Recommendations

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

11.1 Staffing

Conclusion

As of March 2022, there is only one member of staff (the GM) currently employed by BWW. The recent resignation of the operations manager and the absence of an office administrator mean that there is currently no management or administrative support within the company.

The GM informed IA that he has advertised for staff in local media and intends to carry out interviews in the coming weeks; however, there is currently no interview panel in place or timeframe for carrying out the interview process.

At this juncture, it is unclear if the facility will be adequately staffed in time for the scheduled reopening date of 9th April.

Recommendation

It is recommended that the Board of Directors and GM liaise immediately with a view to putting an interview panel and interview process in place.

The positions of Office Administrator and Operations Manager are vital to the day to day running of the facility; therefore, it is also recommended that the Board provide adequate support to the GM in order to ensure potential appointments have the requisite experience.

11.2 Operating Policies and Procedures

Conclusions

Although there is a staff welfare handbook in place, there is no full policies and procedures document currently in place. It is unclear [REDACTED] in place.

Without clear and concise procedures being documented and circulated among new staff, it is unclear if the facility can operate in an effective and efficient manner when it reopens.

Recommendations

It is recommended that all existing procedural documents are reviewed and updated as necessary.

It is also recommended that a new policies and procedures document, including Standard Operating Procedures is put in place immediately and circulated to incoming staff in advance of the facility reopening.

11.3 Financial Procedures

Conclusions

Although there appears to be sufficient derogation of duties in relation to how money is recorded, reconciled, and stored it is unclear as to whether there is sufficient backup documentation in relation to this income. The current system of performing a head count to compare actual visitor numbers to numbers recorded through the tills is not accurate and may be subject to human error.

Online booking is not currently available to the general public, however the GM confirmed that providing this option is currently being explored.

[REDACTED]

Takings from the vending machines, hairdryers and lockers are recorded as miscellaneous income, [REDACTED]

Recommendations

It is recommended that the incoming GM and the Board of Directors review all cash recording procedures and update as necessary.

It is also recommended that the Board consider installing a turnstile system in reception in order to keep more accurate records of visitor numbers and ensure they can be reconciled more accurately with till takings.

An online booking system would also keep more accurate records in relation to attendance figures, especially during the busy summer season. It is recommended that the Board and incoming GM consider systems to provide this option to the public.

It is further recommended that cash lodgements are made on a daily basis, this is especially important during the busier tourist season.

Internal Audit would also advise that an annual check of financial procedures, similar to the current motor tax/cash office checks carried out in Donegal County Council, be carried out as a matter of course.

11.4 Financial Accounts

Conclusion

As the financial accounts of the company are prepared and audited externally, they were not inspected in detail as part of this audit. However, the figures recorded in the AFS for the years in question show a balanced out-turn with income and expenditure matching at year end.

The previous audit conducted in 2017 recommended that that the Company's Financial Accounts show the actual "surplus" or "deficit" by reporting the actual figures in the Income Statement and manage the rolling deficit in the Balance sheet. This recommendation does not appear to have to been implemented.

It is also unclear as to why the 2019 AFS figures for Appendix 8 are the same figures as the previous year.

Recommendation

It is recommended that the current accounting practices and year end reporting for BWW CLG are reviewed by Donegal County Council and the Board of BWW CLG with a view to providing a more transparent method of recording profit and loss.

11.5 Financial Supports

Conclusions

DCC pays a contribution of €20,000 to BWW on an annual basis. DCC procure the Public and Employers Liability for the Company and this is subsequently recouped from the Company

DCC also procure the Electricity Charges for the Company and this is subsequently recouped from the Company. However, the 2017 audit found that at year end 2016, there [REDACTED] in respect of the recoupment of electricity charges from BWW CLG.

A recoupable grant in the sum of €20,000 was paid to the Company in 2015 by DCC which appears to remain unpaid.

Recommendations

It is recommended that the Electricity Charges for the Company are monitored at regular intervals and continue to be recouped in full and in a timely manner.

As highlighted in the previous audit carried out by IA, it is recommended that Management review the recoupable grant in the sum of €20,000 and ensure that same has either been recouped or an arrangement is put in place to ensure its repayment.

If it is the intention of DCC to not recoup the grant, then the transaction must be treated appropriately in the Accounts of DCC. This grant may have to be reclassified in the Accounts of DCC as a contribution to the Company.

It is further recommended that DCC set up a regular channel of communication with BWW to ensure that proper financial and accountancy practices are being followed at all times.

11.6 Company Documentation

Conclusion

Internal Audit was informed that the previous lease agreement was signed by the former Bundoran Town Council and BWW CLG in 2013. The 2017 Internal Audit Report recommended that a new lease agreement be put in place between BWW CLG and DCC and ensure that same is renewed as required.

Although a new lease agreement was drafted in 2017, there is no evidence that this was agreed and signed by both parties.

Recommendation

It is recommended that the existing lease agreement is reviewed, and a new lease agreement be put in place and agreed by both parties and updated as necessary.

Acknowledgement

I would like to acknowledge the assistance and co-operation of the Secretary and General Manager of Bundoran Waterworld during this audit.

Sean Canning

**Sean Canning,
A/INTERNAL AUDITOR**

Appendix 1 – Circulation List

05/04/2022

Final Report sent to:

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

Copied to:

[Redacted]
[Redacted]

23/04/2022

Draft Report sent to:

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

Copied to:

[Redacted]
[Redacted]

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 – IA22/01 Bundoran Waterworld Operational Procedures - Summary Recommendations

	Recommendations	Response	Follow-up Actions undertaken by	Timeline
1	<p><u>11.1 Staffing</u></p> <p>It is recommended that the Board of Directors and GM liaise immediately with a view to putting an interview panel and interview process in place.</p> <p>It is also recommended that the Board provide adequate support to the GM to ensure potential appointments have the requisite experience.</p>	<p>The Board have now in place a full time General Manager, Operations Manager and Administrator. It should be noted that the former General Manager retired in July 2022, the former Operations Manager resigned in Q2 2022 and that a new Administrator was employed effective from July 2022.</p> <p>The Company Secretary assisted in preparing role descriptions, organised the interview board (2 DCC representatives and 1 BWW board representative) and observed the interviews for position of General Manager.</p>	Company Secretary & Management Board	Complete Actioned in time to allow opening July 2022.
2	<p><u>11.2 Operating Policies and Procedures</u></p> <p>It is recommended that all existing procedural documents are reviewed and updated as necessary.</p>	BWW currently has the following procedural documents in place: Emergency Action Plan (EAP) Safety Statement (updated ahead of 2023 season)	Management Board and Management Staff of BWW	Fully Implemented, with updating ongoing as required.

	<p>It is also recommended that a new policies and procedures document, including Standard Operating Procedures is put in place immediately and circulated to incoming staff in advance of the facility reopening.</p>	<p>Employee Safety handbook (updated for 2023 season) Updated Standard Operating Procedures (SOP's)</p> <p>The company safety statement has been updated for 2022 season and is in the process of being updated ahead of the 2023 season, this is updated by the managers with legal and H&S advice from Peninsula Ireland.</p> <p>The employee safety handbook was also updated for 2022 and is currently being updated ahead of the 2023 season, in tandem with above.</p> <p>The SOP's have been fully completed and updated to include: Booking system and operation (2022 season), Cash handling (2022 season), Pool plant updates (2022 and 2023), New lifeguard stations (2022), New WaterWorld shop (2023), New Birthday party and group booking procedure (2022/2023),</p>		
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		<p>Updated U12 policy (2022).</p> <p>Hard copy of all the above available on site for staff training and inspection on request.</p> <p>All documents named above are saved digitally to allow ease of update when necessary.</p>		
3	<p><u>11.3 Financial Procedures</u></p> <p>It is recommended that the incoming GM and the Board of Directors review all cash recording procedures and update as necessary.</p> <p>It is also recommended that the Board consider installing a turnstile system in reception in order to keep more accurate records of visitor numbers and ensure they can be reconciled more accurately with till takings.</p> <p>It is recommended that the Board and incoming GM consider systems to provide an online booking option to the public.</p>	<p>BWW have successfully implemented an online Booking system in Summer 2022 (provider 'Future Ticketing).</p> <p>Walk-ins are accepted, with payment by credit card or cash. A procedure for handling, recording and lodging cash has been established by the General Manager.</p> <p>██████████</p> <p>██████████████████</p> <p>██████████████████████████████</p> <p>██████████████████████████</p> <p>██████████████████████████</p> <p>██████████████████████████</p> <p>██████████████████████████</p> <p>██████████████████████████</p> <p>██████████████████████████</p> <p>██████████████████████████</p>	Management Board and Management Staff of BWW	Completed with ongoing monitoring and updating as necessary.

	<p>It is further recommended that cash lodgements are made daily, this is especially important during the busier tourist season.</p> <p>Internal Audit would also advise that an annual check of financial procedures, similar to the current motor tax/cash office checks carried out in Donegal County Council, be carried out as a matter of course.</p>	<p>There is a manual and digital record kept in relation to cash handling from receipt (at cash desk) to lodgment at An Post (the only banking facility in Bundoran).</p>		
4	<p><u>11.4 Financial Accounts</u></p> <p>It is recommended that the current accounting practices and year end reporting for BWW CLG are reviewed by Donegal County Council and the Board of BWW CLG with a view to providing a more transparent method of recording profit and loss.</p>	<p>BWW are taking direct control of their financial processing and reporting, a role previously carried out by the Company’s accountants. This will take effect from 1st January 2023. The management staff of BWW (General Manager, Administrator and Operations Manager) will process payments, VAT returns and provide financial reports, including management accounts, to the Board when required.</p>	<p>Management Board and Management Staff of BWW</p>	<p>New process in place and ongoing reporting taking place to management board meetings for 2023.</p>

		<p>The services of the former Accountants & Auditors, ██████████ ██████████ were concluded at 31/12/22 and a new firm of Accountants & auditors, ██████████ ██████████ were procured following a RFQ for Accountancy Services in Q3 2022.</p> <p>The new firm have been tasked with preparing the 2023 financial accounts and completing the 2022 audit.</p>	<p>Management Board & Company Secretary</p>	<p>Completed Q4 2022.</p>
<p>5</p>	<p><u>11.5 Financial Supports</u></p> <p>It is recommended that the Electricity Charges for the Company are monitored at regular intervals and continue to be recouped in full and in a timely manner.</p>	<p>BWW and DCC are in discussions regarding debt accumulated prior to and during the Covid 19 global pandemic leading. All invoices/recoupments sought by DCC in 2022 have been paid in full as BWW was open and trading in 2022.</p>	<p>Company Secretary, Management Board and Management Staff of BWW</p>	<p>Ongoing, target completion end Q2 2023.</p>

	<p>It is recommended that Management review the recoupable grant in the sum of €20,000 and ensure that same has either been recouped or an arrangement is put in place to ensure its repayment.</p>	<p>The level and extent of support required from the Council has varied over the years, with BWW effectively experiencing trading losses for the past 15 years, albeit at a relatively modest level for many of those years.</p> <p>With the wholesale changes in management and financial advisors in 2022, it is felt that there is an opportunity to realign the trading position of this seasonal facility to that of, at worst, a break- even situation. This includes the planned closure of the loss-making seaweed baths effective from the 2023 season and the establishment of rental generating units in their stead, which is likely to be effected in time for the 2024 season.</p> <p>The General Manager has been tasked with achieving this objective of, at worst, a break-even trading situation. Alongside this, the intention is that any unnecessary grants would be discontinued.</p>	<p>Company Secretary, General Manager & Management Board of BWW</p>	<p>Commenced Q3 2022, ongoing.</p>
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	<p>It is further recommended that DCC set up a regular channel of communication with BWW to ensure proper financial and accountancy practices are being followed at all times.</p>	<p>Noted and agreed. The procurement of new accountants and auditors and the realignment of functions between BWW Administration and Management and that of the accountants is aimed to achieve a fit for purpose governance and oversight system</p> <p>At present, regular meetings are held between [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] regarding any decisions to procure high value works/goods, requiring agreement from DCC and as necessary, agreement from the Board and/or recommendation and CE order in place from DCC.</p> <p>This will be streamlined further when the technical resource referenced below is assigned.</p>	<p>Donegal County Council, Human Resources & Environmental Services</p>	<p>Ongoing in relation to financial and governance. Target Q3 2023 for DCC technical resource.</p>
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		A technical resource is awaited to be assigned from Donegal County Council to assist, as the building owner, in advising on building management and upgrade works and to ensure that an independent assessment is being made by the building owner of any planned capital works.		
6	<p><u>11.6 Company Documentation</u></p> <p>It is recommended that the existing lease agreement is reviewed, and a new lease agreement be put in place and agreed by both parties and updated as necessary.</p>	This is currently being reviewed. BWW continues to pay the annual lease liability to DCC, however an updated lease between DCC and BWW is required, currently working through that process.	Company Secretary	Ongoing Expected close out Q2 2023.

ADDENDUM NOTES TO REPORT.

Note 1- Audit Committee meeting held on 1st March 2023.

- The Audit Committee noted that the level of assurance within the report was level 3 and expressed the view that it should potentially be lower.
- The Internal Auditor indicated that indicated that:
 - a) the audit was carried out at the request of the Director for Economic Development and Head of Finance, and
 - b) while the findings were clear and concerning, that he had been assured that the relevant follow ups on the matters raised were being addressed.
- The Audit Committee agreed that relevant management would be given the opportunity to update the Committee on what measures had been implemented since the report had been prepared, in order to ensure that the Committee had the full up to date picture on actions taken.

Note 2- Audit Committee meeting held on 4th October 2023.

- An update was provided to the Audit Committee confirming the actions that had been put in place in response to the recommendations in the Internal Audit report.
- The Audit Committee welcomed the significant progress made and agreed that a follow up audit be carried out as part of the 2024 Internal Audit Programme.

End.