

FINANCE DIRECTORATE

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Head of Finance

INTRODUCTION

RÉAMHRÁ

The Finance Directorate provides a major support service to the organisation in relation to the provision of the following:

- (a) Paymaster Function and related Accounting and Revenue/Taxation implications
- (b) Maintenance, Development, and ensuring the integrity of all Accounting systems
- (c) Foster, sponsor and provide assistance/expertise in the identification and implementation of new systems in the Finance and related areas
- (d) Statutory Accounting for all monies which have at one time or another flowed through the accounts and records of the County Council and provide assistance as and when required to the Town Clerk of each Town Council under the Donegal County Manager
- (e) Planning and controlling the activities of the organisation to establish Annual and Periodic Budgets, their subsequent management and to assist in the control of costs
- (f) Oversight of the Management of Debtors throughout the organisation and ensure adequate cash is available to meet ongoing needs
- (g) Line Management of the Council's independent Internal Audit function
- (h) Support to other Directorates by way of advice, support and provision of analytical breakdowns on an ongoing basis
- (i) Provide an essential liaison for the organisation with the External Auditor and his/her team and the newly formed Audit Committee.

ORGANISATIONAL WIDE FINANCIAL ISSUES

1. LOCAL GOVERNMENT FUND ALLOCATION FOR GENERAL PURPOSES

The allocation received for 2009 of €41,475,164 (Fin 08/2008 in Appendix 2) represents a 5.95% decrease on the amount allocated for 2008.

I set out hereunder levels of allocations received from this source for the past number of years.

LGF ALLOCATIONS 2001 - 2009	
2001	€22.800m
2002	€24.198m + 6.13%
2003	€26.160m + 8.11%
2004	€32.356m + 23.69%
2005	€35.733m + 10.44%
2006	€38.547m + 7.88%
2007	€41.557m + 7.81%
2008	€44.098m + 6.11%
2009	€41.475m - 5.95%

In relation to the allocation for 2009 this comprises a baseline allocation of €41,010,941 and a sum of €464,223 for Equalisation via the Needs & Resources Model. "Equalisation for 2009 is calculated in proportion to each Local Authority's share of equalization over the past 5 years as established by the Needs & Resources Model".

The letter of Allocation states " *The total amount of General Purpose Grants available for 2009 will be revisited and reviewed following the introduction of the Non Principal Private residences charges as announced in the Budget*".

All the time of writing it is not determined as to who, and how, such charges for Non Principal Private Residences will be collected. Primary legislation needs to be enacted perhaps and it is the intention to keep Elected Members fully briefed on key developments in this regard as they happen.

2. AUDIT COMMITTEE AND OTHER DEVELOPMENTS

(a) Audit Committee

Donegal County Council established its Audit Committee and approved its membership at a Special Council Meeting on Monday 10th December 2007. This Committee met on the following dates in 2008, 10th April, 27th May, 4th September and 19th November.

(b) Other Developments

As indicated last year the Government established a new Commission on Taxation whose terms of reference included for the consideration of future financing options of the Local Government system in this jurisdiction. Donegal County Council made a submission to the Commission on the 28th May 2008 and it is expected the output of the work of the Commission will be available in the latter half of 2009.

3. REDEMPTION OF MORTGAGE AND NON MORTGAGE RELATED LOANS & FUNDING GAP ISSUES IN THE MORTGAGE LOAN BOOKS ETC.

In my report for the Draft 2008 Revenue Budget I set out a detailed report in respect of the above.

For the record due to actions taken on redemption of loans, almost €2m is avoided in required Revenue Provisions on a recurring Annual basis. The required approvals were obtained from the Department of the Environment, Heritage & Local Government and such redemptions have been funded from Disposal of Assets proceeds. In the case of a €6m Non Mortgage loan redemption in June 2007 this is still carried on Overdraft pending receipt of monies from an Asset Disposal.

This key outcome of reducing the annual revenue requirement for Loan Charges by €2m is in addition to dealing fully with the Mortgage Funding Gap difficulties and as reported in 2007 Draft Unaudited Annual Financial Statement this gap has now been eliminated.

The Mortgage Funding Gap was an ongoing issue in the accounts of Donegal County Council since the transfer to the new format of accounting in 2003.

4. WRITE DOWN OF THE ACCUMULATED REVENUE DEFICIT.

The Accumulated Revenue Deficit stood at €10.897m as at the 31st December 2007. Again as for 2007 and 2008 in drafting the budget for 2009 it has not been possible, given other requirements for 2009, to provide for a further write down in 2009 of €800,000.

5. CHARGES ON TOWN COUNCILS

The charges on Town Councils for provision of County Wide Services are as follows:-

1. Letterkenny Town Council	€1,069,810
2. Buncrana Town Council	€355,944
3. Bundoran Town Council	<u>€384,000</u>
Total	<u>€1,809,754</u>

In the report for the 2008 Draft Revenue Budget I set out the legal provisions and details of key principles governing our approach to the levying of such charges.

In March 2008 I made a presentation to the Members of the Letterkenny Town Council in relation to County Charges on Town Councils

6. TRANSFER OF WATER FUNCTION TO DONEGAL COUNTY COUNCIL

On the 1st of January 2004 Donegal County Council became the Water Authority for the whole of the County of Donegal. We were required to effect the transfer on a Revenue Neutral Basis. This resulted in the following, which are dealt with separately from the County Charge:

	€
Letterkenny Town Council	144,000
Buncrana Town Council	163,300
Bundoran Town Council	(80,900)

These amounts, which are the same each year, are receivable or (payable) annually by Donegal County Council and are included in Division C, Water Supply & Sewerage. There has been no adjustment in respect of this in the Local Government Fund Allocations for Donegal County Council and each of the Town Councils since 2004.

It is note worthy that increasing costs in the Water/Waste Water area, since the transfer of the function, are not passed on to the Town Councils on the basis that Donegal County Council recovers such costs from the Non-Domestic Sector and the Departments Local Government Fund meets the cost of providing services to the Domestic Sector. As members will be aware it is not at all transparent that the Local Government Fund does provide such funding on an adequate basis for Water Services provided by Donegal County Council to the Domestic Sector. Due to economic and other reasons Donegal County Council, in the proposed charges for 2009, will not be recovering in full the cost of provision of Water Services to the Non Domestic Sector.

Other Charges on Town Councils

Other Payments receivable from Town Councils in respect of Agency Services & Contributions

Town Council	Roads	Planning	Town Plans	Other	Total
	€	€	€	€	€
Letterkenny	120,000	196,000	105,020	251,642	674,662
Buncrana	3,000	43,500		165,200	211,700
Bundoran		40,500		93,901	134,401
TOTAL	123,000	280,000	105,020	510,743	1,018,763

**FINANCE DIRECTORATE
STIÚRTHÓIREACHT AIRGIDIS**

Draft Revenue Budgeted Expenditure:	€13,123,998
Draft Revenue Budgeted Income:	€70,033,922

The following pages set out the above as per each Relevant Division

In addition to Payroll costs and Non Pay costs associated with Accounting and Administration tasks of the Finance Department a large bulk of further Non Pay Expenditure in the Finance Directorate tends to be predominately non-discretionary - Loan Charges, Insurance Premia, Irrecoverable Rates, Mortgage Protection Insurance, Audit Fee, County Enterprise Board Payroll, Contribution to VEC, Malicious Injuries, Agency Services, Banking Costs, as well as Overhead Funds allocated to other Directorates.

Non Discretionary Costs	€8,859,068
Payroll & Non Pay Costs	<u>€4,264,930</u>
	<u>€13,123,998</u>

Draft Revenue Budgeted Expenditure: €2,794,717
Draft Revenue Budgeted Income: €1,281,900
(Pages 10 - 12 Blue Pages)

LOAN CHARGES - MORTGAGE RELATED LOANS

The Draft Revenue Budget includes a figure of €1,281,900 for these loan charges in the Housing Programme for the interest repayable in respect of a variety of Housing Loan schemes as introduced by various Governments over many years.

There is a corresponding income of €1,281,900 in respect of the interest element of repayments by mortgagees (including new borrowings).

The inclusion of interest only is in accordance with the Accountancy Guidelines for the establishment of Budgets in this regard as issued by the Department of Environment, Heritage and Local Government.

The Finance Directorate is responsible for the payment of all Loan Charges - both Mortgage and Non Mortgage related - and for the negotiation of loans other than Mortgage Loans from the Housing Finance Agency. The Housing Finance Agency accounts for the bulk of Local Authority Loans both Mortgage and Non Mortgage particularly in relation to Housing.

In the determination of Loan Charges for 2009 for variable rate loans the Council is anticipating reductions in current interest rate levels over the course of 2009 based on the anticipated deflationary period for World Wide interest rate levels given the Global Economic Slowdown.

INCOME FROM HOUSING LOANS

The Annual Accrual amounts to €2,450,000 approx. for this heading with the interest element of €1,281,900 included in the Draft Revenue Budget for 2009 in accordance with Accounting Guidelines.

The work in relation to the accruals and follow up of same as well as handling issues such as Interest Rate Charges, Mortgage Protection Insurance and Tax Relief at Source is handled by Debtors Management Section in the Finance Directorate.

Pursuit of defaulters is largely done through a long standing process including issue of Final Demands and consequential legal actions. We also follow up with mortgage account holders for the repayment of loans with some assistance from the Revenue Collection Service.

Gross arrears of €541,532 were outstanding at 31st December 2007 (net arrears shown in the 2007 Annual Financial Statement are €457,908 with an amount of €457,740 (net) estimated to be outstanding at the end of December 2008. The gross amounts do not include credits where Mortgagees pay in advance for whatever reason and/or arise due to failure to cancel Bank standing orders following redemptions of loans by them. We follow up such matters on an ongoing basis to resolve as quickly as we can.

Division B

**ROAD TRANSPORT & SAFETY
IOMPAR AGUS SABHAILTEACTH AR BHÓITHRE**

Draft Revenue Budgeted Expenditure: € 84,700
Draft Revenue Budgeted Income: € Nil
(Pages 13 - 15 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2009 includes a provision of €84,700 in respect of Loan Charges for Navenny Street Car Park in Ballybofey.

Division C

WATER SERVICES SEIRBHÍSI UISCE

Draft Revenue Budgeted Expenditure: € 128,984
Draft Revenue Budgeted Income: Nil
(Pages 16 - 17 of Blue Pages)

WATER CHARGES - PROPOSALS FOR 2009 CHARGING

These are dealt with in the report by the Director of Water, Environment and Emergency services.

All income from Water Charges is available to the Water Directorate and budgeted details are set out in Division C (Blue Page 17).

COLLECTION OF WATER CHARGES

As noted for the 2008 Draft Revenue Budget the issue of bills processed by finance and follow up of these charges is now based on the Electoral Area Offices through the Corporate Services Directorate who work both with the Water, Environment & Emergency Directorate and Revenue Collectors on a day to day basis.

In doing this work including dealing with some of the accounts seriously in default Corporate Services rely on expertise and back up from the Debtors Management Section, Finance Directorate based in Lifford. The Debtors Management Section is primarily responsible for all system aspects in this regard including Database Management, Customer Set Ups and development of reporting templates as requested. This periodically requires Debtors Management to interface with the software supplier to ensure from a system perspective accurate and detailed billing and the issue of customer statements. This allows for the accurate "bringing to account" of this important area of income in the Annual and Periodic Financial Statements. The Debtors Management Section also deal, through the legal process, with the more persistently difficult cases where efforts by Corporate Services at the local level have been exhausted without achieving the necessary payment and where the legal process is deemed to be the best option to enforce collection.

Donegal County Council is, since the 1st January 2004, the Water Authority for the whole county and all bills are issued in the name of the County Council.

WATER DEBTORS - ARREARS

The total amount outstanding for Water Charges at the time of writing is €6.9m approximately and is projected to be €9m approximately when the 2008 Annual Financial Statement is completed. This will be following issue of bills in early 2009 that refer to 2008 consumption, the completion as well of all necessary reconciliations and the detailed examination of all individual accounts outstanding.

In 2008, as for 2007, with the roll out of the metering project and the need to develop adequate Customer Databases, linkages with all systems in use and the validation of all information, all of which has given rise to delays in the issue of bills for water consumption in 2008. It is noteworthy that practically all bills for Water Services that are due for issue at this stage of 2008 have in fact issued and by the end of January/early February all 2008 Bills should be issued. This Projected Debtor Balance of €9m shows a marked disimprovement on the figure of €4.2m at the 31st December 2007 (Source: Draft (Unaudited) Annual Financial Statement 2007) which in itself was very unsatisfactory. The increase in Water Charges and delays in bills issued are no doubt factors in this increase but are not a satisfactory explanation for this problem. It will be necessary in early 2009 to vigorously enforce collection through legal and other means including implementation of the Council Policy for disconnection and/or restriction of supply. The involvement of the staff of the Water Services Directorate will be necessary in these contexts and it is intended that there will be a concerted effort to enforce collection of amounts due.

With the projected level of Uncollected Debtors at €9m, which has risen steeply in 12 months due to a variety of reasons as indicated, it is prudent that the provision for Bad and Doubtful Debts is increased from €562,000 to €881,500. This latter figure represents 10% of the anticipated income of €8,815,200. This 90% collection rate is well ahead of the current collection rate for bills issued and represents a major work agenda in 2009 to attain such a level of collection.

CUSTOMER BILLING 2009

This section relies on accurate and timely interfaces as between the Service Provider Laing O'Rourke and its systems in terms of the generation of bills for issue by Corporate Services and establishment of new customers. In these respects liaison with Corporate Services locally and the Revenue Collection service in each Electoral area is a necessary ingredient in the process.

In 2008 - and it is expected as well in 2009 - the Finance Directorate has worked with and assisted in developing systems interfaces, processes and procedures to allow for the timely issue of accurate Water Bills.

Regular meetings were held by the Head of Finance during 2008 to ensure progress was achieved in having all bills for 2008 and residual bills for 2007 issued following transition from the old system to working with the service provider Laing O'Rourke.

CUSTOMERS FOR BILLING PURPOSES

It is projected that 9,400 consumers approximately will receive bills for supply of Water and where relevant Waste Water Services in 2009 from Donegal County Council.

LOANS FOR WATER SCHEMES

The Draft Revenue Budget for 2009 includes a provision of €4,800.00 in respect of Loan Charges for borrowings from the Office of Public Works for Water Schemes.

Division D

**DEVELOPMENT MANAGEMENT
BAINISTIU FORBRAIÓCHTA**

Draft Revenue Budgeted Expenditure: €1,008,090
Draft Revenue Budgeted Income: €268,290
(Pages 18 - 20 of Blue Pages)

COUNTY ENTERPRISE BOARD

The Draft Revenue Budget for 2009 includes €268,290 in expenditure to cover payroll costs of the County Enterprise Board. These costs are 100% recoupable.

LOAN CHARGES

A provision of €696,300 is included in the Draft Revenue Budget 2009 in respect of the Economic Development Fund.

Division E

**ENVIRONMENTAL SERVICES
SEIRBHÍSI COMHSHAOIL**

Draft Revenue Budgeted Expenditure: €200.00

Draft Revenue Budgeted Income: Nil

(Pages 21 - 24 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2009 includes a provision of €200.00 in respect of Loan Charges for borrowings from the Office of Public Works for the Fire Service.

Division F

**RECREATION AND AMENITY
CAITHEAMH AIMSIRE AGUS TAITNEAMHACHT**

Draft Revenue Budgeted Expenditure: €139,600
Draft Revenue Budgeted Income: €69,800
(Pages 25 - 27 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2009 includes a provision of €139,600 in respect of Loan Charges for An Grianán Theatre (€102,000) and the County Museum (€37,600). These costs are 50% recoupable from Letterkenny Town Council.

Division G

**AGRICULTURE, EDUCATION, HEALTH & WELFARE
TALMHAÍOCHT, OIDEACHAS, SLÁINTE AGUS LEAS**

Draft Revenue Budgeted Expenditure: €990,200

Draft Revenue Budgeted Income: Nil

(Pages 28 - 29 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2009 includes a provision of €962,200 in respect of Loan Charges for Piers and Harbours Improvement Works.

CONTRIBUTION TO VOCATIONAL EDUCATION COMMITTEE

The Draft Revenue Budget for 2009 includes a provision of €28,000 in respect of the statutory contribution to the Vocational Education Committee.

Division H

MISCELLANEOUS ÉAGSÚIL

Draft Revenue Budgeted Expenditure: €5,042,834
Draft Revenue Budgeted Income: €3,150,024
(Pages 31 - 33 of Blue Pages)

FINANCIAL MANAGEMENT SYSTEM DEVELOPMENTS

I have in previous years set out the progress we have made from being a pilot site to the completion and publication of our Final Accounts in accordance with the Department's Accounting Guidelines based on a new Accounting Code of Practice.

In 2008 we continued progress in relation to processes for Budgeting and Budgetary control. This involved on a periodic basis reporting and systematically tabling at the Senior Management Team level issues in regard to Revenue income and expenditure with required follow-up by each Directorate. In 2008 a new costing system was implemented with the re-statement of the 2008 Adopted Budget. The Draft Unaudited Financial Statement for 2008 will be prepared in the new costing format as required by regulations. This costing system will provide for full costings and greater comparability in time across all Local Authorities of costs in the provision of services as noted in my presentation to the Budget Workshop on the 12th December last. The reports of the Director of Services have been confined to consideration of Direct Costs including Direct Administration Costs etc. in their areas. In the Statutory Tables for this Draft Revenue Budget all Direct Service Costs show Service Support Costs which includes Direct Administration and also attribution of other Overhead Service Costs e.g. Finance, Buildings, Human Resources, Information Technology on the basis of criteria "driving" such costs.

It is and will be a key strategy/challenge in 2009 that such costs in themselves and the work practices in all areas of the organisation which perhaps are "driving" them will be rigorously examined and resulting costs in terms of processing minimised as far as is possible.

IRRECOVERABLE RATES

The Draft Revenue Budget for 2009 includes a provision of €2,328,368 for this heading an increase of €214,792 which in effect is a provision for Bad and Doubtful Debts. This equates to about 11% of the rate warrant of €20,848,800 approximately for 2009.

Rates prove irrecoverable for a number of reasons including downturn in economic activity, closure of operations, properties vacant and for renting and so on. With the completion of the AFS in recent years Commercial Rates Debtors have been carefully scrutinised and collectable debts have been clearly identified. This information has been and will be used to pursue defaulters more intensively for payment. It should be noted that notwithstanding the increased provision for this heading all Commercial Rate Debtors will be vigorously pursued for payment of amounts due, the Council will continue to facilitate all forms of payment and will seek at all times to help ratepayers obtain satisfactory payment schedules thus avoiding unnecessary hardship. It is acknowledged that the environment for the collection of Commercial Rates is becoming a greater challenge particularly in the current economic climate.

OVERHEAD FUND

This fund is generated from the levying of a percentage on Direct Labour Costs for certain grades in accordance with Circular No. RW 3/307 dated 15th March 1988 as revised by Circular No 15/2005 dated 6th May 2005.

The fund will provide €4,851,400 in 2009. The table overleaf sets out the uses of the monies generated and these are included in each Division as set out. The overall position estimated at the 31st December 2008 shows this account to be in balance and known and/or likely commitments accrued in full or in part.

There is a 10% increase in our Insurance Premia for 2009 in respect of Public Liability and the Council is self-insured for any one claim up to €6,500.00 (excess). In the context of excesses our Insurers have advised that there may be a potential liability to Donegal County Council of €2.8m (Draft (Unaudited) Annual Financial Statement 2007) in relation to claims with them. This figure was included in a note to the Draft Unaudited Financial Statement of 2007. The Council has not accrued for this level of liability in our accounts and in terms of 2009 in the Draft Revenue Budget we have provided €1,857,300 which includes premia of €1,408,000, excess claims of €404,300 and provision

of €45,000 for a staff member to progress outstanding Public Liability issues. We had hoped that this may have been done in 2008 but in the event did not proceed as intended.

An overhead charge of 44% (up from 35%) as allowed by Department Circular No 15/2005 dated 6th May 2005 will be applied in 2009 to direct labour costs to jobs funded 100% by Department Road Grant allocations which are notified in January/February of each year.

DETAILS OF DISBURSEMENT OF OVERHEAD FUND MONIES

		2009	2008
		€	€
Division A	Holiday Pay and Sick Pay	61,900	58,900
Division B	Holiday Pay and Sick Pay	800,000	875,000
Division C	Holiday Pay and Sick Pay	420,000	420,000
Division G	Holiday Pay	20,000	19,000
Division H	Insurance	2,045,000	1,757,700
"	Postage	190,000	185,000
"	Telephone Bills	95,000	95,000
"	Recruitment Costs	40,000	125,000
"	Goods & Services General	15,000	25,000
"	Contribution to Payroll Costs in Stores	0	75,000
Support Services	Contribution to IS Costs	200,000	200,000
"	Write Down of Capital cost of year 2000 and Euro transition costs	0	20,300
"	Contribution to Superannuation Costs	964,500	1,346,700
	TOTAL	4,851,400	5,202,600

The write down of Capital Costs as mentioned in the Table under 2008 are now written down in full.

SUPPORT SERVICES/CENTRAL MANAGEMENT CHARGE
SEIRBHÍŚÍ TACAÍOCHTA

Draft Revenue Budgeted Expenditure:	€2,934,674
Draft Revenue Budgeted Income:	Nil

(Pages 35 of Blue Pages)

FINANCE SECTION

Provision in the Draft Revenue Budget for 2009 includes €2,653,817 expenditure in respect of Accounting, Administration, Internal Audit and Loan Charges costs in the Finance section.

OVERDRAFT INTEREST

The Draft Revenue Budget for 2009 includes a provision for this heading of €955,000 which is an increase of €345,000 on the 2008 provision.

We did not exceed our overdraft limit of €40m for the first 6 months or €50m for the latter 6 months at any stage in 2008.

We continue to make every effort to minimise overdraft requirements which averaged €16m throughout 2008. The need for all Directorates to ensure payments/recoupmets to the Council are invoiced in good time and followed up in a timely fashion is crucial. The Council is required to manage its cash very closely given the fact of the accumulated over-spending on the Revenue Account, the carrying of unfunded Capital balances of €4.2m as at 31st December 2007 as well as problems with ongoing recoupmets in the Capital/Fixed Asset Formation Account area. This latter issue is still problematic particularly in relation to investment in the Water and Waste Water infra-structure and our difficulties with obtaining Loan approvals. This was among other things the subject of high level discussions on Thursday 18th December at Departmental level. We still await receipt of an amount of €5.5m which we are carrying on overdraft in relation to a redemption of a Non Mortgage Related Loan made in June 2007 and for which we await the proceeds from the Sale of Fixed Assets.

Donegal County Council is charged the Ulster Bank Group's Cost of Funds plus a margin of 0.5% which amounts to 4.3% (at 11th December 2008) currently on overdrawn amounts.

In recent years the existence of collected Development Levies and Internal Housing Capital Receipts cushioned our overdraft requirements somewhat. As our Capital and other Programmes in Housing and other Divisions roll out these funds are dwindling at a rapid pace thus further pressurising our Overdraft position.

The need for us to redeem Land Acquisition loans is a further difficulty with over €3m due to be redeemed in the latter half of 2009.

In arriving at our requirement of €955,000 for 2009 these have been taken in to account and as noted earlier under Housing Loans we are anticipating in 2009 a progressive reduction in Interest rate levels which assists in maintaining the increased requirement to this level despite a projected overrun for 2008 of €1,210,000 or €600,000 over Budget.

We are again providing for Loan Charges for Loans for which we await approvals and/or will be progressed in 2009 and our Overdraft requirement calculation allows for this. To the extent that Loans are not approved monies will be carried on overdraft and the extra cost of overdraft will be mitigated by Loan Charges savings. This is what has happened in 2008 with the overrun of €600,000 on the Budget for Overdraft mitigated by savings of €532,700 (gross) on Loan Charges

BANK CHARGES

The Draft Revenue Budget for 2009 includes for a provision of €29,000, for Bank Charges in line with the agreement we have with Ulster Bank Ltd for the period, 1st January 2005 - 31st December 2009. All Transaction costs, Merchant Banking costs, Bank Services including all 3rd party costs are included in this agreement. There are no further charges other than overdraft costs for Banking Services. We will be negotiating in 2009 following competition a new 5 year Banking agreement for the period 1st January 2010 - 31st December 2014.

INTERNAL AUDIT UNIT

In the Draft Revenue Budgeted Expenditure for 2009 as above, €280,857 is included under Corporate Affairs Support Services but is included here as the service is line managed through the Head of Finance.

The Unit provides the Internal Audit service to the Council and to the Town Councils.

- Internal audit looks at how the Councils are identifying and managing their risks. It does not focus only on financial statements or financial risks: much of its work is looking at reputational, operational or strategic risks. It also gives an independent opinion on whether internal controls - such as policies and procedures - put in place to manage these risks are actually working as intended. The responsibility to manage risk always resides with management. Internal audit's role is to identify potential problem areas and recommend ways of improving risk management and internal control. In reporting, Internal Audit is also required to liaise with the recently established Audit Committee.
- The Audit Committee has made and continues to make a valuable contribution towards the strengthening of internal controls throughout the organisation.
- The Audit Committee operates under a written charter and has a membership of five with an external representation of three with appropriate expertise. They are required to submit a formal report to the Council on an annual basis.

The scale, complexity and diversity of our business, allied to the need for transparency and accountability, serves to highlight the importance of this committee, one of whose chief aims will be to encourage all of us to strive for continuous improvement in our own performance and in the delivery of services to the general public.

CONCLUSION

In the previous pages the various Directors of Service have set out the service details and the related Draft Revenue Budgetary provisions for 2009


It is hoped that the level and scope of detail provided has assisted the Elected Members in their consideration of the Draft Revenue Budget.

In drafting the Budget for 2009 we have been faced, as set out in my introduction and at the Budget Workshop on December 12th 2008, with dealing with major % decreases in many economic activity related income sources as well as the Local Government Fund. Every effort has been made to deal with service issues after meeting adequately the provision for the Council's obligations in terms of fixed/non discretionary costs.

At this stage I wish to thank the Elected Members for their contributions at the Corporate Policy Group Meeting on November 18th and at the Budget Workshop on December 12th as we prepared for the 2009 Draft Revenue Budget.

I wish to thank my Senior Management Colleagues and staff from all the Directorates for their assistance, help and co-operation.

Finally I wish to acknowledge the commitment and help given to me by my own Finance Staff, who contributed to various preparations for meetings and completion of the 2009 Budget Process including this document.



A. McNicholas
HEAD OF FINANCE

23rd December 2008