



**Rialtas na hÉireann**  
Government of Ireland

## **LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Meath County Council**

**for the**

**Year Ended 31 December 2017**

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

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Meath 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 6 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

The net surplus for the year amounted to €1.2m after transfers to reserves of €7.8m leaving an accumulated adverse balance of €1.3m. The variances between the adopted budget and actual outturn are shown in Note 16 to the AFS. The approval of the members, as required by S.104 of the Local Government Act, 2001, was obtained in April 2018.

## 2.2 Financial Position

The main movements in the finances of the Council included the following;

- Increase in the value of fixed assets (€15.6m) mainly attributable to the housing stock additions
- Increase in development contributions (€8.6m)
- Increase of planning refundable deposits (€4.7m)
- Increase in investments (€3.5m)
- Increase in net current assets/liabilities (€3.9m)
- Reduction in bad debt provision (€2m)
- Increase in payroll costs (€1.1m).

### Chief Executive's Response

Meath County Council's Annual Financial Statement for 2017 reported the twelfth successive annual surplus, and as a result the cumulative deficit has been reduced by €9.5m from a peak of €10.8m in 2005 to €1.3m in 2017. This has been achieved while taking on total deficit balances from the town councils in 2014 amounting to €694k. It is anticipated that the on-going processes of cost reduction, rationalisation and efficiency measures, along with relentless budgetary control, will ensure that the remaining adverse balance will soon be eliminated.

## 3 Income Collection

### 3.1 Summary of Major Revenue Collections

A summary of the main revenue collection accounts with comparatives from the previous year were as follows;

Income Source	Yield %		Debtors €m	
	2017	2016	2017	2016
Rates	92%	89%	3.2	3.96
Rents & Annuities	88%	87%	1.3	1.4
Housing Loans	67%	67%	0.6	0.6

### 3.2 Commercial Rates

The percentage collected in 2017 increased by 3% on the previous year. This figure excludes specific doubtful arrears of €469k from the amount for collection. The provision of €2.85m for doubtful debts represents 89% of the debtors outstanding at the year end.

### 3.3 Housing Rents and Annuities

Rents and annuities net arrears amounted to €1.3m at the end of 2017 a decrease of €105k on the previous year. A bad debts provision for 97% of the housing rents debtor is included in the AFS. This provision is high and should be reviewed prior to the completion of the 2018 AFS.

### 3.4 Housing Loans

The housing loan collection arrears increased slightly by €8k in 2017 with accumulated arrears of €617k at the year end. The majority of the arrears (€480k) relates to just 20 customer accounts. A bad debts provision for 96% of the housing loans debtor is included in the AFS. This provision is high and should also be reviewed prior to the completion of the 2018 AFS.

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

##### **Rates:**

Meath County Council constantly seeks to maximise commercial rates collection, and given the recent challenging economic environment, the increase in the collection yield for 2017 is very welcome. The 3% increase in collections from 89% in 2016 to 92% in 2017 is as a result of the continual improvement being undertaken in collection processes and procedures, and the continued application of resources within the local authority. Meath County Council, with a rates collection yield of 92%, remains within the top five Local Authorities in the country.

##### **Rents:**

Meath County Council constantly seeks to maximise rent collections, and in challenging economic circumstances, the increase in the collection yield for 2017 is very welcome. During 2017 the rents section continued to place a greater emphasis on problematic cases and early intervention. A considerable body of work continues to be carried out through the Mortgage Arrears Resolution Process with regards to Shared Ownership rent arrears. In 2018 it is anticipated that this work will continue to bring further improvements in collection yields.

##### **Loans:**

The housing loan collection yields is stable at 67% which is as expected against the backdrop of the challenging economic environment. The shared ownership category of loans continues to be problematic, with large arrears, and this is recognised as a Local Authority sector issue. The Irish Credit Bureau checks are having a positive impact, however it must be noted that the MARP process itself can be lengthy. Loan account statements are issued annually to all borrowers.

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

The Council continues to deliver services to Irish Water (IW) under a service level agreement under which the Council received €8.5m in 2017. The transfer of water services assets from the local authorities' is being advanced over a number of phases, with the financial transfer reflected in the local authorities' accounts in 2014. In the county, 377 separate water services facilities/assets have been identified and to date 164 have been formally transferred under these Ministerial Orders, with a further 13 awaiting transfer. The 200 assets yet to be transferred involve some on-going issues in relation to registration of titles and way-leaves, shared sites (shared use with other MCC Departments), small public water supplies, or disused assets. Further work is still required to transfer the remainder of the assets.

## Chief Executive's Response

In common with other local authorities Meath County Council is awaiting guidance and direction from key stakeholders as to how each of these categories of assets can be progressed. The key stakeholders, who include IW, the Water Services Transition Office and the Department, are in discussions on how to progress the issues presented by these categories of assets. The Council is not in a position to make any further progress in terms of asset transfer until it receives further guidance and direction. IW acknowledges this position and has commended the Council on the very substantial progress made and the effort involved in transferring so many assets to date.

## 5 Capital Account

Capital expenditure increased by €18m to €56m in 2017, and included the following projects;

Capital Project	€m
Housing Acquisitions	€16.4
Roads Projects	€8.9
Civic Space Kennedy Road	€8.8
Civic Headquarters	€4.2

### 5.1 Capital Debit Balances

The main debit balances on the capital account at the end of 2017 included the following;

Capital Project	€m	Future Funding Source as identified by Council
Civic Headquarters	€9.9	Revenue Account and Capital Reserves
Basketstown Closure	€6.9	No source of funding identified
Civic Space Kennedy Road	€5.7	Loan Drawdown
Kells Community Enterprise Centre	€4.0	Capital Reserves from future sale of sites
Trim Backlands Development Advanced	€2.4	Capital Reserves
Land at Manorsland	€1.15	No source of funding identified

There has been no movement on the debit balances for the Basketstown Closure or the Land at Manorsland since 2014. The Council will need to identify funding sources for projects where none has been identified, in order to eliminate these deficits.

## **Chief Executive's Response**

Significant work has been undertaken in recent years to reduce the number of debit balances in the Council's capital account from a high of €33.9m in 2006 to its current balance of €8.3m. Continual reviews are carried out on the unfunded balances within the capital account. The Council has made a number of submissions to the Department to fund the outstanding balance on the Basketstown Closure. Following a European Court judgement against Ireland (reference C494/01), the Department has prioritised landfills that fall within this judgement. Unfortunately the Basketstown Closure does not fall within this ruling and remains unfunded at present.

The unfunded balance of €1.15m for Lands at Manorlands is a historic take on balance from the former Trim Town Council. There are no plans for these lands at this time.

## **6 Fixed Assets**

### **6.1 Property Interest Register**

The work of reconciling the land property register with the Property Registration Authority is incomplete. The Council needs to ensure that work on updating the register continues, and that it is properly maintained and reconciled with the fixed assets when it is implemented. Every effort should be made to complete this task at the earliest possible date.

## **Chief Executive's Response**

A National Property Interest Register working group has been established under the aegis of the County and City Managers Association in order to recommend an approach that will enable the sector to address the issues and recommend property management solutions. In 2018, the Internal Audit Section carried out a review of all internal controls and procedures in relation to the recording of the Council's land and property interests and has reported to the Audit Committee.

Currently the Council is using the Sugar CRM system as a register of lands, recording details of lands and public buildings. This system is a database, which is used to track updates and monitor progress of the current status of these lands/properties. All active files and any new files created will be recorded on this system. In addition to this, all land holdings registered to the Council currently available electronically through Ordnance Survey Ireland have been uploaded onto the Council's Location Publisher management system. This is a temporary measure and the Council will consider the recommendations of the national working group in relation to the introduction of a Property Registration System, when their review is complete.

## 6.2 Insurance Register

There was no reconciliation carried out between the fixed asset register and the Council's schedule of insurances. This is an important reconciliation which should be carried out annually.

### Chief Executive's Response

The Council maintains an up to date insurances register in order to ensure appropriate cover on all insurable assets. Some preliminary work has been done to reconcile the fixed asset register and the insurance schedule. However, it is planned to await the completion of the work in relation to the Property Interest Register in order to further progress this issue.

## 6.3 Housing Stock Reconciliation

A housing stock reconciliation agreeing the assets as reported in the AFS to the houses on the Council's housing database was not completed for 2017. This reconciliation should be prepared annually.

### Chief Executive's Response

The Council's housing stock is recorded as fixed assets on Agresso. All housing units are also mapped on our GIS system (Location Publisher) with regular reconciliations to make adjustments for additions and disposal of units.

The national iHouse system is now being used by the Housing Section as a database for recording the Council's housing stock. Following a detailed data cleansing exercise we are now in a position to reconcile the housing stock reported in the AFS to the Council's housing database.

## 7 Loans Payable

Loans payable were reduced by €4.2m to €79.8m in 2017. Included in the closing balances at December 2017 were loans of €50m which will have to be funded from the revenue account. This figure also includes €27m owed to the Housing Finance Agency (HFA) on loans that were taken out over ten years ago, to acquire land for housing development that has not yet commenced.

### Chief Executive's Response

Loans Payable are only drawn down with the approval of the Department and by way of a resolution by the Members of the Council. All loan balances are monitored on a continual basis and redeemed as appropriate. In relation to the €27m loan, we can advise that new housing schemes are coming on stream that will enable a reduction on this balance as developments are completed.

## 8 Development Contributions

The Council recorded a significant increase (€8.6m) in development contributions income from €3.2m in 2016, to €11.8m in 2017 reflecting the increased activity in the construction sector in the county. Current debtors in the AFS were €25m (€22.5m in 2016). The Council's bad debt provision decreased from €14.5m in 2016 to €13.8m at 31 December 2017 and represented 55% of the short-term debtor.

### Chief Executive's Response

The 2017 bad debts provision includes outstanding debt for accounts with a commencement/invoiced date prior to 2011. The reduction in the bad debt provision in the 2017 AFS reflects the payment of older accounts due to our debt collection practices and the changing economic environment.

## 9 Refundable Planning Deposits

Refundable deposits in Note 8 to the AFS include an amount of €19.4m which relate to planning refundable deposits held at the year end. This figure was not reconciled with the corresponding planning records. This reconciliation should be prepared prior to the finalisation of the 2018 AFS.

### Chief Executive's Response

All refundable deposits paid to the Council post 2009 are recorded in full on the Planning Development Contribution System (PDC) and are fully reconciled to the relevant planning files. Historic refundable deposits prior to this, are proving problematic to reconcile but work on this is ongoing.

## 10 Purchasing and Procurement

During the course of the audit of non-pay expenditure, a number of instances where staff did not comply with the Council's own purchasing guidelines and several instances of retrospective approval of purchase orders 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 migration to the new the Agresso Milestone 4 Financial Management System led to a significant change in the organisation's purchase-to-pay cycle and associated work-flows. The Council has updated its Procurement and Purchase to Pay Policies and Procedures and carried out extensive training of staff. The Finance and Procurement departments are continuing to work closely with all sections to monitor and eliminate the incidences of purchase orders being raised after invoices are received.

## 11 Local Authority Companies

The Council's interest in 10 companies is set out in Appendix 8 in the AFS. The value of the investment in two wholly owned companies is €24m, and is included in Note 3 to the AFS. This is based on the most recently available audited accounts and includes the following two companies;

- **Meath Arts Centre Ltd:** The value of the investment in this company was €12m at the end of 2016 (based on the value of fixed assets at cost, net current assets and the cumulative profit and loss account deficit). The 2016 Audited Financial Statements and Directors Report noted that the company is heavily reliant on grant income to meet its day to day working capital requirement. In 2016, the Council paid the company operating grants of €362k (2015: €324k). At the year end, the total cumulative capital grants paid by the Council to the company were €6.5m.

### Chief Executive's Response

The capital construction cost of Meath Arts Centre Ltd (MAC Ltd) was financed by grants from the Council of €6.5m, and other grants of €5.6m. In 2016, MAC Ltd received operating income from grants amounting to €450k which included €362k from Meath County Council.

- **Trim Sports and Leisure Centre Ltd:** The value of the investment in this company was €11.9m at the end of 2016 (based on the value of fixed assets at cost, net current assets and the cumulative profit and loss account surplus). The value of net assets at the year- end was €31k (€30k in 2015). The 2016 Audited Financial Statements and Directors Report show deferred capital grants of €9.9m and included €6m in grants received from the Council since incorporation.

### Chief Executive's Response

The capital construction cost of Trim Sports and Leisure Centre was financed by grants from the Council €6m and other grants of €6m.

### 11.1 Kells Community Enterprise Company Ltd

This is a subsidiary of the Council which has a 63% voting power in the company. The 2016 audited accounts show that the company incurred a deficit of €82k in 2016 and that liabilities exceeded assets by €3.7m. A loan of €4.36m was due to the Council at the end of 2016. The Council however, granted the company a moratorium on capital and interest payments on this loan to facilitate and support the company and has agreed to the deferral of these payments until January 2019. The Council holds a charge over the property and assets of the company as security on the loan. This loan is not included as a long term debtor in Note 3 to the AFS.

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

The Kells Community Enterprise Company Ltd was established in 2004 for the purpose of promoting employment in the Kells area by developing an enterprise centre and making units available to business tenants. The Kells Enterprise Centre development was funded by a loan received from Meath County Council in 2006 which was reclassified as a capital balance in the books of Meath County Council. In 2016 Meath County Council granted a moratorium on capital and interest payments until 2019 at which time a review of the repayment terms and conditions will be carried out. The Council holds a deed of charge as security on the loan.

## **12 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.

### **12.1 Risk Register**

The Council's corporate risk register was last updated in 2016. This register needs to be reviewed and updated annually. It is noted that currently a new risk register is being drafted. This register should, when finalised, be linked with the Corporate Plan.

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

The Council recognises the importance of risk management in the context of achieving organisational objectives and in the wider context of corporate governance. In 2018, the Council engaged consultants PWC to advise it on the review of its Risk Management Policy, which was adopted in 2011. The outcome of this review was an up-dated Risk Management Policy, which was adopted by the Management Team in October. The new policy includes new risk management governance structures, including a Chief Risk Officer and an internal Risk Committee.

Implementation of this policy is on-going. The Council has retained PWC to facilitate key stages of the implementation process. This includes a meeting of the Senior Management Group on 23 November 2018, to provide all senior staff with a briefing on the new policy, followed by a discussion and agreement on the Council's Risk Appetite. On November 30, the Management Team will consider and agree the draft Corporate Risk Register, which will guide the development of the Departmental risk registers in December and January. The completion of all risk registers is foreseen for early 2019, with a built-in regular review process planned. In line with the new policy, the risk registers will be linked with the Council's Corporate Plan.

## 12.2 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.

The internal audit unit is staffed by one staff member who reports directly to the Chief Executive. In 2017, eight internal audit reports were completed and this included the mandatory 2017 Public Spending Code. As previously recommend, the staffing resource of the unit needs to be reviewed and improved. I have taken account of the internal audit reports during the course of my audit.

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

Internal audit operates with the direct authority of senior management and under the general supervision and guidance of the Chief Executive and the audit committee. The Internal Auditor reports directly to the Chief Executive and attends all audit committee meetings throughout the year. A detailed audit work plan is agreed with both the Chief Executive and the audit committee on an annual basis. This has led to improvements in the effectiveness of the internal audit function and has been reflected in the quality and nature of future audit work. In relation to the recommendation on staffing, the Internal Audit function is recognised by senior management as making a valuable contribution towards the corporate governance of the organisation and therefore will have one additional staff member assigned to it in 2019.

## 12.3 Audit Committee

The Council's audit committee held four meetings in 2017 and approved the annual internal audit work plan for the year. The committee's work also included reviewing the Council's 2016 Local Government Auditor's report, internal audit reports and following up on recommendations from previous audit reports. The committee submitted their 2017 annual report to the members at their meeting in January 2018, in accordance with Section 60 of the Local Government Act 2014.

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

The Audit Committee is a key element of the Council's corporate governance structure, having an independent role in advising the Council on financial reporting processes, internal control, risk management and audit matters, as part of the systematic review of the control environment and governance procedures of the Council. Its functions are set out in the Audit Committee Charter and it reports to the Council on an annual basis.

## Acknowledgement

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



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**Anne Halion**  
**Local Government Auditor**  
**8 Oct 2018**

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Department of Housing, Planning and Local Government



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