



LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Leitrim County Council

for the

Year Ended 31 December 2016



An Roinn Tithíochta, Pleanála agus Rialtais Áitiúil
Department of Housing, Planning and Local Government

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AUDITOR'S REPORT TO THE MEMBERS OF LEITRIM COUNTY COUNCIL

1 Introduction

- 1.1** I have audited the Annual Financial Statement (AFS) of Leitrim County Council for the year ended 31 December 2016, 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 2016 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.

- 1.2** This report is prepared in accordance with Section 120(1) (c) of the Local Government Act, 2001 and should be read in conjunction with the audited AFS.

2 Financial Standing

2.1 Statement of Comprehensive Income

The Council recorded a surplus of €1.06m after making net transfers from reserves of €242k in 2016, resulting in an accumulated deficit of €266k at the end of the year. The variances between the adopted budget and the actual outturn in the revenue account are shown in Note 16 to the AFS and were approved by the members in May 2017.

The specific revenue reserve was a mechanism put in place to facilitate the changeover in accounting treatment when local authorities moved from accounting on a cash basis to an accruals basis. In 2016, the Department of Housing, Planning and Local Government gave local authorities approval to eliminate the specific revenue reserve if deemed appropriate for the purpose of one, or a combination of the following:

- a) Write down of general revenue reserve deficits
- b) Write down of unfunded capital project balances

In accordance with this circular, the Council used the balance on the specific revenue reserve (€957k) to reduce the general revenue reserve deficit in 2016.

2.2 Fixed Assets

The value of fixed assets increased by €2.2m in 2016 and was mainly due to the acquisition of 26 houses during the year.

The reconciling of the land property register with the Property Registration Authority remains incomplete. The Council needs to ensure that the property interest register is properly maintained and reconciled with the assets as reported in the AFS and that adequate resources are allocated to address this issue.

Chief Executive's Response

The Council has established a Land Management Unit and we are currently scoping the procurement of a Land Management System to populate historical records and manage all current and future land related transactions.

2.3 Net Current Assets

The Council's current assets exceed its current liabilities by €15m, which represents an increase of €3.2m on the previous year and is mainly due to the increase in government debtors for housing grants and the conversion of long term investments to short term deposits during the year.

2.4 Loans Payable

In 2016, the level of long term loans payable was €7.5m. Included in the closing balance at December 2016 were loans of €3.2m which will have to be funded from the revenue account. A loan of €1.6m for land acquisitions is included in this balance and relates to developments which the Council are unlikely to proceed with in the short term.

Chief Executive's Response

The payments for the remaining loans will continue to be funded through the annual revenue budgetary process. The Council is reviewing the potential for future development on the site which is the subject of the €1.6m loan.

3 Income Collection

3.1 The arrears and percentage yields from the main revenue collection accounts as outlined in Appendix 7 were as follows;

	Arrears		Collection Percentage	
	2016	2015	2016	2015
Rates	€2.4m	€2.5m	81%	79%
Housing Rents and Annuities	€281k	€314k	88%	86%
Housing Loans	€98k	€97k	63%	65%

3.2 Commercial Rates

The collection yield for 2016 increased by 2% to 81% when compared with 2015, resulting in year-end debtors of €2.4m and represents a decrease of €100k on the previous year. The Council wrote off €175k in respect of rates in 2016, and has included a bad debts provision of €323k (13% of arrears) in respect of these debtors in the AFS. While this provision was increased in 2016, it still remains inadequate and needs to be reviewed.

Chief Executive's Response

The Council continues to work to improve collection yields and reduce the level of arrears. All accounts in arrears are being actively pursued by the Council and a number of files are currently with the Council's solicitors. Payment plans have been agreed in many cases to ease the financial pressure on businesses. The Council will look to increase the existing bad debt provision in 2017 as a priority action.

3.3 Housing Rents and Annuities

Rents and annuities arrears amounted to €281k at the end of 2016 a decrease of €33k on the previous year. The Council wrote off €42k in respect of rents and annuities in the year and has included a bad debts provision of €24.5k (9% of arrears) in respect of these debtors. This provision is inadequate and also needs to be reviewed.

It is also noted that the Council has not carried out an overall tenant rent review since 2008. I recommend that a review is undertaken as a priority by the Council.

Chief Executive's Response

The Council continue to work to improve both the collection yields and to reduce arrears. It is acknowledged that the bad debt provision is low and the Council will endeavour to increase same.

The Council will also consider the issue of a rent review and the differential rents scheme generally, over the coming months.

3.4 Housing Loans

The housing loan collection arrears increased slightly in 2016 with accumulated arrears of €98k at the year end. A bad debt provision of €9.5k (10%) has been provided for against these loans. In my opinion this bad debt provision is also inadequate.

Chief Executive's Response

The Council continues to monitor all housing loan arrears and actively pursue these accounts. It is acknowledged that the bad debt provision is low and the Council will endeavour the increase same in 2017.

4 Transfer of Water and Sewerage Functions to Irish Water

The responsibility for water services functions transferred from local authorities to Irish Water (IW) in 2014. The Council continues to deliver services to IW under a service level agreement. The transfer of water services assets from the local authorities was being advanced over a number of phases, with the financial transfer reflected in the local authorities' accounts in 2014. During the course of the 2016 audit, it was noted that a number of on-going issues in relation to the transfer of assets to IW remained including registration of titles and way-leaves, and that further work is still required to transfer the remainder of the assets.

Chief Executive's Response

The asset transfer process is ongoing throughout the country. The Council will consider the assignment of additional resources to address this requirement in 2018.

5 Capital Account

5.1 The capital account recorded a credit balance of €14m, an increase of €1m on the previous year. This includes balances with a total value of €954k which have been classified as unfunded. However a number of other balances in the capital account classified as funded had debit balances of €4m at the year-end. The classification of these balances needs to be reviewed. Funding proposals also need to be put in place to eliminate these deficits in the future.

5.2 Leitrim Leisure Centre Fund

A credit balance of €2.5m is included in the closing capital balance which relates to a fund set up to buy-back Leitrim Leisure Centre. This was agreed as part of a public private partnership undertaken in 2005, and requires the Council to pay a sum of €6.1m for the centre in 2018. The Council will have to put arrangements in place to fund this in 2018.

Chief Executive's Response

The Council commenced a capital review in March 2017 which is ongoing and scheduled for completion by the end of November 2017. This process should address the funding status of outstanding balances and provide clarity for future funding decisions.

Arrangements have commenced to conclude the process relating to Leitrim Leisure, which will require a level of borrowing to meet the buyback requirement in 2018.

6 Purchasing and Procurement

During the audit of non-pay expenditure, a number of instances where staff did not comply with the Council's own purchasing guidelines were found. A number of minor breaches of procurement guidelines were also noted. The Council needs to ensure that there are adequate procedures in place to ensure compliance in this area.

Chief Executive's Response

The Council has commenced the implementation of the Corporate Procurement Plan which was developed in 2016. We have established a procurement committee, identified the corporate training need and are currently in the process of procuring the necessary contractor to roll out the training requirement for this.

7 Governance

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

7.1 Internal Audit

The Local Government (Financial and Audit Procedures) Regulations 2014 require 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.

In 2016, the internal audit function of the Council was provided by an external professional firm of auditors who completed four audits during the year. I have taken account of this work during the course of my audit.

7.2 Audit Committee

The audit committee held 4 meetings in 2016. The Council's annual internal audit work plan was approved by the audit committee in 2016. The committee submitted their 2016 annual report to the members at their meeting in March 2017 in accordance with Section 60 of the Local Government Act 2014.

7.3 Risk Register

The Council has not updated its risk register since January 2015. The register needs to be reviewed and updated for all of the Council's directorates.

Chief Executive's Response

The Council has commenced the development of a new risk register, with the guidance and support of Irish Public Bodies. Workshops are currently being held with the Senior Management Team, Senior Officers Group and the Audit Committee. It is anticipated that the process will be concluded by late November 2017.

8 Acknowledgement

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



Anne Halion
Local Government Auditor
12 October 2017

