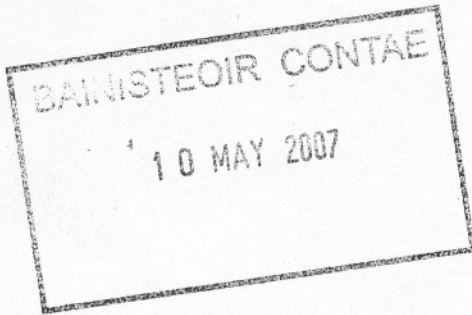


LOCAL GOVERNMENT AUDIT SERVICE
(Seirbhis Iniucha Rialtais Aitiuil)



Statutory Audit Report

to the

Mayor and Members

on

The Accounts of

South Dublin County Council

for the

Year Ended 31 December 2005



Peter F. Christian
Local Government Auditor
30th March, 2007



SOUTH DUBLIN COUNTY COUNCIL

1 INTRODUCTION

- 1.1 I have completed the statutory audit of the accounts of South Dublin County Council for the year ended 31st December 2005. My audit opinion on the Annual Financial Statement is stated on page 5 of the statement.
- 1.2 This report is issued in accordance with Section 120 of the Local Government Act, 2001.

2 ANNUAL FINANCIAL STATEMENT

- 2.1 The Annual Financial Statement consists of three elements as follows:
- # The Income and Expenditure Account
 - # The Balance Sheet which records the assets and liabilities of the Council at 31st December 2005 and how they are funded.
 - # Notes on and forming part of the accounts, which explain and give further details to items in the Accounts.
- 2.2 The Statement of Accounting Policies detail the basis on which the accounts have been prepared

3 FINANCIAL POSITION OF THE COUNCIL FOR 2005

- 3.1 The Income and Expenditure Account recorded a surplus of €610,068 after net transfers to Reserves of €4,610,623.
The corresponding figures for 2004 recorded a surplus of €4,547,201 after net transfers to reserves of €5,240,496.
- 3.2 The Balance Sheet, with corresponding figures at 31st December 2004, is summarised as follows:

	<u>31/12/2005</u>	<u>31/12/2004</u>
	<u>€ m.</u>	<u>€ m.</u>
Fixed Assets	3,172.9	3,098.6
Work in Progress, etc.	188.2	301.1
Long Term Debtors	181.8	143.9
Net Current Assets	<u>114.1</u>	<u>73.3</u>
	3,657.0	3,616.9
Less; Long Term Creditors	<u>185.2</u>	<u>137.5</u>
Net Assets	<u>3,471.8</u>	<u>3,479.4</u>

4 REVENUE COLLECTION ACCOUNTS

- 4.1 The summary of the major revenue collections for the year is set out in Appendix 7.
- 4.2 Commercial Water Charges: The percentage collection recorded for this area at 73% in 2005 cannot be compared with the previous year's percentage collection of 90%. In 2005, there was a change in accounting procedure in this area and charges were accrued up to 31st December 2005. The effect of this was that five quarters were brought into the accounts in the year.

5 HOUSING LOANS

- 5.1 Per Appendix 7, the revenue collection figures for 2007 show a net prepayment on the revenue balances on housing loans at 31st December 2005 of €1,120,178. On investigation I found that this figure included large credit balances totalling €613,659.82 in respect of H.F.A. agency loans which had been redeemed prior to 31st December 2005. The explanation was that, as the returns to the H.F.A. in respect of these loans is on a yearly basis to 30th June each year, these balances are maintained on the system until that date. However at a recent date 9 of these redeemed loans were still recorded as credit balances on the system. These loans must be removed from the system immediately.
- 5.2 The housing loan details are maintained on a stand alone computer system called "Cygnus". The cash details for receipts and issues are reconciled with the figures per the agresso financial system. The figures for the total summaries of the transactions for the year are given by the housing department to the finance department and year end journals are posted into the agresso system to bring the loan details and debtors into the Annual Financial Statement. The agresso system on which the Annual Financial Statement is based incorporates the normal debit and credit accounting checks and balances which the Cygnus system does not have. I understand that the possibility of automatically exporting figures on a monthly basis from the Cygnus system to the agresso system is being investigated. That would greatly enhance the control aspects of the housing loans system.
- 5.3 As provided for in Section 120(4) of the Local Government Act 2001, the matters contained in the audit report were presented to the county manager for his comments.
The county manager commented on the situation as follows.
"I have recently commissioned an interface to automate the transfer of relevant data from the housing loans system to the general ledger and the re-development of the reconciliations necessary to ensure that both systems are maintained in sync. This should reduce time lost when manually carrying out this work, speed up the reconciliation and reporting processes and enhance internal controls for housing loans."

6 PLANNING and DEVELOPMENT CONTRIBUTIONS

Balances outstanding at 31st December 2005

- 6.1 In the Annual Financial Statement these receipts are treated on a cash basis and a total of €31.6m. was received and credited to the appropriate codes in the year 2005.

The Council utilises an assessment database for the decision to grant permission and a different database system to control and record the flow of information relating to these contributions. When a commencement notice is received an invoice is issued to the developer for the full contribution in respect of that commencement notice and this is recorded on the system. However, if the Council enters into an arrangement that the full contribution is to be paid on a phased or instalment basis or if payment is deferred in any way that is then recorded on the separate database. As the two databases are not integrated it is difficult to extract a full listing of development levies actually due at any date.

The Council are currently investigating each account on the two databases in order to extract a listing of balances due at 31st December 2005. The matter will be reviewed at the next audit.

- 6.2 The county manager commented as follows.

"The process to levy development contributions was reviewed following the 2004 audit and steps were taken to enhance the collection process and internal controls. A range of further proposals and options are currently under consideration to automate this system, enhance internal controls and improve the timeliness and quality of management information. In particular I wish to examine the operation of the bespoke planning contributions system currently in development for national implementation, by the Local Government Computer Services Board. For South Dublin this is a complicated high value billing system so it is important to implement an early solution with good reporting tools and incorporating all necessary internal controls."

7 UNFUNDED PROJECT and NON-PROJECT BALANCES

- 7.1 Included in the Balance Sheet under "Other Balances", which are analysed in note 11 to the accounts, are totals for unfunded project and non-project balances as follows:

	31/12/2005	31/12/2004
	<u>€M.</u>	<u>€M.</u>
Project Balances	105.9	94.2
Non Project Balances	<u>13.5</u>	<u>10.9</u>
	119.4	105.1

€43.1 million of the total relates to Grange Castle and the lands at Baldonnel. While some other accounts are ongoing, the majority relate to completed projects. There are a few projects where the same balance has been carried forward for a number of years. Each of these accounts must be investigated and categorised. Where necessary decision should be made in relation to funding.

- 7.2 The county manager commented as follows.
“Capital project financial activity and balances are monitored each month and sources of funding have been identified for a significant number of the projects flagged as unfunded during 2005. This is an ongoing project in South Dublin and attention will again be given to identifying and flagging the source of funding for capital job codes prior to the 2006 audit.”

8 ACKNOWLEDGEMENT

- 8.1 I wish to record my appreciation of the courtesy and co-operation extended to me and my colleagues by the County Manager and his staff.



Peter F Christian
Local Government Auditor
30th March 2007