



**LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Leitrim County Council**

**for the**

**Year Ended 31 December 2013**



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## **AUDITOR'S REPORT TO THE MEMBERS OF LEITRIM COUNTY COUNCIL**

### **1. Introduction**

- 1.1** I have audited the annual financial statement of Leitrim County Council for the year ended 31 December 2013, which comprise the Statement of Accounting Policies, Income and Expenditure Account, Balance Sheet, Funds Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is the Accounting Code of Practice for Local Authorities, as prescribed by the Minister for the Environment, Community and Local Government.

My main statutory responsibility, following the completion of the audit work, is to express an opinion on the annual financial statement (AFS) of the Council as presented for audit, in accordance with the Code of Audit Practice. My audit opinion on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on page 5 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 opinion on the statement and to report my opinion to you. I conducted my audit in accordance with the principles and practice of Local Government Audit. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the annual financial statement. It also includes an assessment of the significant estimates and judgements made by the Council's management in the preparation of the financial statement, 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error.

- 1.2** This report is issued in accordance with Section 120 of the Local Government Act, 2001 and should be read in conjunction with the audited AFS.

### **2. Financial Standing**

#### **2.1 Revenue Account**

The Council recorded an accumulated deficit of €1.58m at the end of 2013, which represents an increase of €100k on the previous year end deficit. The draft AFS and approval for the over-expenditure across four divisions as summarised in note 17 to the AFS was approved by the members in May 2014. The Council will need to implement strict budgetary controls to ensure the remaining adverse balance is eliminated over the coming years. I note that no provision was made in the 2014 annual budget in respect of this deficit.

## Chief Executive's Response

The increase on the previous year end deficit was caused by payments of €314k to staff leaving under the voluntary redundancy scheme. This scheme was announced during 2013, and as such was not provided for at the time of compilation of the 2013 annual budget. Throughout 2013, the Council continued to implement a programme of monitoring and review of expenditure to ensure that budgetary limits were not exceeded. However, the cumulative effect of these externally imposed costs resulted in a deficit of €100k. No provision was made in the 2014 annual budget in respect of this cumulative deficit, as again in 2014, the Council was exposed to a sum of €206k under the voluntary redundancy scheme, and €996k for lump sums due to staff retirements. As the age profile of staff in the Council is severely weighted to those aged 50 and over, the Council will have to provide large sums for retirement gratuities in the medium term and as a consequence will have very little scope to provide for the cumulative deficit.

## 2.2 Capital Account

The closing surplus on the capital account increased by approximately €2.1m to €14.9m in 2013, mainly due to the settlement of final accounts for water and waste water services projects with the Department of the Environment, Community and Local Government (the Department). The Council may be required to utilize €6.1m of this surplus for the buy-back of the Leitrim Leisure Centre in 2018, which was agreed as part of a public private partnership undertaken in 2005.

## Chief Executive's Response

A fund of over €2m has been built up in the capital account since 2006 in order to offset the €6.1m liability due to crystallise in 2018. The Council makes provision from its revenue account to this fund each year and is committed to doing so. The amount of this annual provision is wholly dependent on what can be afforded each year. The Council will examine all options open to it in order to meet this liability in 2018.

## 3. Income Collection

3.1 The percentage yields from the main revenue collection accounts were as follows:

	2013	2012	2011	2010
Rates	65%	64%	72%	78%
Housing Rents and Annuities	91%	91%	93%	94%
Commercial water	34%	27%	37%	41%
Housing loans	63%	65%	71%	74%

## 3.2 Commercial Rates

Commercial rates arrears increased by €191k to €2.19m at 31 December 2013. The Council wrote off €650k in respect of rates in 2013 and has included a bad debts provision of €133k (6% of arrears) for these debtors. The adequacy of this provision needs to be reviewed in 2014.

### **3.3 Commercial Water**

The collection yield for commercial water charges at year-end increased to 34%, with arrears amounting to €1.44m. These debtor balances are to transfer to Irish Water in 2014. The Council has made a doubtful debt provision of €619k in relation to water charges.

### **3.4 Housing Loan Arrears**

The housing loan collection yields decreased slightly in 2013 with accumulated arrears of €109k at the year end. It should be noted that 80% of the overall housing loan arrears related to just 10 accounts.

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

While commercial rates and commercial water collection yields have improved incrementally in 2013, it is desirable that these be further improved in 2014. An increase of €20k was made to the commercial rates bad debt provision in 2014, which was in itself a 17.5% increase to the existing commercial rates provision. The Council intends to further increase this provision in 2014 and subsequent years, but this is dependent on the Council being able to afford to do so. The responsibility for billing and collection of commercial water will migrate to Irish Water at the end of 2015.

### **4. Property Interest Register**

The work of reconciling the land property register with the Property Registration Authority is incomplete. The Council needs to ensure work continues on the property interest register to ensure that it is properly maintained and reconciled with the fixed assets as reported in the AFS. These assets should also be reconciled with the Council's schedule of insurances.

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

Work commenced on the development of a property interest register database, which will encompass fixed assets, land registration and insurance information and reconciliations. Resources have been dedicated to this for 2014 and 2015.

### **5. Development Contributions**

The total amount of development contributions collected during 2013 was €367k (€403k in 2012). The short-term debtors at the year-end were €980k, against which there was a provision for doubtful debtors of €218k.

### **6. Refundable Deposits**

The Council has refundable cash deposits of €3.4m associated with developments not taken in charge, however there is no schedule linking these developments with the cash deposits held. I have recommended on previous audits that a current schedule of refundable deposits be maintained by the Council, providing details of the development to which the deposit relates.

## **Chief Executive's Response**

The Planning Department maintains a register of all planning bonds and refundable deposits held by the Council, which is monitored on a regular basis. When bonds are nearing their expiry dates, developers are requested to either maintain the bond until the estate is taken in charge, or submit a refundable cash deposit in-lieu of the bond. However, it has become increasingly evident that bond providers are no longer willing to put new bonds in place or to even extend existing ones. While some developers submit a cash deposit in lieu of a bond, this is proving very difficult to collect. Cash deposits are required to be lodged prior to the commencement of the development, but many developers now try to negotiate a cash lodgment per unit rather than for the entire development. The Council will endeavor to have all planning refundable deposits held at 31 December 2014, reconciled with the corresponding planning records prior to the completion of the 2014 AFS, subject to adequate resources being available.

### **7. Internal Audit**

A number of areas were reviewed by internal audit during 2012 and 2013, and I have placed reliance on this work when performing my audit.

### **Acknowledgement**

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



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**Anne Halion**  
**Local Government Auditor**  
**31 October 2014**