

Dublin City Council

Audit Committee

Minutes of Meeting held on 10th December, 2015 at 8.00 a.m.
in the Members Room City Hall

Attendance:

Members

Mr. Brendan Foster, Dublin Chamber of Commerce, Chairperson
Mr. Johnny McElhinney, Dublin Business Forum
Councillor Naoise O Muir, Docklands
Councillor Nial Ring
Councillor Noeleen Reilly
Ms. Louise Ryan, TCD
Professor Marann Byrne, DCU

Officials:

Ms. Kathy Quinn, Head of Finance
Mr. Hugh Fitzpatrick, Head of Internal Audit
Ms. Martina Mc Loughlin, Staff Officer, Internal Audit

Apologies:

Mr Owen Keegan, Chief Executive, Dublin City Council

1. Minutes of Audit Committee Meeting held on 24th September, 2015

The Chief Executive's update re: IPB Value for Money Review by PWC and Review of DCC's Approach to Risk Taking/Insurance by Willis, which had been forwarded to the members on 7th December 2015 was noted.

The minutes were agreed.

2. Standing Item on the agenda – Any Conflict of Interest of A.C. Members

No conflict of interest declared by members.

3. Presentation by Tony Flynn, Executive Manager and Una Joyce, Senior Executive Officer, Housing & Residential Services Department, on "Mortgage Arrears".

The Chairman welcomed Tony Flynn & Una Joyce and said it was important that the Audit Committee be briefed on all relevant issues. Tony thanked the Committee for the invitation. He outlined generally the background in relation to Housing Loans. There are various housing loans provided by DCC. The criteria to qualify includes proof of two refusals from lending agencies for mortgage approval. DCC implementing government policy promoting "home ownership" but essentially a lender of last resort. The income level is under €50K for a single person and under

€75K for a couple. There are currently 3,000 accounts, with weekly meetings to review. Statements are issued annually. The arrears are high, possibly due to the low income levels necessary to qualify. There is a Mortgage Arrears Resolution Process (M.A.R.P.), which includes a mortgage to rent scheme, for people in arrears. The court element for re-possession is the last resort. Dublin City Council, Arrears Support Unit has eight Arrears Support Officers.

Una Joyce, Senior Executive Officer, then gave a presentation on Housing Loans.

The members had questions on this issue, which Tony and Una answered.

- Loans have been given by DCC since the 1970's for small dwellings.
- The arrears of €15M are stabilising, the mortgage to rent scheme has helped, part of this is a legacy amount as there was no resolution process in place in the past.
- A new Incremental Tenant Purchase Scheme comes into effect from 1st January, 2016. This government policy decision will have to be implemented by DCC. The new Scheme will have a minimum income level of €15,000; 60% discount on value of property; charge on property for 30 years, but if sold within 5 years, all costs of market value are recouped by DCC, a further reduction of 2% for each subsequent year.
- The 2012 Sales Scheme provided a 45% discount, but there was a very low uptake.
- These Schemes are financed through the Housing Finance Agency. They are always re-paid by DCC, i.e. DCC take all the risk.
- There was a query as to the closing date for the new Scheme – It commences on 1st January, 2016, no closing date as such, but applicant must be a social housing tenant for 1 year. Also, if a tenant has arrears in rent, it doesn't automatically disqualify them, but 90% must be paid off.
- The background to this Scheme. It is Government policy, indirect provision for 1st time buyers, with guidelines around income/eligibility.
- Discussion around the 60% discount, how that is reflected in DCC accounts. Not a straightforward situation, as the figure arises from the original purchase price paid by DCC and the ultimate sale price paid by an applicant under the Tenant Purchase Scheme. The value of houses which would have been built many years ago, were valued in 2004 when DCC introduced a balance sheet.

4. Report No. 9 - Update on the 'Pyrite Issue' in Dublin City Council's administrative area

Tony Flynn answered the members questions on this issue.

Noeleen Reilly queried should Santry Community Centre and other schemes be included on the report. Pyrite has not manifested itself in the community centre, there are other issues which could be causing the problems there. Only DCC housing projects, which can be conclusively proven as being affected by pyrite, are included in this report.

Questions in relation to who will pay for the remedial work. Under the heading "Certainty" in the report, it is unclear who will ultimately pay. In relation to the 1990

Affordable Housing Scheme, DCC was fully engaged in this Scheme and is ultimately responsible for any pyrite issues.

Ballymun: resolution re funding for Ballymun due to be finalised soon, remediation of houses to start after Christmas.

The Belmayne Scheme: Premier Guarantee should be responsible for the remedial works under this Scheme.

DCC in final negotiations with D.O.E.C. & L.G. re funding for housing projects

Silloogue B, etc. – at final stage with D.O.E.C. & L.G., earlier to remediate the better

Tony Flynn was thanked in relation to the Ballybough scheme, in relation to the work carried out there

Further issues discussed were procedures in the future, to stop the risk of pyrite happening again: specification re full contracts now state where fill comes from, due diligence on testing at quarry stage

Noeleen Reilly requested that windows & doors at Carton (Ballymun) be replaced, when other works being carried out, Tony Flynn noted this request.

5. Report No. 7 – Annual review of the Audit Committee’s Charter (copy attached)

There is a requirement under the Local Government (Audit Committee) Regulations, 2014 that the Audit Committee Charter be reviewed annually by the Audit Committee and the Local Authority.

The Audit Committee agreed the Charter and Mr.Fitzpatrick to arrange for the Charter to be submitted to the City Council for formal approval. **Action 1 (see item 7 in relation to this matter)**

6. Report No 8 – To agree the Audit Committee’s Work Programme for 2016

There is a requirement under the Local Government (Audit Committee) Regulations, 2014 that the Audit Committee shall prepare an annual work programme that shall be adopted with or without amendment by the Local Authority.

The Work Programme for 2015 included a Review of the Annual Report of the Local Authority. This should not have been included and HF proposed that this item be removed from the Work Programme for 2016 and with this change, the Work Programme 2016 should be submitted to the City Council for adoption.

Agreed.

Mr. Fitzpatrick to arrange for submission of the work programme to the City Council for formal approval. **Action 2**

7. Update on: Report No. 5 - Review of “Corporate Risk Management” and Report No. 6 - Protected Disclosures Act, 2014, from Ms. Mary Pyne, Head of Human Resources & Corporate Services.

Corporate Risk Management: Report noted.

Protected Disclosures: Update noted.

Still awaiting final guidelines to be issued by the Department of Public Expenditure and Reform (DPER). The Committee's wish was to have this matter progressed with more urgency, as DCC can't wait indefinitely on DPER. There were also concerns expressed by the Committee in relation to whom should a protected disclosure be made, as they felt it was not always most appropriate for it to be made to a designated official. HF reminded the members that there is provision in the Audit Committee Regulations 2014 and guidance notes issued by the D.O.E.C.&L.G. for employees to make a disclosure directly to an Audit Committee about possible irregularities in financial reporting or other financial matters, but reporting wider sense of wrongdoing matters more appropriately dealt with by a designated official. He also informed the Committee that South Dublin County Council's Audit Committee had put a policy and procedures in place to address this matter. He will examine their document and report back. **Action 3.** Cllr. O Muiri suggested that the A.C. Charter should be amended in this regard.

HF to draft wording of proposed amendment and will circulate to Members. If agreement can be reached, will forward revised Charter to the City Council for formal approval.

In response to a query, it was noted that none of the DCC Committees have examined this matter yet.

8. Internal Audit Report R06/15 - Quality Assurance Review – Marlborough Street (Rosie Hackett) Bridge to comply with the Public Spending Code Directive from the National Oversight and Audit Commission (NOAC)

Requirement under NOAC to comply with the Public Spending Code. Initial submission date of end of Sept., 2015 was extended to the 9th October, 2015. Project had to be of a value greater than €500,000, there is a requirement to carry out checks on approximately 5% per year of the annual inventory (both capital and revenue spend), which for 2015 was €1.38B.

Noted

9. Report No. 10 - Regulation of Lobbying Act, 2015

New requirement, incorporating the Transparency Code. Noted. Register of lobbying to be set up by the Standards Commission.

Opinion expressed in the Head of Internal Audit's report noted and agreed.

10. Report No. 11 - Internal Audit's draft Annual Audit Plan for 2016 and Resourcing of the Internal Audit Unit (Staffing)

HF informed the members of the staff changes in Internal Audit. Martina Mc Loughlin replaced Carmel Watters. A.O. vacancy filled, 3 days a week currently, but on a five day week from January, 2016. Clerical Officer position to be replaced with a Staff Officer. Grade 6 on maternity leave, due back next April/May, possibly replace her temporarily.

Draft Plan: IA met with ACE's from all Departments and discussed their Risk Registers. Also met with Richard Murphy, Principal Local Govt. Auditor. Also the preparation of the in-depth "Quality Assurance" element of the report which has to be submitted to NOAC, in order to comply with the Public Spending Code.

One of the issues on the 2016 Plan is a review of the Major Emergency Plan, and also to differentiate between a Major Emergency Plan and a Local Emergency. Review of IT systems, it is proposed to outsource this audit as specialised technical expertise will be needed to undertake that work. However, IA will look at software asset management systems within DCC.

Review of compliance with Public Procurement procedures will be looked at, in a large spend Department e.g. Fire Brigade.

Capital Project under the Public Spending Code, awaiting guidelines from DPER. The Committee expressed the opinion that a broad range was covered under the Plan for 2016.

Query re the necessity of the Motor Tax stocktake. KQ stated that it has to be done and only takes 2 days

Nial Ring queried the title on the Housing Maintenance audit, and suggested changes. Naoise O Muiri sought clarity on the number of VFM audits. KQ made the point that all audits are ultimately VFM audits.

BF hoped that the audits carried forward from 2015 and the audits proposed on the 2016 Plan could all be completed in 2016. **Draft Annual Audit Plan for 2016 approved.**

11. Possible subjects of future 'Familiarisation Sessions' for the Audit Committee by Senior Management. Also, any training needs identified for Members in 2016

No suggestions at this meeting, but members could forward any suggestions to HF. It will be relisted on the agenda for the next meeting.

No training required.

12. Preparation of the Audit Committee's report in accordance with Regulation 15.

(1) Detailing:- its consideration and findings for the year 2015 in relation to all matters within its authority, duties and functions and (ii) a review of its performance in accordance with Regulation 13 and any issues impairing that performance.

HF to consult with the Chairperson in relation to the preparation of a draft report and he will submit it to the Audit Committee for consideration at the February, 2016 AC meeting. **Action 4**

13. Feedback from Finance SPC

K.Q. informed the members that the Finance S.P.C. had requested that the Audit Committee re-consider its decision in relation to the circulation of audit reports. After further consideration, the Committee decided that it was satisfied with the current situation in this regard.

14. To agree a schedule for meetings of the Audit Committee in 2016

The members agreed the following dates for 2016:

11th February; 12th May; 15th September and 8th December.

It was agreed to combine the meeting for the Annual Financial Statement with the meeting scheduled for 15th September, instead of having a separate meeting.

15. A.O.B.

The AC considered the attendance of Richard Murphy, Principal Local Government Auditor, at the next meeting. It was agreed that the committee did not require his attendance.

The meeting concluded at 9.45 a.m.



Brendan Foster, Chairperson

Date: 16th February, 2016

Appendix A

Actions agreed at this Audit Committee Meeting

Action 1: Hugh Fitzpatrick to arrange for the Audit Committee Charter to be submitted to the City Council for formal approval, if the wording of an amendment re Protected Disclosures can be agreed between HF and the Members. **(HF)**

Action 2: Hugh Fitzpatrick to arrange for submission of the Audit Committee Work Programme to the City Council for formal approval. **(HF)**

Action 3: Hugh Fitzpatrick to examine South Dublin County Council Audit Committee Policy & Procedures for dealing with receipt of Protected Disclosures **(HF)**

Action 4: Preparation of the Audit Committee's report in accordance with Regulation 15. (1) Detailing:- it's consideration and findings for the year 2015 in relation to all matters within its authority, duties and functions and (ii) a review of its performance in accordance with Regulation 13 and any issues impairing that performance (copy of Text of Regulations 13 and 15 attached). Draft report in consultation with the Chairperson and submit to AC in new year. **(HF)**

Appendix B

Actions agreed at previous Audit Committee meetings but still to be dealt with to date, to be carried forward to the February, 2016 meeting.

Action 4: Agreed at the February, 2015 meeting. Review of recommendation implementation report will be submitted to the Audit Committee in due course. **(HF)**

