



LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Louth County Council

for the

Year Ended 31 December 2012



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

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AUDITOR'S REPORT TO THE MEMBERS OF LOUTH COUNTY COUNCIL

1 Introduction

- 1.1 I have completed the statutory audit of the accounts of Louth County Council for the year ended 31 December 2012. My audit opinion on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on page 5 of the AFS.
- 1.2 This report is issued in accordance with Section 120 of the Local Government Act, 2001.

2. Main Issues

Attention is drawn to the following main issues in this report:

- Capital Balances (paragraph 5.3)
- Poor collection performance for rates (paragraph 6.1)

3. Financial Performance

- 3.1 The Income and Expenditure Account with comparative figures for the previous year may be summarised as follows:

	2012 €000	2011 €000
Expenditure	65,082	73,606
Income	<u>63,506</u>	<u>71,210</u>
(Deficit) for the Year before Transfers	(1,576)	(2,396)
Transfers from / (to) Reserves	<u>852</u>	<u>2,153</u>
Overall Surplus /(Deficit) for the year	(724)	(243)
Opening Balance at 1 st January	<u>1,442</u>	<u>1,685</u>
Closing Balance at 31 st December	<u>718</u>	<u>1,442</u>

4. Financial Standing

- 4.1 The Balance Sheet shows net assets of €1,608m at 31 December 2012 consisting of the following:-

	2012 €000	2011 €000
Fixed Assets	1,597,690	1,506,755
Work In Progress and Preliminary Expenses	20,117	13,357
Long Term Debtors	16,536	17,035
Net Current Assets	19,338	23,613
Long Term Creditors	<u>(45,080)</u>	<u>(46,157)</u>
Net Assets	<u>1,608,601</u>	<u>1,514,603</u>
Represented by:		
Capitalisation Account	1,597,690	1,506,755
Income WIP	18,588	11,772
Specific Revenue Balance	390	390
General Revenue Balance	718	1,442
Other Balances	<u>(8,785)</u>	<u>(5,756)</u>
	<u>1,608,601</u>	<u>1,514,603</u>

4.2 Fixed Assets

As the sanitary authority for the county of Louth, the water and sewerage networks for Drogheda and Dundalk were transferred to the Council. Buildings to the value of €19.470m were also transferred to the County Council by the urban authorities.

4.3 Net Current Assets

Current assets at the year end 2012 included bank investments of €7.2145 m. It is important to report that this includes the €6.882m included as refundable deposit figure as disclosed in Note 9 to the AFS.

5. Capital Account

- 5.1 The capital account records income and expenditure in respect of the acquisition and provision of assets related to services provided by the

Council. It has been de-aggregated with the various accounts included under relevant account headings in the Balance Sheet.

- 5.2 A summary of the transactions on the capital account, with comparative figures for 2011 is as follows:

	2012 €000	2011 €000
Expenditure (including transfers)	25,090	15,507
Income (including transfers)	<u>22,463</u>	<u>16,312</u>
Outturn for the year	(2,627)	805
Opening Balance Favourable /(Adverse)	<u>8,506</u>	<u>7,701</u>
Closing Balance Favourable /(Adverse)	<u>5,879</u>	<u>8,506</u>

- 5.4 Note 11 of the AFS includes the following debit balances that the Council has to finance;

Port Access Northern Cross Route	€2.38m
Alterations to Dundalk Gaol	€2.39m
Land at Mullavalley, Louth Village	€5.13m
Land at Kilkerry	€1.10m
Land at Dunleer	<u>€7.93m</u>
Total	€18.93m

6. Summary of Major Revenue Collections

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

	2012	2011
Rates	55%	59%
Housing Rents and Annuities	81%	83%
Housing Loans	54%	59%
Commercial Water Charges	54%	40%

As highlighted in the Local Government Audit Service's Activity Report for 2011, Louth County Council's rates collection yield of 59% was the second lowest collection performance of the 34 main local authorities. In the year under audit there was a further deterioration in the collection yield for rates with a corresponding increase in the arrears to €5 million.

The Council has increased the bad debt provision for rates from €529k to €779k. This is a serious matter for the Council to address. A detail review should be carried out of the rates debtors to ensure that the bad debt provision reflects the current economic circumstances.

Manager's Response

Collection of local authority charges continue to be very difficult in the current economic environment. We have implemented a new collection system and are actively pursuing all monies outstanding to the council. The bad debt provision will be reviewed in detail again at year end and adjusted in line with our findings.

7. Specific Matters

7.1 Refundable Deposits

The Council's planning cash deposits comprise deposits going back beyond seven years. The Council should review the current status of deposits to determine if the Council should refund the deposit or bring the deposit into the revenue account.

Manager's Response

A full review of refundable deposits is being carried out and decisions on whether monies should be refunded or taken into the revenue account will be taken.

7.2 Bridging loans

The Council funded construction of affordable housing units/sites by way of bridging loans and these bridging loans were then to be funded from the sale of the units. The Council's balance on bridging loans at the end of 2012 was €5.7m.

As at the 31 December 2012, the Council had 24 affordable houses and 22 affordable sites on hand.

Manager's Response

Under the Department's scheme these units have been taken into the leasing programme for a five year period and the interest on the loans are being paid by the Department.

7.3 Internal Audit

The Council's internal audit function is provided by a professional accounting firm. I have take account of this work in the conduct of this audit.

7.4 Procurement

An investigation is currently being carried out by the Council into the purchase of two dwellings from employees. The outcome of the investigated will be reviewed as part of the next audit.

Manager's Response

An investigation is currently under way and the outcome will be available to the Auditor as part of the next audit.

8. **Acknowledgement**

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

Maurice O'Neill

Maurice O'Neill
Local Government Auditor

12 November 2013

