

COMHAIRLE CONTAE ÁTHA CLIATH THEAS **SOUTH DUBLIN COUNTY COUNCIL**



MEETING OF SOUTH DUBLIN COUNTY COUNCIL

Monday, November 14th, 2022

Headed Item No.14

Audit Committee report to Council on its consideration of the audited Annual Financial Statement 2021 and auditor's report.

REPORT:

1. Introduction

At the Audit Committee meeting held on 12th of October 2022, the Principal Local Government Auditor was in attendance to review and discuss his audit and report in respect of the Council's Annual Financial Statement 2021. Where questions were posed by committee members, these were responded to by the Auditor and the committee was satisfied with the responses.

Issues highlighted by the Auditor were discussed and considered by the committee along with the Chief Executive's responses to those issues raised. In accordance with Section 60 of the Local Government Act 2014, I set out hereunder the Committee's report in respect of the key issues considered by the committee and our overall conclusions.

2. COVID-19 – Impact on Local Authorities

The committee noted the continuing significant impact of the Covid-19 outbreak and mitigation measures on the finances of the local authority during 2021.

The Local Government Auditor highlighted two schemes in particular that were in place to support local businesses, the Small Business Assistance Scheme and the extension of the Rates Waiver scheme.

The committee were satisfied with the detailed information provided in the audit report in relation to these two schemes and noted the measures dealing with the accounting treatment of same in the audited Annual Financial Statement 2021.

3. Financial Standing

The net surplus for the year in the amount of €27k after transfers to reserves of €47.2m was noted by the committee. The committee also noted the significant movements during the year in the finances in the following areas: the increase in bank investments of €77m and the increase in creditors and accruals of €6m.

4. Income Collection

The Local Government Auditor highlighted the collection yields from Commercial Rates, Rents & Annuities and Housing Loans in 2021. The committee noted the yields for 2021.

In relation to the commercial rates collection figures, the Local Government Auditor explained how the collection percentage is not comparable with previous years due to the accounting treatment of the Rates Waiver scheme. Had the grant income been treated as collected and not waived the collection would be 90%. The Chief Executive commented that the Council will continue to work with its customers to maximise its collection and improve on this collection rate. This was noted by the committee.

The Local Government Auditor stated that the collection yield for housing rents remains poor at 74% and that the increase in arrears at year end should be addressed as soon as possible. The committee noted the Chief Executive's response outlining the impacts that Covid-19 has had on the collection of rents over the past two years and the allocation of additional resources to its Debt Management Unit having resulted in the increase in the 2021 arrears being retrieved in 2022.

The committee welcomed the increase in the collection percentage for housing loans in 2021 and the corresponding reduction in arrears at year end.

The Local Government Auditor again raised concerns in relation to the system for recording and accounting for housing loans. The committee noted this and the Chief Executive's response stating that a dedicated project team is working with the LGMA and external consultants to transition to a new housing loans system by an expected date of year end 2022.

The Local Government Auditor highlighted the decrease in gross debtors from €92.8m to €84.3m at year end 2021, including those from the main income collections. The committee welcomes this decrease and notes the details provided by both the LGA and the Chief Executive in relation to the work of the Debt Management Unit.

5. Capital Account

The Local Government Auditor confirmed the increase in capital expenditure from €90m in 2020 to €103m in 2021 and the increase in capital income (including transfers from revenue) from €127m in 2020 to €138m in 2021.

The committee noted these increases and welcomed the change in activity in relation to capital projects during 2021.

6. Voluntary Housing and Approved Housing Bodies

The Local Government Auditor referred to the Approved Housing Bodies (AHB) register which records relevant details of housing units funded by various government housing schemes. The LGA stated that there are currently variations and gaps between the internal Council systems in relation to the maintenance of these records.

The committee noted the Chief Executive's response that a definitive list of these properties will be maintained in the Council's financial management system and that progress in the updating of these records is ongoing.

7. Fixed Assets

The committee noted the increase in fixed assets from €3,359m in 2020 to €3,408m at the end of 2021.

The Local Government Auditor again highlighted the need for a comprehensive property register for all Council property and outlined the progress made by the Economic, Enterprise and Tourism Development directorate. The committee noted the Chief Executive's response further detailing the progress being made in updating the register with all relevant information.

8. Loans Payable

The committee noted the breakdown of loans payable by the Council at year end 2021 and the Chief Executive's response clarifying the position in relation to the bridging finance value.

9. Procurement

The committee noted the framework in place to support staff compliance with procurement requirements and the auditor's findings in relation to contract management and low value purchase cards.

The committee welcomes the increase in compliance levels from the auditors testing and noted that there remains room for improvement.

The committee acknowledged the Chief Executive's response that the focus and oversight on procurement compliance will continue across the organisation.

10. Local Authority Companies

The Local Government Auditor detailed the five companies in which the Council has an interest and noted that all five companies are limited by guarantee. The most recent financial statements for these companies were noted in the Council's Annual Finance Statement.

11. Governance & Propriety

The Local Government Auditor gave an overview of the Internal Audit function referring to the staff makeup of the unit and its productivity during the year. He highlighted the important role that Internal Audit has in providing the Chief Executive with assurance in relation to the governance of the organisation.

The auditor also highlighted the activity of the Audit Committee during 2021.

12. Risk Management

The Local Government Auditor made reference to the Council's risk management policy and risk register which includes risks at both corporate and departmental levels. Risks are rated and relevant mitigation actions are recorded as appropriate against the risks. No issues were identified by the auditor. This was noted by the committee.

13. Ethics Declarations

The committee noted that the auditor confirmed that the annual ethics declarations were received for all council members and designated staff for 2021 as required by legislation.

14. Conclusion

Having considered the Local Government Auditor's report and discussed the various issues with him, the Audit Committee is satisfied with the level of improvement that has taken place over the last number of years in the areas of governance, improved processes and systems, and notes the continuing progress made in relation to legacy issues.

The Audit Committee raised some concerns on individual ongoing items mentioned earlier in this report and have noted the planned measures to address these matters. The committee will continue to monitor progress on outstanding issues as part of their work programme by receiving and considering updates from Management.