



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Louth County Council for the Year Ended 31 December 2022

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
gov.ie/housing

Contents

Auditor's Report to the Members of Louth County Council.....	1
1 Introduction.....	1
2 Financial Standing.....	1
2.1 Statement of Comprehensive Income.....	1
2.2 Statement of Financial Position.....	2
3 Income Collection.....	2
3.1 Summary of Income Collection.....	2
3.2 Rates.....	2
3.3 Rents and Annuities.....	3
3.4 Housing Loans.....	3
3.5 Provisions for Bad Debts.....	4
4 Debtors.....	4
4.1 Government Debtors - Housing Directorate.....	4
4.2 'PEACE' Projects.....	4
5 Creditors.....	5
5.1 'G Factor' Rates Revaluation Provision.....	5
6 Fixed Assets and Work in Progress.....	5
6.1 Acquisition of Housing Units via Compulsory Purchase Order (CPO).....	5
6.2 Ballymakenny East Public Private Partnership (PPP) Housing Scheme....	6
6.3 N53 Park & Share Facility.....	6
7 Capital Account.....	6
7.1 Capital Account Overview.....	6
7.2 Housing Capital Balances.....	7
7.3 Port Access Northern Cross Route.....	7
7.4 Other Programme Groups - Funding of Debit Capital Balances.....	7
7.5 Fleadh Cheoil Festival.....	8
7.6 National Broadband Plan Project.....	9
8 Loans Payable.....	9
8.1 Loans Payable Summary.....	9
8.2 Loans Borrowed to Fund the Acquisition of Land.....	9
8.3 Bridging / Affordable Housing Loans.....	10
9 Planning and Development Act 2000 - Part V.....	11
10 Procurement and Tendering.....	12
10.1 Narrow Water Bridge Project.....	12
10.2 Doire Beag - Construction of Six Dwelling Units.....	12

10.3	Financial Management System (FMS) Procurement Module.....	13
11	Governance and Propriety	13
11.1	Governance	13
11.2	Internal Audit.....	13
11.3	Ethics Declarations	14
11.4	Risk Management	14
11.5	Anti-Fraud and Corruption Strategy	14
11.6	Protected Disclosures Policy.....	14
	Acknowledgement.....	15

Auditor's Report to the Members of Louth County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Louth County Council for the year ended 31 December 2022, 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 2022 and its income and expenditure. My audit opinion, which is unmodified, 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 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

A surplus of €1.6m was recorded by the Council after net transfers to reserves of €8.5m. Details of over / under expenditure are included in Note 16 to the AFS. These were approved by the members at the April 2023 meeting of the Council in accordance with Section 104 of the Local Government Act 2001.

2.2 Statement of Financial Position

Details of significant movements in the finances of the Council include the following:

- An increase of €22.8m in fixed assets which includes the addition of 103 housing units
- An increase in work in progress and preliminary expenses of €5.9m which includes the redevelopment of the Drogheda municipal offices, €2.1m and the Narrow Water Bridge project, €2.7m (see paragraph 10.1 below)
- Long term debtors/creditors 'Other' increased by €7.4m and €7.9m respectively, due to the provision of capital asset leasing facilities to approved housing bodies
- Bank investments increased by €61.2m and in addition to grants, includes €35.3m of funding received from the Department of Housing, Local Government and Heritage (the Department) in respect of the redemption of land loans not processed at year end due to the timing of the receipt
- An increase in creditors and accruals of €35.6m due in the main to deferred income pertaining to the funding of land loan redemptions.

3 Income Collection

3.1 Summary of Income Collection

A summary of the major collection yields and the corresponding closing debtors, with comparatives for the previous year are as follows:

Income Source	Yield %		Debtors €m	
	2022	2021	2022	2021
Rates	83	76	7.6	10.3
Rents & Annuities	84	84	2.6	2.5
Housing Loans	86	88	0.03	0.02

3.2 Rates

The collection yield in respect of rates increased to 83% compared to 76% in 2021. Due to the ongoing impact of COVID-19, Louth County Council received a commercial rates waiver of €1m for the three month period to the end of March 2022.

Arrears of rates continued to be monitored during 2022 with payment plans having to be renegotiated as a result of the cessation of payments by some customers due to the COVID-19 pandemic.

Chief Executive's Response

The auditor's comment is noted. The collection rates improved over the year as businesses got back to full operation. We continued to work with businesses that were more affected by the pandemic through our payment plan programme.

3.3 Rents and Annuities

The collection yield in respect of rents and annuities remained static in 2022 at 84% year on year. Gross arrears of rents at the end of 2022 totalled €3.0m (€2.9m in 2021).

While it is noted in the case of a number of accounts, increasing arrears are arising as payments received are insufficient to cover the rent accrued, the Council continues to monitor accounts for payment of outstanding amounts. There was an increase of €1.0m in the amount billed by the local authority in 2022 compared to the previous year due to the commencement of a rent review and the addition of in excess of 200 new tenants in the year.

Chief Executive's Response

The Rent Inspector's engagement with tenants in arrears of rent is proving beneficial. It is noted that the challenging cost of living crisis is impacting on our tenants, but we continue to work with them to address the arrears issues.

3.4 Housing Loans

The collection yield in respect of housing loans decreased to 86% compared to 88% in 2021. Gross arrears at the end of 2022 totalled €415k compared to €381k in 2021. Similar to rents above, while accounts are being monitored for payment, a review of a sample of accounts noted in some cases that, while regular payments are being received, these are insufficient to cover the monthly loan instalment resulting in an increase in arrears.

Chief Executive's Response

The cost of living crisis has had an impact on our loan customers. We are working with them to arrange payment plans to bring our collections rates back on track.

3.5 Provisions for Bad Debts

The provision for bad debts in respect of the above collection accounts are considered adequate. These should be kept under review to ensure that they are maintained at an adequate level without overprovision.

Chief Executive's Response

We keep the bad debt provision under review as part of the AFS process.

4 Debtors

4.1 Government Debtors - Housing Directorate

At the end of 2022, a balance of €6.6m (€9.1m in 2021) was outstanding from the Department regarding housing related activities. Currently, €1.4m of this balance remains outstanding. A sum of €228k of this amount is greater than three years old and includes €177k relating to a final account invoiced to the Department in 2019, while a sum of €317k relates to the years 2020 / 2021. These balances are being carried forward annually in the AFS.

Chief Executive's Response

Ongoing positive engagement between the housing finance team and Department officials has reduced the outstanding balances. This work will continue until resolution of all balances is achieved.

4.2 'PEACE' Projects

'PEACE' projects are projects designed to promote social and economic stability in the region and are funded by the Special EU Programmes Body (SEUPB). At the end of 2022, a total of €1.5m of income was accrued in respect of expenditure incurred on these projects by the Council. In excess of €800k of this amount pertains to 2021. At the time of audit just €348K of the total income accrued was received. Non receipt of this income in a timely manner will have an effect on the cash flow of the Council in the future.

Chief Executive's Response

This is a national issue with SEUPB. Local Authorities and other bodies who have been approved PEACE grant support from SEUPB have been subject to the same cash flow delays. The delay on payments has been raised by Louth County Council both individually and collectively. We have been advised by SEUPB that they are experiencing a claims payment backlog that they are working through. The PEACE IV Programme remains live, and we expect the payment of claims submitted by quarter one 2024.

5 Creditors

5.1 'G Factor' Rates Revaluation Provision

Expenditure accruals in note 6 to the AFS include a provision called the 'G Factor' of €6.3m to provide for rates revaluation appeals from customers. This is as a result of a rates revaluation completed in 2019 by the Valuation Office of all commercial properties in the county and implemented by the local authority in 2020.

A sample of balances included in this provision noted significant sums in excess of the amount required. It was noted that COVID-19 waivers received by the local authority in respect of rates accounts were not taken into account in the calculation. In addition, a year on year reduction to the provision was not reflected in respect of the processing of successful appeals by customers in 2022.

These matters should be addressed. The G Factor provision should be kept under review.

Chief Executive's Response

The appeals process from the 2019 revaluation is still ongoing with a number of appeals still to be dealt with. The provision will be amended as appeal decisions are received and a full reconciliation will be carried out at the end of 2023 as part of the AFS process.

6 Fixed Assets and Work in Progress

6.1 Acquisition of Housing Units via Compulsory Purchase Order (CPO)

It has been highlighted at previous audits that the local authority has been involved in a CPO process of acquiring vacant properties to provide for social housing. The estimated cost of completion of this programme is in the region of €22.1m, €6.5m in excess of the original approved budget allocated by the Department of €15.6m. Due to on-going discussions between the local authority and the Department, a revised budget of €22.2m has recently been approved to complete this programme.

Chief Executive's Response

Extensive work has been carried out by the housing finance team in conjunction with the Department technical team to agree and finalise the CPO accounts. The Council is pleased that the funding is in place to complete this programme.

6.2 Ballymakenny East Public Private Partnership (PPP) Housing Scheme

A review of work in progress noted that the Ballymakenny East PPP housing scheme project was included in work in progress at the end of 2022 with total expenditure of €1.5m. As this scheme is not a housing scheme being constructed by the local authority, but forms part of a public private partnership (PPP) national bundle with Dublin City Council as the lead authority, a review should be undertaken to ensure its correct categorisation as work in progress.

Chief Executive's Response

The auditor's point is noted and will be actioned.

6.3 N53 Park & Share Facility

It is noted that expenditure and income of €1.5m and €1.4m respectively was included in work in progress at the end of 2022 with regard to N53 Park & Share Facility. As this project was completed in 2021 it should be transferred from work in progress to fixed assets.

Chief Executive's Response

The N53 Park & Share Facility is a Transport Infrastructure Ireland (TII) funded pilot project, with land purchase and construction carried out by Louth County Council. The maintenance of the facility is carried out by TII. We will seek confirmation with TII as to the ownership of it and amend the accounts accordingly.

7 Capital Account

7.1 Capital Account Overview

At the end of 2022 there was a net credit balance of €57.1m (€36.4m in 2021) on the capital account, an increase of €20.7m on the previous year. This increase includes funding of €10m received from the Department in respect of the cost of land acquisitions and the servicing of land loans. It also includes development contributions of €2.5m and income of €2.8m which was omitted to be deferred at the end of the year in respect of a housing development at Ellwood Ballymakenny.

Capital expenditure in 2022 including transfers to revenue amounted to €59.3m compared to €75.4m in 2021. The year on year decrease of €16.1m is due in the main to a reduction in expenditure on capital asset leasing facilities and capital assistance schemes pertaining to AHBs.

7.2 Housing Capital Balances

A review of housing capital balances being brought forward each year noted that debit (adverse) balances totalling €8.8m remain to be resolved through discussions with the Department. In addition debit balances totalling €2.2m remain for investigation for possible miscoding or identification of funding.

The following matters identified at the previous audit also require investigation / resolution:

- Deferred income of €2.3m pertaining to the former town councils is being carried forward annually
- A credit balance of €0.9m is being carried forward annually in respect of housing acquisitions relating to the former Drogheda Borough Council
- Income of €259k is being accrued annually since 2018 in respect of expenditure incurred on the Cox's Regeneration Scheme 2A which was completed some years ago.

Chief Executive's Response

There is ongoing work between the housing finance team and the Department technical team to agree and finalise these accounts.

7.3 Port Access Northern Cross Route

At the end of 2022 there was a debit balance of €3.3m (€3.3m in 2021) on this project, to be funded from development contributions yet to be collected.

In September 2022 a new development contribution scheme 'North Drogheda R132 to Dublin - Belfast Railway Line' was adopted by the members with regard to the funding of this project.

Chief Executive's Response

The auditor's comment is noted. The Development Contribution Scheme 'North Drogheda R132 to Dublin-Belfast Railway Line' is designed to fund this project.

7.4 Other Programme Groups - Funding of Debit Capital Balances

A total of €10.69m of debit capital balances were identified which require funding from the income and expenditure account over for the foreseeable future. The local authority is continuing its work on reducing these.

A number of projects with larger debit balances requiring revenue funding is shown the table below with 2021 comparative figures indicating either an

increase or decrease in the year on year balance:

Programme Group	Description	Closing Debit Balance at 31/12/2022 €m	Closing Debit Balance at 31/12/2021 €m	Increase / (Decrease) €m
2	Traffic Lights Replacement Programme Phase 1	0.24	0.28	(0.04)
5	Whiteriver Landfill Site - Development of Phase V	4.50	4.66	(0.16)
5	Landfill Energy Recovery Project	0.76	0.79	(0.03)
5	Improvement To Town Dump DTC	0.69	0.76	(0.07)
5	Landfill Capital Works 2016 to 2018	0.46	0.51	(0.05)
5	New Civic Amenity Centre DBC	0.45	0.56	(0.11)
5	Whiteriver Landfill Electricity Generator	0.42	0.44	(0.02)
7	Clogherhead Harbour Improvements	0.36	0.39	(0.03)
8	New County Offices	1.71	1.93	(0.22)
8	Broadband Ring Project	0.27	0.27	0.00

Chief Executive's Response

We continue to budget for these projects as part of the annual revenue budget working within the limitations of our resources, but it will take several years to clear them. We also continue to allocate development levies to the projects as they are collected, and we apply for any funding opportunities for all our capital projects.

7.5 Fleadh Cheoil Festival

At the end of 2022 there was an unfunded debit balance on this project of €1.2m. Funding should be identified for this debit balance. This project was set up to provide cash flow facilities for the festival which the local authority hosted in 2018 and 2019.

Chief Executive's Response

A proposal to fund this debit balance over a number of years from the revenue account was presented to the Council members in 2021 but the proposal was rejected by the members. This will, therefore, remain as an unfunded balance on our capital account until a funding source is identified.

7.6 National Broadband Plan Project

It has been highlighted at previous audits, the local authority receives funding from the Department of Rural and Community Development to support the costs of employing a broadband liaison officer to this project. However, due to annual miscoding, the payroll costs associated with this project are not being charged to this capital scheme but to the income and expenditure account. While immaterial in the overall context of the AFS, this matter should be corrected.

Chief Executive's Response

The monies will be transferred to the revenue account in 2023.

8 Loans Payable

8.1 Loans Payable Summary

A summary of loans payable at the end of 2022 is as follows:

Loan Type	Balance outstanding at 31/12/2022 €m
Mortgage Loans	26.34
Non Mortgage Loans - Assets/Grants	55.75
Bridging Finance	6.22
Voluntary Housing Loans	42.65
Share Ownership- Rented Equity	0.03
Total	130.99

8.2 Loans Borrowed to Fund the Acquisition of Land

The closing balance in respect of loans borrowed to fund the acquisition of land totalled €54.28m at the end of 2022 (€55.99m in 2021). This includes a sum of €3.05m which is recoupable from the Department as it forms part of the land aggregation scheme. A breakdown of the remaining balance of

€51.23m by loan is set out in the table below:

Loan No.	Amount Outstanding at 31/12/2022 €m	Date of Commencement of Repayment of Principal	Principal Paid in 2022 €m	Interest Paid in 2022 €m
1	18.34	Jul-20	0.57	0.21
2	15.64	Jul-20	0.48	0.18
3	6.99	Jan-21	0.21	0.08
4	3.97	Jan-21	0.12	0.05
5	6.29	Jan-22	0.18	0.07
Total	51.23		1.56	0.59

A total of €2.15m was paid by the local authority in 2022, made up of €1.56m of principal and €0.59m of interest as outlined in the table above. These charges were funded from the income and expenditure account.

While the above loans have a repayment duration of 30 years from the date of repayment of principal as indicated above, in December 2022 the local authority received funding from the Department of €39.7m for the purpose of reducing the principal outstanding and their associated interest charges. As these funds were received at the end of the year, this reduction could not be applied. As a result, an amount of €35.3m was transferred to deferred income while sums of €2.9m and €1.5m were transferred to a recoupment reserve and to internal capital receipts respectively. The application of this funding will result in a considerable reduction in the loans payable balance for 2023.

Chief Executive's Response

The auditor's comment is noted. The repayment to the Housing Finance Authority (HFA) was completed in January 2023 and this has resulted in a reduction on the payments of land loans going forward.

8.3 Bridging / Affordable Housing Loans

During 2022 the Council redeemed two bridging loans totalling €2.2m with funding received from the Department for this purpose. In addition, approval was obtained to reclassify two loans as bridging loans which were previously incorrectly categorised as affordable loans.

In December 2022 a further sum of €1.8m was received for the purpose of redeeming a portion of the above bridging loans. This redemption will be applied in 2023.

Chief Executive's Response

The auditor's comment that this matter is now resolved is noted.

9 Planning and Development Act 2000 - Part V

Part V of the Planning and Development Act 2000 as amended by the Planning and Development Act 2002 requires that where a residential development is undertaken, that an agreement (known as a Part V agreement) is entered into with the local authority for the provision of social and affordable housing.

In accordance with the legislation and guidelines issued by the Housing Agency, the Part V agreement should be finalised and signed by both the local authority and the developer prior to the commencement of any construction works.

During a review of the Part V agreement process in place, the following was noted:

- The Part V agreement was only finalised in December 2022 in respect of a development consisting of eight housing units which were completed and included in fixed assets at the end of 2022
- Construction was completed and the housing units included in the Council's fixed assets at the end of 2022 where the relevant Part V agreement remains outstanding to be signed by the developer and returned to the local authority
- Similarly to point 2 above, the Part V agreement remains outstanding to be returned to the local authority by the developer in respect of the completion of construction of phase one of a 45 housing unit development.

Procedures with regard to accounting for Part V agreements should be reviewed. Increased communication between the building control section, planning directorate and housing directorate is recommended.

Chief Executive's Response

Procedures relating to processing of Part V agreements have been reviewed and new procedures are now operational. These procedures also provide for greater communication between Housing and Planning Departments at pre-planning stage.

10 Procurement and Tendering

10.1 Narrow Water Bridge Project

In 2007, the local authority, using the e-tender process, tendered for engineering consultants for the construction of a bridge over Carlingford Lough at Narrow Water, connecting the county with Northern Ireland. The tender sum of €1.2m inclusive of VAT was submitted by the consultants who won the tender and were appointed to the project. However, in 2015, due to funding issues, this project was suspended.

In 2021, this project was reinstated and the original engineering consultants were re-appointed. For the purpose of their re-appointment, the local authority utilised section 72 of S.I. No. 284 - European Union (Award of Public Authority Contracts) Regulations 2016: 'Modifications of Contracts during Their Term'. No formal tendering process was undertaken.

In July 2023 with regard to their re-appointment, the consultants provided the local authority with a fee proposal for their services of €4.7m. From the re-commencement of this project in 2021 to the end of 2022, expenditure totalling €2.1m (€3.4m to date) has been paid to these consultants. These amounts are inclusive of VAT.

Chief Executive's Response

Consultants procured in 2007 were contracted to provide services up to and including Tender Award stage for the Narrow Water Bridge project.

The Council is satisfied that the continuation of the Consultant's contract was provided for under section 72 of S.I. No. 284 - European Union (Award of Public Authority Contracts) Regulations 2016, with the works remaining similar to those procured for in 2007.

10.2 Doire Beag - Construction of Six Dwelling Units

A contractor was appointed by the local authority in 2022 to construct six housing units at Doire Beag, Collon using the Council's Minor Building Works Framework in lieu of utilising e-tenders. The tender value of this contract was €1.2m. However, this framework was only valid for use for contracts up to an estimated value of €800k.

Chief Executive's Response

Louth County Council accepts that the framework used, in error, was not in congruence with the estimated contract cost. Procurement procedures, and the purpose of same, will be re-emphasised with a view to mitigating risk of recurrence.

10.3 Financial Management System (FMS) Procurement Module

The FMS procurement module provides transparency in the 'Purchase to Pay' cycle and also in analysing actual expenditure against national and local frameworks. A key control of this module is to ensure compliance with recommended public procurement practice and value for money in the tendering for goods and services. At the end of 2022 this module remained outstanding for implementation.

Chief Executive's Response

This work has been delayed again as we had to prioritise other software developments for the Revenue Commissioners reporting requirements.

11 Governance and Propriety

11.1 Governance

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is Chief Executive's responsibility to ensure that such systems and procedures exist and are robust.

11.2 Internal Audit

The internal audit function in the Council is provided by an external firm of professional financial service providers. During 2022 a total of seven audit reports and a follow up report on the status of audit recommendations implemented by the local authority were completed, while work was ongoing on a further audit at the end of the year.

It was highlighted at the previous audit that a number of recommendations made in internal audit reports had not yet, or had only been partially been completed. During 2022 the Council made progress on implementing these.

Delays in the finalisation of some internal audit reports was noted. I have been informed that this can be due to a number of factors, including time taken to agree terms of reference and the response times to requests from the various directorates for information. These matters should be kept under review to ensure internal audit reports are completed in a timely manner.

Chief Executive's Response

Noting the improvement of internal audit completions, the Council will continue to ensure that the finalisation of all internal audits will be treated as a priority.

11.3 Ethics Declarations

At the conclusion of the audit it was noted that not all member's declarations had been returned. Ethics declarations should be returned within the required timeframe in accordance with Part 15, Section 171 of the Local Government Act 2001.

Chief Executive's Response

All members were advised to comply with their statutory responsibilities.

11.4 Risk Management

A Strategic Corporate Risk Register which incorporates the overarching risks of the local authority with corresponding mitigating measures to address these is maintained by the local authority and updated on a quarterly basis.

In addition, each directorate within the local authority maintains its own risk register which is updated on an ongoing basis and reviewed quarterly.

The Council operates a Risk Management Policy which was updated in March 2021.

Chief Executive's Response

The Council has a robust Risk Management process at both strategic level and Directorate level with quarterly reviews at all levels.

11.5 Anti-Fraud and Corruption Strategy

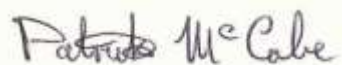
The Council has in place an Anti-Fraud and Corruption Strategy Process, last updated and approved by the Chief Executive in November 2020.

11.6 Protected Disclosures Policy

A Protected Disclosures Policy, adopted by the Chief Executive in 2019 is available on the local authority's website.

Acknowledgement

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

A handwritten signature in black ink that reads "Patrick McCabe". The signature is written in a cursive style with a light yellow background behind it.

Patrick McCabe

Local Government Auditor

28 September 2023

gov.ie/housing

