



Rialtas na hÉireann
Government of Ireland

LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Dún Laoghaire Rathdown County Council

for the

Year Ended 31 December 2017

Department of Housing, Planning and Local Government

housing.gov.ie

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AUDITOR'S REPORT TO THE MEMBERS OF DÚN LAOGHAIRE RATHDOWN COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of Dún Laoghaire Rathdown County Council (the Council) for the year ended 31 December 2017, which comprise 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 the 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 2017 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 4 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 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.

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 (Income and Expenditure Account)

The Council recorded a surplus of €7,629 for the year ended 31 December 2017 which increased the accumulated surplus to €9.77m at that date.

The members, at the Council meeting held in April 2018, approved (by resolution in accordance with section 104(2) of the Local Government Act, 2001) the expenditure incurred in 2017 that was in excess of the adopted budget for the year. The details of the divisional variances are outlined at note 16 to the AFS.

The surplus recorded for 2017 confirms that the Council is adhering, in overall terms, to the strict budgetary requirements for the year.

2.1.1 Local Property Tax

As outlined in the previous audit report, the current funding model for the distribution of the Local Property Tax (LPT) was first introduced in 2015.

As provided for in legislation, the Council again passed a resolution to vary the basic rate of LPT downwards by 15% for 2017, reducing the provisional allocation for the year to €33.57m.

Because of the Council's surplus LPT position (calculated on the basis of anticipated 2017 receipts compared to the original baseline position established from the General Purpose Grant Allocations of 2014), there is a requirement to self-fund some services in both the Housing and Roads divisional areas. In October 2016, the Department of Housing, Planning & Local Government (the "Department") confirmed the individual divisional allocations that were required to be applied by the Council as follows:

- Housing – revenue and capital €19.2m
- Roads – revenue € 3.5m

2.2 Statement of Financial Position (Balance Sheet)

The Council's net assets increased from €3.3bn at 31 December 2016 to €3.4bn at 31 December 2017 with net cash increasing to approximately €179m at that date.

2.2.1 Fixed Assets

It was reported at previous audits that reconciliations between the amounts recorded in the Agresso FMS (the Council's financial management system) and those contained in the land and property registers had not been completed. While I acknowledge that the Council has attempted, over the past few years to progress this work, there is still no adequate reconciliation between the different databases.

It is imperative that the internal review that is currently underway is completed without further delay so that all land and property in the beneficial ownership of the Council are both safeguarded and adequately insured.

In addition, the internal review of the housing stock reconciliation that was completed during the audit has highlighted a significant number of differences between the housing stock that is recorded in the fixed assets register and the units that are recorded in the housing division's record system (OHMS). I have advised management that the differences highlighted between the two databases need to be corrected prior to the preparation of the 2018 AFS to ensure that the amounts disclosed in the financial statements are correct.

There is also no composite register that records all of the Council's land and property that are currently leased or rented to third parties. The current system of devolved databases is not efficient as it can lead to legal agreements lapsing and income not being invoiced on a timely basis.

I note that the lease in respect of the use of the Pavilion Theatre building is not current as the former agreement lapsed a number of years ago. While I acknowledge that management is currently attempting to progress the completion of a new lease, this matter needs to be regularised without further delay (see paragraph 7.3).

I have recommended to management that an organisation wide asset rental and lease register should be implemented with the responsibility for its maintenance and review assigned to the one section. Once the register is completed and adequately reconciled to the FMS, regular reviews should be implemented, as a formal internal control procedure, to ensure that all income derived from the renting and leasing of property is properly recorded in the Council's financial management system.

It is a requirement of the Accounting Code of Practice for local authorities that these registers be maintained.

Chief Executive's Response

Considerable progress has been made in reconciling the fixed assets register with the PIR records. It is expected that a full reconciliation will be completed in 2018.

The differences between the housing stock records on OHMS and the fixed assets register have been identified and are currently being rectified.

A review of the corporate estate is underway with a corporate steering committee, chaired by the Director for Corporate, Communications and Governance, now in place. A centralised unit to manage all properties which are in the ownership of the Council and / or leased is being examined.

2.2.2 Work in progress

Accumulated expenditure on the work in progress and preliminary expenses account amounted to €32.8m at 31 December 2017 (2016 €18.4m). The year on year increase mainly reflects the additional activity in the housing sector during 2017.

The 2017 year-end balance on the account continues to reflect the accumulated expenditure incurred on the Leopardstown Link Road scheme (€7.4m) which is fully funded and the Glenamuck Distributor Road / Kiltarnan by-pass scheme (€7m). This latter scheme recorded a deficit on the account of €7m at the 2017 year-end (see paragraph 4).

Chief Executive's Response

There are some outstanding land costs to be paid in relation to the Leopardstown Link Road scheme. However, as the road is completed, it has been added to the fixed assets register in 2018.

Expenditure incurred to date in relation to the Glenamuck Distributor Road / Kiltarnan by-pass scheme relates primarily to land costs. The scheme will be funded from future development contributions once the road has been constructed.

2.2.3 Development Contributions

Included in trade debtors and prepayments at 31 December 2017 was €19.6m (2016 €13m) in respect of development contributions due to the Council (note 5 to the AFS).

A provision for bad debts of €3.9m (representing approximately 20% of the development contributions debt book) has been made and is included in the overall 2017 year-end bad debts provision of €25.2m. The provision made should be kept under regular review to ensure it remains adequate in respect of the aged debt status of the debtors being carried.

There are a large number of job codes that continue to carry credit balances arising from transfers (funded from development contributions' receipts) that were made in previous years. As some of the balances have remained on the individual job codes for a considerable period, they should be reviewed to ensure that the original purpose for which the transfers were made is still required.

Chief Executive's Response

Development contributions owed to the Council are monitored on an on-going basis and the bad debts provision is reviewed to ensure its adequacy.

As part of the capital review that is currently being carried out it is intended that surplus contributions will be put into a holding code until the relevant expenditure is incurred. This should ensure that no similar credit balances will result in the future.

2.2.4 Loans Payable

The Council owed €130m at 31 December 2017 (2016 €137m) in the form of medium to long term loans.

The 2017 year-end balance included €36.77m that was owed to the Housing Finance Agency (HFA) on loans that were taken out more than ten years ago to acquire land for housing development that has not yet commenced, the details of which are as follows:

- Old Connaught Avenue €20.2m
- Ballyman Road €10.45m
- Lehaunstown €6.12m

The total interest incurred and paid on the above loans in 2017 amounted to €0.55m. Management has advised me that there is currently no expectation of any developments commencing on these sites in the short term.

The development or possible other alternative use of these sites should remain a priority matter for management as the values of the loans are significant.

Chief Executive's Response

These sites are not serviced and cannot currently be developed. The management of the sites will continue to be kept under review.

2.2.5 Refundable Deposits

The amounts held by the Council as refundable deposits at 31 December 2017, totalling €23.6m are outlined at note 8 to the AFS.

While the 2017 movements were appropriately reconciled and accounted for, I was not provided with relevant documentation that adequately supported the full 2017 year-end balance.

As the amounts are significant, I have recommended to management that a full review of all records held in respect of amounts currently designated as refundable deposits is now required.

This exercise should be completed prior to the preparation of the 2018 AFS and thereafter a regular reconciliation process should be introduced as a formal internal control procedure.

Chief Executive's Response

A review of records and amounts held on deposit will be carried out prior to the completion of AFS 2018.

3 Income Collection

3.1 Main revenue income collections

A summary of the collection performances showing the 31 December 2017 arrears position in respect of the main income categories with the comparative figures for the previous year are as follows:

Income Source	Yield %		Debtors €m	
	2017	2016	2017	2016
Rates	86	85	16.3	18.0
Rents & Annuities	78	77	4.1	4.1
Housing Loans	57	62	0.9	0.8

While the 2017 performance recorded for housing loans showed a decline of 5% when compared to the previous year, I note that the rates yield showed a year on year increase of 1% that resulted in an arrears reduction of €1.7m which is commendable. The 2017 yield on housing rents and annuities also recorded a similar increase of 1%.

3.1.1 Rates

As stated above, this income category recorded an improved collection performance in 2017 with the yield recorded for the year above the 2016 local authority sector national average.

The status of the accounts in arrears at 31 December 2017 is summarised as follows:

Category	Number of customers	Amount owed €m	% of total arrears
Accounts in an agreed payment plan	631	5.7	35%
Legal proceedings commenced	130	3.1	19%
Vacant property applications awaited	299	2.6	16%
Customer in liquidation, receivership and / or administration	57	0.8	5%
Other (incl bankruptcy, occupier vacated property and whereabouts unknown)	57	0.3	2%
Balance refers to account balances (as at the 2017 year-end) that were being pursued	638	3.8	23%

While the current arrears remain significant, I am satisfied that adequate resources continue to be assigned to the collection of this important income category. I note that 90 accounts in arrears were referred to the Council's legal department during 2017 which is indicative of the Council's commitment to debt collection.

3.1.2 Housing Rents and Annuities

The amounts in arrears as at 31 December 2017 remained static when compared to the previous year end. The arrears remain significant and should continue to be pursued.

3.1.3 Housing Loans

The percentage yield achieved in respect of the housing loans arrears book decreased by 5% in 2017. The current resources assigned to this collection area needs to remain in place to prevent any further reductions in yield performance.

Chief Executive's Response

The Council will continue to make every effort to maximise income collection and to minimise outstanding arrears over the coming years.

Arrears continue to be pursued in all cases. A systematic approach has been established with a sequence of contact and regular monitoring of accounts, with eligible loan arrears being managed under the Mortgage Arrears Resolution Process (MARP).

4. Capital Account

The capital account recorded an overall credit balance of €121.6m at 31 December 2017, an increase of €31.7m on the previous year. The year on year increase is mainly attributable to additional net income allocated to the following categories of balances (note 10 to the AFS):

- Development contributions available for capital works €18.8m
- Reserves created for specific purposes € 9.6m

The current level of reserves being carried by the Council is substantial with some large account balances being held now for some years.

4.1 Deficit balances

Notwithstanding the overall credit balance on the capital account, there remained some large deficits on individual schemes that still require a funding source, the more material of which are outlined below:

- Library Headquarters Moran Park €15.7m
- Ballyogan Depot €12.5m
- Site at Shanganagh Castle € 9.0m
- Glenamuck Distributor Road / Kiltarnan by-pass € 7.0m
- Unit 3 B Corrig Road Sandyford Industrial Estate € 5.2m
- Ballyogan Recycling € 4.5m
- Samuel Beckett Civic Campus € 3.8m
- Enniskerry Road Housing € 3.6m
- The Metals capital project phases 1 & 2 € 3.5m

I note and acknowledge the review of the capital account that is currently underway with the work being assigned to a senior member of staff of the Finance and Economic Development directorate. Where reserves are available to reduce or eliminate the individual deficit balances being carried, appropriate transfers should now be made. The completion of the review exercise should remain a priority matter for management.

4.2 Reserves balances

A review of the level of reserves currently being carried should be undertaken. The purpose of the individual reserves being maintained should be adequately and clearly outlined to include definite plans (including timelines) for their use.

4.3 DLR Properties Limited

The capital account continues to record the financial transactions on the loans that were advanced, in previous years, to DLR Properties Limited (the Council's wholly owned subsidiary company - see paragraph 7.1). The manner of accounting for these transactions was the subject of discussions, in previous years, with the Department's General Accounts Working Group.

Chief Executive's Response

The review of the capital account will be substantially complete prior to the audit of AFS 2018.

5. Transfer of water and sewerage functions to Irish Water

The Council continues to deliver services on behalf of Irish Water (IW) under a service level agreement. A review carried out during the current audit of the internal procedures adopted in this area indicated that it is being effectively managed.

Section 12 of the Water Services (no.2) Act 2013 provided for the transfer to IW of all underground water services assets previously vested in the Council.

The statutory transfers of the above ground water related assets to IW are given legal effect by Ministerial Orders that are issued by the Department in consultation with the Council and IW.

I note that no formal submissions to the Department have yet been made requesting approval for the transfer of the Council's water related assets to IW. While the documentation has been prepared with regard to the first schedule of assets for transfer (5 separate assets included), no submission for request of approval has yet been made by the Council.

There is still considerable work to be done before additional assets (a further 29 assets have been itemised to date) can be included in further requests for transfer, which includes the need for first registration title confirmations on a number of assets.

More resources are required to be assigned to this important area to facilitate a more timely completion of the legal requirements imposed on the Council.

Chief Executive's Response

Since the completion of the audit the first formal submission has been made to the Department requesting approval for the transfer of five Council water assets to Irish Water.

The remaining water assets cannot be requested for transfer until legal, title and registration issues are clarified and resolved. To this end the Council has recently directed additional staff resources to this work. However, the issues involved are complex and will take considerable time to resolve.

6. Purchasing and Procurement procedures

6.1 Purchasing and invoice payments

Weaknesses in the processing of invoices and the related purchase orders were raised at the previous audit.

Improvements have been made in this area during 2017 that I note have been sustained during the early part of 2018. The purchase ordering system is now regularly reviewed with reminders being issued to all staff to ensure compliance with the Council's own internal controls is maintained. While compliance levels (in respect of the timely raising of purchase orders) of approximately 90% have been achieved, the current levels of review should be maintained so that even higher compliance is attained.

Further improvements are required in respect of the financial system recording of the receipts of goods and services. Compliance levels of just 64% were recorded in respect of quarter 1 of 2018.

Delays in raising and approving purchase orders and the subsequent recording of the receipt of the relevant goods or services can have an impact on the relevance and accuracy of the Council's budgetary and financial reports that are issued regularly to both senior management and to the Council members. This is a critical internal control area where some improvements are still required to ensure that adequate budgetary compliance is being implemented across all of the Council's divisions.

6.2 Procurement

Non-compliance with national procurement regulations were also identified in previous audits. Good progress had been made in this area following the appointment of a senior member of staff who was designated as the Council's procurement officer on a full time basis.

While some divisions have recorded improvements in respect of adherence to the national requirements, there remain a number of areas where a review of work practices is still required.

The main areas of concern noted during the audit, were as follows:

- The contracts awarded in respect of housing refurbishments (cumulative spend in this area was in excess of €1m in 2017) were not tendered in accordance with national regulations
- A major works contract with a value in excess of €4m was awarded to a firm that was selected from a framework agreement for works that were not to exceed €1.5m
- Some contracts were awarded without recourse to procurement because the provisions of services were deemed emergency in nature. In such circumstances, framework agreements should be established from which suitable firms can be selected at short notice on predetermined prices
- The contract for the provision of legal services in respect of parking enforcement matters has been rolled over since 2010
- The contract for the collection of parking income has been rolled over now (at consecutive intervals of three months) for over two years.

While management's efforts in improving the overall governance of this critical area are acknowledged, there remains a need to assign further resources to the procurement section to ensure compliance levels continue to improve.

As a public organisation, the Council (including the subsidiary and related companies) is required to comply, in all respects, with both the national and EU procurement regulations and directives.

Chief Executive's Response

Monthly reminders issue to all staff regarding the requirements to comply with purchasing procedures. Efforts to improve the level of timely recording of goods received notes (GRN's) will continue with a view to improving compliance levels before the next audit.

Both the establishment of appropriate multi-annual frameworks by the Council in partnership with both our colleague local authorities in the Dublin region and the usage of the Office of Government Procurement (OGP) frameworks have increased significantly in 2018.

The signing off by management on the new Corporate Procurement Plan, the introduction of e-tenders for all procurement under €50,000 from September 2018 and the on-going spend analysis by the new Procurement Support Unit will significantly reduce procurement non-compliance and enhance oversight of the majority of procurement in the short term.

The Council's aim in the establishment of the Procurement Support Unit is to be fully compliant with procurement legislation. By the end of 2018 it is expected that there will be two staff assigned full-time to the procurement unit.

7. Interest in Companies Associated with the Council

The Council has an interest in a number of companies with the details of these being disclosed at Appendix 8 of the AFS.

7.1 DLR Properties Limited (DLRP)

As outlined in the DLRP Directors' report to the 2017 audited AFS, this company is involved in acquiring, developing, holding, managing, leasing and disposing of land and buildings located at Cherrywood, Co Dublin. All of the company's issued shares are in the beneficial ownership of the Council.

The company's audited accounts for the year ended 31 December 2017 recorded a surplus for the year of €9.3m following a further increase in the value of development properties. The Council's interest in the company of €2.1m is disclosed at note 3 to the Council's AFS. This is equivalent to the value of the company's shareholders' reserves at the 2017 balance sheet date.

Following a professional valuation undertaken by the company, the development properties were valued at €67.3m as at 31 December 2017. This significant increase in the year brings the market value of the properties close to the cash equivalent amount of the loans (€68.1m) originally advanced by the Council to the company. The loans comprise of term loan facilities that are subject to a 13-month repayment notice period and refer to the company's acquisition of the Council's assets, rights, interest and entitlements over the lands and property at Cherrywood.

In accordance with the loan agreements, interest was charged in 2017 on a portion of the total loan book. An amount of €0.29m was calculated (on loans to the value of €24.4m) and included as income in the AFS. For 2018 and later periods, interest is required to be charged on loans to the total value of €43.5m until repayment. As per the relevant loans conditions, the remainder of the amounts advanced to the company will remain interest free.

In accordance with the Code of Practice and Accounting Regulations for local authorities, all interest earned by the Council should be charged to the Income & Expenditure Account.

Chief Executive's Response

The improvement in the financial position of the company, together with the payment of loans interest to the Council, is welcome.

7.2 Dún Laoghaire Rathdown Leisure Services CLG

This company oversees the day-to-day management of the two municipal golf courses situated at Stepside and Marlay Park (currently closed) and the four leisure centres located at Meadowbrook, Monkstown, Loughlinstown and Ballyogan and other ancillary activities. It is a company limited by guarantee and not having a share capital.

The company's audited accounts for the year ended 31 December 2017 recorded a surplus for the year of €162k thereby increasing the shareholders' funds at that date to €3m approximately. The company continues to carry significant cash reserves.

I have requested the Council's management representatives on the company's board of directors to instruct the company to immediately undertake a full review of the community funds received in previous years (I have been advised that these funds were contributions towards the development of the now closed Glenalbyn swimming pool) to ensure that adequate documentation is kept, properly itemised and maintained in the company's records. Furthermore, a review of the disclosures made in the company's annual financial statements, in respect of the amounts received, should be undertaken.

Company management were met during the course of the audit and it would appear that the various business activities are being managed effectively and that determined efforts are being made to maintain the current good trading performance levels.

Chief Executive's Response

The review referred to above has commenced and it is anticipated that the issue will be resolved in advance of the next audit.

7.3 The Pavilion Theatre Management Company CLG

This company oversees the day-to-day management of the Pavilion Theatre. It is a company limited by guarantee and not having a share capital.

The company's audited accounts for the year ended 31 December 2017 recorded a surplus for the year of €77k thereby increasing the shareholders' funds at that date to approximately €0.5m.

The building in which the theatre operates is owned by the Council and its use was subject to a lease agreement between the two organisations. The original lease agreement was signed in 2000 and has long since lapsed. Despite recent efforts to have

it replaced, no formal legal agreement currently exists. This matter needs to be regularised without further delay.

Company management were met during the course of the audit and it would appear that that determined efforts are being made to maintain the current good trading performance levels.

Chief Executive's Response

The Council's Legal Department has prepared a new lease agreement which has been submitted to the Pavilion's Board of Management for their consideration.

8. Governance

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. The Chief Executive, her management team and the Council members all have a role in ensuring that there are sound systems of financial management and internal control in place.

8.1 Risk Management

An effective risk management framework provides the executive management and the Council members with assurances that major organisational risks are identified and appropriately managed.

The Council's divisional risk registers were recently comprehensively reviewed and amended by management. The registers were also reviewed as part of the audit process.

In my opinion, the concepts of risk awareness and risk management are embedding well into the culture of the organisation. There is now a formal internal control mechanism in place that requires the divisional registers to be reviewed at regular intervals. The recent acquisition of software will further strengthen and enhance this process.

In accordance with best practice, risk management should be a standing agenda item at all management team meetings.

Chief Executive's Response

The Council's risk registers are continuously reviewed and updated to ensure that they reflect those risks, existing and emerging, to which the Council is exposed. Risk management is a standing item for team forum meetings.

8.2 Internal Audit

There are currently two staff assigned to the internal audit unit. A significant portion of the work output from this unit is contracted to private auditing firms that are selected from a framework agreement for the supply of accounting and auditing services established by the Department of Justice and Equality.

While the quality and quantity of work generated by the unit is satisfactory, it would be preferable to increase the staff compliment working within the unit with less reliance placed on outsourcing parts of the annual work plan.

It is a critical element of good corporate governance that the internal audit function for an organisation the size of the Council is adequately resourced with professionally trained staff.

Chief Executive's Response

The work of the audit section has increased substantially and this has been recognised with the volume of audits being presented to the audit committee. A review of the workload together with a cost comparison of long term specialised staff versus outside third party will be carried out.

8.3 Audit Committee

The audit committee met on six occasions during 2017 and issued its annual report for that year in April 2018.

I commend the work of the committee which continues to make significant contributions to the independent oversight of corporate governance within the Council.

8.4 Annual Declarations of Interest

Part 15 of the Local Government Act, 2001 (as amended) imposes obligations on all Council members and staff of a certain grade or assigned certain duties to make annual declarations to the Ethics Registrar of the local authority.

During the audit, I reviewed the returns made in respect of the period ended 29 February 2018 following which I have recommended to the Chief Executive that a review of operational procedures is needed to improve compliance levels.

The weaknesses identified in the audit review included the following:

- 2 Council members (as at report date) failed to make appropriate returns for the period under review. I have forwarded the details of the missing returns to the relevant divisional management accompanied with instructions for follow up. The non-return of the required forms is in contravention of the relevant Council members' statutory obligations
- A significant number of returns (both staff and Council members) were not made by the prescribed deadline date
- A significant number of returns were not fully complete.

All Council members and staff should be reminded of their statutory obligations in respect of the necessity to furnish appropriate declarations by the annual deadline date. The forms when returned should be completed in full.

Chief Executive's Response

Reminders will be issued to Members and staff prior to deadline date with regard to their statutory obligations and their requirement to complete the declarations in full i.e. all sections to be completed whether applicable or not ("n/a" will be required to be entered in a section with no declarable interest).

9. Payroll

9.1 Payments of Overtime

During 2017, the Council's internal audit unit arranged for a review of the internal controls over the payments of overtime to both waged and salaried staff. The subsequent report highlighted some significant weaknesses.

As the focus of the internal audit review was in respect of payroll payments made during 2016, a similar examination with the focus on 2017 payments was performed as part of this audit.

The following was noted:

- There was an absence of any back up documentation supporting the overtime payments made to one member of staff comprising a total of 5 claims sampled
- There were significant delays noted between the dates the overtime was undertaken and the subsequent claiming of the additional payments by two salaried staff sampled. Delays in submitting claims was also noted amongst waged staff
- None of the overtime claims reviewed for 5 employees (comprising 31 claims sampled) were signed either by the claimant or by the designated supervisor. Claims submitted by a further 3 employees (comprising 19 claims sampled) were only signed by the claimant and not, as required by internal procedures, by the designated supervisor
- Different claim forms are used by the waged staff and consequently there is no standard claim form
- In general, it was noted that the level of information provided to support the requirements for the overtime undertaken was sparse – the control environment in this area needs immediate improvement.

The examinations of overtime payments incurred in both 2016 (IAU report) and 2017 have highlighted some serious internal control weaknesses that require immediate attention by management to ensure they are addressed. Regular spot checks of the overtime claims should be introduced as a formal internal control procedure.

Chief Executive's Response

The Council is currently carrying out a review of procedures and processes in relation to the claiming of overtime. As part of this process reminders will be issued to managers to ensure that overtime is documented correctly, claimed in a timely manner, has provided adequate information to support the overtime requirement and is signed off by both claimant and supervisors. Departments will be reminded of the need to retain documentation in relation to overtime in line with the Council's record management policy.

An Overtime Procedures Policy for salaried staff has been prepared by the Human Resources Department and circulated to senior staff and staff representative unions for comments and observations. Once this consultative process has been completed the policy will be formally adopted by the Council and implemented. It is intended to also prepare a similar wages overtime policy document.

The issue of late submission of overtime claims forms is formally addressed in the overtime policy document, with a requirement that overtime claims are submitted in the following fortnight following completion of overtime but in any instance not later than two months from the date the overtime is worked. Claims for overtime worked by waged staff are, in the main, submitted for payment in the fortnight following its working.

A revised template form for waged staff time returns will be issued to all Departments for the purpose of recording number and details of hours worked. The introduction of the new form was delayed by the move to MyPay. This will replace the current practice whereby different methods are in place in different Departments. It is intended that the maximum information possible will be recorded on the updated form.

It should also be noted that when payroll details are input to the on-line payroll system they must be further certified and approved by two members of the supervisory /

management staff before they can be submitted for payment. This is a further internal control within the payroll process ensuring the accuracy of payments made.

The overtime claim form currently in use for salaried staff requires detailed information in relation to the overtime worked to be included prior to submission of the claim form for payment. Future claims forms that are not fully and accurately completed will be returned to the claimant for correction, in line with the draft overtime procedures policy.

As resources allow, spot checks will be undertaken by the Payroll section to get assurance from Departments that supporting documentation for overtime worked was obtained and is being retained.

9.2 Acting up Allowances

The matter of unsanctioned acting up allowances was highlighted at the previous audit and I note that good progress has been made with regard to regularising the status of the indoor based staff.

However, acting up allowances (of periods in excess of six months) continue to be paid to a significant number of outdoor based staff that needs management's immediate attention to ensure the Council is compliant with the Department's instructions.

Chief Executive's Response

The recruitment schedule should address the issue of long term acting up allowances.

10. Dún Laoghaire Harbour Company

The Harbours Act 2015 provides for the future transfer by way of Ministerial Order of 5 named Ports (including Dún Laoghaire Harbour Company) to local authority led governance structures.

I note recent correspondence from the Department of Transport, Tourism and Sport that confirms that the company will transfer to the Council (using one of two possible models of transfer) following the signing of the Ministerial Order.

I also note the contents of the risk assessment report that was recently circulated to the elected members which highlights the possible financial impacts that the transfer could have on the Council.

Management should continue to engage with the relevant Government Departments to ensure that this matter is satisfactorily concluded.

Chief Executive's Response

The projected net financial risk associated with the transfer of the Harbour to the Council is €33.5m. Should the Harbour transfer without funding to cover these liabilities it will have a detrimental impact on the Council's revenue and capital budgets. The Council is in on-going discussions with the Department in an attempt to secure adequate funding.

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.



Eamonn Daly
Local Government Auditor
25 July 2018

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