LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Wicklow County Council

for the

Year Ended 31 December 2018

Department of Housing, Planning and Local Government

housing.gov.ie
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AUDITOR’S REPORT TO THE MEMBERS OF WICKLOW COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of Wicklow 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 on the AFS of the Council is unqualified but does include an emphasis of matter paragraph (see paragraph 8) and is stated on page 2 and 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 for the year of €329k after transfers to reserves of €4.5m. Note 16 to the AFS outlines the differences between the adopted estimates and the actual outturn. The over expenditure for the year was approved by the members at their April 2019 meeting. The Council still has an accumulated revenue deficit of €2.4m but this has been reduced over the last 5 years by €1.7m. The Council need to maintain this effort to clear the overall deficit over the coming years.

Chief Executive’s Response

I am mindful of the requirement to maintain a balanced revenue account and to address the remaining deficit. Our ability to decrease the deficit continues to be subject to expenditure and income trends. However, we will continue to make provision under the annual budget process to reduce the deficit. Moreover, the Council’s controls and procedures to monitor budgetary performance will continue to be enforced to ensure that the deficit is further reduced over the coming years.
2.2 Financial Position

There is an improvement in the Council’s financial position with bank investments increasing by €9.2m to €54.2m and loans payable decreasing by €8.1m to €72.4m. However the main financial issues concerning the Council are as follows:

- The Council has a cumulative deficit revenue balance of €2.4m on the Statement of Comprehensive Income
- Loans payable owed by the Council amount to €72.4m with €32m on reduced payment plans (see paragraph 7)
- Weaknesses recorded during the audit in controlling and recording development contributions (see paragraph 6)
- Whitestown Landfill Remediation Scheme costs arising from a High Court Order (see paragraph 8).

Chief Executive's Response

I note the auditor’s comments in relation to our improved financial performance through an increase in our bank investments and by also reducing the amount of loans payable. I have responded to the other items listed in the relevant sections of the report.

3 Income Collection

3.1 General

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Yield %</th>
<th>Debtors €m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Rates</td>
<td>85%</td>
<td>81%</td>
</tr>
<tr>
<td>Rents &amp; Annuities</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Housing Loans</td>
<td>76%</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>6.8</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

The Finance Department are responsible for the collection of rates and housing loans and the Housing Department are responsible for the collection of housing rents. The Council operate a debt management system for the management of outstanding arrears on the rate and housing rent customer accounts. As reported last year, the system has not yet been rolled out for housing loan customers.

Chief Executive's Response

The auditor’s comments in relation to the extension of the Debt Management System for Housing Loan customers are noted. Due to the implementation of two major revenue projects in 2019 i.e. the rates revaluation and the central credit register, Wicklow County Council was not in a position to roll out the debt management system in 2019. However we are committed to implementing this project in 2020.
3.2 Rates

The 2018 collection yield increased by 4% to 85%. Arrears decreased significantly for the second successive year to €6.8m. An analysis shows the number of customers owing over €1k has decreased from 704 to 612 compared to last year. The bad debt provision remains the same as the previous year at €5.2m which represents 76% of the outstanding arrears.

<table>
<thead>
<tr>
<th>Closing debtor balance (range)</th>
<th>Year</th>
<th>No. of accounts</th>
<th>Total Closing balance €</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>Year on Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>=&gt;€10,000</td>
<td>2018</td>
<td>152</td>
<td>5,727,525</td>
<td>2018</td>
<td>169</td>
<td>6,052,025</td>
</tr>
<tr>
<td>&lt;€10,000 and =&gt;€1,000</td>
<td>2018</td>
<td>460</td>
<td>1,776,718</td>
<td>2017</td>
<td>535</td>
<td>2,015,658</td>
</tr>
<tr>
<td>&lt;€1,000 and =&gt; €1</td>
<td>2018</td>
<td>212</td>
<td>103,160</td>
<td>2017</td>
<td>244</td>
<td>122,348</td>
</tr>
<tr>
<td>&lt;€1 and &gt; (€1)</td>
<td>2018</td>
<td>1,357</td>
<td>(21)</td>
<td>2017</td>
<td>1,325</td>
<td>(17)</td>
</tr>
<tr>
<td>In credit &lt;=(€1)</td>
<td>2018</td>
<td>1,496</td>
<td>(802,798)</td>
<td>2017</td>
<td>1,418</td>
<td>(712,694)</td>
</tr>
<tr>
<td>Total</td>
<td>2018</td>
<td>3,677</td>
<td>6,804,584</td>
<td>2017</td>
<td>3,691</td>
<td>7,477,320</td>
</tr>
</tbody>
</table>

Chief Executive's Response

I note the auditor’s comment in relation to our 85% collection yield of Commercial Rates which exceeded the 2018 target set by the National Debt Management Board for Wicklow County Council of 83%. I also acknowledge the auditor’s comment in relation to the significant decrease in our outstanding arrears. Wicklow County Council recognises the need to maintain and build on these collection improvements.

3.3 Housing Rents and Annuities

The collection yield for the year remained at 90% with arrears at €1.5m at year end. When accounts with credit balances are removed the arrears increase to €2m. An analysis shows the number of customers owing over €1k only decreased from 532 to 529 compared to last year. The bad debt provision remained the same as the previous year at €734k which represents 48% of the outstanding arrears.

<table>
<thead>
<tr>
<th>Closing debtor balance (range)</th>
<th>Year</th>
<th>No. of accounts</th>
<th>Total Closing balance €</th>
<th>No. of accounts</th>
<th>Total closing balance €</th>
<th>Year on Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>=&gt;€10,000</td>
<td>2018</td>
<td>12</td>
<td>153,828</td>
<td>2018</td>
<td>10</td>
<td>125,442</td>
</tr>
<tr>
<td>&lt;€10,000 and =&gt;€1,000</td>
<td>2018</td>
<td>517</td>
<td>1,282,871</td>
<td>2017</td>
<td>522</td>
<td>1,294,692</td>
</tr>
<tr>
<td>&lt;€1,000 and =&gt; €1</td>
<td>2018</td>
<td>2,446</td>
<td>556,733</td>
<td>2017</td>
<td>2,678</td>
<td>606,089</td>
</tr>
<tr>
<td>&lt;€1 and &gt; (€1)</td>
<td>2018</td>
<td>431</td>
<td>(3)</td>
<td>2017</td>
<td>265</td>
<td>(2)</td>
</tr>
<tr>
<td>In credit &lt;=(€1)</td>
<td>2018</td>
<td>2,453</td>
<td>(523,057)</td>
<td>2017</td>
<td>2,353</td>
<td>(486,296)</td>
</tr>
<tr>
<td>Total</td>
<td>2018</td>
<td>5,859</td>
<td>1,470,372</td>
<td>2017</td>
<td>5,828</td>
<td>1,539,925</td>
</tr>
</tbody>
</table>
Chief Executive's Response

The Housing Directorate rents team are acutely aware of the importance of focussing on rent arrears, particularly those in excess of €1,000. Wicklow County Council is committed to a process of engagement with tenants to reduce the outstanding arrears. Each staff member is responsible for a number of areas and accounts and they liaise regularly with the rent collectors for those areas. Efforts to prevent arrears arising and increasing through early intervention and engagement will continue to be developed in 2019 in order to improve the collection yield. It should be noted that the collection rate of 90% was above the national average of 87.8% as per the 2018 performance indicator report issued by the National Oversight and Audit Commission.

3.4 Housing Loans

The collection yield increased by 1% to 76% during the year. 20 accounts (from a total of 421) represent 99% of the net arrears. The Council should ensure that these customers are actively involved in the mortgage arrears resolution process. The bad debt provision of €295k is adequate considering the various funding mechanisms that are available to the Council.

<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>Year on Year</td>
</tr>
<tr>
<td>=&gt;€10,000</td>
<td>20</td>
<td>395,319</td>
<td>19</td>
<td>373,064</td>
<td>22,255</td>
</tr>
<tr>
<td>&lt;€10,000 and =&gt;€1,000</td>
<td>42</td>
<td>172,938</td>
<td>51</td>
<td>192,199</td>
<td>(19,261)</td>
</tr>
<tr>
<td>&lt;€1,000 and =&gt; €1</td>
<td>88</td>
<td>27,573</td>
<td>95</td>
<td>28,163</td>
<td>(590)</td>
</tr>
<tr>
<td>&lt;=€1 and &gt; (€1)</td>
<td>54</td>
<td>-</td>
<td>31</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>In credit &lt;=(€1)</td>
<td>217</td>
<td>(196,120)</td>
<td>220</td>
<td>(180,297)</td>
<td>(15,823)</td>
</tr>
<tr>
<td>Total</td>
<td>421</td>
<td>399,710</td>
<td>416</td>
<td>413,129</td>
<td>(13,419)</td>
</tr>
</tbody>
</table>

Chief Executive's Response

Wicklow County Council has increased its collection yield during 2018 and will continue to utilise all of the options that are available to it to address its loan arrears including the MARP and Loan Restructuring Process. In addition, it should be noted that the collection rate of 76% was above the national average of 74% as per the 2018 performance indicators report issued by the National Oversight and Audit Commission.

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 the amount they consider adequate. All major income streams require a detailed bad debt provision policy to ensure debtor accounts are assigned to different bands whether on a specific or general basis. While the current bad debt provision is considered adequate this detailed analysis would provide for a more accurate measurement of the required provision.
Chief Executive’s Response

The Council’s current bad debt provisions are reviewed annually and are considered by the auditor as being adequate. 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. However I will examine the feasibility of introducing a more structured analysis for the purposes of calculating the provision going forward.

4 Transfer of Water and Waste Water Functions to Irish Water (IW)

4.1 Balancing Statement

As reported in previous audits the Council has still not agreed the 31 December 2014 balancing statement with IW. The main disagreement involving the recognition of invoiced development contributions in different programme groups has not been resolved (see paragraph 6).

The Council has recorded debtors in the AFS at €9.5m for the balancing statement and also a creditor for the development contributions due of €2.8m. This trade creditor account has not been updated since 2014. The Council need to quantify the development contributions due to IW since the takeover date and accrue them in the AFS.

Chief Executive’s Response

Communications are ongoing between Irish Water and Wicklow County Council and officials from both organisations are working to finalise the balancing statement. A number of on-site meetings were held during 2019 and it is expected that this matter will be brought to a satisfactory conclusion shortly.

4.2 Service Level Agreement

The Council acts as an agent for IW under the terms of a service level agreement. The Council received €6.6m from IW under the agreement in 2018. The Council issued an invoice in June 2018 for €1.3m for capital works which remains unpaid due to it being part of the balancing statement negotiations.

Chief Executive’s Response

Irish Water has confirmed that the outstanding payments of €1.3m will be settled upon the completion and sign off of the balancing statement.

4.3 Fixed Assets Transfer to Irish Water

No assets were transferred to IW during the year. The total transferred under statutory instrument remains at 69. Considerable work is involved in preparing supporting material and liaising in the transfer of assets, to ensure that the Orders reflect the precise nature and boundary of the asset to be transferred. The Council continues to liaise with IW’s National Special Projects Office (NSPO) in relation to the transfer of assets.
Chief Executive's Response

The auditor’s comments are acknowledged. A substantial amount of work has been completed by the Council’s Water Services staff in relation to the transfer of water and waste water assets to Irish Water in line with the Water Services (No. 2) Act 2013. A total of 69 water services assets that are situated on registered land have been transferred to Irish Water via Ministerial Order to date, with a further 28 water services assets scheduled to be transferred via the next Ministerial Order and another 12 assets which will be ready to transfer in the near future once agreement has been reached with the NSPO.

The assets remaining are mainly unregistered lands or assets in third party ownership. As Wicklow County Council does not have legal support for Irish Water matters post 2014, it is fully dependant on the assistance of the Irish Water legal team to complete these transfers. Wicklow County Council is in regular contact with the Irish Water NSPO to progress this matter and has also raised its concerns on the lack of progress to date.

5 Capital Account

5.1 General

Capital expenditure and income including transfers for the year amounted to €55.3m and €60.7m respectively. There is a cumulative surplus balance at year end of €50.7m. This surplus relates to development contribution funds and various ring-fenced reserves. The Housing Department is the only directorate with a material negative balance amounting to €23.7m. This deficit mainly relates to the following balances:

- Refurbishment works on housing estates €8.3m (see paragraph 5.2)
- Balances with no movement for a number of years €6.9m
- Balances on land or serviced sites €5.6m
- Expenditure on pre-let repairs €2.9m (see paragraph 5.2)

Chief Executive's Response

Wicklow County Council is in discussions with the Department of Housing, Planning and Local Government in relation to the provision of funding for a number of refurbishment/remediation projects. To this end, I can confirm that the Council received funding of over €4m in respect of one of these projects in 2019.

In respect of the expenditure on Pre-Letting Repairs, such works are now being funded through a combination of Government Grants, Internal Capital Receipts and an increased Revenue Account provision. Any legacy balances will be addressed through this increased provision over time. It was also decided that the additional income generated from the 2019 rent review would be used to offset pre-letting costs.

Other capital balances will be addressed over time through the sale of land, ongoing discussions with the Department regarding the provision of funding and additional revenue transfers where necessary. Moreover, three of the lands highlighted with balances have already been subject to expressions of interest by Approved Housing Bodies (AHB). Development plans are being prepared which will involve the AHB constructing social housing units at these locations, which will result in the recoupment of associated land costs.
5.2 Housing Refurbishment and Repairs

The Council has accumulated capital balances amounting to €8.3m and €2.9m that relate to expenditure on housing refurbishment schemes and pre-letting repairs respectively. This expenditure is non asset backed and should not have outstanding balances at the year end. Any expenditure not funded through capital grants should be funded through the revenue account or internal capital receipts.

The Council did not accrue approved grant income in the AFS of €5.8m at year end for refurbishment works on 2 schemes.

Chief Executive's Response

Wicklow County Council is in discussions with the Department of Housing, Planning and Local Government in relation to the provision of funding for a number of refurbishment/remediation capital projects. I can confirm that the Council received funding of over €4m in respect of one of these projects during 2019.

In respect of the expenditure on Pre-Letting Repairs, such works are now being fully funded through a combination of Government Grants, Internal Capital Receipts and an increased Revenue Account provision. It was also decided that the additional income generated from a rent review implemented in 2019 would be used to offset pre-letting costs.

The grant income referred to was recouped in 2019 and new procedures have now been established to ensure department recoupments are invoiced in a timely fashion going forward.

6 Development Contributions

6.1 Development Contribution Income

Last year’s audit report highlighted serious weaknesses in the control and reporting of development contribution income. It was recommended that all development contribution income should be recorded in one department’s programme group. This is to bring accountability and ownership to the control of income. There has been no change to the system where invoices are issued by the Planning Department but are recorded directly into several different spending directorate programme groups in the capital account. There are 50 development contribution balances with a value of €50m spread throughout the capital account. This is contrary to current best practice.

Chief Executive's Response

In response to last year’s audit report Wicklow County Council engaged the services of Crowleys DFK in 2019 to undertake a review of the development contribution scheme, including how the income is currently accounted for under the Council’s capital programme groups. This report is currently being finalised and will be available shortly for consideration by senior management. The recommendations of the report will be considered in conjunction with the views of the auditor in order to determine the best approach to be taken in this area.
6.2 Development Contribution Invoices

The Council has not issued invoices upon receipt of a valid commencement notice for large housing developments. This is contrary to the Accounting Code of Practice and planning permission conditions. The Council normally only raise an invoice on receipt of payment of contributions for these large developments. It was agreed at last year’s audit that invoices would be issued from 2019 upon receipt of commencement notices. The Council has not implemented this recommendation. The Council is required to issue invoices on receipt of a valid commencement notice.

Chief Executive's Response

The auditor's comments are noted and I wish to confirm that the recommended procedure for the issuing of invoices on receipt of a valid commencement notice for large housing developments has now been implemented.

7 Loans Payable

The Council has loans payable of €72.4m at 31 December 2018 (2017: €80.5m) relating to the following:

<table>
<thead>
<tr>
<th>Type of Loans Payable</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Acquisition</td>
<td>34.40</td>
<td>41.50</td>
</tr>
<tr>
<td>Wicklow Port Access &amp; Town Relief Road (WPATRR)</td>
<td>15.40</td>
<td>16.60</td>
</tr>
<tr>
<td>Mortgage Lending</td>
<td>13.00</td>
<td>12.10</td>
</tr>
<tr>
<td>Rented Equity</td>
<td>4.50</td>
<td>4.70</td>
</tr>
<tr>
<td>Voluntary Housing</td>
<td>4.30</td>
<td>4.60</td>
</tr>
<tr>
<td>Office Accommodation</td>
<td>0.80</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72.40</td>
<td>80.50</td>
</tr>
</tbody>
</table>

The following are the main issues of concern on loans payable:

- Of the €34.4m land loans, €32m are on an interest only or rolled up interest payment basis. Upon maturity these loans will put a financial strain on the revenue resources of the Council.
- There are loan balances amounting to €15.4m for the WPATRR project. The principal element of the loans is capitalised in the capital account at €1.4m during 2018. The capital balance on the project which is additional to these loans is €11.7m.
- There is a €3.4m funding gap deficit in rented equity loans at the year end. This reflects an accumulation of monies received from customers redeeming their housing loans but where the corresponding loans were not redeemed with the Housing Finance Agency (HFA) at year end. In January 2019 the Council paid over these monies to clear this deficit. The Council should ensure that in future, customer loan redemption monies are paid without delay to the HFA.
Chief Executive’s Response

I note the auditor’s comments in relation to the land acquisition loans. The balance of these loans was reduced by €7.1m following the redemption of a major loan in 2018. Some of the lands are incorporated in our Housing Strategies 2017-2019 and 2019-2021 and we hope to be in a position to recoup these land costs from the Department of Housing, Planning and Local Government on completion of the schemes. In the meantime we have provided for interest only repayments in respect of these particular loans.

With regard to the Wicklow Port Access Route it should be noted that there is a special development contribution scheme in place to address this balance ultimately.

The auditor’s comments in relation to future customer loan redemption monies are noted and will be implemented accordingly.

8 Whitestown Landfill Remediation Scheme

In a judgement delivered on the 19 July 2017, the High Court directed the Council to remove to a licensed waste disposal facility all waste and all soil or other materials contaminated or potentially contaminated by such waste from all areas of the Whitestown Landfill site including areas that are already the subject of attempted remediation and to appropriately fill and landscape the site with inert matter sourced elsewhere, and to return possession of the site to the owners within a period of 78 months.

The Council appointed environmental consultants to advise, devise a remediation plan and also to prepare costing, progress reports and confirm compliance with the court order, as well as provide the Council with all information required to recoup the costs of the remediation. The draft remediation plan is scheduled for completion in May 2020. The ultimate cost of the remediation scheme has yet to be quantified.

Chief Executive’s Response

It is clear that a funding stream to support the expenditure on the remediation will be necessary. Upon completion of the consultant’s report and the quantification of the costs involved, a funding plan will be put in place in conjunction with the Department of Communications, Climate Action and Environment with whom there has been an on-going communication and commitment regarding the costs. To this end, funding was recently approved by this Department in respect of consultancy costs incurred to date on the remediation plan.

9 Fixed Assets Registers and Reconciliations

Previous audit reports highlighted the following however, progress has been slow to date in resolving these issues:

- The absence of completed fixed asset registers. The Council need to complete the Property Interest Register that will assist in populating the fixed asset registers

- The absence of a housing stock reconciliation. This reconciliation is an essential control and ensures that all Council housing is accurately recorded.

Chief Executive’s Response
The fixed asset register and the housing stock reconciliation are acknowledged as important control mechanisms. A Property Management Working Group was established in 2018, under the chairmanship of the Head of Finance, to address the outstanding property and land register issues. Furthermore, to support the work of the Property Management Group an Executive Solicitor was recruited in August 2019 with the dedicated role of property registration.

The Rents Section of the Housing Directorate has completed a significant volume of work in relation to the reconciliation of the Housing Stock. Work on this reconciliation is ongoing however is subject to available resources and competing priorities within the Housing Directorate.

10 Governance and Propriety

10.1 General

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of management and the elected members to ensure that sound systems of financial management and control are in place.

10.2 Risk Register

As reported at last year’s audit, the Council does not maintain a comprehensive risk register identifying all risks from the different directorates. There is an absence of an appropriate risk management process. The Council need to implement this process and create and maintain a comprehensive risk register as a matter of urgency. This risk register should be presented to the Audit Committee upon completion.

Chief Executive’s Response

The management of corporate risk is acknowledged as being an essential element of good corporate governance. Wicklow County Council does have an existing risk register however the auditor’s comments are acknowledged and it is accepted that the current iteration may not identify all risks from the different directorates. In order to address this knowledge deficit and, recognising the need for improvements in our risk management processes, the decision to invest in and provide organisational wide training in risk management has been approved. The purpose of this training will be to up skill those members of staff responsible for the completing the risk registers and this will enhance and improve the risk assessment and management processes. Following discussions with training service providers this initiative is scheduled to commence in early 2020. The objective of the training initiative will be to ensure that

- Significant risks are identified;
- Risk evaluation procedures are developed and are operational;
- Risk monitoring systems are robust, efficient and effective.

A full review of the risk registers will follow on completion of the training which will further provide an opportunity to advance towards a risk based audit environment. The updated risk register will also be linked to the Council’s new Corporate Plan 2019-2024 which is currently being developed.
10.3 **Internal Audit Function**

In March 2018 the Council outsourced internal audit work to external consultants based on a tender process. During 2018 the consultants commenced several audits but only completed 1 report for distribution. There needs to be an increased focus on completion of reports together with the completion of progress reports on previous internal audit reports. The Council’s own Internal Auditor liaises between the consultants and the Head of Finance and also conducts quality assurance work on the public spending code. The Internal Auditor currently reports directly to the Head of Finance. I previously recommended that this reporting structure should be changed in accordance with standard corporate governance procedures.

**Chief Executive’s Response**

During 2018 external consultants were engaged to assist with internal audit assignments. The audit plan for 2018 placed particular emphasis on providing assurance to the organisation in major functional areas such as Payroll and Accounts Payable which together process the totality of the expenditure for the entire organisation. Not unexpectedly these areas are replete with detailed procedures and operations and represented a significant undertaking for the external consultants who had the added task of familiarising themselves with the organisation. Fieldwork on these and a number of other equally complicated assignments could only commence from quarter two onwards following the award of the contract. This coupled with the relative complexity of the assignments resulted in less than optimal progress however it is important to note that fieldwork on a number of assignments was completed during this time. Additionally the requirements of the Public Spending Code were complied with and the report published within the Statutory deadline.

The auditor’s comments on the completion of progress reports on previous internal audit reports are noted and I can advise that this will be addressed through the provision of a “Governance Tracker” which will provide that analysis.

As previously outlined the Internal Auditor reports directly to the Head of Finance for administrative purposes and operational convenience only. It should be noted that the Internal Auditor has unfettered access to the Chief Executive and the Chair of the Audit Committee at any time. Regular bilateral meetings are held to ensure appropriate lines of communication are open and maintained. The auditor’s recommendation regarding the reporting structure is noted and I will review the matter with the Head of Finance.

10.4 **Audit Committee**

In March 2019 the Audit Committee chairperson presented the 2018 Audit Committee annual progress report to the Council. The Audit Committee met 4 times during the year. A new Audit Committee was established after the May 2019 local election and their first meeting is scheduled for October 2019.

**Chief Executive’s Response**

The first meeting of the new Audit Committee was held in October 2019. I wish to acknowledge the role and contribution of the Audit Committee to the governance of Wicklow County Council and I look forward to continuing to work with them in partnership in their oversight role.
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
22 October 2019