COMHAIRLE CONTAE ÁTHA CLIATH THEAS
SOUTH DUBLIN COUNTY COUNCIL



MEETING OF SOUTH DUBLIN COUNTY COUNCIL

Monday, September 25th 2017

HEADED ITEM NO. H12

**Audit Committee report to Council on its consideration of the audited financial statement 2016 and auditor’s report.**

**REPORT:**

1. **Introduction**

At the Audit Committee meeting held on 12th September, the Principal Local Government Auditor was in attendance to review and discuss her audit and report in respect of the Council’s Annual Financial Statement 2016.

In accordance with Section 60 of the Local Government Act 2014, I set out hereunder the Committee’s report in respect of their consideration of the audit and auditor’s report. Issues highlighted by the Auditor were discussed and considered by the Committee along with the Chief Executive’s responses to those issues raised.

The key issues raised by the auditor and discussed with the committee are as follows:

1. **Financial Standing**

The committee noted the areas of significant movements in the finances during the year, namely the increase in bank investments of €64.7m, the decrease in long term creditors of €10.9m and the reduction in specific revenue reserves of €5.9m, which contributed to the good financial cumulative revenue balance of €12.1m at year end.

1. **Income Collection**

The Committee noted the improved collection rate of 2% which the Auditor commended, and also the reduction in arrears of 4% in respect of commercial rates. While it was acknowledged that a considerable amount of work remains to be carried out to ensure improvement in the collection of rates continues, management has confirmed that the work is on-going and the situation monitored on a weekly basis. Management anticipate that additional collection powers will form part of the new rating legislation which will further enhance collection rates.

Progress continued in 2016 in the area of rent collection with an increase of 1% in the collection figures. An integrated housing system is currently being examined, it is anticipated that the new system will improve the automation of the arrears management process.

A review of customers’ loan accounts was carried out to ensure credit balances were appropriately applied. The closing arrears figure of €0.99m continues to be reviewed by management. The need for a new system for managing loans was highlighted by the Auditor and is currently being examined by the Council. The Committee recognises the complexities involved in procuring a suitable system due to the extent and variety of loan schemes available. It was noted that a number of options are currently being considered in conjunction with other Local Authorities.

1. **Mortgage Funding Gap**

Management has confirmed that the issue raised by the auditor in relation to the mortgage funding gap will be addressed in the current year. This is in relation to the proceeds of housing loans redeemed not being used to defray corresponding borrowings with the Housing Finance Agency. The Auditor confirmed that the proceeds were in the bank account at the year-end.

1. **Irish Water**

The Committee noted that the transition to Irish Water is an ongoing process and that the Council continues to deliver services on behalf of Irish Water under a service level Agreement.

1. **Capital Account**

The Committee noted that much progress had been made in 2016 in relation to unfunded capital schemes and the number of unfunded jobs had been reduced by approximately 50% which was commended by the Auditor. The Committee noted Management’s position in that schemes are embarked upon in advance of funding being made available by the Department, which will result in unfunded balances. The Committee also noted that the Council are requested to commence such schemes by the Department before the funding is confirmed. These balances are pursued as far as possible with the Department and where funding may not be forthcoming, provision will be made to fund these balances. The pursuit of these funds is ongoing with the Department.

The Committee noted issues raised by the Auditor in regard to the categorisation and recording of transactions on the capital account. Management acknowledged that while significant work has been carried out on the capital account, this work is ongoing.

1. **Bridging Loans**

The Committee noted that the bridging loans of circa €33.9m in respect of the acquisition of 139 affordable houses have been allocated to voluntary housing bodies under the Social leasing Scheme. The loans are on an interest only basis and are funded by the Department.

1. **Property Register**

The Committee noted that the reconciliation of the property management system with the fixed asset register is ongoing and that consideration is being given to the implementation of a national property management system.

1. **Interests in Associated & Subsidiary Companies**

The Committee noted that the audited accounts of the three subsidiaries and one associated companies were completed and available at the time of the audit.

1. **Procurement**

The Committee noted issues raised by the Auditor in her report in relation to procurement and also noted Management’s responses in relation to the issues. The Committee took into consideration the Auditor’s comments regarding the good work being carried out by the dedicated procurement unit. The unit continues to strengthen the governance of procurement throughout the organisation which should address the types of issues raised going forward.

1. **Governance**

In relation to risk management, the Committee noted the Auditor’s comments that the register is up to date and is reviewed regularly by the management team. The Committee endorsed the Auditor’s comments in relation to the high standard of work undertaken by the Internal Audit Unit during the year.

1. **Conclusion**

The Audit Committee is satisfied that much progress was made during the year in the areas of improved collections and reconciliations but acknowledges that further work is required to fully resolve issues identified by the auditor. While some of the issues previously raised were fully addressed, Management reported that work will continue on an ongoing basis to address the legacy issues and that further improvements will be made in the current year.

The Committee will continue to monitor progress on outstanding issues at its quarterly meetings as part of their work programme by receiving updates from Management.