



# Dublin City Council

Comhairle Cathrach Bhaile Átha Cliath

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## STATUTORY AUDIT REPORT TO THE LORD MAYOR AND MEMBERS ON THE ACCOUNTS OF DUBLIN CITY COUNCIL FOR YEAR ENDED 31<sup>ST</sup> DECEMBER 2009

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The report of the Principal Local Government Auditor on the Accounts of Dublin City Council for the year ended 31<sup>st</sup> December, 2009 is attached, along with my response to him.

The Local Government Auditor's report is based on his conclusions following a comprehensive audit of the Annual Financial Statement (AFS) of Dublin City Council for the year ended 31<sup>st</sup> December 2009. The AFS was before the City Council at the May Council meeting (reference report 175/2010). The Local Government Auditor and his team commenced preparatory work on the Audit from March 2010, with the audit formally commencing on the 14<sup>th</sup> April 2010. The Audit was concluded at the end of July 2010, earlier than previous years.

During the audit period, the Local Government Auditor:

- Examined evidence of amounts and disclosures in the AFS
- Assessed significant estimates and judgements made in the preparation of the financial statements
- Assessed whether the accounting policies appropriate to the Council's circumstances, are consistently applied and adequately disclosed
- Performed the audit so that all information and explanations considered necessary to provide sufficient evidence in order to give reasonable assurance were obtained.

The Local Government Auditor concluded that:

- The AFS is free from material misstatement, whether caused by fraud or other irregularity or error.
- The AFS presents fairly, in accordance with the Code of Practice and Accounting Regulations, the financial position of the Council at 31 December 2009.

The report is an external commentary on financial management and financial prudence within Dublin City Council.

A handwritten signature in black ink, appearing to read 'John Tierney'.

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**John Tierney**  
**Dublin City Manager**

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Mr. Richard Murphy  
Principal Local Government Auditor,  
Department of the Environment,  
Heritage and Local Government,  
Custom House,  
Dublin 1

29<sup>th</sup> July 2010

**Re: Response to the Statutory Audit Report for Dublin City Council  
for year ended 31<sup>st</sup> December 2009**

I refer to the Statutory Audit report for Dublin City Council for year ended 31<sup>st</sup> December 2009 and set out my response. A summary of the main points raised in the report is provided, followed by comment in relation to certain items.

**Summary:**

The main points of the Statutory Audit Report are:

- The Annual Financial Statements represent fairly the financial position of Dublin City Council at 31<sup>st</sup> December 2009 and the Council's income and expenditure for that year.
- Dublin City Council's 2009 Annual Financial Statement meets the statutory accounting requirement of the Minister for Environment, Heritage and Local Government.
- The year end position at 31<sup>st</sup> December 2009 on the income and expenditure account was a surplus for the year of €5.4m, an improvement of €8.8m compared to a deficit of €3.4m in 2008. The surplus for 2009 was part of the budget for 2009 and reflects utilisation of accumulated balances from previous years.
- Dublin City Council's net assets are valued at €12.2bn.
- Dublin City Council's Capital Programme 2010 to 2012 is valued at €893m.

**Financial Standing**

The year 2009 presented financial and service difficulties for Dublin City Council. During 2009 Dublin City Council applied contingency measures that contributed to effective financial management by aligning spend and service delivery with the resource base available to the City. The introduction of the NPPR provided Dublin City Council with a new source of income of €10.1m in 2009.

**Development Contributions**

As per the response to the Exception Report, the current policy of DCC is to provide a flat rate of 20% bad debt provision against the current debtor of €33m as at the end of 2009. It is proposed that this policy will be reviewed during 2010 to establish if it is considered feasible to complete the case-by-case analysis recommended. There is no policy in DCC to provide a bad debt provision against deferred income of €116m as this amount is not currently falling due. The integration of the APAS and Oracle systems will proceed when appropriate resources become available. A number of recommendations regarding adjustment of parent invoices and more regular and formal co-ordination between various departments regarding off-sets, for instance in relation to Part V Agreements are accepted by Management and will be put in train.

**Summary of major revenue collections**

The active pursuit and collection of all revenues is of paramount importance to the Council. With increasing budgetary constraints and more demand on Dublin City Council to provide an enhanced quality of service, Dublin City Council continues to improve the collection of debtors. The domestic

refuse collection has improved in 2009 while other collections performed robustly in a difficult economic climate. This was due to the functioning systems of management and monitoring of income during 2009. The Council remains committed to vigorous follow up and pursuit of all outstanding debts.

### **Affordable Housing**

Every effort has been made by Dublin City Council, in accordance with Circular Letter AHS1 2009 dated 7th April 2009 "Measures to Deal with Unsold Affordable Homes and Related Issues" to either sell the unsold affordable units or to utilise the alternative options set out in the Circular.

The number of unsold affordable housing units currently on hand is 115 of which 91 are included in the pilot "Rent to Buy" Scheme that was launched on the 20th July.

### **Housing Capital Accounts**

The review of all housing capital costs centres, social, voluntary, affordable and regeneration has been completed. A monthly "Capital Cost Centres" review meeting regime has been set up to ensure that all issues that arise can be dealt with as quickly as possible.

### **Mortgage Funding Gap**

In order to eliminate the deficit and ensure that the deficit does not reoccur, controls and procedures for loan reconciliations have been reviewed. Borrowing approvals both mortgage and non mortgage, will be matched against the mortgage funding gap during 2010 with a view to the elimination of the deficit in the shortest time frame possible. The funding gap has been reduced to €31m as at the end of July 2010.

### **Commercial Water Charges**

The process commenced in 2010 to examine aged debtors and ensure that historical balances and duplicate accounts are written off will be continued and should be finalised by year end. This exercise will ensure that remaining aged debtors are accurate and can be pursued. In addition, it provides certainty where disconnections are pursued that the outstanding balances are accurate and appropriate to the existing occupier.

### **Procurement**

Following the completion of the spend analysis phase 1, The Corporate Procurement unit are engaged with various departments to strengthen the procurement framework in regard to the purchase of specific goods / services and arrangements are being progressed to ensure where appropriate that tenders are prepared. Specific areas under review include legal services, HR specialist services and Housing Maintenance general services.

### **AFS Accounting and Control Issues**

Dublin City Council places high importance on the compliance with the regulatory accounting framework of Local Government and continuously works to eliminate errors in the preparation and finalising of Annual Financial Statements. This is addressed by a periodic review of policies and procedures with ongoing identification and closure of gaps in the control framework. Each year recommendations made as part of the statutory audit are implemented and monitored. This process is continuing for the Audit of the 2010 Financial Statements. All material amendments identified during audit were reflected in the final version of 2009 Annual Financial Statements.

### **Conclusion**

Dublin City Council welcomes this Statutory Audit Report. The Council acknowledges the recommendations made by you and will work in 2010 towards implementing these recommendations. I would like to take this opportunity to thank you and your audit team for the professionalism and attention to detail evident from your report. The timely commencement of the Audit of Dublin City Council and the production of this Statutory Audit Report strengthens corporate governance and accountability. Dublin City Council looks forward to continuing to work closely with you to facilitate and further develop the Audit process.

Yours sincerely,



**John Tierney**  
**Dublin City Manager**



**LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Dublin City Council**

**for the**

**Year Ended 31 December 2009**



Comhshaol, Oidhreachta agus Rialtas Áitiúil  
**Environment, Heritage and Local Government**

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## **AUDITOR'S REPORT TO THE MEMBERS OF DUBLIN CITY COUNCIL**

### **1 Introduction**

I have completed the statutory audit of the accounts of Dublin City Council for the year ended 31 December 2009. My audit opinion on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on Page 8 of the AFS. This report is issued in accordance with Section 120 of the Local Government Act, 2001.

### **2. Main Issues**

Attention is drawn to the following main issues in this report:

- Expenditure on Affordable Housing in 2009 amounted to €107m. There were 351 housing units on hand and available for sale at the end of 2009 and, although lower than the number reported last year (529) this is still significant, particularly given the current economic conditions. (See paragraph 5.3)
- The collection of Commercial Water Charges remains low, being a yield of forty-nine percent (49%) of the total amount collectable. It appears unlikely that the debtors' balance of €21m will be collected in full as some of the balances relate to previous years and some of the charges were raised in error. A review of these balances is currently in progress. (See paragraph 6.2)
- Expenditure on Housing Capital projects accounts for over 60% of all capital expenditure in 2009. A number of issues, in relation to the accounting for housing capital projects, arose during the course of the audit. I have recommended that a comprehensive review of all housing capital accounts be carried out so that funding issues, where they exist, are identified and addressed. (See paragraph 7.2)
- The Mortgage-Funding gap, as shown in Note 13 to the Annual Financial Statement for 2009, amounted to €59m, compared to €43m in 2008. This represents the difference between the amounts due by borrowers to the council and the corresponding amount due by the council to financial institutions. (See paragraph 7.4)

### **3. Financial Performance**

The Income and Expenditure Account with comparative figures for the previous year may be summarised as follows:

	<b>2009</b>	<b>2008</b>
	<b>€m</b>	<b>€m</b>
Expenditure	876.3	901.5
Income	<u>914.3</u>	<u>915.1</u>
Surplus /(Deficit) for Year before Transfers	38.0	13.6
Transfers from / (to) Reserves	<u>32.6</u>	<u>17.0</u>
Overall Surplus /(Deficit) for Year	5.4	(3.4)
Opening Balance at 1 <sup>st</sup> January	<u>4.3</u>	<u>7.7</u>
Closing Balance at 31 <sup>st</sup> December	<u>9.7</u>	<u>4.3</u>

As can be seen from the above, revenue expenditure decreased by 3% on the previous year while revenue income decreased by less than 1%.

Expenditure on pensions increased from €103m in 2008 to €130m in 2009. The payment of lump sums to retiring staff accounted for a large share of the increase, amounting to €36m in 2009 compared to €18m in 2008. Included in these costs are pensions in respect of City of Dublin Vocational Education Committee and Dublin Institute of Technology employees amounting to €41m in 2009, of which €12m related to lump sums. The Department of Education and Science refund the costs of these pensions.

#### **Manager's comments**

The year 2009 presented financial and service difficulties for Dublin City Council. During 2009 Dublin City Council applied contingency measures that contributed to effective financial management by aligning spend and service delivery with the resource base available to the City. The introduction of the NPPR provided Dublin City Council with a new source of income of €10.1m in 2009.

#### **4. Financial Standing**

The Balance Sheet shows net assets of €12,217m at 31 December 2009, consisting of the following:

	<b>2009</b>	<b>2008</b>
	<b>€m</b>	<b>€m</b>
Fixed Assets	11,536	11,511
Work In Progress and Preliminary Expenses	837	937
Long Term Debtors	868	934
Net Current Assets/(Liabilities)	36	58
Long Term Creditors	<u>(1,060)</u>	<u>(1,118)</u>
<b>Net Assets</b>	<b><u>12,217</u></b>	<b><u>12,322</u></b>
Financed by:		
Capitalisation Account	11,536	11,511
Income WIP	768	908
General Revenue Balance	10	4
Other Balances	<u>(97)</u>	<u>(101)</u>
<b>Total Reserves</b>	<b><u>12,217</u></b>	<b><u>12,322</u></b>

#### **4.1 Fixed Assets**

The net book value of fixed assets increased from €11,511m in 2008 to €11,536m in 2009 reflecting a small net increase in the value of completed assets. The €837m shown under Work in Progress and Preliminary Expenses represents expenditure on capital schemes uncompleted at that date. The income accrued on these schemes of €768m is shown in the Balance Sheet as income work-in-progress.

## 4.2 Cash Position

The decrease in the bank overdraft, from €48m, excluding investments, at the end of 2008, to €29m in 2009, represents an improvement in the cash position since last year.

## 4.3 Other Balances

Included in other balances are project and non-project balances, all of which the council regards as funded, tenant purchase annuities, development levies and other reserves and provisions for future liabilities. The net position on these accounts improved by €4.5m during 2009.

## 4.4 Development Contributions Debtors

The Development Contributions system records balances outstanding of €149m at the close of 2009. These balances are reflected in the Annual Financial Statement as follows:

Short Term Debtors (Note 5)	€33m
Long Term Debtors (Note 3)	€116m
	<b>€149m</b>
Long Term Creditors – Deferred Income	€105m
Creditors & Accruals – Deferred Income	11m
<b>Total Deferred Income</b>	<b>€116m</b>

The amount included in short-term debtors (€33m) represents amounts now due that have been accrued as income. The balance of €116m represents phased payments due in future periods that have not been accrued as income to date. A provision for doubtful debts of €6.6m or twenty percent (20%) has been made against the short-term debtor while no provision has been made against the long-term debtor.

### Manager's comments

The current policy of DCC is to provide a flat rate of 20% bad debt provision against the current debtor of €33m as at the end of 2009. It is proposed that this policy will be reviewed during 2010 to establish if it is considered feasible to complete the case-by-case analysis recommended. There is no policy in DCC to provide a bad debt provision against deferred income of €116m as this amount is not currently falling due.

## 5. Capital Account

The Capital Account records income and expenditure in respect of the acquisition and provision of assets related to services provided by the Council. A breakdown of the Capital Account balance into the relevant Balance Sheet headings is shown in Note 12 to the Annual Financial Statement. Note 12 includes a summary of movements on the Capital Account for the year with further detail in Appendix 5 and 6. Loans and assistance to persons housing themselves are excluded from the Capital Account as these are accounted for in the Balance Sheet.

A summary of the transactions on the capital account, with comparative figures for 2008 is as follows:

	<b>2009</b>	<b>2008</b>
	<b>€m</b>	<b>€000</b>
Expenditure (Including Transfers)	555.4	937.1
Income (Including Transfers)	<u>541.2</u>	<u>809.0</u>
Outturn for the year	(14.2)	(128.1)
Opening Balance	<u>29.1</u>	<u>157.2</u>
Closing Balance	<u>14.9</u>	<u>29.1</u>

In 2009 there was a reduction of approximately 40% on the level of expenditure in the previous year, with a corresponding decrease in income.

## 5.1 Capital Programme 2010 – 2012

A report on proposed capital projects for the period 2010 to 2012 was prepared under section 135 of the Local Government Act 2001. The level of investment at €893m over these three years shows a reduction compared to previous years (€1,859m for 2009 – 2011). This reflects a contraction of capital funding generally in the public sector, a reduction in the expected yield from the disposal of assets and a reduced yield from development contributions.

## 5.2 Capital Projects

Major expenditure on capital projects was as follows:

<b>Project / Activity</b>	<b>€m</b>
Affordable Housing	107
Ballymun Regeneration Limited	63
Voluntary Housing Bodies	61
Local Authority <u>Housing</u> Construction and Improvements	48
Purchase/refurbishment of second hand houses	47

## 5.3 Affordable Housing

Total expenditure on affordable housing in 2009 amounted to €107m and included expenditure on a number of schemes, including the purchase of housing units under Part V of the Planning & Development Act 2000, as follows:

Marrsfield / Clongriffin	€10.7m
Prospect Hill	€10.2m
Hampton Wood	€9.1m

There were 351 housing units on hand and available for sale at the end of 2009 and, although lower than the number reported last year (529) this is still significant, particularly given the current economic conditions. A number of units have been used for social housing in the past year and further units from the current stock may be included in the new rent to buy scheme.

Unsold affordable housing units are financed through bridging finance and every effort should now be made to maximise sales of these units while ensuring that the council receives the best available value for the properties sold.

### **Manager's comments**

Every effort has been made by Dublin City Council, in accordance with Circular Letter AHS1 2009 dated 7<sup>th</sup> April 2009 "Measures to Deal with Unsold Affordable Homes and Related Issues" to either sell the unsold affordable units or to utilise the alternative options set out in the Circular. The number of unsold affordable housing units currently on hand is 115 of which 91 are included in the pilot "Rent to Buy" Scheme that was launched on the 20<sup>th</sup> July."

### **5.4 Ballymun Regeneration Limited**

Expenditure on the Ballymun Regeneration project amounted to €63m during 2009, bringing the total cumulative project costs at 31 December 2009 to €808m. The current estimated completion costs are €1,044m of which the Department of the Environment Heritage and Local Government is to fund €866m with the balance being funded from a mix of other government department grants and also from the council's own internal capital receipts. I note that the Council has provided for a total spend of €170m (€64m in 2010) for this project in its Capital Programme 2010-12. I have been advised that the revised targeted completion date, based on the current funding levels, is 2014.

The project is being implemented through Ballymun Regeneration Limited (BRL), which manages the project on an agency basis. This company is limited by guarantee and does not have a share capital. Dublin City Council has three members on the Board of Directors. The transactions of the company are included in the capital account of Dublin City Council. The company's accounts for the year ended 31 December 2009 have been audited by a firm of chartered accountants and I have relied on their audit report on the company for that year.

One section of the redevelopment, consisting of the construction of 124 new dwellings, has recently been suspended due to the discovery of pyrite. The units are approximately 85% complete but it is expected that extensive remedial works will now be required.

The management of Ballymun Regeneration Limited have assured me that, notwithstanding the economic downturn, they are confident that the remaining demolition and replacement housing programme can be delivered within the budget and the 2014 timeline set out in its Completion Strategy submitted to Government in July 2009. They have also stated that a detailed report on the pyrite affected housing scheme, providing various legal advices and risk analysis, has recently been submitted to the Department of the Environment Heritage and Local Government.

### **5.5 Dublin Bay Project**

The cumulative expenditure of €490.5m to the end of 2009 on this project included €338.9m in respect of the Treatment Works at Ringsend and €97.2m in respect of the Sutton to Ringsend Submarine Pipeline. A number of disputes were referred to arbitration and the Council is awaiting approval from the Department on some of the amounts claimed to date.

## 5.6 Dublin Port Tunnel

The Dublin Port Tunnel (DPT), which was sponsored by the National Roads Authority (NRA), was opened in December 2006. In that year, the City Council and the main contractor agreed to engage the Disputes Adjudication Board (DAB) in a series of oral hearings on the nine main contractor's claims and the one counter claim by DCC. The DAB hearings commenced in October of that year and concluded in September 2008.

Following the National Roads Authority approval of the Council's recommendation for acceptance of the final account, the contractor was paid €31.4m plus VAT in early 2010, representing a full and final settlement of the main construction contract, inclusive of all claims and counter claims. The total scheme expenditure, inclusive of all construction and non-construction costs, to the end of 2009 amounted to €768m with a further €36m being incurred to date in 2010, bringing the overall total to €804m.

## 5.7 Thermal Treatment Plant at Poolbeg

The Waste Management Plan for the Dublin Region (2005 – 2010) includes an objective to develop a Waste to Energy (Incineration) Plant at Poolbeg. The main contract in this project is the agreement entered into between the City Council and Dublin Waste to Energy Limited, the public-private partnership company. The project is being developed on a Design, Build, Finance and Operate basis.

This contract is the subject of a specific report of an authorised person, appointed by the Minister for the Environment, Heritage and Local Government, in accordance with Section 224 of the Local Government Act 2001. The scope of this report is to cover the nature and the extent of the financial and related risks and consequences that may be faced by the City Council in connection with its participation in, and performance of the Agreement, in a changing policy, legal and economic environment. At the time of audit, the report was not yet available.

Expenditure and income to 31 December 2009 on this, and other related projects, included in the Annual Financial Statement, is as follows:

<b>Cost Centre</b>	<b>Expenditure</b>	<b>Income</b>
Thermal Treatment Plant	€58.7m	€51.1m
District Heating Project	€10.6m	0
Waste Management Public Consultation	€6.0m	€2.0m

Expenditure and income above are included in the Balance Sheet as Work-in-Progress. Expenditure incurred to date, on the Thermal Treatment Plant, relates mainly to site acquisition and client representation costs.

## 6. Summary of Major Revenue Collections

The percentage yields from the main revenue collection accounts were as follows:

	2009	2008
Rates	87%	89%
Housing Rents and Annuities	79%	83%
Housing Loans	84%	90%
Domestic Refuse	47%	37%
Commercial Water Charges	49%	49%

### Manager's comments

The active pursuit and collection of all revenues is of paramount importance to the Council. With increasing budgetary constraints and more demand on Dublin City Council to provide an enhanced quality of service, Dublin City Council continues to improve the collection of debtors. The domestic refuse collection has improved in 2009 while other collections performed robustly in a difficult economic climate. This was due to the functioning systems of management and monitoring of income during 2009. The Council remains committed to vigorous follow up and pursuit of all outstanding debts.

### 6.1 Domestic Refuse Charges

The collection percentage for domestic refuse charges, although still low, showed an increase over the 2008 performance. The Internal Audit Unit carried out a review of this area and their final report will be completed in the near future.

### 6.2 Commercial Water Charges

The collection percentage remained low in 2009. The debtors' balance outstanding at the end of 2009, included in Appendix 7, is €21.4m which includes an accrual of €4.4M, for consumption in 2009, not billed until early 2010. It appears unlikely that this amount will be collected in full as some of the balances relate to previous years and some charges were raised in error. A review of these balances is currently in progress and it is likely that significant write-offs and credit adjustments to this balance will result from this exercise.

### Manager's comments

The process commenced in 2010 to examine aged debtors and ensure that historical balances and duplicate accounts are written off will be continued and should be finalised by year end. This exercise will ensure that remaining aged debtors are accurate and can be pursued. In addition, it provides certainty where disconnections are pursued that the outstanding balances are accurate and appropriate to the existing occupier.

### 6.3 Non-Principal Private Residence Charges

The Local Government (Charges) Act 2009 introduced the charge for non-principal private residences (NPPR). This charge, which is based on self-declaration by the landlord, amounted to €200 per property in 2009, with a penalty of €20 per month for late payment. Charges for 2009, which were

collected on an agency basis by the Local Government Computer Services Board (LGCSB), paid to the City Council amounted to over €10m. I have requested management to examine how the data received from the LGCSB can be validated and used for follow up in future periods.

## **7. Specific Matters**

A number of other specific matters, arising at audit, have been detailed in a management letter issued at the close of the audit. These matters included the following:

### **7.1 Development Contributions**

The new contributions module of APAS went live during 2009 and, although not integrated with the Oracle financial system, represents a major improvement in the accounting for development contributions when compared to previous years. A significant effort was made to validate data being transferred to the new system; however there remains an element of overstatement and duplication of amounts shown as due to the council. At audit, a number of recommendations have been made in relation to these and other accounting and procedural issues. Management have agreed to take steps to address the issues identified.

#### **Manager's comments**

The integration of the APAS and Oracle systems will proceed when appropriate resources become available. A number of recommendations regarding adjustment of parent invoices and more regular and formal co-ordination between various departments regarding off-sets, for instance in relation to Part V Agreements are accepted by Management and will be put in train.

### **7.2 Housing Capital Accounts**

Expenditure on housing capital projects accounts for over 60% of all capital expenditure in 2009. A number of issues, in relation to the accounting for housing capital projects arose during the course of the audit. These included the following:

- Inadequate financial reporting on a project by project basis;
- Significant unfunded balances on completed projects; and
- Inadequate matching of loan finance to related projects;

I have recommended, as at previous audits, that a full review of all housing capital cost centres be carried out and significant progress has recently been made in this regard. It is important that this task is given priority, in all housing areas, so that funding and other issues can be identified and resolved as soon as possible.

#### **Manager's comments**

The review of all housing capital costs centres, social, voluntary, affordable and regeneration has been completed. A monthly "Capital Cost Centres" review meeting regime has been set up to ensure that all issues that arise can be dealt with as quickly as possible.

### **7.3 Procurement**

The central procurement unit of the council have, as set out in the corporate procurement plan, carried out an extensive review of expenditure across a number of departments. The unit has identified opportunities for improvement in procurement procedures and recommendations have been made to the relevant council departments.

In the course of the audit, I reviewed procurement procedures in a number of council departments and, while generally it was found that proper procurement procedures were followed, a small number of instances of non-compliance were found. I have recommended that the relevant departments carry out a review of procurement procedures.

#### **Manager's comments**

Following the completion of the spend analysis phase 1, The Corporate Procurement unit are engaged with various departments to strengthen the procurement framework in regard to the purchase of specific goods / services and arrangements are being progressed to ensure where appropriate that tenders are prepared. Specific areas under review include legal services, HR specialist services and Housing Maintenance general services.

### **7.4 Mortgage Funding Gap**

The mortgage-funding gap, as shown in Note 13 to the Annual Financial Statement for 2009, amounted to €59m, compared to €43m in 2008. This represents the difference between the amounts due by borrowers to the council and the corresponding amount due by the council to financial institutions. This shortfall requires immediate attention and the implementation of an improved system for monitoring mortgage loans issued and related funding.

#### **Manager's comments**

In order to eliminate the deficit and ensure that the deficit does not reoccur, controls and procedures for loan reconciliations have been reviewed. Borrowing approvals, both mortgage and non mortgage, will be matched against the mortgage funding gap during 2010 with a view to the elimination of the deficit in the shortest time frame possible. The funding gap has been reduced to €31m as at the end of July 2010.

### **7.5 Accounting and Control Issues**

In the course of the audit a number of accounting and control issues were identified. Where errors were material, they have been corrected in the audited AFS for 2009. In other cases adjustments to the 2010 accounts have been agreed with management. Other issues have been discussed and, where further action is required, this has been highlighted and agreed with management.

#### **Manager's comments**

Dublin City Council places high importance on the compliance with the regulatory accounting framework of Local Government and continuously works to eliminate errors in the preparation and finalising of Annual Financial Statements. This is addressed by a periodic review of policies and procedures with ongoing identification and closure of gaps in the control framework. Each year recommendations made as part of the statutory audit are implemented and monitored. This process is continuing for the Audit of

the 2010 Financial Statements. All material amendments identified during audit were reflected in the final version of 2009 Annual Financial Statement.

## **8. Governance**

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of the Manager and the elected members to ensure that sound systems of financial management and internal control are in place. The council meets its responsibilities as follows:

### **8.1 Risk Management**

The Risk Management Unit of the council facilitates the review and update of the Corporate Risk Register on a six monthly basis. Departmental risk registers are in place in all seventeen (17) departments / areas. A Corporate Risk Management Policy and User Guide have been produced and are used for staff training purposes. The Risk Management Steering Group monitor progress in relation to the preparation and maintenance of risk registers in the council. The development of Business Unit Risk Registers commenced in 2009 and was substantially completed at the date of audit.

### **8.2 Internal Audit**

The Internal Audit Unit completed eleven (11) reports in 2009 and a further five (5) to date in 2010. A review of recommendations, made in reports produced during 2009, carried out in 2010 found that ninety percent (90%) of these had been implemented by June of this year. Ninety seven percent (97%) of recommendations made in the previous four years (2005 – 2008) had also been implemented.

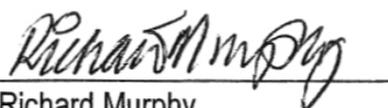
In carrying out my audit, I placed reliance on the work carried out by the council's Internal Audit Unit.

### **8.3 Audit Committee**

The council audit committee, which was established in September 2008, met on five (5) occasions in 2009 and issued its first annual report in 2010.

## **9. Acknowledgement**

I wish to record my appreciation for the courtesy and co-operation extended to the audit team by the management and staff of the council.



Richard Murphy

**Principal Local Government Auditor**  
**30 July 2010**

