



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 2019

Department of Housing, Local Government and Heritage

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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 2019, 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, Local Government and Heritage.

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 2019 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 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 Non – adjusting post balance sheet event – COVID-19

In accordance with Circular Fin 05/2020, the local authority has included a note in their AFS (see note 23) in relation to COVID-19. This note refers to the impact of COVID-19, a non-adjusting post balance sheet event, and describes the uncertainty faced by the local authority as a result.

Whilst my opinion is not qualified because of the uncertainty, I have included an Emphasis of Matter paragraph.

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities post year-end. This has resulted in a reduction in, and uncertainty of, various income sources, together with increased levels of spend. Reductions in income have also had a bearing on the cash flow of the local authority and the ability to deliver services.

The Council has taken several steps to address the financial uncertainty both at local and national level:

Local:

- Ongoing clarifications with councillors setting out impact of COVID-19
- Identification of exceptional costs incurred because of COVID-19 amounting to approximately €1.2m as at the end of June 2020
- Approval of increased overdraft limit facility of €20m.

National Level

- Participation in the submission of acute financial management reports to Department of Housing, Local Government and Heritage (the Department), namely:
 1. Indicative figures calculating the impact of COVID-19 on 2020 commercial rates
 2. Analysis of rated properties impacted by COVID-19
 3. Analysis of Local Government goods & services income impacted by COVID-19.
 4. Analysis of Local Government emergency costs associated with the public health emergency COVID 19.

National Level- Departmental assistance

The following assistance has been made available to the Local Authority:

- There is a 100% waiver of commercial rates for the period from 27 March to end of 2020 for certain ratepayers. There are several business categories excluded from this. The Council will be reimbursed from the Department for the waiver applied.
- Advance payments have been received from the Department in relation to LPT payments in 2020. This has assisted the Council's short-term cash-flow position.

Chief Executive's Response

The Council has been on the frontline as regards Mayo's response to the COVID-19 crisis and has provided support and leadership to communities and citizens right across the county. Mayo County Council has played a pivotal role in protecting those most vulnerable communities in emergency accommodation and has worked very closely with National Governmental Organisations (NGOs), the Health Service Executive (HSE) and other agencies. The Council has endeavoured to take all necessary steps in order to ensure that it can operate and function effectively throughout this pandemic whilst providing essential services to its citizens particularly in areas such as housing and economic development. The impact of COVID-19 will continue to put a financial strain on the Council for 2020 and most likely beyond this period.

3 Financial Standing

3.1 Statement of Comprehensive Income

The closing surplus for the year amounted to €468k. The Council has achieved a surplus in four out of the last five years:

The surplus is because the Council maintained strong budget and financial controls. The cumulative deficit totalled €4.1m at 31 December 2019 and remains a serious matter for the Council to address. It is noted in paragraph 10.1 that the Council also has significant unfunded balances. Future funding of these balances will impact on the Council's revenue position in future years.

YEAR	2019 €k	2018 €k	2017 €k	2016 €k	2015 €k
Surplus/ (Deficit)	468	416	(599)	305	404

Chief Executive's Response

The closing surplus of €468k in 2019 and related reduction in the cumulative deficit is welcome. The Council will endeavour to maintain strong budgetary and financial controls going forward. However, with the advent of the COVID-19 pandemic 2020 is proving to be a very challenging year financially, with loss of income in key service areas such as pay and display and leisure centres. The continued uncertainty around COVID-19 is having a detrimental impact on much needed income, and also increased expenditure in protective measures for customers and staff including remote working. It is very likely therefore that the Council will return a deficit for the current year.

4 Income Collection

4.1 General Overview

Appendix 7 to the AFS shows the movements on the major revenue collections in the year. Collection yields in all the major revenue areas improved in 2019, because of the Council continuously enhancing their collection procedures. The Council are to be commended for this. All efforts should be made to further improve these collection yields where possible, but it is acknowledged that COVID-19 may present challenges in this regard. The collection yields over the last two years were as follows:

Income Source	Yield %		Debtors €m	
	2019	2018	2019	2018
Rates	88%	87%	€3.9	€4.1
Rents & Annuities	88%	87%	€1.0	€1.0
Housing Loans	77%	75%	€1.0	€1.1

Chief Executive's Response

The continued improvement in collection percentages in all major revenue areas is notable and all efforts will be made to further improve these collection yields. However COVID-19 will present significant challenges in the area of income collection, especially for 2020.

4.2 Bad Debt Provision

In my opinion, the bad debt provision for rent and loan collection yields appear adequate. However, they do have to be constantly monitored in the context of COVID-19.

The Council should review the bad debt provision for rates. It is noted that the Council is amongst the highest in the Country for vacancy occupancy rates, and this coupled with the potential impact of COVID-19 on rates customers creates a risk in this area. It is imperative that the Council maintain prudent bad debt provisions.

Chief Executive's Response

The auditor's comment in relation to the adequate bad debt provision for rents and loans is noted. The Council's bad debt provision is reviewed annually and will be again as part of the AFS for 2020.

4.3 Government Debtors

A review was conducted of the management and control of Government debtors and they appear to be well managed and controlled. The Council adopt a prudent approach to the recording of these debtors in the AFS.

€ 5.1m of Government construction debtors accrued at year-end was reviewed at audit. All this money was received in full post year - end with no material differences noted.

Chief Executive's Response

The auditor's comments as regards the Council adopting a prudent and well managed approach to Government debtors are noted and agreed.

5 Transfer of Water and Wastewater Functions to Irish Water

5.1 Overview

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 LA's to IW.

5.2 Water related loans

As at 31 December 2019, the Council had loans for water activity with an approximate value of €3.9m. The cost of repaying capital and interest on these loans is funded by the Department.

5.3 Water related assets

A review of the 358 assets that were for transfer to IW at 1 January 2014 identified the following:

- Only 28 assets have been transferred to date

- A further 47 assets are underground assets. Underground assets automatically vested with IW post transfer of functions to IW
- Significant work has been conducted on transferring a further 123, but additional investigative work is required by Council on 27 of these
- A further 134 assets require further discussion and information by the Council
- 4 duplicate assets or disused assets require further work by the Council
- The Council are focusing on a further 22 assets in 2020 and identifying any issues associated with them.

Chief Executive's Response

The Council and its law agents are continuing to work with IW on the transferring of title of water related assets from Mayo County Council to IW.

5.4 Obsolete Assets

The Council has approximately 30 small waste treatment plants that were operational in January 2014 and obsolete in 2019. These assets continue to be managed by the Council.

Chief Executive's Response

The Council will continue to work with IW in order to bring this issue to a satisfactory conclusion.

6 Loans Payable

6.1 Loans Payable

Capital debt amounted to €133.4m at the 31 December 2019. This is further analysed as follows:

Source of Borrowings	2019 €m
Mortgage and voluntary housing related borrowings	51.7
Loans fully recoupable pertaining to IW	3.9
Land acquisition loans (Including assets)	66.3
Bridging Finance, recoupable loans and shared ownership/rented equity loans	11.5
Total	133.4

The following funding arrangements exist in relation to the above loans:

- Repayments of mortgage and voluntary housing related borrowings are matched by corresponding income. A mortgage loan funding position exists, in that loans receivable pertaining to mortgage and voluntary housing, are €27.2k greater than loans payable at the 31 December 2019
- Interest and principal repayments on the remaining IW related loans at year-end 2019

- of €3.9m are being serviced by the Department.
- All loans to fund land acquisitions (including assets/grants) are fully serviced on an interest and principal basis with the exception of affordable housing bridging loans and pre 86 index linked loans with a total balance at 31 December 2019 of €6.69m. The affordable housing loans relate to borrowings on houses acquired for resale under the affordable housing scheme. In 2010, twenty- three houses were allocated to Approved Housing Bodies under leases for a five-year period. Interest costs on these loans are fully recoupable from the Department subject to qualifying criteria being met.

Chief Executive's Response

Regarding the Approved Housing Bodies leases, the cost of which are recouped from the Department, the Council will review the long-term strategy in relation to new leases, in line with national policy.

7 Bank

The bank balance of €3.98m includes a refundable deposit balance of €5.3m. The Council should consider ring-fencing a sum equal to the amount of refundable deposits in a separate investment account, as these deposits are sums that may have to be refunded to individuals/developers. (see paragraph 12)

Chief Executive's Response

This issue will be reviewed as part of ongoing work however the Council is satisfied that the current arrangement of recording and banking refundable deposits is satisfactory and meets statutory and reporting requirements.

8 Redemption of Bridging Finance

IW assumed responsibility for balances owing on local authority water services capital projects at 1 January 2014, which amounted to €12.15m. Pending receipt of this money from IW the Council was granted sanction to borrow €10.4m from the Department.

The €12.15m was subsequently received from IW. The Council has notified the Department of this matter and has ring-fenced monies received from the borrowings for €10.4m in a special investment account. These transactions have been appropriately reflected in the AFS. The Council has sought permission to utilise these monies to fund other unfunded balances and remaining water services loans. It is important that finality be brought to this matter.

Chief Executive's Response

As the auditor has mentioned the Council has notified the Department of this matter and would welcome it being brought to a satisfactory conclusion.

9 Fixed Assets

9.1 Overview

The Council has €3.51bn in fixed assets.

These are classified further in the AFS as follows:

- Operational €452k
- Infrastructural €2,988k
- Community €11k
- Non-Operational €59k

9.2 Property Management Issues

It is acknowledged that significant efforts have been made by the Council to address property management issues. However, issues still exist, and the following issues were noted during the audit.

- Title deeds did not exist for some assets
- Some asset disposals in 2019 had not originally been included on the Fixed Asset Register

Chief Executive's Response

The significant efforts to address property management issues are notable. This important work will continue in order to resolve outstanding issues.

10 Capital Account

10.1 Capital Account

Issues were noted pertaining to the management of the capital account. Specifically, the following items were noted:

- The drawdown of a €15m loan in 2018 was set-aside to fund a portion of the Council's unfunded balances
- Significant additional unfunded balances exist in Mayo County Council at 31.12.2019
- It was noted that a significant number of capital jobs on the capital account were classified as funded, but either no movement had occurred on the debit balance for several years or very small sums had been set off against the debit balances
- The Council should quantify and identify a clear funding plan for these unfunded balances.

It is acknowledged that controls and procedures have strengthened significantly in recent years in the management of these balances, but issues still exist, and additional unfunded balances did occur in 2019.

Chief Executive's Response

The auditor's comment that controls and procedures have strengthened significantly is noted. As referenced above, a large portion of the Council's unfunded balances were resolved with the drawing down of a €15 million loan in 2018 and the related repayments are budgeted for. The Council continues to make every effort to address additional unfunded balances in order to identify a funding source. The current budgetary position of the Council and in particular the financial impact of COVID-19 may limit the levels of provisions in the revenue account to reduce unfunded balances.

11 Irish Public Bodies Mutual Insurance- IPB

IPBMI have informed Mayo County Council in writing that they will receive a distribution of €4.75m. €2.88m was notified to the Council and received by December 2019. The balance will be received in three instalments up to 2022. Funding plans must be finalised for monies received and receivable from this distribution.

Chief Executive's Response

The Council welcomes the notification in relation to the receipt of distribution funds. These funds will be useful and are set aside to fund outstanding insurance claims lodged against the Council and the reductions in the excess policy.

12 Refundable Deposits and Development Contributions

A review of refundable deposits and development contributions identified the following:

- Council should formalise policies and procedures for collection of development contributions and management of refundable deposits
- The Council should consider ring-fencing a sum equal to the amount of refundable deposits in a separate investment account, as these deposits are sums that may have to be refunded to individuals/developers. They are currently included in the general bank account
- The Council should review the manner in which it allocates development contributions between short term and long-term development contributions as short term contributions were over-stated in the 2019 AFS. It is acknowledged that COVID-19 may be a contributing factor in this regard.

Chief Executive's Response

As part of the work programme of the internal auditor a review is being conducted in relation to development contribution billing procedures and debt collection. This work is expected to be completed and finalised before year end. It is anticipated that a formal policy will be implemented based on the findings and recommendations of the review. The Council is currently satisfied as regards the banking of refundable deposits but will keep the matter under review. The auditor's comments are noted and acknowledged that COVID-19 may be a factor going forward as regards development contributions.

13 Planning & Strategic Infrastructure

13.1 Housing estates

The changes introduced in planning legislation during 2008 allowed developers of unfinished housing estates, most homeowners on the estates or the management companies set up therein, the power to require local authorities to take such estates in charge. Compliance with the legal requirements could result in significant future expenditure being incurred by this Council in bringing these estates up to the required standards under the conditions of the respective granted planning permissions.

Management have represented that the Council have in excess of 57 files (1304 houses) pertaining to the taking in charge of estates that require additional work to be carried out. Some

of these files relate to formal requests from developers or residents for the Council to take them in charge. The Council have represented that whereas the majority of these will require some work to be carried out on them; a large number would not be designated as unfinished housing estates.

The additional work to be carried out on the above estates, along with their management, could represent a significant financial cost to the Council.

Chief Executive's Response

The Council has been very proactive in the area of taking in charge housing estates with most of the significant remedial works being funded through security bonds and Departmental monies. Mayo County Council currently has a taking in charge policy and regular updates are provided to the members in relation the status of various housing estates throughout the county. Applicants /developers are reminded that liability for elements of a development shall remain with the developer until such time as Mayo County Council takes them in charge. In the event that a development has not been completed within the appropriate period, enforcement procedures in accordance with the Planning and Development Acts 2000 – 2006 will be commenced. In a number of cases throughout the county the developer has not made an application for the housing estate to be taken in charge, and unfortunately in many of these cases significant challenges remain with resources being an issue particularly as regards funding.

14 Public Spending Code and Procurement

14.1 Public Spending Code

Mayo County Council is required to publish an annual report setting out how it complies with the above code. The stated objective of the Code is to ensure the State achieves best value for the resources at its disposal. In its report pertaining to 2019, Mayo County Council found no serious areas of non-compliance, but did identify some areas where maintenance of supporting records could be improved.

Chief Executive's Response

As the auditor mentioned, the 2019 compliance report regarding the Public Spending Code identified no serious areas of non – compliance. In the area of maintenance of supporting records, the Council is developing a suite of standard documentary templates which will be used covering the different stages of the project life cycle.

14.2 Purchasing of Consultancy services

A review of tendering procedures in Mayo County Council highlighted that the Council has engaged a firm since 2001 pertaining to software licensing in the area of financial management within the Council. Payments totalling €139k have been made since 2002. This service was not tendered for.

15 Local Authority Companies

15.1 Westport Leisure Centre Limited

The financial statements were approved and authorised for issue by the board of directors

on 28 April 2020.

In 2019, the Council advanced Westport Leisure Centre €279K towards wage costs. At year-end, the Westport Leisure Centre owed approximately €14K to the Council. There is regular reporting to management on financial and non-financial activities.

Chief Executive's Response

The comments on Westport Leisure Centre are noted.

16 Governance and Propriety

16.1 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 a sound system of financial management and internal processes are in place.

Chief Executive's Response

The auditor's comments are noted in this regard.

16.2 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 may be insufficient.

Internal audit issued three reports in 2019 and account has been taken of them in the conduct of this audit.

Chief Executive's Response

As part of the role of the internal audit function Mayo County Council receives valuable feedback on the effectiveness of its controls to mitigate significant risks. The Council is currently going out to tender for its internal audit service and will review and possibly increase the number of days allocated to the function. The agreed programme and number of days allowed will be dependent on resources available, whilst ensuring value for money for the organisation.

16.3 Risk management

The risk register reports risks by directorate. Risks are categorised into operational, financial and reputational. Each risk has a weighted score having regard to impact and likelihood with accompanying control action and frequency e.g. weekly checks, monthly checks. Risks are assigned to a risk owner. The senior management team did not approve the risk register in 2019.

The Audit Committee reviews risks at its meetings.

The ISO 31000 Risk Management was updated in 2018. Work is progressing to ensure that

all sections are aligned to the updates.

Chief Executive's Response

The comments of the auditor are noted.

16.4 Data protection

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 and potential court cases seeking damages in the event of an infringement. As such, County Councils are subject to the above.

The Council appointed a full time Data Protection Officer from January 2018. Mayo County Council has put in place a Data Protection Policy and Privacy Statement designed to ensure compliance with the provisions of the Data Protection Acts and the General Data Protection Regulation (GDPR).

The Data Protection Officer acknowledges that there is significant work required in order to maintain and tighten controls across all departments.

Chief Executive's Response

With the appointment of a Data Protection Officer and the putting in place of a Data Protection Policy and Privacy Statement, the Council is taking all necessary steps to comply with GDPR regulations and further efforts will continue in this regard.

Acknowledgement

I wish to record my appreciation for the courtesy and co-operation extended to audit by the management and staff of the Council. I would like to acknowledge the assistance of all the Council staff in facilitating this audit. I would like to thank the Acting Chief Executive, the Acting Head of Finance, the Financial Accountant, the Management Accountant and all the finance staff. I would like to particularly acknowledge the assistance of the audit liaison officer and IT support staff for their assistance with this process.

Raymond Lavin

Ray Lavin

Principal Auditor

30 October 2020

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