LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Fingal County Council

for the

Year Ended 31 December 2018

Department of Housing, Planning and Local Government
housing.gov.ie
CONTENTS

AUDITOR’S REPORT TO THE MEMBERS OF FINGAL COUNTY COUNCIL .............................................. 1

1 Introduction ........................................................................................................................................... 1

2 Financial Standing ............................................................................................................................... 1
  2.1 Statement of Comprehensive Income ......................................................................................... 1
  2.2 Financial Position ......................................................................................................................... 1

3 Income Collection ............................................................................................................................ 2
  3.1 Summary of Income Collection ................................................................................................. 2
  3.2 Rates ............................................................................................................................................ 3
  3.3 Rents & Annuities ....................................................................................................................... 3
  3.4 Housing Loans ............................................................................................................................ 4
  3.5 Bad Debt Provision ...................................................................................................................... 4

4 Fixed Assets ..................................................................................................................................... 5

5 Transfer of Water and Sewerage Functions to Irish Water (IW) ..................................................... 5

6 Capital Account .................................................................................................................................. 6
  6.1 Capital Summary .......................................................................................................................... 6
  6.2 Unsold Affordable Dwellings ...................................................................................................... 6
  6.3 Unsold Affordable Apartments Parnell Estate ............................................................................ 7
  6.4 Swords Civic Centre and Cultural Quarter Project .................................................................... 7
  6.5 Donabate Distributor Road ......................................................................................................... 8

7 Development Contributions ............................................................................................................... 9
  7.1 Development Contributions Financial Systems ....................................................................... 9
  7.2 Development Contribution Debtors .......................................................................................... 9

8 Procurement ...................................................................................................................................... 9

9 Governance and Propriety ................................................................................................................ 10
  9.1 Audit Committee ......................................................................................................................... 10
  9.2 Internal Audit Function .............................................................................................................. 10
  9.3 Risk Register ............................................................................................................................... 11
  9.4 Local Authority Companies ....................................................................................................... 11

Acknowledgement ............................................................................................................................... 11
AUDITOR’S REPORT TO THE MEMBERS OF FINGAL COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of Fingal County Council for the year ended 31 December 2018, which comprises the Statement of Accounting Policies, Statement of Comprehensive Income, Statement of Financial Position, Funds Flow Statement and notes to and forming part of the accounts. The financial reporting framework that has been applied in its preparation is the Code of Practice and Accounting Regulations for Local Authorities, as prescribed by the Minister for Housing, Planning, and Local Government.

My main statutory responsibility, following completion of the audit work, is to express my independent audit opinion on the AFS of the Council, as to whether it presents fairly the financial position at 31 December 2018 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 3 of the AFS.

The Council is by law, responsible for the maintenance of all accounting records including the preparation of the AFS. It is my responsibility, based on my audit, to form an independent opinion on the statement and to report my opinion. I conducted my audit in accordance with the Code of Audit Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the AFS. It also includes an assessment of the significant estimates and judgments made by the Council’s management in the preparation of the AFS, and of whether the accounting policies are appropriate to the Council’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations, which I considered necessary to provide sufficient evidence to give reasonable assurance that the financial statement is free from material misstatement, whether caused by fraud or error.

This report is prepared in accordance with Section 120(1) (c) of the Local Government Act, 2001 and should be read in conjunction with the audited AFS.

2 Financial Standing

2.1 Statement of Comprehensive Income

The Council recorded a surplus of €2k for the year after making net transfers of €42.8m to reserves. The Members approved over expenditure at their November 2018 budget meeting and also final additional expenditure at their May 2019 meeting. There is a cumulative revenue surplus at the year-end of €16m.

2.2 Financial Position

The Statement of Financial Position (Balance Sheet) shows the Council is in a strong financial position with large cash holdings. The following are the main indicators of this position:
The Council's main liabilities in the Balance Sheet are Loans Payable (€334.9m) and Refundable Deposits (€41.9m).

**Chief Executive's Response**

The financial position reflects the prudent financial management of the Council and it needs to be viewed in the context of the infrastructural deficits and the future capital expenditure plans of the Council. The current capital plan is ambitious for the future development of the County and anticipates expenditure of almost €600m over the period 2019 – 2021 with a large portion of this being required to be funded from these accumulated reserves.

### Income Collection

#### 3.1 Summary of Income Collection

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Yield %</th>
<th>Yield %</th>
<th>Debtors 31.12.18 €m</th>
<th>Debtors 31.12.17 €m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates</td>
<td>96%</td>
<td>96%</td>
<td>6.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Rents</td>
<td>86%</td>
<td>86%</td>
<td>3.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Housing Loans</td>
<td>102%</td>
<td>101%</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
</tbody>
</table>

The Finance Department are responsible for Rates while the Housing Department are responsible for Rents and Loans. Cash from all income streams is automatically receipted through the Councils financial management system (Agresso). Rates invoices are accounted for in Agresso however the Rent and Loan charges are accounted for in the rental system (Ohms) and loans system (Cygnus) respectively. These systems are not fully integrated with Agresso and as a consequence an adjusting journal is required at year end to amend the cash receipts amount to the invoiced amount.

The process to change the figures to an invoice basis is only conducted on an annual basis and requires a complex reconciliation procedure. The continued use of both the Ohms and Cygnus systems as currently configured represents a risk to the Council.

**Chief Executive's Response**

Debt control management in relation to commercial rates, housing loans and rent is a high priority of the Council. Monthly control reconciliations are now in place for loans and rents. The replacement of the current loans management system is currently under review.
3.2 Rates

The 96% collection yield remains the same as last year. There was a decrease in arrears of €426k spread across the different ranges as outlined below.

The bad debt provision of €3.5m represents 58% of the outstanding arrears. The Council has also a capital rates revaluation reserve of €4.6m to cover any potential revaluation losses.

<table>
<thead>
<tr>
<th>Closing debtor balance (range)</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>Variance €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2018</td>
<td>2018</td>
<td>2017</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>=&gt; €10,000</td>
<td>180</td>
<td>4,228,513</td>
<td>189</td>
<td>4,482,974</td>
<td>(254,461)</td>
</tr>
<tr>
<td>&lt;€10,000 and =&gt;€1,000</td>
<td>550</td>
<td>2,107,309</td>
<td>619</td>
<td>2,331,972</td>
<td>(224,663)</td>
</tr>
<tr>
<td>&lt;1,000 and =&gt;€1</td>
<td>258</td>
<td>102,002</td>
<td>279</td>
<td>133,173</td>
<td>(31,171)</td>
</tr>
<tr>
<td>&lt;€1, zero, or =&gt;€1</td>
<td>5,196</td>
<td>10</td>
<td>5001</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>In credit &lt;=(€1)</td>
<td>137</td>
<td>(301,304)</td>
<td>137</td>
<td>(385,784)</td>
<td>84,480</td>
</tr>
<tr>
<td>Total</td>
<td>6,321</td>
<td>6,136,530</td>
<td>6,225</td>
<td>6,562,335</td>
<td>(425,805)</td>
</tr>
</tbody>
</table>

Chief Executive's Response

The collection of rates is a high priority and the Council will continue with its proactive approach in relation to recovering outstanding commercial rates debt.

3.3 Rents & Annuities

The 86% collection yield has remained the same as last year. The Council has been unable to reduce the level of arrears that increased during 2017. This year the total arrears increased by €92k as outlined in the table below. The bad debt provision of €1.4m represents 40% of the outstanding arrears.

<table>
<thead>
<tr>
<th>Closing debtor balance (range)</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>Variance €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2018</td>
<td>2018</td>
<td>2017</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>=&gt; €10,000</td>
<td>44</td>
<td>716,406</td>
<td>28</td>
<td>453,948</td>
<td>262,458</td>
</tr>
<tr>
<td>&lt;€10,000 and =&gt;€1,000</td>
<td>1,040</td>
<td>2,881,706</td>
<td>1,048</td>
<td>2,774,687</td>
<td>107,019</td>
</tr>
<tr>
<td>&lt;1,000 and =&gt;€1</td>
<td>2,423</td>
<td>648,628</td>
<td>2,719</td>
<td>774,423</td>
<td>(125,595)</td>
</tr>
<tr>
<td>&lt;€1, zero, or =&gt;€1</td>
<td>828</td>
<td>(5)</td>
<td>609</td>
<td>(7)</td>
<td>2</td>
</tr>
<tr>
<td>In credit &lt;=(€1)</td>
<td>2,568</td>
<td>(732,331)</td>
<td>2,486</td>
<td>(580,326)</td>
<td>(152,005)</td>
</tr>
<tr>
<td>Total</td>
<td>6,903</td>
<td>3,514,604</td>
<td>6,890</td>
<td>3,422,725</td>
<td>91,879</td>
</tr>
</tbody>
</table>

* Note - includes 162 Parnell Estate apartments which are rented privately and has minimal arrears

Chief Executive's Response

The collection of rents and annuities continues to be a high priority for the Council, we will continue to work with tenant’s proactively with regards to the collection of arrears.
3.4 Housing Loans

The 2018 collection yield increased by 1% to 102% with the total balance at year end showing net overpayments of €242k. This is as a result of 1,081 accounts recording credits totalling €1.5m that exceed the actual loan arrears of €1.3m. The table below is based on the information recorded in Cygnus. These balances do not agree to the amounts recorded in the AFS due to reconciliation issues. There is a bad debt provision in the capital account of €5.3m to cover potential revenue and capital losses for loans that would not qualify for funding under the mortgage arrears resolution process.

<table>
<thead>
<tr>
<th>Closing debtor balance (range)</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>Variance €</th>
<th>Year on Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2018</td>
<td>2018</td>
<td>2017</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>=&gt; €10,000</td>
<td>32</td>
<td>790,406</td>
<td>34</td>
<td>765,575</td>
<td>24,831</td>
<td></td>
</tr>
<tr>
<td>&lt;€10,000 and =&gt;€1,000</td>
<td>130</td>
<td>458,122</td>
<td>116</td>
<td>396,734</td>
<td>61,388</td>
<td></td>
</tr>
<tr>
<td>&lt;1,000 and =&gt;€1</td>
<td>153</td>
<td>52,133</td>
<td>160</td>
<td>54,659</td>
<td>(2,526)</td>
<td></td>
</tr>
<tr>
<td>&lt;€1, zero, or &gt;(€1)</td>
<td>126</td>
<td>(10)</td>
<td>50</td>
<td>(7)</td>
<td>(3)</td>
<td></td>
</tr>
<tr>
<td>In credit &lt;=(€1)</td>
<td>1,081</td>
<td>(1,521,845)</td>
<td>1,140</td>
<td>(1,392,736)</td>
<td>(129,109)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,522</td>
<td>(221,194)</td>
<td>1,500</td>
<td>(175,775)</td>
<td>(45,419)</td>
<td></td>
</tr>
</tbody>
</table>

Chief Executive’s Response

Increases in housing loans are being driven primarily by the Rebuilding Ireland homeloan. The Housing Department is actively reviewing the replacement of the current Cygnus loans management system and a process of more frequent reconciliations is being put in place with a view to reducing issues when the AFS are being finalised. Where credits arise in relation to loan payments the individual loan debtor receives the benefit of such credits. The Housing Department does make contact with individual loan debtors where particularly large credits have arisen with a view to bringing these credits to their attention.

3.5 Bad Debt Provision

There is no detailed bad debt policy on any of the Council’s income streams. The Council’s policy is to review arrears and decide an amount they consider adequate. All major income streams require a detailed bad debt provision policy to ensure debtor accounts are assigned into different bands whether on a specific or general basis. This detailed analysis would provide for a more accurate measurement of the required provision.

Chief Executive’s Response

The Councils current bad debt provisions are reviewed annually for each income stream in light of the closing debtors and annual turnover. We note the comments of the auditor and we believe that the current provisions in place are prudent and reflect the risk levels of our current income streams and debt profiles.
4  **Fixed Assets**

The Council has not reconciled the Property Interest Register (PIR) to the Fixed Asset Register (FAR). Previous audits highlighted the importance of implementing a reconciliation process to ensure the Council has recorded full ownership of all its land. I acknowledge that the PIR was completed in 2018 and that the Council has taken steps to identify the most appropriate way to perform this reconciliation.

97 acres of land was acquired at north of Mayne Road, Portmarnock during the year for a nominal €10 under a planning condition. This addition is included in the PIR but excluded from the FAR because the Council's policy is to only include assets in FAR that cost over €10k. It is important that the Council's ownership of large land parcels is recorded in the Council's FAR.

**Chief Executive's Response**

The Council engaged external consultants to review the reconciliation of the Property Interest Register (PIR) to the Fixed Asset Register (FAR) and we will review the outputs from this process with a view to closing out on this matter.

There is a statutory responsibility to include any asset on the PIR irrespective of the purchase price. This register was compiled in 2018. Where assets are acquired they are only included on the FAR if they have a value of greater than €10k. The land in Portmarnock was provided as part of a planning condition to create a park in the area and it is included in the PIR but not in the FAR due to having a purchase price under our fixed asset threshold of €10k. We note the auditor's comments and will review our procedure in light of this.

5  **Transfer of Water and Sewerage Functions to Irish Water (IW)**

The Council is continuing to process the transfer of legal title of water and sewerage assets to IW. During 2018, 17 assets were transferred to IW bringing the total number transferred to 49. Considerable work is involved in preparing supporting material and liaising for the transfer of assets, to ensure that the transfer orders reflect the precise nature and boundary of the asset to be transferred. There are further assets yet to be transferred to IW that are delayed due to ongoing issues. The Council has a capital balance of €10.4m as a contingency fund for IW. This reserve was set up to cover costs relating to water capital projects and transfer of functions to IW.

**Chief Executive's Response**

We are currently in the process of recruiting staff with the required property experience to advance the transfer process. In general the remaining assets have complexities with regard to title that require further work to facilitate their transfer. This is likely to be time consuming due to the level of research required to perfect title. There are between 40 and 50 assets that fall into this category with the cost being grant aided by the Department of Housing Planning and Local Government (the Department).

The contingency fund, of €10.4m referred to, was set up to ensure that any wayleave compensation and any other outstanding liabilities relating to transactions prior to 31/12/2014 were provided for. It may be some years before these potential liabilities arise.
6 Capital Account

6.1 Capital Summary

The Council's capital account is in a strong financial position with a closing balance of €178m. The majority of funds relate to development levies at €120.7m and there are large reserve balances that are ring-fenced for specific purposes referenced in this report. There are however large unfunded land acquisition balances amounting to €63.9m. These balances relate to land holdings and the Council has confirmed that any sale proceeds from these lands will be used to offset these balances.

Chief Executive's Response

The capital balance position is noted and needs to be viewed in terms of the infrastructural deficits within the county and the ambitious capital plan that is to be delivered by the council over the coming years. The land relates to acquisition costs of industrial and housing lands. As indicated previously these lands represent a valuable asset to the Council. The unfunded balances will remain under continuous review and the Council continues to make provision in the Revenue Account for any residual unfunded capital debit balances as appropriate.

6.2 Unsold Affordable Dwellings

At the July 2017 Council meeting, the members approved the renewal of an additional 5 year lease for 275 unsold affordable units to the Approved Housing Bodies under the Social Leasing Scheme to address social housing needs. Another 162 unsold affordable units at the Parnell Estate are managed by a property company on the Council’s behalf (see note 6.3). Bridging loans of €56.6m remain outstanding on an interest only basis, in respect of the total 437 housing units. In addition to the bridging loans, the Council has €11.4m of unfunded capital balances at the year-end in relation to these unsold affordable units. However there is a €29m contingency fund to cover potential costs associated with these unsold affordable projects.

Chief Executive's Response

The Department has established an internal working group to consider a long term strategy for unsold affordable properties. The principal task of the group is to consider options for these properties and facilitate consultation with all relevant stakeholders including local authorities, Approved Housing Bodies and the Housing Finance Agency as to what future action may be taken. Fingal County Council will engage fully with the working group. It is expected that updated guidance on the options available to the local authorities in respect of their unsold affordable properties will be issued in due course by the Department.
6.3 Unsold Affordable Apartments Parnell Estate

At the September 2009 Council meeting, in compliance with Section 183 of the Local Government Act 2001 for the disposal of land interests, the Council approved a pilot project for unsold affordable apartments in the Parnell Estate, Mulhuddart in Dublin 15. This pilot project consisted of 29 out of a total of 162 unsold affordable apartments, to be leased by an agent to private tenants. In July 2013 the Council needed to replace this agent and a new rental property management company was procured to manage and maintain the 162 apartments in the Parnell Estate on behalf of the Council. By June 2014 all 162 apartments were leased to private tenants at the management company’s negotiated rate from the original 29 approved by the Council. The Council does not have an allocation or rental scheme for rent charged on private leases.

The contract with the rental management company was for a maximum period of 5 years, however, with service provision in mind for existing tenancies, the Council has approved the retention of this company until 31 December 2019 and both parties have yet to sign a revised contract. This is not consistent with procurement procedures.

Chief Executive's Response

Unsold affordable units is a legacy issue common to the entire sector following the collapse of affordable housing sales in the late 2000’s and the suspension of the affordable scheme in 2011. At this time the Council had debt in excess of €80m with regards to unsold affordable units. In order to manage this debt the Council let these units and used the proceeds to fund interest payments and reduce the principle outstanding. Currently the debt on these units is c.€56.6m. As noted in the reply above the Department has established an internal working group to deal with this legacy issue and we will actively engage with this process.

The comments in relation to the procurement of the managing agent are noted and this matter will be regularised as soon as possible.

6.4 Swords Civic Centre and Cultural Quarter Project

The Council has incurred €3.8m expenditure to date in building acquisition costs in the proposed Swords Civic Centre and Cultural Quarter project area. This expenditure has been funded from the Council’s revenue account. The full cost of this project will be included in future Council capital programmes. The funding for this project is to be financed through bank loans that will require the approval of the Council and the Department.

The Council is both the sponsoring agency and the sanctioning authority for this project. In accordance with the Public Spending Code the Council commissioned external consultants to conduct a Cost Benefit Analysis. The Council should maintain a recurrent view on the feasibility of the project particularly in relation to any escalating costs as a result of project inflation. The Council is also required to seek the advice of the National Development Finance Agency on all projects above €20m.
Chief Executive's Response

The Swords Cultural Quarter is a flagship project for the Council. As this project develops the Council will continue to monitor the business case and cost benefit analysis and will abide by required financial processes and procedures as they relate to it.

6.5 Donabate Distributor Road

The Council's funding application for this project was successful under the Local Infrastructure Housing Activation Fund initiative. The budgeted cost of this project is funded by the Department to a maximum of €10.62m (75% of the schemes budget excluding land cost). The Council is liable to pay from their own resources the remaining 25% of the budgeted costs, land costs and also all additional costs due to any change orders and contractors claims. Change Orders and contractors claims have already been submitted against the contract and this project is still ongoing.

In July 2016 the Council appointed consulting engineers for the detailed design of the contract based on a 2005 framework agreement. The consultants were directly appointed based on agreed percentage fees provided within the framework for the different stages of the contract and a 2006 overarching project appointment. The consultants have currently been paid €1.9m inc. vat over the lifetime of this project for the services agreed between 2006 and 2018.

Chief Executive's Response

As noted above a substantial portion of the cost of this project is to be funded from Local Infrastructure Housing Activation Fund with the remainder to be funded by the Council from development contributions.

The CE Order FRS-049-06 details the consultant’s appointment in 2006. This appointment was based on the 2005 framework agreement, and was for the whole life cycle of the scheme, with stage fees to be agreed as and when appropriate. Accordingly, as part of this initial overarching whole life cycle appointment, the fees for Stage 1 Prelim Design were confirmed.

Various appointments then took place over the course of the project duration. Some appointments were for unexpected or additional works, whilst the 2016 appointment was for the Stage 2 Detailed Design stage, as per the overarching appointment and following on from the Stage 1 appointment.

The consultants were subsequently appointed in 2018 for the Construction Stage, under a different framework – this was essentially a completely new, standalone appointment, as per CE Order P/Trans/12/2018.

The appointment in 2016 was for the Detailed Design stage of the contract. It was based on the 2005 framework and followed on from the 2006 overarching appointment. The consultants invoiced fees of €1.9m covering these appointments, various additional costs and the construction stage appointments outlined above.
7 Development Contributions

7.1 Development Contributions Financial Systems

The planning management system operated by the Council is not integrated with the Council’s financial management system. Another separate system generates invoices and controls the financial element of the planning permissions. None of the systems operate a credit control function that currently has to be performed manually. To limit the risks involved the Council conducts a large volume of work in inputting data and conducting monthly reconciliations with the general ledger. The continued use of these systems as currently configured represents a risk to the Council.

Chief Executive’s Response

The Planning and Strategic Infrastructure Department is currently in discussions with the Council’s Information Technology Department to investigate the possibility of integrating the CBS with Agresso and APAS.

7.2 Development Contribution Debtors

Development contribution debtors amount to €96.9m. This amount is overstated because invoices are issued, based on commencement notices, for multiple planning permissions on the same site. The Council needs to reflect a more accurate debtors figure for the larger developments by using inspection reports to quantify the built development and adjust the debtor amount in the AFS.

Chief Executive’s Response

Development contribution debtors amount to €96.9m which consists of some duplicate development contributions, which arises when developers seek multiple amendments and modifications to parent permissions. This is in keeping with practise throughout the sector. A large bad debt provision is provided for in the accounts in light of the fact that not all the contributions will be collected. A full reconciliation of the permissions and account is carried out on completion of the development or when permissions have expired. We note the auditor’s comments with regards bad debt provisioning and will review our procedures in light of this.

8 Procurement

The Council has a dedicated procurement unit who over the last number of years has greatly improved the general procurement practices within the Council. In August 2018 an external review found that one of the main obstacles in the Council delivering on its corporate procurement plan was that procurement is fragmented across the organisation. In order to address this weakness a centralised procurement unit was established in February 2019. This unit will manage all strategic spend for the categories of goods, services and works and be responsible for strategic and operational procurement policy and compliance across the organisation. This will be implemented on a phased basis and it is envisaged that it will be fully rolled out to all Departments by the end of the year.
There were a number of procurement issues raised on the appointment of consultants in both capital and revenue services that were not in accordance with procurement legislation and guidance. The Council should ensure that it follows procurement legislation at all times.

**Chief Executive's Response**

The development of the centralised procurement is aimed to enhance strategic and operational procurement and compliance within the Council. We note the auditor’s comments and this will be reviewed periodically to ensure these objectives are being met.

9 Governance and Propriety

9.1 Audit Committee

At the November 2018 Council meeting, the Audit Committee's report on the 2017 audited AFS and statutory audit report was presented. At the April 2019 Council meeting, the 2018 annual report of the Audit Committee and it's 2019 annual work programme was presented. The audit committee held 5 meetings during 2018. The Audit Committee is facilitating, in conjunction with Management, an enhanced Governance culture that is embedding itself across the Council.

**Chief Executive's Response**

The Audit Committee is an extremely important part of the governance architecture in place at the Council.

9.2 Internal Audit Function

The annual internal audit plan is devised each year based on the issues prioritised in the overall strategic 3 year plan. In April 2018 the Council outsourced some internal audit work to external consultants to assist in the completion of the audits. A total of 12 reports were completed during the year and I have taken account of these reports in the conduct of this audit.

In January 2019 a permanent Head of Internal Unit was appointed. The staff of the Internal Audit Unit report directly to the Director of Corporate Affairs and Governance. The Head of the Internal Audit Unit has direct access to the Chief Executive and interacts directly with the Audit Committee.

**Chief Executive's Response**

The Internal Audit Unit and the work they undertake is an extremely important part of the overall corporate governance in place at the Council.
9.3 Risk Register

The Council has a comprehensive central risk management process that maintains and reviews the following risk registers:

- Strategic Risk register
- Departmental Risk Register
- Operational Risk Register.

The quarterly risk review cycle is now being conducted as documented in the Council’s Risk Management Policy. The updated risk registers are presented to the Audit Committee for their consideration.

Chief Executive’s Response

The development and ongoing review of risk registers are an important part of the process of risk management and mitigation within the Council.

9.4 Local Authority Companies

None of the Council’s 23 associated companies had their 2018 accounts audited in time to be included in the Council’s draft AFS. The Council has not adhered to the Accounting Code of Practice through the omission of the 2018 results of these companies in the Council’s AFS. The Council need to inform company directors of the importance of ensuring the company’s accounts are audited in a timely manner.

Chief Executive’s Response

All accounts used in Appendix 8 were audited and sourced from the Company Registration Office (CRO). It is the responsibility of the directors of these companies to ensure that the accounts are completed and filed with the CRO in order that they meet statutory requirements. It has previously been requested that the annual accounts for subsidiary and associate companies are ready for our year end process but it has not proven possible to meet this tight deadline.

Acknowledgement

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

Daragh Mc Mahon
Local Government Auditor
14 August 2019