



Rialtas na hÉireann
Government of Ireland

LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Laois County Council

for the

Year Ended 31 December 2019

Department of Housing, Local Government and Heritage

housing.gov.ie

Contents

AUDITOR’S REPORT TO THE MEMBERS OF LAOIS COUNTY COUNCIL.....	2
1 Introduction.....	2
2 Non – adjusting post balance sheet event – COVID-19.....	2
3 Financial Standing.....	3
3.1 Statement of Financial Position.....	3
3.2 Work in Progress	3
4 Income Collection.....	3
4.1 Revenue Collection Summary.....	3
4.2 Rates	4
4.3 Rents & Annuities	4
4.4 Loans.....	4
5 Transfer of Water and Waste Water Functions to Irish Water.....	5
5.1 Irish Water (IW).....	5
6 Capital Account.....	6
6.1 Debit Balances	6
7 Loans Payable	6
7.1 Loans Payable	6
7.2 Interest Only loans	7
7.3 MyPay Loans.....	7
7.4 Land Aggregation Loans (LAGs).....	7
8 Development Contributions	7
8.1 Development Contributions	7
9 Local Authority Companies.....	8
9.1 Interests in Associated Companies.....	8
9.2 Laois Arts Theatre Company Limited.....	8
9.3 Portlaoise Leisure Centre Ltd	8
9.4 Portarlinton Enterprise Centre Ltd	9
10 Approved Housing Bodies (AHBs)	9
11 Governance and Propriety	9
11.1 Fixed Assets and Property Interest Register (PIR).....	9
11.2 Ethics Register	10
12 Internal Audit Function.....	10
Acknowledgement.....	10

AUDITOR'S REPORT TO THE MEMBERS OF LAOIS COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of Laois 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 Annual Financial Statements (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 as a result of the uncertainty, I have included an Emphasis of Matter paragraph.

Chief Executive's Response

The local authority has taken a number of steps to address these both at local and national level including:

- Implementing the nine-month commercial rates waiver to qualified ratepayers,
- Quantifying the net impact on expenditure arising from the pandemic,
- Reducing expenditure in a number of service areas in the adopted budget
- Seeking compensation for additional expenditure on PPE equipment, laptops and other measures to deal with the virus

3 Financial Standing

3.1 Statement of Financial Position

In 2019, the net surplus for the year amounted to €5k after transfers to reserves of €1.64m. These transfers reduced from €3.6m in 2018 to €1.64m in 2019 reflecting a reduction in provisions for the landfill, the public realm housing maintenance and road junctions. This had a positive effect on the overall surplus within the Income and Expenditure Account. The variances between the adopted budget and actual outturn are identified in Note 16 to the AFS. The approval of the members, as required by S.104 of the Local Government Act, 2001, was obtained on the 27th April 2020.

Chief Executive's Response

Prudent financial management of the Council's resources ensured that Laois County Council has a net surplus on its revenue account for 2019, a position that we will be striving to maintain going forward into 2020. The movement in transfers to reserves is dependent on the requirements and relevant funding within the Council in a particular year and is in line with the Council's objectives.

3.2 Work in Progress

Work in Progress has increased from a net balance in over expenditure of €678k in 2018 to €3.54m in 2019. This reflects mainly lands purchased for development purposes, including the Togher Enterprise lands of circa €1.75m and the acquisition of Scoil Mhuire, Portlaoise at circa €350k. Projects are currently ongoing on the Togher Enterprise lands.

Chief Executive's Response

These projects provide excellent opportunities for the Council in the economic and cultural development of the county. The debit balance for the Togher Enterprise lands will be funded from the sale of sites and ongoing development contributions. The debit balance on Scoil Mhuire will be funded through the revenue account. The building is currently leased by the Laois and Offaly Education and Training Board (LOETB) for a three-year period.

4 Income Collection

4.1 Revenue Collection Summary

Income Source	Yield %		Debtors €m	
	2019	2018	2019	2018
Rates	80	76	3.23	3.76
Rents & Annuities	96	96	0.26	0.22
Housing Loans	75	72	1.24	1.41

4.2 Rates

The rates collection yield shows an increase of 4%, increasing from 76% in 2018 to 80% in 2019. This is to be commended.

It was noted that there were 577 accounts in arrears in 2019 compared with 663 accounts in 2018, which represents a 13% reduction in the number of accounts in arrears. Of the accounts in arrears, 92 accounts are in excess of €10k compared with 111 accounts in 2018. This equates to €0.48m or 21% reduction in arrears over €10k. The table below is an analysis of the status of these 92 accounts and compares the 2019 figures with the 2018 figures.

Rates Collection Status	No of Accounts		Arrears €m	
	2019	2018	2019	2018
Payment Plans	25	26	0.66	0.66
Liquidation/Legal Process	18	7	0.27	0.11
Being pursued	49	78	0.91	1.55
Total	92	111	1.84	2.32

In addition, the credit balances need to be reviewed and followed up. The Council has a rates bad debt provision of €1m in the AFS. This is satisfactory.

Chief Executive's Response

Arrears in rates have reduced by €531,251 from 2018. This is a significant improvement on previous years. This is due to ongoing engagement with our commercial rate customers ensuring that all payment options are made available to them. We will pursue the outstanding debt through the legal process where customers fail to engage with us.

4.3 Rents & Annuities

While the yield on rents and annuities is high at 96%, the bad debts provision for rents is unsatisfactory at €35,000. A review of the top ten rent arrear balances showed that 65% of the balances were over 3 months old.

Chief Executive's Response

The bad debt provision represents 13.5% of the arrears at the end of 2019. It will be reviewed in 2020

4.4 Loans

Housing loan collection yield has increased from 72% in 2018 to 75% in 2019 reflecting an overall improvement in arrears management. At year end, there were eight hundred and thirty four loan accounts with a total net value of €1.24m. These are analysed as follows:

Debt Category	2019 Arrears €	2018 Arrears €	2019 No of Accounts	2018 No of Accounts	% Change in No of Accounts	% Change in arrears amount
Legal/Sales/Redeemed/ Repossessed	124,540	276,128	9	38	-76%	-55%
Mortgage to Rent (MTR)	76,081	77,280	5	6	-17%	-2%
Mortgage Arrears Resolution Process (MARP)	81,951	244,097	17	36	-53%	-66%
Restructuring	620,124	715,258	50	63	-21%	-13%
Payment Plan	572,650	308,799	107	75	43%	85%
Arrears <1k	48,056	48,904	137	164	-16%	-2%
Nil Balance/Credits	<u>-282,200</u>	<u>-258,582</u>	<u>509</u>	<u>446</u>	14%	9%
Total	1,241,202	1,411,884	834	828		

The number of accounts in credit has increased by 14% between 2018 and 2019. It is noted that all customers with larger credit balances were contacted and decisions made accordingly. The number of cases with the legal department have significantly reduced as a result of engagement with these customers and entering into payment plans.

It is noted that there still remains approximately 113 compared to 120 in 2018 shared ownership loans to be restructured into annuity loans. Given that the period of time can take up to a year in each case, from the issue of the options letter to final restructure, consideration needs to be given to the assignment of resources to this process. The restructuring of shared ownership loans could potentially take up to 5 years to complete. This is also dependent on customer engagement and a commitment to sustain the initial 3 to 6 month payment arrangement before the account can be recommended to the credit committee. In terms of arrears management and financial risk, this needs to be addressed.

The bad debt provision of €225k is low and should be reviewed given the level of payment plans and restructuring in place.

Chief Executive's Response

The different options available to loan customers to address outstanding arrears include MARP (mortgage arrears resolution process), MTR (mortgage to rent) and loan restructuring. Engagement with customers has ensured that the most suitable and affordable options are offered to them. This has helped significantly to reduce the arrears on loans from €1.98m in 2014 to €1.24m at the end of 2019. The bad debt provision was increased from €175k in 2018 to €225k in 2019. It will be reviewed in 2020.

5 Transfer of Water and Waste Water Functions to Irish Water

5.1 Irish Water (IW)

Pursuant to Section 12 of the Water Services (no.2) Act 2013, provision was made for the transfer of all underground water services previously vested in the Council to IW. The Council currently delivers services on behalf of Irish Water (IW) under a service level agreement. In 2019,

two assets were transferred to IW. A further transfer relating to three assets is imminent. The remainder are still presenting with various issues ranging from unregistered lands to boundary and mapping anomalies. The process to address these issues is ongoing.

6 Capital Account

6.1 Debit Balances

The capital account recorded a credit balance of €7.65m reflecting an increase of €1.55m on last year's figure €6.1m. This is mainly due to transfers to development and miscellaneous services.

The capital account includes 141 accounts with debit balances totalling €13.7m in 2019. This represents a further reduction of €0.3m, on the 2018 figure of €14m.

Notwithstanding this, a number of large debit balances still remain, some of which are identified below:

	<u>2019</u>	<u>2018</u>
Togher Enterprise Lands	1,7207,58	2,102,610
Spec Impr Togher Link Road, Portlaoise	1,805,000	2,040,000
Portlaoise LURD (2006/07)	789,919	885,245
Portlaoise Western Circular	677,000	825,245
Arthouse at Stradbally	450,000	750,000
Industrial Land Clonminam (5.448 acres)	599,975	598,981

Arrangements need to be put in place to address these debit balances.

Chief Executive's Response

There is a plan in place to reduce the overall capital debit balances. The balances on the Togher Enterprise Lands and the Industrial Land in Clonminam will be funded from the sale of sites and development contributions. The debit balance for Portlaoise LURD will be funded by the end of 2028 whilst the debit balances for the Portlaoise Western Circular and the Arthouse at Stradbally will be funded before the end of 2025.

The debit balances on the Capital account are continually reviewed to ensure adequate funding is available.

7 Loans Payable

7.1 Loans Payable

Loans payable in 2019 are recorded at €92.6m in Note 7 to the AFS. The main loan categories comprise of mortgage and non-mortgage loans including interest only loans, MyPay loans, and Land Aggregation Loans (LAGs).

7.2 Interest Only loans

There are currently seventy four housing units acquired for resale under the affordable housing scheme. These are leased as part of the Social Housing Current Expenditure Programme (SHCEP) scheme and interest payments are recouped from the Department of Housing, Local Government and Heritage (the Department). The interest only loans are recorded at €11.7m in 2019.

Chief Executive's Response

This arrangement will continue while the units remain under lease.

7.3 MyPay Loans

Laois County Council operates the MyPay Shared Service Centre for the local government payroll and superannuation sector. Included in the recoupable loans in 2019 is an amount of €2.3m which relates to MyPay shared service operations. This loan is made up of a number of loans which total €2.3m borrowed from the Local Government Management Agency (LGMA) to fund the operations. The charges collected from the various local authorities will fund this loan.

7.4 Land Aggregation Loans (LAGs)

Included in loans payable, are LAGS loans to the value of €4.4m (2017, €4.8m). These are fully recouped from the Department.

8 Development Contributions

8.1 Development Contributions

The actual development contributions where commencement notices have been received in IPlan needs to be fully reconciled to the Agresso PDC system to ensure that the records are complete and accurate. This should also include a reconciliation between a spreadsheet that records a number of accounts outstanding and due pre-2008 and the PDC Agresso system.

In addition, in the case of potential development contributions, inspections need to be put in place to ensure that all developments that have commenced without commencement notices are invoiced accordingly.

Chief Executive's Response

A review of the development contributions with reconciliations carried out between Agresso and iPlan is ongoing. The pre 2008 development contributions owing will be reviewed to determine if they can be included in the Agresso Financial Management System.

9 Local Authority Companies

9.1 Interests in Associated Companies

The Council's interests in six associated companies are identified in Appendix 8 to the AFS.

In 2019, five of these companies presented their 2018 accounts for review at audit, while Portlaoise Leisure Centre and Portarlinton Enterprise Centre presented draft accounts for year 2019 and final accounts for 2017 respectively. It is important that associated company accounts be available for review in the year the AFS is being audited.

The findings of my review are as follows:

9.2 Laois Arts Theatre Company Limited

The above company provided 2018 accounts for review in 2019. In 2018, this company recorded a deficiency in net assets of €94k (€90k, 2017).

The activities are largely financed by the receipt of grant aid from Laois County Council and the Arts Council of Ireland as well as from box office receipts from the Dunamaise Theatre and Centre for Arts. In 2018, funding in the form of grant aid from Laois County Council was €130k, Arts Council of Ireland was €117k and gross box office receipts was €308K, equating to 79% of total income.

Chief Executive's Response

At 31 Dec 2018, the company had €49k in its accounts as a deferred grants provision. This provision arises due to the accounting treatment of grants within the company accounts where grants received are only recognised over a number of years. If all grants were recognised in year 1 that would have cut the stated deficit by approximately 50%.

The accounts for 2019 show a profit of circa €8k. It is hoped that this trend will continue once the operating environment returns to normal post Covid.

When the operating environment returns to normal, the Council may ask the Dunamaise to consider reviewing its valuation of assets to ensure that remaining asset values have not been understated.

9.3 Portlaoise Leisure Centre Ltd

In 2019, the draft accounts for the above company recorded a deficit in the income and expenditure of €67k and a deficit of €133k in net assets (deficit of €65k, 2018). Audited accounts for 2019 were not available. It has come to my attention that this company went into voluntary liquidation in July 2020.

Chief Executive's Response

The Leisure Centre went into liquidation in mid-2020. This was largely triggered by the COVID-19 situation, the effects on cash flow and the foreseeable trading environment at the time.

The Council is in negotiations with Portarlinton Leisure Centre with a view to that company operating both Leisure Centres. It is the view of the Council that a single company operating

both centres will lead to economies of scale and reductions in some overheads.

9.4 Portarlington Enterprise Centre Ltd

The 2017 accounts presented at audit recorded a deficit on the income and expenditure account of €28k. It is noted that the 2018 and 2019 accounts were not available for review. It is important that all local authority company accounts be available for the year that the AFS is being audited.

Chief Executive's Response

The Council will liaise with Portarlington Leisure Centre to have its accounts available in a more timely manner.

10 Approved Housing Bodies (AHBs)

In last year's audit, it was noted that the CLSS schemes should implement controls to verify the records held by the AHBs. In this regard, It is important that a system is put in place to ensure that all annual management and maintenance payments made to AHBs funded under the CLSS schemes are verified accordingly. Annual statements of loans should also be provided to AHBs.

It is also important that the mortgage registers be completed in full with the property registration folio numbers.

Chief Executive's Response

During 2020, the Housing Department contacted a number of AHB's and requested occupancy details for all of their properties. Some AHB's complied but others didn't due to GDPR issues. This will be followed up during the course of 2021.

11 Governance and Propriety

11.1 Fixed Assets and Property Interest Register (PIR)

In 2019, work continued on the Property Interest Register and included the matching of 2,132 records and digitising. Significant work still remains in the area of the mapping of geographic locations, identifying sites, house, addresses etc. In 2019, a technical resource with expertise in AutoCAD was engaged in this work, however, they left in January 2020.

As part of this exercise, a full reconciliation needs to be undertaken of all fixed asset categories to their underlying records for each of the areas being recorded. In addition, the PIR needs to be reconciled to both the Fixed Asset Register and the insurance schedule.

Chief Executive's Response

We expect to have a new Asset Management Solution System in place early in 2021. This new system will address the mapping and digitising issues. The Property Management Section will work with other sections to complete the records.

11.2 Ethics Register

An ethics register is maintained by the Council for both staff and members. Pursuant to Part 15 of the Local Government Act 2001, it is a requirement that all designated staff and members submit a declaration of specified interests on or before the 28th February annually to the Council for registration.

There was a shortfall of 16% in the number of declarations received from designated staff. It is important that all designated staff make a full disclosure before the February deadline and reasons given where this deadline is not met.

Chief Executive's Response

The findings here will be addressed to ensure that returns are submitted on time by all designated staff and that this does not happen going forward.

12 Internal Audit Function

In 2019, the Council's Internal Auditor took up an appointment with another local authority. Another staff member was assigned the position during 2019 but has subsequently taken a career break. In 2020, a new staff member with a recognised professional qualification has now been assigned to this area on a full time basis. In accordance with the Audit Charter, she reports to the Chief Executive and the Audit Committee. In 2019, four internal audit reports were produced which I have taken account of in carrying out my statutory audit.

It is noted that the Internal Auditor has still been assigned the role of checking duties which conflicts with the role of an Internal Auditor, segregation of duties and the importance of maintaining independence. A resource needs to be identified outside of the Internal Audit function to fill this work commitment. This unit provides important assurance as to the adequacy of control systems and procedures in place.

Chief Executive's Response

I am satisfied that the Internal Auditor undertakes her duties only in relation to the Annual Audit Plan or any attendant matters associated with the plan.

Acknowledgement

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



Ita Howe
Principal Auditor
08 December 2020

housing.gov.ie

