



Comhairle Cathrach
Bhaile Átha Cliath
Dublin City Council

**STATUTORY AUDIT REPORT TO THE LORD MAYOR AND MEMBERS ON THE
ACCOUNTS OF DUBLIN CITY COUNCIL FOR YEAR ENDED 31ST DECEMBER 2012**

The report of the Principal Local Government Auditor on the Accounts of Dublin City Council for the year ended 31st December, 2012 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 31st December 2012. The AFS was before the City Council at the April Council meeting (reference report 101/2013). The Local Government Auditor and his team commenced preparatory work on the Audit from March 2013, with the audit formally commencing on 10th April 2013. The Audit was concluded at the end of September 2013.

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 31st December 2012.

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

Owen P. Keegan
Dublin City Manager



LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Dublin City Council

for the

Year Ended 31 December 2012



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community 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 2012. My audit opinion on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on page 10 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:

- Weaknesses identified in the review and monitoring of development contributions (paragraph 4.4).
- Delays in commencement of work on Thermal Treatment Plant at Poolbeg (paragraph 5.5)
- Pyrite problems in Ballymun Regeneration properties (paragraph 5.3) and Council owned houses (paragraph 5.6).
- Continued costs being incurred in relation to Priory Hall development (paragraph 5.7)
- Collection of Domestic Refuse arrears by waste operator (paragraph 6.4)

3. Financial Performance

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

	2012	2011
	€m	€m
Expenditure	798.0	823.7
Income	<u>821.4</u>	<u>852.5</u>
Surplus /(Deficit) for Year before Transfers	23.4	28.8
Transfers from / (to) Reserves	<u>(27.4)</u>	<u>(24.1)</u>
Overall Surplus /(Deficit) for Year	(4.0)	4.7
Opening Balance at 1 st January	<u>20.1</u>	<u>15.4</u>
Closing Balance at 31 st December	<u>16.1</u>	<u>20.1</u>

As can be seen from the above, revenue expenditure, and revenue income decreased by a further 3% on the previous year. This trend has continued from its peak in 2008.

4. Financial Standing

The Balance Sheet shows net assets of €12,369m at 31 December 2012, consisting of the following:

	2012	2011
	€m	€m
Fixed Assets	11,701	11,749
Work In Progress and Preliminary Expenses	886	827
Long Term Debtors	619	673
Net Current Assets/(Liabilities)	78	79
Long Term Creditors	<u>(915)</u>	<u>(952)</u>
Net Assets	<u>12,369</u>	<u>12,376</u>

Financed by:

Capitalisation Account	11,701	11,749
Income WIP	846	769
Specific Revenue Balance	37	37
General Revenue Balance	16	20
Other Balances	<u>(231)</u>	<u>(199)</u>
	<u>12,369</u>	<u>12,376</u>

4.1 Fixed Assets

The net book value of fixed assets decreased from €11,749m in 2011 to €11,701m in 2012. As in 2011, this decrease in the value of completed assets is mainly due to a reduction in the value of housing assets as a result of the demolition of a large number of properties, including those in Ballymun and St. Michael's Estate. All other assets constructed since 2004 are shown at historical cost in the annual financial statements.

The €886m classified as work in progress and preliminary expenses represents expenditure on capital schemes uncompleted at that date. The income accrued on these schemes of €846m is shown in the balance sheet as income work-in-progress.

4.2 Other Balances

Included in other balances are project and non-project balances, which are split between funded and unfunded, tenant purchase annuities, development levies and other reserves and provisions for future liabilities. Since 2011 balances on voluntary and affordable housing projects are also included. During 2012, the net position on these accounts deteriorated by €31m.

4.3 Development Contributions Debtors

The development contributions system records balances outstanding of €123m at the close of 2012. These balances are reflected in the Annual Financial Statement as follows:

	2012	2011
	€m	€m
Short Term Debtors	35	38
Less Bad Debt Provision	<u>21</u>	<u>19</u>
Total Short Term Debtors (Note 5)	<u>14</u>	<u>19</u>
Long Term Debtors	88	97
Less Phased Debtors Bad Debt Provision	<u>53</u>	<u>49</u>
Total Long Term Debtors (Note 3)	<u>35</u>	<u>48</u>
Long Term Creditors – Deferred Income	<u>35</u>	<u>48</u>

The amount included in short-term debtors of €35m represents amounts now due that have been accrued as income. The long-term balance of €88m represents phased payments due in future periods that have not been accrued as income to date. The bad debt provision for both short and long term debtors are substantial.

4.4 Review and Monitoring of Development Contributions

As recommended in previous audits, site inspections on large developments were conducted and as a result a number of adjustments were made to the outstanding balances. These adjustments were made without management approval as set out by the Council's own procedures. The absence of manager's orders signifies a weakness in the corporate governance in this area. A complete review and sign-off by an appropriate staff member of all development contribution accounts is required. This should be followed by the introduction of an improved system of monitoring actual developments, introduction of a proper sign off procedure for adjustments and a verification process of all closing balances at year-end.

Manager's Response

A new procedure is now in place where all adjustments are authorised by way of Manager's Order. A new sign-off procedure is now in place whereby monthly manual reconciliations between APAS and Oracle are signed off by the Administrative Officer of the Development Contributions section and the Senior Accountant of the Planning Department prior to final sign-off by the Planning Department's Executive Manager. Within the Planning Department additional staffing resources have been dedicated to the ongoing monitoring of developments and new procedures are now in place where site inspections take place bi-monthly and outstanding debt reviewed on foot of information obtained. A manual annual reconciliation is carried out at year end.

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 AFS. 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 separately in the balance sheet.

A summary of the transactions on the capital account, with comparative figures for 2011 is as follows:

	2012	2011
	€m	€m
Expenditure (Including Transfers)	260.0	361.1
Income (Including Transfers)	<u>255.4</u>	<u>368.0</u>
Outturn for the year	(4.6)	6.9
Opening Balance	<u>7.6</u>	<u>0.7</u>
Closing Balance	<u>3.0</u>	<u>7.6</u>

Capital expenditure fell significantly in 2012 and shows a reduction of 28% on the previous year. A summary of capital expenditure and income by programme and by type is included in Appendices 5 and 6 to the Annual Financial Statement.

5.1 Capital Programme 2013 – 2015

A report on proposed capital projects for the period 2013 to 2015 was prepared under section 135 of the Local Government Act, 2001. The level of investment at €668m over these three years shows a 25% decrease compared to previous years (€898m for 2012 – 2014).

5.2 Affordable Housing

Total expenditure on affordable housing in 2012 amounted to almost €15m (compared to €33m in the previous year) and included the purchase of housing units under Part V of the Planning and Development Act, 2000. At the end of 2012 the Council had 336 unsold affordable housing units on hand. These have been transferred temporarily to other housing schemes, including social leasing and rental accommodation scheme, and related interest payments are being funded by the Department of the Environment, Community and Local Government (the Department).

The accounting treatment for affordable houses changed in all local authorities in 2011 (see Note 18 in the Statement of Accounting Policies in the AFS). The purpose of this change is to reflect the lack of demand for affordable units and the fact that these units will have to be funded if used for social housing or other purposes. The expenditure and income on these projects remains in the capital account in the 2012 AFS and there are plans to reflect these in fixed assets in the 2013 AFS.

Manager's Response

Unsold affordable housing units have been utilised for social housing purposes in accordance with Circular AHS1 2009 dated 7th April 2009. Under this Circular the Department is funding the interest payments on the unsold affordable units for a period of five years. After this period Dublin City Council must review the use of the units in accordance with the Circular.

Robust reporting procedures are in place to ensure the effective management of the unsold units and the loans associated with them including the drawdown of the interest payments from the Department.

5.3 Ballymun Regeneration Limited (BRL)

Expenditure on the regeneration scheme amounted to €31m during 2012, bringing the total cumulative project costs to €900m. I have been advised that the company remains on target to complete the scheme by 2014. It is vital that funds are in place to allow the satisfactory completion of the required outstanding works and the orderly wind-down of the company.

The project is being implemented through Ballymun Regeneration Limited which manages the project on an agency basis. The 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 2012 have been audited by a firm of accountants, and I have relied on their audit report for that year.

As reported previously, one section of the redevelopment, consisting of the construction of 124 new dwellings was delayed due to the discovery of pyrite. This section has now been completely remediated and all units handed over to the Council. The presence of pyrite in two other BRL developments, which are currently occupied, has also been confirmed and further monitoring and testing is being carried out on these units.

Manager's Response

BRL is currently engaged in an orderly wind down of its day to day activities; the company is liaising with Dublin City Council and with its various stakeholders in an ongoing transition process to facilitate this wind down.

5.4 Ballymore Eustace Water Treatment Plant Extension – Phase 3

The extension involves the upgrade of the water treatment works to deliver an increased capacity. The works include upgrading the buildings, processes and equipment within the existing live production facility where full continuous output is required to meet daily water demands in the Dublin water supply area.

Expenditure on this project in 2012 amounted to €30m, bringing cumulative expenditure to €145m at the year-end. The civil works element of this scheme was substantially complete at the time of the audit. The revised contract agreement, referred to in my previous audit report, provided for a contract sum of €98.9m including VAT. I was informed that there is no expectation that this amount will be exceeded.

Manager's Response

The contract price of €98.9m including VAT refers to the civil works contract with BAM. This figure was not exceeded. The cumulative expenditure on the cost centre includes inter alia the civil works contract, mechanical and

electrical contract and consultants contract. The approved cost for the project is €138.4m. The approved grant for the project is €87.8m. As always the Department will review the final account on the contract and only then can the grant for the project be finalised.

5.5 Thermal Treatment Plant at Poolbeg

Expenditure on the Thermal Treatment Plant at Poolbeg in 2012 amounted to €13.4m bringing the cumulative expenditure to €95m. At the last audit report I carried out a review of expenditure to date on this and related projects. My findings from this review were included by way of an appendix to my audit report and matters referred to include the inadequacy of project management arrangements, as evidenced by the lack of financial monitoring reports and the unavailability of minutes of meetings of the Project Executive Board. Revised financial procedures have since been put in place which includes regular meetings of the Project Executive Board, improved financial reporting and the timely approval of change orders. The City Council has also recently appointed a firm of consultants to review the current project management arrangements in place on this project in the light of concerns expressed at the last audit.

The delays in the commencement of construction work on this project have been referred to in previous audit reports and the uncertainty surrounding the contract has been a matter of some concern. The Council has recently published a notice in the European Journal of their intention to sign a revised contract without returning to full procurement and expect construction to commence in early 2014.

Manager's Response

A final outcome from the European Commission is awaited on State Aid and Procurement complaints lodged with them over the past 18 months. The outcome is anticipated by the year-end.

Negotiations on a revised Project Agreement are at a very advanced stage and it is anticipated that, subject to the approval of the European Commission, as mentioned above, a revised Project Agreement should be signed in early 2014 with a view to construction recommencing on site.

5.6 Pyrite in Council owned houses

The Council's housing and residential services department have identified owned developments that contain pyrite.

- One of the developments, an older person's complex, has been remediated. The funding for these remediation works at this location was provided by the Department through the annual Social Housing Investment Programme, as the original contractor had gone into liquidation.
- Pyrite remediation work is also underway at a traveller accommodation scheme which is being co-funded by the Department and Dublin City Council. The Council is in discussions with the contractor who built this development with a view to recovering the costs of the remediation work.
- Works will start later this year on an affordable housing development the

funding for which will be borne initially by the Council but recouped in time through the Pyrite Levy Fund under the control of the Pyrite Resolution Board.

- A number of other City Council developments that contain pyrite have also been identified and discussions are on-going with contractors with a view to having the necessary remediation works carried out.

Manager's Response

The housing and residential services department of the Council has identified its developments that contain pyrite. Discussions are on-going with the contractors who built these developments with a view to having remedial works undertaken to remove the pyrite.

5.7 Priory Hall Development

As referred to in my previous audit report, the development at Priory Hall is a private development of apartments where residents have been evacuated because of the failure of the developer to satisfactorily carry out remedial works to address fire safety concerns. The High Court has ruled that Dublin City Council has a responsibility for accommodating the evacuated residents, although this ruling has been appealed by the Council. It is expected that this appeal will be heard in October 2013. A resolution process, involving all parties involved, including the City Council, and chaired by a former Supreme Court Judge, is currently underway but is unlikely to be concluded before the Supreme Court hearing.

The Council has incurred substantial costs to date, including the costs of excess rents incurred by tenants of the complex and the full cost of alternative accommodation for owner occupiers. Additional costs in respect of maintenance and security of the apartment complex have also been incurred. Total costs incurred to the end of 2012 amounted to approximately €2.38m.

Manager's Response

The Supreme Court appeal is due to be heard in October. Until such time as the issue has been determined by the Supreme Court, Dublin City Council must continue to pay the accommodation costs of the evacuated residents.

The resolution process, which is being overseen by retired Justice Finnegan is ongoing. In the meantime in an effort to resolve matters outstanding, the government has launched a new initiative, in which the Council is fully participating.

5.8 Land Aggregation Scheme and Loans Payable

In 2010, the Council approved the application to transfer three parcels of lands, with outstanding loans of approximately €31m, under the Land Aggregation Scheme. To date no transfers of Dublin City Council lands have been made under this scheme.

Included in the loans payable outstanding at the end of 2012 are a number of loans, where interest charges are being rolled up i.e. added to the principal

outstanding, and no repayments are being made. These loans, which were drawn down for land acquisition purposes in the period 1999 to 2001 with a term of 20 years, had a balance of €32.5m at the end of 2012.

Manager's Response

Discussions are on-going with the Department and the Housing Agency with a view to transferring the main land loan to the Land Aggregation Scheme when funds are available.

5.9 Unfunded Balances on Capital Account

Note 11 in the Annual Financial Statement shows unfunded balances of €109m on the capital account at 31 December 2012. These are divided between project (€25.2m) and non-project (€83.8m). While some progress has been made in recent years in identifying and clearing these balances, particularly in the housing department, it is important that decisions are made as to how these balances will be funded.

Manager's Response

Unfunded balances in Note 11 in the Annual Financial Statement relate to capital projects which will have to be financed by the Council. Note 11 shows unfunded balances of €109m on the capital account but it also shows under other balances, €166m which relates to reserves and other miscellaneous credit balances. Work was carried out in 2012 to review all capital account debit balances on completed projects and where it was found that no funding was available to clear these debit balances, funds were transferred from reserves to clear the debit balances. Work will continue in 2013 to allocate to unfunded capital cost centres funding to match the project expenditure. Work will also continue to ensure the correct classification of projects between funded and unfunded.

6. Summary of Major Revenue Collections

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

	2012	2011
Rates	80%	80%
Housing Rents and Annuities	77%	79%
Housing Loans	68%	71%
Domestic Refuse	19%	58%
Commercial Water Charges	60%	57%

6.1 Rates

Rate collection performance, which had deteriorated in previous years, was maintained at the same level in 2012 as it was in 2011 with a slight increase in arrears to €76.3m.

Manager's Response

The economic recession has had an impact on cash collection. Two areas in particular have increased debtors and impacted on cash:

1. Customers making arrangements with the rates office to pay by instalments over a longer period than in one year, and
2. Liquidations and receiverships have increased significantly and they are taking a much longer period to finalise because of poor market conditions.

6.2 Housing Rents and Annuities

The collection of housing rents fell from 79% in 2011 to 77% in 2012 resulting in arrears of €20.6m. An analysis of the arrears cases shows that, of the accounts in arrears, 46% are in arrears for more than 6 months and that these debtors account for more than 80% of the arrears, being €18.8m.

Manager's Response

The formula used in the calculation of the collection of housing rents includes net arrears, which have increased in value principally due to an agreed corporate policy of intensive rent assessment reviews and resultant application of retrospective debits. Hence the collection rate has fallen from 79% to 77.5%.

The primary reason that the arrears are €20.6m is as a result of a culture of under-declaration of income and failure to report changes in circumstances. Dublin City Council's rent assessment policy is to apply retrospective debits to accounts where there has been an under-declaration of household income/occupants. In accordance with the tenancy agreement, the tenant is obliged to keep the City Council informed of all changes in occupants and incomes as soon as they occur. The quarterly statement and rent assessment letters remind the tenant of this obligation.

There are 24,000 live tenancies and it is the rents section's objective to conduct a rent assessment on 12,000 accounts every year. The implication is that each household will have their rent assessed every two years and from 2014 it is anticipated that there will be no large back-dated debits as accounts will be up to date.

Tenants with back dated arrears are encouraged to enter into an agreement. The details of the rent arrears repayment vary depending on the size of the debt and the personal circumstances of the individual tenant. Tenants are encouraged to avail of the household budget scheme which allows tenants who receive certain social services payments to pay a regular amount by direct deduction from their payments or to pay by direct debit from their bank account. All of these accounts are monitored to ensure that agreements are adhered to. Where an agreement cannot be reached with the tenant or where the tenant has continuously defaulted on the terms of an agreement the City Council will take the necessary steps to recover the property.

6.3 Housing Loans

Housing loans collection performance deteriorated further in 2012 to 68%, compared to 71% in 2011. The arrears in this area is a matter of concern. It is

worth noting that 27% of all current housing loans are in arrears for more than 6 months with outstanding balances amounting to €10m.

Manager's Response

A dedicated mortgage support unit is in place to manage the Council's housing loans book. This unit makes early engagement with borrowers who are experiencing difficulties in making their monthly repayments and makes them aware of the various options under the Mortgage Arrears Resolution Process (MARP). Every effort is being made to reduce the level of arrears but the current economic situation particularly with regard to mortgages is not yet improving. The Council is piloting a "Mortgage to Rent" scheme for local authority borrowers where subject to certain criteria a borrower may surrender their property to the local authority and become a tenant of the local authority in the property. The pilot will inform the development of a full national scheme for roll-out in the near future.

6.4 Domestic Refuse

As referred to in my previous audit report, the sale of the domestic waste collection service means that there were no current domestic refuse charges raised by the Council in 2012. Under the agreement for the sale, the waste operator is responsible for the collection of the arrears outstanding from December 2011 and, of the original €13m outstanding, €2m was collected, €2m was written-off and a balance of €9m remains outstanding at the end of 2012. In the circumstances, it is unlikely that much of these arrears will be collected.

Manager's Response

The agreement reached for the transfer of the Waste Collection Service to Greyhound provided that Greyhound would collect the quarter 4 of 2011 waste management charge together with outstanding arrears on behalf of the City Council. In consultation with the City Council, Greyhound has recently engaged the services of a professional debt collection company to assist in the recovery of the outstanding charges.

It is the intention of the City Council to review the arrangement so that all waste management debts can be vigorously pursued.

6.5 Commercial Water Charges

The collection performance in this area has been highlighted in a number of previous audit reports and while there has been a further improvement in 2012 to 60% (57% in 2011), it remains low. Arrears fell slightly and amounted to almost €16m at the year end.

Manager's Response

Non domestic water charges are billed monthly, quarterly, half yearly and annually depending on consumption. At week 50 the cash collection was 72.32% with €10.2m in arrears. A debit of €6.2m was raised in week 51 which represents 39% of debtors at year end i.e. week 52, but collection cannot be effected until 2013.

6.6 Debtors and Bad Debt Provisions

The level of bad debt provision has again been increased significantly from €79m in 2011 to €108m in 2012 and this reflects some of the arrears issues referred to in the collection accounts above. Gross current debtors, including the arrears on collection accounts, amount to €279m. At the previous audit I recommended that the provision in respect of each revenue collection area be separately identified and regularly reviewed. This should be done for the 2013 AFS.

Manager's Response

The bad debt provision in relation to each major debtor type is regularly monitored and reviewed and this will continue in 2013. The bad debts provision of €108m is shown as one figure in the AFS 2012 as there is no scope to show a breakdown of the figure within the set structure provided for in the AFS. However, within our own financial system the figure is broken down between commercial debtors of €66m to match a debt of €127m and non-commercial debtors of €21m to match a debt of €41m. There is also a bad debts provision for development levies current debtors of €21m. Individual bad debts provisions are in place for the major debt collection areas, commercial rates, commercial water charges and housing and general bad debts provisions are provided for in each division where debts are outstanding. On the non-commercial side individual bad debt provisions are provided for domestic refuse, housing rents and loans and grants. A general bad debt provision is also maintained which is monitored regularly and adjusted to take into account the cash collection of debts and the cash flow implications of the non collection of debtors on the City Council's finances.

7. Specific Matters

A number of other specific matters, arising at audit, have been referred to management at the close of the audit. These matters included the following.

7.1 Procurement

Dublin City Council's procurement policy is detailed in the Procurement Policy and Procedures Manual and is supported by the Corporate Procurement Plan 2011 – 2014. Responsibility for ensuring compliance with the Council's policy is devolved to local management, with advice and guidance available from the Central Procurement Unit. The unit also negotiates corporate contracts for selected goods and services or makes use of National Procurement Service contracts already negotiated. Compliance with procurement policies in selected departments was tested at audit and results were generally positive.

At previous audits the procurement of legal services was raised and, while limited progress has been made in drafting proposed tender documents, as yet no advertising for the supply of any legal services has taken place.

Manager's Response

The advertisement of the tenders for legal services is planned for September with the contract award finalised by the year end.

7.2 Local Authority Companies

The Council's interest in companies is set out in Appendix 8 in the AFS, the format of which has been revised in 2012. The table shows the extent of ownership by the Council, whether or not the transactions are included in the Council's AFS and brief financial details on each company.

With the exception of Ballymun Regeneration Limited, which is consolidated in the AFS and is referred to above (paragraph 5.3), the most significant company in the ownership of the Council is Temple Bar Cultural Trust Limited (TBCT). This company, which has assets of almost €50m and revenue reserves of €10m, was the subject of a report prepared by the Internal Audit Unit of the Council. The report identified significant corporate governance issues and these were referred to the board of TBCT. The board has since decided that the company should be wound up and all functions transferred to Dublin City Council. The City Council is currently examining options in order to complete this transition as efficiently and effectively as possible.

Management are also examining options for the proposed merger of the Dublin Docklands Development Authority and the Digital Hub Development Agency with the Council.

Manager's Response

Discussions are ongoing between Temple Bar Cultural Trust (TBCT) and the Department regarding the wind up of TBCT and the transfer of its assets to Dublin City Council. It is considered that the enactment of primary legislation may be the best way to effect this change, it is also expected that primary legislation in late 2013 or 2014 will be required to deal with any proposed changes to the status of Dublin Docklands Development Authority and the Digital Hub Development Agency and this is also the subject of discussions with the Department and the Department of Communication Energy and Natural Resources respectively.

7.3 Irish Water

Irish Water was established as a legal entity under the Water Services Act 2013 and will provisionally take over the operational and capital delivery functions of local authorities relating to water services from 1 January 2014. Local authorities are represented by the Water Services Transition Office (WTSO), which was set up by the City and County Managers' Association (CCMA), in this transition process. Dublin City Council has set up its own transition team to identify issues arising and to develop strategies to deal with these.

Service level agreements between Irish Water and local authorities are due to be signed by October 2013 and legislation covering the functions of Irish Water is due later this year. These agreements and the proposed legislation will clarify the relationship with Irish Water and will allow the City Council to prepare for the new arrangements. It is likely that there will be significant financial implications,

as well as risks that will need to be managed, arising from the transfer of functions. Progress on these matters will be reviewed at the next audit.

7.4 Accounting and Control Issues

In the course of the audit a number of accounting and control issues were identified. Adjustments to the 2012 and 2013 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.

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.

8.1 Risk Management

The corporate services department of the Council co-ordinates the risk management process, including the review and update of the corporate risk register. Risk registers are in place in all 17 departments / areas and 55 risk registers are in place at business unit level across the organisation. A Corporate Risk Management Framework is in place and includes a risk management policy and user guide for staff training purposes. The Corporate Risk Management and Business Continuity Steering Group oversees and directs risk management policy and practice, considers risk assessments and reviews trends in risk for the Council. Following completion of a risk maturity assessment in 2012, implementation of the recommendations contained in the report is underway, including the consolidation of risks and risk registers within the Council and continued integration of risk management into business processes.

8.2 Internal Audit

Internal Audit completed 11 reports in 2012 and a review of recommendations, made in reports produced during 2012 found that eighty-five per cent (85%) of these had been implemented by June 2013. Ninety-four per cent (94%) of recommendations made in the years (2010 – 2012) had also been implemented.

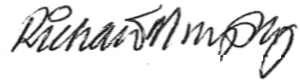
In the course of my audit, I placed reliance on the work carried out by the Council's Internal Audit Unit and a number of audit assignments were included in the 2013 audit plan as a result of suggestions made at audit.

8.3 Audit Committee

The Council's audit committee met on four occasions in 2012 and issued its most recent annual report in March 2013.

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.

A handwritten signature in black ink, appearing to read "Richard Murphy". The signature is written in a cursive, flowing style.

Richard Murphy
Principal Local Government Auditor
23rd September 2013