



**Rialtas na hÉireann**  
Government of Ireland

## **LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Mayo County Council**

**for the**

**Year Ended 31 December 2017**

Department of Housing, Planning and Local Government

[housing.gov.ie](http://housing.gov.ie)

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

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Mayo County 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 / Financial position

In 2017, the Council incurred a deficit of €599K after making net transfers to reserves of €5.4m. The cumulative deficit in the Revenue Account increased by €600K to €4.9m.

The budgeted provision for Local Property Tax exceeded the Local Property Tax allocation to Local Authorities for Mayo County Council by €555K. Accordingly the surplus for Total Divisions in Note 16 of €285K should have reported a deficit of €270K, this oversight had no effect on the overall deficit for year ended 2017.

Variances between the adopted budget and the actual financial performance are detailed in Note 16 of the AFS. Members' approval, as required by Section 104 of the Local Government Audit 2001, for the expenditure in excess of the annual budget was obtained at the Council meeting of 14 May 2018.

Overall, there is a need for stricter financial management controls to ensure that budgeted expenditure is adhered to. Additionally, the Council needs to consider various financing options to address the deficit of €4.9m.

### 2.2 Financial Position

The significant movements in the Council finances were:

- Increased accumulated cost of Fixed Assets of €11.9m mainly attributed to capitalisation of Clarke Museum (€5.6m), purchase of houses (€3m) and land in Westport (€2.1m).
- An increase in Roads Transportation and Safety Division of €4.5m mainly due to grant allocations in excess of budgeted amount.
- Reduction in Bank Investments of €4m mainly due to investment in Irish West Airport.
- Reduction in Loans Payable of €2.9m mainly due to standard repayments. Early redemptions of €2.3m were subsequently converted to new loans with the Housing Financing Agency (HFA).
- Increase in Government Debtors of €1.8m mainly due to reduction in monies owed from Transport Infrastructure Ireland (TII) of €0.5m and increase in monies owed from Department of Housing, Planning and Local Government (hereinafter Department) of €2.2m for housing capital spend.
- Increase in Deferred Income of €1.5m mainly related to increase in TII road projects (€7m), reduction in loans deferred (€4m) and other projects (€1.5m).

### 2.3 Capital Account Analysis

The Cumulative Debit Balance on the Capital Account increased by €1.4m to €10.1m. Overall, the Council needs to address the substantial deficit in the short term and should explore financing options.

## Chief Executive's Response

2017 was a challenging year for Mayo County Council and the deficit for the year is disappointing in light of the fact that the Council had reduced its cumulative deficit by €1,042,728 in the preceding three years. However, we will take all reasonable steps in 2018 to ensure that the accumulated deficit on the Revenue Account is reduced.

Capital Account balances continue to be problematic and the Council is actively pursuing outstanding amounts. The members approved borrowings of €15 million to fund capital balances and the Council is awaiting sanction from the Department of the Housing, Planning and Local Government (DHPLG) for these borrowings. The Council is also in discussion with the DHPLG and other Departments to secure funding for the remainder of these balances.

### 3 Income Collection

3.1 A summary of the revenue collections are as follows:

Income Source	Yield %		Debtors €m	
	2017	2016	2017	2016
Rates	85%	82%	€4.3	€5.2
Rents & Annuities	86%	85%	€1.0	€1.0
Housing Loans	71%	68%	€1.3	€1.5

Collection yields in all major revenue areas improved in 2017. All efforts should be made to further improve these collection yields.

#### 3.2 Rates

The Closing Arrears for rates reduced from €5.2m to €4.3m. This mainly occurred due to an increase in the amount of rates collected of €3.7m. The increase is welcome.

It was found that the Council had 221 properties awaiting valuation from the Valuation Office. The Council should continue to work with the Valuation Office to ensure the valuations are completed promptly.

#### 3.3 Rents

The Closing Arrears for rates declined by €79K to €1m.

The administration costs of the Housing Assistance Payment (HAP) scheme is supported by transfers from Rental Assistance Scheme (RAS) reserve of €575K. As tenant numbers decline on the RAS scheme, the funding arrangement may not be sustainable in the long term.

#### 3.4 Housing Loans

As at 31 December 2017, the Council had 436 loan accounts of which 244 (55%) were in arrears greater than 3 months.

## Chief Executive's Response

The improvement in collection rates and reduction in arrears is welcome and we will continue to maintain and strengthen our focus on debt collection working with our Commercial and Non-Commercial customers in a proactive manner commensurate with their particular financial capacity in an effort to further reduce the levels of arrears.

### 4. Transfer of Water and Sewerage Functions to Irish Water

The Water Services Act (No 2) 2013 was enacted in December 2013 and provides for the transfer of water services from the Local Authorities (LAs) to Irish Water (IW) from January 2014. In addition the Act provided for the transfer of assets and certain liabilities related to water services from LAs to IW.

#### 4.1 Balancing Statement

The balancing statement was completed in 30 March 2015.

#### 4.2 Service Level Agreement

Approximately €13.1m was accrued for IW with €1.5m outstanding at year end.

#### 4.3 Water Related Loans

As at 31 December 2017, the Council had loans for water activity with an approximate value of €5m. The cost of repaying interest and capital on these loans is being funded by the Department.

#### 4.4 Water Related Rates

To date, the Council has recouped rates income of €216K for IW businesses from the Department in accordance with Department Circular L3/2017.

#### 4.5 Water Related Assets

The asset transfer process is ongoing. The ownership of water assets under the following headings is as follows

• Registered to Mayo County Council	147
• Registered to 3 <sup>rd</sup> Party	137
• Mixed Registration	8
• Unregistered	16
• To be determined	23
• Transferred to IW	<u>27</u>
• Total	358

Assets that are either registered to a third party, mixed registered, unregistered or registration is to be determined represent 51% (184) of the overall total. The Council should continue to work with IW and other bodies to resolve the title issues in the short term.

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

The Council will continue to work with IW and our Law Agent to progress the process of transferring title of Water assets to IW.

## **5. Capital Account**

### **5.1 Capital Balances – Unfunded**

The review of Capital Balances identified unfunded balances totalling €21.3m.

The unfunded balances were mainly made up of 35 projects totalling €16.3m. These unfunded balances were mainly found in the following Divisions

- Roads Transportation and Safety €1.8m
- Development Management €6.2m
- Recreation and Amenity €6.6m
- Miscellaneous Services €1.7m

The general reasons provided for unfunded balance included

- Overruns €7.3m
- Assets purchased and not yet sold €6.6m
- Other €2.4m

The Council should address the unfunded balances in the short term.

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

Capital Account balances continue to be problematic and the Council is actively pursuing outstanding amounts. The members approved borrowings of €15 million to fund capital balances and the Council is awaiting sanction from the Department of the Housing, Planning and Local Government (DHPLG) for these borrowings. The Council is also in discussion with the DHPLG and other Departments to secure funding for the remainder of these balances.



## 6. Fixed Assets

### 6.1 Register of Lands

The Accounting Code of Practice (ACOP) requires LAs to keep a register of lands acquired in which particulars of all lands acquired or leased are recorded.

The Property Portfolio & Asset Management Section in the Council was established in 2017. Its remit is to identify and manage land assets in the ownership of the Council.

The Property Portfolio & Asset Management Section is working on preparing a Property Asset Register and *interlia* a Property Asset Management Plan. The Property Asset Management Plan is planned to include objectives in relation to vacant property, prioritising occupancy of all vacant properties including vacant office space.

The Council should progress the Register of Lands to ensure the asset register is developed further, kept accurate and up to date.

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

Significant progress has been made in the management of land assets by Mayo County Council in 2017/2018, in particular the creation of an up-to-date Register of Lands. The Register contains up-to-date data from PRAI, with work being progressed to include lands registered with Registry of Deeds. In addition Mayo County Council is creating a Register of Leases (both as lessor and lessee).

The Register of Lands and Register of Leases will be incorporated into a Digital Assessment Management system that is being developed, to facilitate efficient and effective management of property assets.

## 7. Loans Payable

### 7.1 Interest Only Bridging Loans

The Council borrowings include Bridging Loans (€6.5m) with the HFA. These loans are an interest only basis, originally acquired for houses for resale under the affordable housing scheme.

In the years 2011 and 2012 twenty three houses were allocated to Voluntary Housing Bodies under leases for a five year period with interest costs fully recoupable from the Department subject to qualifying criteria being met.

At present, these leases have expired. Nonetheless the leases have continued under the same terms and conditions and the Department continues to fund the interest costs.

All efforts should be made to renew the leases in the short term.

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

The Council will renew leases with the Voluntary Housing Bodies.

## **8. Development Contributions**

### 8.1 Overview

The Council increased its development contribution income from 682K to €1m. There was a reduction in Bad Debt provision from €6.1m to €6m.

### 8.2 Commencement Notices

It is a requirement of the ACOP that when a commencement notice is received all related contributions are initially treated as income and a debtor is raised.

A key control to ensuring all related contributions are treated as income is the performance of a reconciliation between Commencement Notices and invoices raised (with appropriate explanations documented where no invoice is raised). Currently this control activity is not performed by the Council. Accordingly it is recommended that reconciliations are performed regularly.

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

The Council will commence the performance of reconciliations between Commencement Notices and invoices raised.

## **9. Grants - Castlebar Pool & GMIT Outdoor Education Building & Sports Facility (Phase 1)**

### 9.1 Funding

The project initiated in 2012, with an estimated then cost was €12.5m.

The works contract was awarded and construction began in November 2015. At present, the Castlebar Swimming pool is under construction with the final account yet to be agreed.

The Council confirmed funding towards the project in writing in May 2012. The Department of Transport, Tourism and Sport (DTTAS) confirmed funding towards the project in writing in October 2015.

To date, monies have been received from the Community Fund (400K), DTTAS (€5m) and the Council (€2.8m).

A review of the files presented at audit noted that:

- No written confirmation of funding from any other public body other than the aforementioned above.
- The budget (€12.5m) was not based on funding confirmations in writing.

For large works projects it is beneficial to have written confirmation of funding obtained on or before contracts are awarded to provide assurance the estimated cost will be covered.

Accordingly, it is recommended that in future, project budgets are based on committed expenditure confirmed in writing from funding providers.

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

The Council notes the recommendation of the Local Government Auditor in relation to capital projects and will implement his recommendations.

## **10. Procurement**

### 10.1 Compliance Checks

A Procurement Unit provides an advisory support role to local management in administering award procedures. However, responsibility for ensuring procurement compliance is devolved to local management.

It is recommended that the Procurement Unit responsibility is expanded to include a compliance review of award procedures with EU and Irish procurement rules for large works contracts rules prior to the contract award.

### 10.2 E-Proc

E-Proc, a procurement check on requisitions is being rolled out. At present protective equipment, janitorial, stationary, paper and road signs are in the scope of E-Proc checks. I was advised that plans are underway to roll out E-Proc for other expenditure areas.

The Council should ensure E-Proc is rolled out effectively for key products.

### 10.3 Castlebar Pool & GMIT Outdoor Education Building & Sports Facility contract award procedure

The review of Castlebar Pool & GMIT Outdoor Education Building & Sports Facility contract award procedure found;

- Material scope change post contract notice
- Contract award notice not published.

It is recommended that, in future,

- Scope changes post contract notice are not material
- Contract award notices are published

## 10.4 Public Spending Code

The Council has completed the “Public Spending Code - Quality Assurance Report 2017” report. The report reflects the Council’s self-assessment of compliance with the Public Spending Code.

The report concluded that the Council has a “reasonable level of compliance” with the Code.

### **Chief Executive’s Response**

The Council notes the recommendation of the Local Government Auditor in relation to procurement and will implement his recommendations. With respect to the expansion of the CPU responsibility, its role in relation to compliance reviews of award for large works contracts will be expanded for contracts tendered in house in as far as is practicable

## 11. Local Authority Companies

### 11.1 Westport Leisure Centre Limited

The audits of the subsidiaries accounts weren’t completed prior to inclusion in the unaudited AFS 2017. It is noted that the year end date presents a challenge to the Council to complete this task. Where possible the audit of accounts of subsidiaries’ financial statements should be completed prior to completion of unaudited AFS.

### 11.2 West of Ireland Communication

West of Ireland Communication Ltd was voluntarily struck off the Company Registration Office (CRO) Register in July 2017.

### **Chief Executive’s Response**

The Council will work with the Auditors of its associated companies and will endeavor to ensure that the audits of these companies are carried out in a timely manner.

## 12. Investment Oversight

### 12.1 Ireland West Airport (IWA)

Seven Councils purchased a 17.5% equity stake (i.e. redeemable preference shares) in IWA for €7.3m. The investment was structured in phased payments.

Mayo County Council's second and third instalments were paid in 2017 bringing its total investment to €2.5m. These payments represent the final payments under the share purchase agreement.

For the duration of the investment, the Council should ensure sufficient oversight of IWA progress against business plans is documented and reviewed.

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

The Council notes the recommendation of the Local Government Auditor in relation to its investment in IWA and will implement his recommendations

## **13. Governance**

### 13.1 Overview

Corporate Governance comprises the systems and procedures by which an entity is directed or controlled. It is the responsibility of the Chief Executive to ensure the sound system of financial management and internal processes are in place.

### 13.2 Internal Audit

Since 2015 the Council's internal audit function has been outsourced. The number of days attributed to internal audit activities under the outsourcing arrangement is 70.

Given the scale, diversity and complexity of the Council activities I consider this an insufficient number of days allocated for internal audit activity.

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

The Council tendered for the provision of internal audit services and has appointed Deloitte. Work programmes are approved annually by the Audit Committee, Deloitte have concluded a number of reports and we will continue to keep this function under review in the context of our workforce planning and available resources.

## **14. Risk Management**

### 14.1 Development of Updated Risk Register

The Risk Management environment is undergoing improvements since the 2016 AFS audit.

An updated Risk Register is under development. The Risk Register reports risks by Directorate. Risks are categorised into financial, operational or reputational. Each risk has a weighted score having regard to impact and likelihood with accompanying control action frequency e.g. weekly, monthly checks. Risks are assigned to a Risk Owner. It is intended that the updated Risk Register will be finalised once agreed/discussed by the Senior

Management Team and Audit committee.

Further improvements are required in this area in the short term, particularly relating to risk management guides, co-ordination (timely updates) and monitoring.

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

The Council welcomes the Local Government Auditors observations on improvements in risk management and notes the recommendation in relation to the risk management guides, co-ordination and monitoring and will ensure that these improvements are implemented.

## **15. Prompt Payment**

### **15.1 Legal Framework and National Policies**

The European Communities (Late Payment in Commercial Transactions) (S.I. No. 580 of 2012) transposed Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions into Irish Law. The Act places an onus on public bodies to pay suppliers in line with contract terms or within 30 days.

Under Circular Letter OU 01/11 dated 28th March 2011, Local authorities are to ensure that payments to suppliers in respect of all valid invoices received for goods and services on or after 1st July 2011 are made within 15 days of receipt.

### **15.2 Unpaid Prompt Payment Interest**

Based on returns to the Department of Jobs, Enterprise and Innovation, I conservatively estimate that the number of invoices to suppliers that should have incurred compensation and interest is significant.

The Council should in accordance with the Government policy pay the interest and compensation to suppliers, where applicable.

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

The Council will implement Prompt Payment Procedures in accordance with Government policy.

## 16. Fire Charges

### 16.1 Overview

The Fire Services Information System (FSI) is a standalone system used by the fire service for billing of fire charges.

The Fire Charges in the AFS 2017 are accounted for on cash basis.

### 16.2 Collection Rate

In 2017, the Council had €1.7m outstanding for the period 1 Jan 2013 to 31 Dec 2017. Currently these outstanding amounts aren't recorded in the Agresso Debtors system. In addition write off, waivers and discounts are not included in the AFS.

In 2017, the collection rate was 42%. The Council should ensure fire charges are collected promptly.

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

We will engage proactively with our fire charges customers, with a view to, over time reducing the level of arrears. In limited instances, where no reasonable steps are being taken to pay outstanding debts, we will continue to take appropriate court action to pursue these debts.

## 17. Data Protection

### 17.1 Overview

The EU General Data Protection Regulation (GDPR) provides a single, harmonised data privacy law for the European Union and was directly applicable from 25 May 2018. Public bodies whose activities have a commercial comparative in the private sector are subject to fines in the event of an infringement. As such County Councils are subject to fines.

The Council should ensure that adequate resources are allocated to ensure compliance with the GDPR.

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

The Council has appointed a Data Protection Officer and will continue to monitor resource requirements.

## 18. Acknowledgement

I wish to record my appreciation for the courtesy and co-operation extended to the audit team by Peter Hynes (Chief Executive), Peter Duggan (Head of Finance), Olivia Heffernan (Accountant), Tracey Flanagan (Accountant) and all management and staff of the Council.

DONAL CAHILL

29 JUNE 2018

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Donal Cahill  
Local Government Auditor

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29 June 2018



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