



Local Government Audit Service

Activity Report



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

April 2012

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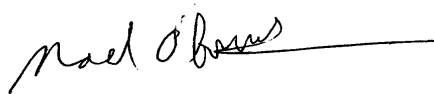
Foreword

This report describes the work of the Local Government Audit Service in delivering on its statutory remit. It also highlights the main issues identified by the local government auditors in their statutory reports on their audits of the 34 city and county councils' annual financial statements for 2010. The relevant extracts from these are detailed in Appendix 8. The full audit reports are published on the Department of the Environment, Community and Local Government's website.

The report also incorporates an overview of the revenue and capital activity of the city and county councils for 2010.

There are many challenges facing local government at present. Action is necessary on a system-wide basis, as well as at the level of individual local authorities, to implement recommendations made by the Local Government Efficiency Review Group. Major efficiencies must be achieved to maintain services, notwithstanding budget reductions. The financial position of local government is subject to quarterly reporting to the EU / IMF. Authorities are also facing the loss of corporate knowledge arising from the significant reduction in overall staff members in recent years.

My thanks to all in the LGAS for your professionalism and work commitment; and for your engagement in the ongoing improvement of our work practices. The support provided by ICT and Local Government Division is much appreciated.



Noel O'Connell
Director of Audit
Local Government Audit Service
April 2012

Local Government Audit Service

Introduction

The Minister for the Environment, Community and Local Government appoints auditors, known as local government auditors, to carry out or assist in the carrying out of audits of local authorities and other bodies. The Local Government Audit Service (LGAS) audits the accounts of all local bodies such as cities, counties, towns, motor taxation offices and other bodies. The total number of bodies under its remit is 182.

The LGAS provides independent scrutiny of the financial stewardship of local authorities. Its role is to:

- Carry out audits of local authorities and other bodies in accordance with its Code of Practice, thereby fostering the highest standards of financial stewardship, governance and public accountability;
- Promote the achievement of value for money in local authorities by undertaking Value for Money (VFM) studies and publishing reports thereon.

The Director of Audit is the organisational head of the service. This post is a statutory position and the main functions, as prescribed in section 116 of the Local Government Act, 2001 are to:

- a) Organise, direct and allocate resources within the LGAS;
- b) Assign audits of local authorities and other bodies to Local Government Auditors;
- c) Provide such advice and assistance as the Minister may, from time to time, require for the purposes of maintaining a Code of Audit Practice;
- d) Direct the Local Government Value for Money Unit established by section 14 of the Local Government (Financial Provisions) Act 1997, and to ensure that the work of the unit is incorporated into local government audit practice.

Each local government auditor is assigned an audit district under warrant of authority from the Director of Audit. Local government auditors are independent of the Department when discharging their professional functions. This independence is protected in legislation in accordance with section 116(2) of the Local Government Act, 2001.

Audit districts comprise a number of audits grouped, as far as possible, in convenient geographical areas, and these districts are further grouped into four regions, Western, Southern and two Eastern. Principal auditors lead in the regional organisation and supervision of audits. In addition they have direct responsibility for the major audits in their region. One principal auditor has responsibility for managing the Value for Money Unit.

Staff Resources

The following is the current audit staff numbers in the Local Government Audit Service.

Staff Grades	Complement	Current No.
Director of Audit	1	1
Principal Local Government Auditors	7	5
Local Government Auditors	20	17
Assistant Auditors	14	12
Total	42	35

Due to the moratorium on recruitment, the LGAS currently has seven fewer staff, being a reduction of 1470 audit days. The necessary staff complement to service the overall workload accordingly requires early attention.

All audit staff are professionally qualified accountants and have, for many years been recruited externally, having worked in industry, professional accounting practice, public sector bodies, and this mix of skills enhances the organisation.

Overview

This report sets out the main activities of the LGAS in its role in providing an independent scrutiny of the financial stewardship of local authorities. The LGAS has continued to develop its policies and procedures to meet the requirements of the Code of Audit Practice and to take account of the principles, which underpin public sector audit. The report provides an overview of local authority finances drawing on the results of audit and the engagement with local authorities through the audit process. Appendix 8 to the report provides details of individual issues raised with authorities and the responses received from the relevant County or City Manager. These will be followed up in subsequent audits.

The Local Government Act, 2001 sets out the primary duty of the auditor as follows:

“In the course of the audit of accounts of the local authority or other body, the local government auditor shall carry out such audit tests as he or she considers appropriate in order to be satisfied as to:

- (a) whether the annual financial statement is prepared in accordance with section 107 or with the accounting requirements otherwise applicable to the body concerned,
- (b) whether the annual financial statement presents fairly the financial position of the authority or other body and of its income and expenditure for the period in question,
- (c) whether the transactions of the audited body conform with the statutory or other authorization under which they purport to have been carried out.”

In discharging their responsibilities, local government auditors must take account of matters arising from previous audit reports and management letters. Auditors should also:

- Plan the audit and allocate resources to achieve a balance of work between the various aspects of the audit, having due regard to availability of resources, and carry out cyclical reviews of financial systems
- Take a broad and analytical view of the audit work based on an assessment of the risk of material error in the financial statement
- Ensure that the audit has, as one of its aims, to assist members and management of the audited body
- Perform the audit in a professional manner and conclude it without undue delay
- Develop, with the Director of Audit, measures to ensure a standard audit approach.

In line with the recommendations contained in the Report of the Local Government Efficiency Review Group, published in July 2010, the Audit Service will continue to develop its strategic overview of financial management and audit across the local government sector. The principal issues which have been identified in the 2010 audit reports on the city and county councils, are:

- Financial Position and Level of Debt
- Revenue Collection Performance
- Management of Capital Contracts including Debit Balances
- Other specific issues including:
 - Procurement Procedures
 - Accounting for Assets
 - Affordable Housing
 - Local Authority Companies

More details on these issues are included later in this report, with all the main issues listed by local authority in Appendix 8.

As part of the response to the economic and fiscal crisis and to address requirements in the context of EU/IMF Programme, local authorities now prepare quarterly summary financial reports.

The EU/IMF Programme committed the Government to the introduction of a property based tax in 2012 and to an increase on this tax in 2013. The proceeds of this tax will finance the provision of local authority services and will represent a significant income stream for local authorities in the future.

In June 2011, the Government announced its decision to create a new single authority to replace Limerick City and County Councils with effect from 2014. This was followed by the announcement of the establishment of a new unified county council to replace South Tipperary and North Tipperary County Councils.

The Government Programme also provides for the establishment of Irish Water and the implementation of charging for water services.

Value of money (VFM) audit has long been recognised as an important addition to normal financial audit. VFM reviews also provide a means to take a sectoral stance to assist local government at authority and sectoral level to learn from best practice and enhance their

effectiveness and efficiency. It also provides Government Departments, particularly the Department of the Environment, Community and Local Government with useful insights into the operation of specific policy areas. It is very important that VFM reports are fully utilised by authorities and relevant funding Departments. The follow-up to VFM reports is an area that is being actioned by the audit service.

Local Government Audit Procedures

The statutory audit of local government is provided for in sections 114 to 126 of the Local Government Act, 2001. Audits are carried out in accordance with a prescribed Code of Audit Practice, which covers:

- Purpose of audit
- Powers and duties of auditors
- The audit approach
- Outputs from audit
- Public accountability.

The Local Government Audit Service is committed to the ongoing improvement of its financial audit procedures. This involves the development of audit guidelines on many aspects of the audit process and the implementation of an electronic working paper system (TeamMate). Some of the features of the TeamMate software as implemented by the LGAS are:

- Risk Assessment module
- Standard format of audit files
- Standard audit tests
- Improved tracking of matters arising at audit
- Guidance notes for audit staff
- Audit file and data encryption
- Centralised retention of audit files.

This system has been fully implemented in the LGAS, with auditors now using this software on all audits. It is intended to further develop and improve the standard audit approach, including the use of TeamMate, on an ongoing basis. All electronic audit working papers on the TeamMate system are automatically encrypted. In order to reduce the risk of the loss of sensitive client data, all audit data for 2011 audits will be held on a centralised database.

Outputs from Audit

Audit Opinion

Auditors are required to give an audit opinion on the annual financial statements of local authorities and other audited bodies. This opinion is the culmination of the auditor's work on reviewing the audited body's transactions as reported in the annual financial statement. The auditor expresses an opinion as to whether the annual financial statement presents fairly, in accordance with the Accounting Code of Practice and Regulations the financial position of the body at the year-end (31 December) and of its income and expenditure for the year then ended.

Audit Reports

In addition to the audit opinion, it is custom and practice to issue statutory audit reports on the major audits covering any matter or matters which the auditor considers should be reported. The manager of a local authority is required to respond to this report and his/her comments may be included as part of the final report. This procedure has enhanced public scrutiny of local government as management responses, to address the issues raised at audit, now form part of the published audit reports.

Management Letters

In accordance with professional audit practice, an auditor may issue a management letter drawing attention to any weaknesses in financial procedures and / or controls identified during audit, and make appropriate recommendations. A management letter may incorporate audit memoranda already issued to functional officers and line managers during the audit.

Management letters, issued in respect of city and county councils in the course of the 2010 audits, referred to accounting and financial control issues identified in the course of audit tests carried out. Progress in the implementation of recommendations made by the auditors will be reviewed at the 2011 audits.

Audit Work Programme

The financial statements of local authorities are prepared to 31 December each year. Due to the time lag between the end of the financial year and the finalisation of the draft accounts, the work cycle of the audit service runs from April to the following March e.g. all audits for the year ended 31 December 2010 are to be completed by 31 March 2012. Priority is given to the city and county council audits, of which all, apart from two, were completed in 2011.

Audit Committees

The work carried out by audit committees is adding real value to corporate governance in local government. These committees normally comprise of five members, three external members (including the chairperson) and two councillors. They carry out their functions under a formal charter.

Their oversight functions are to:

- Review the council's financial and budgetary reporting practices and procedures
- Foster the development of best practice in the internal audit function, including approval of the annual internal audit work plan and monitoring its delivery
- Request special reports from internal audit as considered appropriate
- Review local government auditors' reports and monitor follow-up actions
- Assess and promote value for money/efficiency in the council
- Consider whether processes are in place to manage risks effectively in accordance with organisational guidelines and business plans.

Specific training should be provided for audit committees to assist them in this important oversight role. This training should be supported by the City and County Managers. A training seminar should be provided nationally for the Chairs of all the committees, in conjunction with training for the full committee on a regional basis.

Local Authority Managers must support the work of their audit committees by ensuring that an effective internal audit function is in place.

Audit Remit

The following bodies are subject to local government audit:

Status of Body	Number
City Councils	5
County Councils	29
Borough Councils	5
Town Councils	75
Regional Authorities	8
Regional Assemblies	2
Motor Taxation Offices	29
Miscellaneous	29
Total	182

Accountability of Local Authorities

Local authorities are statutorily obliged to keep proper books of account and to prepare annual financial statements of their activities. These statements have to be prepared in accordance with the Department's accounting requirements as prescribed in:

- Section 107 of the Local Government Act, 2001
- Accounting Code of Practice and guidelines
- Local Government (Financial Procedures and Audit) Regulations, 2002.

The accounting year-end for local authorities is 31 December and the annual financial statements are required to be prepared by the end of March in accordance with the Accounting Code of Practice. These statements, having been considered at a meeting of the local authority, are submitted to the Department. Most of the audit work on the larger local authorities, (County Councils (29) and City Councils (5)), for the year ended 31 December 2010, was completed by 31 December 2011.

Delays in the completion of the annual financial statements can have an impact on the planning of audit work. Timely completion of the year-end procedures can be an indicator of good financial management procedures.

Motor Taxation Audits

Twenty-nine local authorities operate motor taxation. Authorised officers, in these motor tax offices, are responsible for the issue of vehicle, driving and other licences and certificates to the public, on behalf of the Department of Transport, Tourism and Sport and the Road Safety Authority. Monies collected are transferred to the Local Government Fund administered by the Department of the Environment, Community and Local Government and allocations are made from this fund to finance local authority activities.

The audit of these local motor taxation offices involves an examination of a sample of licensing transactions to ensure that they have been properly accounted for in the financial and stock control records of the licensing authorities. The amount collected by these offices in 2010 was €584m. The motor tax on-line service is located in the Driver and Vehicle Computer Services Division of the Department of Transport and is not subject to audit by the LGAS.

Regional Assemblies

The Regional Assemblies were established in 1999 following the designation of Ireland into two separate EU regions for structural funds purposes. Two Regional Assemblies were established and came into effect on the 21 July 1999 under the Local Government Act, 1991 (Regional Authorities) (Establishment) Order, 1999 as follows:

- The Southern and Eastern Region (S&E Region)
- The Border, Midland and Western Region (BMW Region)

The main roles of the Regional Assemblies are to:

- Manage the Regional Operational Programmes 2000-2006 and 2007-2013;
- Monitor the general impact of all EU and Irish exchequer-funded programmes in the respective Regions;
- Promote the co-ordination of the provision of public services in the Region; and
- Ensure that national policies take regional issues into account.

The National Strategic Reference Framework has also designated the Assemblies as Managing Authority for the Regional Operational Programme 2007-13 and to be responsible for its preparation and delivery.

The Establishment Order set out a basic format for the preparation of the annual accounts of the Assemblies on a receipt and payments basis. However, due to an expansion in activities and increased expenditure in the intervening period the format was revised. The Assemblies have developed a form of accrual accounting and now account for their activities on standard accounting software. The original establishment order has not been amended and revised accounting guidelines should be issued by the Department to take account of this move to accrual accounting by the assemblies.

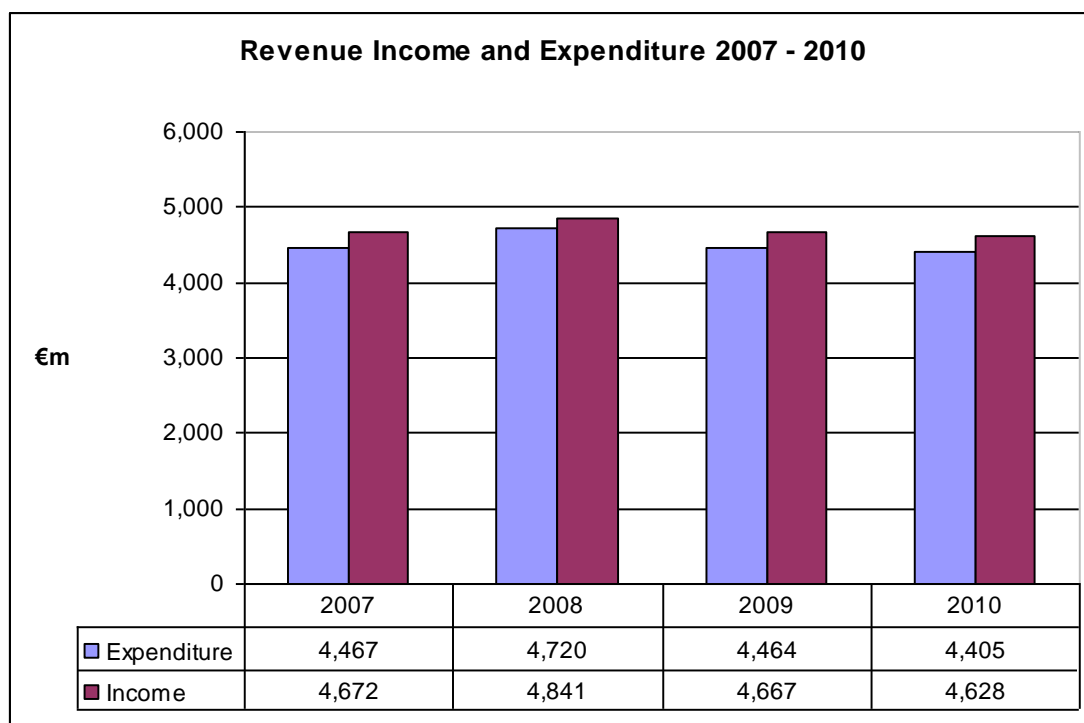
Review of Annual Financial Statements

The following is a review of some of the significant financial data included in the annual financial statements of the 34 city and county councils. The review covers the most recent audited financial statements i.e. the year ended 31 December 2010. The inclusion of data for previous years allows for comparisons / trends. The financial data referred to in this review can be classified under the headings shown below with more detailed information by individual authority included in the appendices.

Income and Expenditure Account

The income and expenditure account includes the day-to-day running costs of the local authority and includes payroll, operational, administration, establishment and financial expenditure. Income includes grants and subsidies as well as charges for the provision of goods and services.

The chart below shows the level of revenue income and expenditure for 2010 with comparative figures for the previous three years.¹



All amounts shown are €m

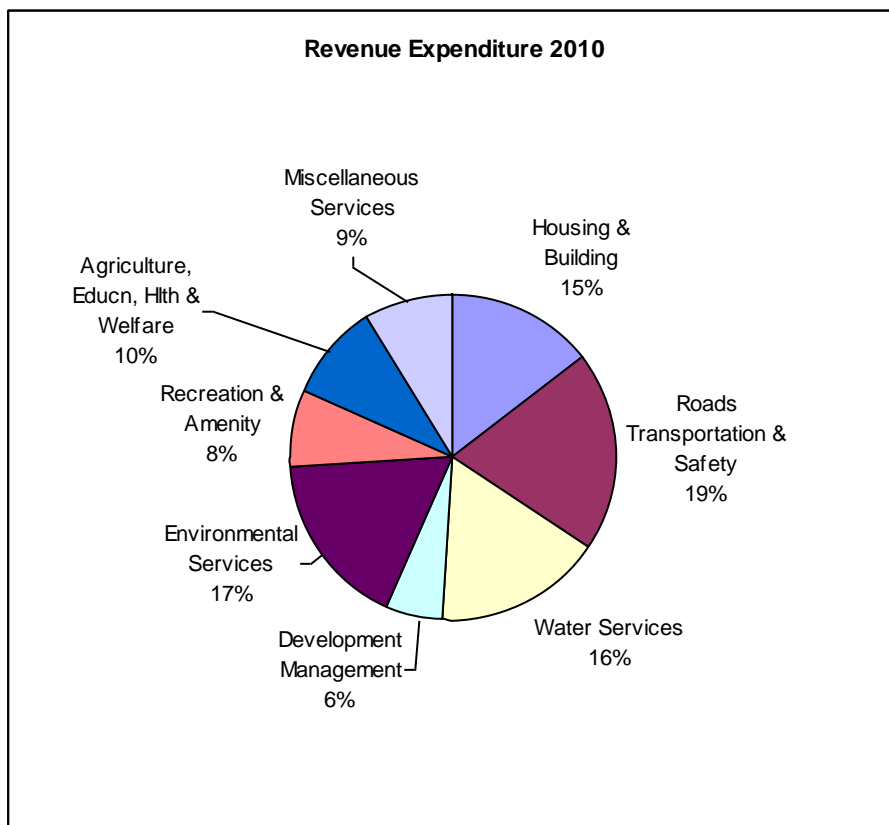
It can be seen from the above that the expenditure and income for 2010 showed a further slight decrease on the previous year from its peak in 2008.

¹ All figures shown relate to City and County Councils only

A breakdown of the revenue expenditure for 2010, with comparative figure for 2007, 2008 and 2009, is shown below.

	2007	2008	2009	2010
	€m	€m	€m	€m
Housing & Building	611	711	663	645
Roads Transportation & Safety	1,202	1,057	848	868
Water Services	673	732	743	722
Development Management	226	309	285	255
Environmental Services	861	901	848	769
Recreation & Amenity	343	394	368	336
Agriculture, Educn, Hlth & Welfare	309	334	399	429
Miscellaneous Services	242	282	310	381
	4,467	4,720	4,464	4,405

The revenue expenditure for 2010, analysed over the various divisions, is shown in the chart below.

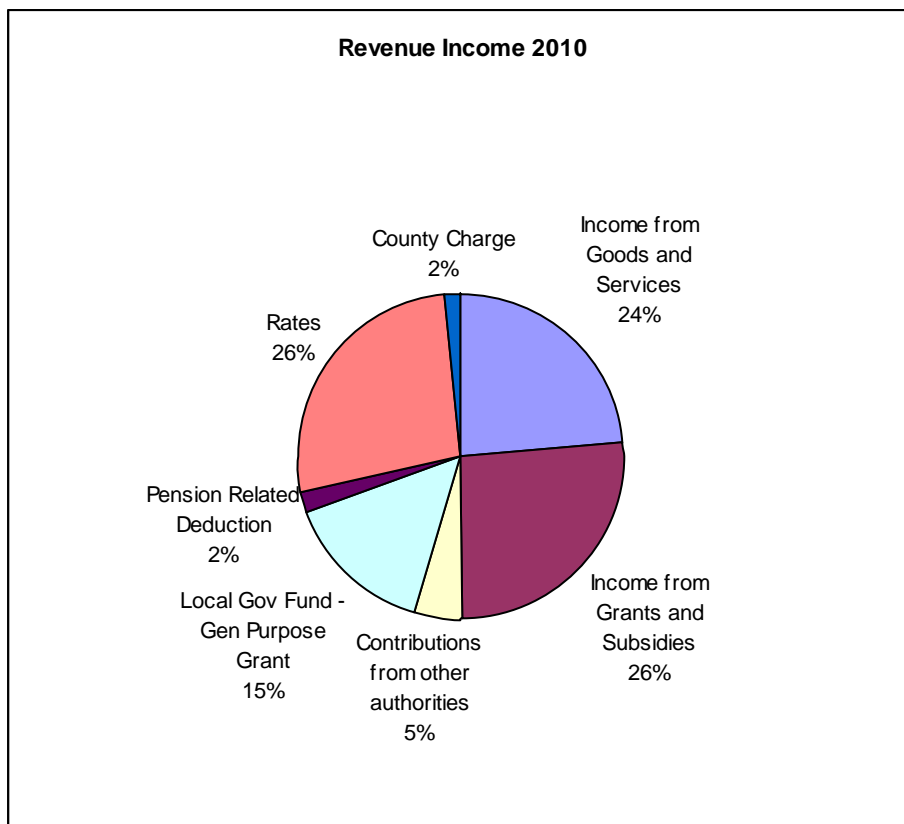


The main sources of revenue income for the major local authorities, as included in the annual financial statements for 2010, with comparative figures for 2007, 2008 and 2009 are as follows:²

² All figures shown relate to City and County Councils only

	2007	2008	2009	2010
	€m	€m	€m	€m
Income from Goods and Services	1,271	1,289	1,203	1,104
Income from Grants and Subsidies	1,138	1,155	1,106	1,191
Contributions from other authorities	219	220	212	228
Local Gov Fund - Gen Purpose Grant	869	917	764	694
Pension Related Deduction	0	0	69	82
Rates	1,117	1,193	1,240	1,253
County Charge	58	67	73	76
	4,672	4,841	4,667	4,628

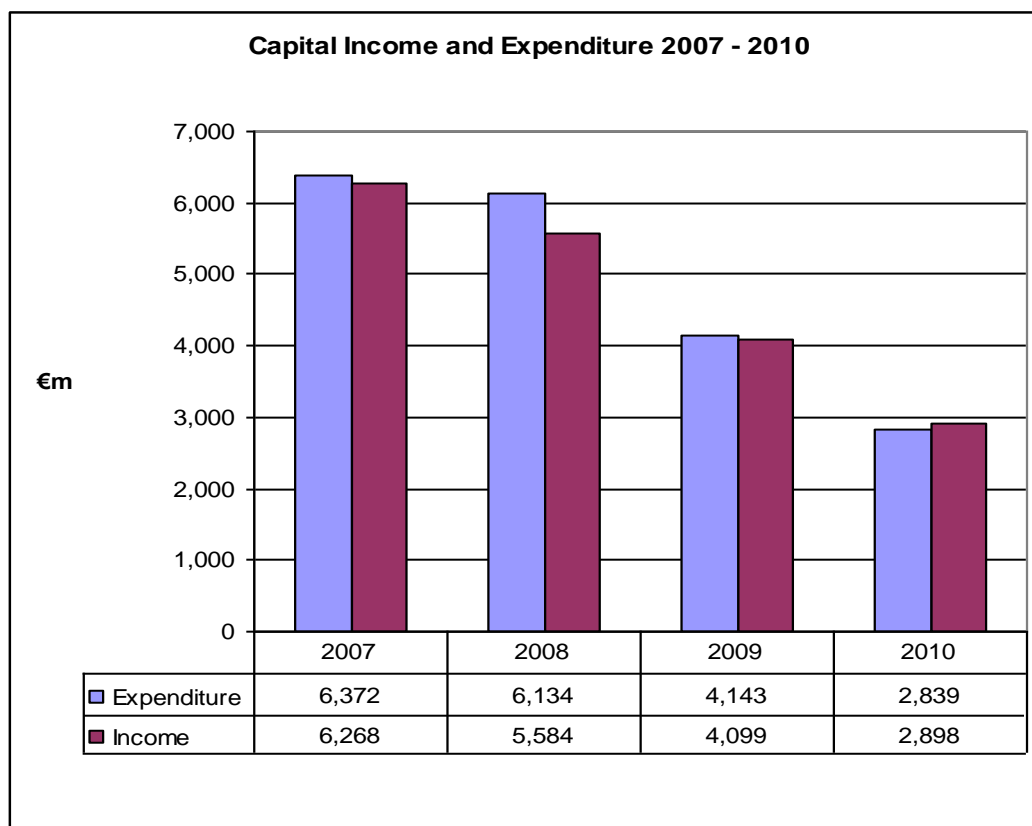
The analysis of revenue income for 2010 is included in the chart below.



The closing revenue balances in the thirty-four major authorities totalled €18.7m at the end of 2010, compared with €8.9m, €6.9m and €34m at the end of 2009, 2008 and 2007 respectively. It is noted that nine county councils had accumulated debit / unfavourable balances on their revenue account in excess of €2m at 31 December 2010. A list of the individual balances for each of the last four years is shown in Appendix 1.

Capital Account

The capital account includes expenditure on infrastructure projects and work-in-progress, as well as a number of other accounts. Total capital income and expenditure for 2007, 2008, 2009 and 2010 is shown below.



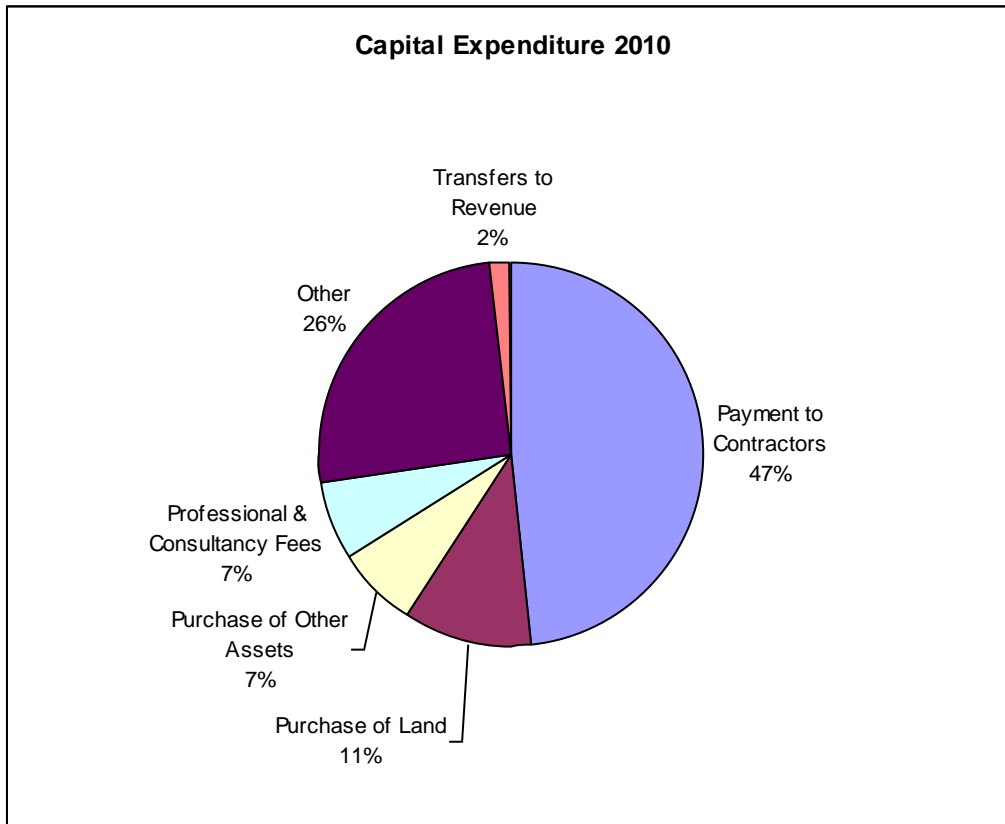
All amounts above are €m

The table below shows an analysis of capital expenditure for 2010, with comparative figures for 2007, 2008 and 2009.³

	2007	2008	2009	2010
	€m	€m	€m	€m
Payment to Contractors	3,240	3,426	2,144	1,368
Purchase of Land	583	530	484	308
Purchase of Other Assets	933	481	299	194
Professional & Consultancy Fees	410	353	275	188
Other	1,118	1,273	894	736
Transfers to Revenue	88	71	47	45
	6,372	6,134	4,143	2,839

³ All figures shown relate to City and County Councils only

An analysis of the 2010 capital expenditure is shown in the chart below.

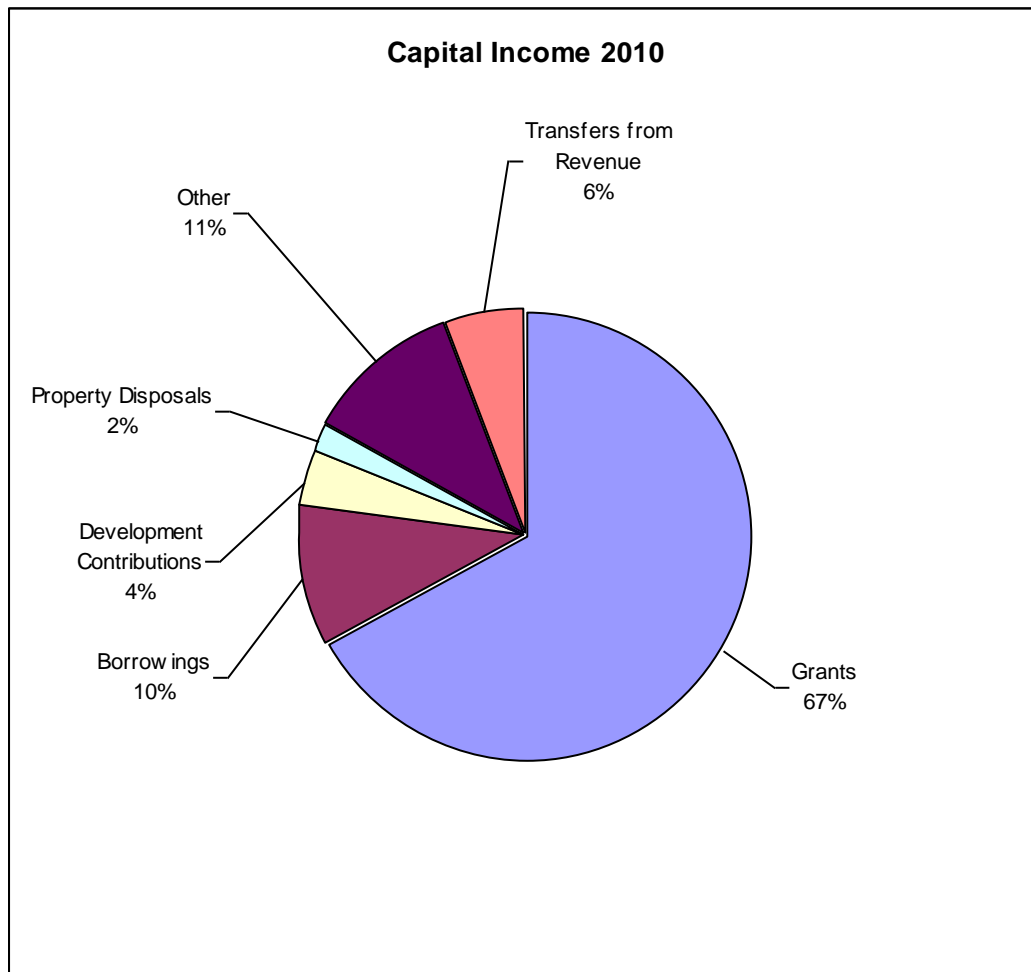


The further reduction in capital expenditure in 2010, when compared to previous years, is a reflection of the decrease in economic activity generally and in particular the reduced investment in infrastructure projects in the local government sector. There is a corresponding reduction in capital income, as shown in the tables below.⁴

	2007	2008	2009	2010
	€m	€m	€m	€m
Grants	3,506	3,499	2,811	1,938
Borrowings	553	555	487	292
Development Contributions	862	460	158	117
Property Disposals	341	299	120	58
Other	796	606	352	323
Transfers from Revenue	210	165	171	170
	6,268	5,584	4,099	2,898

⁴ All figures shown relate to City and County Councils only

The proportion of income from the various sources for 2010 is illustrated in the following chart.



It can be seen from the above that approximately sixty seven percent of capital income is derived from government grants, illustrating the dependence on central government funding for infrastructure projects.

Audit of Capital Account

The annual financial statements of local authorities include capital expenditure on infrastructure projects, as shown above, that may take a number of years to complete and therefore may span a number of annual audits. While various aspects of the major projects may be examined at one or more annual audits, selected projects may also be subject to once-off examination at any stage.

An audit plan, allocating resources to the various areas within the audit, is drawn up at the commencement of each annual audit. This is based on a risk assessment of all audit areas (including capital projects) that takes account of past knowledge and experience, judgement, analytical review, management discussions and materiality. Having allocated resources to the capital projects area, the auditor then decides the extent and scope of the audit procedures to be completed. This may include:

- Review of expenditure per project and progress on the larger projects,
- Compliance tests and / or substantive tests on the tender process for selected projects,
- Examination of the certification and payment of sample invoices received from contractors,
- Review of other expenditure on selected projects including professional fees, land purchases, payroll and overhead costs,
- Review of income, including funding arrangements, for selected projects. This may include confirmation from the Department of grants paid and approval for loans raised,
- Examination of final accounts, including the approvals of the Manager, the Department or other authorising body.

Progress on the major capital projects and any issues arising from audit procedures are often referred to in the auditors' statutory reports.

Capital projects are also subject to spot-checks carried out by the Value for Money Unit of the LGAS in order to ensure compliance with guidelines issued by the Department of Finance for the appraisal and management of capital expenditure in the public sector. These are referred to on page 28 of this report.

Balance Sheet

Local authority annual financial statements include a balance sheet, which is a statement of the assets, liabilities and reserves of the local authority at the end of the financial year. The following is a summary of the balance sheets for the city and county councils for 2010, with previous years for comparison purposes.⁵

	2007	2008	2009	2010
	€m	€m	€m	€m
Fixed Assets	83,050	85,456	87,464	90,394
Work in Progress and Preliminary Expenses	8,513	8,068	7,576	5,536
Long Term Debtors	2,496	3,068	3,060	3,027
Currents Assets	2,970	2,803	2,585	2,613
Current Liabilities	-1,138	-1,646	-1,467	-1,407
Long Term Liabilities	-4,248	-4,858	-5,063	-5,077
Net Assets	91,643	92,891	94,155	95,086
Capitalisation Account	83,049	85,455	87,465	90,393
Income - Work in Progress	8,147	7,687	7,290	5,407
Specific Revenue Balance	81	74	74	70
General Revenue Balance	34	7	9	19
Other Balances	332	-332	-683	-803
	91,643	92,891	94,155	95,086

An analysis of the Fixed Assets, as at 31 December 2010, by asset type is shown in the table below.

Asset Type	Net Book Value €m
Land	2,238
Parks	66
Housing	17,933
Buildings	4,033
Plant & Machinery	108
Computers, Furniture & Equipment	30
Heritage	397
Roads & Infrastructure	54,310
Water & Sewerage Network	11,278
	90,393

Valuation of Fixed Assets

Fixed Assets were included in the Annual Financial Statements for the first time in 2003. Assets held at that date were valued in accordance with guidelines issued from the Department, using a number of valuation models. All assets purchased and constructed since 2003 are included at cost. A major revaluation of local authority land, housing and building assets will need to be undertaken once market conditions allow.

⁵ All figures shown relate to City and County Councils only

Local Government Auditors' Reports

The main issues reported on by local government auditors for 2010, including the managers' responses, are detailed in Appendix 8.

Revenue Collection Performance

Revenue collection performances are highlighted in a number of audit reports. Collection statements for the four main revenue collection areas, by city and county council, are included in Appendices 2 - 5 to this report. Summary figures for the main collection areas are as follows:⁶

	Collected		Arrears		Percentage Collected	
	2009 €	2010 €	2009 €	2010 €	2009	2010
Rates	1,128m	1,109m	188m	268m	86%	81%
Housing Rents	268m	277m	47m	47m	85%	85%
Commercial Water	166m	176m	152m	160m	52%	52%
Housing Loans	100m	94m	18m	24m	85%	80%

It can be seen from the above that overall collection percentages either deteriorated or remained static over the two years; while the level of arrears at the year-end, in most cases, increased. These trends are supported by auditors' concerns, as expressed in their audit reports, which included references to:

- Deterioration in some or all of the revenue collection areas;
- Significant increases in levels of arrears at the year-end;
- Particular difficulties in the collection of commercial water charges.

Explanations given to the auditors, or referred to in management responses, included financial difficulties experienced by customers in the current economic climate and, in the case of commercial water charges, problems experienced with water metering projects. Management responses referred to proposed actions to deal with the poor collection performance, including the following.

- Better debt management procedures;
- Diversion of resources to debt collection;
- Withdrawal of services or legal action;
- Engagement of debt collection services; and
- Review and / or write-off of arrears.

Bad Debts Provision

Auditors also raised concerns about the inadequate level of provisions for bad and doubtful debts. Any increases in the amounts provided would have an impact on revenue account balances and budgets. This may explain the reluctance to address this issue in some authorities.

⁶ All figures shown relate to City and County Councils only

In the annual financial statements of local authorities, provisions for bad and doubtful debts are not disclosed separately for the individual revenue collection accounts (above) or other categories of debtors. They are shown as a deduction from the total current debtors in Note 5 to the accounts. However, it is evident that the level of provision varies widely across local authorities. It is important to note that the level of provision for bad and doubtful debts, which is an estimate, is dependent on the write-off policy in each authority. Local authorities should therefore implement a realistic write-off policy in respect of amounts due to them.

Development Contribution Debtors

In recent years, with the implementation of new accounting systems, development contributions have been accounted for on an accruals basis i.e. amounts invoiced are included in income, in the capital account, and amounts outstanding are shown as debtors in the balance sheet. However where invoices are issued and part payment is agreed on a phased basis, the phased income is treated as deferred income and is matched by a long-term debtor. In effect this means that only income receivable in the next twelve months is accrued.

The level of uncertainty, in the current economic climate, as to the amounts likely to be collected, has been referred to in a number of audit reports, and this, while not separately identifiable in the AFS, should be reflected in the level of bad debt provision (referred to above). Difficulties experienced by developers and changes in market conditions have made predictions in relation to some developments difficult. These difficulties are reflected in the accrual of income from contributions. Regular inspection and review of progress on developments is important in such cases. The net current debtors for development contributions, included in the annual financial statements for 2010, are approximately €185m.

Financial Position

A number of auditors expressed concerns regarding the financial position of individual local authorities. These comments generally referred to revenue account accumulated deficits, loans payable and decreases in bank balances. Revenue account balances for the last four years, for all city and county councils, are shown in Appendix 1. It can be seen that some authorities have significant accumulated deficits and, in some cases, progress is being made in reducing these over time. Particular concerns were expressed in relation to Donegal and Sligo County Councils.

Auditors also referred to the increased burden of repaying loans and in particular, the future funding of interest only or rolled-up interest loans. These loans were often taken out to purchase lands with the intention to repay the loan once the land had been sold or funded through use for capital projects. The slowdown in the capital area has, in some cases, cast doubts on the original funding plans. A summary of the total loans payable, by city and county councils, covering 2007 - 2010 is shown below.⁷

	2007	2008	2009	2010
	€m	€m	€m	€m
Mortgage Loans incl Rented Equity	1,499	1,585	1,577	1,464
Voluntary Housing Loans	767	994	1,079	1,131
Non-Mortgage Loans	1,999	2,347	2,444	2,324
	4,265	4,926	5,100	4,919

⁷ All figures shown relate to City and County Councils only

The mortgage-funding gap, which is the variation between the amounts owed by the local authority to financial institutions and the amounts owed to the local authorities by mortgage holders, was referred to in a number of audit reports. Local authorities sometimes retain amounts received as redemptions for prolonged periods. It is important that these balances are monitored and matched to avoid future cash flow problems. A schedule of mortgage-related loans, receivable and payable, including rented equity, for each city and county council at the end of 2010, is shown in Appendix 7.

Repayments on voluntary housing loans are fully recouped from the Department and the local authority liability is matched by a corresponding long term debtor in the annual financial statements.

Non-mortgage loans include bridging finance, loans for the acquisition of assets, revenue funding loans, inter-authority loans and others. Details of total non-mortgage loans at 31 December 2010, with comparative figures for 2009, for each city and county council are shown in Appendix 7.

Capital Account Balances

Capital balances generally reflect the funding position on current, future and past projects. These balances are subject to timing differences such as delays in grant payments and contract disputes. The depletion of existing funds / reserves is also reflected in these balances.

The total of capital balances, classified as unfunded in the annual financial statements of the city and county councils, at 31 December for each of the last four years is shown below.⁸

	2007	2008	2009	2010
	€m	€m	€m	€m
Unfunded Balances	(358)	(416)	(442)	(637)

The increase in the number of unfunded balances is a cause for concern in a significant number of authorities. The reported level of unfunded balances in city and county councils increased from €358m to €637m between 2007 and 2010. Managers' proposals to deal with these funding issues raised by the auditors included the following:

- Planned reviews of individual balances;
- Funding from future land sales;
- Funding when land used in future developments;
- Funding from future development contributions;
- Seeking additional funds from the Department; and
- Funding from revenue account over a number of years.

Auditors also referred to the need to review the classification of balances between funded and unfunded. Where a source of funding for a balance has not been identified, it should be regarded as unfunded. This also applies to a residual balance on a funded scheme if no further funding is expected. Unfunded balances need to be closely monitored and decisions made as to how these can be cleared.

⁸ All figures shown relate to City and County Councils only

Accounting for Assets

Local authorities have substantial assets; with the net book value of assets included in the annual financial statements of city and county councils amounting to over €90bn. Auditors raised a number of issues in relation to the accounting for these assets, including:

- Completeness and accuracy of property registers
- Reconciliation of fixed assets with underlying records
- Errors in treatment of acquisitions and disposals
- Issues with registration of title.

Management responses in relation to these issues referred to plans to review / update asset records and resources required to complete work in this area.

As stated above, historical assets, i.e. assets owned by local authorities prior to 2003, were valued in the annual financial statements based on guidelines issued by the Department at that date. All assets purchased or constructed since 2003 are included at historic cost. The original intention was to revalue assets every five years and the absence of any such revaluation has been commented on in a number of audit reports in recent years. A recent circular from the Department (Fin 07/2011) states:

“The General Accounts Working Group, following detailed discussions and analysis, agreed that a revaluation of fixed assets is not required and that the accounting policy should be amended in the Accounting Code of Practice and a note to reflect this be disclosed in note 9.4 Accounting Policies in AFS 2011. The change to the accounting policy will state that fixed assets are shown in the accounts of the Local Authorities at cost, with the exception of infrastructure assets, where maintenance and enhancement works are currently not included as set out in Circular Fin 06 of 2006. This position is to be reviewed in 2012.”

In the current market there are difficulties in arriving at accurate valuations of assets. This will be kept under review by the LGAS and the impact of any future changes to the accounting policies on asset valuations will be closely monitored.

Affordable Housing

Local authorities construct or purchase houses, mainly under Part V of the Planning and Development Acts, 2000 - 2007, to be sold as affordable houses to qualifying purchasers. These are financed, in the main, by means of bridging finance. The intention was that these loans would be repaid from sale proceeds. In the current economic climate the sale of these houses has slowed considerably; resulting in the need for local authorities to explore alternative uses for these units. A number of options for local authorities to utilise affordable housing units were set out in circular letter AHS1 issued in April 2009. These include:

- Sale under Incremental Purchase Scheme;
- Transfer of affordable units to Rental Accommodation Scheme; and
- Use of affordable units for a period to accommodate social housing applicants.

Expenditure on these units was treated as a debtor in the financial statements in order to reflect the original intention to dispose of these properties as they were completed. This treatment is no longer appropriate and was referred to in a number of audit reports. The funding of expenditure on affordable housing units by way of bridging finance and the local authorities' capacity to repay this finance was also raised. Managers' responses to the issues raised included references to

the leasing of units for social and voluntary housing as an interim measure to fund interest repayments and longer term proposals to sell units under incremental purchase schemes.

Changes in the accounting treatment, in order to remove expenditure from debtors, have been introduced in the annual financial statements for 2011. This area is currently being examined by the General Accounts Working Group and further changes in accounting treatment are expected for 2012 and subsequent years.

Capital Contracts

Various aspects of the major projects may be examined at one or more annual audits and selected projects may also be subject to once-off examination at any stage. Specific references to issues with capital projects that were included as main issues in the audit reports included the following:

- Dublin City Council. The delay in the commencement of the contract works on the Thermal Treatment Plant at Poolbeg, on which expenditure to 31 December 2010 amounted to €68m; with additional expenditure of €10m on advance works for district heating. The termination of this project could have serious financial implications for the Council.
- Galway City Council: The agreement between the contractor and the City Council to proceed by way of mediation with a view to bringing the dispute in relation to the Eyre Square contract case to a conclusion. This mediation was due to begin in September 2011.

Procurement Procedures

Local authorities are subject to national and EU procurement guidelines covering the provision of services, supplies and works. While these guidelines are generally followed in the case of construction contracts, audit reports contain examples of cases where proper procedures were not followed. The procurement of legal services, as referred to in Circular FD 01/2010 issued by the Department, has been specifically raised by a number of auditors.

Recommendations are also made for the review, documentation and implementation of improved procurement procedures. This is an important issue that must be addressed by local authorities.

Responses from local authority managers referred to proposals to improve procedures in this area, including:

- Increased use of framework agreements;
- Liaison with National Procurement Service;
- Review of existing procedures and
- Implementation of corporate procurement plan.

The report of the Local Government Efficiency Review Group recommended that regional procurement arrangements be formalised, through the Local Government Management Agency, and regional procurement specialists from the new National Procurement Service should work with local authorities to identify opportunities for maximum procurement co-operation across local authorities and the broader public sector.

Local Authority Companies

A number of auditors expressed concerns in relation to local authorities' interest in private companies. These concerns related mainly to local authority exposure to accumulated or future losses or liabilities or governance issues such as the availability of audited financial statements. Local authorities currently include a statement of interests in companies in their accounts. A review of the annual financial statements of the city and county councils shows that these authorities have interests in over 200 companies.

An analysis of these companies by category is as follows:

Category	Number
Enterprise and Development	72
Arts, Heritage and Tourism	68
Community and Leisure Centres	46
Other	47
	233

The information disclosed in the accounts, and the accounting treatment of transactions and balances in the income and expenditure and balance sheet, varies between local authorities. Because of the need to account for these interests on a consistent basis, this area will receive particular attention in the proposed review of the accounting code of practice later this year.

I recommend that the city and county managers ensure that any local authority staff on the board of these companies receive the necessary support and training to discharge their duties as directors under the Companies Acts. The LGAS is precluded from auditing these companies.

Governance and Internal Audit

Article 16 of the Local Government (Financial Provisions and Audit) Regulations, 2002 states that "a local authority or joint body shall maintain an adequate and effective system of internal audit of its accounting records and control systems." Local government auditors may place reliance on the work done by internal audit in carrying out their own audits and this reliance is referred to in a number of reports. There are references in audit reports to local authorities where internal audit posts were vacant for prolonged periods and others where the function is under-resourced.

The report of the Local Government Efficiency Review Group, published in July 2010, recommended that internal auditors should carry out more work in relation to value for money. It also recommended that the internal audit function should be resourced by staff with suitable professional qualifications and some progress was evident in this regard.

Accounting for Local Authority Staff Pension and Gratuities Costs

The Accounting Code of Practice for local authorities provides for the accounting treatment of staff pensions as follows:

“Similar to government departments, pension payments are treated as current expenditure. Pension contributions from employees are treated as part of current receipts. The accounts may not reflect the true cost of pensions or the future potential liabilities and local authorities should include a statement outlining their policy in the notes to the AFS.”

From 2009 an additional pension related deduction was introduced for all public sector employees and income from this source is included in the income and expenditure account of local authorities in the annual financial statements. Deductions from payroll for this contribution in the city and county councils amounted to €82m in 2010, compared with €69m in 2009. These amounts are not ring-fenced to meet future pension liabilities in the accounts of local authorities.

The requirements of current accounting standards relating to pensions, and their applicability to local authorities, are reviewed by the Department’s general accounts working group. However there are no immediate plans to change the accounting treatment of pensions and pension liabilities. The local authorities’ deferred liabilities for pensions has not been computed or reported on in the annual financial statements of local authorities.

Value for Money (VFM) Audit

It is the responsibility of local authority management to ensure that value for money is achieved by establishing and maintaining sound arrangements, including procedures for planning, appraisal, authorisation and control of resources. The Local Government (Financial Provisions) Act 1997 widened the role of the local government auditors. Under the Act, the auditors, in auditing local authorities, are empowered to examine economy and efficiency in the use of resources and the adequacy of management systems which authorities have in place to appraise the effectiveness of their own organisations. The 1997 Act also established, on a statutory basis, a Value for Money Unit in the LGAS. The Unit carries out VFM studies on local authority operations, with a view to identifying best practice and recommending ways of improving existing procedures, practices and systems and thereby promoting efficiency and cost effectiveness.

The VFM audit unit of the LGAS consists of a central research team, staffed by a principal local government auditor and one and a half full time equivalent (FTE) local government auditors, together with further audit days provided by assistant auditors at district level.

A VFM audit consultative committee representing the main stakeholders, and chaired by the Director of Audit, has been established. It has an advisory role in the selection of VFM projects and in reviewing the quality of draft reports before publication. There was a rotation of the representatives of local authority management on the Unit's consultative committee during 2011. Also, an advisory group is established for each VFM study undertaken, comprising representatives from local authorities, the Department and/or individuals with expertise in a particular field.

The work of the VFM Unit has mainly focused on undertaking national studies on single-issue topics and publishing reports thereon. The Unit has produced 27 of these national reports to date. VFM Report No. 27 (Management and Maintenance of Vacant Dwellings in Local Authorities) was published in May 2011. It is proposed to carry out a study on Absenteeism in local authorities during 2012.

The Unit is broadening its sphere of activity by preparing and issuing progress reports on the implementation, by local authorities, of the recommendations contained in the national reports issued by the Unit. Two progress reports have been issued to date, in March 2011 the Unit issued Progress Report No. 2 (Progress Report on the Implementation of the recommendations contained in VFM Report No. 24 - Financial Management Reporting in Local Authorities). Follow-ups on the progress, by local authorities, on the implementation of the recommendations contained in three VFM Reports are currently being carried out by the Unit as follows:-

- Progress Report No. 3 - Progress Report on the implementation of the recommendations contained in VFM Report No. 25 (Part V of the Planning and Development Acts, 2000-2007 Social and Affordable Housing)
- Progress Report No. 4 - Progress Report on the implementation of the recommendations contained in VFM Report No. 26 (Development Contributions)
- Progress Report No. 5 - Progress Report on the implementation of the recommendations contained in VFM Report No. 27 (Management and Maintenance of Vacant Dwellings in Local Authorities)

The website of the Department is the primary means of publishing reports of the VFM Unit and national reports and progress reports issued by the Unit can be downloaded at <http://www.environ.ie/en/Publications/LocalGovernment/AuditService/>

The Unit also carries out spot-checks and reviews, on behalf of the Department, of capital investment programmes funded by the Department and undertaken by local authorities. The spot-check of capital projects is to ensure compliance with guidelines issued by the Department of Finance for the appraisal and management of capital expenditure in the public sector. These guidelines require Departments and Agencies under their auspices to carry out independent spot-checks and reviews and report annually to the Department of Finance on capital investment programmes covered by the guidelines. The Unit fulfils the requirement that the spot-checks should be carried out by officials/persons who are independent of those directly involved in the appraisal, management and the delivery of the projects. The Unit is currently carrying out spot-checks and reviews of capital projects, undertaken by local authorities and funded by the Department, which were either in progress or completed during 2010 and/or 2011.

External relationships

The LGAS has, over many years, developed relationships with a number of external bodies. These included the following:

Comptroller and Auditor General (C&AG): Copies of all LGAS reports are made available to the C&AG as part of his audit of the Department.

Northern Ireland Audit Office, Audit Scotland and Wales Audit Office: Staff from the LGAS have met their counterparts in the Northern Ireland Audit Office, Audit Scotland and Wales Audit Office on a number of occasions over the years and in recent times discussed audit approach and VFM matters. Representatives of these bodies have also attended the LGAS annual conference.

The European Organisation of Regional Audit Institutions (EURORAI): The LGAS has been represented at conferences organized by this European institution for many years. This provides useful contact with public audit bodies and staff in other European countries.

Working Groups and Committees: The LGAS continues to be represented on a number of the Department's working groups and committees, which included the following:

- General Accounts Working Group;
- Finance and Business Committee; and
- Rent Supplement Review – Financial Control Working Group.

Appendix 1

General Revenue Balances

	2007	2008	2009	2010
	€	€	€	€
County Councils				
Carlow	(153,319)	(98,888)	(122,100)	(112,109)
Cavan	1,658,665	1,660,062	1,661,261	1,661,920
Clare	(1,971,791)	(1,774,045)	(1,856,538)	(1,743,845)
Cork	18,638,064	17,150,638	15,156,723	17,140,327
Donegal	(13,139,378)	(12,998,286)	(12,893,134)	(12,704,598)
Fingal	16,584,624	15,366,860	17,448,786	17,650,808
Dun Laoghaire Rathdown	8,901,726	8,981,377	8,993,933	9,109,481
Galway	763,305	(1,149,537)	(1,272,551)	(1,383,882)
Kerry	1,573,792	1,756,037	1,889,034	2,526,148
Kildare	(6,463,441)	(5,653,544)	(4,885,744)	(3,913,254)
Kilkenny	55,129	59,433	(35,333)	(52,636)
Laois	(534,289)	(529,372)	(521,605)	(519,501)
Leitrim	240,618	(60,731)	(88,264)	(123,121)
Limerick	1,138,929	70,449	81,220	276,281
Longford	1,499,795	505,178	(842,399)	(595,892)
Louth	4,050,865	1,720,511	1,670,221	1,685,363
Mayo	(3,924,961)	(3,513,410)	(3,049,924)	(2,747,647)
Meath	(9,797,254)	(9,613,934)	(9,304,735)	(8,329,809)
Monaghan	(916,313)	(1,503,720)	(1,064,263)	(672,400)
North Tipperary	(334,424)	(245,463)	25,026	109,937
Offaly	(64,990)	(332,082)	(484,669)	(1,899,146)
Roscommon	165,762	31,082	(322,505)	72,909
Sligo	(1,469,502)	(4,285,151)	(7,518,111)	(9,981,616)
South Dublin	15,299,118	12,418,975	12,070,177	12,083,109
South Tipperary	2,906,569	3,092,261	2,940,207	2,963,171
Waterford	(6,949,137)	(6,916,777)	(6,933,807)	(6,916,907)
Westmeath	(3,665,511)	(2,911,003)	(2,796,050)	(2,046,872)
Wexford	(3,874,713)	(6,791,385)	(6,381,643)	(6,365,810)
Wicklow	(1,761,515)	(1,733,353)	(1,997,736)	(2,092,176)
City Councils				
Cork City	207,922	251,417	317,023	400,584
Dublin City	7,745,909	4,326,015	9,765,759	15,384,124
Galway City	8,109,411	32,682	(525,870)	(67,743)
Limerick City	120,870	178,404	260,192	317,825
Waterford City	(566,465)	(517,189)	(447,887)	(354,932)
	34,074,067	6,973,510	8,934,695	18,758,091

Appendix 2 Rates Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off & Waivers	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
County Councils	€	€	€	€	€	€		
Carlow	1,378,698	5,373,175	65,201	6,686,672	4,713,637	1,973,035	70%	77%
Cavan	1,890,118	10,501,300	784,443	11,606,975	9,215,051	2,391,924	79%	82%
Clare	3,851,576	35,491,606	205,650	39,137,532	31,371,523	7,766,009	80%	90%
Cork	12,594,225	104,214,738	6,672,558	110,136,405	90,916,445	19,219,960	83%	88%
Donegal	6,519,004	21,120,580	2,492,414	25,147,170	16,168,187	8,978,983	64%	71%
Fingal	15,324,000	118,535,544	3,757,096	130,102,448	109,089,208	21,013,240	84%	88%
Dun Laoghaire Rathdown	14,643,370	89,479,990	3,325,110	100,798,250	81,556,189	19,242,061	81%	85%
Galway	4,171,366	23,139,712	4,043,523	23,267,555	18,200,480	5,067,075	78%	81%
Kerry	2,977,488	20,629,312	2,368,423	21,238,377	17,554,304	3,684,073	83%	85%
Kildare	5,079,832	38,359,818	0	43,439,650	35,017,488	8,422,162	81%	88%
Kilkenny	780,610	11,745,434	1,699,530	10,826,514	9,425,334	1,401,180	87%	93%
Laois	1,523,960	9,240,132	659,583	10,104,509	8,187,869	1,916,640	81%	84%
Leitrim	735,825	4,655,068	696,734	4,694,159	3,660,377	1,033,782	78%	83%
Limerick	2,239,978	27,634,169	4,109,081	25,765,066	23,150,780	2,614,286	90%	91%
Longford	512,739	3,861,091	117,420	4,256,410	3,631,607	624,803	85%	88%
Louth	1,797,286	7,772,866	946,116	8,624,036	5,746,530	2,877,506	67%	78%
Mayo	1,348,616	13,649,034	2,533,929	12,463,721	10,349,404	2,114,317	83%	89%
Meath	2,075,576	20,612,832	0	22,688,408	19,689,702	2,998,706	87%	91%
Monaghan	1,075,664	6,370,715	1,022,223	6,424,156	4,965,581	1,458,575	77%	82%
North Tipperary	749,966	6,770,021	316,956	7,203,031	6,182,328	1,020,703	86%	89%
Offaly	747,568	7,974,255	937,826	7,783,997	7,267,813	516,184	93%	90%
Roscommon	1,510,908	10,251,188	1,688,361	10,073,735	7,733,539	2,340,196	77%	84%
Sligo	896,452	4,876,672	671,143	5,101,981	4,016,899	1,085,082	79%	81%
South Dublin	18,122,445	124,313,660	3,012,133	139,423,972	112,063,348	27,360,624	80%	86%
South Tipperary	860,411	7,475,915	45,509	8,290,817	7,323,848	966,969	88%	89%
Waterford	1,156,478	7,128,391	530,506	7,754,363	5,676,246	2,078,117	73%	84%
Westmeath	1,466,694	8,383,920	380,821	9,469,793	8,064,443	1,405,350	85%	82%
Wexford	2,894,700	17,176,710	398,791	19,672,619	15,041,928	4,630,691	76%	83%
Wicklow	2,232,643	17,047,486	1,730,389	17,549,740	13,425,756	4,123,984	77%	86%

Appendix 2 Rates Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off & Waivers	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
City Councils	€	€	€	€	€	€		
Cork City	9,476,861	63,419,617	3,483,443	69,413,035	56,548,108	12,864,927	81%	86%
Dublin City	44,455,944	324,537,363	9,035,651	359,957,656	296,510,814	63,446,842	82%	87%
Galway City	11,071,910	33,592,654	4,664,801	39,999,763	25,497,007	14,502,756	64%	70%
Limerick City	10,564,235	30,542,193	2,676,147	38,430,281	24,080,407	14,349,874	63%	70%
Waterford City	1,666,660	18,458,611	398,292	19,726,979	16,942,553	2,784,426	86%	91%
Total City and County Councils	188,393,806	1,254,335,772	65,469,803	1,377,259,775	1,108,984,733	268,275,042	81%	86%

Appendix 3 Housing Rents Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
	€	€	€	€	€	€		
County Councils								
Carlow	187,830	3,010,691	35,839	3,162,682	2,893,957	268,725	92%	93%
Cavan	371,777	2,874,376	9,798	3,236,355	2,724,866	511,489	84%	87%
Clare	655,272	4,118,181	2,781	4,770,672	4,055,717	714,955	85%	86%
Cork	796,566	10,746,549	41,287	11,501,828	10,813,763	688,065	94%	93%
Donegal	1,089,590	8,297,470	53,390	9,333,670	8,422,863	910,807	90%	88%
Fingal	620,924	13,851,282	0	14,472,206	13,516,628	955,578	93%	96%
Dun Laoghaire Rathdown	2,706,951	12,687,314	59,600	15,334,665	12,489,005	2,845,660	81%	82%
Galway	722,076	5,581,375	66,207	6,237,244	5,684,764	552,480	91%	88%
Kerry	272,898	5,982,877	11,451	6,244,324	6,119,944	124,380	98%	95%
Kildare	1,182,098	6,558,318	45,550	7,694,866	6,187,530	1,507,336	80%	84%
Kilkenny	515,133	4,721,208	11,502	5,224,839	4,620,575	604,264	88%	89%
Laois	240,193	4,409,287	6,419	4,643,061	4,308,950	334,111	93%	94%
Leitrim	143,012	1,901,523	5,425	2,039,110	1,912,797	126,313	94%	93%
Limerick	486,961	5,591,806	27,740	6,051,027	5,576,872	474,155	92%	92%
Longford	640,645	4,367,525	10,654	4,997,516	4,362,668	634,848	87%	86%
Louth	295,738	2,662,985	4,375	2,954,348	2,536,986	417,362	86%	89%
Mayo	900,145	3,975,537	14,682	4,861,000	3,932,906	928,094	81%	81%
Meath	651,674	6,968,470	54,286	7,565,858	6,768,682	797,176	89%	91%
Monaghan	59,462	2,801,430	10,358	2,850,534	2,755,265	95,269	97%	98%
North Tipperary	87,774	2,520,190	786	2,607,178	2,523,030	84,148	97%	96%
Offaly	300,426	2,765,254	655	3,065,025	2,762,863	302,162	90%	90%
Roscommon	708,301	3,152,308	112,733	3,747,876	3,347,736	400,140	89%	81%
Sligo	292,381	2,623,513	3,279	2,912,615	2,531,301	381,314	87%	89%
South Dublin	5,981,156	21,746,386	175,315	27,552,227	21,245,974	6,306,253	77%	79%
South Tipperary	153,327	2,915,438	4,605	3,064,160	2,725,848	338,312	89%	95%
Waterford	183,596	2,742,822	0	2,926,418	2,630,507	295,911	90%	93%
Westmeath	720,808	3,694,699	116,732	4,298,775	3,689,215	609,560	86%	82%
Wexford	381,658	7,676,936	56,412	8,002,182	7,559,978	442,204	94%	95%
Wicklow	182,975	5,591,325	21,042	5,753,258	5,532,356	220,902	96%	97%

Appendix 3 Housing Rents Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
City Councils	€	€	€	€	€	€		
Cork City	1,688,939	19,434,578	0	21,123,517	19,135,486	1,988,031	91%	92%
Dublin City	19,526,762	73,679,765	541,823	92,664,704	73,482,574	19,182,130	79%	79%
Galway City	2,086,434	6,631,133	131,793	8,585,774	6,730,730	1,855,044	78%	74%
Limerick City	674,997	7,133,499	236,604	7,571,892	7,144,693	427,199	94%	91%
Waterford City	1,144,965	6,418,823	185,119	7,378,669	6,249,312	1,129,357	85%	84%
Total City and County Councils	46,653,444	279,834,873	2,058,242	324,430,075	276,976,341	47,453,734	85%	85%

Appendix 4 Commercial Water Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off & Waivers	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
County Councils	€	€	€	€	€	€		
Carlow	831,676	559,858	75,247	1,316,287	691,406	624,881	53%	31%
Cavan	1,903,905	2,324,177	470,934	3,757,148	1,974,476	1,782,672	53%	47%
Clare	6,511,277	8,621,995	623,638	14,509,634	4,719,210	9,790,424	33%	30%
Cork	14,437,859	19,628,055	4,646	34,061,268	18,946,022	15,115,246	56%	59%
Donegal	10,808,845	8,008,169	1,040,153	17,776,861	6,341,431	11,435,430	36%	40%
Fingal	7,195,551	14,859,550	883,804	21,171,297	14,083,286	7,088,011	67%	66%
Dun Laoghaire Rathdown	9,019,916	6,920,503	1,165,483	14,774,936	6,086,457	8,688,479	41%	39%
Galway	4,542,483	4,750,711	393,172	8,900,022	4,419,966	4,480,056	50%	56%
Kerry	2,572,154	7,639,166	72,632	10,138,688	7,716,204	2,422,484	76%	74%
Kildare	6,303,713	9,490,065	451,383	15,342,395	8,577,062	6,765,333	56%	60%
Kilkenny	2,345,612	4,747,148	1,870,471	5,222,289	3,003,282	2,219,007	58%	57%
Laois	1,713,232	2,148,575	213,946	3,647,861	1,847,667	1,800,194	51%	59%
Leitrim	864,453	800,538	1,073	1,663,918	685,838	978,080	41%	35%
Limerick	2,085,419	7,427,277	517,944	8,994,752	6,836,658	2,158,094	76%	77%
Longford	1,320,871	1,837,394	196,491	2,961,774	1,657,701	1,304,073	56%	52%
Louth	1,229,063	6,784,349	238,913	7,774,499	2,671,399	5,103,100	34%	34%
Mayo	5,948,122	5,892,686	0	11,840,808	6,007,719	5,833,089	51%	49%
Meath	5,088,552	3,785,956	507,072	8,367,436	3,311,120	5,056,316	40%	30%
Monaghan	964,533	1,838,999	71,199	2,732,333	1,573,946	1,158,387	58%	63%
North Tipperary	1,517,791	3,259,240	53,717	4,723,314	3,096,282	1,627,032	66%	64%
Offaly	2,360,511	2,615,559	195,689	4,780,381	1,774,441	3,005,940	37%	29%
Roscommon	1,571,007	2,483,898	28,564	4,026,341	2,308,601	1,717,740	57%	57%
Sligo	3,364,804	3,018,921	109,025	6,274,700	3,054,356	3,220,344	49%	47%
South Dublin	8,763,741	7,587,331	350,847	16,000,225	7,703,925	8,296,300	48%	43%
South Tipperary	614,978	2,903,820	320,768	3,198,030	2,440,682	757,348	76%	80%
Waterford	459,742	1,977,922	0	2,437,664	1,513,759	923,905	62%	77%
Westmeath	2,640,106	3,538,385	83,777	6,094,714	2,202,721	3,891,993	36%	42%
Wexford	11,368,930	3,466,457	128,253	14,707,134	5,505,420	9,201,714	37%	27%
Wicklow	2,816,501	1,609,036	166,727	4,258,810	1,751,375	2,507,435	41%	37%

Appendix 4 Commercial Water Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off & Waivers	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
City Councils	€	€	€	€	€	€		
Cork City	1,636,204	5,750,617	242,701	7,144,120	6,056,380	1,087,740	85%	78%
Dublin City	21,373,541	27,634,491	3,827,136	45,180,896	22,991,930	22,188,966	51%	49%
Galway City	3,173,645	4,009,175	0	7,182,820	4,019,252	3,163,568	56%	54%
Limerick City	3,016,409	7,132,061	1,165,622	8,982,848	5,973,350	3,009,498	66%	69%
Waterford City	1,380,934	4,695,072	277,938	5,798,068	4,268,589	1,529,479	74%	68%
Total City and County Councils	151,746,080	199,747,156	15,748,965	335,744,271	175,811,913	159,932,358	52%	52%

Appendix 5 Housing Loans Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off & Waivers	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
	€	€	€	€	€	€		
County Councils								
Carlow	87,579	694,472	0	782,051	653,066	128,985	84%	89%
Cavan	8,834	743,838	0	752,672	637,822	114,850	85%	99%
Clare	268,198	1,325,706	-229	1,594,133	1,205,498	388,635	76%	83%
Cork	1,849,672	7,130,560	0	8,980,232	6,691,578	2,288,654	75%	78%
Donegal	609,056	2,559,623	2,223	3,166,456	2,544,314	622,142	80%	80%
Fingal	488,979	12,999,715	0	13,488,694	12,851,662	637,032	95%	97%
Dun Laoghaire Rathdown	213,787	1,535,162	0	1,748,949	1,422,304	326,645	81%	88%
Galway	431,905	2,646,095	-2	3,078,002	2,586,300	491,702	84%	86%
Kerry	192,745	1,586,131	11,514	1,767,362	1,590,021	177,341	90%	90%
Kildare	1,902,272	3,883,364	4	5,785,632	3,133,407	2,652,225	54%	64%
Kilkenny	564,505	2,272,223	30,140	2,806,588	2,138,582	668,006	76%	79%
Laois	434,172	4,129,156	25,972	4,537,356	3,909,399	627,957	86%	90%
Leitrim	53,528	197,280	829	249,979	184,436	65,543	74%	79%
Limerick	273,996	1,292,920	2,921	1,563,995	1,226,726	337,269	78%	84%
Longford	168,440	1,131,763	0	1,300,203	1,094,410	205,793	84%	87%
Louth	96,026	343,154	-7	439,187	256,997	182,190	59%	79%
Mayo	1,188,052	3,184,365	1,161	4,371,256	2,998,872	1,372,384	69%	73%
Meath	247,145	1,446,860	19,475	1,674,530	1,456,460	218,070	87%	85%
Monaghan	168,344	1,037,969	0	1,206,313	1,077,001	129,312	89%	87%
North Tipperary	55,105	596,587	0	651,692	504,735	146,957	77%	92%
Offaly	325,161	740,693	0	1,065,854	722,932	342,922	68%	71%
Roscommon	228,593	397,973	0	626,566	389,832	236,734	62%	65%
Sligo	333,257	923,548	1,899	1,254,906	813,048	441,858	65%	74%
South Dublin	-322,542	6,027,091	0	5,704,549	5,863,751	-159,202	103%	105%
South Tipperary	215,617	1,048,430	5,757	1,258,290	1,010,776	247,514	80%	83%
Waterford	99,006	1,183,552	99	1,282,459	1,097,941	184,518	86%	92%
Westmeath	1,813,201	2,507,111	153,079	4,167,233	2,196,237	1,970,996	53%	55%
Wexford	256,831	4,142,580	0	4,399,411	4,027,866	371,545	92%	94%
Wicklow	300,336	1,554,922	12,694	1,842,564	1,468,398	374,166	80%	84%

Appendix 5 Housing Loans Collection

Local Authority	Arrears at 01/01/2010	Accrued	Write Off & Waivers	Total for Collection	Collected	Arrears at 31/12/2010	2010%	2009%
City Councils	€	€	€	€	€	€		
Cork City	356,701	3,134,552	1,148	3,490,105	3,011,360	478,745	86%	91%
Dublin City	4,396,341	23,466,744	0	27,863,085	21,400,846	6,462,239	77%	84%
Galway City	279,607	1,636,306	10,836	1,905,077	1,474,955	430,122	77%	85%
Limerick City	49,675	901,753	217	951,211	796,184	155,027	84%	95%
Waterford City	557,551	2,098,499	150,000	2,506,050	1,778,184	727,866	71%	78%
Total City and County Councils	18,191,675	100,500,697	429,730	118,262,642	94,215,900	24,046,742	80%	85%

Appendix 6 Mortgage Funding

	Mortgage Loans Payable incl. Rented Equity €	Mortgage Loans Receivable incl. Rented Equity €
County Councils		
Carlow	8,134,776	8,912,176
Cavan	7,661,841	8,053,771
Clare	16,562,034	17,143,344
Cork	105,797,717	107,600,018
Donegal	40,497,673	37,355,800
Fingal	185,760,167	182,927,537
Dun Laoghaire Rathdown	30,541,892	16,218,306
Galway	32,799,792	33,971,805
Kerry	16,697,747	18,385,816
Kildare	51,072,147	63,368,865
Kilkenny	34,418,313	32,541,172
Laois	75,150,633	74,251,007
Leitrim	1,878,243	2,006,897
Limerick	12,619,406	13,742,234
Longford	12,963,770	15,552,833
Louth	4,302,811	3,250,117
Mayo	34,265,385	35,624,976
Meath	19,499,766	20,820,848
Monaghan	17,180,512	15,180,405
North Tipperary	8,924,845	8,806,268
Offaly	9,182,001	8,543,953
Roscommon	3,709,965	3,083,603
Sligo	17,544,995	13,890,032
South Dublin	73,937,414	73,568,570
South Tipperary	13,367,424	13,342,439
Waterford	15,099,652	15,634,204
Westmeath	35,281,105	35,987,796
Wexford	55,042,403	55,544,031
Wicklow	32,282,373	22,538,821
City Councils		
Cork City	35,445,719	37,041,536
Dublin City	385,485,379	379,606,903
Galway City	26,138,061	21,909,760
Limerick City	8,866,477	9,676,191
Waterford City	36,050,329	38,256,062
	1,464,162,767	1,444,338,096

Appendix 7 Non-Mortgage Loans

Local Authority	2010	2009
County Councils	€	€
Carlow	13,600,406	12,547,768
Cavan	9,622,705	8,947,641
Clare	96,148,526	93,883,430
Cork	354,668,309	371,077,124
Donegal	51,891,902	57,241,855
Fingal	190,005,215	242,818,503
Dun Laoghaire Rathdown	62,871,300	77,386,088
Galway	73,604,637	75,817,059
Kerry	63,697,526	64,524,699
Kildare	73,419,285	70,924,484
Kilkenny	15,334,583	14,156,378
Laois	24,813,487	24,799,242
Leitrim	9,947,655	5,314,855
Limerick	48,200,869	48,375,935
Longford	16,462,374	13,640,505
Louth	16,599,687	20,097,962
Mayo	65,691,781	59,198,744
Meath	61,236,204	64,752,067
Monaghan	11,586,126	11,460,450
North Tipperary	19,780,173	18,715,531
Offaly	38,026,751	39,439,615
Roscommon	10,553,275	11,992,965
Sligo	55,262,549	43,835,065
South Dublin	84,598,412	77,990,109
South Tipperary	22,557,583	24,894,570
Waterford	28,679,149	25,885,188
Westmeath	76,975,492	70,994,237
Wexford	100,139,916	85,774,375
Wicklow	57,938,602	57,894,530
City Councils		
Cork City	119,951,084	135,340,659
Dublin City	315,565,758	373,530,964
Galway City	78,562,245	91,131,528
Limerick City	12,545,653	11,648,161
Waterford City	43,102,424	37,307,937
Total City and County Councils	2,323,641,644	2,443,340,221

Appendix 8 - Main Issues from Audit Reports

Authority	Subject	Main Issues from Audit Reports	Manager's Responses
Carlow County Council	Loans Payable	<p>At the end of 2010, the Council owed €42m in the form of medium to long term loans including €8.53m (which includes rolled up interest) in respect of land acquisitions, €21m relate to voluntary LSS schemes, €3m in bridging relating to affordable houses, and the balance relates to shared ownership and housing annuity loans. Interest on lands is rolled up normally over a seven year period on the lands that have not been developed, however, there are four loans with a value of approximately €2.3m which exceeded this seven year limit. Two of those loans amounting to €1.1m were redeemed under the Land Aggregation Scheme in March 2011, leaving the two remaining loans with a value of €1.2m, which have exceeded their seven year rollover period. These loans have been extended for a further year. The future funding of all rolled up interest loans needs to be addressed.</p>	<p>The Council will continue to review its land bank and associated loans with a view to redeeming the associated loans as soon as practicable.</p>
	Bond Register and Planning Issues	<p>The Bond Register is not up to date and needs to be prioritized. Unfinished estates, taking in charge and bond expiry dates need immediate attention. There is a potential liability to the local authority where such bonds have either expired or the value is insufficient to cover the costs of completing necessary infrastructural works. I am unable to place any reliance on the accuracy and integrity of this Register.</p> <p>Further to the above, the following areas are under review and require to be addressed:</p> <ul style="list-style-type: none"> • Quarries in the administrative area • Estates to be taken in charge and unfinished estates • Planning application validation 	<p>The updating of the bond register to inform the decision making process in relation to the taking of estates in charge and the unfinished estates will be prioritised. Additional resources will be assigned to the Planning Department to assist with the updating of the Bond Register.</p> <p>Works have commenced in accordance with Section 75 of the Planning and Development Act, 2010 which requires the local authority to review every quarry in its administrative area. The outcome of this review will determine the action to be taken in relation to the quarries.</p> <p>Since the 2009 audit, procedures have been put in place in relation to the validation of planning applications as follows:</p> <ul style="list-style-type: none"> • A revised validation sheet was drawn up which provides for the measurement of areas by the Planning Technician which is then compared to the site area submitted by the applicant to ensure that the fee submitted is correct. • The validation process is countersigned by a Planner. In the absence of the Planning Technician, the validation sheet is prepared by either the Assistant Planner or Executive Planner and countersigned by the Senior Executive Planner • The tracking of files for validation is supervised by the Administrative Staff. The planning validation process is continuously monitored and reviewed.
	Procurement Procedures	<p>I noted a number of contracts that were not procured in accordance with the Procurement Directive. A number of framework agreements have been put in</p>	<p>Housing maintenance is made up of electrical and plumbing works (approx 50%) and general maintenance works (approx 50%).</p>

Authority	Subject	Main Issues from Audit Reports	Manager's Responses
		<p>place, however, notwithstanding this, housing maintenance and legal services have not to date been tendered for.</p> <p>The National Procurement Service has advised that a major review of legal services is being considered by them. It is the intention of Carlow County Council to await the results of this review so that they can avail of savings through a national framework agreement.</p>	<p>Procurement for housing maintenance has now been fully addressed as follows:</p> <ol style="list-style-type: none"> 1. Framework panels have been put in place for plumbing and electrical works from 1st August, 2011. 2. From 7th November, 2011, the Council housing crew carry out all other maintenance works. Any major maintenance items are tendered and addressed in accordance with Carlow County Council's procurement policy.
Cavan County Council	Debit Balances on Capital Account	At the end of 2010 according to the capital account, there were 27 unfunded project debit balances totalling €6.177m. There were 96 funded project debit balances totalling €7.133m.	In relation to unfunded debit balances the sum of €5.081m relates to land acquisition and development. It is anticipated that €2.529m of this amount will be funded in 2011 / 2012 on completion of the sale of land. The balance will be funded when economic conditions improve which should facilitate more realistic disposal prices for remainder of lands. In relation to funded debit balances the sum of €4.072m relates to water and sewerage scheme projects and is dependent on loan approval from the Department. An examination of remaining project debit balances will be undertaken in each programme group to identify optimum funding solutions. Some project debit balances can be funded by credit balances on existing projects.
	Termination of Sale Agreement	<p>In 2007 the Council entered into an agreement with a waste management company to sell the landfill facility at Corranure. The sale was precedent on a number of conditions being met, including (a) the granting of planning permission by An Bord Pleanala to construct waste management infrastructure and (b) the granting of a waste licence from the Environmental Protection Agency to operate the landfill facility.</p> <p>Subject to the conditions above a "Concession Agreement" was entered into by both parties which allowed the waste management company to commence operations immediately, using the Council's waste licence. This agreement included the payment of a deposit of €2.060m (10% of the selling price) plus an immediate payment of €3m, and a payment of €4m per annum to the Council thereafter (these amounts to be deducted from the purchase price agreed when it became due in full.</p> <p>In December 2010, the Environmental Protection Agency refused to grant the necessary waste licence to the waste management company. In April 2011 the waste management company officially terminated both the sale agreement and the concession agreement and vacated the site.</p> <p>To date the Council has been paid €13.060m of the sale price agreed.</p>	An agreement has since been concluded with the relevant waste management company in relation to termination of both the sale agreement and the concession agreement.

Authority	Subject	Main Issues from Audit Reports	Manager's Responses
	Weaknesses in Tendering Procedures	<p>It was noted at audit that the process undertaken to procure contractors to carry out the Council's housing energy efficiency programme was not consistent with recommended public procurement practice in that it was not advertised through the e-tenders process. Instead a number of local contractors were selected to tender. Contract costs of €1.064m were charged to the accounts in relation to this programme in 2010.</p> <p>It was also noted that quotations to supply personal protective equipment to the Council for 2010 were received from a number of individual suppliers in response to an invitation to tender for this equipment by the Council. However, not all of these quotations were considered for the purpose of acquiring this equipment during the year.</p> <p>I have been informed that while the legal services in respect of major infrastructural projects have been tendered for in the past, general legal services have never been tendered for by the Council.</p>	<p>In relation to the procurement of contractors for the Council's 2010 housing energy efficiency programme, contracts were awarded for individual housing units each less than €50,000 as units became vacant at different times during the year. These were awarded to a pre-selected number of contractors. In 2011 the Council is seeking quotations for various works through the etenders website.</p> <p>In relation to the procurement of personal protective clothing, there was a difficulty with this procurement process in 2010. However for 2011, the Council is participating in the National Procurement Service's tender for personal protective clothing.</p>
	Council Land Weaknesses	<p>According to the accounts, there were additions to land assets totalling €1.99m in 2010. However, it came to notice during the audit that €1.4m worth of these additions was in respect of lands already included in the accounts. This error will be corrected in the 2011 accounts.</p> <p>A number of descriptions associated with land assets make reference to parks and housing estates. According to an insurance report dated 1 April 2010, there were a total of 26 playgrounds insured by the Council. However, there are no playground fixed assets included under the relevant category in note 1 to the accounts.</p> <p>It came to notice at audit that the register of lands is not written up to date. The lands register should be updated and maintained on a regular basis. It is recommended that a review of lands and all other properties of the Council be undertaken. A reconciliation of these properties should then be carried out to ensure that all such properties are properly categorized and included in the accounts of the Council.</p> <p>The landfill site at Corranure is included in fixed assets at a value of €1.530m. No depreciation has ever been charged in respect of this landfill site.</p> <p>Registration of title has not yet been completed in respect of 1.457 hectares of land acquired by the Council over 5 years ago.</p>	<p>The duplication of entry in fixed assets of €1.4m in respect of land in 2010 will be corrected in 2011. A complete review of land fixed assets will be carried out in 2011 in conjunction with updating the register of lands. The question of registration of title in respect of acquisition of 1.457 hectares in 2007 is being pursued by the Council's Law Agent with the Property Registration Authority.</p>
Clare County Council	Outstanding Contract Final	All outstanding final contract accounts should be processed and forwarded to the relevant departmental section concerned, so that final funding decisions	The number and value of final accounts on capital projects in the area of water and waste water services reflects the significant investment

Authority	Subject	Main Issues from Audit Reports	Manager's Responses
	Accounts	<p>can be put in place. However, the work effort of staff currently in this section with regard to the finalisation of the aforementioned final contracts is commendable, as some of these final accounts have been outstanding for a number of years, since the completion of the individual projects concerned.</p> <p>Under the Water Services Investment Programme (WSIP) new water and sanitary schemes were completed. Final accounts are currently being prepared for nine schemes and these will be reviewed at the next audit.</p>	<p>made in this area in recent years. Final accounts are being completed on a phased basis and are with the Department for final review and agreement. The outcome of these determinations may impact on the final funding of some projects and there will be a requirement to make provision in future budgets to fund over a number of years the historic debit balances remaining on some schemes.</p>
	Poor Revenue Collection Performance	<p>The overall level of payments by various customers under the above categories of income is far from satisfactory with the total arrears amounting to €18.66m at 31 December 2010. These arrears are having an adverse impact on the Council's cash flow, having to utilise its bank overdraft facilities.</p> <p>It should be noted that Clare County Council has made provisions of €12.04m for bad debts. This situation should be kept under review.</p>	<p>Payment of all revenue sources has become more difficult in light of the current economic climate and significantly impacts on the council's cash flow and bank overdraft facility. Every effort is made to meet with customers and agree payment plans, while at the same time acknowledging the difficult financial environment many of our customers are encountering.</p>
	Payment of Acting Allowances	<p>It was noted that this authority paid acting allowances to staff during 2010. Approval to the continuing payment of such allowances, where their periods exceeds six months, is required in accordance with Departmental Circular LG (P) 13/09 titled Re Staffing Moratorium. On my request, the Council is to obtain approval for these payments from the Department.</p>	<p>The Council has advised the Department of the position and discussed with it the requirement for some staff to act in supervisory posts in order to manage health and safety, organisational risk and to maintain services. The Department has noted the basis for the acting allowance payments. Due to the present moratorium on recruitment it is not possible to appoint staff to positions on a permanent basis. Therefore the acting arrangement is an interim solution pending the permanent filling of these posts.</p>
	Insurances	<p>A review on a sample of fixed assets with regard to insurance cover revealed that six items had not been insured. These included a major water scheme valued at €11.729m. The Council should ensure that it has adequate insurance cover for its fixed assets.</p>	<p>On an annual basis, the Council's insurers deal with additions to insurance schedules and there is always a time delay between the commissioning of assets and the addition to these schedules. The matters referred to will be investigated by the Roads and Transportation directorate in conjunction with Water Services.</p>
Cork City Council	Distribution of Parking and Domestic Refuse Discs	<p>As previously reported, arising from concerns raised regarding unaccounted for parking discs and domestic refuse bin tags, management carried out an investigation into the distribution process to the retail outlets. The distribution was carried out by an external distributor who commenced distributing the parking discs in November 2004 and the bin tags in January 2005. He continued until his contracts were terminated on 5 January 2009. The investigation, which covered this full period, concluded that there was a potential shortfall in funds due to the City Council of €924,757.</p> <p>Arising from the investigation the Council took civil proceedings against the distributor for the recovery of all sums due. The Council has now obtained</p>	

Authority	Subject	Main Issues from Audit Reports	Manager's Responses
		<p>judgement in the sum of €924,757 together with costs and is proceeding to execute this judgement. It has written to the distributor seeking payment of the sum of €924,757. The issue of costs will be considered at a later date.</p> <p>A criminal investigation has now concluded and criminal proceedings are currently before the court.</p>	
	Atkins Hall Social Housing Scheme	<p>In 2007 the Council signed a contract for the purchase of 96 housing units at Atkins Hall for the sum of €25.365m. Works commenced on this project as planned and in 2008 the developer advised that the first 33 units had been completed. However, following detailed inspection the Council found that the units in question were not completed to the required standard and advised the developer accordingly. Considerable work was undertaken by the Council in surveying the buildings and identifying the works necessary to bring them to the required standard.</p> <p>The developer appeared to have encountered major difficulties and matters have not been satisfactorily resolved.</p> <p>A grant of €25.375m has been received for this project. As the Council has only expended €3.429m to-date the balance of €21.946m has been treated as deferred income in the 2010 AFS.</p>	
	Land Aggregation Scheme	<p>Under the Land Aggregation Scheme introduced in 2010, housing authorities may, subject to approval from the Department of the Environment, Community and Local Government, transfer residential lands on which there are outstanding loans from the Housing Finance Agency to the Housing and Sustainable Communities Ltd (HSC Ltd). The transfer is made on the basis that the loans fall due for redemption and there are no short to medium term plans for the development of the land. In return funds are made available to the authority to repay the related Housing Finance Agency loans.</p> <p>At a meeting in December 2010, the Council approved the application to transfer five plots of unused lands with associated outstanding loans of €31.986m. The Council is currently awaiting a response from the Department on this matter.</p>	
	Rates Collection Performance	<p>The decline in the collection yield from rates from 86% in 2009 to this year's 81% is of concern. The Council wrote off rates of €3.5m in 2010 in respect of vacant premises and businesses ceasing to trade.</p> <p>A review of rates collection indicates that significant efforts have been made to collect outstanding rates which stood at €12.8m at year end, and the decrease in collection percentages is mainly due to the economic</p>	

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		<p>circumstances of particular businesses. Nonetheless, outstanding debtors should be pursued and collection procedures reviewed in this area.</p>	
Cork County Council	Fixed Asset Reconciliation	<p>The requirement for local authorities to include fixed assets in their accounts was first introduced in 2003. At previous audits, I have highlighted that the Council's AFS was not reconciled to the detailed subsidiary asset records for land, buildings, property and plant / vehicles. At this audit, I again raised my concerns with the continued delay in providing a single complete and accurate inventory of these assets and also with the poor standard of the subsidiary records and other arrangements to manage, administer and account for these assets.</p>	<p>Completing the required reconciliations requires significant resources to carry them out. As a result of a significant reduction in staff numbers allocating the required resource to the task is proving extremely difficult but some work on improving the position is intended. The requirement to reconcile exhaustively, and the materiality of the reported fixed assets for the purpose of the AFS, need to be considered in prioritising this work requirement.</p>
	Level of Borrowings	<p>In 2010 total loan repayments amounted to €23.9m, with €21.2m funded from revenue account. The balance was charged to capital account in respect of affordable housing.</p>	<p>Cork County Council continually assess Bridging Loan Finance requirements. The advent of Social Leasing means that Central Government will pay the interest on all such borrowing under this initiative. Cork County Council is awaiting a decision on its application under the Land Aggregation Scheme.</p>
	Capital Account Debit Balances	<p>Other balances in Note 11 of the AFS records capital project and non project balances which are classified as funded and unfunded. The net balances on these schemes reduced to €92.9m at year end.</p> <p>The Accounting Code of Practice requires that where a specific funding has not been identified balances should be classified as unfunded in the AFS. At previous audits, I recommended that a detailed review of the individual capital scheme balances be undertaken in order to clearly identify underlying funding issues. To the end of 2010, €63m had been reallocated through this process. Nevertheless, a large number of balances remained on the capital account for possible reallocation. At year end, the capital account included unfavourable balances of €75m, comprising €30m on schemes without a recognised funding source and a further €45m classified as funded but with a debit balance. The Council should establish why so many schemes classified as funded record debit balances.</p>	<p>Cork County Council is continuing to improve Capital Account Management. For the 2010 AFS, considerable work was done on the reclassification of capital funds and the reallocation of capital balances. This process is ongoing and continued improvement will be achieved over time.</p>
	Level of Arrears and Bad Debt Provision	<p>The trend of increasing arrears on the main collection accounts continued in 2010 with arrears increasing by €6.4m to close at €42m. Overall charges for the year reduced by €3m to €154m, while write offs of uncollectible accounts and waivers increased to €7.9m.</p> <p>The Council increased its bad debt provision by €10m to €23.4m mainly in respect of rates, water and refuse arrears. However, audit review of the collection accounts indicated that the Council's provisions remain insufficient to address growing arrears.</p>	<p>Collecting monies due to Cork County Council has become increasingly difficult due to economic difficulties and the low availability of credit. Every effort is made to maximise collection and the use of all legal and other powers is exercised. The amount of business closure, receivership and examinership means that arrears continue to rise. The bad debt provision for each category of debtor will be reviewed when preparing the 2011 AFS.</p>

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		<p>It is acknowledged that the financial climate is difficult. At the last audit, I recommended that a review of collection procedures and credit control on all income streams be undertaken to ensure effective collection of debtor accounts. However, a significant improvement was not noted at audit. There remains an urgent need to review and fully coordinate the income collection streams to ensure a consistent, standard and effective management approach to collections.</p>	
	Procurement Procedures	<p>Previous audit reports drew attention to weaknesses in the Council's practices and procedures in respect of proper public procurement and obtaining better value for money. In 2010, a significant portion of discretionary revenue expenditure was accounted for by the continued inappropriate use of Schedule of Rates and the LA Quotes systems. However, the Council has moved to address some of the specific weaknesses identified, introduced framework agreements (in late 2010 for roadwork) and also made initial progress in adopting national framework agreements. The benefits of these initiatives will not be obtained for some time.</p> <p>The Council needs to encourage more suppliers to participate in tendering and ensure that individual budget holders, at operational levels, become more proactive in ensuring that economy and better value for money is achieved. Internal Audit reports on procurement for housing maintenance, central heating and road works highlighted not only poor practice but also raised concerns in relation to management supervision of budget holders and administrative arrangements on specific contracts including the validity of certain payments and grant claims.</p>	<p>Progress has been made with the cessation of the use of the Schedule of Rates as a basis for road works and road making materials procurement. The LA Quotes system is being changed to a Framework Agreement and this will ensure compliance with procurement guidelines. It is agreed that greater attention needs to be given by budget holders to ensure competitive pricing and an inclusive procurement process is in place. Procurement policy and practice will continue to receive management attention.</p>
	Affordable Housing Units	<p>Accumulated expenditure of €139m incurred by the Council for the provision of affordable housing units for resale is recorded in Note 5, trade debtors as agency works recoupable. The Council's stock of unsold affordable houses at year end increased to 610 units, including 138 units transferred to social leasing. The expenditure was funded by corresponding bridging loans of €126.9m from the Housing Finance Agency recorded as long term creditors.</p> <p>At the date of audit, the Council had taken possession of a further 228 units which it plans to pass directly to voluntary housing bodies engaged in social leasing.</p> <p>During 2010, the Council sold 120 affordable housing units, mostly on the open market. Details presented at audit indicated that the Council incurred a cumulative loss of €3.177m on the schemes within which these units were located, which is to be financed from other Part V funds.</p>	<p>As at 31 December 2010, the Council's stock of unsold affordable units stood at 610. At year end 2010, leases had been signed with approved housing bodies for a total of 269 of these units, 138 of which were flagged in the AFS as social leasing units. The remaining 131 units leased were flagged as affordable units at 31 December 2010, pending the transfer of the relevant balances to the new social leasing codes. The leased units account for €56m of the Council's bridging finance. A further 274 units have been approved for social leasing in 2011 and it is expected that leases for approx 250 of these units will be signed by 31 December 2011.</p> <p>In early 2010, the Council engaged in a marketing campaign that resulted in the sale of 120 units. Some individual sales generated profit. However the Council incurred a nett loss on these sales. That loss, taken in conjunction with other losses recorded in the same</p>

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			<p>schemes, resulted in a cumulative loss of €3.177m, to be funded through the use of Part V funds.</p> <p>.</p>
Donegal County Council	Financial Standing	<p>The following matters are of concern in respect of the Council's finances:</p> <ul style="list-style-type: none"> • There was a debit balance of €12.704m on the income and expenditure account at the end of 2010. • The Council had net current liabilities of €33.047m at 31 December 2010. • The Council's unfunded project balances amounted to €48.6m at 31 December 2010. • Loans payable by the Council amounted to €134m at the end of 2010. 	<p>The general revenue balance improved by €0.188m in 2010. This was the seventh year in succession in which the deficit was reduced. Over the seven-year period up to 2010 the debit was reduced by €3.641m.</p> <p>The net current liabilities represent a reduction of €4.602 million from €37.643 million as at 31 December 2009.</p> <p>All of the Council's unfunded capital balances were conclusively quantified in late 2010 culminating in the Council and the Department of the Environment, Community and Local Government approving a loan of €48.6m to address the funding issue. This loan will be drawn down in full in 2011 and be allocated to unfunded and debit balances.</p> <p>Loans charges payable are budgeted for in each annual revenue budget as a first call. Within the €134 million figure (a reduction from €143 million at 31 December 2009) indicated above is a figure of €41 million in respect of voluntary housing and a further €30 million is mortgage loans, both of which are funded.</p>
	Fixed Asset Registers	<p>A review of the Council's registers of lands and buildings indicates that they have not been properly maintained. Additional historic assets under the ownership of Donegal County Council were identified and included in the 2010 accounts. It appears that significant additional work remains to be carried out here to identify all historic assets.</p> <p>A formal review of the current use of the lands should be undertaken as part of a physical inspection of these assets.</p>	<p>The ongoing work of the asset management group is progressing well and is contributing to identifying deficiencies in practise and also assisting in identifying occasional unrecorded historical assets.</p> <p>It is proposed to establish an asset registrar assignment to continue the systematic improvement in the management and use of all assets in the coming months.</p>
	Capital Projects	<p>Issues were noted in relation to the management and control of capital projects. It was noted specifically that:</p> <ul style="list-style-type: none"> • There was an insufficient audit trail in relation to a number of old capital projects. • A disagreement exists with the Department over the application of water pricing policy on the three Donegal Bay projects. As a consequence of this dis-agreement no further monies are currently being received on these projects. Donegal County Council needs to quantify their potential additional exposure here, which may be of the order of €3.6m. • Expenditure of €2.4m on new group water schemes are classified as funded in the accounts, but these classifications need to be reviewed. 	<p>Donegal County Council has engaged extensively with relevant personnel in the Department in the period since it became clear that the Water pricing contribution from local sources was considerably higher than the Council had previously anticipated. Numerous detailed submissions have been made and I have myself led two specific delegations with a view to achieving a mutually acceptable outcome. Considerable progress has been made and it is anticipated that the final amount to be funded locally by the Council in respect of this scheme will be established during 2011.</p> <p>Expenditure on the upgrade of Group Schemes is funded under the Rural Water programme. Debit balances currently being carried by the Council in respect of this programme are as a consequence of substantially</p>

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			<p>reduced discretionary grants from the Department and have accrued mainly from commitments entered into prior to the economic downturn.</p> <p>This expenditure therefore is recoupable in the short to medium term and as such is not considered to be unfunded.</p>
	Procurement Procedures	<p>Deviations from procurement and tendering procedures were noted during the course of the audit. Specifically it was noted that:</p> <ul style="list-style-type: none"> • Retrospective approval was received for approximately 23,000 purchase requests, after the goods and services had already been received. This represents 58% of all purchase orders raised in the Council, and represents a significant breach of purchasing procedures. • Instances were noted when no quotations were received for items in excess of €5k. This does not represent best practice and needs to be reviewed. • There was no evidence of legal services having been tendered for in most cases. This is at variance with department guidance on this matter. <p>The Council has engaged a consultancy firm for a number of years in organisational development within the Council. The procurement of these services was not in accordance with proper tendering procedures.</p> <p>It was specifically noted that:</p> <ul style="list-style-type: none"> • A total of €3.570m has been paid to this firm of consultants and related parties up to 31 December 2010. This issue has been raised in previous audit reports. • In 2010 the consultants were contracted to test the effectiveness of the system in the Council for a sum of €90k plus essential expenses. <p>The Council needs to review this arrangement</p>	<p>The proposition to establish central invoice matching and by association greater purchase order discipline is at an advanced stage and it is expected that the change in approach required by this will materially improve purchasing procedures.</p> <p>The Community, Culture and Planning Directorate prepared a detailed procurement manual for the C&E and Cultural Services Divisions in early 2011 and this will also be forwarded to the organisational Divisions.</p> <p>These procedures clearly set out the requirement for the purchase orders to be raised in advance of goods being received. Order discipline will be monitored on a monthly basis within the directorate.</p> <p>In relation to the tendering of legal services, this matter has received considerable attention in 2011. It is also the position that legal services were tendered for in some instances and this in particular related to services required for roads projects funded by the NRA but delivered by Donegal County Council.</p> <p>The work at the moment is focusing on identifying a clear picture of case load and the type of services being procured. This will enable a tendering document to be drawn up but may require expertise in this area to finalise same. While it was initially intended that the tendering process would go for public competition by June 2011, it is now likely to be later in the year before this is possible.</p> <p>The testing of the system as agreed by the Council in 2010 is ongoing and is scheduled to be completed in the coming months. A full evaluation of same and a report will be brought to the Council on the conclusion of this work.</p>
	Salary and Wages Rates	As referred to in previous audit reports Donegal County Council does not in some instances pay salaries and wages in accordance with national guidelines. They pay them according to "Donegal rates". Employees on "Donegal rates" were paid a total of €11.3m in 2010. If they were paid in accordance with national guidelines they would only have been paid	The background to the arrangements put in place in Donegal with regard to the pay scales applying to outdoor employees was raised in previous audits. This matter was the subject of conciliation through the Labour Relations Commission and subsequently referred to the Labour Court for determination. The outcome from the Labour Court was

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		approximately €9.9m. This equates to a premium of €1.4m per annum. The above calculation ignores overtime and allowances on these "Donegal rates" which would increase the differential even further.	referred to the Department for consideration and approval.
Dublin City Council	Thermal Treatment Plant	The continued delay in the commencement of the contract works on the Thermal Treatment Plant at Poolbeg is a cause for concern. With expenditure to 31 December 2010 on this project and related public consultation amounting to €68m; and additional expenditure of €10m on advance works for district heating, the termination of this project could have serious financial implications for the Council.	Discussions are continuing with the contractor with a view to reaching a mutually acceptable solution and the re-commencement of work on site. These discussions are taking place with a view to the changing legislative framework nationally and the requirements imposed on the Country by the recent transposition of the EU Landfill Directive.
	Commercial Water Charges	The collection performance in the area of Commercial Water Charges was highlighted in previous audit reports and shows only a slight improvement in 2010. The arrears of €22m at the close of 2010 are a matter of concern.	The cash collection for commercial water in 2010 was up €2.8m on 2009, an improvement of 14%. The arrears of €22m includes an accrual of €6.2m at year end and some historical balances and duplicate accounts which were identified following an examination of aged debtors. These historical balances / duplicate accounts will be written off in 2011/12.
	Bad Debts Provision	In a number of areas the level of bad debt provision appears to be inadequate. I have recommended that the bad debt provisions in respect of all debtor balances should be examined and appropriate provisions put in place.	The Manager has undertaken to review bad debt provision as part of the 2012 budget process.
	Housing Capital Account	A number of issues had been raised in previous audit reports relating to Housing Capital Accounts, including the identification of individual scheme balances and the inadequate matching of loan finance to related projects. Significant progress has been made in this regard since my last audit report. However, the work done to date has highlighted a number of further issues requiring attention, including the funding of significant debit balances, and the repayment of loan balances to the Housing Finance Agency.	Funding to reduce loan balances to the Housing Finance Agency for affordable housing has been identified. Additional funding from the sale of rent to buy properties, Part V contributions and an annual contribution from housing revenue over the next number of years will further reduce outstanding balances to the HFA. Housing senior management team review and monitor capital balances on all housing projects on a monthly basis.
	Grants and Contributions	Substantial payments by way of grants / contributions are made to a range of bodies including voluntary housing and homeless voluntary bodies. It was found that the level of monitoring, checking and review of this expenditure varied and I have recommended that the Council carry out a comprehensive review of its internal control procedures in this area.	The Housing Department has commenced a comprehensive review of procedures in relation to grants and contributions as recommended by the Local Government Auditor.
Fingal County Council	Unfunded Capital Balances	At the year-end unfunded project and non project balances amounted to €107.34 million (€124.39 million in 2009) as per Note 11 in the AFS. The following projects account for a large share of the unfunded balances: € Land at Hacketstown, Skerries 7.7m Land at Balheary, Swords 16.6m Land at Dubber Cross, St.Margarets 27.0m	The unfunded balances improved by €17m. The bulk of the unfunded project balances relate to acquisition costs of industrial, housing and school lands. These lands represent a valuable asset to the Council. The lands are strategically located so that the Council will be in a position to avail of an upturn in the economy enabling a swift response to economic development. The debit balance will be funded from the eventual sales of these and other lands in council ownership, when market conditions improve.

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		<p>Stephenstown Industrial Estate 23.2m Land at Bremore Port 2.9m</p> <p>In addition to the funding status, a question must be raised as to the value of the land purchased given the current market. The Council's accounting policy on fixed assets is to revalue assets where appropriate, at intervals of not more than five years. As with other local authorities no revaluation has been carried out to date.</p>	<p>The policy on fixed asset revaluation is set by the Department and to date no guidelines have been issued to local authorities.</p>
	Agent Works Recoupable	<p>The expenditure incurred by the Council in the construction/ purchase of affordable housing units is included in note 5, trade debtors as agent works recoupable and amounted to €74,835,571. The Council had 68 affordable housing units available for sale. In addition to these units the Council also had 354 affordable units available for rent under various approved schemes.</p> <p>The Council funds the purchase/construction of affordable housing units by means of bridging finance borrowed from the Housing Finance Agency, pending the sale of the units. The balance on bridging loans at the year end was €80 million.</p> <p>The net effect of the above is that the Council is facing a bridging finance debt with questionable prospects of selling the properties to enable the Council redeem the bridging loans in view of the current economic climate.</p> <p>The Department through a working group is reviewing the accounting treatment for affordable housing units. The downturn in the housing sector has significantly impacted on the Council's ability to dispose of its affordable housing units.</p>	<p>The housing units referred to were primarily acquired in 2009 and were the result of agreements made on foot of planning applications granted some 2 or more years earlier, or as a result of the Council's own build projects.</p> <p>These units were acquired or built in compliance with Central Government Policy and targets set out in "Towards 2016".</p> <p>Nationally, local authorities have been affected by the property crisis, resulting in unsold affordable units. The Department launched the Social Housing Leasing Initiative in 2009. The aim of the initiative is to increase the number of available properties for social letting by utilising the stock of unsold affordable houses and vacant houses and apartments on the market. At the end of 2010 Fingal County Council had 354 unsold affordable units for leasing and will continue to expand this scheme, or any future scheme, in line with the Departmental guidelines.</p>
	Rates Collection Performance	<p>The reduction in the yield from rates is of concern as income from this source represents 47% of the Council's total revenue income. The decline in the yield continues the trend from 2009, when the collection percentage decreased from 95% (2008) to 88%.in 2009.</p> <p>Debtors for commercial rates increased from €15.3 million at 31 December 2009 to €21 million at the year-end. The Council has increased its bad debts provision in respect of rates.</p>	<p>I fully agree with the Auditor's concerns in relation to our rates and water charges collection figures. In relation to our rates figures, 2010 was a particularly difficult year. Not alone were we in the middle of severe economic recession with credit facilities severely restricted for businesses but every commercial property in the County was revalued for rating purposes by the Commissioner of Valuation with effect from January 2010.</p> <p>Despite the Council effectively reducing its rate by over 10% at a cost of €14m, close to 30% of ratepayers would have received increased rates assessments in January 2010 of varying degrees. The fact that valuations were based on rental values as of September 2005 made it very difficult to explain to ratepayers that they were not paying an excessive amount of rates as the multiplier (ARV), set by the Council,</p>

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			<p>was a compensating factor.</p> <p>Notwithstanding all the difficulties, the collection performance was as good as it could have been and remains at a high level nationally. Every effort continues to be made to maximise rate collection and we continue to work closely with many of our ratepayers through payment plans etc. in order to resolve arrears issues.</p>
Dun Laoghaire Rathdown County Council	Bank Balances	The Council had bank investments of €109m at the 31 December 2010 and these included refundable deposits of €5.8m. This is a big decrease from the amount of €134m at the 31 December 2009.	
	Unsold Affordable Housing Units	<p>The Council had 155 affordable units on hand and available for sale at end of 2010. The downturn in the housing market has affected the sales of the affordable houses. Every effort should now be made to maximise housing unit sales while ensuring that the Council receives the best available value for the properties sold. The proposed sale price in all cases is at a substantial discount as compared to the acquisition price.</p> <p>Agreement has been reached with the Department to transfer 31 of the units to social leasing.</p>	
	Review of Capital Balances	<p>A review of all significant debit and credit balances in each of the programme groups should be undertaken in order to establish the council's net funding obligations on these projects. Such a review should include the netting off of old debit and credit balances with the approval of the Department.</p> <p>The Council has already commenced work on this review, which will include the consolidation of codes, transfer of reserves, an examination of all "dormant" balances, and an examination of funding 'flags' assigned to individual projects to ensure that they are correct.</p>	
	Revenue Collection Performance	The collection of commercial water charges improved slightly in 2010 but still remains very unsatisfactory. The management of this collection must be improved.	<p>Non-domestic Water Charges</p> <p>The end of year arrears stood at €8.6m in comparison to the previous years figure of €9.02m, a decrease of €0.42m (4.7%). It must be noted that the bills for the last trimester of 2010 in the sum of €2.4m issued in March 2011. It is the practice in this Council to accrue back to the relevant accounting year invoiced amounts that issue in a following year. However, businesses had no opportunity to make any payment in respect of this invoiced amount in the year 2010 itself</p> <p>.</p> <p>If the amount accrued back to 2010, for which invoices only issued in</p>

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		<p>The collection percentage in respect of loans has decreased quite dramatically in the last three years.</p>	<p>2011, are excluded from the 2010 collectable figure then the collection performance increases by a percentage of 8.00%. The collection performance for this Council for 2010 then increases to 49% in comparison to the figure included in the 2010 AFS of 41%.</p> <p>Subject to availability of resources the Council is hopeful of a continuing collection performance improvement having regard to the various collection strategies now in place and proposed new strategies.</p> <p>It must also be noted that comparisons of non domestic water charges collections in respect of 2009 and subsequent years with collections prior to those years does not comprise a "like with like" comparison. In 2004 the number of metered water accounts totalled 577 while in 2009 this figure has increased to 3,500. The 2004 annual debit was €1.9m while in 2009 it was €7.5m following completion of the meter installation programme in 2008.</p> <p>A Debt Collection and Credit Control Unit was also established within the Finance Department in 2011 to enhance and build on the procedures and processes already in place in the debt collection area.</p> <p>Manager's Response - Housing Loans</p> <p>The reduction in collection yield for loan accounts over the last three years reflects the downturn in the economy and in borrowers' ability to meet repayments. A large proportion of the Council's arrears relate to the more recently issued Shared Ownership loans, which have average instalments of €830 per month.</p> <p>Where reductions in household income occur due to unemployment etc, the repercussions are likely to be manifested in reduced loan repayments. For example, Shared Ownership loans account for 22% of the Council's loan book but make up 79% of the total arrears.</p> <p>Local authorities are under considerable pressure at the present time to use all options short of going down the legal route. This Council currently adheres to the Central Bank's Code of Conduct on Mortgage Arrears, where relevant arrangements to pay arrears are negotiated when possible. However, there is evidence that some borrowers are unwilling rather than unable to make or keep such arrangements. For these borrowers the loss or delay in using the ultimate sanction of repossession is bound to influence their priorities in relation to payment of household bills.</p>

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		<p>The arrears owing to the Council for rates has increased by over €4.5m in 2010 to €19.2m. All legal resources available to the council should be applied in order to secure payments of the sums due.</p>	<p>There are limits on the options available to local authorities to facilitate restructuring of loans. It is hoped that the anticipated guidelines from the Department will assist in this regard.</p> <p>Manager's Response - commercial rates It is clear that the economic downturn is taking its toll on local authorities' income nationally from commercial rates and water charges. With 29% of local government revenue coming from this source, these figures present a worrying trend for local government in terms of its ability to fund and maintain services.</p> <p>Local Authority income for the financial year 2009 from commercial rates was 84% of the actual amount due. In comparison in 2006 the actual national average collection figure was 93.3% of the amount due. Available data indicates that the average national collection will deteriorate further in 2010 to 76% of the amount due.</p> <p>Local authorities have to perform an extremely delicate balancing act in setting and collecting commercial rates. They need to be efficient in ensuring that local businesses pay rates on time; however, at the same time they need to ensure that businesses can remain viable.</p> <p>In normal economic conditions the Council would expect to collect a significant proportion of outstanding arrears at the end of the following financial year and the remainder in subsequent years. However, having regard to current economic conditions, the normal collection percentages are not currently being achieved.</p> <p>The collection performance of this authority is satisfactory and compares favourably with both that of the other Dublin Authorities and the average national collection percentage, as outlined in the opening paragraph. In response to the deterioration in the collection performance the Council has intensified its collection efforts evidenced by the fact that the number of cases referred to the Law Department increased from 500 in 2008 to over 1000 in 2010, a 100% increase.</p> <p>The Council will continue to make every effort to ensure the maximum rate collection percentage is achieved cognizant of the difficult trading environment being experienced by the business community. As part of those initiatives a Debt Collection and Credit Control Unit was also established within the Finance Department in 2011 to enhance and build on the procedures and processes already in place in the debt</p>

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			collection area.
	Domestic Refuse Charges	<p>The Council privatised its waste collection service in mid 2010. The Council continued to accrue charges in 2010 for the first six months up to 30 June 2010 at which date the service ceased. A private operator took over most of the households as their customers.</p> <p>For the last number of years I have recommended that legal proceedings should be instituted against non-payers and that the legal department should register charges against properties where significant arrears exist.</p> <p>I am informed that over 10,000 households who used the services of private operators – still owed over €10.4m to the Council at 31 December 2009. These accounts should still be vigorously pursued. The Council collected €5.6m of money owed to it in 2010 and collected €1.6m up to early December 2011 This leaves a balance of €13m still owing.</p> <p>Tenders in connection with the provision of services for households and other publicly provided waste services in DLR were received on 27 May 2010. A tender assessment board made a recommendation that Panda be appointed to provide the services. The Council received €500,000 from the successful applicant in respect of the outsourcing of this service.</p>	<p>At the end of 2010 the waste charges due to the Council from householders was €15.9m. This balance represents a 28% reduction on the 2009 outstanding arrears figure of €22m and a 41% reduction on the 2008 figure, which stood at €27m, and constitutes a significant reduction in the level of arrears and is reflective of the Council's continuing efforts to maximise its income collections.</p> <p>The Council estimates that a significant proportion of the outstanding arrears will be written off, or waived under the terms of the various Waiver of Charges Schemes, once remaining qualifying applicants submit waiver applications. It is the Council's experience that waiver applicants, in general, often only apply for a waiver once they face the prospect of a discontinuance of supply or other sanctions. It should be noted that the total cumulative debit in respect of environmental waste charges from their introduction in 2000 to the 31 December 2010 was €140m of which €124m has either been collected or waived, representing 89% of that debit total, a significant collection performance to date.</p> <p>The continuing efforts of the Council to collect the outstanding waste charges arrears are also evidenced by the fact that in 2010 the waste charges collected amounted to €5.6m while the accrued charges for the year amounted to €2.3m.</p> <p>Following a review and assessment of the interim arrangements relating to the utilising of the services of Debt Collection Firms the Finance Department in 2010 completed a procurement competition and formalised the appointment of Debt Collection Firms. To June 2011, a total of 8,794 accounts have been referred to Debt Collection Agencies with a total monetary value of €8.9m. This policy of utilising the services of Debt Collection Agencies will continue. To that date 314 summonses against defaulting householders were issued and judgements in 62 cases were obtained where the cases proceeded to Court Hearing.</p> <p>The Council continues to vigorously pursue all monies owing to it in respect of Environmental Waste Charges irrespective of the fact that it no longer provides a direct waste collection service to the majority of the residents of the County. It will continue to utilise all appropriate strategies available to it to maximise income collection in this area and its determination in that regard is evident from the fact that it continues</p>

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			to receive payments in respect of domestic water charges despite the fact such charges were abolished with effect from 1 January 1997.
	Cherrywood Science and Technology Park	<p>I outlined in last year's report how the Joint Venture agreement was terminated. An agreement was signed by the Council in June 2010 following mediation with the other parties, namely, Cherrywood Science and Technology Park, Bank of Scotland, AIB and NIB. The main items in the agreement that the Council (through its subsidiary company, DLR Properties Limited) was to receive two office blocks (namely AA and G2) and unencumbered freehold title to four plots of land marked respectively Lots 1,2,3 and 6.</p> <p>The accounts of DLR Properties Limited were produced to 30 June 2010 and to 30 June 2011. I recommend that they be produced to 31 December 2011 to make them co-terminus with those of the Council. The Council has consolidated its accounts with the accounts of DLR Properties in 2010 in accordance with the requirements of the Department's "Local Authority Accounting in Ireland - code of practice and accounting regulations". The treatment in the accounts has been laid out in the statement of accounting policies.</p>	<p>The unencumbered freehold title to Blocks AA and G2 and relevant lands transferred to the Council on the 29 September 2011</p> <p>The recommendation of the auditor that the financial accounting period in respect of the annual accounts of DLR Properties should refer to the period ending 31 December rather than the 30 June will be forwarded to the CEO of DLR Properties for consideration by the Board of that company.</p>
	Procurement Procedures	<p>Pursuant to the EU Directive on procurement, it is incumbent on the Council to ensure that its expenditure on services, supplies and works comply with the EU directive on procurement.</p> <p>In previous audits I have expressed my concern in relation to the Council's tendering and ordering procedures. A number of infringements of both Department of Finance and the Council's own purchasing procedures were noted in the course of this audit.</p> <p>The Council need to urgently and effectively address the management weakness identified in procurement, tender assessment, contract administration and payment approvals. It also needs to encourage all suppliers to participate in the tendering and supply process to ensure economy and value for money is achieved.</p> <p>I note that procurement is now the responsibility of a procurement group under the chairmanship of a senior engineer, and that this team (drawn from all sections of the council) has been established to direct and coordinate the Council's procurement activity.</p>	<p>The Council has established a corporate procurement team (CPT) under the director of corporate services to direct all council departments in complying with EU directives and national guidelines on procurement. The CPT are actively advising departments on all procurement issues and are tasked with regularising and standardising the Council's approach to procurement.</p> <p>A set of procurement guidelines produced by the CPT have been posted on the Council's intranet site and made available to all staff. These guidelines outline the financial thresholds for EU, national and council procurements. The CPT are also in the process of reviewing procurement in all departments to address the following issues:</p> <ul style="list-style-type: none"> • Applying proper procurement procedures where not presently in place • Evaluating the scope for financial savings through procurement • Evaluating the scope for cross departmental aggregation of procurement spend • Reviewing the scope for regional aggregation of procurement spend
Galway City Council	Fixed Asset Reconciliation	As a result of the 2008 audit, a Fixed Asset Register (FAR) review was commenced during 2010 and remains incomplete. A request for a reconciliation of housing asset records per the FAR to:	The reconciliation of the Fixed Asset Register to the housing records will be completed in 2011. Work will commence on agreeing the registered assets to the schedule of assets insured. The registration of

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		<p>(i) the database held in housing section - this has been undertaken by finance section but the resulting differences have not been addressed by housing section and</p> <p>(ii) the housing rents system – this has not been completed.</p> <p>An additional request was made during the current audit, to agree all registered assets to the schedule of assets insured. A review of the fixed asset records to determine the level of registration of title to assets was requested as part of the 2009 audit and this exercise is ongoing.</p>	<p>title to assets is ongoing.</p>
	<p>Unfunded Capital Balances</p>	<p>As identified in last year's audit report, as at October 2010 the City Council had identified €6 million of balances that needed to be funded from the revenue account. A complete review of capital balances is currently underway in the finance section.</p>	<p>The capital account balances are the subject of ongoing review. A provision of €450,000 was made in Budget 2011 towards the funding of adverse capital balances and it is anticipated that a similar provision will be made in subsequent budgets.</p>
	<p>Revenue Collection Performance</p>	<p>Rates</p> <p>The rates collected during 2010 dropped by €911k compared with the previous year. The rates written off in 2010 increased to €4.7 million, which was a 92% increase over the previous year. Despite this, the arrears increased by €3.4 million over the year to €14.5 million. This represents a significant decline in the year and needs to be addressed.</p> <p>Housing Loans</p> <p>There was a €140k decrease in the amount of housing loans collected during 2010. This is an area that will require ongoing monitoring.</p>	<p>The Council is acutely aware of the impact of the economic climate on the reduction in collection percentages. The number of vacant premises and businesses ceasing to trade adversely impacts income from rates and representations have been made to Government to amend the legislation governing refunds in respect of vacant premises. Efforts are concentrated on maximizing income collection and seeking to prevent the accumulation of arrears.</p>
	<p>Subsidiary Companies</p>	<p>Subsidiaries of Galway City Council</p> <p>Galway City Council has two 100% owned subsidiary companies, namely Galway Salthill Failte Limited (Leisureland) and Galway Energy Agency Limited (GEAL).</p> <p>Audited Accounts</p> <p>At the time of the statutory audit of the City Council, audited accounts were not available for either subsidiary company. This situation will need to be addressed for future years and the audit of both subsidiary companies needs to facilitate both the preparation of the City Council's AFS and the audit of the City Council.</p> <p>Galway Salthill Failte Limited (Leisureland)</p> <p>As a result of the 2009 audit, a review of the systems and procedures for income recording, receipting and remitting to City Hall has recently been carried out and a report is awaited. The current audit has highlighted ongoing weaknesses in the record keeping and the reconciliation processes in place in</p>	<p>The external auditors will be requested to schedule their review of Leisureland and GEAL for the first quarter of the year.</p> <p>Arrangements have been made with the management of Leisureland to implement revised procedures in order to address the existing control weaknesses. The outstanding debtors are under ongoing review.</p>

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		<p>Leisureland and these control weaknesses need to be addressed as a matter of urgency. Furthermore the income figures include a number of debtors outstanding for some time, which need to be reviewed and appropriate action taken.</p>	
	<p>Eyre Square Project</p>	<p>The original contractor for the Eyre Square Enhancement Scheme was Samuel Kingston Construction Limited (SKC Ltd), who commenced work on the site in February 2004. This contractor subsequently abandoned the site on the 27 June 2005 resulting in a dispute between the parties as outlined in previous audit reports and ultimately in legal proceedings being initiated. The legal proceedings concluded in the Supreme Court with a judgement on 25 March 2010, which overturned the previous decisions of both the Arbitrator and the High Court. The contractor provided a Bond of €1 million at the start of the project and this Bond now needs to be foreclosed on by the City Council. Legal costs have been awarded to the Council by the Supreme Court and the taxation of these costs commenced during 2011. The parties have agreed to proceed by way of mediation with a view to bringing this case to a conclusion and this mediation is due to begin in September 2011. The cost of the project to the City Council by June 2011 was €15 million; grants of €4.6 million and development contributions of €5 million were offset against these costs, leaving a balance to be funded of €5.4 million.</p>	<p>As outlined, the Council is about to enter a mediation process in September.</p>
	<p>Procurement Procedures</p>	<p>Legal Fees The Council incurred legal costs in excess of €300k during 2010. This service has not been the subject of a tendering process. The National Procurement Service held a seminar on 14 April 2011 at which they advised that reform of the legal services procurement is expected by the end of 2011. An element of this will be the publication of a national tender to appoint lawyers to a multi-annual framework agreement. It is the intention of Galway City Council to await the outcome of this to see if it can avail of savings. If the City Council does not avail of this framework agreement, it will need to tender for this work.</p> <p>Tender Documents I requested sight of a sample of tender documents received by the City Council during 2010 as part of my audit review. Only 50% of these were presented to me for examination. A review of a sample of the larger contracts awarded in 2010 found that 50% of them did not have a contract award notice published on the e-Tenders website. The publishing of contract award notices is mandatory for EU tenders (all such tenders examined had been published) but it is also recommended best practice for tenders below the EU threshold, as it provides evidence that the unsuccessful tenderers have been notified of the contract results.</p>	<p>The Council is conscious of the requirement to ensure value for money in procuring legal services, while also protecting the Council's interests and this matter will be considered when the proposals for the framework agreement are published.</p> <p>The procedures for tendering will be reviewed, in the context of the contract award notice requirements, and arrangements will also be made to ensure that tender documents held by agents of the Council are made available for audit purposes.</p>

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	Payroll Issues	<p>Acting Up Allowances During 2010 the City Council paid its staff €205k in acting up allowances. The Council has a policy / procedure in place setting out the basis on which these allowances should be granted for salaried staff however this is not the practice for staff paid through the wages system. The Department issued circular reference LG(P) 13/09 on 28 September 2009, which stated that local authorities are required to submit a "Staffing Request Application" to obtain Departmental approval for acting up allowances which exceed six months duration. Departmental approval had not been obtained for 66% of the sample allowances examined during my audit. Human Resources Section (HR) advised that they request sanction where they are aware that the term of acting will exceed six months. To reflect the requirements of the Departmental circular referred to and to monitor and control the payment of acting up allowances, a revised policy / procedure for applying and approving such allowances by HR needs to be adopted that covers wage and salary staff.</p> <p>Time Recording Employees paid through the wage system are not required to use a computerised time recording system. However their times of arrival and departure are forwarded to the payroll section on a manual basis and these times must then be keyed into the Core Pay system. The result of this practice in payroll section of keying data into the system is effectively the cost of a full-time clerical officer post. Methods of streamlining and possibly automating the system should be examined with a view to reducing costs and improved usage of scarce staff resources.</p> <p>Annual Leave Annual leave for salaried employees is recorded through HR, whereas the annual leave for wage employees is recorded through payroll section. The custom and practice for wage employees is to allow them to take annual leave in hourly increments, rather than in days or half days like the salaried staff. A review of annual leave carried forward by wage employees at the end of the leave year (i.e. 31 March 2011) found that:</p> <ul style="list-style-type: none"> • 32 staff carried more than a full year's compliment. • Eleven staff had over-taken their leave entitlement at the start of the current leave year. • No accrual has been made in the AFS for the potential cost of untaken leave. However, based on the fact that in excess of 19,000 hours were carried forward at 31 March 2011 for wage employees, such an accrual if provided for would be approximately €250k. <p>The practices for allowing annual leave to be taken in hourly instalments and for monitoring of leave needs to be reviewed. A policy / procedure addressing</p>	<p>The arrangements for acting allowances differ significantly between salaried and waged staff, and the position relating to waged staff will be reviewed, with a view to putting an updated policy and procedure in place. With regard to acting up allowances, it is not always possible to predict the duration of the acting period, but the arrangements for seeking sanction will be reviewed.</p> <p>The introduction of a computerised time recording system for waged staff has been considered, but the Council is not aware of any such system operating in an Irish local authority. However, we will keep this matter under review, in light of the cost of keying data manually.</p> <p>Any inconsistency in the treatment of salaried and waged staff relates primarily to the fact that, historically, they were categorised differently in the legal framework governing local authority employment. Arrangements will shortly be in place to secure a reduction in the leave carried forward by the waged staff and the position regarding taking leave in hourly increments will be reviewed.</p>

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		these issues should be adopted.	
Galway County Council	Revenue Collection Performance	<p>With the exception of housing rents, all other collections showed a slippage in 2010. Although it is clear that this slippage is as a result of the downturn in the economy, nevertheless there are some individual accounts that require attention.</p> <p>Collection yields have decreased significantly in the areas of rates and commercial water charges. This is a serious matter for the Council and should be urgently addressed. It is noted that closing arrears of rates have gone from €4.1m in 2009 to €5m in 2010.</p>	Collection of all funds due to the Council has increased in difficulty since 2009 and reflects the severe downturn in economic activity being experienced. Every effort is being made in these difficult times to maximise collections whilst at the same time acknowledging the difficult financial position many of our customers are encountering. We continue to work on clearing arrears and use all the remedies available to us including the issuing and enforcement of legal proceedings where required.
	Development Contributions Debtors	<p>The new planning development charges system (PDC) was introduced into Galway County Council in late 2009. This system will link the main accounts system Agresso with the planning books and records and should lead to more accurate financial information, particularly in relation to amounts outstanding.</p> <p>All valid planning permissions are being rechecked and then entered into the PDC system. When this exercise is completed accurate financial information in respect of planning contributions will be available to management. It is expected that this work will be completed in 2011.</p> <p>Amounts of €2.5m are shown under current debtors for planning contributions and a further amount of €12.5m has been included under long term debtors and deferred income. This €12.5m is a best estimate of the amount that will eventually be taken into the PDC system when all reconciliations are complete.</p> <p>In 2010 development contributions amounting to €3.8m (€12.1m in 2009) were used to finance various works and balances on completed schemes.</p> <p>Development contributions are accounted for in the capital account and do not affect the revenue deficit or surplus for the year.</p>	Work has continued in 2011 on reconciling and assessing accurate balances for historical contributions for transfer into the PDC system. This exercise will be complete for the 2011 audit and I can confirm that the actual amount will not vary significantly from the €12.5m included in the 2010 AFS.
	Rental Accommodation Scheme	<p>The RAS scheme was first introduced in Galway County Council in 2006. This is a scheme that enables the Council to provide rental accommodation from private sources for people who are on the Council's housing list. This scheme is funded both from grants from the Department of the Environment, Community and Local Government (the Department) and from a rental contribution from the tenants.</p> <p>The terms of this scheme are that any annual surplus should be treated as capital funds to cover any future deficits in RAS or as decided by the</p>	This area will be reviewed in 2011 to ensure compliance with the terms of the scheme as outlined above.

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		<p>Department. The accumulated surplus to the end of 2010 on the RAS scheme in Galway County Council was €112k. This amount should be transferred to the capital account.</p>	
	Procurement Procedures	<p>Galway County Council carried out reviews of its purchases of fuel, chemicals, plant hire, road making materials and cash in transit services. It is expected that when these new procurement recommendations are in place that significant savings will be achieved by the Council.</p> <p>Legal services have not to date been tendered for. I have been informed that the National Procurement Service is carrying out a review of legal services. It is the intention of Galway County Council to await the results of this review and see if it can avail of savings through a national framework agreement.</p> <p>The majority of the expenditure on road making materials, and the hire of plant, had been sourced through the LA quotes system. The LA quotes is currently in the process of changing to a framework agreement arrangement from which Local Authorities will be able to use selective tendering. This I understand will satisfy public procurement requirements.</p>	Galway County Council endeavours to comply at all times with appropriate local, national and EU guidelines and regulations in relation to the procurement of works, supplies and services. The Council has availed of all the relevant national framework agreements put in place by the National Procurement Service.
Kerry County Council	Outstanding Matters from 2009 Audit	<p>The previous audit report made reference to a number of outstanding accounting corrections to be reflected and incorporated in the 2010 AFS. These matters have been reviewed by me as part of this audit and my findings there-on are noted as follows;</p> <ul style="list-style-type: none"> • The chargeability of €1.1m payroll costs to development contributions with regard to water services investment projects. The County Solicitor in a written reply to the Head of Finance, dated 27 April 2011, on this matter, confirmed that the chargeability of these payroll costs as applied by this Council was in accordance with Section 48(13)(a) of the Planning and Development Act, 2000. I accordingly consider this matter to be finalised with no accounting adjustment necessary to the income and expenditure account in the current year. • The chargeability of €0.9m staff payroll costs, including travel and subsistence, charged to the capital account. This sum has been financed in 2010, by way of a revenue account transfer of €1m in May 2011, which eliminates the balance in question, and this accounting adjustment was verified at audit by me. • €280k bad debt provision for property entry levy (PEL) and fire debtors, charged against specific revenue reserve; this charge should have been made against revenue. The recommended accounting adjustment on this matter was effected in 2010 AFS and this was noted by me at audit. • €190k plant and machinery and store losses charged to capital. <p>The accounting treatment for such losses is now disclosed in note 14 to the</p>	Pursuant to Section 49 of the Planning and Development Act, 2000, the Elected Council has adopted a supplementary development contribution scheme specifically for the purposes of providing a relief road and associated coach park at An Daingean. The scheme provides that it "shall remain in force until such time as the cost of the infrastructural project (An Daingean Relief Road and Associated Coach Park) is fully recovered" and, so, accordingly, no revenue budget contribution was envisaged under the Scheme at that time. Unfortunately, due to the down-turn in the economy the anticipated development contribution receipts have not been realised. It is proposed that the Draft Budget 2012 will include funding for these loan charges from revenue and, subject to Members approval, transfers from accumulated credit reserves within the roads capital account. We will keep this situation under constant review and will revert to funding the loan charges from development contribution receipts pending an increase in same.

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		<p>AFS. This has been reviewed by me during the current audit.</p> <ul style="list-style-type: none"> • €217k included as a receipt in revenue to fund loan charges for the relief road from "anticipated future" development contributions arising from An Daingean Relief Road and car park supplementary scheme. This has created a deficit in the capital account, which may be unsustainable going forward in the years ahead. At the end of 2010, the deficit balance in this capital expenditure code had increased to €368k. Senior management have informed me that the sum involved will be eliminated by transfers from other accumulated credit reserves within the roads capital account and the members' approval to this accounting adjustment will be obtained in due course. From 2012 onwards, all such loan charges will be funded from the revenue account. Where the anticipated future specific development contributions materialise in future years then the funding of these loan charges in the revenue account can be reviewed. This matter will be further reviewed at the next audit. 	
	Disposal of Land	<p>At audit it was noted that the disposal value of land was overstated by €10.625m in 2010. In discussions with senior management it has been agreed that the appropriate accounting adjustment, which has no impact on the income and expenditure account, will be incorporated in the 2011 AFS.</p> <p>It was noted that housing fixed assets includes ten houses valued at €1.769m on which legal and other formalities have not yet been finalised at the close of this audit. This matter will be reviewed at the next audit.</p>	<p>The overstatement of disposal of land arose due to a calculation error. As stated by the Auditor it has no effect on the income and expenditure account and represents 3% of the overall net book value of assets of €3.4billion. Procedures have been revised and strengthened in relation to this area.</p>
	Specific Credit Balances	<p>It was noted that financial provisions, by way of revenue transfers to capital, were made in previous years to provide for the following;</p> <ul style="list-style-type: none"> • Insurance Provision €1,079,277 • Fourteen other individual Project Balances €3,926,355 <p>I have requested that the potential expenditure on these projects should be quantified and, where necessary, appropriate accounting adjustments be reflected in the AFS for 2011.</p>	<p>These financial provisions referred to have been quantified based on actual or budgeted project expenditure and are reviewed annually as part of the AFS process and adjusted accordingly. Circular letter Fin.03/2009 and Fin. 03/2010 from the Department imposes very strict obligations on local authorities to avoid any deficit in revenue or capital activity and to keep income and expenditure balanced in capital account in the year.</p>
	Superannuation	<p>At the end of 2010, various credit balances amounting to €2.615m remain in the capital account in respect of future superannuation awards. Such future payments must be charged to the revenue account and the sums in question financed by way of transfer from the aforementioned credit balances.</p>	<p>This recommendation will be implemented in full when the situation arises.</p>
	Sale of Refuse Service	<p>During 2011, Kerry County Council undertook a detailed financial assessment of all its waste management services provided directly by the Council or on its behalf. It concluded that it was not financially viable for Kerry County Council to continue providing this service. The Council's waste collection service was sold to KWD Recycling Ltd and all waste and recycling bin collection services transferred to this company from 5 December 2011. This matter will be further</p>	

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		review at the next audit.	
Kildare County Council	Financial Position	A surplus of €0.97m has been recorded for the year. This reduced the deficit from €4.88m at the end of 2009 to €3.91m at the close of 2010. The Council has approved expenditure in excess of the budget on various programmes. The surplus was achieved because of close monitoring of financial indicators by Council staff across all programme areas together with a tight control in the Council's day-to-day expenditure. The Council will need to continue to implement strict budgetary controls to ensure that this trend continues and the accumulated deficit is reduced and eventually eliminated over the coming years.	It is the intended to continue the reduction of the revenue deficit until the adverse balance is cleared. The pace at which this is achieved will be dictated by budgetary and economic circumstances.
	Revenue Collection Performance	<p>Commercial Rates: - The collection yield for rates for 2010 deteriorated to 81%, this has been declining steadily since 2007, when it was 96%.</p> <p>Housing Rents and Annuities: - The collection yield for housing rents and annuities having increased in recent years up to 2008 fell back to 84% in 2009 and 80% in 2010.</p> <p>Housing Loans: - The collection yield for housing loans fell from 74% in 2008 to 64% in 2009 and to 54% in 2010. The Council must address this critical issue.</p> <p>Commercial Water Charges: - The collection yield for commercial water charges having shown a small improvement in 2008 fell back to 60% in 2009 and 56% in 2010. The year end arrears increased by 7.32% from €6.30m in 2009 to €6.76m in 2010.</p>	While it is noted that the overall collection has dropped from previous years this is a reflection of the difficult economic situation. Every effort is being made to recover the amounts owing which are examined on a case by case basis. A new information technology system was introduced in 2011 which will contribute to the efficiency of our collection systems.
Kilkenny County Council	Corporate Governance	Corporate governance comprises of the systems and procedures by which enterprises are directed and controlled. It is the responsibility of management within individual service areas to ensure that they have systems of financial management and internal controls in place.	The Council acknowledges that it is management's responsibility to ensure that individual service areas have appropriate controls and systems in place, even with the significant reductions in staffing levels and resources of the last number of years.
	Kilkenny Local Authority Leisure Complex Ltd	The above complex is 100% owned by Kilkenny Local Authorities on an equal basis. The investment in this company is €14.9m. It is noted that the company's audited accounts for year end 2010 had an emphasis of matter paragraph regarding going concern. The company incurred a net loss of €479k for year ended 31 December 2010, increasing the cumulative loss to €2.03m. At that date, the company's current liabilities exceeded its total assets by approximately €2.03m. The auditors acknowledge that the financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.	The fact that Kilkenny Local Authorities Leisure Complex Limited (KLALCL) is owned 50/50 by both Kilkenny Borough Council and Kilkenny County Council has been reflected by both Councils recently converting what had been long term loan capital into share capital investment. This change removes the technical situation which existed at the end of 2010 for the company and, as a consequence, no such situation will exist at year end 2011. In addition, the KLALCL has been trading profitably since the end of 2010 to date and is operating the Watershed Sports Complex on a self sufficient basis and without recourse to Council funding.

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	Landfill Closure	It is noted that the Council closed the landfill last year and completed the rehabilitation works on all cells from its own resources. It must be noted that Kilkenny County Council has managed this facility in a very satisfactory manner, with no major expenditure issues outstanding.	The Council has been unique in the country in being able to fund both initial landfill expansion and subsequent rehabilitation works from its own resources. Annual budget provisions adopted by the Council ensured that adequate provision was made to cover all capital costs associated with the landfill.
Laos County Council	Unfunded Capital Balances	Included in other balances are a number of unfunded capital projects amounting to €8.9m at the end of 2010. A full review of all unfunded schemes should now be undertaken to determine the likely impact on the council's financial resources.	The unfunded balances of €12,313,369 at the 31 December 2009 were reviewed during 2010. A further review will be carried out before year end to ensure the 2010 figure is reduced further.
	Commercial Water Charges	The level of collections in all areas have deteriorated, particularly so for water charges. The percentage yield from commercial water has decreased from 67% in 2006 to 51% in 2010. Arrears amounted to €1.8m at the end of 2010. Arrears in rates have risen to €1.9m from €1.5m at the start of the year. All revenue collections require close monitoring to ensure that substantial arrears are not accumulated.	The percentage yield from rates, housing loans and annuities and commercial water is a reflection of the financial situation businesses and mortgage holders are in. 46% of the arrears of water charges at the end of 2010 relate to the period 1st September – 31st December 2010, the bills for which issued in 2011. Every effort is being made to collect all monies owed.
Leitrim County Council	Commercial Water Charges	The commercial water charges arrears at the year-end were €970k. While this represented an increase in the collection yield from 35% to 41%, it is still very low and needs to be substantially improved. I note that the metering problems highlighted in previous years have been rectified during the year which has resulted in the billing backlog being addressed.	Although the collection yield for water charges improved on 2009 the Council continues to experience difficulties. The Group Water Scheme (GWS) sector represents the largest proportion of amounts outstanding on water. The voluntary nature of their structure and the manner in which some GWS's have expanded in recent years has made the operation and management of the GWS very difficult. However the Council will continue to engage with the individual GWS in an effort to reduce consumption and improve payment.
	Revenue Expenditure in Capital Account	It was highlighted in last year's audit report that expenditure of €514k was charged to capital account but should have been charged to the revenue account. The majority of this sum related to revenue salaries. A balance of €384k in relation to this expenditure was still included in the capital account at 31 December 2010.	Changed economic circumstances have reduced capital housing projects to which these costs were previously charged. Leitrim County Council is not currently in a position to charge these costs to the Revenue Account in a single year but is in the process of absorbing these costs over a 5 year period commencing in 2009. Should the opportunity arise to absorb these costs earlier than the planned 5 year period then Leitrim County Council will deal with these costs. All salary costs are now charged directly to the revenue account so this situation is unlikely to arise in the future.
Limerick City Council	Revenue Collection Performance	The level of collections in almost all areas deteriorated in 2010, particularly so for rates and commercial water charges. Commercial Water Commercial water arrears amounted to €3m at the end of 2010. This is unsatisfactory. An aged debt profile for commercial water records pre-2010	The collection of rates and water from Limerick City Council's commercial customers has again proved challenging in 2010. Limerick City Council continues to work closely with all of its customers who are having difficulty in meeting payments due to the Council in order to come to an agreed way of discharging these debts.

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		<p>arrears of €0.9m. The City Council has borrowed €10.45m to fund the marginal capital cost element of water infrastructural projects. Further borrowing will be necessary in this regard.</p> <p>Commercial Rates The rates collection percentage at 63% was less than the expected 70% referred to in the Manager's report on the Adopted 2011 Budget. The City Council operates a 50% reduction for vacant sites. These rates will never be collectable and distort the collection percentage figures.</p>	<p>While there have been increases in customer arrears for both rates and water it must be emphasised that Limerick City Council has a full bad debt provision provided in the 2010 accounts to cover any potential write offs of unpaid income in these areas. This fact is not recognised by the Local Government Auditor in her statements above. Backup in relation to the calculation of the required bad debt provision was made available to the Local Government Auditor during the audit and the adequacy of these provisions was not questioned by the Auditor at any stage during Audit 2010.</p> <p>The "50% reduction for vacant sites" referred to by the Local Government Auditor is not a system devised by Limerick City Council; it is based on legislation i.e. The Limerick City Management Act 1934. Under this legislation this "50% reduction" cannot be written out of the debtors ledger until either the other 50% is paid or until the statute of limitations can be applied.</p>
	Capital Account	<p>There is insufficient level of formal reporting procedures at the Council. I draw attention to the findings and recommendations of VFM Progress Report on the implementation of the recommendations contained in VFM Report No. 24.</p> <p>The City Council accounting policy states that it operates its insurance fund on a cash accounting basis. This fund is managed through the capital account and funded from revenue. The accounting policy also states that an accrual of €1.84m was made in 2010 to reflect the cost of claims notified but not concluded. It also notes that at 31 December 2010 it was expected that such claims will give rise to payments of €5.5m. All known potential costs should have been accrued in Limerick City Council's Annual Financial Statement 2010. The necessary correction is to be made to the 2011 AFS.</p> <p>ACOP requires that investment of accumulated provisions for specified purposes including an insurance fund must be identified and disclosed by way of note. Disclosure should include a statement of movement in balances and whether invested externally or applied to cash flow management.</p> <p>The closing credit balance increased to €20.47m at the year-end. This balance does not reflect the true financial position as the Council's treatment of capital accruals does not comply with ACOP requirements. The capital account expenditure was prepared on a cash basis in 2010. The accounting treatment does not comply with the declared accounting policy and impacts on GGB.</p> <p>I have requested that the Council undertake a full review of all capital</p>	<p>The capital account for 2010 and 2009 as laid out above reconciles to Appendix 6 AFS 2010 and 2009.</p> <p>The comment in relation to formal reporting on Capital Projects is misleading. While constructive suggestions in relation to improving capital project reporting within Limerick City Council will be taken on board, it needs to be noted that significant capital reporting systems are already in place in Limerick City Council. Detailed monthly capital reports are circulated to Management Team and key divisional management also. Quarterly Capital Reporting as outlined in VFM Report 24 are fully adhered to by Limerick City Council. It should be noted that the "exception report" suggested by the Local Government Auditor would be a much more limited report than the current reporting used, and would not relate back to the full Capital Account. The current capital reporting used by Limerick City Council is much more comprehensive than the "exception reporting" requested by the Local Government Auditor, and more than meets the capital reporting requirements of the Value for Money report No. 24. It should also be noted that Limerick City Council's Financial / Management Accountant also formally reviews capital balances during the year with senior management.</p> <p>Limerick City Council's Insurance Fund is operated on a cash basis. An insurance fund is built up by transferring monies from the revenue account to ring fenced capital fund from which relevant insurance payments are directly made. Limerick City Council accepts that the</p>

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		<p>schemes to determine the likely impact of the identified accounting treatment on the Council's financial resources.</p>	<p>word 'accrual' in its accounting policy on insurance may cause some confusion and will replace this word with the word 'transfer' in future years. Limerick City Council will continue to build this insurance fund in the coming years and will also continue to operate its insurance fund on a cash accounting basis. As the insurance is operated on a cash accounting basis there is no requirement for Limerick City Council to accrue all known potential insurance costs in its 2010 Annual Financial Statement. However, the policy of disclosing the potential insurance liability facing Limerick City Council in its Annual Financial Statement will continue in line with Limerick City Council's accounting policy on insurance.</p> <p>Limerick City Council already provides information on its insurance fund by way of disclosure note in section entitled Statement of Accounting Policies (page 7 of AFS 2010). There is also a separate disclosure in the Notes to the Accounts for 2010 presented to the Local Government Auditor in Note 11 "Other Balances", which is in line with the disclosure required as part of the national statutory template of the Annual Financial Statement. Therefore the statement of the Local Government Auditor is misleading as there is currently disclosure by way of note for the insurance fund. Limerick City Council requests that the Local Government is more specific on what further information she would like Limerick City Council to disclose in Note 11 of the AFS. Once such a clarification is provided by the Local Government Auditor, Limerick City Council will then take this recommendation into account when completing its 2011 AFS. For the purposes of clarification, Limerick City Council does not have a separate investment/ deposit account for insurance. It should also be noted that the Local Government Auditor was provided with details of all deposit accounts held by Limerick City Council during her audit. Therefore it's unclear why the insurance fund is of audit concern.</p> <p>The comments made by the Local Government Auditor on the closing credit balance of €20.47m are noted. It should be noted that the issue raised is purely a timing/matching difference, and there has been no loss or misappropriation of monies to the local authority or the Exchequer. The monies involved are also not material to the overall capital account activity during 2010, and therefore do not "materially" effect the Capital Account for AFS 2010.</p> <p>The information to be provided from the review requested by the Local Government Auditor above has already been carried out. This information and related value has already been provided to the Local</p>

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			Government Auditor. To include the additional accruals referred to above would have resulted in a 3% reduction in the capital account year end balance at 31 December 2010.
	Grove Island Leisure Centre	<p>Grove Island Leisure Centre Ltd is a joint venture company 50% owned by the City Council and 50% owned by Kings Island Developments Ltd.</p> <p>The City Council has provided a guarantee of €5.5m to Grove Island Leisure Centre Ltd. Two legal agreements are in place to protect the exchequer in case of default:</p> <ul style="list-style-type: none"> • 'Mortgage over shares' held by Kings Island Developments Ltd in Grove Island Leisure Centre Ltd. • Personal Guarantee in the sum of €1m by a third party. <p>The City Council is currently in the process of signing contracts to take over full ownership of Grove Island Leisure Centre Ltd. The City Council has brought to the attention of audit that there are insufficient funds to meet the personal guarantee of €1m which gives rise to potential loss to the Council.</p> <p>Grove Island Leisure Centre Ltd records a loan of €4m in its Balance Sheet. The City Council issued a letter of guarantee for all borrowings in the company. I have asked the City Council to clarify whether there is a right to invoke the guarantee in the event of default in payment of loan charges.</p> <p>The Irish Bank Resolution Corporation (Anglo Irish Bank) has a charge over car parking spaces of Grove Island Leisure Centre Ltd. I have written to management seeking clarification on this matter as the Minister for Arts, Sports and Tourism was to rank as the second charge following the bank loan charge. Evidence presented to audit noted that the Council has also guaranteed the repayment of the grant. I have requested details of this amount.</p> <p>I have written separately to management on a number of other related matters.</p>	The Local Government Auditor has been made aware that all legal documents to finalise matters with Kings Island Development Limited have been executed and that completion of this transaction is imminent.
	Procurement Procedures	<p>Procurement and tendering processes are handled by each directorate individually in the City Council.</p> <p>Previous audits have identified that the City Council should seek tenders for its legal services. This has not happened. Circa €5.8m has been spent by Limerick City Council between 2007 and mid 2011. Third party legal fees, senior Council fees etc are included in this figure as well as day to day legal expenses.</p>	<p>Limerick City Council is currently seeking tenders for legal services. Competition will likely be assessed by end of 1st Quarter 2012.</p> <p>Lord Edward Street: Consulting engineers were appointed to provide specialist engineering advice for the demolition works and stabilisation of stone walls for the protected Tait Clothing Factory building at Lord Edward Street for a fixed price. This appointment was on the basis of their previous experience and knowledge of this fire damaged derelict</p>

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		<p>I have set out below a selection of other instances of non-compliance with procurement procedures noted during the course of the audit including those identified in the City Council's own procurement plan;</p> <ul style="list-style-type: none"> • Appointment of the Valuer for Regeneration Properties • The consultant appointed to the Lord Edward St, Southill Area Centre, Pike Avenue, Glasgow Park Fire Remedial Works projects. • The consultant appointed to oversee formation of the building framework and Halting Site panels. <p>Correspondence from the Department in respect of the Toppins Field Halting Site project, requested that the Council ensure that in future the procurement of consultants complies with the Department of Finance requirements and that transparent criteria for the selection of consultants be adopted.</p> <p>To facilitate effective competition from smaller contractors an open tendering procedure should be used for term maintenance and refurbishment works and consideration should be given to dividing the works into contract lots.</p> <p>The Council's corporate procurement plan needs to be updated.</p>	<p>factory site since 2001.</p> <p>Southill Area Centre: Consulting engineers had been appointed to provide full engineering services for the construction of the Southill Area Centre in January 2003 and additional engineering advice based on agreed hourly rate was required as part of the assessment of the specialist sports flooring snags in 2010.</p> <p>Pike Ave Housing: Consulting engineers were appointed to provide specialist engineering services for the construction of 8 Houses at Pike Ave in 2006. The 2010 payment related to specialist monitors installed on an adjacent to site. These monitors were required to record vibration movement while the houses were under construction, owing to the history of ground settlement and damage to existing houses in this area in the past.</p> <p>It can be confirmed that all consultancy services are now procured in accordance with the current procurement guidelines for Capital Projects.</p> <p>Glasgow Park Fire Remedial Works (2010) – The consulting engineers were engaged on the Glasgow Park Project as the same firm had worked on the two previous remedial works schemes (1997 & 2001), and consequently had extensive working experience, knowledge and technical drawings of the 110 house scheme. The wealth of knowledge accumulated from previous works proved invaluable in such a complex project such as the fire remedial works scheme.</p> <p>Building Framework Panel (2010): – The consulting engineers were engaged to oversee the formulation of a 3 year (2010-2012) Building Framework Panel for the Housing Department. The eight successful Contractors on the panel were subsequently afforded the opportunity to tender for small building works, maintenance, upgrading etc. The firm used is highly experienced in the area of Pre-Qualification Questionnaire Assessment and evaluation, and the subsequent assessment of candidate submissions with a view to panel formulation.</p> <p>Halting Site Maintenance & Caretaking Panel – the consulting engineers oversaw the formulation of an official 3 year (2010-2012) Halting Site Maintenance & Caretaking Panel for the Housing Department. The firm is very experienced in the area of Pre-Qualification Questionnaire Assessment and evaluation, and the subsequent assessment of candidate submissions with a view to panel</p>

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			<p>formulation. The procurement process was undertaken in two stages, namely (1) pre-qualification stage, and (2) tender and contractor interview.</p> <p>Procurement of Valuers for Regeneration Property Purchases: Limerick City Council is seeking to procure the services of appropriate valuation firms and is awaiting the outcome of this process. The Housing Department will utilise the services of appropriately qualified firms arising from this procurement process. In the interim the Housing Department has availed of the services of a company that is not involved in either the purchase or sale of residential properties. We are satisfied that the use of this firm provides the Council with an independent valuation process that is transparent and unbiased.</p> <p>Limerick City Council's current procurement plan will be updated and this update will be complete mid 2012.</p>
Limerick County Council	Unfunded Capital Balances	<p>The major debit balances on capital projects at 31 December 2010 were as follows:</p> <ul style="list-style-type: none"> • Castleconnell Sewerage Scheme €4m • Other Water and Sewerage Schemes €5.2m • Mungret Civic Amenity Project €2.9m • Area Offices €3.9m 	<p>Castleconnell Sewerage Scheme The final account for this project was submitted to the Department in February 2011. The Department recently indicated that they hope to make at least an interim payment before the end of 2011.</p> <p>Other Water and Sewerage Schemes This debit relates to a number of schemes which are either completed, and claims have been submitted to the Department, completed but awaiting final accounts or at tender stage and claims can be made once contracts are signed. I am arranging to have a review of each scheme carried out to ensure adequate funding is in place.</p> <p>Mungret Civic Amenity Project This balance was to be funded from the proceeds of assets disposal, which are now unlikely in the current economic environment. It is now proposed to seek Council and Department sanction to the raising of a loan in 2012.</p> <p>Area Offices The debit balance on this project has been reduced to €2.279 million at 30 September 2011 and Department sanction will be sought in 2012 to finance the remaining unfunded balance.</p>
	Revenue Collection Performance	Rate arrears were approximately €2.6m, water arrears €2.2m and housing loans €337,000. All revenue collections require close monitoring to ensure that substantial arrears are not accumulated. The provision for bad debts will	Having regard to the current economic climate, monitoring and maximising all collection accounts is given the highest priority. The provision for doubtful / bad debts is constantly under review and

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		need to be reviewed.	adjusted as required. This is particularly the case when the AFS is being completed.				
Longford County Council	Revenue Collection Performance	The collection yields for 2010 have remained in line with the collection yields for 2009 over all aspects of the Council's activities. The return from commercial water charges continues to be very unsatisfactory.	<p>The economic downturn has created difficulties in collecting the various sources of income due to the Council. In order to address this, a new Income Generation Unit was set up in September 2010. The overall amount of money collected under the main income headings in appendix 7 of the AFS, increased from €10.28 million in 2009 to €10.75 million in 2010. It is anticipated that the unit will be an important factor in maintaining and where possible improving collection percentages in 2011.</p> <p>It should be noted that a new water disconnection procedure was introduced by the Income Generation Unit which improved figures in the last quarter of 2010. The amount collected for water at €1.6 million kept pace with the annual amount billed.</p>				
	Longford Pool Construction Ltd	Longford Pool Construction Limited is a company jointly owned by Longford County Council and Longford Town Council. The company operates a swimming pool, sports hall and gymnasium. The latest published accounts for the company are for the year ended 31 December 2009. Turnover dropped by 13.6% compared to 2008. The accounts show a loss for the year of €137,713 and an accumulated loss of €307,120. The Company has received grants totalling €3.8m and a loan of €1.6m from Longford County Council. The grants are being amortised in the accounts over 20 years. In order to address the difficulties being experienced by the company the directors have embarked on a programme of restructuring to restore the company to profitability. Longford County Council has stated that it will meet the cash requirements of the company until at least May 2012 and that it will not seek repayment of the loan balance of €1.6m during the same period. Longford County Council funded the repayment of the principal and interest on the loan in 2010. The company's auditors have stated in an emphasis of matter in their audit report that the company's ability to continue trading is dependent on the stated support of Longford County Council and that the accounts do not include any adjustments which would result if the company was unable to continue as a going concern.	<p>Senior Management in Longford County Council has embarked on a programme of restructuring the operations of the company.</p> <ul style="list-style-type: none"> • Costs reduction measures have been implemented under payroll, energy, cleaning and any other expenditure headings where savings were likely to be achieved. • A new financial system has been put in place to monitor performance • A full operational audit of the facility is being undertaken to improve customer numbers. <p>It is anticipated that significant progress will have been made prior to the 2011 audit.</p>				
	Development Contributions	<p>Development Levies are now disclosed in the AFS on an accruals basis. The total amount outstanding at 31 December 2010 is €3.8m, which shows a decrease of €3m on the 2009 amount of €6.8m and is classified in the balance sheet as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;">Current debt (Note 5 to the AFS)</td> <td>€1.6m</td> </tr> <tr> <td>Long Term debt (Note 3 to the AFS)</td> <td>€2.2m</td> </tr> </table>	Current debt (Note 5 to the AFS)	€1.6m	Long Term debt (Note 3 to the AFS)	€2.2m	The Planning Department has applied significant resources to reviewing debtors' files during 2010. From this review it emerged that contribution debtors were no longer due as the planning permission had expired and the houses had not been built. In these cases credit notes were processed on the debtors system. A large debtor's provision was made as at 31/12/2009 in anticipation of the fact that a number of debtors would not be realisable. The provision as at
Current debt (Note 5 to the AFS)	€1.6m						
Long Term debt (Note 3 to the AFS)	€2.2m						

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		<p>The amount of development levies collected during 2010 was €461,553 (€384,865 in 2009) The Council has included a provision for bad debts for development levies of €1.8m which is included in the overall provision for bad debts in Note 5.</p>	<p>31/12/2010 was reduced to take account of the credit notes processed during the year.</p>
Louth County Council	Revenue Collection Performance	<p>There was a general reduction in revenue collections across the main accounts. The total arrears for the four income sources amounted to €8,580,167 at 31 December, 2010. This is a serious matter for the Council. The Council should assign more resources to this area.</p>	<p>The reduction in collection yields is indicative of the continuing economic trends of previous years. In 2010 the water invoicing and water debt collection was consolidated for the three authorities in the County Council and new debt collection procedures were introduced with the aim of improving debt collection in 2011. We will continue to review and improve our debt collection procedures in these difficult times.</p>
	Affordable Houses and Sites	<p>The expenditure incurred by the Council in the construction /purchase of affordable housing units and sites is included in note 5 to the AFS as part agent works recoupable amounting to €6.7 million.</p> <p>At 31 December 2010 the Council had 13 affordable units for sale. In addition the Council had 18 affordable units leased to a voluntary housing company. The Council funded the construction of the housing units and the development of the sites by means of bridging finance borrowed from the Housing Finance Agency pending the sale of the houses/sites .The balance on bridging loans at the year end was €5.7 million.</p> <p>The Department of the Environment, Community and Local Government (the Department) will fund the interest payments in respect of the leased units. But the principal element on the leased units plus the bridging loan for the units/sites available for sale are to be funded from the disposal of the affordable housingunits/sites.</p> <p>The Department, through a working group is reviewing the accounting treatment for affordable housing units. The downturn in the housing sector has significantly impacted on the Council's ability to dispose of its affordable housing units/sites.</p>	<p>I confirm that all unsold affordable units in Louth County Council are now leased to two separate voluntary housing providers under five year lease arrangements. Interest charges on the HFA loans are being funded by the Department during this arrangement. I would anticipate that these units will be eligible for purchase by tenants under the Incremental Purchase Schemes before conclusion of the five year lease, thus reducing the outstanding loans.</p>
Mayo County Council	Financial Position	<p>The overall position of Mayo County Council at the end of 2010 is that in addition to the cumulative deficit of €2.7m in the revenue account there is an additional deficit of approximately €14.8 (€9m in 2009) in respect of old static balances in the capital account. This gives an overall deficit of approximately €17.5m that will have to be funded from internal resources. It should also be borne in mind that the Council has loans of approximately €60m which have to be serviced from the revenue account. The Council will need to continue to</p>	<p>The Council, amid the prevailing economic context, has recorded a small surplus on its revenue account in 2010 for the third consecutive year. The deficit on the Council's revenue account has been reduced by €1.2 million over the past three years and efforts are continuing to reduce this deficit further in the short to medium term.</p> <p>Balances outstanding on the capital account continue to be</p>

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		implement strict budgetary controls to ensure that budgeted expenditure and income targets are achieved in the financially difficult times ahead.	problematic and the Council is in discussion with the Department of the Environment, Community and Local Government (the Department) and other Departments to secure funding for these balances.
	Unfunded Capital Balances	By the end of 2010 the total of the old static balances to be funded internally amounted to approximately €17.6m (€16m in 2009) while reserves in the capital account only totalled €2.8m (€7m. in 2009) The net shortfall of €14.8m will have to be financed from future internal resources of the Council.	Capital account balances continue to be problematic and the Council is actively pursuing outstanding amounts and is in discussion with the Department and other Departments to secure funding for these balances.
	Revenue Collection Performance	<p>Collection yields in respect of housing rents and annuities and housing loans remain weak. In addition rates have continued to show a slippage from previous years. This has resulted in rate arrears increasing from €1.3m in 2009 to €2.1m in 2010.</p> <p>Some individual arrears particularly in housing loans also give cause for concern. The percentage collection of 51% (49% in 2009) for commercial water charges, while showing an increase on previous years remains problematic. Every effort should be made to reduce these arrears including the withdrawal of the service and the use of legal remedies where appropriate. Consideration should also be given to increasing the bad debts provision on some of these collection accounts.</p>	<p>Revenue collection continues to be challenging in the current difficult economic climate. The reduction in rates collection reflects the fact that more businesses are opting for payments plans for repayment of rates which extend into the new year. In the period January to March 2011 a further €1.7 million was collected in rates, of which €600,000 related to arrears at 31 December 2010.</p> <p>Collection of water charges continues to improve with a 14% increase in collections over the past two years. Efforts continue to increase collection yields further.</p>
	Rolled-Up Interest Charges	Where the Council borrows for the purchase of land for social housing, interest on these loans is rolled up for seven years and is not charged to the revenue account. This is on the basis that this rolled up interest will be funded when the land is eventually used for social housing. Any interest incurred after seven years should be provided for in the revenue account. Mayo County Council has three loans taken out for the purchase of land for social housing. Interest on these loans in excess of the seven years allowed has been rolled up rather than provided for in the revenue account in 2010. The cumulative amount involved up to the end of 2010 is approximately €180k (€400k in 2009). This amount plus any additional interest on these loans in 2011 should be charged to the revenue account.	Provision has been made in the Council's 2011 annual budget for rolled up interest on land loans.
Meath County Council	Financial Position	<p>The income and expenditure account has again recorded a positive return for the year of €974,929 and continues the recent trend of reporting surpluses. The surpluses reported over the past few years were achieved as a result of the tight budgetary controls implemented across the various business units and overseen by the Council's management team. This process should be continued in order to reduce the significant deficit of €8.3m still to be eliminated.</p> <p>Included in the 2010 expenditure is an accrual of €5.5m provided for at the</p>	Meath County Council sustained significant losses for a number of years, peaking in 2003 with a loss of €2.7million. Over the past five years Meath County Council has reduced the deficit by almost €2.5 million.

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		<p>year end in respect of legal fees and damages relating to a case taken by a developer against the Council.</p>	
	<p>Unfunded Capital Balances</p>	<p>The overall favourable position on the capital account masks significant deficits (currently approximately €15m) being carried on a number of schemes. The main unfunded scheme is the works that were carried out at Basketstown Landfill where a deficit of €9.6m remains to be funded. There are also a number of water and sewerage schemes that require funding, some with significant deficits.</p> <p>During 2010 settlement was reached with Irish Shell in respect of contamination at the Trim Civic Office and the proceeds were utilised to eliminate the deficit that was carried on the Trim Area One Stop Shop account. In addition to the above, I have been advised that substantial costs are likely to be incurred when the Council commences remediation of sites where illegal dumping has occurred.</p>	<p>The auditor's comments are indeed noted; however the reduction in the unfunded balances from 2005 to 2010 reflects a significant amount of work carried out by all sections.</p> <p>The adverse balances referred to above are mainly historical in nature. The Basketstown landfill was the first landfill in the country to be remediated and the cost of this was fully borne by Meath County Council. The remediation work was directed under new EU legislation and has placed an enormous cost burden on Meath County Council. A number of requests have been made to the Department for funding, however, unless some funding is made available through the environment fund, this balance will remain unfunded.</p> <p>In relation to water and sewerage capital projects all schemes with which approved external sources are associated are being actively pursued and remain a priority. The Council is continuing to pursue three major illegal dumping (unauthorised landfill) cases by way of the Waste Management Acts. Two of these cases are being pursued through the High Court. While the Council is not primarily responsible for the remediation of the waste (this is the responsibility of the holder of the waste) it is important to note that there is a risk that the Council may be left with the task of remediating these sites. This will depend on the outcome of the legal proceedings and the ability of the holders of the waste at each of the sites to cover the cost of such remediation. The estimated cost of remediation of these three sites could be in the region of €20 - €30 million.</p>
	<p>Commercial Water Charges</p>	<p>The improvement in the returns recorded for commercial water charges is welcome but at 40% (arrears of €5m) was still a very low level of collection. I have previously reported on the issues encountered by the Infrastructure department (the relevant section of which is now part of the Environment and Water Services department) in rolling out the metering project. These have, in the main, been resolved with all customers now being billed on actual water usage, where previously many had been on fixed annual charges. I have been advised that arrears are currently approximately €6m.</p> <p>In past reports, I recommended that there should be a co-ordinated approach established between the Finance and Infrastructure departments to ensure issues arising such as meter identification, installations, charges and collections are dealt with expediently. I note that a draft document outlining</p>	<p>The auditor's comment is noted in regard to the improvement in the collection, from 25% in 2008 to 40% in 2010. The level of historical arrears is mainly attributed to the initial difficulties of the four counties metering project. A significant bad debts provision (€3.4m) has been made in the AFS for arrears which may become uncollectable however a co-ordinated approach between Finance and Water Services has facilitated progress in collection of all monies due. Meath County Council has used section 52 of the Water Services Act, 2007 to automatically offset amounts due with customers who are also creditors.</p> <p>Meters are read bi-annually by the water caretakers and during 2012 a new automated meter reading system will be introduced in order to</p>

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		<p>improved procedures and incorporating this suggested co-ordinated approach was circulated to the various stakeholders but has still not been formally adopted. This document should be agreed and implemented without further delay.</p>	<p>further improve the accuracy and quick turnaround of meter readings as an aid to the achievement of better collection yields. Meath County Council also identifies potential disconnections for non payment. To date 44 disconnection notices have been issued in 2011 and 10 disconnections carried out, however agreements have been made with all other overdue accounts.</p> <p>This has allowed us re-establish the effectiveness of the collection of commercial water charges following the interruptions caused by the problems with the metering project. €2.4 million has been collected to August 2011 and water collection yields have improved from 25% in 2008 to 30% in 2009 and 40% in 2010 and are expected to be up in 2011.</p>
	Procurement Procedures	<p>I have previously recommended that management undertake a comprehensive review, across all areas of the Council's business, to ensure compliance with public tendering regulations. I note that this review has not yet been implemented.</p> <p>I carried out an examination during the current audit, where I noted a number of instances of non compliance with both the national tendering guidelines and the provisions of the Council's own procurement procedures. Some of the weaknesses identified were systemic in nature and I have written to senior management expressing my concerns regarding the lack of controls in this area. A move towards centralised invoice processing and the establishment of a dedicated procurement function would assist in improving systems and controls. I have again requested that a full internal review be carried out into the level of adherence to procurement regulations and procedures.</p>	<p>Meath County Council recently updated its procurement procedures in order to ensure compliance with National and EU directives as well as best practice in the achievement of better value for money. Major spending sections such as Housing, Roads etc have staff with an expertise in public procurement.</p> <p>Procurement management is currently under review and a number of initiatives have been introduced in 2011 which will contribute significant savings such as;</p> <ul style="list-style-type: none"> • Implementation of National Procurement Service agreements for the following products and services, (electricity, fuel, stationery, credit card processing and protective clothing and equipment). • Electronic billing and automated processing of invoices where large numbers of invoices are involved for example telecommunications and electricity bills. • Introduction of Low Value Purchase cards - 27,000 invoices were processed in 2010, however 17,000 of these represented expenditure of €500 or lower.
	High Court Judgment	<p>The Council received notice in 2010 of a claim made by a company that it had purchased land from the Council in 2006 following what was stated to be erroneous assurances relating to the potential development of the site. On legal advice, the claim was defended and the case was heard in the commercial division of the High Court in December 2010. A judgment of €4.06m was delivered in favour of the company in March 2011.</p> <p>A notice of appeal to the Supreme Court against the quantum of the award was lodged by the Council's solicitors on 29 March (on foot of Senior Counsel advice). Notwithstanding the appeal, the High Court ruling included a</p>	<p>The financial risk register now being developed in compliance with corporate governance requirements will ensure that risks are identified in early course thereby improving corporate awareness of challenges facing the Local Authority.</p>

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		<p>requirement that the Council pay the company €2.2m within 7 days of the judgment and I note that this has been complied with. An independent review into the circumstances of the case is currently in progress.</p>	
	Navan Swimming Pool	<p>A private sports management company has been operating the Navan swimming pool since 2003. I reported following previous audits that while a licence agreement between the Council and the company was drawn up, it was never formally executed. I have raised this issue with senior management again during the current audit and I note that the licence agreement is still not signed.</p> <p>The company currently owes the Council €140k in outstanding fees – these have been outstanding for some time. It is imperative that the arrangement with the management company covering the daily operation of the swimming pool is regularised without any further delay.</p>	<p>Meath County Council is in the process of drawing up a new licence agreement. Meetings have taken place between officials of Meath County Council and Aura in relation to this matter.</p>
Monaghan County Council	Unfunded Capital Balances	<p>At the end of 2010 there were debit balances totalling €11.985m (€16.635m in 2009) on 97 projects classified in the accounts as being funded, and €5.277m (€1.470m in 2009) on 37 projects classified as unfunded. The Council needs to closely monitor the financing of these projects.</p>	<p>Unfunded debit balances are reviewed on an ongoing basis and when possible provision is made in the annual budget to provide for the phased reduction of these balances. Balances relating to water and waste water will be funded from current and future development contributions.</p>
	Procurement Procedures	<p>During the audit, it came to notice that the process undertaken to procure contractors to carry out the Council's housing energy efficiency programme was not consistent with recommended public procurement practice in that it was not advertised through the e-tenders process. Instead a number of local contractors were selected to tender. Two contractors were selected as a result of this process. Costs in excess of €210k were charged to the accounts by these contractors in relation to this programme in 2010.</p> <p>In a further case in 2010, the Council engaged a contractor for the provision of waste-water services. However, proper tendering procedures were not adhered to in respect of this engagement. Costs in excess of €200k were charged to the accounts in respect of water and sanitary services provided by this contractor in 2010.</p> <p>The Council maintains and updates annually its procurement procedures manual. This document was last revised and updated in September 2010. A</p>	<p>The energy efficiency works programme was broken into units of between five and ten houses and tenders were invited from five local contractors for each block of houses, whom Monaghan County Council was satisfied had the capacity to carry out the works. On the basis of the lowest price submitted two contractors were selected.</p> <p>In relation to the engagement of the contractor for waste water services, this was based on hundreds of callouts related to blocked sewers and pipelines throughout the county which if not treated urgently could have resulted in a health or safety hazard. None of the contractors on e-tenders providing the service were located within the county and it was considered that engaging any of these contractors would result in undue delays in rectifying potential hazards. The price charged by this contractor compared favourably to the prices available on e-tenders.</p> <p>All staff involved in public procurement have been instructed to comply with the Council's Procurement Procedures manual when procuring</p>

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		copy of this manual is issued annually to all staff in the local authority.	goods or services on behalf of the Council.
	Registration of Title	<p>During the audit the following came to notice with regard to registration of title:</p> <ul style="list-style-type: none"> • The Council does not hold registration of title to the full site on which Clones fire station is constructed. • Two portions of land on which the recycling centre is located are not registered in the Council's name. • Part of the land on which the old landfill site at Scotch Corner is located is not fully registered in the Council's name. • Part of the land on which the machinery yard is located does not have a land registry folio number, although the title deed is registered to Monaghan County Council. 	The title to these lands will be examined and registered.
North Tipperary County Council	Unfunded Capital Balances	<p>The major debit balances on capital account at 31 December 2010 were as follows:</p> <ul style="list-style-type: none"> • voluntary housing €0.5m - this will be funded by bank borrowings, • water schemes €0.7m - these will be funded by state grants, borrowings, development contributions and revenue account transfers • sewerage schemes €3m - these will be funded by state grants, borrowings, development contributions and revenue account transfers • Roscrea swimming pool €2.9m - will be funded by state grants and development contributions • Lough Derg amenity project €0.6m - will be funded by development contributions and revenue account transfers. 	We will continue to follow up on the adverse balances on the Capital Account.
	Revenue Collection Performance	<p>I note that the collection yields for rates and housing loans have deteriorated this year. Rate arrears were approx €1m, water arrears €1.6m and housing loans €147,000.</p> <p>All revenue collections require close monitoring to ensure that substantial arrears are not accumulated. The provision for bad debts for rates and water was increased by €200,000 and will require a further increase in 2011.</p>	The deterioration in collection levels for rates, water and loans reflects the current economic climate. The Council is encountering a genuine inability to pay in many circumstances and is actively engaging with customers to maximise collections while at the same time acknowledging the difficult financial position many of our customers are encountering. Earlier this year I set up an Income Task Force group within the Council. I will Chair this group and its remit will be continual monitoring of all collection levels throughout the year with a focus on overall improvement in collection levels.
Offaly County Council	Commercial Water Charges	<p>While there is a slight improvement in 2010 the yield for commercial water charges remains very unsatisfactory. The amount accrued in 2009 and 2010 reflects the new commercial water charges and the inclusion of customers identified who were previously not invoiced. Bills in respect of water usage in 2010 not issued till 2011 amounting to €570,269 have been included in the above accrued figure.</p> <p>The bad debts provision in respect of water debtors at the end of 2010 was</p>	The provision for bad debts is made based on known information at the time and the experience and judgement of the staff member dealing with these arrears.

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		€680,396. Write offs incurred in the first half of 2011 in respect of amounts billed prior to the end of 2010 indicate that this provision is conservative.	
	Landfill Income	Landfill income has fallen substantially over the last four years from €6.618m in 2007 to €1.57m in 2010. This has contributed to the deficit incurred in 2010 as this decline in income was not anticipated when preparing the annual budget. The landfill income provided in the 2010 budget was €2.4m	
	Closure of Fire Stations	A decision to close the fire stations at Kilcormac, Banagher and Daingean was approved by the members at their statutory budget meeting held in January 2011. The net cost of termination payments as a result of these closures amounted to €755k and will be accounted for in the 2011 AFS.	
Roscommon County Council	Fixed Asset Reconciliation	The increase in the value of the fixed assets is primarily due to the transfer of €16 million of assets from work in progress during 2010. The Council has commenced transferring all land assets from manual registers into a computerised format. All Council property needs to be recorded in this manner. Resources need to be allocated to permit this work to be completed.	As noted, the County Council is in the process of transferring land assets from a manual register to a database. Though, I would like to allocate more resources to this work, this is not currently possible as I have to ensure staffing resources are allocated to meet the new statutory requirements being placed on the local authority as well as the need to deliver front line services to the citizens of the County.
	Rates Collection Performance	<p>The rates collected during 2010 dropped by €423k compared with the previous year, while at the same time the rates written off increased by €125k. The arrears increased by €0.8 million over the year to €2.3 million. This represents a significant decline in the year and needs to be addressed.</p> <p>Article 40(2) of the Local Government (Financial Procedures and Audit) Regulations, 2002, requires the preparation of a schedule of uncollected rates within 30 days of the end of the financial year. The Manager "shall submit a report thereon to the members...at the next practicable meeting of the Council". This report should be prepared by the Manager for 2011 and future years.</p>	The current economic climate is proving very difficult for local businesses, as reflected in the reduced collection yield for rates. The County Council has initiated legal proceedings (see paragraph on legal fees), but unfortunately these have not produced the desired results. At the same time we need to understand the predicament faced by business and be flexible in our approach to the collection of money. Your comments regarding the publishing of a report showing uncollected rates is noted and will be provided to the Members. The collection of income from rates is kept under constant review.
	Procurement Procedures	<p>I reviewed the receipting and recording processes for tenders that were in use by the various sections within the Council and noted that (i) there were inconsistencies in practices, (ii) there was no central log recording all tenders received by the Council and (iii) proper tendering procedures were not used in the acquisition of some plant and machinery.</p> <p>The Council is currently developing a new procurement database, which should be available from January 2012 that will record centrally all tenders opened and awarded. This will be a significant help in addressing some of the issues noted. However in tandem with this the Procurement Officer should review the practices and procedures in relation to tendering to ensure both</p>	<p>I welcome the new procurement database that will be available from January 2012. Training will be provided on the new system and information provided on good practice, which will include the need to document information correctly.</p> <p>The Procurement Officer is working to a plan agreed by the Management Team and is working on a number of different projects with neighbouring local authorities which should derive some level of savings.</p> <p>Each Directorate will keep their tendering procedures under on-going</p>

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		<p>consistency and best practice within the Council. A review should also be conducted of expenditure incurred to provide management with assurance that all items which should have been the subject of a tendering process, have in fact been tendered.</p>	<p>review, in line with recognised good practice.</p>
	Supplier Invoices	<p>Invoices from suppliers need to be made available to Accounts Payable Section to support all payments made, irrespective of the internal documents that are being generated to verify and monitor the works carried out.</p> <p>In the course of the 2009 audit, I noted some capital payments being made on the basis of internal documents. The Council needs to complete a review to ensure that all invoices, including those for previous periods, have now been obtained.</p>	<p>The County Council has been audited a number of times over the years by the Revenue Commissioners and has always been found to be compliant in relation to VAT and back up documentation.</p> <p>The sections which use certificates as a payment method are currently ensuring that all invoices are placed on file with the relevant certificate so all costs and taxation are substantiated.</p>
	Internal Audit Resources	<p>The Internal Audit Unit prepared one report during 2010, as well as the preparation of a corporate procurement plan and a fraud prevention plan, all of which were presented to the Audit Committee during the year.</p> <p>The unit had one full-time qualified accountant employed on a contract basis. However since May 2011 this contract was renewed on the basis that 50% of the audit time would be allocated to Roscommon County Council, with the remaining 50% split between the counties Sligo and Leitrim.</p> <p>As recommended in Value for Money Report No. 20, the Internal Audit Unit should be "adequately staffed". At the current level of staffing it is difficult to see how a realistic review of the activities of the Council can be provided by internal audit and this weakening of the control environment and governance procedures of the Council needs to be addressed.</p>	<p>The County Council has to operate within the constraints of the staffing moratorium that was introduced in 2009. This makes it very difficult to recruit staff. The situation is compounded by the reduced levels of funding, which means that the County Council has tough choices as to which services it can provide both internally and externally.</p> <p>The Internal Audit process will be reviewed during 2012.</p>
Sligo County Council	Budget Preparation	<p>The Council needs to prepare realistic achievable budgets and these budgets need to be carefully monitored and implemented. This issue was raised in a letter to management after the 2009 audit.</p> <p>The following anomalies were noted between the 2010 budget and the annual financial statements for 2010.</p> <ul style="list-style-type: none"> • Salaries were underestimated by €1.420m or 11% • Housing rents receipts were underestimated by over €900K or 53% 	<p>In preparing the Budget for 2010, salaries in the revenue account were budgeted at €11m, while the actual out-turn for 2010 was €12.4m. It was hoped that some salaries would have been funded from potential capital works and also that there may have been a possibility of some further early retirements. The reduction in capital activity was much greater than anticipated.</p> <p>The provisions of the Croke Park Agreement tied us into commitments that we have not been able to afford. Against this background and in an effort to reduce payroll costs to meet the budget in 2010, all staff were offered the facility to take a sizeable period of special leave without pay and all requests for career breaks were granted.</p> <p>It must be remembered that Budget figures are of course only the best estimate at a point in time and it is entirely understandable particularly</p>

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			<p>in volatile financial times that certain financial events may or may not happen that can affect the ultimate outcome.</p> <p>Housing Income is mainly from housing rents and housing loan interest. In recent years the gap between both of these actual receipts has moved although the budget split has remained the same e.g. the loan Interest is 60% below budget, being €690,000 and rental income is over budget by 53%, being €913,000. The overall net impact is a gain of €223,000 which is just 7% above what was included in the budget for the total housing income. The split of budget income for housing in the 2011 budget has been reflected more realistically.</p>
	Financial Position	<p>The following matters are of significant concern in respect of the Council's finances:</p> <ul style="list-style-type: none"> • There was a debit balance of €9.981m (€7.518m in 2009) on the income and expenditure account at the end of 2010 • The Council's unfunded project balances amount to €844k (€6.3m in 2009) • Long term debt has increased by €10.7m to €76.9m. <p>The Council's financial position as outlined above has deteriorated significantly during the course of 2010. The Council needs to prepare a complete review of all its activities, and should develop realistic projected funds-flow statements to assist management in operating under reduced income levels.</p>	<p>The Council's ability to review its activities is limited by its statutory obligations imposed by Government across all service areas and can be subject to criminal sanctions for non performance. Projecting funds flow is pointless when most income is dependant on incurring expenditure in advance of funding receipts, and the ability of rate payers to pay in the current difficult financial climate.</p> <p>The Council is working closely with Department officials to identify a solution to the deficit issue. The weak financial base of the Council and the dependency on central Government funds means that no permanent solution to the deficit situation can be overcome without the assistance of the Department.</p> <p>Overall payroll costs have reduced dramatically since 2008 to date, with €4.7m savings achieved for all non renewal of contracts. The net impact on the cost of water services from 2008 to 2010 has been an increase of €3m and along with a reduction in income of another €3m inflicts an increased burden on the council, which has not been possible to absorb without resulting in a deficit.</p> <p>The most significant impact on the accounts is from income being less than that expected in the budget, particularly the special grant towards the domestic share of running costs of new water and waste water treatment plants. There has been a reduction in water charges income, due to reduced water consumption as a result of increased water conservation and the provision of alternative sources of supplies by customers.</p> <p>The unfunded balances have been classified as funded following the application of the €15m loan drawn during the year and this is reflected in the increase in the long term debt balance. The remaining unfunded</p>

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			balances are being followed up with the Department for funding.
	Capital Projects	<p>Issues were noted in relation to the management and control of capital projects. It was noted specifically that:</p> <ul style="list-style-type: none"> • There was an insufficient audit trail in relation to a number of capital projects. This is a serious matter for the Council to address. • A review needs to be conducted of capital projects to ensure that all unfunded balances are accurately recorded in the accounts 	Substantial progress has been made with many of the capital balances and it is agreed that further work is necessary. Many of the housing capital balances are subject to the final approval of the Department and therefore cannot be closed off until final approval is received. Every effort will continue to be made to close these accounts.
	Revenue Collection Performance	Collection yields have decreased in the areas of rates rents and housing loans. They have increased marginally in relation to commercial water charges to 49%. These levels of collections are a serious matter for the council and should be urgently addressed.	<p>The percentage yields from rates and housing loans is a reflection of the financial situation business and mortgage holders are in. Payment plans have been put in place with customers and these arrangements require continuous follow up.</p> <p>The Law Reform Commission Report on Personal Debt Management and Debt Enforcement issued in December 2010 recommended the establishment of a centralised debt settlement office to oversee new debt settlement arrangements and recommended more efficient debt enforcement procedures. The Commission recognised that the deterioration of macro-economic conditions in Ireland, which reflects international developments in recent years, has led to increased personal over-indebtedness and repayment difficulties. The reform proposals drew a clear distinction between those who are unable to repay debt and those who are unwilling to repay debts, which is a significant problem with our arrears outstanding.</p>
South Dublin County Council	Affordable Housing Units	<p>Under the provisions of Part V of the Planning and Development Acts 2000-2007, the Council acquired affordable housing units for sale to qualifying purchasers. The cost of the Council's stock of affordable housing units at 31 December 2010 was €39.2m and is included in agents' works recoupable under trade debtors and prepayments in the balance sheet. The cost of these units has been funded by bridging loans from the Housing Finance Agency. Due to the current depressed housing market the demand for affordable housing units remains low and these units have mainly been leased for a five year period under the terms of the Department of the Environment, Community and Local Government's Affordable Leasing Scheme. The income from the leasing scheme is funding the relevant interest charges on the loans, with the loan principal repayments to be funded from the sale of units. Any shortfall in the sales value of these units will have to be funded by the Council.</p> <p>The Council is also committed to purchasing additional affordable housing units that will require additional funding.</p>	<p>The Council has transferred 148 unsold affordable stock units into social housing use in accordance with Department of the Environment, Community and Local Government's circular AHS.1.2009. The loan interest in respect of the borrowings for these units is recouped from the Department. of the Environment, Community and Local Government. The scheme provides for recoupment of the loan interest by the housing authority for up to five years. The tenants can opt to purchase the property during this period or at the end of the five year term.</p> <p>The Council continues to engage with relevant stakeholders (developers/agents/receivers) to negotiate terms that satisfy Part V requirements. However due to contractual legal commitments in some cases, the Council may be required to honour agreements in accordance with the original terms.</p>
	Commercial Water	The commercial water charges collection percentage increased to 48% in	Significant progress has been made since 2009 on boosting collection

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	Charges Collection	2010 from 43% in the previous year. Despite the favourable increase, the collection percentage remains low and this is mainly due to the high level of arrears being brought forward from previous years, the late reading of water meters and the resulting late issue of bills.	of non domestic water charges. The annual collection improved in 2010 resulting in €1.1m additional cash collected during the year. The focus on billing and debt management continued in 2011 and the collection continues to improve.
	Rates Collection	<p>There has been a further significant decrease in the collection percentage for rates to 80% in 2010 from 86% in 2009 and this resulted in an increase in the arrears to €27.4m at 31 December 2010 (2009 €18.1m). In 2008 the collection percentage was 92%.</p> <p>Commercial rates income is the major source of income to the Council and accounted for 49% of the Council's total revenue income in 2010.</p>	The Council has prioritised the early collection of income and is committed to vigorous follow up and pursuit of debt. Debtors can avail of a range of payment options and accounts are closely monitored so that payment arrangements are initiated before debt has accrued.
South Tipperary County Council	Property Register	During the course of previous audits I have expressed my concern in relation to shortcomings in the recording of all the Council's fixed assets. The Council maintains a property interest register which records details of the Council's ownership of land and buildings. This register needs to be properly updated and maintained. A proper reconciliation needs to be undertaken between the Council's financial accounting records in Agresso and the Council's property interest register. I recommend that a date be set for the completion of this work.	I propose to request our Internal Auditor to carry out a reconciliation between Agresso/PIR and our Insurance Register to ensure that all our interests are properly recorded. I hope to have this completed by 30th September 2012.
	Value Added Tax	New VAT regulations came into force from 1 July 2010 in relation to specific activities of the Council. The Council has paid over the VAT on its accountable transactions on a bi-monthly basis. A year after the introduction of these regulations the Council has not set off or recouped its deductible input costs. Proper procedures need to be put in place covering VAT. The Council has estimated that an amount of €140k is due in VAT refund to the Council. This amount was not recorded in the Council's debtors in the 2010 AFS.	New regulations came into force on 1 July 2010 in relation to VAT on certain services. This Council implemented the VAT on income from 1 November 2010 (backdated to 1 July). Accounting for VAT on expenditure was much more complex and subject to much discussion between Local Government Computer Services Board/Mentec and the local authorities. Guideline documents were issued in May/June 2011 and the Council will be implementing the necessary measures to recoup the VAT on expenditure before the year end.
	Procurement Procedures	The EU, Department of Finance and the Council have documented regulations and procedures covering procurement. I have noted incidents of non compliance with these regulations and procedures during the course of my checking of invoice payments. I recommend that the Council review its own practices in order to ensure compliance with these procedures and regulations. Internal Audit carried out a review of the Council's purchasing practices since the last audit and identified breaches of regulations and procedures. I recommend that compliance checking procedures be imbedded in the purchasing and payment cycles within the accounts section. Consideration should be given to the appointment of a Procurement Officer to ensure that these regulations are being properly applied and to achieve maximum value for money in the Council's procurement practices.	I agree that the area of procurement is quite complex but does offer scope for savings and increased efficiencies. A Procurement Officer has been appointed at national/regional level. I am examining our current staffing situation and I propose to appoint in a full time capacity, a person to fulfil the role at County level.

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Waterford City Council	Financial Position	<p>The Council's net current liabilities increased to €6.9m at year end including a bank overdraft balance of €848,996. For a significant portion of 2010, the Council required bank overdraft facilities of up to €17m. The continued deterioration in the Council's net current liabilities position was mainly attributable to the reduced level of activity on capital account and delays in obtaining state grants for housing, tourism and amenity projects.</p>	<p>The City Council are actively pursuing outstanding grants under various headings in order to reduce this figure.</p>
	Unfunded Capital Balances	<p>I have previously drawn attention to a number of longstanding unresolved funding issues on the Council's capital housing program. Some progress was made in 2010 with the net deficit balance on the program reducing by €2.8m to close at €6.5m. Included in the closing balance were:</p> <ul style="list-style-type: none"> • €2.7m for land purchase and preliminary design costs for proposed housing schemes. Funding is depending on future housing developments • €5.6m for completed schemes awaiting revised / increased grant funding • €4.7m in respect of (15) unsold affordable houses. <p>In addition, the Council received approximately €1.7m of state funding for housing purposes. However, I noted that these funds were mainly applied to the provision of arts and tourism facilities. The Council may have to repay or otherwise fund these balances from its own resources. This matter should be addressed in consultation with the Department of the Environment, Community and Local Government (the Department).</p>	<p>The debit balances on the Housing Capital Programme have continued to be addressed and reduced over the last 3 years. This process is ongoing, with project final accounts being consistently addressed with the Department.</p> <p>Land purchase and preliminary design costs relate to parts of the Council's land bank where it is intended to develop housing at a future date. Design costs have been incurred in preparing plans / scheme layouts to meet future housing need. These funds can only be recouped when the schemes progress to contract stage. In the interim, the incurred costs will be carried.</p> <p>Funding for completed schemes continues to be actively pursued with the Department, with continuing progress being made in closing out a number of schemes in 2010 and 2011. A small number of schemes remain to be closed off, and this process is ongoing.</p> <p>The unsold affordable houses were approved for social housing leasing in 2011 and are now fully occupied. These units will be funded via the social housing leasing programme.</p> <p>Housing units located within the City Centre were originally acquired for social housing purposes. The original intent to use the units for housing was over taken by the Viking Triangle Project. The future use of these units is currently being considered. Grants in respect of these will be assessed in the context of overall funds due to the City Council.</p>
	Revenue Collection Performance	<p>The trend of growing arrears on the main collection accounts continued in 2010 with overall arrears increasing by almost 30% to close at €6.1m. The growth in arrears was mainly attributable to an increase of €1.1m in rates followed by commercial water and loans accounts, which together recorded an increase of €318,000.</p> <p>The Council doubled its bad debt provision in respect of its revenue collection</p>	<p>Whilst it is regrettable that arrears on some collection accounts have increased, some slippage is inevitable in the light of current economic conditions. This is in the context of an increase of €1m in our overall accrual for 2010. We are concerned about this situation and are allocating extra resources to collections. We have continued to provide for doubtful debts to reflect this increase in outstanding balances. This does not mean that we are directly writing down these debts.</p>

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		<p>accounts to €2.2m and also recorded doubtful debts of €866,000 within the customer accounts at year end. The Council should properly account for these doubtful debts through its bad debt provisions when preparing the 2011 AFS. Audit review of the collection of year end debtor accounts in 2011 indicated that the provisions need to be reviewed upwards to address further increases in arrears.</p>	<p>Customers are taking longer to pay. We are in continuous contact with clients, who are experiencing difficulties to devise sustainable payment schedules. Balances due are continually under review.</p>
	Procurement Procedures	<p>In previous audit reports I drew attention to weaknesses in the Council's compliance with proper public procurement. The Council has moved to address some of the specific issues previously identified. However, further improvement is necessary to encourage more suppliers participate in tendering for works and in ensuring that individual budget holders become more proactive in driving economy and obtaining better value for money.</p> <p>A review of the Council's revenue expenditure for 2010 by Internal Audit found / recommended that</p> <ul style="list-style-type: none"> • A significant number of instances of non compliance with proper public procurement procedures • The management of the public procurement function needs to be significantly improved • There is a need for training to develop capabilities and competencies among employees involved in the procurement process. • A value for money culture should be promoted. Better value for money can be achieved by encouraging all suppliers to participate in the tendering process • The Council should consider the merits and logistics of moving to a centralised procurement unit. 	<p>The Corporate Procurement Plan is currently under review. The possible benefits of regional procurement are being assessed. A number of additional areas of spend i.e. stationery and paper, were awarded by the National Procurement Service (NPS). Waterford City Council is part of the grouping availing of the NPS tendering process. The following principles will underline the Procurement Plan:</p> <ul style="list-style-type: none"> • set specific criteria and processes to achieve value for money objectives • recommend strategies to implement appropriate procedures including the utilisation of national and regional initiatives • communicate to staff the direction of procurement change within the Organisation • facilitate procurement throughout the organisation through the procurement forum • staff to be provided with adequate training and support.
Waterford County Council	Property Register	<p>I have reported in previous audit reports that I was not satisfied that the Council's registers of lands and buildings had been properly maintained. My concerns on this important matter should be addressed by the Council. I also recommend that a formal annual review of the use being made of its lands be undertaken, as part of a physical inspection of these assets.</p>	<p>In December 2009, Waterford County Council produced a property portfolio procedure, which was adopted by the management team. This document proposes a procedure for land acquisition, disposal and recording that is designed to streamline the process, introduce efficiency, facilitate authentication of the property portfolio and assist in decisions to acquire and dispose of sites. The overall objective of implementation of this procedure is to efficiently manage Waterford County Council's extensive property portfolio.</p> <p>To date over 400 properties have been identified and are currently being mapped and appropriate information is being recorded for each property. All these properties are also being checked to ensure correct registration. This provides a comprehensive single-point database of the property portfolio of Waterford County Council. The database was set up in accordance with the guidelines set out in 'Local Government</p>

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			<p><i>Value for Money Study No 9 – Property Management</i>.</p> <p>Currently a labelling system is being developed in conjunction with the G.I.S. department. This will allow all property from within each directorate to have a unique identification number, allow for subdivision recording if necessary and also link directly to G.I.S. mapping of each property.</p>
	Procurement Procedures	In previous audits I have expressed my concern in relation to the Council's tendering and ordering procedures. I noted a number of infringements of both Department of Finance and the Council's own purchasing procedures in the course of my audit. Consideration should be given to the appointment of a Procurement Officer to ensure that these regulations are being properly applied and to assist in maximising value for money in the Council's procurement practices. I recommend that Internal Audit review this area.	Waterford County Council endeavours to comply at all times with appropriate local, national and EU guidelines and regulations in relation to the procurement of works, supplies and services, unless emergency works dictate otherwise. Waterford County Council is in the process of setting up and maintaining a procurement unit which will deal with procurement issues locally and on a regional basis.
	Development Contributions	The Council's development contribution debtors totalled €2.2m at the year-end. The Council made a bad debts provision in its capital account of €424k in respect of these debts. The Council site inspection regime for confirming the commencement of developments recorded as potential did not operate satisfactorily in 2010. This issue was raised at the previous audit and needs to be properly addressed.	Arrears are being monitored closely with a bi-monthly review of outstanding debtors being carried out with the administrative officer and clerical officer. To-date there are 112 agreements in place which are being monitored closely and regular updates are given to the Director of Service. It has been agreed that the planning staff will carry out site visits on dormant accounts in 2011.
Westmeath County Council	Loans Payable	Loans payable increased during the year to €112.2m. Principal repayments and interest payments for the year were €3.3m and €1.9m, respectively. The borrowing costs on non-mortgage variable loans, based on current interest rates, will increase by an estimated €1.2m per annum by 2014. This is as a result of 'interest only' loans maturing into annuities.	<p>The borrowings have been planned, approved, and utilised in a prudent fashion to achieve the stated objectives of the Council. Included in new borrowings for 2010 is:</p> <ul style="list-style-type: none"> • €6m to fund the Council's share of the Mullingar Sewerage Improvement Scheme. • €5m representing the last drawdown to fund the building of our new headquarters. <p>It should be noted that:</p> <ul style="list-style-type: none"> • Mullingar Sewerage Improvement Scheme is a project representative of the investment necessary for the development of Mullingar as a Gateway Town consistent with national policy. The total local funding required for this project is estimated at €16.7m. • Notwithstanding that loans drawn down to fund our new headquarters have a 2 year moratorium on principal repayments the AFS 2010 includes a provision of €559,266 in respect of the principal repayments. • Principal repayments including redemptions were made on non-mortgage loans of €3,064,646 during 2010.

Authority	Subject	Main Issues from Audit Reports	Manager's Responses
	Capital Account Deficit	The €9.4m outturn on the capital account for the year is mainly attributable to a €7m transfer of capital grants to deferred income in the balance sheet. Strict regard to the availability of resources will have to be maintained, before any new capital scheme can be included in the Council's three year rolling capital programme.	
	Housing Loans Collection Performance	The housing loan collection yield for 2010 was 53%, with arrears increasing to €2m. This is a poor result and raises concerns about the recoverability of the Council's loan book. Two hundred and ninety three loans had revenue arrears over three months old at the year end. The capital balance on these overdue loans amounted to €15.1m. The possibility that these account holders cannot repay their loans raises serious financial concerns for the Council.	<p>We are well aware that housing loan arrears presents a very significant challenge to this organisation and indeed presents an ongoing serious financial risk.</p> <p>However:</p> <ul style="list-style-type: none"> • We have made changes in terms of systems and resources. We believe that this is allowing us to come to grips with the issue and there is evidence to support this view. • We have a very committed management and staff intent on coming to terms with this problem in a compassionate, fair and equitable manner. <p>This Council has been engaged, with others, in assisting the Department to develop guidance in the area of mortgage arrears in general and the development of a Mortgage Arrears Resolution Process (MARP) in particular. This MARP will assist local authorities in dealing with customers who fall within this category in a fair, transparent and consistent manner. It is anticipated that this guidance will issue in the autumn of 2011.</p> <p>Notwithstanding this the worsening economic environment, particularly increasing unemployment, the reduction in welfare entitlements, and rising interest rates presents an ever more challenging situation for all involved in this area.</p>
	Commercial Water Charges	Customers are billed quarterly (for larger accounts) and half-yearly. The half-yearly customers were only issued with one bill in the year. This was due to delays in the reading of water meters. The water consumed but not billed has been accrued in the AFS, resulting in arrears increasing to €3.9m and the overall collection yield decreasing to 36%.	<p>Due to a change in personnel, resultant from the non-renewal of a fixed term contract in accordance with the moratorium on recruitment, the Council did not have a dedicated meter reader for a period in 2010. The meters of larger accounts continued to be read in this period. We accept that estimated bills could have been raised for the second half of the year for the remainder of customers. However it is not custom and practice to generate estimated bills.</p> <p>It should be noted that:</p> <ul style="list-style-type: none"> • Water consumed not billed is a permanent feature of water billing. Prior to 2010 its value was in the region of €200,000 to €400,000. At the end of 2010 it has been estimated to be €1,160,000.

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			<ul style="list-style-type: none"> • Water consumed not billed has not been included in arrears in the past. When it is excluded the collection yield for 2010 is 45%, an improvement from 2009. • We are making good progress in 2011 in bringing our water meter reading up-to-date. Therefore the value of water consumed not billed should be significantly reduced by the end of 2011.
Wexford County Council	Revenue Account Accumulated Deficit	A surplus of €16k has been recorded for the year. This reduced the accumulated deficit at the end of 2010 to €6.365m. The Council has approved expenditure in excess of the budget on various programmes. The Council will need to continue to implement strict budgetary controls to ensure that the accumulated deficit is reduced and eventually eliminated over the coming years.	The Council continues to be very conscious of the need for financial constraint in order to address the accumulated reported deficit. Both 2009 and 2010 saw a reduction in the deficit despite the difficult financial environment experienced during these years. The Council, in as far as possible, continues to promote efficient spending to facilitate reduction of the reported deficit.
	Commercial Water Charges	<p>The commercial water charges collection yield increased from 27% to 37%. There was €9.2m outstanding in respect of commercial water charges at 31 December 2010. It should be noted that these figures do not include an estimated €2m in respect of water used but not yet invoiced at the end of the year. The inclusion of this €2m would reduce the collection yield from 37% to 33%.</p> <p>While it is acknowledged that there were some difficulties with the initial water meter readings the Council needs to improve the collection yield. Recommendations as to how to improve the yield include:</p> <ul style="list-style-type: none"> • continue to prioritise larger accounts with any issues such as leaks, queries etc. being dealt with in a timely manner • possibly look at reading large consumers quarterly or even bi-monthly so as to identify any big leakages earlier • possibly look at only reading smaller accounts annually as currently there are only 2 staff assigned to this. <p>The bad debt provision in respect of commercial water charges is €1.9m (21%). In last years audit report it was recommended that this provision should be significantly increased in the 2010 AFS. It is acknowledged that the provision was increased but given that balances amounting to €5.9m in respect of invoices issued prior to January 2010 were still outstanding at 31 December 2010, there is still a need to significantly increase the provision even further.</p>	<p>The Council acknowledges the position in relation to water charges and the continuing anomalies in consumption patterns generated during the water metering programme, mainly attributed to water leakages in the network uncovered by the meter readings. The level of arrears generated by these anomalies is central to the low collection yield reported. It should be noted that collection against budget in 2010 was 98%.</p> <p>A programme of prioritising larger arrears accounts is underway with significant progress being made. The improvement in the overall collection levels reflects the efforts undertaken in this regard and it is anticipated that the results will be further evident in the 2011 accounts.</p> <p>Concentrated efforts will continue in the various sections of the Council to address the leakage and debt level issues until all matters are resolved. However, due to the physical and mechanical nature of this work this may take some time to complete.</p> <p>It should be further noted that the Council is currently engaged in a programme of disconnection of supplies for non payment of water charges due.</p>
	Loans Payable	The Council has over €100m in loans at 31 December 2010 in respect of the purchase / development of Council assets. A breakdown of these loans is as follows.	

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		<p>Loans for new offices The Council has borrowed €40m to fund the cost of new offices to be repaid over 50 years. Annual repayments amounted to €1.03m in 2010 and are being funded from revenue income. These repayments are expected to increase in future years and this will place further strain on the Council's finances. There was a debit balance of €10.8m on this project at 31 December 2010.</p> <p>Loans in respect of purchase of land Long-term loans raised for the purchase of land, including accumulated interest, amounted to €19.6m at 31 December 2010 and these loans were overdue for repayment at that date. The interest on these loans (2010: €263k) has not been charged to revenue but continues to increase the capital balance outstanding. The Council is addressing the issue of the outstanding loans balances through engagement with the land aggregation scheme. The outstanding loans included €9.5m borrowed in respect of land sold/used for social housing purposes. These loans should have been repaid when the income in respect of these transactions was received but were not. The cumulative income in respect of the land sold amounted to €16.9m to the end of 2010. These loans should have been redeemed from the sales proceeds.</p> <p>Other loans The Council had loans of €41.5m in respect of other capital projects at 31 December 2010, €10.6m of which was borrowed in 2010. The annual repayments on these loans in 2010 were €3.4m including interest of €952k. These repayments have to be met from revenue income sources thus placing further strain on the Council's finances.</p>	<p>The funding of the loan charges in respect of the new building were fully considered in the decision making process prior to the commencement of the building project. The rent saved on existing offices and rental income from letting of the old County Buildings will significantly reduce the impact on the revenue account The Council is awaiting ministerial sanction for borrowings associated with the final stage of the construction costs.</p> <p>The matter of outstanding land loans are all part of proposals awaiting the outcome of a decision from the Department in relation to the land aggregation scheme.</p> <p>The budgetary implications in relation to borrowing repayments are always an integral part of the decision making process before borrowings are secured.</p>
Wicklow County Council	Revenue Account Accumulated Deficit	As shown above a small deficit of €94,440 has been recorded for the year and this increased the closing deficit to €2.1m at the year end The Council will need to continue to implement strict budgetary controls to ensure that this deficit is reduced over the coming years.	The financing of local authority operations continues to be increasingly difficult given economic conditions. The Local Government Fund allocation, including pension related deduction, for Wicklow County Council decreased by over 15% from 2008 to 2010, with other specific grants also decreasing significantly in 2010. In addition local income sources suffered reductions as a consequence of the economic climate. In this context, as with previous years, the 2010 annual budget required difficult decisions to be taken to reduce costs and present a balanced budget. The Council has controls in place to monitor budgetary performance throughout the year through regular reports and reviews, and will continue to improve these. Even with this monitoring Wicklow County Council unfortunately recorded a small deficit for 2010 of €94,440. Some of the reasons for this include the costs of the severe weather spells and falling local income sources

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			<p>e.g. landfill income. It should be noted this deficit is less than the 2009 recorded deficit of €264,385 and every effort will be made to prevent the deficit increasing in the coming years. However our ability to reduce the deficit will be subject to expenditure and income trends arising from the economic fortunes of the country.</p>
	<p>Revenue Collection Performance</p>	<p>Commercial Water Charges The commercial water charges collection percentage remained low in 2010 at 41% despite an increase from 37% in 2009. The amount accrued for commercial water charges in 2010 was €1.6m (2009 €1.6m) and the amount collected in the year was €1.7m (2009 €1.6m).</p> <p>The project to meter all non-domestic water customers was rolled out in early 2007, however billing under the new water metering system was only commenced in August 2008, when the customer database was received. While billing has improved in recent years, the arrears at 31 December, 2010 of €2.5m were high and need to be reduced.</p> <p>Rates There has been a further significant decrease in the collection percentage for rates to 77% in 2010 from 86% in 2009 and this resulted in an increase in the arrears to €4.1m at 31 December 2010 (2009 €2.2m). In 2009 the percentage decreased from 94% in 2008. Credit control procedures in this area require constant attention and monitoring.</p>	<p>Maintaining a high collection performance is difficult given the challenging economic circumstances facing both domestic and commercial customers. The Council is acutely aware of the consequences of a reduced collection on both cash flow and future collection capacity. A reduction in staff resources in the last quarter of 2010 negatively impacted on the collection performance for the year. However measures are being taken to address this in 2011. Following a recommendation from the Council's Audit Committee, Wicklow County Council is in the process of establishing a Debt Management Unit to centralise the collection of income and deliver consistent effective debt management policy and practice. Rationalisation of the Motor Taxation offices has facilitated the release of some resources to fill vacancies in the revenue collection area and will help to establish the new unit. An array of methods up to and including court action are and will continue to be used to maximise debt collection across the major revenue sources.</p> <p>Commercial water charges collection continues to increase slowly. As with 2009 more was collected than invoiced in 2010 and the opening arrears were reduced by over €300,000. Wicklow County Council is committed to intensifying debt management practices to reduce these arrears further, including the restriction and disconnection of supply.</p> <p>Commercial rates are a key source of income for the Council. The reduction in collection is partially reflective of the challenging conditions facing businesses, however increased efforts will be made to ensure the collection rate does not further decrease in 2011.</p>