



**LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Louth County Council**

**for the**

**Year Ended 31 December 2016**



**An Roinn Tithíochta, Pleanála agus Rialtais Áitiúil**  
Department of Housing, Planning and Local Government

## **CONTENTS**

	<b>Paragraph</b>
Introduction	1
Financial Standing	2
Income Collection	3
Audit Adjustments	4
Capital Account	5
Transfer of Water and Sewerage Functions to Irish Water	6
Provision of Housing by Approved Housing Bodies	7
Loans Payable	8
Procurement / Purchase of Protective Clothing	9
Part V Register	10
Leasing of Site at Woodlands Dunleer	11
Annual Service Delivery Plans	12
Ethics Register	13
Controls Pertaining to Council Properties	14
Late Receipt of Information for Audit Purposes	15
Local Authority Companies	16
Corporate Governance	17
Acknowledgement	18

## AUDITOR'S REPORT TO THE MEMBERS OF LOUTH COUNTY COUNCIL

### **1. Introduction**

- 1.1** I have audited the Annual Financial Statement (AFS) of Louth County Council for the year ended 31 December 2016, which comprise 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, Planning and Local Government.

My main statutory responsibility, following the 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 2016 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 judgements 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.

- 1.2** 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**

The Council recorded a surplus of €2.51m for the year after net transfers from reserves of €3.05m. This surplus consisted of the following:

- An operational surplus of €0.25m
- A transfer from the specific revenue reserve of €2.26m (see paragraph 2.1).

Details of over/under expenditure are contained in note 16 to the AFS and were approved at the May 2017 Council meeting.

Significant movements in the finances of the Council during the year included:

- Increase in fixed assets of €11.32m
- Decrease in trade debtors and prepayments of €2.39m
- Increase in bank investments of €4.76m
- Decrease in creditors and accruals of €8.65m
- Increase in long term creditors, amount falling due after more than 1 year of €10.61m.

Reasons for the above increases/decreases are set out below:

- The increase in fixed assets included additions to housing stock at a cost of €10.7m. This total included an amount of €2.22m with regard to the addition of 14 houses as a result of the regeneration project at Cox's Demense
- The decrease in trade debtors included a reduction of €3.28m in respect of commercial debtors and an increase in government debtors of €1.15m
- The increase in bank investments included a combination of an increase in the collection of rates, €1.6m (on the previous year), advance receipt of grants €809k, and increases in refundable deposits
- The decrease in creditors and accruals included a reduction of €8.55m in the amount due to Irish Water (IW), whereby €6.23m of this amount was transferred to long term creditors (see paragraphs 4 and 6.1).  
Also included in the increase in long term creditors were €2.27m in respect of refundable deposits, and €4.19m in respect of capital asset leasing payments to AHBs coupled with a reduction in development contributions of €2.72m. This reduction is in accordance with circular Fin 11/2016 issued by the Department of Housing, Planning and Local Government (the Department) on 16 December 2016, whereby the AFS no longer reports long term debtors and deferred income separately.

### Chief Executive's Response

The Auditor's comments are noted.

## 2.1 Specific Revenue Reserve

The specific revenue reserve was a mechanism put in place to facilitate the changeover in accounting treatment when local authorities moved from accounting on a cash basis to the accruals basis. In accordance with circular Fin 11/2016, local authorities are permitted to eliminate their specific revenue reserve in one of the following manners:

- Write down of general revenue reserve deficits
- Write down of unfunded capital project balances.

The specific revenue reserve was used to write down the general revenue reserve deficit of €2.26m and also to fund debit balances of €2.38m on alterations to Dundalk gaol and €421k on the acquisition of Bramble Lodge, leaving a balance of €469k on this reserve at the end of 2016.

## 3. Income Collection

### 3.1 Summary of Collection Accounts

Details of collection yields from the main revenue collection accounts for 2016 with comparative percentages for the previous two years were as follows:

	2016	2015	2014
Rates	68%	60%	56%
Housing Rents & Annuities	71%	73%	82%
Housing Loans	73%	69%	66%

### 3.2 Rates

There has been an increase in the collection yield in respect of rates over the last three years as indicated above. However further improvement is necessary. In 2016, gross arrears reduced by €2.95m to €15.08m (€18.03m in 2015). In 2016, there was an increase of €0.69m in the total of vacant property adjustments, write offs and specific doubtful arrears compared to the previous year, details as follows:

<b>Category</b>	<b>2016 €m</b>	<b>2015 €m</b>	<b>Increase / (Decrease) €m</b>
Vacant Property Adjustments	5.65	7.29	(1.64)
Write Offs	2.18	0.93	1.25
Specific Doubtful Arrears	1.92	0.84	1.08
<b>Total</b>	<b>9.75</b>	<b>9.06</b>	<b>0.69</b>

#### Chief Executive's Response

The changes in collection procedures are working as indicated in the figures reported above, but as stated in previous years it will take a number of years to get the collection rates back to the levels of the pre-economic downturn. The number of customers on payment plans continue to increase and while these customers will clear their current rates in the financial year it will take some customers a number of years to clear their arrears. Processes in place will continue to be monitored and every available option to improve collection rates will be used.

### 3.3 Rents and Annuities

There has been a significant decline in the collection yield in respect of rents and annuities over the last three years. It has fallen from 82% in 2014 to 71% in 2016. Gross arrears at the end of 2016 were €4.63m (€3.75m in 2015) an increase of €878k. €1.58m of these arrears are greater than one year. A review undertaken by the Council in 2015 with regard to the calculation of rents is a principal contributing factor to this increase. Details of outstanding arrears for the last three years are as follows:

<b>Year</b>	<b>Arrears Outstanding €m</b>
2014	2.26
2015	3.75
2016	4.63

At the end of 2016, balances on the ten largest accounts ranged from €20k to €31k. A sample of accounts reviewed, indicated in a number of cases, while payments of rent are being received, these are insufficient to clear the weekly rent accrual. This is resulting in a gradual increase in arrears.

The Council increased the bad debts provision in respect of rents to €1.5m in 2016 (€930k in 2015). However, it is my opinion that this provision needs to be further increased.

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

In the same period quoted of 2014-2016, two full rent reviews have been completed which has impacted on the debits applied and the subsequent arrears levels generated. Notwithstanding that, arrears continue to rise despite various measures put in place. The Council has recognised this issue and is currently undertaking a fundamental review of the process undertaken and the options available to address this matter and improve the collection rate.

The bad debt provision will continue to be reviewed in the context of the annual budget process.

### **3.4 Housing Loans**

The collection yield with regard to housing loans has increased from 66% in 2014 to 73% in 2016. Gross arrears at the end of 2016 totalled €437k, a decrease of €75k on the previous year (€512k in 2015). A sample selected revealed that in the case of some accounts, arrears continue to increase as payments received are insufficient to match the monthly loan accrual. Balances on the ten largest accounts range from €13k to €28k.

Of the total arrears outstanding at the end of 2016, €349k of this amount relates to arrears greater than one year. The Council increased the provision for bad debts to €200k, from €150k in 2015. However, it is my opinion that this provision is still inadequate and needs to be further increased.

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

There has been a concerted effort to improve collection levels and this is now showing improvements in the collection rates achieved. A more robust loan approval process is now in place to ensure that applicants have the actual ability to honour the commitments made.

The bad debt provision will continue to be reviewed in the context of the annual budget process.

### **3.5 Provision for Bad Debts – Other Debtors**

The Council increased its provision for bad debts in 2016. However, there are debtors included in the accounts going back a number of years, including debtors transferred from the former town councils as part of the amalgamation with Louth County Council in 2014. It is my opinion that the provision for bad debts needs to be increased in respect of these. A review of all debtors' balances should be undertaken to ascertain their collectability. This matter needs to be addressed.

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

This matter remains under review and the Council continues to increase its bad debts provision year on year. The Council will continue to increase the provision for bad debts within the limitations of its resources until a satisfactory level for each income department has been reached.

## **4. Audit Adjustments**

I identified that the following items were incorrectly treated in the 2016 accounts.

- It is my opinion that the provision for bad debts is understated (see paragraphs 3.3, 3.4 and 3.5)
- A duplicate invoice for €423k was included in the capital account. This has no impact on the revenue account
- €83k of expenditure pertaining to internal audit fees was accrued in error in the accounts. The effect of this adjustment would be to increase the surplus on the revenue account by this amount.

In addition to the above, the figure for trade creditors was overstated by €6.23m while the figure for trade creditors, amounts falling due after more than one year was understated by this amount. Due to the materiality of this amount, an adjustment was made to the 2016 accounts to correct this error.

I have directed that the above corrections where applicable, be processed in the 2017 Accounts of Louth County Council in accordance with Section 16(b) of the Local Government (Financial and Audit Procedures) Regulations 2014. Furthermore management needs to review the amounts being provided for bad debts provisions with a view to increasing these in 2017.

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

Item one is covered under paragraphs 3.3, 3.4 and 3.5 above. Item two does not affect the revenue account and has been corrected in the capital account in 2017. Item 3 has been corrected in the 2017 accounts.

## **5. Capital Account**

### **5.1 Capital Debit Balances**

Net capital balances at the end of the year amounted to a surplus of €21.43m. Included in this sum is an amount of €27.03m in respect of debit balances on projects where the balance has either increased or remained static over the last three years. €3.32m of this amount is dependent on receipts of income from future development contributions.

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

The local authority reviews all capital balances on an ongoing basis and funding is allocated to them as funding and final accounts sign off is achieved.

### **5.2 Deferred Income – Housing Capital Projects**

An amount totalling €1.71m was identified in deferred income relating to capital housing projects. €1.4m of this relates to grant claims made to the Department by the former town councils, some of these pertaining to 2010 and 2012. These projects have since been completed.

An amount of €293k in respect of two voluntary housing loans was borrowed by the former Dundalk town council in 2013. However although the projects have since been completed, the total value of these loans were included in deferred income as unspent at the end of 2016. A review of this income needs to be undertaken. Furthermore, I am recommending that a review of all housing capital balances be undertaken.

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

A review of this deferred income which includes grant claims and voluntary housing loans will be undertaken. Furthermore, a review of all housing capital balances will be undertaken in conjunction with agreement with the Department in respect of any outstanding final accounts.

### **5.3 Balances on Water Development Contribution Reserves**

There are debit balances totalling €2.67m on a number of development contribution reserves. €2.32m of these balances pertain to water development contribution reserves. These balances need to be reviewed and offset if applicable.

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

This will be completed for the 2017 accounts.

## **5.4 Housing Capital Final Accounts**

A request was made for details regarding the status of all housing capital final accounts with the Department at the end of 2016. However this information was not provided at audit (see paragraph 15).

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

This information will be made available in future. It will be addressed as part of 5.2 above.

## **6. Transfer of Water and Sewerage Functions to Irish Water (IW)**

### **6.1 Agreement with IW**

In 2016, agreement was reached with IW to pay €7.73m in respect of the transfer of water debtors, development contributions and water related capital balances. €500k of this outstanding amount was paid to IW in 2016 with the remaining balance of €7.23m due to be paid in annual instalments of €1m per annum. As a result of this agreement, €6.23m of the amount due is included in the balance sheet in creditors, amounts falling due after more than one year.

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

The 2016 accounts have been amended to show this figure in long term creditors instead of the trade creditor figures.

### **6.2 Transfer of Title of Properties to IW**

The Council is continuing to work with IW with regard to the transfer of title of properties including those with right of way issues, sites not registered and the subdivision of folios.

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

To date the Council has transferred a total of twenty five assets to IW. A further twelve assets have been ratified and are awaiting transfer to IW subject to the issuing of the necessary Ministerial Order. Works to close out the remaining assets are continuing.

### **6.3 Recoupment of Water Loans by the Council from the Department of Housing, Planning and Local Government**

In accordance with circular Fin 02/2015, the Council recouped €1.9m from the Department in respect of the balance due to the Housing Finance Agency (HFA) relating to two loans borrowed for the purpose of funding capital water related projects. This recoupment was then used to redeem the balance on the relevant loans due to the HFA. However, a balance of €606k of these loans which remained unspent, was retained by the Council and transferred to a reserve in programme group eight, 'Miscellaneous Services', in the capital account.



## **Chief Executive's Response**

The liability for loans in respect of water/waste water related works were not taken over by IW when they became the water authority, due to legal issues. The Department agreed to recoup the local authorities the full redemption costs of these loans. This recoupment was received in 2015. The €606k retained by the Council, covered payments of principal and interest made on these loans for the period 2010 to 2015. These payments were made from the Council's own resources and charged to the revenue account.

## **7. Provision of Housing by Approved Housing Bodies**

### **7.1 Accounting for the Provision of Housing by Approved Housing Bodies (AHBs)**

Approved Housing Bodies (AHBs) play a key role in the delivery of social housing. VFM report number 29, 'The Oversight Role of Local Authorities in the Provision of Social Housing by Approved Housing Bodies' made a number of recommendations to ensure good governance in accounting for the provision of housing by these bodies. These recommendations were reviewed at the previous audit of this local authority where it was noted that weaknesses existed in controls pertaining to this area. A follow up review carried out at the current audit revealed that these still exist, including the following:

- A review to ensure that mortgages on all properties that have been registered has not been completed
- Annual statements of occupancy have not been obtained from each AHB in respect of all properties funded by the Council
- There are no periodic inspections of properties carried out
- Financial statements of the AHBs have not been obtained and reviewed by the Council
- There are no records maintained of details of property inspections to review tenant nominations and vacancies.

## **Chief Executive's Response**

The Council have put a process in place where all AHBs are met collectively to deal with matters of mutual interest. This process will be used to address all of the above matters. This area is also subject to a separate national value for money exercise.

### **7.2 Leasing of Affordable Housing Units to AHBs**

The Council is currently leasing 54 affordable housing units to AHBs. The following was noted with regard to 25 of these:

- Twelve units are being leased at Lis Na Dara, Dundalk. The lease agreement drawn up by both parties expired in November 2015. While the members approved the renewal of these leases at their monthly meeting of December 2015, to date the relevant lease agreement and associated service level agreement (SLA) in respect each of these units have not been renewed
- Seven units are being leased at McCreanors' Terrace, Ardee. The lease in respect of each of these units expired in December 2016. Although approval was obtained by the members to renew the leases on these properties at their monthly meeting in October 2016, to date the relevant lease agreement and associated SLA has not been renewed. The SLA agreement expired in December 2015

- Six units are being leased at Gort Na Glaise, Blackrock. The lease in respect of each of these units expired in March 2016. New lease agreements have not been completed in respect of these units as the Council is waiting on Departmental approval pending the completion of new lease agreements with the AHB in respect of these units.

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

Formal agreements will be put in place with regard to approved leases and pending approved leases for the management of the unsold affordable housing stock.

## **8. Loans Payable**

### **8.1 Loans Borrowed for the Purchase of Land**

Included in loans payable at the end of 2016 is €69.17m borrowed to fund the purchase of land for housing. No capital (principal) payments have yet been made by the Council in respect of these. These loans incurred interest of €1.16m in 2016. €207k of this cost was added to the principal sum while the balance of €958k was paid by the Council.

A breakdown by location and amount outstanding is as follows:

<b>Location of Land</b>	<b>Balance Outstanding at 31/12/2016 €m</b>
Point Road Dundalk	7.42
Dunleer	15.38
Mount Avenue Dundalk	4.03
Lisdoon Dundalk	1.53
Ballymakenny Drogheda	36.60
Mell Drogheda	4.21
	<b>69.17</b>

The loan in respect of the land purchase at Lisdoon Dundalk was borrowed in 2002 by the former Dundalk town council to fund an affordable and social housing scheme at Lisdoon. However, all of the houses pertaining to this scheme have since been constructed and sold / let. As such, there should not be a loan balance outstanding in relation to this scheme.

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

The Lisdoon project is included in the capital balances referred to under 5.1 and 5.2 above and a review of all housing capital balances will be undertaken in conjunction with agreement with the Department in respect of any outstanding final accounts.

Provision will be made to pay off this loan as funds allow.

## **8.2 Bridging Finance / Affordable Housing Loans**

### **8.2.1 Bridging Finance**

There were four bridging loans included in loans payable at the end of 2016 with balances totalling €5.7m. These loans were borrowed between the years 2009 / 2010 and used to construct 30 affordable houses. These houses remained unsold at the end of 2016 and are currently being leased to an AHB.

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

The Council will examine all options available to repay these loans.

### **8.2.2 Variable Housing Affordable Loans versus Bridging Finance**

Bridging loans are borrowed by the Council to fund the construction of affordable houses while variable affordable housing loans are borrowed for the purpose of lending on to purchasers of these, who then become mortgagees of the Council. The variable affordable loans incur both principal and interest payable while bridging loans incur interest only.

In 2009 and 2012, the Council borrowed in error, two variable affordable housing loans with a repayment term of 30 years, to fund the construction of 24 affordable houses. Total principal and interest paid on these variable loans totalled €145k and €47k respectively in 2016. The Council is currently liaising with the Department in relation to this matter. The total closing balance on these two loans at the end of 2016 was €4.09m. Similar to paragraph 8.2.1 above, these houses are being leased as they remained unsold.

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

A formal request was made to the Department to rectify this matter in January 2017. Further information was supplied in August 2017 and we are awaiting their response.

## **9. Procurement / Purchase of Protective Clothing**

Weaknesses were noted with regard to procurement practices as follows:

- A contractor was awarded a contract to provide disability access at various locations in the Dundalk municipal district. However, recommended public procurement practice was not complied with in that quotes to carry out the necessary works were not sought from any other contractors. The total cost of these works to the Council was €50k
- The Council has been engaging the services of a software provider since 2003 in the provision of financial management services at a total cumulative cost of €106k to the end of 2016. Proper tendering procedures have not been complied with in the tendering of this service
- The Council entered into a five year agreement with its current law agents to provide legal services. Quotes to provide this service were not sought from any other legal service providers.

Instances were found where purchases of protective clothing were made using low value purchase (LVP) cards. This is despite the fact that a supplier had been awarded a three year contract, through proper tendering procedures, to supply these goods to the Council.

Details were sought from a number of officials of the total amount and value of purchases made in respect of protective clothing, and for whom the purchases were made. However, this information was not provided for audit.

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

Item 1: The contractor used for the disability works had been procured by the former Dundalk Town Council and the series of works identified continued under the same framework. The matter of procurement time-lines has been addressed and a new framework is in place.

Item 2: This software provider is currently used by all of the local authorities that are using the Agresso financial system as there was no other supplier available to provide the necessary software reports, required by the Department and other funding bodies. This issue is currently under review at a national level to ensure that procurement rules are adhered to going forward.

Item 3: While no tender was issued for the service, negotiations with the solicitors did involve references to charges which other local authorities were incurring for similar services.

A procurement plan was put in place in 2016 and recently a dedicated resource has been allocated to the area of corporate procurement to ensure that proper procedures are adhered to in future.

Emergency purchases of Personal Protective Equipment (PPE) are made using the LVP cards for incidental purchases necessary to ensure work programme continuity. The occasional purchase of products that are on the tender list only occurs when to wait on delivery from the supplier would be unreasonable.

The Council will put in place a procedure to ensure that records are available providing details of officials who received protective clothing using LVP cards, including details of what protective clothing was received by them.

### **10. Part V Register**

Part 2, Section 3 of the Planning and Development (amendment) Act 2002 requires developers to provide land or houses for public housing. Previously, in addition, developers could also pay a financial contribution. The purpose of this requirement is to assist in the provision of social and affordable housing.

The Part V register provided at audit was not complete and therefore details of all outstanding agreements entered into with developers, including financial contributions due to the Council could not be ascertained.

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

The existing register will be reviewed and updated to ensure that it reflects all agreements in place.

### **11. Leasing of Site at Woodlands Dunleer**

The Council leased land at Woodlands, Dunleer to a third party some years ago where the leasee took possession, constructed and operates a works depot on the property. However to date, the lease agreement has not yet been signed due to issues over the consideration price figure included on the lease agreement.

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

This matter will be dealt with as a matter of urgency.

**12. Annual Service Delivery Plans**

The annual service delivery plans prepared by the Council in respect of 2016 were not submitted to the members for approval in accordance with Section 50 of the Local Government Reform Act 2014.

**Chief Executive's Response**

An Annual Service Delivery Plan for 2016 was not presented to Council as required by Section 50(5) of the Local Government Reform Act 2014 as there was a view that S50 of the Act had not been enacted and that regulations were required in advance of enactment. Upon checking with the Department it was found that this is not accurate and procedures have been put in place to prepare the plan annually and submit to the Council for approval in future.

**13. Ethics Register**

A number of declarations which were not returned within the required timeframe were still outstanding at the conclusion of the audit. This is in breach of Part 15 Section 171 of the Local Government Act, 2001 which states these declarations should be furnished to the ethics registrar within the required timeframe.

**Chief Executive's Response**

Work is ongoing to ensure compliance amongst all staff with Part 15 of the Local Government Act, 2001.

**14. Controls Pertaining to Council Properties**

**14.1 Proof / Registration of Title**

It was highlighted at the previous audit that the Council was in the process of reviewing and recording an inventory of all its properties. A key part of this review is to ensure that the Council holds proof of title to all its properties and they are registered with the Property Registration Authority where necessary. I have received an assurance by management that all of the Council's properties are entered on to the property interest register and that work is ongoing in relation to the registration of these with the Property Registration Authority.

**Chief Executive's Response**

As stated above, work is ongoing in relation to the registration of all relevant property with the Property Registration Authority. All properties are included in the property interest register.

**14.2 Housing Stock Reconciliation**

A housing stock reconciliation, agreeing the number of houses included in fixed assets to the number of houses included on the Council's rent register was not completed at the end of 2016. This is an important control to ensure that all housing properties are properly accounted for.

**Chief Executive's Response**

The reconciliation between the fixed asset register and the live housing stock was not finalised at the end of 2016 due to a number of legacy transactions from the former town/borough councils. This matter will be investigated and finalised as soon as possible.

## **15. Late Receipt of Information for Audit Purposes**

In some instances, serious delays were experienced in receiving responses to audit requests for information. In other instances information requested was not received (see point 5.4). This has had a negative impact on the conduct of this audit. This is a governance issue that needs to be addressed by management.

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

This will be addressed for the future.

## **16. Local Authority Companies**

The Council's interest in companies is set out in appendix 8 in the AFS. None of these companies are consolidated in the Council's AFS.

### **16.1 Highlanes Gallery Limited**

This is a wholly owned subsidiary of the Council. The principal activity of this company is the conduct of an art gallery and other associated activities.

The most recent audited accounts received in respect of this company are for the year ended 31 December 2015 when it recorded a deficit of €24k (€5k in 2014) increasing the cumulative deficit at the end of 2016 to €96k (€72k in 2014). The director's report associated with the accounts discloses that the principal risk and uncertainty faced by the company is the possibility of a reduction in funding from Louth County Council and the Arts Council. The Council made payments totalling €196k in grants during 2016 to this company.

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

This will be examined with the board of the company in 2017.

### **16.2 An Tain Arts Centre Limited**

The Council owns 43% of the voting shares in this company which is limited by guarantee. The principal activity of this company is the management of An Tain Arts Centre Dundalk and the advancement of arts and culture in Dundalk and the wider region.

The most recent audited accounts in respect of this company are for the year ended 31 December 2015. In 2015 it recorded a surplus of €50k (€18k in 2014). According to the director's report the principal risk and uncertainty associated with the company is the absolute reliance on the continued support of Louth County Council by way of grants, facilities and other services. In 2016 the Council made payments totalling €150k in grants to this company.

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

The Auditor's comments are noted. The Council has agreed a further three year service level agreement with An Tain Arts Centre Ltd.

## **17. Corporate Governance**

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of management to ensure that such systems and procedures exist and are robust.

### **17.1 Risk Registers**

An overall corporate risk register, incorporating all of the risk registers of the various areas within the local authority was completed in 2016.

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

The senior management team agreed the corporate risk register in 2016 and is reviewed weekly at the management team meetings.

### **17.2 Internal Audit**

In 2016 the Council's internal audit function consisted of a contract with a firm of professional financial service providers for 58 days. The annual work plan was approved by the Chief Executive and the Audit Committee. Internal Audit reports directly to the Chief Executive. In 2016, seven reports were prepared as well as an annual assurance report. The completed reports have all been reviewed by the Audit Committee.

I have taken account of the work of internal audit in carrying out my audit.

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

The Auditor's comments are noted.

### **18. Acknowledgement**

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



---

**Patrick McCabe**  
**Local Government Auditor**  
**13 October 2017**