

# The Land Development Agency DAC

## IT Operating Model Review – Internal Audit Report

**Issue Date:** July 2024

**Rating:** Satisfactory with Exceptions

### Report Distribution

#### *Board Audit & Risk Committee*

#### *Executive Management*

John Coleman, Chief Executive Officer  
Martin Nolan, Head of Corporate Services & Operations

#### *Other Management*

Nicholas Murphy, IT Operations & Security Manager  
Garry Mannering, Chief Risk Officer  
Michael Whelehan, Audit & Risk Manager



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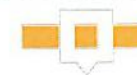
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DAC (The LDA). PwC do not accept any liability or responsibility to any third party to  
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# Executive summary

**Report rating:**

Satisfactory with Exceptions

The Land Development Agency's ("The LDA" or the "Agency") IT Operating Model consists of a mixed sourcing model, incorporating both insourcing and outsourcing. The Agency maintains an in-house IT team which currently consists of [REDACTED] led by an IT Operations & Security Manager reporting on an operational basis to the Head of Corporate Services & Operations. A principal third party IT service provider has been retained for the past three years for the implementation and ongoing management of a comprehensive range of IT services and support solutions. The relationship between the Agency and the IT service provider is managed by the IT Operations & Security Manager. Additional IT vendors have been engaged to provide bespoke applications and services, as required.

The LDA maintain a suite of internal policies and procedures to govern certain components of IT operations. At the time of review, the Agency's IT function were also in the process of drafting an IT Strategy as well as a number of additional policies and procedures to support the evolving IT environment. The IT Strategy will assist the Agency in defining the optimal future sourcing mix, with the Agency due to go to market for IT services later in the year, following the expiration of the current contract with the principal IT service provider.

Internal Audit performed a risk-based, targeted design and operational effectiveness review of the Agency's IT Operating Model, covering the period 01 April 2023 to 31 March 2024. This involved conducting interviews and walkthroughs with relevant team members to gain an understanding of processes and controls currently operating in relation to the IT Operating Model in addition to obtaining and reviewing the policies, procedures, and other relevant documentation governing and supporting the IT operations. The review also involved assessing the design effectiveness of identified key internal controls currently operating as well as testing the operating effectiveness of such controls, on a sample basis.

## Key observations:

The results of our review indicate that while a range of processes and controls have been established and embedded to manage The LDA's evolving IT environment over the past number of years, a number of improvements are required.

The review identified 3 "Medium" rated observations, as follows:

- Gaps in the documentation governing and supporting IT operations;
- Improvements required to governance over the principal IT service provider; and
- Gaps in the operationalised [REDACTED] (business continuity management).

Furthermore, the review identified 2 "Low" rated observations.

## Use of this Report

This report is intended for the information and use of The LDA and is not intended to be relied upon by anyone other than The LDA. We accept no duty of care and deny all liability to any third party that places reliance on our report.

We have provided no opinion, attestation, or other forms of assurance with respect to our services or the information upon which our services are based. We did not audit or otherwise verify the information supplied to us in connection with this engagement, from whatever source, except as specified in our Terms of Reference.



Our work was performed in accordance with PwC's Internal Audit Methodology which is consistent with the Chartered Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. As agreed, the review did not constitute an examination in accordance with full scope generally accepted auditing standards.

### Acknowledgement

We would like to thank all personnel who assisted and facilitated us in carrying out this review.

PricewaterhouseCoopers

July 2024





# Audit overview

## Background

The Land Development Agency's ("The LDA" or the "Agency") IT Operating Model consists of a mixed sourcing model, incorporating both insourcing and outsourcing. The Agency maintains an in-house IT team which currently consists of [REDACTED], led by an IT Operations & Security Manager reporting on an operational basis to the Head of Corporate Services & Operations. An outsourced IT service provider, [REDACTED], has been retained for the past three years for the implementation and ongoing management of a comprehensive range of IT services and support solutions, including the network and [REDACTED], helpdesk solutions, systems monitoring, data backup and recovery, cybersecurity services and cloud computing. The outsourced IT service provider manages these services through the application of a suite of policies and procedures. In addition, the Agency maintains internal policies and procedures to govern certain elements of the IT environment. The relationship between the Agency and the outsourced IT service provider is managed by the IT Operations & Security Manager.

The LDA are currently in the process of drafting an IT Strategy. This Strategy will assist in defining the optimal sourcing mix going forward, with the Agency due to go to market for an outsourced IT service provider later in the year following the expiration of the current contract.

## Objectives and scope

As part of the 2024 plan, Internal Audit performed a risk-based, targeted design and operational effectiveness review of the processes and controls currently operating in relation to the Agency's IT Operating Model, covering the period 01 April 2023 to 31 March 2024.

The objectives of this review were as follows:

- To gain an understanding of the Agency's current and future planned IT Operating Model;

- To review Agency and outsourced IT service provider policies, procedures, and other relevant documentation governing and supporting IT operations to ensure they are sufficient;
- To assess whether there is effective collaboration and communication with the Agency's business units to determine organisational requirements and to develop and deliver the IT Operating Model;
- To assess whether performance metrics on the delivery of the IT Operating Model are appropriately defined and reported;
- To assess whether there is adequate governance and oversight of IT operations, including by the EMT, Board, and relevant committees;
- To assess whether the skills, competencies, and resources required to deliver the IT Operating Model are comprehensively documented and monitored;
- To assess whether roles and responsibilities regarding IT operations are sufficiently outlined, clearly assigned and thoroughly understood;
- To assess whether the Agency's desired sourcing mix to deliver the IT Operating Model is appropriately defined, including with regards to insourcing, co-sourcing, and outsourcing;
- To assess whether sufficient reporting on the execution of key activities is received from the outsourced IT service provider on a timely basis;
- To assess whether outsourced IT service provider delivery is adequately and routinely monitored against an agreed service level agreement ("SLA") and key performance indicators ("KPIs");
- To assess whether suitable contingency procedures (" [REDACTED] e) are in place to ensure the continued execution of key activity in the event of the unavailability of the outsourced IT service provider;
- To assess whether risks regarding the delivery of the IT Operating Model are appropriately identified, evaluated, tracked, and mitigated; and
- To review the process for developing the draft IT Strategy to ensure it incorporates consideration of business objectives and organisational requirements and alignment to best practice.





## Key risks

The following key risks were addressed during the review:

- Agency and outsourced IT service provider policies, procedures, and other relevant documentation governing and supporting IT operations are insufficient, leading to a lack of precision and consistency in the performance of processes and controls;
- [REDACTED]
- Performance metrics on the delivery of the IT Operating Model are not appropriately defined and reported, leading to delays in identifying issues and implementing corrective actions;
- Governance and oversight of IT operations is inadequate, resulting in flawed decision-making and a failure to achieve objectives;
- Skills, competencies, and resources required to deliver the IT Operating Model are not comprehensively documented and monitored, resulting in a failure to recruit and retain the required employees;
- Roles and responsibilities regarding IT operations are not sufficiently outlined, clearly assigned and thoroughly understood, leading to the erroneous or non-performance of critical tasks;
- Desired sourcing mix to deliver the IT Operating Model is not appropriately defined, resulting in the ineffective and/or inefficient delivery of the required IT infrastructure and operating solutions;
- Reporting on the execution of key activity by the outsourced IT service provider is insufficient and/or untimely, impeding the ability of the Agency to evaluate performance;
- Outsourced IT service provider delivery is not adequately and routinely monitored by the Agency against an agreed SLA and KPIs, leading to neglect in the performance of key activity by the outsourced service provider;

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- Risks regarding the delivery of the IT Operating Model are not appropriately identified, evaluated, tracked, and mitigated, leading to excessive risk exposure for the Agency; and
- Process for developing the draft IT Strategy does not incorporate consideration of business objectives and organisational requirements and alignment to best practice, resulting in a strategy containing an inadequate configuration of people, processes, and infrastructure to execute IT operations.

## Limitations of scope

The following were outside the scope of this review:

- Operating effectiveness of IT general controls, including with regards to user access, change management, incident management, and backup and recovery; and
- Processes and controls relating to cybersecurity. A separate Internal Audit Review of Cybersecurity is included in the Indicative three year plan;
- Processes and controls relating to business continuity management and disaster recovery plans for the third- party IT service provider. A separate Internal Audit Review of Operational Resilience is included in the indicative three-year plan; and
- Processes and controls relating to the procurement of IT services. A separate Internal Audit Review of Procurement is included in the indicative three-year plan.

## Internal Audit approach

Our approach to the review involved the following:

- Conducting interviews and walkthroughs with relevant team members to gain an understanding of processes and controls currently operating in relation to the IT Operating Model;
- Obtaining and reviewing the policies, procedures, and other relevant documentation governing and supporting the IT Operating Model;
- Assessing the design and operating effectiveness of identified key internal controls currently operating in relation to the IT Operating Model; and
- Identifying and reporting on any internal control weaknesses, operational inefficiencies, and improvement opportunities, as identified.





# Observations

1. Gaps in the documentation governing and supporting IT operations
2. Improvements required to governance over the principal IT service provider
3. [REDACTED]
4. Enhancements required to the management of risks regarding IT operations
5. Enhancements required to internal reporting on IT operations

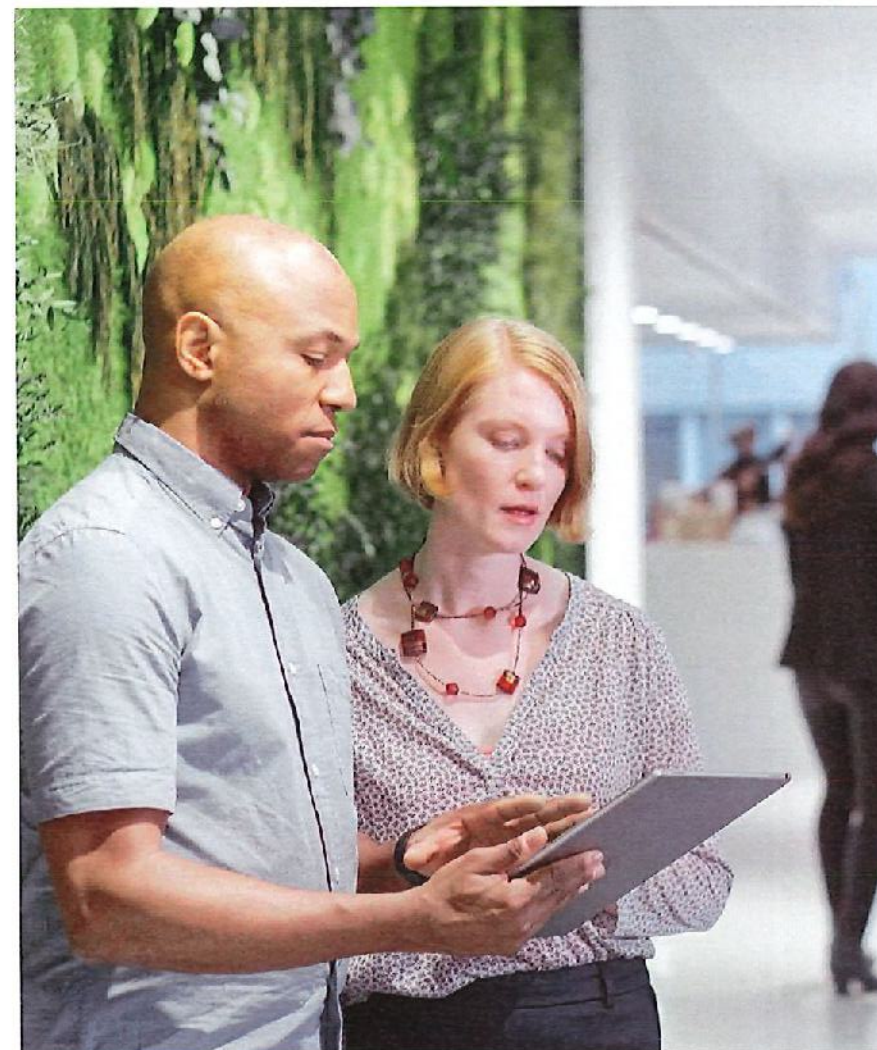
Medium

Medium

Medium

Low

Low







## Observation

## 1. Gaps in the documentation governing and supporting IT operations

### Issue

The LDA maintains a suite of in-house policies and procedures to govern and support their IT operations. The maintenance of these policies and procedures is supported by the Agency's IT Operations & Security Manager.

Through detailed review of documentation governing and supporting IT operations and discussions with relevant stakeholders, Internal Audit noted the following:

- Absence of a defined and documented target IT Operating Model to assist the IT function and Agency in structuring their IT operations, processes and resources. Internal Audit noted an IT Strategy is currently under development which will assist in defining and documenting the future IT Operating Model;
- Absence of a policy/procedure to govern IT change management; and
- Absence of a policy/procedure to govern the management and oversight of third party IT services providers, supplementing individual Service-Level Agreements ("SLAs").

Furthermore, Internal Audit noted the following IT policies and procedures have not been subject to review on a periodic basis:

- Anti-Malware Policy: Last review in December 2021;
- Cybersecurity Incident Management Policy: Last reviewed December 2021;
- Cybersecurity Management Policy: Last reviewed in December 2021;
- Document and Record Control Procedure: Last reviewed in June 2022;
- Electronic Communications Policy: Last reviewed in 2021;
- Electronic Messaging Policy: Last reviewed in November 2021;
- End User Computing Policy: Last reviewed in October 2022;
- End User Computing Procedure: Last reviewed in September 2022;
- Information Security Policy: Last reviewed in June 2022;
- Internet Acceptable Use Policy: Last reviewed in November 2021;

## Observation Impact

Medium

## Target date

Recommendations 1-4:  
31/10/2024

Recommendations 5-6:  
31/08/2024

## Responsible party

IT Operations &  
Security Manager

- Identification of Requirements Procedure: Last reviewed in July 2022;
- Scope: Last reviewed in June 2022;
- IT Asset Handling Policy: Last reviewed in December 2021;
- Mobile Device Policy: Last reviewed in December 2021;
- Social Media Policy: Last reviewed in December 2021;
- Technical Vulnerability Management Policy: Last reviewed in March 2022; and
- Teleworking Policy: Last reviewed in December 2021.

Internal Audit also noted that the Cybersecurity Awareness & Training Policy, which was prepared in March 2022, does not contain a date of/details of approval and has not been reviewed since its preparation.

### Implication

- A target IT Operating Model has not been defined and documented, potentially resulting in misalignment between the Agency's IT operations and goals and objectives.
- Absence of Agency policies and procedures to govern critical elements of IT operations, may lead to a lack of precision and consistency in the performance of key processes and controls.
- Agency policies and procedures governing IT operations are not reviewed and, where relevant, updated at an appropriate frequency, increasing the likelihood of the distribution and utilisation of outdated information.

### Recommendation

1. Document the Agency's target IT Operating Model, defining, at a minimum:
  - Strategic Alignment: Purpose and role of IT within The LDA and how it is commensurate with the IT Strategy and wider Business Plan;





- Organisational Structure: Assignment of, and coordination between, the Agency's IT roles and responsibilities, including the chain of command and span of control;
- Governance: Oversight and decision-making with regards to The LDA's IT environment, including delegated authorities and escalation pathways;
- Operating Processes: Key activities and tasks to achieve the Agency's IT objectives in a consistent and methodical manner, including the software development lifecycle ("SDLC") and IT project management;
- Delivery Model: Means by which each of The LDA's IT requirements will be delivered, including through insourcing and outsourcing;
- Service Management: Overview of the scope and ownership of IT services within the Agency, including a service catalogue and service level agreements ("SLAs"); and
- Technology: Suite of applications, infrastructure and systems used to create, develop, deploy and maintain The LDA's IT capabilities, including operating systems and end user computing.

Ensure that the IT Operating Model is subject to approval by an appropriate governance forum/management level prior to distribution and is subject to review in accordance with a defined frequency and trigger events, including on an annual basis and upon changes to the overarching IT Strategy.

2. Develop a policy/procedure to govern IT change management, incorporating, at a minimum:
  - Change request specification, approval and tracking requirements;
  - Testing and quality assurance requirements, including unit, system, integration and user acceptance testing determined on the basis of the criticality of the change;
  - Program implementation control requirements, including the requirement for pre-implementation approval prior to release to the production environment to ensure minimal disruption to key IT infrastructure; and
  - Segregation of duty requirements, including full segregation between change requestors, developers and implementers.

Ensure the policy/procedure is subject to approval by an appropriate governance forum/management level prior to distribution and is subject to periodic review at a defined frequency. Where required, provide training to relevant employees to ensure an adequate understanding of policy/procedure provisions.

3. Develop a policy/procedure to govern the management and oversight of third party IT services providers, incorporating, at a minimum:
  - Roles and responsibilities of key Agency personnel involved in the management and oversight of IT services providers;
  - Methods and metrics for evaluating the performance of IT service providers, including the requirement to ensure the inclusion and use of key performance indicators ("KPIs") in SLAs;
  - Frequency at which reporting should be obtained from IT service providers and reviewed by The LDA.

Ensure the policy/procedure is subject to approval by an appropriate governance forum/management level prior to distribution and is subject to periodic review at a defined frequency. Where required, provide training to relevant employees to ensure an adequate understanding of policy/procedure provisions.
4. Review all IT policies and procedures that have not been subject to review within the past 12 months. Ensure a record of review is documented on all such IT policies and procedures. Where material changes have been made on the basis of review, ensure relevant policies and procedures are subject to approval by an appropriate governance forum/management level prior to distribution.
5. Review the Cybersecurity Awareness & Training Policy, update if required and submit to an appropriate governance forum/management level for approval. Where required, provide training to relevant employees to ensure an adequate understanding of policy provisions.
6. Document a review schedule for all IT policies and procedures, defining the frequency at which each policy and procedure must be reviewed on the basis of their criticality. Ensure adherence to the review schedule is routinely reported to and monitored by an appropriate governance forum, such as the IT Steering Committee.

### Agreed Upon Management Action

Management accepts the recommendations and responds as follows:

1. LDA to undertake a review of the IT Operating Model, based on IT Strategy, and fully document to include, but not be limited to the recommendations herein. IT Operating Model to be approved and published. Training workshop to be provided to IT team, other relevant staff, and the IT service provider. IT Operating



Model to be added to the IT Document Register and set for next review interval.  
IT Operating Model to be approved and published.

2. LDA to develop a policy and supporting process for IT Change Management, to cover both IT Operations and DevOps. IT Change Management Policy & Process to be approved and published. Training workshop to be provided to IT team, other relevant staff, and the IT service provider. Policy & Process to be added to the IT Document Register and set for next review interval.
3. LDA to develop a policy and supporting process for management & oversight of third-party IT service providers. Policy & Process to be approved and published.
4. LDA to review all policies, processes and procedures not reviewed in the last 12 months, and update documents as necessary. Updated documents to be approved and published. Training workshops to be provided to staff required to be aware of updates as necessary. The reviews and updates to be documented as per the IT Document and Record Control Procedure.
5. LDA to review the policy, update as necessary and publish. Training workshop to be provided to staff required to be aware of updates as necessary. Policy to be added to the IT Document Register and set for next review interval.
6. Document review dates, intervals and next review dates are recorded in the Document Register as per the existing IT Document and Record Control Procedure. Document criticality level to be added to the Document Register and levels to be agreed by the IT Steering Group. Pending and overdue document reviews to be noted at the IT Steering Group meeting.







## Recommendation

1. Engage with [REDACTED] to ensure information on the achievement of service level requirements, under the headings of [REDACTED], [REDACTED], [REDACTED].
2. Consider including the following, where relevant, in all new SLAs and engaging with existing IT service providers to examine the feasibility of including in current SLAs, particularly with regards to [REDACTED]:
  - [REDACTED]  
[REDACTED]
  - [REDACTED]  
[REDACTED]  
[REDACTED]
  - [REDACTED]  
[REDACTED]
  - [REDACTED]  
[REDACTED]

## Agreed Upon Management Action

Management accepts the recommendations and responds as follows:

1. LDA to review the reporting requirements of the SLA against current reporting, identify gaps and request relevant reports or metrics from [REDACTED] to be included in the monthly reporting cycle.
2. LDA to draw up a [REDACTED] for policies & procedures to establish relevance to each vendor.  
LDA to review agreement / SLA for each vendor & establish if recommendations can be added.  
Agree additional requirements with each vendor.  
Review adherence to new requirements during scheduled vendor review meetings.





2.

[REDACTED]

[REDACTED]

[REDACTED]

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







2. LDA to review the [REDACTED] against the recommendation, including the additional items in items in observation 2 recommendation 2, and update as necessary.





## Observation

## 5. Enhancements required to internal reporting on IT operations

## Observation impact

Low

## Target date

31/10/2024

## Responsible party

IT Operations &  
Security Manager,  
Corporate Strategy  
Lead

### Issue

Thorough reporting on IT operations to appropriate governance forums/management levels allows for the provision of oversight and the ongoing evaluation of the effectiveness and efficiency of IT activities whilst ensuring that value is being delivered by IT personnel and IT service providers to support overall business objectives. At The LDA, reporting on IT operations is routinely provided to both the IT Steering Committee and Executive Management Team ("EMT") by the Agency's IT Operations & Security Manager

Through detailed review of documentation related to internal reporting on IT operations and discussions with relevant stakeholders, Internal Audit noted the following:

- Requirements for reporting on IT operations to and by the IT Steering Committee have not been defined and documented; and
- Absence of a document/framework to assist the EMT with the interpretation of reporting on IT operations, including explanations of the metrics and topics being reported, their criticality to The LDA, acceptable/unacceptable ranges and how they align to the Agency's IT operating environment.

### Implication

- Without clear and consistent reporting on IT operations to appropriate governance forums/management levels, the provision of oversight adequate oversight by bodies such as the IT Steering Committee and EMT may be impeded, resulting in flawed decision-making and a failure to achieve objectives.

### Recommendation

1. Update a relevant document, such as a terms of reference or a management information and reporting procedure, to define requirements for reporting on IT Operations to and by the IT Steering Committee, incorporating, at a minimum:

- Roles and responsibilities;
- Data sources;
- Metrics and topics; and
- Frequency.

Ensure the document is subject to approval by an appropriate governance forum/management level prior to distribution and is subject to periodic review at a defined frequency.

2. Consider developing a document/framework to assist the EMT with the interpretation of reporting on IT operations, incorporating, at a minimum:

- Explanations of all metrics and topics reported, including with regards to the three metrics/topics routinely reported ("Summary Performance Metrics", "Status of IT Priorities & Initiatives" and "Status of IT Policies & Procedures");
- Criticality of the metrics and topics being reported;
- Acceptable/unacceptable ranges for the metrics and topics being reported; and
- How the metrics and topics being reported align to the Agency's IT operating environment.

Ensure the document is subject to review, comment and approval by the EMT and is subject to periodic review at a defined frequency.

### Agreed Upon Management Action

Management accepts the recommendations and responds as follows:



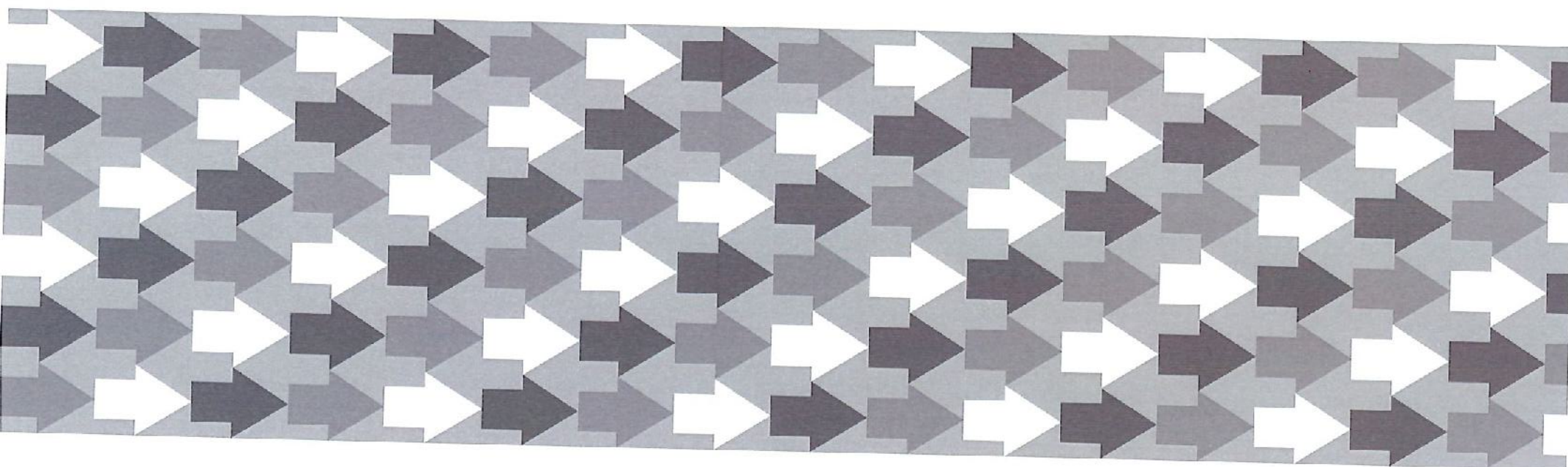
1. LDA to include the recommendations in the IT Operating Model at action observation 1 recommendation 1 above.
2. LDA to create a reference resource to define and explain reporting metrics. IT Operations Group and EMT to review and approve. Document to be added to the IT Document Register and set for next review interval.



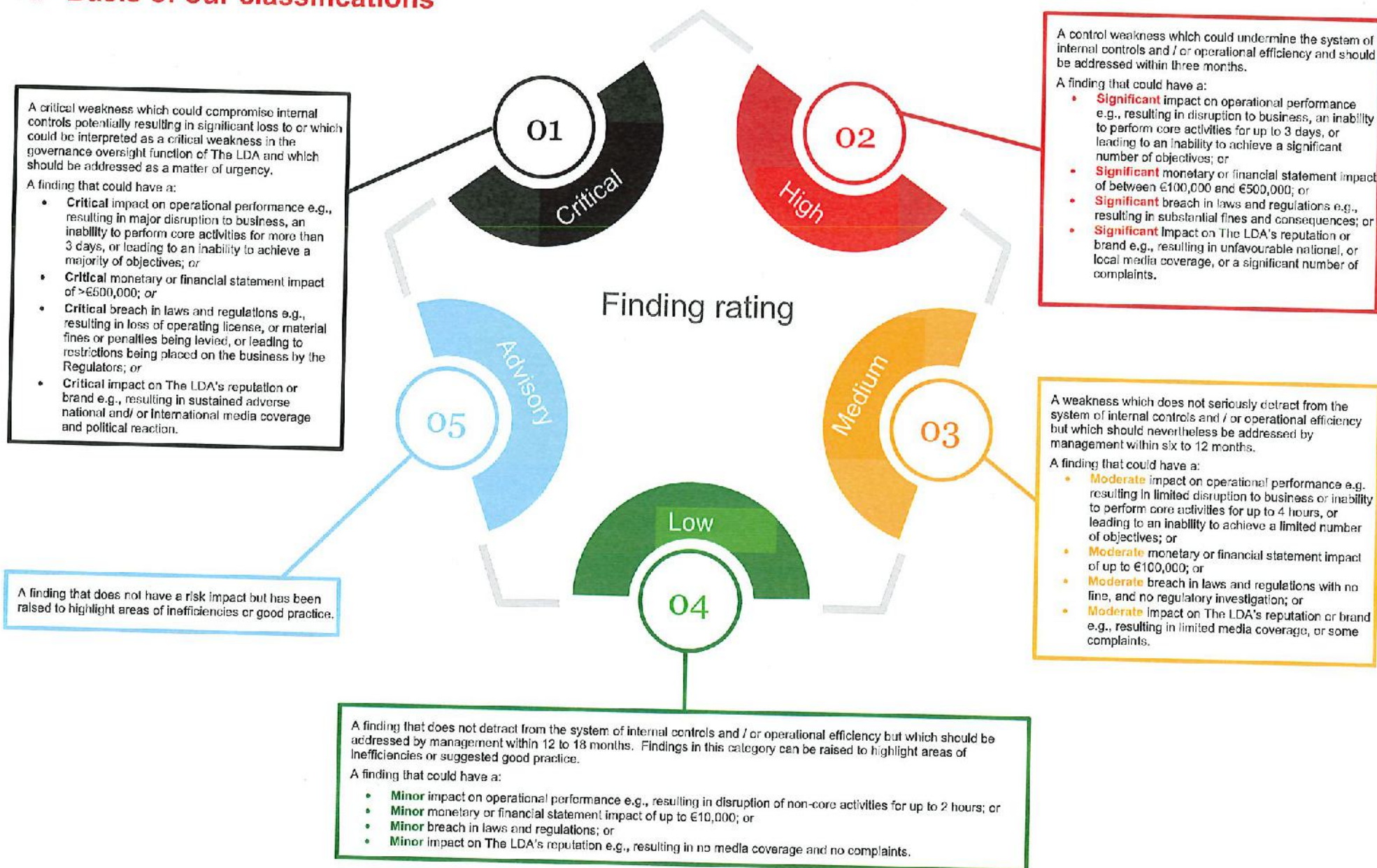


# Appendices

- A. Basis of our classifications**
- B. Report classifications**
- C. Limitations and responsibilities**



## A. Basis of our classifications







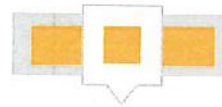
## B. Report classifications

The report classification is determined by allocating points to each of the findings included in the report

### Findings rating:



Low



Medium



High



Critical

### Points:

1 Point per finding



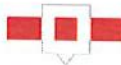

3 Points per finding

10 Points per finding

40 Points per finding

### Report rating

The final report rating is classified as follows:

Report classification	Points	Report classification	Points	Report classification	Points	Report classification	Points
	6 points or less		7 – 15 points		16 – 39 points		40 points and over
Satisfactory		Satisfactory with Exceptions		Needs Improvement		Unsatisfactory	



## C. Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken the IT Operating Model Review. Our work was performed, and this report was developed in accordance with our Letter of Engagement. We note the limitations outlined below:

#### *Internal control*

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### *Future periods*

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



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# The Land Development Agency DAC

## Asset Management Review – Internal Audit Report

**Issue Date:** September 2024

**Rating:** Satisfactory with Exceptions

### Report Distribution

*Board Audit & Risk Committee*

*Executive Management*

John Coleman, Chief Executive Officer  
Garry Mannerling, Chief Risk Officer

*Management*

Enda McGuane, Asset Management Lead  
Michael Whelehan, Audit & Risk Manager



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# Executive summary

**Report rating:**

Satisfactory with Exceptions

The Land Development Agency's ("The LDA" or the "Agency") Asset Management function has been operationalised over the past 18 months to manage Cost Rental units facilitated through the Affordable Housing Act 2021 (the "2021 Act"). These units are delivered through the Agency's Land Acquisition and Development Process ("LADP"), including Project Tosaigh.

Upon the conclusion of construction and associated certification and technical due diligence ("TDD"), designated Cost Rental units transfer to the Asset Management function. Asset Management are responsible for the initial letting of the units in accordance with the 2021 Act and prevailing Cost Rental regulations, subsequent tenancy and property management, re-letting, where applicable, and ongoing monitoring and reporting.

The function's key processes and controls are governed by the Property Letting and Management Procedure that came into effect from 2 January 2024. The function has procured and engaged a number of third-party property management service providers to support in the fulfilment of its responsibilities, including the advertising of Cost Rental units, processing of lease applications and agreements, collection of rent and performance of inspections. Furthermore, the function liaises with owner management companies for the provision of services related to common areas within Cost Rental developments.

Internal Audit performed a risk-based, targeted design effectiveness review of the Agency's Asset Management function as it relates to Cost Rentals established under the 2021 Act. This involved conducting interviews and walkthroughs with relevant team members to gain an understanding of processes and controls currently operating in relation to the Cost Rental Model delivered by the Asset Management function. In addition, relevant policies, procedures and other relevant documentation governing and supporting the Asset Management function was obtained and reviewed.

## Key observations:

The results of our review confirmed that range of processes and controls have been established and embedded to manage The LDA's growing and evolving Asset Management function, however 3 Medium rated observations were raised as follows:

- Gaps in policies and procedures governing property letting and management;
- Gaps in the documentation of Cost Rental portfolio interdependencies; and
- Documentation supporting the [REDACTED] and tenant lottery application process requires enhancement.

Furthermore, the review identified 3 "Low" rated observations.

## Use of this Report

This report is intended for the information and use of The LDA and is not intended to be relied upon by anyone other than The LDA. We accept no duty of care and deny all liability to any third party that places reliance on our report.

We have provided no opinion, attestation, or other forms of assurance with respect to our services or the information upon which our services are based. We did not audit or otherwise verify the information supplied to us in connection with this engagement, from whatever source, except as specified in our Terms of Reference.





Our work was performed in accordance with PwC's Internal Audit Methodology which is consistent with the Chartered Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. As agreed, the review did not constitute an examination in accordance with full scope generally accepted auditing standards.

### Acknowledgement

We would like to thank all personnel who assisted and facilitated us in carrying out this review.

PricewaterhouseCoopers

September 2024



# Observations

1. Gaps in policies and procedures governing property letting and management
2. Gaps in the documentation of Cost Rental portfolio interdependencies
3. Documentation supporting the [REDACTED] and [REDACTED] [REDACTED] process requires enhancement
4. Gaps in the reporting, oversight and management of third-party service providers
5. [REDACTED]
6. Procedures governing MI and reporting on Asset Management activity require enhancement

Medium

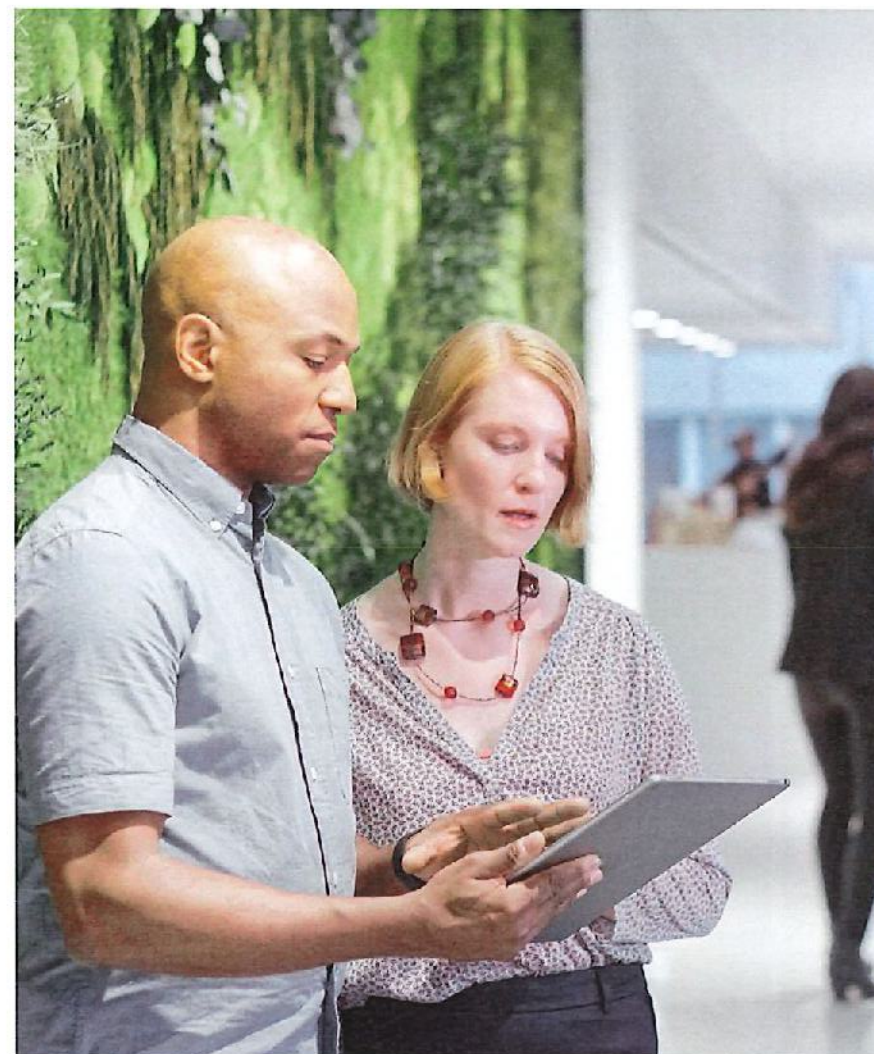
Medium

Medium

Low

Low

Low





# Audit overview

## Background

The Land Development Agency's ("The LDA" or the "Agency") Asset Management function has been operationalised over the past 18 months to manage Cost Rental units facilitated through the Affordable Housing Act 2021 (the "2021 Act") and delivered through the Agency's Land Acquisition and Development Process ("LADP"), including Project Tosaigh. This Act introduced the Cost Rental tenure to the Irish residential letting space and is the first new tenure introduced under the Residential Tenancies Act 2004. Since its introduction, a number of further amendments have been made to the regulations governing the Cost Rental tenure which have altered the operating environment. These changes reflect the evolving nature of this new tenure, and the learnings gathered from actual operation. Stabilisation of units and operations is modelled at being achieved in year 3. This reflects the fluid environment that the Cost Rental tenure currently occupies with further changes anticipated due to the Department of Housing, Local Government and Heritage's ("DHLGH") ongoing Affordable Housing Strategy review. As a result, the Asset Management function has been required to adopt an adaptable approach to operations with future scanning anticipation of ongoing change.

Upon the conclusion of construction and associated certification and technical due diligence ("TDD"), designated Cost Rental units transfer to the Asset Management function, who have responsibility for the initial letting of such units in accordance with the 2021 Act and prevailing Cost Rental regulations, subsequent tenancy and property management, re-letting, where applicable, and ongoing monitoring and reporting. The function's key processes and controls are governed by the Property Letting and Management Procedure that came into effect at the start of 2024.

The Asset Management function has procured and engaged a number of third-party property management service providers to support in the fulfilment of its responsibilities, including with regards to the advertising of Cost Rental units, processing of lease applications and agreements, collection of rent and performance of inspections. Furthermore, the function liaises with owner management companies

for the provision of services related to common areas within Cost Rental developments.

Key objectives for the function include sustaining long-term tenancies and operating Cost Rental units as efficiently as possible to maintain affordable rents in line with the Cost Rental designation. In order to assist with the achievement of these objectives, the Asset Management function collaborates with the Agency's other business units throughout relevant stages of the LADP, including with the Property function during the design of direct delivery developments and with the Investment function to evaluate whether Project Tosaigh developments have been delivered to the agreed standards.

As of April 2024, the Asset Management function oversees approximately 600 completed Cost Rental units, all of which have been delivered through Project Tosaigh, with a further circa 1,600 units being delivered through both direct delivery and Project Tosaigh over the next three years. The function continues to establish and embed processes and controls as the cadence in which the Agency takes possession of Cost Rental units increases and as the operational understanding and regulation of the Cost Rental tenure grows.

## Objectives and scope

As part of the 2024 plan, Internal Audit performed a risk-based, targeted design effectiveness review of the Agency's Asset Management function, at the point in the evolution of the Agency and function, as it relates to Cost Rental established under the 2021 Act, recognising that the function is at a nascent stage of its development.

The objectives of this review were as follows:

- To gain an understanding of the processes, controls and tools currently operating and being developed in relation to the Asset Management function;
- To gain an understanding of processes for interacting with and reporting to the relevant external regulatory bodies in the Cost Rental space, namely the Residential Tenancies Board ("RTB") and Property Services Regulatory Authority ("PSRA");





- To assess whether policies, procedures, and other relevant documentation governing and supporting the Asset Management function are fit for purpose at this point in the function's and the Cost Rental tenure's stage of evolution, recognising that The LDA mainly relies on third-party service providers for the provision of tenant and property management services;
- To assess whether Asset Management roles and responsibilities are sufficiently defined and clearly assigned to reflect current operational requirements and the forecasted growth and evolution of the function;
- To assess whether the Land Acquisition and Development Process ("LADP") reflects the Asset Management function's collaboration with the Agency's other business units throughout relevant stages of the LADP;
- To assess whether Guidance Notes for the budgeting and forecasting of Cost Rental units, including with regards to operational expenditure/lifecycle costs and rental income, are suitable;
- To assess whether processes for the end-to-end letting of Cost Rental units, including verifying eligibility, conducting lotteries, processing letting agreements, managing tenant experience and performing tenant exits, are appropriately defined and commensurate with the Agency's obligations under the 2021 Act, recognising that this is mainly operated by third-party service providers;
- To assess how the Agency determines and monitors compliance with General Data Protection Regulation ("GDPR") requirements with regards to the letting of Cost Rental units;
- To assess whether third-party property management service providers are required to routinely provide the Agency with tenancy and property information, including financial, maintenance and tenant experience information;
- To assess whether third-party property management service providers are adequately and routinely monitored against agreed service level agreements ("SLAs") and key performance indicators ("KPIs") as evolving to reflect the Cost Rental tenure;
- To assess the frequency and content of reporting by the Asset Management function to the Agency's other business units, EMT and Board;
- To assess whether there is adequate oversight, review, challenge and approval of Asset Management activity and expenditure, including by the EMT, Board, and relevant committees; and

- To assess whether risks regarding Asset Management are appropriately identified, evaluated, tracked and that mitigating controls for such risks are documented.

## Key risks

The following key risks were addressed during the review:

- Policies, procedures, and other relevant documentation governing and supporting the Asset Management function are not fit for purpose at this point in the function's and the Cost Rental tenure's stage of evolution, resulting in a lack of precision and consistency in the performance of related processes and controls as the Cost Rental tenure scales and evolves
- Roles and responsibilities regarding Asset Management are not sufficiently defined and clearly assigned to reflect current operational requirements and the forecasted growth and evolution of the function, leading to an absence of ownership and accountability in the performance of related processes and controls;
- LADP does not reflect the Asset Management function's collaboration with the Agency's other business units throughout relevant stages of the LADP, leading to misalignment with the Agency and an inefficient use of resources in the delivery of Cost Rental units;
- Budgeting and forecasting of Cost Rental units, including with regards to operational expenditure/lifecycle costs and rental income, is unsuitable, impeding the ability of the Asset Management function to effectively plan the deployment of human and/or financial capital;
- Processes for the end-to-end letting of Cost Rental units, including verifying eligibility conducting lotteries, processing letting agreements, managing tenant experience and performing tenant exits, are not appropriately defined and commensurate with the Agency's obligations, resulting in the erroneous performance of critical tasks, legal censure and/or reputational damage;
- Agency does not determine and monitor compliance with GDPR requirements with regards to the letting of Cost Rental units, increasing the likelihood of non-compliance and legal censure;
- Third-party property management service providers are not required to routinely provide the Agency with tenancy and property information, including financial, maintenance and tenant experience information, impeding the ability of the Asset





Management function to assess the performance of Cost Rental units and implement corrective actions;

- Third-party property management service providers are not adequately and routinely monitored against agreed SLAs and KPIs, resulting in the Asset Management function failing to identify breaches of terms and conditions;
- Frequency and content of reporting by the Asset Management function to the Agency's other business units, EMT and Board is unsatisfactory, leading to inaccurate and/or incomplete information to inform decision making;
- Oversight, review, challenge and approval of Asset Management activity and expenditure is inadequate, impeding the achievement of organisational objectives and, ultimately, resulting in financial loss and/or reputational damage; and
- Risks regarding Asset Management are not appropriately identified, evaluated, tracked, and mitigated, and mitigating controls for such risks are not comprehensively documented, leading to excessive risk exposure for the Agency.

## Limitations of scope

The following were outside the scope of this review:

- Independent assessment of the Agency's obligations under the Affordable Housing Act 2021 and prevailing Cost Rental regulations. The LDA's interpretation of their obligations under the 2021 Act and regulations will be utilised for the purpose of this review;
- Operating effectiveness of Asset Management function processes and controls;
- LADP processes and controls not specifically stated above, including the handover of Cost Rental units from the Property team to the Asset Management team;
- Procurement processes and controls, including the selection of third-party property management service providers; and
- Compliance by third-party property management service providers and owner management companies with applicable legislation and regulations.

## Internal Audit approach

Our approach to the review involved the following:

- Conducting interviews and walkthroughs with relevant team members to gain an understanding of Asset Management function processes and controls;
- Obtaining and reviewing the policies, procedures, and other relevant documentation governing and supporting the Asset Management function;
- Assessing the design effectiveness of identified key internal controls; and
- Identifying and reporting on any internal control weaknesses, operational inefficiencies, and improvement opportunities, as identified.





## Observation

**1. Gaps in policies and procedures governing property letting and management**

## Observation impact

Medium

## Target date

20/12/2024

## Responsible party

Head of Asset Management

## Issue

The Property Letting and Management Procedure (the "Procedure") is the Agency's key document supporting the operation of the Cost Rental portfolio.

The Procedure details the critical activities that must be undertaken across the lifecycle (Handover, Letting, Tenancy Management, Property Management, Re-letting & Monitoring and Oversight) of the Cost Rental portfolio. Per the Procedure, a suite of these activities is performed by third-party service providers engaged by the Agency for both letting services and property/asset management services. Such activities are detailed in the relevant contracts with third-party service providers. A number of activities are performed in-house by the Agency, including taking possession of a property from the developer (including key and systems handover), monitoring of site performance via Strategy Review metrics, and the changing of statuses on the lottery system based on third-party feedback.

Furthermore, the Procedure details the Agency's regulatory and legislative compliance requirements with regards to the operation of the Cost Rental portfolio, including those delegated to third-party service providers. Such requirements include the creation of leases and completion of Residential Tenancies Board ("RTB") registration by third-party service providers, management of tenancy termination process (including meter checks and RTB notifications by third-party service providers) and RTB renewal registrations.

Through detailed review of policies/procedures governing property letting and management, Internal Audit noted the following:

**1) Absence of content in the approved policies/procedures to govern the following:**

- Evaluation of the performance of third-party service providers on a consistent basis, including the utilisation of a common suite of key performance indicators ("KPIs") to facilitate like-for-like comparisons;
- Management of disputes/complaints across the lifecycle of the Cost Rental portfolio and forward reporting to regulators where required. Internal Audit notes that an LDA Customer Service Charter is published on the LDA website which highlights the LDAs commitments to its customers and the responsibilities of the customers when liaising with the LDA, however, this is an externally facing document and doesn't detail the internal processes for the handling of disputes and complaints;
- Advertising/marketing of the Cost Rental portfolio, including the requirement to develop an appropriate strategy and/or perform relevant public relations campaigns. Internal Audit notes that while a "Cost Rental Marketing & Advertising" strategy has been developed which identifies the current rental lettings and the anticipated 2024 pipeline, the approaches to social media campaigning and details of the marketing campaign for January 2024, the policy/procedure does not mention the requirement and the steps to be followed/considered in the preparation of this strategy. Further, there was no evidence to demonstrate the strategy has been approved by the appropriate Delegated Authority; and
- Assigning responsibility to review reporting on the tenancy registration and annual re-registration process performed by the third-party service providers, for which the Agency maintains responsibility as landlord. Internal Audit note that a Tenant Experience Manager has recently been hired who will be tasked with developing a tenant experience framework.





**2) Supporting policy, procedure and guidance documents are not referenced in the existing suite of policies/procedure and approved:**

Following are operational processes for which policy, procedure and guidance documents have been prepared by the Asset Management function; however, they are not approved nor referenced in the existing suite of policies/procedures.

- Tracking of tenant issues/complaints across the Cost Rental portfolio. Internal Audit notes that procedures have been drafted on reactive repairs & maintenance, anti-social tenant behaviour and onsite accident reporting with the aim of assisting the operational management of issues/complaints.
- Monitoring of the service provision by third-party service providers on the basis of the criticality and prioritisation of the activities detailed in the relevant contracts with such providers. Internal Audit notes that the Block Management Agent Reporting procedure has been developed to guide periodic financial and operational reporting to be provided by the third-party service providers; and
- Processes for LDA site visits, including defined frequencies, scope and record keeping and completion of site visits. Internal Audit notes that inspection checklists to document the review of the property have been developed.

**Implication**

- Where policies, procedures, and other relevant documentation governing and supporting the Asset Management function are not fit for purpose for current operational requirements, this may result in a lack of precision and consistency in the performance of related processes and controls.
- Absence of sufficiently defined, documented and clearly assigned roles and responsibilities with respect to Asset Management operational requirements may lead to an absence of ownership and accountability in the performance of related processes and controls.

**Recommendation**

1. Document a consistent framework for evaluating the performance of third-party service providers, including the utilisation of a common suite of KPIs and communicate the KPIs and mechanism of the reporting, with third-party service providers ensuring that consistent reporting is provided by all third-party service providers.

2. Document within the existing suite of policies, procedures, and guidance documentation the practices followed for dispute and complaint resolution across the life cycle of the Cost Rental portfolio. Documented procedures should also take into account regulatory requirements with regards to the handling of complaints and disputes i.e. reporting to Ombudsman etc. Ensure these processes are communicated to all relevant stakeholders.
3. Define guidance on the development of the Asset Management function marketing & advertising strategy and integrate the strategy into the existing suite of policies and procedures, specifying its use and purpose within the operational delivery of the Cost Rental portfolio. Further, ensure that the existing "Cost Rental Marketing & Advertising" strategy is approved by the appropriate LDA Delegated Authority.
4. As part of the development of the overall tenant's experience framework, document procedures for the internal reviews of tenancy registration and annual re-registration, ensuring compliance with regulatory requirements and assignment of clear responsibilities for these activities to relevant personnel within the organisation.
5. Ensure supporting sub-procedures such as the reactive repairs & maintenance policy procedure, the anti-social behaviour guidance and the onsite accident reporting procedure are approved by the appropriate LDA governance forum and referenced in the main policies and procedures with respect to their scope of use.
6. Implement and document in the existing Block Management Agent Reporting procedure processes for monitoring the service provision by third-party service providers, based on the criticality and prioritisation of activities detailed in relevant contract. Ensure procedures such as the Block Management Agent Reporting are approved and referenced as part of a wider monitoring requirement.
7. Document processes for organisation site visits conducted by the LDA, including frequencies, scope, and record-keeping. Ensure that appropriate mechanisms are in place to verify sufficient and consistent inspections are performed.



## Agreed Upon Management Action

Management accepts the recommendations and responds as follows:

1. LDA will document the existing KPI' framework utilised to manage and monitor property and letting managers via weekly and monthly scheduled management meetings utilising suite of standardised reporting templates.
2. LDA to update existing policies, procedures and guidance relevant to dispute and complaint resolution and ensure compliance with regulatory requirements.
3. LDA will seek to have "Cost Rental Marketing & Advertising Strategy" integrated into LDA PA and Communications Strategy to be approved by EMT.
4. LDA will document review and checking process utilised by AM Team to verify registrations completed via monthly meetings with service providers. In addition, monthly and annualised affirmative attestations will be formalised for service providers regarding compliance with these and other obligations under their letter of engagement.
5. LDA Letting and PM procedure supported by scope of services in letter of engagement allocates responsibility for and references service providers responsibilities in relation to these areas. Guidance notes relating to these areas are utilised by LDA AM in managing service providers and will be consolidated into operational management document which will be approved by the appropriate delegated authority.
6. LDA to undertake a review of existing monitoring processes in conjunction with recommendation 1.1 above. The revised processes and associated KPI's will be documented. [for clarity the recommendation is only for the Block Management Agent Reporting procedure to be changed.
7. LDA to undertake a review of frequency of site visits across initial phases of site operations and will develop a guidance note and tracker which records formal visits and utilises KPI's from 1 and 6 above to standardise inspections.





## Observation

## 2. Gaps in the documentation of Cost Rental portfolio interdependencies

## Observation Impact

Medium

## Target date

31/03/2025

## Responsible party

Senior Governance  
Manager/Head of Asset  
Management

## Issue

The delivery and ongoing management of The LDA's Cost Rental portfolio requires input and collaboration across a variety of the Agency's business functions and the relevant stages of the Land Acquisition and Development Process (LADP). This includes a requirement for the Asset Management function to contribute and be consulted with during the consideration of Cost Rental options through Project Tosaigh and direct delivery.

Furthermore, the Asset Management risk register identifies business functions, such as the Finance, Investment and Delivery teams, as risk and control owners for many of the risks associated with ongoing management of the Cost Rental portfolio post-delivery.

Clear and comprehensive collaboration between the Agency's business functions with respect to the Cost Rental portfolio is critical for ensuring the successful operation, management and delivery of the Cost Rental portfolio. In practice the Asset Management function meets with the other Agency functions for the day-to-day operational delivery of the Cost Rental portfolio.

Through detailed review of the Development Procedure (v3) and the Property Letting and Management Procedure (v1) which are the relevant policies and procedures of the LADP governing the Cost Rental options, Internal Audit noted that neither the Development Procedure (v3) nor the Property Letting and Management Procedure (v1) reference inter-Agency interdependencies between Agency business functions required to effectively and efficiently deliver the Cost Rental portfolio. This includes activity at both the pre-handover (i.e. Investment and Delivery) and post-handover (i.e. ongoing Asset Management) stages. Internal Audit noted that the Property Letting and Management Procedure does state that different activities require input from other business units, however, the procedure does not go into specific detail.

## Implication

- Absence of sufficiently defined, documented and clearly assigned roles and responsibilities with respect to Asset Management operational requirements may lead to an absence of ownership and accountability in the performance of related processes and controls.
- The lack of documented interdependencies within the LADP with regards to Asset Management operations throughout relevant stages of the LADP, may lead to misalignment with the Agency and an inefficient use of resources in the delivery of Cost Rental units.

## Recommendation

1. Clearly define and document the roles and responsibilities of each business unit (including the Asset Management function) involved in the delivery of the Cost Rental portfolio, ensuring that these roles consider and are aligned with current operational requirements and the projected growth of the Asset Management function.
2. Develop frameworks and protocols within the LADP, for inter-Agency collaboration, including regular cross-departmental meetings, shared project management tools, and clear communication channels. Implement training programs to ensure all staff understand and adhere to these frameworks.
3. Using the output of points 1 and 2, conduct a comprehensive review of existing policies and procedures to identify gaps related to inter-company collaboration and interdependencies and update the relevant policies, procedures and other documentation governing and supporting the Asset Management function to include specific details on the roles, responsibilities, and required inputs from other business units at both pre-handover and post-handover stages.



## Agreed Upon Management Action

Management accepts the recommendations and responds as follows:

1. In respect of the following:
  - a. defining and document the roles
  - b. responsibilities of each business unit (including the Asset Management function) involved in the delivery of the Cost Rental portfolio, ensuring that these roles consider and are
  - c. and alignment with current operational requirementsAll of which are involved in the delivery of the Cost Rental portfolio, this will be addressed as part of an overarching review of the LADP and Property Letting and Management Process (PLMP).
2. As part of the LADP and PLMP the LDA will implement frameworks and protocols within both processes in respect of inter-Agency collaboration, including regular cross-departmental meetings, shared project management tools, and clear communication channels.

The LDA will implement training programs to ensure all staff understand and adhere to these frameworks.

3. The review process proposed in 1 and 2 above will address the recommendation.





## Observation

### 3. Documentation supporting the [REDACTED] [REDACTED] requires enhancement

#### Issue

The Affordable Housing Act 2021 states that when application demand exceeds available Cost Rental dwellings, an independently verifiable lottery is required to be utilised to select applicants equal to the number of tenancies available. The Property Letting and Management Procedure notes the Agency's responsibility for conducting such lotteries in accordance with the Act. Per the Procedure, third-party service providers engaged by the Agency are responsible for sending document requests (through the Agency's lottery system) to applicants and then performing post lottery selection, eligibility checks and vetting of tenants.

The Agency utilises the [REDACTED] to manage online tenant application and tenant screening, including the performance of lotteries. Third-party service providers are granted access to relevant components of the [REDACTED] in order to perform their designated duties.

Through detailed review of documentation and discussions with relevant stakeholders, Internal Audit noted the following with regards to the [REDACTED]:

- Absence of defined and documented processes and controls for user registration, granting users access and user authentication methods, including third-party service provider access management. Internal Audit notes that [REDACTED]
- [REDACTED]
- Absence of documented dispute and complaint resolution procedures with the use of the [REDACTED] (refer Finding 1 & Recommendation 1.2); and
- [REDACTED]

## Observation Impact

Medium

## Target date

20/12/2024

## Responsible party

Head of Asset  
Management

#### Implication

- Lack of defined processes and associated roles and responsibilities for verifying eligibility and conducting lotteries may result in the erroneous performance of critical tasks, legal censure and/or reputational damage.

- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

#### Recommendation

1. Document/reference in the existing suite of policies, procedures, or guidance documentation the standardised processes and [REDACTED], [REDACTED] which the LDA follows. Implement regular access reviews to enhance security.

2. [REDACTED]
3. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]



### Agreed Upon Management Action

Management accepts the recommendations and responds as follows:

1. Existing policies, procedures and guidance to be updated to reference the standardised [REDACTED] processes and [REDACTED]  
[REDACTED]

2. [REDACTED]

3. [REDACTED]





## Observation

## 4. Gaps in the reporting, oversight and management of third-party service providers

## Observation impact

Low

## Target date

28/03/2025

## Responsible party

Head of Asset Management

## Issue

The LDA engages a number of third-party service providers to support the day-to-day operation of the Cost Rental portfolio on a site-by-site basis. The scope of these services includes the letting of Cost Rental units as well as the property and asset management of Cost Rental sites.

Per the contracts entered into with third-party service providers for letting services, the providers are required to issue a monthly reporting pack to the Agency within 4 business days of the month-end. [REDACTED]

Per the contracts entered with third-party service providers for property and asset management services, the providers are required to submit monthly operational reports and financial reports on operational expenses incurred and variance to budget to the Agency.

Through detailed review of documentation relating to third-party service provider engagement in property letting and management processes, including a sample of contracts and reporting relating to the Archers Wood, Harpur Lane and Parklands Cost Rental sites, Internal Audit noted the following:

- The Property Letting and Management Procedure does not explicitly document the content of monthly reporting to be submitted to the Agency. Internal Audit notes, the Letter of Engagement issued defines the reporting expectations for the third-party service providers.

The Block Management Agent Reporting procedure defines the requirements for the monthly Financial and Operational reporting process. The procedure, however, does not document the requirement to communicate and agree the

monthly reporting with the third-party services providers and is not approved (refer Finding 1& Recommendation 1.6). In addition, it is not currently referenced in the Property Letting and Management Procedure.

- On reviewing the Letting Managers Monthly Report April 2024 for Archers Wood, Harpur Lane and Parklands, the following items per the associated contracts were not reported on:
  - Maintenance request reporting: Internal Audit noted while there is a schedule on repairs and maintenance, the data reported is for the current month only. There are no details on open requests carried forward from earlier months; and
  - Unit inspections: Internal Audit noted while there is a schedule on inspections timetable, reporting performed is at a numerical level and no detail on which units and assets were inspected are provided.
- Absence of reporting of repair and maintenance requests raised pending for approval, to the LDA, or status of approved requests which have been incurred however have not yet been reported as part of the schedule of expenditure.
- Absence of tracking and commentary of results and actions from prior inspections conducted.

## Implication

Where third-party property management service providers are not required to routinely provide the Agency with tenancy and property information, including financial, maintenance and tenant experience information, this may impede the ability of the Asset Management function to assess the status of Cost Rental units and implement corrective actions.



## Recommendation

1. Update the relevant policy/procedure/guidance documentation to reflect the requirement to communicate and agree the monthly reporting requirements with the third-party services providers;
2. Require property managers to include a detailed report of all repair and maintenance requests raised for approval, including open requests, requests pending for approval and approved requests which have materialised however, are yet to be reported in the expenditure schedule.
3. Ensure that property managers provide status/commentary of open findings and actions from prior inspections.

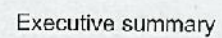
## Agreed Upon Management Action

Management accepts the recommendations and responds as follows:

1. LDA to update the monthly and weekly reporting process to include KPI review from Observation 1 and reissue requirements to service providers and record acceptance of same.
2. LDA will document a standard reporting process for Property Managers relating to open and closed R and M requests which will be included in the reporting cycle which are flexible and can be adapted for various related PM systems. Training workshop to be provided to AM team, other relevant staff, and the service providers.
3. LDA will document a standard reporting process for inspections which is flexible and can be absorbed by inspection platforms currently in use and which reflects industry best practice. Training workshop to be provided to the Asset Management team, other relevant staff, and the service providers.







### Agreed Upon Management Action

[illegible]





## Observation

## 6. Procedures governing MI and reporting on Asset Management activity require enhancement

### Issue

Project Tosaigh and the assembly of the Cost Rental portfolio has represented the single largest capital outlay of the Agency to date. The provision of sufficient management information and reporting on such activity at appropriate frequency is critical for ensuring effective and timely oversight and informing decision-making over such activity.

Through detailed review of documentation and discussions with relevant stakeholders, Internal Audit notes that a reporting template detailing a suite of topics and metrics is used for the monthly reporting to relevant governance forums such as EMT to the Board.

We note that a suite of metrics has been developed to date, to enable monitoring of the Cost Rental portfolio. At present, these metrics, the frequency with which they should be reported and to whom are not defined within underlying procedures.

### Implication

- Absence of frequent and consistent reporting by the Asset Management function to the Agency's other business units and various governance forums may lead to inaccurate and/or incomplete information to inform decision making.
- Absence of appropriate oversight, review, challenge and approval of Asset Management activity may impede the achievement of organisational objectives and, ultimately, result in financial loss and/or reputational damage.

### Recommendation

Document in the Asset Management policies, procedures, and guidance documentation (as appropriate):

## Observation impact

Low

## Target date

28/03/2025

## Responsible party

CFO/Head of Asset Management

- a) the suite of topics and metrics that the Asset Management function currently reports on as part of the reporting template in use, ensuring all critical aspects of the Cost Rental portfolio are considered. This should include both quantitative and qualitative metrics to provide a holistic view of performance.
- b) The frequency at which management information and reporting should occur (e.g., monthly, quarterly). Assign specific responsibilities for the preparation, review, and dissemination of reports to ensure accountability.
- c) Ensure that reporting occurs in line with the requirements established by the relevant governance forums to ensure that the forums have the opportunity to review, challenge, and approve the Asset Management function activities.

### Agreed Upon Management Action

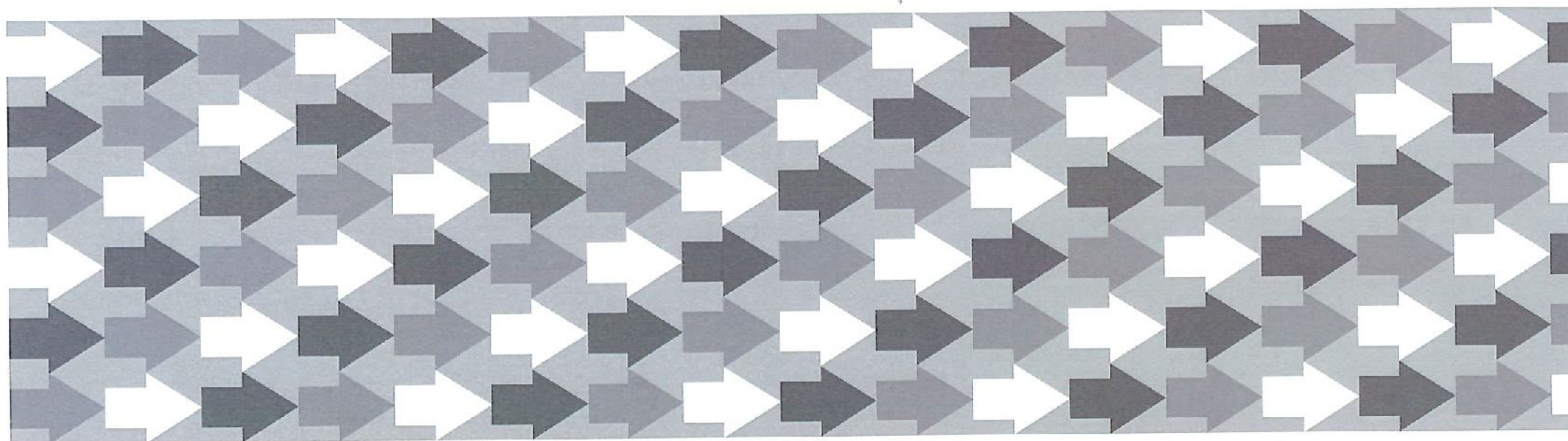
Management accepts the recommendations and responds as follows:

- a. Finance and Asset Management are in the process of reviewing existing reporting templates to Board that include quantitative and qualitative metrics and which will provide a holistic view.
- b. In line with the MI Policy, Finance and Asset Management currently report monthly through the EMT and Board meetings and will continue to do so with an updated template. Responsibilities for reconciling the data received to the accounting records is assigned to the Management Accountant on the Asset Management team and the Finance Manager on the Finance team. The CFO, Head of Asset Management and the Corporate Strategy lead disseminate the data into MI report form.
- c. Asset Management and Finance currently submit data in line with the MI Policy to be collated for EMT and Board monthly MI papers in order for the Asset Management function activities to be subject to review, challenge and approval.



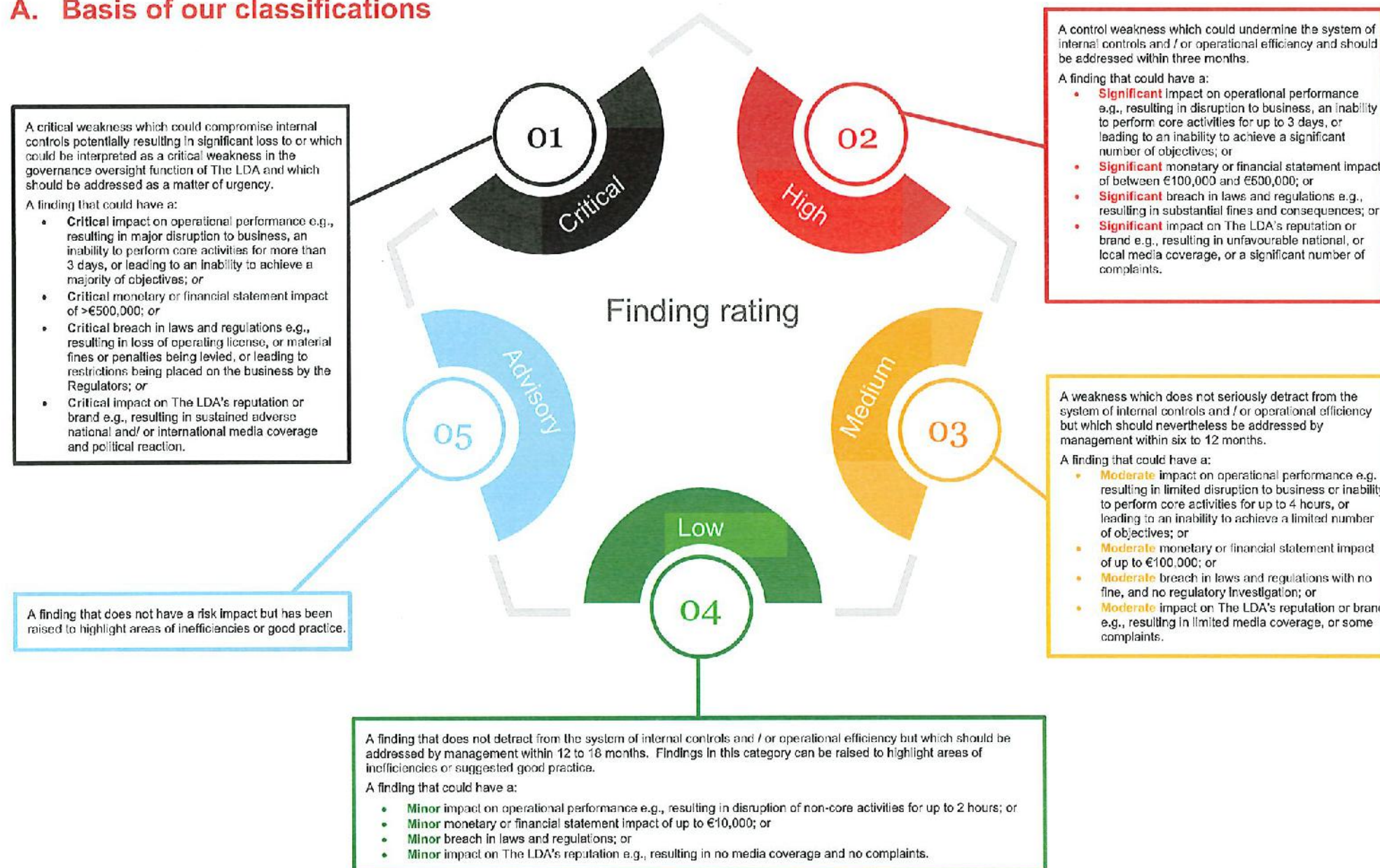
# Appendices

- A. Basis of our classifications**
- B. Report classifications**
- C. Limitations and responsibilities**





## A. Basis of our classifications



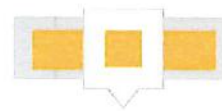
## B. Report classifications

The report classification is determined by allocating points to each of the findings included in the report

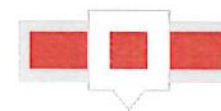
### Findings rating:



Low



Medium



High



Critical

### Points:

1 Point per finding

3 Points per finding

10 Points per finding

40 Points per finding

### Report rating

The final report rating is classified as follows:

Report classification	Points	Report classification	Points	Report classification	Points	Report classification	Points
	6 points or less		7 – 15 points		16 – 39 points		40 points and over
Satisfactory		Satisfactory with Exceptions		Needs Improvement		Unsatisfactory	





## C. Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken the Asset Management Review. Our work was performed, and this report was developed in accordance with our Letter of Engagement. We note the limitations outlined below:

#### *Internal control*

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### *Future periods*

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



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# The Land Development Agency DAC

## Supplier Payment Process Review – Internal Audit Report

**Issue Date:** December 2024

**Rating:** Satisfactory

### Report Distribution

*Board Audit & Risk Committee*

*Executive Management*

Róisín Henehan, Chief Financial Officer  
Garry Mannering, Chief Risk Officer

*Other Management*

Michael Whelehan, Audit & Risk Manager



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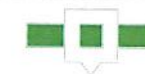
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# Executive summary

**Report rating:**

Satisfactory

In August 2024, an incident occurred whereby The Land Development Agency ("The LDA" or the "Agency") settled an invoice with an incorrect supplier due to human error in the selection of a similarly named beneficiary on the [REDACTED]. Following the incident, Management committed to executing several one-time actions and implementing a number of additional controls, as detailed in a Board Briefing Note dated September 2024, to help reduce the risk arising from human error/data entry and the impact of changes in personnel. The additional controls will operate on an interim basis until the go-live of [REDACTED] Accounts Payable ("AP").

At the request of the Audit & Risk Committee, Internal Audit performed a review of the execution of the one-time actions and the design and operational effectiveness of the interim additional controls implemented post the August 2024 incident. This involved conducting interviews and walkthroughs with relevant team members to gain an understanding of the measures implemented, reviewing documentation supporting the execution of the one-time actions and reviewing policies and procedures governing the updated supplier payment process. The review also involved testing, on a sample basis, the operation of the interim additional controls over supplier payments and supplier amendments.

Based on the suite of documentation provided and the sample of activity tested, Internal Audit determined that Management's commitments per the September 2024 Board Briefing Note have largely been fulfilled, including:

- Interim additional controls to help reduce the risk arising from human error/data entry during supplier payments and supplier amendments have been implemented and are generally operating effectively;
- Review checklist documents have been updated to reflect the interim additional controls and such documents have been communicated to relevant Finance team members;
- A data cleanse of suppliers on the [REDACTED] and the Master Vendor List for similar names has been performed and [REDACTED] and the Master Vendor List have been updated to differentiate suppliers who share similar names; and
- Training on the updated supplier payment process has been delivered to relevant Finance team members.

Through discussions with Management, Internal Audit learned that a one-time action to perform a review of Q1 and Q2 2024 payment runs for any other undetected errors, as per the September 2024 Board Briefing Note, has not been fully completed. Management communicated the probability of further errors being identified through such an exercise is low due to the time that has since elapsed and the likelihood that any other undetected errors would have already been identified by the Agency and/or communicated by supplier stakeholders.

## Key observations:

The review identified 1 "Low" rated observation regarding the performance of the interim additional controls for a one-off payment.

The review also identified 1 "Advisory" observation for Management's consideration.



## Use of this Report

This report is intended for the information and use of The LDA and is not intended to be relied upon by anyone other than The LDA. We accept no duty of care and deny all liability to any third party that places reliance on our report.

We have provided no opinion, attestation, or other forms of assurance with respect to our services or the information upon which our services are based. We did not audit or otherwise verify the information supplied to us in connection with this engagement, from whatever source, except as specified in our Terms of Reference.

Our work was performed in accordance with PwC's Internal Audit Methodology which is consistent with the Chartered Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. As agreed, the review did not constitute an examination in accordance with full scope generally accepted auditing standards.

## Acknowledgement

We would like to thank all personnel who assisted and facilitated us in carrying out this review.

PricewaterhouseCoopers

December 2024





# Audit overview

## Background

In August 2024, an incident occurred whereby The Land Development Agency ("The LDA" or the "Agency") settled an invoice with the wrong supplier. The incident was first observed by the recipient supplier who informed The LDA and returned the amount to the Agency shortly thereafter. The root cause of the incident was identified by Management as human error arising from a Finance team member who erroneously selected a similarly named supplier as the beneficiary on the [REDACTED]. Management determined that this error was not subsequently detected as a key control per the Agency's supplier payment process, the check of beneficiaries on [REDACTED] against the payments schedule by a reviewer, was not applied in this instance due to the reviewer being new to the process.

Following the incident, Management implemented a number of additional controls to help reduce the risk arising from human error/data entry and the impact of changes in personnel. These additional controls will exist on an interim basis until the go-live in late 2024 of the Accounts Payable module of the [REDACTED] system, which will contain several automated controls. Management also completed several one-time actions following the incident, including updates to the Payment File Review Checklist, a data cleanse of suppliers on [REDACTED] and the Master Vendor List for similar names and the provision of training to Finance team members. Furthermore, Management committed to performing reviews of Q1 and Q2 payment runs to check for any other undetected errors, a portion of which has been conducted as of October 2024.

## Objectives and scope

At the request of the Audit & Risk Committee, Internal Audit performed a targeted design and operational effectiveness review of certain processes and controls currently operating in relation to supplier payments.

The objectives of this review were as follows:

- To gain an understanding of the processes and controls currently operating in relation to supplier payments;
- To assess whether the additional supplier payment controls, implemented following the August 2024 incident, are adequately designed to reduce the likelihood of erroneous supplier payments;
- To assess, through testing on a sample basis, whether the additional supplier payment controls are operating effectively;
- To assess whether policies, procedures, checklists and other relevant documentation governing and supporting the supplier payment process have been appropriately updated to reflect the additional supplier payment controls and that such documentation has been formally communicated to all applicable personnel;
- To assess whether a data cleanse of suppliers on [REDACTED] and the Master Vendor List for similar names was performed and that [REDACTED] and the Master Vendor List were thoroughly updated to clearly differentiate suppliers;
- To assess whether training on the supplier payment process was delivered to all relevant Finance team members; and
- To assess whether reviews of Q1 and Q2 payment runs conducted to date have been performed on an accurate and complete basis and that any corrective actions arising from such reviews have been executed in a timely manner.

## Key risks

The following key risks were addressed during the review:

- Supplier payment controls are inadequate for organisational requirements, increasing the likelihood of the occurrence of an erroneous supplier payment;
- Supplier payment controls are not operating effectively, leading to supplier payment incidents and/or impeding the identification and resolution of erroneous supplier payments;
- Policies, procedures, checklists and other relevant documentation governing and supporting the supplier payment process have not been appropriately updated to reflect the additional supplier payment controls and/or have not been formally



communicated to all applicable personnel, leading to inconsistent application and the erroneous or non-performance of such controls;

- A data cleanse of suppliers on [REDACTED] and the Master Vendor List to identify similar names was not performed and/or the [REDACTED] and the Master Vendor List were not thoroughly updated to provide clear differentiation of suppliers, resulting in the maintenance of similarly named suppliers on systems and tools used within the supplier payment process;
- Training on the supplier payment process was not delivered to all relevant Finance team members, leading to an absence of adequate knowledge of the controls to mitigate the risk of human error/data entry and the impact of changes in personnel; and
- Reviews of Q1 and Q2 payment runs conducted to date have not been performed on an accurate and complete basis and/or any corrective actions arising from such reviews have not been executed in a timely manner, potentially resulting in financial loss and/or reputational damage for the Agency.

## Limitations of scope

The following were outside the scope of this review:

- The August 2024 supplier payment incident management process;
- Design and operating effectiveness of controls across the end-to-end procure-to-pay process; and
- Design effectiveness of processes and controls currently being developed with regards to the [REDACTED] system.

## Internal Audit approach

Our approach to the review involved the following:

- Conducting interviews and walkthroughs with relevant team members to gain an understanding of processes and controls currently operating in relation to supplier payments;
- Obtaining and reviewing the policies, procedures and other relevant documentation governing and supporting the supplier payment process;
- Assessing the design and operating effectiveness of identified key internal controls; and
- Identifying and reporting on any internal control weaknesses, operational inefficiencies, and improvement opportunities, as identified.



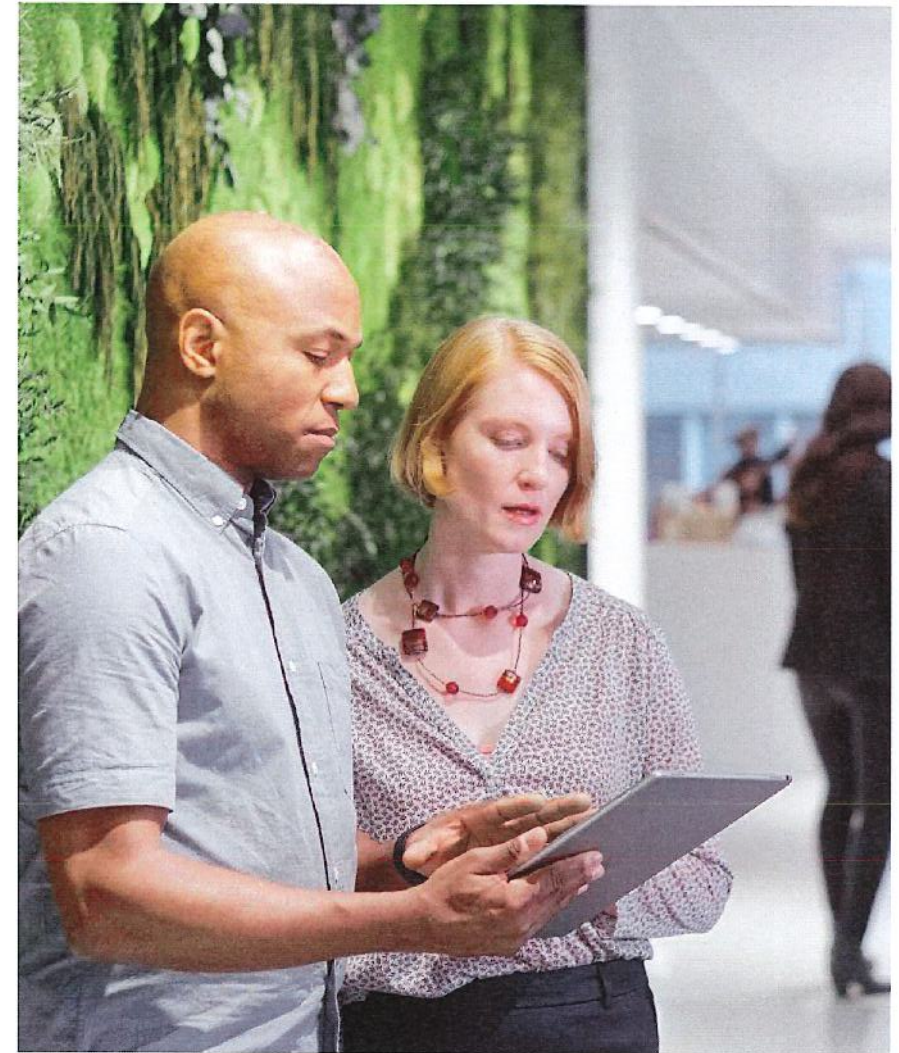


# Observations

1. Interim additional controls were not performed for a one-off payment
2. Potential to enhance the Procure to Pay Procedure

Low

Advisory





## Observation

1. Interim additional controls were not performed for a one-off payment

## Observation impact

Low

## Target date

31/12/2024

## Responsible party

Head of Finance

## Issue

An updated Payment File Review Process and Checklist document was introduced and communicated to Finance team members in late August 2024. The updated Payment File Review Process and Checklist contains interim additional controls to be applied to each payment run in the period prior to [REDACTED] go-live. [REDACTED]

Through detailed review of relevant documentation, Internal Audit noted that for 1 of 8 supplier payments sample tested, a corresponding Payment File Review Process and Checklist document was not completed and, consequently, evidence to confirm the performance of the interim additional controls was not available. Management communicated that a Payment File Review Process and Checklist document was not completed as this was a one-off supplier payment outside the standard payment run process and Management provided an email exchange demonstrating appropriate approval of the supplier payment. However, Internal Audit noted that the performance of the interim additional controls for this one-off payment was not recorded on the email exchange.

## Implication

- If interim additional controls are not performed with regards to one-off payments, data entry/human errors to such payments may not be detected and rectified in a timely manner, potentially resulting in financial and/or reputational loss for the Agency.

## Recommendation

1. For one-off supplier payments and other instances where the completion of the full Payment File Review Process and Checklist document is not deemed necessary, develop an abbreviated review checklist document to record the performance of all relevant supplier payment controls, including the interim additional controls. Ensure that the requirement to complete the abbreviated review checklist document for such supplier payments is communicated to all relevant Finance team members.

## Agreed Upon Management Action

Management accepts the recommendation and responds as follows:

1. Management noted that in this instance all points in the checklist were fully complied with but a Payment File was not created. It has now been introduced into the process that a Payment File will be created regardless of the number of transactions to be effected.





## Observation

## Observation impact

## 2. Potential to enhance the Procure to Pay Procedure

Advisory

## Background

The LDA's Procure to Pay Procedure outlines the end-to-end tasks and requirements to be fulfilled during the purchase of goods and services from suppliers on behalf of the Agency.

Internal Audit noted that the requirement to complete the Payment File Review Process and Checklist document as part of the updated supplier payment process, including the requirement to perform the interim additional controls introduced in late August 2024, is not currently included in the Procure to Pay Procedure (v2, November 2024). However, Internal Audit noted that such requirements have been communicated to relevant Finance team members through updated guidance and the provision of training. Furthermore, Internal Audit understand that the supplier payment process is currently undergoing transformation with the implementation of [REDACTED].

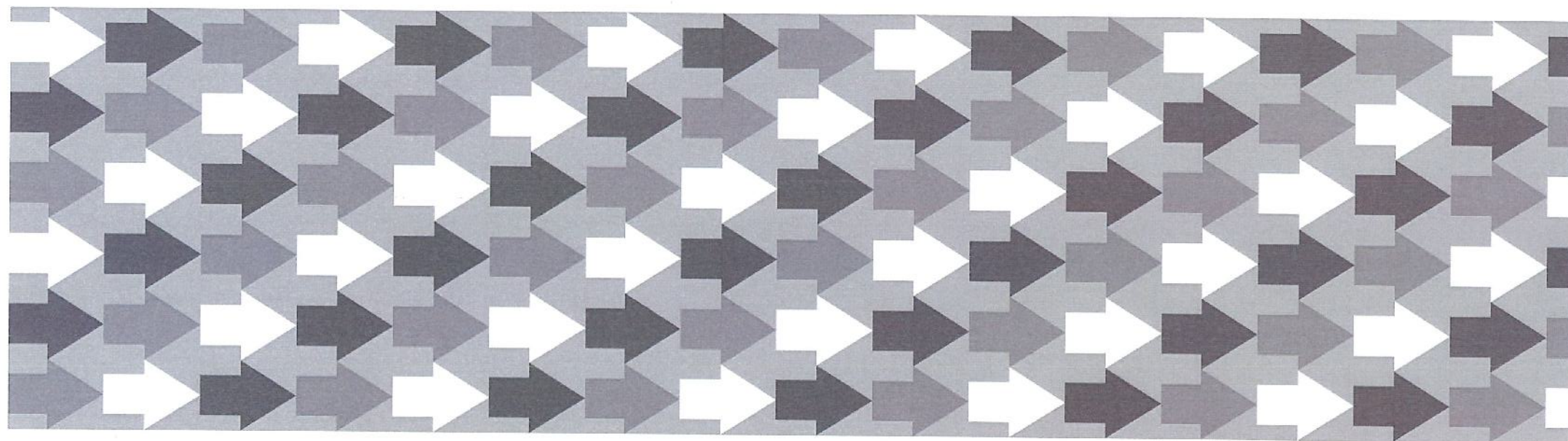
## Recommendation

Update the Procure to Pay Procedure to comprehensively incorporate all relevant tasks and requirements following [REDACTED] go-live, including the completion of any review checklist documents that may still be required and associated controls pertaining to the supplier payment process.



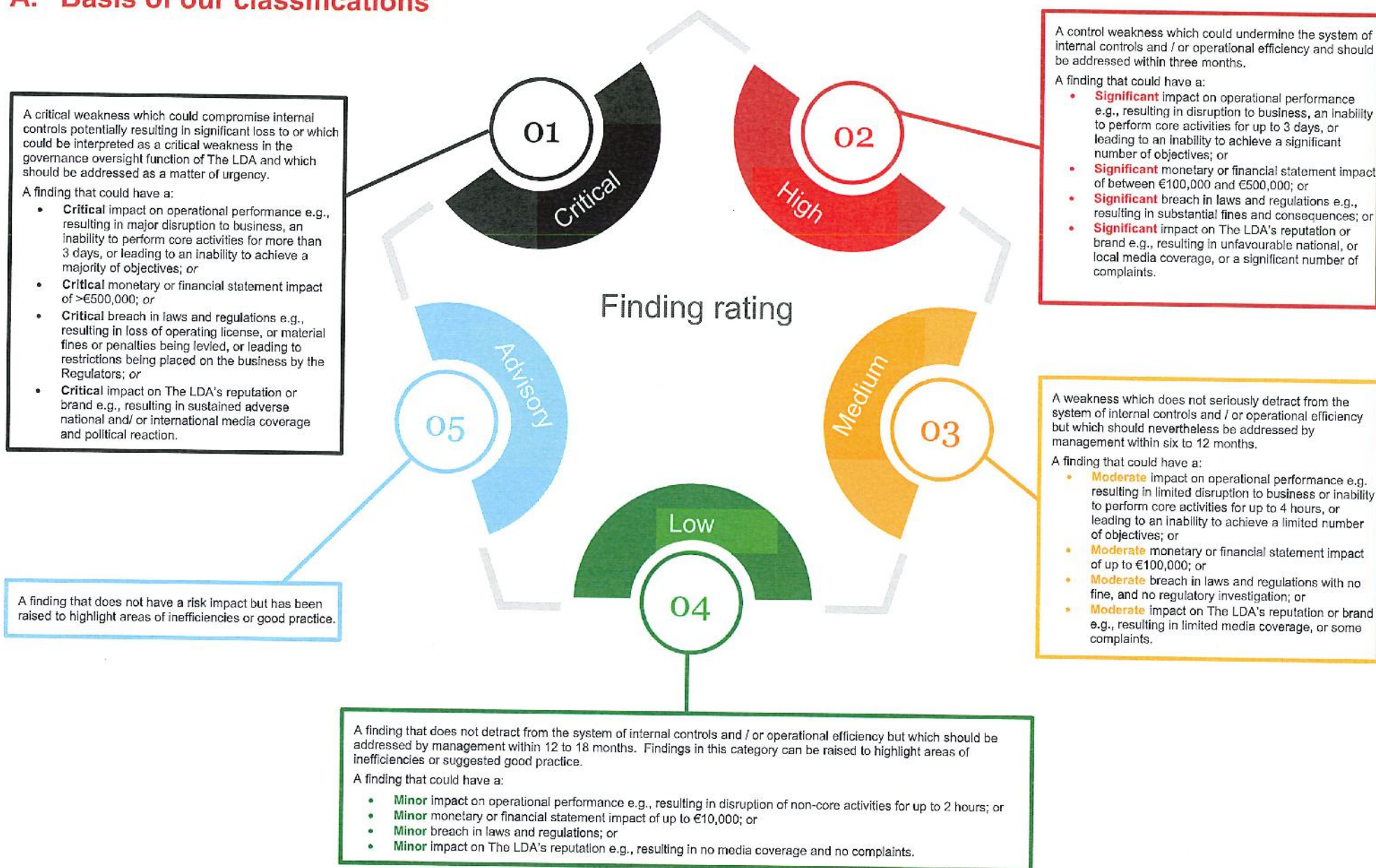
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- A. Basis of our classifications**
- B. Report classifications**
- C. Limitations and responsibilities**





## A. Basis of our classifications



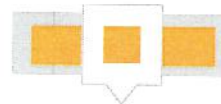
## B. Report classifications

The report classification is determined by allocating points to each of the findings included in the report

### Findings rating:



Low



Medium



High



Critical

### Points:

1 Point per finding





3 Points per finding

10 Points per finding

40 Points per finding

### Report rating

The final report rating is classified as follows:

Report classification	Points	Report classification	Points	Report classification	Points	Report classification	Points
	6 points or less		7 – 15 points		16 – 39 points		40 points and over
Satisfactory		Satisfactory with Exceptions		Needs Improvement		Unsatisfactory	





## C. Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken the Supplier Payment Process Review. Our work was performed, and this report was developed in accordance with our Letter of Engagement. We note the limitations outlined below:

#### *Internal control*

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### *Future periods*

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



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