



**LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Fingal County Council**

**for the**

**Year Ended 31 December 2014**



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

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## AUDITOR'S REPORT TO THE MEMBERS OF FINGAL COUNTY COUNCIL

### 1 Introduction

- 1.1 I have audited the Annual Financial Statement (AFS) of Fingal County Council for the year ended 31 December 2014, which comprises the Statement of Accounting Policies, Statement of Comprehensive Income, Statement of Financial Position, Statement of Funds Flow and Notes 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 the Environment, Community and Local Government.

My main statutory responsibility is to express an independent audit opinion on the AFS of the Council, as to whether it presents fairly the financial position at 31 December 2014 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 this 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 judgements 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.

- 1.2 This report is issued 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 Income and Expenditure Account

The Council recorded a surplus of €20k for the year after making net transfers of €33m to reserves. The members approved some over-expenditure at the budget meeting in November 2014 and this was supplemented by approvals for additional expenditures at the May 2015 Council meeting. A summary of the budget compared to the outturn per service division is disclosed in note 17 of the AFS.

#### 2.2 Fixed Assets

In my previous year's audit report I expressed my concerns in relation to the absence of a proper reconciliation between the Council's financial records of assets and its Property Interest Register in respect of lands and buildings. Management have informed me that progress has been made since the last audit in updating its records; however, the reconciliation process needs to be completed. In order for proper management to be exercised over these assets it is essential that comprehensive and accurate records be maintained. The Council's property register also needs to be updated to record title for all its lands and buildings. The value of the Council's fixed assets decreased by €785m during 2014. The main reasons for this decrease were:

- 1) Included under land disposals is a historic adjustment (€126m) relating to lands that now form part of the M50
- 2) The transfer of assets of €665m to Irish Water referred to in the paragraph hereunder:

#### **Irish Water**

The net book value of fixed assets removed from the accounts relating to Irish Water (IW) amounted to €665m at 31 December 2014. In accordance with Circular Fin 02/2015 issued by the Department of the Environment, Community and Local Government (the Department) on 13 February 2015, all water related infrastructure assets and other assets identified by the local authority must be removed from the Statement of Financial Position (Balance Sheet) in the 2014 AFS. The basis for the removal of water infrastructure from the local authority accounts as directed in the circular is:

- Section 7 of the Water Services (No. 2 Act) 2013 provided for the transfer of water services functions from local authorities to IW
- Section 21 provides IW with power to charge for water services
- A mutual licence between IW and each local authority exists, which allows for IW to use the water infrastructure assets (Included in Service Level Agreement) pending the ultimate statutory transfer
- The revised accounting Code of Practice, published in December 2014 stipulates that "Assets are resources controlled by the authority as a result of past events and from which future economic or service potential is expected to flow to the authority. An authority shall recognise an asset in the Statement of Financial Position when it is probable that future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably."

Given that the future economic benefits no longer flow to local authorities, nor do the risks and rewards associated with the assets reside with the local authorities, an assessment of substance over form and generally accepted accounting principles require that the water infrastructure assets be removed from the books of the local authorities as at 31 December 2014.

The transfer of water services assets from the local authorities is being advanced in number of phases. The financial transfer is reflected in the local authorities' accounts for 2014 with an adjustment on their balance sheets. The statutory transfer of the assets, which is given effect by Ministerial Orders, is being advanced by the Department in consultation with the local authorities and Irish Water. Since January 2015, a number of Ministerial Orders have been made providing for the transfer of various different categories of assets to Irish Water. Considerable work is involved in preparing supporting material for the transfer of over-ground assets, to ensure that the Orders reflect the precise nature and boundary of the asset to be transferred. Further Orders required will be completed over the course of 2015, subject to taking the time necessary to ensure the assets are accurately set out. These matters will be kept under audit review. The Council is maintaining an "Asset Transfer Control Sheet" to record the fixed assets that were taken from its financial records and this document tracks the progress on the transfer of these assets.

The following are a number of specific issues that arose during this audit:

- The Council has held on to the net value of its assets described as Surface Water and Combined Pipes at a value of €109m, I have been informed that this was due to being unable to separate and value the element appropriate to IW.

- The Council is also in the process of first registering the title of a number of assets prior to reviewing and agreeing the transfer of the appropriate assets to IW.

### **Chief Executive's Response**

#### **Fixed Assets**

Work has been completed in relation to the insertion of a unique identifier on both the Fixed Asset and Insurance Registers. The existing Property Interest Register (PIR) is currently being upgraded. The upgraded system will be integrated with GIS mapping. A part-time technical resource has been engaged to progress the work. Currently 60% of this work is complete. However, the remaining 40% is more time consuming and will require examination of individual files to complete the work.

When the PIR has been fully updated it will be possible to carry out a full reconciliation as requested by the Auditor. Progress in relation to completion of this exercise continues to be monitored as a high priority item at governance review meetings with the Executive Management Team.

#### **Land disposals – historic adjustment of €126m**

The adjustment of €126m in relation to fixed assets for lands complies with the accounting policy. The background to this adjustment is as follows. Fingal County Council was tasked with the negotiation and the purchase of all lands necessary to the M50 upgrade on behalf of the Dublin Local Authorities. The acquisition costs were fully funded by the National Roads Authority. In view of the level of expenditure, it was agreed, from a financial control perspective, that all expenditure relating to all lands purchased would be included in the Council's fixed asset register for tracking purposes.

As the upgrade is now complete, the lands and associated expenditure of €126m were removed from the fixed asset register during 2014 as the expenditure related to an enhancement of an existing asset. A revised valuation for all assets, including the roads network, will be undertaken and reflected in our accounts when a revaluation process of fixed assets is undertaken on a national basis.

#### **Irish Water**

As indicated by the Auditor, the process of transferring water services assets to Irish Water is being advanced. The Minister has signed two orders under Section 12 of the Water Services (No 2) Act 2013 to date.

Work is ongoing in relation to the transfer of the remainder of the assets. An asset transfer control sheet is being maintained which details those assets removed from the Balance Sheet in AFS 2014 and the corresponding date of transfer per the Ministerial Order. A Steering Group, comprising the Head of Finance, Director of Water Services and Head of Corporate Services and Change Managers, continues to monitor the work relating to the transfer of assets.

In accordance with Circular Fin 02/2015, all water related infrastructure assets identified by the local authority to the value of €665m have been removed from the Statement of Financial Position (Balance Sheet) in the 2014 AFS. It was considered prudent to retain both the surface water and combined pipes element of water network assets as the surface water assets will be retained by the Council and the combined pipes element requires more detailed consideration.

## 2.3 Long Term Debtors

The main items contributing to the decrease of €2.8m in long term debtors were:

- (a) The addition of €32.7m for water related loans where the responsibility had transferred to the Department
- (b) The reduction of €25m in the development contributions long term debtor and
- (c) The reduction of €12m in the mortgage/tenant purchase and shared ownership debtor during 2014.

### Chief Executive's Response

- (a) Circular Fin 02/2015 detailed the accounting treatment required in relation to water related loans. As at the 31 December 2014, the Council had borrowings of €32.7m "non HFA" loans relating to capital costs of water/wastewater infrastructure. As part of the transfer of assets/liabilities to Irish Water, the future financial liability associated with loans taken out by local authorities is not to rest with local authorities but is to be classified as a Department debtor in our accounts - thus the addition of €32.7m as a long term debtor. Fingal County Council is recouping the loan repayments in respect of this debtor from the Department.
- (b) A review of the accounting treatment of our long term development contribution debtors was carried out. Pending further clarification from the Department in this area, it was considered appropriate to amend our accounting treatment for development contribution long term debtors from a gross to a net position.

It is Council policy to invoice for the full amounts of the applicable levy on receipt of commencement notices. This had resulted in a substantial debtor figure on our accounts which may not be realisable. As a result we have netted off €25m from our long term development levy debtors.

- (c) The Council's housing loan portfolio was reduced by €12m in 2014 following customer redemptions/principal repayments.

## 2.4 Net Current Assets

The Council's current assets (€190m) exceed its current liabilities (€94m) by €96m which records a relatively healthy position.

### Irish Water

At the year-end the Council is recording in its debtors a balance of €5.7m due from IW in respect of legacy debt, service level agreement and agency works. A sum of €2m is due in respect of water development charges received in 2014 and also an amount of €3.7m being IW share of the closing debtor for development charges.

### Chief Executive's Response

#### Irish Water

Considerable work was undertaken in a due diligence process with Irish Water in arriving at the legacy debt in respect of outstanding balances which were to transfer to Irish Water. All figures mentioned above comply with the accounting treatment and circulars issued in relation to how these balances were to be treated in the accounts of the local authorities.

### 3 Income Collection

#### 3.1 Summary of the Major Revenue Collections

A summary of the collection performance with the comparative figures for the previous year are as follows;

	2014	2013
Rates	92%	90%
Housing Rents & Annuity	91%	89%
Commercial Refuse	54%	71%
Housing Loans	98%	98%

#### 3.2 Rates

The rates collection levels improved in 2014 with the arrears reducing by €2.8m at 31 December 2014. The Council achieved a collection yield for the year of 92%, an improvement of 2% on 2013. The bad debts provision at the year-end amounted to €8.4m. The Council needs to review its basis for determining its bad debts provision as the provision of 84% appears excessive.

During the audit, debtors representing 22% of closing rates arrears (€2,212,849) were reviewed to establish the progress being made in collecting these sums, the following were our findings:

- 31% had payment plans in place
- 23% were businesses in receivership/liquidation
- 20% were still being pursued for the arrears
- 26% related to vacant properties

##### Chief Executive's Response

Debt/credit control management in relation to commercial rates is a high priority of the Finance Department. The collection percentages achieved in 2014 at 92% reflects a very strong performance. Rates arrears are monitored closely and where payment plans cannot be agreed with rate payers, legal proceedings are issued. It is accepted that the bad debt provision is high. This will be reviewed during the course of 2015 taking into account recent legislative changes (Local Government Reform Act 2014) that may impact on level of bad debts going forward.

#### 3.3 Rent

Collection level of 91% was recorded, which was an improvement of 2% on the previous year's level. The debtors at the year-end amounted to €1.85m against which the Council made a bad debts provision of €1.55m. This provision appears high and I would recommend a review of the basis on which the bad debts provision is determined. At the year-end the Council had 5,375 active rent accounts of which:

- 3,082 (57%) of these accounts were in arrears
- 1,781 (33%) of these accounts had arrears of four weeks or more
- 125 (2%) of these accounts were in arrears for more than one year

In 2014 the Council issued 199 Notice to Quit and there were 12 cases awaiting court hearings at the year-end.

#### **Chief Executive's Response**

Arrears management remains a top on-going priority for our Housing Department and this is evidenced by the reduction in the number of accounts in arrears and the reduced closing debtor position in 2014 compared to 2013. The end of year debtor's figure of €1.85m, includes over-payments of €450k. The adjusted gross debtor figure is therefore €2.3m. It is considered that the bad debt provision of 67% is prudent and adequately reflects the risk levels of our rent debt profile.

### **3.5 Housing Loans**

The Council does not operate an integrated financial loan system, as it does not use the Agresso module for loans. As a result, the accounts section must produce a number of manual reconciliations and also post a large number of journals to the financial records. At previous audits I highlighted issues in relation to differences in the reconciliations for loans and also concerns in relation to the reconciliation processes. It is acknowledged that further progress has been made in addressing these issues. However, I noted in 2014 that differences remain in the reconciliation of loans and also that there were a number of mis-postings to the general ledger. The Council needs to make further improvements to address these issues.

The housing loan's collection yield for the year was 98%. At audit, a review was undertaken of 15 accounts recording arrears totalling €416k (24% of the value of accounts recording arrears):

- Two had Instalment plans/arrangements
- Twelve had legal proceedings currently in progress
- One was in the MARP process

#### **Chief Executive's Response**

The Auditor's comments are noted and while progress has been made in relation to reconciliations, it is accepted that the volume of journals and issues arising from postings remains to be addressed.

An integrated financial loans system (on Agresso) would significantly address the issues that continue to arise. In this context, it is intended to evaluate the movement of the loans management system from the existing Cygnus system to Agresso MS4 during the course of this year.

### **4 Capital Account**

The Council expended €58m on capital projects and the total income, including transfers from revenue, amounted to €95m resulting in an improvement in the capital account balance by €37m in 2014 to a closing balance of €67.7m.

I reviewed the capital project balances and satisfied myself that the Council had funding in place, or were making appropriate provisions from revenue to fund these with the exception of land and buildings, referred to in 4.1, and unsold affordable units, referred to in 4.2.



#### Chief Executive's Response

The Council continues to make provision in the revenue account for the funding of debit balances on the capital account as appropriate.

#### 4.1 Land and Buildings Unfunded Balances

The Council is carrying major unfunded balances in respect of the following land and buildings projects.

Project	
Lands Dubber Cross	€27m
Stephenstown Industrial Estate	€15m
Lands Balheary Swords	€10.7m
Lands Hacketstown Skerries	€7.7m
Lands St Catherine's FCC	€7.5m
Total	€67.9m

The Council has not sourced any long term funding for these balances.

#### Chief Executive's Response

The bulk of the unfunded project balances of €67.9m relate to acquisition costs of industrial and housing lands. As indicated in previous audit responses, these lands represent a valuable asset to the Council. The improvement in the general economic position is reflected in some significant land disposals in recent times. This in turn has facilitated the Council in reducing its unfunded balances from €99.5m (audit 2012) and €76.6m (audit report 2013) to €67.9m in 2014. The unfunded balances will remain under continuous review.

#### 4.2 Bridging Finance and Unsold Affordable Housing Units

Included in the Council's long term borrowings were bridging finance loans of €67m at the year end on an interest only basis. This bridging finance covered the cost of 438 housing units originally built and acquired for resale under the affordable housing programme. It should be noted that the Council is also recording an unfunded balance €11.9m on these capital projects.

During 2014, €2.5m in funding was received from the Department for the transfer of 18 unsold affordable units to its social housing stock and this reduced the opening stock of unsold affordable units from 456 to 438 units. The Council continued to lease these 18 units as there were lease agreements in place. The Council had 294 units leased for five year periods under the Department's Affordable Leasing Scheme and 162 units were leased under separate rental scheme to the private rental market. The Council received €1.52m in rent supplement, €348k in interest recoupment and €1.6m in rents from these units. This income covered the interest on the bridging finance of €1.4m and the surplus after charging administration and refurbishment costs was €1.3m, which was transferred to a capital reserve. The Council redeemed €3.2m of bridging finance from capital reserves during 2014.

#### Chief Executive's Response

In 2009, the Department, noting that local authorities had considerable unsold affordable units on hand, issued Circular AHS1 2009 - 'measures to deal with unsold affordable homes'. Pursuant to this circular, this local authority evaluated the stock on hand. Where possible stock was sold and the remaining units were leased (for a period of no more than 5 years) as per one of the options under this circular. The bridging finance used to purchase/build these units is reflected in the relevant capital jobs and the affordable housing units are on the fixed asset register categorised as unsold affordable units.

In accordance with the circular, the monies received from the leasing of these units is used to service interest payments. In addition, any surplus is transferred to a reserve which is then used to finance the repayment of principal on the bridging finance loans.

It is noted that unsold affordable units provide a valuable source of social housing at present. At the end of the five year period local authorities are required to review the use of these properties bearing in mind the prevailing market conditions. The five year period for leasing of some of the units was due to expire in 2015. Sanction was sought from the Department to continue to lease these units to the designated Approved Housing Bodies, sanction was received in April 2015 to extend the leases for a further five years period.

The Department funded the permanent transfer of 18 unsold affordable units to social housing stock in the amount of €2.5m in 2014 and the corresponding bridging finance was repaid.

## 5 Development Contributions

In note 3 to the AFS, the long term debtors in respect of development charges is stated at €5.5m. The closing short term debtors is recorded in note 5 to the AFS at €53.7m against which a bad debts provision of €43m has been provided. In my review of the 30 largest development debtors which accounted for €33.7m of the short term debtors it was noted that only 23% was due based on the proportion of site work completed. After allowing for notional offsets, only 5.6% was due. The Council has a list of notional offsets of approximately €27m against development contributions debtors at the year-end. In many instances the developers have completed the construction works and as a result are not being actively pursued for the associated development charges. I recommend that the Council review its procedures and basis of applying phasing to development charges in order to obtain a more accurate debtors figure at the year-end.

### Chief Executive's Response

It is Council policy to invoice the full amount of the development contribution due on foot of receiving a commencement notice from a developer. A comprehensive review of potential offsets was recently undertaken and outstanding debts due by developers are being pursued.

The notional offsets, referred to above, relate to instances where developers have constructed assets for this local authority in lieu of payment of development contributions. Consequently, no transfer of monies is due to the local authority from the developers.

A review of procedures and basis of phasing will be carried out as recommended by the Auditor. In this context, the Council is engaging with developers in determining what level of construction has taken place on the ground and what could be built if an extension of duration of their planning permission is granted. This will give a more realistic view of phasing arrangements for the payment of any amounts outstanding.

### 5.1 Irish Water

The Council's apportionment of Section 48 Planning and Development Act, 2000 development charges to IW was as follows:

- IW share of the opening development charges receipts was €1,100,485
- IW share of cash collected during 2014 was €2,056,039
- IW share of the closing development charges debtor was €3,725,975

The Council had in the previous year transferred €9.3m of development charges to a contingency fund to cover contingencies relating to IW. These remained unspent at 31 December 2014.

## Chief Executive's Response

### Irish Water

In accordance with Circular Fin 02/2015 dated 13 February 2015 the amount of €1,100,485, relating to unspent water and drainage development contributions at 31 December 2013 formed part of the Irish Water balancing statement. The overall position of the balancing statement is that Irish Water owes Fingal €5.7m, which is reflected in our debtors balance.

In accordance with Circular Fin 04/2015 (Accounting for Development Contributions following the transfer of water services functions to Irish Water in the financial statements of the local authorities) both the development levy cash collected during 2014 €2,056,039 and the development contribution short term debtor €3,725,975 have been transferred to an Irish Water creditor account.

The contingency fund, of €9.3m referred to was set up to ensure that any wayleave compensation and any outstanding liabilities in relation to VAT on offsets relating to transactions prior to 31/12/2013 were covered.

## 6 Procurement

Following a review of invoice payments and capital projects a number of instances were noted where the Council did not comply with procurement guidelines or with its own purchasing procedures. These breaches included the following:

- A large number of purchase orders being raised after the date of receipt of the suppliers invoices
- Failure to comply with the Council's requirement to obtain three quotes
- Failure to advertise on the e-Tenders website
- Failure to issue award notices

I note that new procurement policy and procedures were issued in May 2015. The Council's corporate procurement plan needs to be updated as it was last updated in 2009. The Council needs to embed into the purchase to pay cycle compliance checking in relation to purchase procedures. The work undertaken annually by Internal Audit should include a review of procurement/tendering procedures.

### Chief Executive's Response

The Council's procurement and purchasing procedures are clear –

- Purchase orders should be raised prior to commitment being entered into with suppliers
- Quotations should be obtained in accordance with procurement policy
- Procurement policy should be also be complied with in respect of advertising on eTenders and publication of award notices

The Council issued over 17,000 purchase orders in 2014 and payments to the value of €218.5m based on over 25,000 invoices were made. Following the introduction of Agresso Milestone 4 in April this year, a comprehensive review of our purchase to pay procedures has been completed. Revised procedural manuals have been issued to all staff and compliance

with procedures/policies has been re-emphasised. Compliance with procedures will be monitored on an ongoing basis.

The procurement function in the Council was strengthened in 2014 and a considerable body of work has been undertaken in this area in the past 18 months including:

- Implementation of Procurement Policy and Procedures
- Independent review of Procurement by Clearview Group
- Review of Corporate Procurement Plan
- Tender Register developed
- Contracts Database and Procurement Pipeline systems developed
- Procurement Steering Group established
- Procurement Governance Board established
- LAQuotes User Group established
- National, LG Sector & Regional collaborative procurement arrangements / opportunities co-ordinated centrally
- Procurement training and capacity building underway
- Business Engagement and SME participation initiatives undertaken

As recommended by the Auditor, Internal Audit will be requested to include procurement - tendering services in their Audit Plan.

The Corporate Procurement Plan is at final draft stage and will be issued by 30 September 2015.

## **7 Refundable Deposits**

During the course of previous audits I highlighted to management the need to maintain proper control records covering refundable deposits. At the end of 2014 the Council was unable to provide me with detailed schedules covering the make-up of amounts held under a number of categories of deposit. This issue needs to be prioritised by management.

### **Chief Executive's Response**

Refundable deposits amount to €28.5m. Schedules dealing with deposits to the value of €28m were available for audit and appropriate controls are in existence in relation to these deposits. There is an issue with legacy deposits to the value of €0.5m, some of which pre-date the establishment of Fingal County Council. These amounts will be reviewed further with a view to agreeing an acceptable reconciliation approach for 2015 AFS.

## **8 Stock Records**

At previous audits I have highlighted my concerns to management in relation to the absence of proper integrated stock records within the Council. It was noted continuous stock records/integrated stock records are not held at a number of the Council's depots/locations. The Council needs to ensure that proper records are maintained at all locations and that the major categories of stock are reflected in the Council's stocks in the AFS.

### **Chief Executive's Response**

A comprehensive stock take was undertaken by our Corporate Services Department on all stores facilities after year end. Considerable consolidation work has taken place and stock control systems introduced in some of the larger operations stores and this work is on-going. Similar consolidation is planned in respect of smaller stores facilities. This issue continues to

be monitored as a high priority item at governance review meetings with the Executive Management Team.

## 9 Governance

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

### Chief Executive's Response

The Council engaged a professional accounting firm to carry out a review of internal control, risk management and corporate governance during 2014. The review comprised five elements:

- Review of internal audit process, controls and structures
- Review of the effective functioning of the internal audit committee and relevant support
- Review of policies and practices to support Internal controls in financial processes
- Review of risk management processes
- Review of establishment and oversight of management companies

The Corporate Policy Group and the Audit Committee were kept informed through the various stages of the review process. A report setting out a number of recommendations was issued in February 2015.

The Council has put in place a systematic approach where all the recommendations arising from this review and issues raised by the Local Government Auditor have been tracked and actions identified to ensure implementation. A series of special meetings of the Executive Management Team have been held during 2015 to review and manage implementation of the actions.

### 9.1 Internal Audit

Regulation 9 of the Local Government (Financial and Audit Procedures) Regulations 2014 requires local authorities to maintain an adequate and effective system of internal audit of its accounting records and control systems. Internal Audit has an important role in providing the Chief Executive with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements.

Local authorities are also obliged to establish audit committees in accordance with section 59 of the Local Government Reform Act, 2014. A key function of the audit committee is to "foster the development of best practice in the performance by the local authority of its internal audit function." This requires the audit committee to ensure that an internal audit function is in place that operates to professional internal audit standards. This encompasses the approval and monitoring of the annual work plan of the internal audit function and ensuring that management properly engages with internal audit, including the implementation of its recommendations. The audit committee cannot discharge its statutory functions without the support of a properly resourced internal audit function. In 2014 the Council's internal audit function consisted of two and half whole time staff equivalents. The 2014 work plan for Internal Audit was not formally approved by the audit committee and the Chief Executive. The head of internal audit reports directly to the audit committee and the Chief Executive in carrying out the work of the unit. The unit produced two reports during the year, which were reviewed by the audit committee. For an authority the size of Fingal County Council the output of Internal Audit was most unsatisfactory. As highlighted at previous audits the internal audit section needs to be properly staffed and its work properly managed and reviewed. Management needs to ensure that the Council complies with Regulation 9 in relation to the operation of internal audit.

### Chief Executive's Response

The Council initiated a recruitment process for Head of Internal Audit earlier this year. A review of the staffing structure is underway. Comments in respect of the Internal Audit unit's output are noted.

## 10. Local Authority Companies

- 10.1 The Council has recorded its interest in 37 companies in Appendix 8 of its AFS. The Council has valued its interest in 27 of these companies in note 3 and note 11 to the AFS at €1,347,731. The accounts of a number of these companies, which the Council classifies as subsidiaries, have year ends that are not contemporaneous with the Council's year-end. The 2014 audited accounts were not available in many instances; and the annual financial statements in a number of instances were unsigned. The Department needs to prescribe the detailed accounting treatment for wholly owned subsidiaries and associate companies, as there is a need for clarity and consistency in their accounting treatment. The Council needs to improve its oversight and review of these companies to ensure that proper corporate governance arrangements are in place.

### Chief Executive's Response

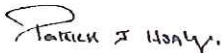
The annual accounts for subsidiary and associate companies must be approved at their respective AGM's. The dates for AGM's can vary from company to company and in many instances will be after the statutory period for completion of our accounts.

We adhere to the General Accounting Working Group (GAWG) revised accounting treatment of wholly owned subsidiaries and associate companies as prescribed in the Code of Practice and Accounting Regulations December 2014.

The Council is currently carrying out a review of subsidiaries and associate companies.

## 11. Acknowledgement

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



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Patrick J. Healy  
Principal Local Government Auditor  
16 July 2015