LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Clare County Council

for the

Year Ended 31 December 2018

Department of Housing, Planning and Local Government
housing.gov.ie
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AUDITOR’S REPORT TO THE MEMBERS OF CLARE COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of Clare County Council for the year ended 31 December 2018, which comprises 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 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 2018 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 13 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 judgments 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

The Council recorded a surplus for the year of €694k after transfers to and from reserves (which includes loan repayments) of €10.52m. There was a cumulative surplus of €1.94m in the general revenue balance at the end of 2018. Both transfers to reserves and over expenditure were approved by the Council at its meeting in May 2019. Details of over/under expenditure are contained in note 16 to the AFS.

Significant movements in the finances of the Council during the year included:

- Increase in fixed assets (excluding depreciation) of €12.58m includes €9.4m relating to Housing Acquisitions (net of disposals)
- Increase in net trade debtors and prepayments of €2.7m
- Increase in net creditors and accruals of €2.07m
- Increase in bank investments of €5.83m
- Decrease in cash at bank of €5.07m
Chief Executive's Response

The Council through continuous financial and budgetary controls and effective income collection systems has achieved a positive financial position in 2018, continuing the trend of recent years in stabilising the revenue account of the local authority.

2.2 Local Property Tax (LPT)

The Finance (LPT) Act 2012 (as amended), makes specific provision to allow the elected members of a local authority to pass a formal resolution to vary the base rate of the LPT for their administrative area by a percentage known as the local adjustment factor. The Council members voted not to increase or decrease the base rate in both the financial years 2018 and 2019 respectively.

2.3 Local Property Tax Allocation

The Council’s allocation under the LPT amounted to €8.06m in 2018. These monies were accounted for as follows: €6.45m under the above heading in the revenue account, €1.4m in the capital account under the heading of housing acquisitions and €212k under current expenditure. The approval to these accounting allocations were set out in a written departmental circular letter dated 15th January 2018.

Chief Executive's Response

The auditor’s comments are a matter of record as Clare County Council is a net contributor to the Local Government equalisation fund. The Council continues to highlight this anomaly for the county and is working with the elected members and our colleagues in the Department of Housing, Planning and Local Government to secure 100% of this funding for Clare County Council.

3 Income Collection

3.1 Summary of Income Collection

A summary of the income collections as disclosed in Appendix 7 of the AFS is set out below:

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Yield %</th>
<th>Debtors €m</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Rates</td>
<td>87%</td>
<td>86%</td>
<td>€10.46m</td>
<td>€10.78m</td>
</tr>
<tr>
<td>Rents &amp; Annuities</td>
<td>85%</td>
<td>84%</td>
<td>€1.38m</td>
<td>€1.34m</td>
</tr>
<tr>
<td>Housing Loans</td>
<td>69%</td>
<td>66%</td>
<td>€0.43m</td>
<td>€0.52m</td>
</tr>
</tbody>
</table>

3.2 Commercial Rates

Commercial rates arrears have continued to decrease in 2018 and have fallen by over 5.5% over the past three years from €11.075m at year end 2016 to €10.46m at year end 2018 inclusive of credit balances. The collection yield for commercial rates has increased in 2018 to 87% from 86% in 2017.
There are over 3,600 active commercial rates customers in 2018. Six out of every ten customers have zero balances and are fully compliant at year end 2018. The number of accounts with credit balances at year end 2018 totalled 269 with an aggregate value of €198k.

Uncollected rates at year end amounted to €10.46m. There is €1.2m in the year end uncollected balance that refers to accounts that are vacant or in liquidation/receivership.

Further payments continue to be received during 2019 in respect of payment plans agreed with customers and facilitated by Clare County Council. At the end of September 2019 the amount received in respect of 2018 uncollected rates amounted to €4.91m.

In September 2019 €5.55m remains outstanding and 55% or €3m, can be attributed to 97 or 3% of all customer accounts.

From the sample of rate accounts reviewed at audit I am satisfied that the rates department is endeavouring to engage with account holders in arrears on an on-going basis in order to resolve issues arising.

Chief Executive's Response

Commercial Rates collections improved again in 2018 to 87% exceeding the national average indicator across all local authorities. This funding stream is critical to the funding of service delivery for the county representing one third of our annual expenditure on operating activities. It is positive to note that €9 out of every €10 deemed collectable in 2018 was collected. The Council continues to engage in a positive manner with customers experiencing challenges in making payment. However where there is no or inadequate engagement to agree payment plans to address amounts due, the Council then pursues payment by legal means.

3.3 Valuations

At the year end, the Council had 329 properties awaiting valuations from the Valuation Office. This represents an increase of properties since December 2017 (271 properties, 21%). This is a potential significant cash flow and loss of income issue for the Council. The Council should make every effort to ensure the valuations are completed promptly.

Chief Executive's Response

The valuation of commercial properties in the country is carried out by the Valuation Office, an independent government office. As part of the National Valuation programme, the Valuation Office has committed to bringing all outstanding revision valuations up to date and is actively working with this Council in 2019 to advance the 329 properties referenced by the auditor. Clare County Council is scheduled for revaluation in the 2020-2022 time periods whereby all outstanding revisions will be completed and valued for commercial rates purposes.

3.4 Housing Rents

A collection level of 85% was recorded in 2018 which was a 1% increase on the prior year. At the year end rent arrears amounted to €1.38m (€1.34m in 2017). It was noted that a previous audit recommendation for the undertaking of a complete rent review was undertaken during 2017 and 2018 respectively.
There are a total of 3,052 active rent accounts of which 780 were in arrears for greater than twelve weeks at the end of 2018, and these amounted to €1.25m. The top twenty five arrear accounts account for €292k of this and represents 21% of the total rent arrears.

The bad debts provision for housing rents is 90% of the total gross arrears and this provision needs to be reviewed in the current year.

From the files selected for review at audit it was noted that in almost all cases there was evidence of engagement or on-going attempts at engagement by housing rents section with rent account holders in arrears.

Chief Executive's Response

As noted by the auditor, in the year 2018 a rent review was completed which has impacted on the rent income applied, with an additional income of €584k in the year. The rent review has also had a subsequent impact on the level of arrears outstanding. Collection percentages improved in 2018 to 85%. The collection of housing rents is a priority of the housing department but remains a challenge to reduce arrears. The section continues to make every effort in this area, including regular tenant meetings, facilitating payment arrangements and the close monitoring of all accounts where arrears arise.

3.5 Housing Property Vacancies

The Council expended €2.63m on the refurbishment of its vacant housing stock prior to letting during 2018. As at the end of August 2019 the summary of waiting periods of refurbishment on the 107 units recorded in this category includes 32 units which have been awaiting refurbishment or re-allocations to tenants for a period exceeding twelve months.

Chief Executive's Response

The Council had 107 no. vacancies at the end of Quarter 3, 2019, of which 32 no. were vacant for more than one year. The reasons for the extended vacancy periods are varied and include significant structural issues, flood relief works awaited, legal proceedings instituted, significant design and refurbishment works required which necessitates an allocation from the Department and the preference to purchase adjoining properties before proceeding. At the end of 2018 our average vacancy period as per the Performance Indicators was 31.5 weeks which was an improvement on the previous year and the Council is focused on reducing this period further in 2019. Our planned maintenance programme is also underway and as this becomes embedded it should impact on turnaround times for vacant stock.

3.6 Housing Loans

Housing loans arrears amounted to €430k (net) in 2018 (€517k in 2017). There has been an increase of 3% in the collection yield for housing loans. It was also noted that while overall arrears decreased, individual arrears on some accounts continued to increase as mortgage payments received are insufficient to cover the monthly loan instalments.

From the samples selected for review at audit there is significant evidence of ongoing and continued engagement with housing loan account holders in arrears.

It is noteworthy that for a number of accounts in arrears reviewed at audit, significant resources
continue to be committed to facilitate agreed payment plans with customers who subsequently fail to adhere to the terms of said payment plans. The Council should follow through on potential legal action where the terms of such agreements with account holders are not adhered to.

There are a total of 219 active housing loan accounts of which 91 of these were in arrears for greater than three months at the end of 2018 and these amounted to €458k (€492k gross loan arrears). The top fifteen arrear accounts total €263k and represents 57% of the total gross loan arrears.

Shared Ownership loan accounts for 45% of the total loan arrears at the year end. These arrears increased slightly from €223k at year end to €217k (unaudited) at the end of September 2019.

The level of bad debt provision at €400k or 93% on the gross arrears balance at the year end would again appear to be over-prudent and needs to be reviewed in the current year.

**Chief Executive’s Response**

The level of arrears on Housing mortgage loans reduced again in 2018 (by €87k) improving the collection percentage in this area to 69%. This reduction in arrears year on year is due to the continuous focus and implementation of alternative options for borrowers under the Mortgage Arrears Resolution Process (MARP) where the customer is in arrears and finding it difficult to meet their repayments. This process will continue to address the remaining customers who are in arrears. A more robust loan approval process is also in place to ensure that applicants have the actual ability to honour the commitments required for the loan sought.

**4 Transfer of Water and Sewerage Functions to Irish Water (IW)**

Issues with regard to the transfer of title of properties transferred to IW including the subdivision of folios, right of way issues and sites not registered were highlighted in the 2014 – 2017 audit reports. The Council is continuing to work with IW on these matters.

In all there are 375 water assets to be transferred to IW of which 50 of these are described as being non-operational assets. The most significant details included in this total are as follows;

- 164 assets have to date been assessed and recorded for transfer to IW. Currently 83 of such assets are covered by ministerial orders with the rest to be completed in due course.
- 161 assets remain to be transferred to IW and these fall into the following categories:
  - 119 assets identified to be transferred to IW which are on third party registered land (101) and unregistered lands (18)
  - 33 assets are pending and awaiting agreement with Corporate Services and will transfer to IW in the coming months
  - 4 assets have gone to the Property Registration Authority Ireland (PRAI) for lands to be sub divided
  - 5 assets are with the National Special Projects Office (NSPO) for investigation to ascertain if they can be considered on the ground assets and therefore transferred to IW.

As part of the Service Level Agreement (SLA) the Council continues to operate the water service on behalf of IW and costs in this area are fully recouped from IW. During 2018 €10m was accrued for IW with €953k outstanding at year end.
Chief Executive’s Response

Clare County Council continues to work with Irish Water to advance the progress on the ongoing transition arrangements in order to transfer Water and Waste water assets.

5 Capital Account

5.1 Capital Account Overview

The favourable balance in the capital account at the end of 2018 reduced slightly to €20.503m from €20.556m at the end of 2017. Capital expenditure and income including transfers for the year amounted to €43.72m and €43.67m respectively.

5.2 Capital Balances

The main elements of these capital balances are as follows:

- General Reserves €8.97m Cr.
- Development Levies €7.25m Cr.
- Non Project Balance Funded €6.92m Cr.
- Realised Tenant Purchase Annuities €1.45m Cr.
- Capital – Preliminary Funded / Unfunded (Net) €3.29m Dr.
- Completed Asset Funded / Unfunded €0.77m Dr.

I have requested that management carry out a comprehensive review of all capital codes and balances in order to rationalise same where possible. Specifically, I have requested that the Chief Executive ensures a comprehensive review to be completed on the favourable reserves balances before the end of 2019 with a subsequent report prepared on any findings prior to the commencement of the next audit. This report should also address the deficit and favourable balances in other capital code categories (see paragraph 5.3 below).

It was noted that substantial work was completed during 2018 on the reduction of residual debit and credit balances (i.e. less than €20k). This work continues in 2019 and will be reviewed in detail at the next audit. The work effort of staff involved in the area is commendable.

I have highlighted to management that all expenditure recoupment claims should be made in accordance with the requirements of Circular 13/2014 “Management of and accountability from exchequer funds” issued by the Department of Public Expenditure and Reform.

Chief Executive’s Response

The level of activity on capital projects has increased by 68% in the last four years. This reflects the increased investment in Housing, Tourism infrastructure and Roads and Transportation. These balances are monitored closely by individual project managers and collectively with the finance section by senior management in each Directorate.
5.3 Capital Expenditure

There was a continued significant increase in overall expenditure in 2018. Total expenditure of €43.72m (including transfers) was €7.6m or 21% greater than that incurred in 2017 of €36.1m. The main items of expenditure were those in Housing and Building of €26.4m and Roads Transportation & Safety of €8.5m, Development Management of €2.6m and Recreation & Amenity €2.3m. The combined expenditure totals in these categories totals €39.8m and accounts for 91% of the overall expended total in 2018.

The following were the main capital projects of expenditure incurred during 2018;

- Housing Construction / Acquisitions €12.51m
- Shannon Bridge Crossing €4.19m
- Voluntary Housing Scheme €3.40m
- Vacancy Housing Stock Returns €2.31m
- Energy Efficiency €1.61m
- Various Land Acquisition €1.61m

Chief Executive's Response

The auditor’s comments are noted and reflect the 68% referenced at point 5.2 above.

5.4 Specific Committed Project Balances

There were twenty one specific committed credit balances reviewed at audit with year end combined totals of €4.23m. In the year 2018, transfers to specific committed credit balances amounted to €1m where only a net expenditure of €13k was incurred. Some of these specific committed credit balances are going back over many years.

It was also noted separately that two specific committed credit balances relating to future potential expenditure on the Cliffs of Moher facility in the sum of €2.18m had no movement in 2018.

I have again requested that a review of these capital codes should be undertaken and where necessary, the appropriate accounting adjustments be reflected in the 2019 AFS and progress on this matter will be reviewed at the next audit.

Chief Executive's Response

This €4.23m committed credit balances references represents specific projects that are planned and at various stages of preliminary or design stage of the project implementation. In a number of cases the committed balance represents the Council's matching funding requirement for a project that has been awarded grant funding. This places the Council in a positive position when the project advances to construction/delivery. The provision of own resource match funding is a key element of Local Government capital project funding. The Council's Capital programme 2019-2021 as presented at the 2019 budget meeting outlined projected expenditure of €110m. The approach taken to provide this match project funding element of €4.23m is a prudent approach taken by the Council. These balances are reviewed
on a regular basis by the finance directorate with project managers.

5.5 Unfunded Capital Balances

The closing unfunded balances increased to €3.95m at the end of 2018 (€3.50m in 2017). The items in this total are as follows:

- Gaurus Land €1.16m
- County Burial Ground, Kildysart €0.71m
- Housing Scheme Kilkee €0.67m
- Blakes Corner, Ennistymon €0.25m
- Land Acquisitions for Housing Purposes €0.65m
- Storm Coastal Remediation €0.51m

Chief Executive's Response

Significant work was completed in 2018 to review and reduce the number of open project codes on the Council capital account. These six unfunded project balances totalling €3.95m represents less than 3% of the €140m expenditure on capital in the last four years and is a positive outcome for the Council across a significant quantum of codes.

The top five balances listed represent the purchase of land by the Council for specific projects in the Housing, Recreation, and Roads & Transportation and Burial Ground development. This expenditure represents work in progress preliminary expenditure and funding arrangements will be put in place as the projects advance. The housing land acquisitions represent land available for use as part of the social housing development programme and this will be recouped as housing schemes are progressed on these sites.

In relation to the storm remediation balance, during the preparation of the AFS 2017 it was confirmed, in writing, to the Council that this expenditure incurred as part of the 2014 storm damage remediation would not be recouped from exchequer funding. This unfunded balance was part funded (€1.1m) in the completion of the 2017 and 2018 accounts. The remaining balance (€0.51m) will remain under review as part of the capital programme and a phased reduction on this total is planned in the coming years.

5.6 Paying Orders held by County Solicitor

A review of outstanding payments for various acquisitions by the Council held by the County Solicitor at the end of 2018 were further reviewed at 30 September 2019.

It was noted that there were still outstanding paying orders of €770k relating to housing matters (€495k), road land compensation claims (€119k) and a separate land compensation award for a roads project (€156k) where legal formalities have not been finalised. This latter case refers to a major road contract scheme that has been completed years ago and needs to be brought to a conclusion as a matter of urgency.
Chief Executive's Response

The outstanding payments held on account refer to specific projects that have legal and governance formalities to be completed before the funds are transferred to the third party. The Council is aware of these specific cases and works closely with the Council's legal representatives to resolve any outstanding matters.

6 Fixed Assets

Fixed assets were included in the AFS for the first time in 2003. The complete asset bases held at that date were valued in accordance with the guidelines issued by the Department of Housing, Planning and Local Government (the Department). Since 2003 all assets either purchased or constructed are included in the balance sheet at cost.

In 2014 the financial value of the assets base was further enhanced with the inclusion of assets held by the former town councils of Ennis and Kilrush.

The net book value of fixed assets increased by €12.58m during 2018 with the most significant increase relating to housing additions which accounted for €9.38m of this increase.

The net book value of fixed assets is €2.755 billion as outlined in Note 1 to the AFS. This includes Roads and Infrastructure assets of €2.255 billion that account for 82% of the total value.

Chief Executive's Response

The auditor's comments are noted. The Fixed Asset accounting register is prepared in line with the Accounting Code of Practice (ACOP).

7 Loans Payable

7.1 Loans Payable Overview

Clare County Council has loans payable totalling €81.01m at year end 2018 of which 89.6% are non-mortgage loans (€72.62m). The vast majority of loans payable are Housing Finance Agency (HFA) borrowings (51.3%); KBC borrowings (27.6%); EIB (8.6%); Danske Bank (4.6%); Ulster Bank (4%). The balance of 3.9% is made up of other smaller loans.

Non-mortgage Loans

The €72.62m of non-mortgage loans as at 31 December 2018 are made up as follows;

- 10.7% or €7.75m relate to land loans
- 11.2% or €8.1m relate to roads loans
- 35.1% or €25.5m relate to corporate buildings loans
- 8.2% or €5.97m relate to recreation and amenity projects
- 8% or €6.79m relate to landfill and recycling centres
- 9.6% or €6.98m relate to the Cliffs of Moher
• the remaining 17.2% or €12.53m are made up of recoupable and shared ownership scheme loans.

Loan repayments made during 2018 totalled €6.95m which consisted of principal repayments totalling €6.29m and interest payments of €0.66m. This represents a decrease on the 2017 loan repayments which totalled €7.73m (principal of €6.89m and interest of €0.84m).

The land and housing loans of €7.75m at the year end included €6.32m which are being repaid on an interest only basis with repayments on these loans totalling €79k during 2018. These repayments are non-recoupable and are therefore funded by Clare County Council’s own resources through the revenue budget.

**Recoupable Loans**

There are recoupable loans totalling €9.10m at year end 2018. These consist of voluntary housing loans (€8.12m) and water related loans (€0.98m). The total repayments on these loans during 2018 were €1.18m (voluntary housing €655k and water related loans €525k) and are fully recoupable by Clare County Council. As these loans are fully recoupable, the loan balances are now recorded in the AFS as loans payable with a matching amount in long term debtors in accordance with Department Circular Fin 01/2018.

**Chief Executive's Response**

The Council continues to manage its long term finance closely reviewing recoupable loans, terms and interest rates. The recoupable loans are claimed bi-annually from the funding department.

The land loans referenced have been converted to annuity loans as the period of interest only has ceased. This arrangement clarifies the funding arrangement for these housing lands.

**8 Development Contributions**

**8.1 Development Contributions Overview**

Included in trade debtors and prepayments at 31 December 2018 was €3.8m (2017 - €3.58m) in respect of development contributions due to the Council (Note 5 of the AFS).

In accordance with Circular Fin 04/2017 issued by the Department, the current element only (i.e. outstanding accounts due for payment in the following twelve months) of the development contributions debt book was included as a debtor in the 2018 AFS.

Following a review of post year end receipts, €991k of the year end net debtor had been collected at the end of September 2019.

**8.2 Bad Debt Provision**

A provision for doubtful debts relating to development contributions of €2.92m (representing 77% of the debt) has been made and is included in the overall 2018 bad debt provision of €14.1m. The bad debt provision comprises largely of accounts where the development phase of projects are uncertain to go ahead and/or the amount billed is unlikely to be realised in the short-term.
An aged debtor analysis of development contributions show 90% of the current debtor amount is greater than one year.

A yearly review of the bad debt provision should be undertaken to ensure that it is appropriate.

8.3 Review of Arrears

A review of development debtors greater than €25k identified that there are thirty two such arrear accounts at year end. These debtors amounted to €2.77m or 73% of the development debtors of €3.8m. A summary of these thirty two accounts may be classified as follows:

- Potential Bad Debt / Write Off €0.90m 33%
- Active/Payment Plan €0.46m 16%
- Paid in full 2019 €0.34m 12%
- Credits as levies not due €1.07m 38%

The payment plans are generally within the lifetime of the planning permission i.e. generally greater than one year.

8.4 Commencement Notices

The raising of development levies accounts due following the issue of commencement notices was reviewed at audit. It identified that on a test sample basis, accounts for development levies due in the amount of €5.5k had not been raised. Arising from the audit finding it has been agreed with management that a review of all commencement notices issued in 2018 to date would be undertaken to ensure accounts for all sums due on development levies have been raised. This matter will be further reviewed at the next audit of accounts.

Chief Executive’s Response

The auditor’s findings are noted and will be followed up to reiterate the controls in place in this area. Development contributions billing and collection are monitored and reviewed on an on-going basis by the planning department. There are a number of developments that initiated commencement but did not proceed further than site opening development works and these amounts that are reported as due and payable are being reviewed.

9 Procurement

9.1 Public Spending Code

The Council has completed the “Quality Assurance Report 2018”. This report reflects the Council’s self-assessment of compliance with the Public Spending Code.

The report as submitted to National Oversight Audit Commission (NOAC) included in-depth checks carried out on West Clare Greenway capital project and the Council’s public lighting revenue programme.
The report concluded that the Council is meeting the requirements of the PSC where they apply and is “broadly compliant” with the code.

9.2 Use of Service Organisations

Arising from review at audit of procurement of services from third party providers it was noted that the contract with the facilitator of Pay by Phone Parking Systems had expired. It is recommended that this matter is rectified as soon as possible.

Chief Executive's Response

The Council is proceeding in 2019 with a review of its parking arrangements and systems across the county. This project will include all elements of parking to include the area highlighted by the auditor.

10 Local Authority Companies

The Council’s interest in companies is set out in Appendix 8 to the AFS. This table includes information with regard to the extent of control exercised by the Council, brief financial details and the date of the latest financial statements received to which this information relates. None of these companies are consolidated in the Council’s Accounts.

Chief Executive's Response

The reporting of the Council's interest in companies is completed in line with the Accounting Code of Practice (ACOP) in this area. No company listed has annual turnover greater that 5% of the Council's total income in the year. The actual company results and net assets are listed in Appendix 8 to the Annual Financial Statement and none represent a material impact on the Council's overall activity.

11 Governance and Propriety

11.1 Governance Overview

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of management to ensure that such systems and procedures exist and are robust.

11.2 Internal Audit Function

The quality of output of the internal audit unit is of a high standard. The internal auditor reports directly to the Audit Committee and the Acting Head of Finance. The unit produced a significant number of reports during the year in addition to a number of inspection reports with regard to internal control procedures.
These include the following;

- Final Report Refundable Deposits on Planning Bonds
- Final Report LEO Grant Administration
- Final Report Killaloe MD – Scariff Cash Office
- Final Report West Clare MD – Kilrush Cash Office
- Final Report Motor Taxation Quarter 4 2017 Stocktake
- Final Report Motor Taxation Quarter 1 2018 Transactions
- Final Report Ennistymon Library Spot Check
- Final Report Culturann Sweeney Income Controls
- Final Report Motor Tax – Spot Checks Q3 - Supervisor End of Day Balancing

I have taken account of the work of the internal audit unit in carrying out my audit. It is important that the recommendations made in the reports prepared by Internal Audit are implemented by management in a timely manner.

**Chief Executive’s Response**

The comments of the Local Government Auditor in relation to internal audit are noted. The recommendations made by Internal Audit in their reports are tracked by that unit and are reported at Senior Management level and Audit Committee on a continuous basis.

### 11.3 Audit Committee

The audit committee met five times during 2018. The annual report of the audit committee was presented and approved by the Council in February 2019. The minutes and report of the committee were made available to me at audit. I commend the work undertaken by the audit committee which contributes to the independent oversight of the corporate governance within the Council.

**Chief Executive’s Response**

The audit committee is a key element of the governance structure in Clare County Council, having an independent role in oversight and audit. Following the Local Elections 2019 and in accordance with our statutory requirements, the new audit committee has been established.

### 11.4 Risk Management

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

The Council’s Risk Management Policy was updated and adopted by the management team in June 2018. The Council also has corporate / directorate risk registers in place and are currently being reviewed and updated in 2019.
**Chief Executive's Response**

The area of risk management as outlined are of significant importance for the Council. The corporate risk register is reviewed by senior management, while individual directorate risk registers aligned to the annual team plan are also in place.

11.5 **Anti-Fraud and Corruption Policy and Procedure**

A revised draft of the anti-fraud and corruption policy and procedure document has been circulated to senior management for comments. It is essential that this document is adopted formally by senior management as a matter of urgency.

**Chief Executive's Response**

The Anti-Fraud and corruption procedure document is at an advanced stage of review. It has been circulated to the Local Government Auditor and senior management for their review and comment and will be adopted before the year end. The final document will be copied to the Local Government Auditor.

11.6 **Ethics Declarations**

Part of the Local Government Act, 2001, obliges Council members and designated staff to submit an annual declaration of specific interest. While declarations were received by all Council members and designated staff by the due date, it was noted at audit, that a selected sample of declaration forms had not been fully completed. In the majority of these cases no date of completion was noted on such forms. At our request these forms were returned to the people concerned and the issue has been fully rectified.

It is essential in the current year that all such returns are examined in detail and any matters requiring attention are dealt with by management prior to a review being undertaken as part of the audit process.

**Chief Executive's Response**

The auditor's comments and observations are noted. The annual receipt of declarations for all Council members and designated officials will include a review to include the auditor observations.
12 Other Matters

12.1 Deferred Income

Deferred income is recorded in AFS 2018 as €12.76m which is greater than the 2017 figure of €11.42m and is made up as follows;

- Capital €10.8m
- Revenue €1.24m
- Irish Water €0.726m

The elements of deferred income amount noted above are as follows;

- Roads - Bonds €3.89m
- Roads - Other €2.55m
- Storm €3.02m
- Housing & Building €0.86m
- Other Projects €2.44m

Chief Executive’s Response

Deferred income refers to income that the Council has received for specific projects/works and is carried forward until the expenditure is incurred. This consists of the elements outlined above and relates to a number of areas for example:

1. Storm remediation works completed in the first six months of 2019, primarily at Lahinch.
2. Roads restoration projects for Wind farms, Irish Water and others.
3. The €0.726m Irish Water SLA amount is advance working capital from Irish Water. It is to be treated as deferred income for the life of the SLA (12 years).
4. Local Enterprise Office refundable aid funds available for future grant aid.
5. Planning Development bonds held for completion of estate taking in charge.
6. Retained Earnings Distribution received from Irish Public Bodies for footpath refurbishment that is on-going.

The Council is fully committed to bringing these projects to a successful conclusion as soon as practicable. These balances are reviewed quarterly and released to the revenue and capital account as appropriate.

12.2 Ennis Leisure Centre

At the end of 2018 operating losses of €347k were recorded at the above centre. There is an increasing pattern of losses at the facility with a deficit of €289k recorded in 2017. The continuing losses being incurred here is not sustainable and procedures to rectify this issue should be put in train in order to address this situation.

During 2019 senior management engaged an independent consultancy firm who specialise in leisure facilities to undertake a report on the operations and management of the above centre.

The main recommendations of the report included the following:

- Tighter financial control over income and expenditure is required including regular performance reports
A review of third party contracts and staffing levels should be conducted.

At the conclusion of the audit, senior management have been requested to prepare a report on these findings. This matter will be further reviewed at the next audit.

Chief Executive's Response

Clare County Council is reviewing operations and governance of the Active Ennis Leisure facility. An action plan has been developed in collaboration with an independent firm which specialises in the leisure facilities industry. Management of the facility have been tasked to oversee and implement the recommendations of the review. Current governance structures will also be reviewed. Management are acutely aware of the need to address the current operational deficits and are actively working on addressing the issues recognising also however the need for further investment to maintain the facility to standard.

12.3 Insurance Matters

At the end of June 2019 there were 195 outstanding insurance claims on the books of the Council’s insurers Irish Public Bodies (IPB) with a potential gross value estimated at €9.34m (IPB valuation). Of these, 165 claims relate to public liability cases, which account for 85% of the total claims to be settled and 87% of the potential settlement costs.

During 2018 IPB informed the Council that it would be in receipt of a retained earnings distribution of €2.37m in 2018. All such sums will be accounted for in accordance with the recommended accounting principles relating to this matter.

Chief Executive's Response

The auditor's comments are noted. These related to claims with the Council's insurers awaiting conclusion and are an estimate of the potential total cost of the claim. The settlements of these claims will have no impact on the Council as they are fully covered under the insurance policies in place.

12.4 Government Debtors

At the end of 2018, government debtors stood at €12.4m (2017 - €8.5m), the majority of which related to projects which were capital in nature. Of this total €10.2m is shown as due from the Department of Housing, Planning and Local Government.

At the end of August 2019 a total balance of €2.3m still remains unpaid, €0.9m of this balance relates to projects in the initial stages and has yet to be claimed from the Department.

Senior management with responsibility for such debtors should ensure that debtors of this nature are collected promptly.

Chief Executive's Response

The Council welcomes the Local Government Auditor's observations in this area, highlighting the level of investment by Clare County Council in Local Authority social housing that was
due at the year-end December 2018. The Council continues to advance these schemes through the various stages of planning and design until a claim can be made for recoupment of the grant from the Department. There is therefore a time period during this process that the Council carries this expenditure and reports it in the annual accounts as a government debtor.
In 2019 the internal process for tracking claims made and due from the Department has been amended to put a more robust system of recording and reporting on this high value area.

Acknowledgement

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

Thomas O'Callaghan
Local Government Auditor
31 October 2019