



**Rialtas na hÉireann**  
Government of Ireland

# **LOCAL GOVERNMENT AUDIT SERVICE**

## **Statutory Audit Report**

**to the**

**Members of Limerick City and County Council**

**for the**

**Year Ended 31 December 2019**

Department of Housing, Local Government and Heritage

[housing.gov.ie](http://housing.gov.ie)

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# AUDITOR'S REPORT TO THE MEMBERS OF LIMERICK CITY AND COUNTY COUNCIL

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Limerick City and 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 6 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.

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities post year-end. This has resulted in a reduction in, and uncertainty of, various income sources.

Management has advised that the Council has taken a number of steps to address these both at local and national level including:

- The implementation of the nine month waiver of commercial rates funded by the exchequer.
- Participation in the submission of acute financial matters reports to the Department.

- The preparation of the 2021 budget taking account of the financial implications of COVID-19. The 2019 AFS surplus includes €3.1m for parking income and planning fees. Management has advised that as a result of the COVID-19 pandemic they expect that there will be a significant loss in parking income and planning fees in 2020 and 2021. The Council's 2021 budget has provided for €1.05m of compensation from central Government for this loss. However this has not yet been approved by the relevant department.

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

The Council continues to manage the impact of COVID on its financial position with the support of the Government. During 2020, the Council received funding for a 9 month Rates Waiver scheme and is awaiting confirmation of funding for the impact of COVID on Goods & Services and expenditure.

On the 12th November 2020, the Council received a letter of continued Government support for the local government sector signed by both the Minister and Minister of State for Housing, Local Government and Heritage.

## **3 Financial Standing**

### **3.1 Statement of Comprehensive Income**

Limerick City and County Council (LCCC) recorded a surplus for the year of €10k after net transfers to reserves of €7.7m, leaving a cumulative general revenue reserve of €834k at year end.

The variances between the adopted budget and actual outturn are shown in Note 16 to the AFS. The approval of the members, as required by S.104 of the Local Government Act, 2001 was obtained in June 2020.

### **3.2 Statement of Financial Position**

The Council continues to show a satisfactory Statement of Financial Position (Balance Sheet) at 31 December 2019. Significant movements in the finances for the year include:

- Increase in fixed assets €4.9m (paragraph 6)
- Increase in work in progress (WIP) €36m
- Increase in long term debtors €3.7m
- Increase in trade debtors and prepayments €8.8m (paragraph 8)
- Increase in creditors & accruals €15.8m
- Increase in loans payable €1.3m (paragraph 9)

It should be noted that there are loans payable amounting to €93.7m (€92.3m -2018) and other large future capital proposals which may not be fully funded by grants (see paragraph 10). The full financial impact of the COVID-19 pandemic on the Council's financial position has yet to be determined.

## Chief Executive's Response

The 3 year Capital Programme 2021 - 2023 referred to above and in paragraph 10 sets out the programme of Capital Projects proposed by the Council over the 3 year period. I can confirm that the proposed projects will only proceed once confirmation of funding has been provided.

## 4 Income Collection

### 4.1 Summary of Income Collection

Appendix 7 to the AFS shows the movements on the major revenue collections in the year. All efforts should be made to further improve these collection yields where possible, but it is acknowledged that COVID-19 may present challenges in this regard. The collection yields were as follows:

	Arrears			Collection Yield		
	2019	2018	2017	2019	2018	2017
Commercial Rates	€9.8m	€11.7m	€14.5m	88%	85%	82%
Rents and Annuities	€6.3m	€ 5.9m	€2.9m	96%	95%	96%
Housing Loans	€0.5m	€ 0.5m	€0.5m	78%	75%	78%

### 4.2 Rates

The Council continued to achieve another strong performance in rates during 2019 with the yield increasing by 3% and arrears decreasing by €1.9m since last year. This collection yield has increased steadily year on year. The Council are to be commended for this.

As was reported at last year's audit a potential liability in relation to the rate valuation of windfarms was identified following a decision taken by the Valuation Office. This decision effectively reduced the NEV (Net Effective Valuation) for a number of windfarms which could affect future rate income.

At the end of 2019 there were seven outstanding appeals from windfarms to be adjudicated by the Valuation Tribunal.

In June 2020, the case against one of the windfarms was determined which found in favour of the windfarm. The cost to the Council of this appeal was €487k, which related to rates charged and paid from 2015 -2019. The commercial rates going forward for this windfarm will be reduced by €102k per annum as a result of this decision.

The Council are currently awaiting the decision of the other six appeals. A provision of €1m has being provided for in the 2019 AFS in relation to these matters.

## Chief Executive's Response

I welcome the auditor's comments on the continued improvement in the rates performance in 2019. We will continue to monitor the impact of further determinations of the Valuation Tribunal in relation to the windfarms and reflect accordingly in the Annual Financial Statements.

### 4.3 Rents and Annuities

The rents and annuities figure in appendix 7 of the AFS is made up primarily of:

- Rent payable by all tenants in the participating local authorities under the Housing Assistance Payment Scheme (HAP)
- Rents due from tenants of the Council's own housing stock (Rents)
- Rents due from tenants under the Rental Accommodation Scheme (RAS)

	Accrued		Arrears		Collection Yield	
	2019	2018	2019	2018	2019	2018
HAP	€118.8m	€89.8m	€1.36m	€1.54m	99%	98%
Rents	€15.9m	€15.6m	€4.46m	€3.74m	77%	79%
RAS	€ 2.2m	€ 2.2m	€0.499m	€0.611m	82%	76%
Total	€136.9m	€107.6m	€6.31m	€5.89m	96%	95%

### Housing Assistance Payments (HAP)

Under the Government's Housing Assistance Payment scheme (HAP), the Council is providing a national financial transactional Shared Services Centre (SSC) to all local authorities in the state, whereby the Council on their behalf collects differential rent from the HAP tenants across the Country and in turn make payments to the landlords within the limits set for each local authority.

It is the responsibility of each of the participating local authorities to determine the appropriateness of the rent to be paid to the landlord for each property and that the property is inspected in accordance with the statutory regulations. In addition, each local authority is required to regularly review the income of the tenants under their jurisdiction to ensure that the correct rent is applied to their account for collection by the SSC.

From January 2018 the Homeless HAP Place Finder service was made available to all 31 local authorities. This service allows local authorities to pay a deposit equivalent to one month's HAP rental payment, and advance rental payments of up to two months HAP payment, upfront on behalf of a HAP eligible tenant in order to assist homeless households' secure appropriate properties. From July 2019, the costs incurred by local authorities in relation to Place Finder costs were recouped from the SSC. It is the responsibility of each local authority to ensure these costs are in accordance with the regulations. In 2019 a total of €3.1m was paid by SSC to local authorities for these pre HAP costs.

At the end of 2019, there were 52,529 active accounts with net arrears of €1.36m (€1.54m in 2018). The rent debit increased significantly again in 2019 by €29m to €118.8m. Given this increase in the rent collectable the overall collection performance of 99% is commendable.

The Council has not made a bad debt provision for these debts on the basis that any bad debts will be recouped from the Department.

## **Rents**

In 2019 the collection level for rents fell for a second year to 77%. This represents a 7% decrease from 2017. This is well below the national average. (86% in 2018 - this includes RAS)

The bad debt provision has increased by €1.06m to €3.4m in 2019. Arrears have also increased by over €700k. The effects of the global rent review undertaken in recent years have contributed to the increase in arrears at year end.

It is now imperative that the Council makes every effort to ensure that collection of these arrears is completed on a timely basis.

## **Rental Accommodation Scheme (RAS)**

The collection rate on RAS increased to 82% in 2019 (2018 - 76%). Arrears have reduced to €499k in 2019 (2018 - €611k). The improvement was partly facilitated by €66k of arrears that were written off during the year. The bad debt provision was reduced to €33k in 2019 (2018 - €99k).

### **4.4 Housing Loans**

The collection yield for housing loans increased by 3% in 2019 to 78% with net arrears at 31 December 2019 amounting to €447k (2018 - €487k). The net arrears of €447k is made up of 318 accounts in credit (€177k) and 205 accounts in arrears (€624k). It is noted that €608k of these arrears are outstanding for over 180 days. All of these loans are fully provided for.

The Council need to ensure that these loans are monitored and followed up promptly.

## **Chief Executive's Response**

We will continue to maintain and build on the 2019 collection performance across all income categories and to address the outstanding arrears. The impact of Covid-19 on our collection accounts and income base is being monitored on an ongoing basis. It will be 2021 before we will be able to fully determine the impact.

### **4.5 Bad Debt Provision**

Gross debtors, including those from the main income collections, are shown in Note 5 to the AFS and amounted to €60.8m at the end of 2019 (2018 - €55.8m). An overall provision for doubtful debts is also shown and amounts to €19.5m at the end of 2019 (2018 - €19.7m). A review of the provision found that it is to be materially adequate overall. However, it is important given the challenging times as a result of the global pandemic, that the Council keeps the provision under constant review.



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

The Bad Debt provision across all of the above income categories will be kept under review for the 2020 AFS particularly in the context of the Global Pandemic.

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

IW was allocated full responsibility, by statute, for all aspects of water services planning and delivery at local, regional and national level. The Council acts as an agent for IW under the terms of a service level agreement. The Council received €11.5m from IW under this agreement in 2019.

Irish Water related infrastructure was revalued as part of the Limerick City & County rates revaluation for 2014. Subsequently, an exemption from rates was granted to IW for water related infrastructure. To offset this loss of income, the Department has compensated the Council each year, with €2.2m being received in the year under audit.

In 2017, this exemption from rates was removed and these assets have been subject to the global revaluation process which was completed by the Valuation Office in 2019. In 2020 the rate valuation for Irish Water properties is €2.2m.

Interest and principal repayments on the remaining IW loans at year-end of €4.8m are serviced by the Department.

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

The transition to Irish Water is an ongoing process to which dedicated resources continue to be deployed to ensure the smooth operation of the SLA.

## **6 Fixed Assets**

### **6.1 Fixed Asset Overview**

The net value of fixed assets in the balance sheet at 31 December 2019 was €3,313m (2018 - €3,308m) of which, €2,509m related to roads & infrastructure and €790m related to housing, land & buildings. Additions to fixed assets of €9.9m during the year related mainly to both purchased housing units and additions from work in progress in housing.

Shortcomings highlighted at audit in relation to fixed asset management and recording include the following:-

- Housing stock reconciliation was not adequately reconciled.
- Full title not confirmed before recoupment made to the Department.

- Council solicitor holding monies for long period before sale closes.

It is vital that the Council address these issues immediately to ensure the safeguarding and accuracy of their assets.

## **6.2 Council Property**

As reported in previous audit reports the Council purchased a property in 2016 without obtaining full vacant possession. In 2019 this case was settled out of court with vacant possession been obtained.

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

I can confirm that the areas identified above have been addressed during 2020 including a full reconciliation between the Fixed Asset Register and the Housing System. I can also confirm that any property purchased by the Council will have vacant possession unless in exceptional circumstances.

## **7 Work in Progress (WIP)**

Expenditure on work in progress and preliminary expenses amounted to €89m at the end of 2019. This expenditure relates mainly to housing projects including regeneration (€45m) and roads projects (€38m) At audit, €20.4m of this expenditure was identified as being on projects that were either completed or no longer progressing.

I have requested management to carry out a full review of all WIP jobs and to make the appropriate adjustments in the 2020 AFS.

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

The classification of projects included in work in progress will be reviewed as part of AFS 2020.

## **8 Government Debtors**

At the end of 2019, government debtors amounted to €22.7m (2018 - €19.0m). During the audit it was noted that approx. €8m still remains unpaid in 2020 and of this total €3.3m relates to regeneration projects.

It is noted that progress has been made by certain sections within the Council to follow up on Department queries however further work is still required to ensure the prompt payment of these debtors.

## Chief Executive's Response

The Council have assigned additional resources to monitoring and management of debtors particularly in the area of housing capital projects. Significant progress has again been made in 2020 to ensure Department queries are addressed and follow-up of payment of these debtors.

## 9 Loans Payable

Total loans payable as disclosed in Note 7 of the AFS amounted to €93.7m. This is further analysed as follows:

Loan Type	Balance outstanding at 31/12/2019 €m
Mortgage loans	14.8
Assets	25.5
Recoupable	49.1
Shared Ownership – Rented Equity	4.3
<b>Total</b>	<b>93.7</b>

- The mortgage loans of €14.8m and the shared ownership rented loan of €4.3m have a corresponding stream of income. There was a mortgage loan funding surplus of €2.3m at the end of 2019.
- The asset loans of €25.5m to fund the Council's own projects and offices/buildings are funded from the revenue account. The cost to the Council of servicing these loans in 2019 was €2.8m.
- Recoupable loans of €49.1m are matched by corresponding long-term debtors in Note 3 of the AFS.

## Chief Executive's Response

The Council continues to actively monitor and review capital debt. During 2020, the Council drew down the first tranche of €25m for the Opera site development from the EIB.

## 10 Capital Account

### 10.1 Capital Account

The capital account recorded a net credit balance of €63.8m (2018 - €81.6m) at the end of 2019. In November 2020 the Council in accordance with Section 145 of the Local Government Act 2001 presented its 3 year capital budget (2021 – 2023) to its members. The programme sets out spending of €773m over the next 3 years relating mainly to housing (€358m) roads (€214m) and economic development (€131m).

## 10.2 Capital Account Favourable Balances

At the end of 2019, there were favourable capital balances of €85m. Within this figure there are a number of balances that are ring fenced for specific projects. In addition some of the reserves relating to development levies are created by debtors that may not transfer into cash.

## 10.3 Capital Account Unfavourable Balances

At the end of 2019 there were unfavourable balances of €21.2m (2018 - €16.1m). The following is a listing of the larger debit balance with a significant amount relating to the housing directorate. Arrangements should be put in place to address these outstanding balances:

Capital Project	Balance at 31/12/19
Regeneration ( 20 jobs with balances over €100k)	€7.8m
Housing	€4.7m
Opera Site	€4.3m
<b>Total</b>	<b>€16.8m</b>

### Chief Executive's Response

The auditor's comments are noted and the Council continues to engage with the DHLGH to ensure timely drawdown of funds. During 2020, the Council had loan drawdowns of €25m from the EIB in relation to the Opera Development and €10m from the HFA in relation to Planned Maintenance works.

## 10.4 Regeneration

In 2019 there was in excess of €28m spent on various regeneration projects with large debit balances (€7.8m) remaining on a significant number of these jobs. In addition, of the government debtors still remaining unpaid at the time of audit a significant proportion (€3.3m) related to regeneration projects. During 2019 there were a number of staff changes within this area which caused delays in the processing of claims and subsequent follow up to Department queries. Long delays to audit queries were also experienced. Given the high volume of expenditure significant improvements in the financial management and oversight of these projects is required.

The internal audit review on this area that commenced in late 2020 is welcomed. The findings will be reviewed at the next audit.

### Chief Executive's Response

The Council has addressed resource issues during 2020 ensuring now that claims are processed efficiently with ongoing engagement with the DHLGH. Also audit queries will be addressed in a timely manner going forward.

## **10.5 Regeneration Thermal Upgrades**

At the 31 December 2019 there were approximately 14 active job codes with debit balances totalling €875k relating to thermal upgrades within regeneration. The year-end debtor balance associated with these jobs was €1.99m. By June 2019 the Department had paid 97.5% (€21.2m) of the overall thermal upgrade budget of €21.7m. Until final accounts are completed by Limerick City and County Council no further monies will be advanced by the department. This will have serious consequences for the cash flow of the Council if not resolved in a timely manner.

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

The Auditor's comments are noted and the Council is actively engaged with the DHLGH to resolve outstanding queries.

## **10.6 Regeneration Southill - Churchfield Site (Phase 1)**

By the end of 2019 a final account had been sent to the Department however due to costs exceeding budget approvals all monies have not yet being paid. At year end the debit balance of this job was €1.6m and there was a debtor balance of €696k. The Council are currently in talks with the Department in relation to these costs. In addition approximately €200k relating to miscellaneous and security costs included in this job, will need to be funded from the Council's own resources.

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

The Council have agreed the Final Account with the DHLGH during 2020. There will be some element of costs to be funded from Council own resources.

## **10.7 Regeneration of Lord Edward Street Project**

The Council are currently in talks with the Department in relation to the final account submitted in 2020. However at this stage it is envisaged that the Council will have to fund some of these costs from their own resources. The estimated cost to the Council is approximately €360k. In addition there is currently conciliation talks ongoing in relation to Quantity Surveyor fees. These costs have not yet been determined.

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

The Council have appealed the Final Account with the DHLGH on this project. There will be some element of costs to be funded from Council own resources.

## 10.8 Regeneration Refurbishment and Remodelling

At year end the debit balance on this job amounted to €269k with total spend to date in excess of €29m. Total spend for 2019 amounted to €585k.

In 2018 operation codes were introduced to allow expenditure to be analysed by house property. However during 2019 it was noted that over €110k of expenditure did not have a specific house operation code attached to it. This issue was identified across a number of other regeneration job codes.

The use of operation codes is an important monitoring tool for the management of expenditure and should be completed in all instances.

### Chief Executive's Response

The Council implemented the additional control of op codes in 2018 to facilitate analysis of expenditure by house property. We will ensure that during 2020 this will be consistently applied.

## 10.9 Opera Site

In 2011 the Council purchased the Opera site after a previous plan to develop it did not proceed. The delivery of this project will be undertaken by Limerick Twenty Thirty Strategic Development D.A.C.(LTT) on behalf of the Council over a six year period from 2020. The estimated cost of this project is €180m, which will be funded from the European Investment Bank and the Council of Europe Development Bank.

In 2020, An Bord Plenala granted planning permission for the development of the Opera site to proceed, with works commencing on the site in November 2020.

## 10.10 Arthurs Quay

The Council's involvement as the primary leaseholder and underwriter of a bank loan on this property, together with the Council's option to purchase this multi-story car park, dates back to the agreements originally entered into in the 1980s.

A sub-lease agreement was granted to the car park operators whereby the rent received is used by the Council to pay interest on the loan facility, with the remaining rental income used to build up a sinking fund that is ultimately to be used by the Council to repay the capital value of the loan.

In May 2019 the Council redeemed the loan of €4.97m on this property. This has resulted in the amendment option to purchase converting to an option to exercise on payment of €1 rather than the value of the loan.

The Council continues to sub-lease the operation of the car park although the sub-lease agreement which expired in 2012 has not yet been formally executed.

### **10.11 Limerick 2030 Economic and Spatial Plan**

The Limerick 2030 Economic and Spatial Plan was launched in 2013 and set out a framework for the development of Limerick City and its environs up to 2030. In order to deliver this Plan, the Council has embarked on a significant financing and investment programme, with Limerick Twenty Thirty Strategic Development D.A.C.(LTT), a company 100% owned by the Council, being the primary mechanism for delivery.

The Council provides on going finance to LTT, whereby the Council borrows funds and subsequently releases the necessary finance to the company as required. In turn, the Council recognises all funds advanced to LTT as a debtor on its balance sheet, with the company recognising a similar amount as a liability.

By the end of 2019, the Council had advanced €31.6m to LTT, to develop Troy studios (€7.8m) and the Gardens International office complex (€23.8m). Signed loan agreements are in place setting out the repayment schedules for LTT to clear down these loans.

Included in short term debtors at year end, is a balance of €2.2m that was due from LTT. This is made up of scheduled loan repayments totalling €1.98m and support services provided to the company of €191k. By mid-December 2020, €175k had been repaid in respect of the support charges but loan repayments had not been made.

It is important to the Council's cash flow that LTT honours the terms of the repayment agreements.

During 2019 the Council entered into a number of service level agreements with LTT to carry work out in relation to both the Opera and the Mungret developments. Total expenditure in 2019 on these projects was €3.2m. It was noted at audit that €575k of this expenditure, which related to 2020, was accrued to the 2019 accounts.

As previously reported the Council sought the approval of its members to dispose of the two properties on the North Circular Road, namely Cleeves factory site and Salesian Convent to LTT in March 2019. The consideration value for the Cleeves factory was €3.3m while the consideration for the Salesian convent was €1.1m.

At year end this disposal had not taken place however it is anticipated that it will be reflected in the 2020 AFS.

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

I can confirm that the disposal of the Cleeves factory and Salesian Convent properties were finalised during 2020 and this will be reflected in the Annual Financial Statement for 2020. The Council continues to engage with Limerick Twenty Thirty Strategic Development DAC to monitor cashflow requirements and to agree payment plan to discharge amounts owed.

## **11 Development Contributions & Part V's**

Development contributions included in Trade Debtors and Prepayments at 31 December 2019 was €5.8m (2018 - €5.9m). A provision for bad debts of €3.1m (2018 - €3.2m) has

been made and is included in the overall 2019 year-end bad debts provision of €19.5m. This provision was reviewed at audit and is considered adequate.

Part V arrears are included in Note 5 of the AFS within "Other Services" at €483k (2018 - €1.48m) and are fully provided for. The reduction in the Part V arrears is primarily due to a write off of €996k in 2019.

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

The Council continues to follow up amounts due from Development Contributions and Part V.

## **12 Approved Housing Bodies**

In 2019, the Value for Money (VFM) Unit of the Local Government Audit Service completed a review of the implementation of the recommendations contained in VFM Report No.29. 'The Oversight role of the Local Authorities in the provision of social housing by Approved Housing Bodies'. This report found that Limerick City and County Council had a 23% full compliance, 50% partial compliance and 27% non-compliance rate with these recommendations.

The Council should ensure that the recommendations made in this report are fully implemented

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

The Council will ensure that the recommendations made in the VFM Report 29 are fully implemented

## **13 Local Authority Companies**

### **13.1 Interest in Local Authority Companies**

The Council's interest in eleven companies is shown in Appendix 8 to the annual financial statement, all of which have been audited by external audit firms. In respect of these companies, the following are noted:

- The financial performance included in Appendix 8 of the Council's 2019 AFS refers to the 2018 results for their subsidiary companies.
- At previous audits I have highlighted the need for timely finalisation of these accounts to ensure that the Council's AFS reports the most up-to-date position of these subsidiary companies.

Council management have advised due to the financial impact of COVID-19, the Council may be required to provide additional financial support to some of these companies during 2020 and 2021.

### **13.2 Limerick Twenty Thirty Development DAC (LTT)**

At audit, the financial statements for Twenty Thirty Development DAC for the year ending 31 December 2019 were obtained. The auditor's opinion on the accounts was unmodified and did not include an emphasis of matter paragraph. The company's profit before taxation



for the year ended 31 December 2019 was €187k. There was a loss recorded of €314k in 2018. The net current liabilities for 2019 were €4.6m (2018 - net current assets were €21.4m).

The directors' report dated 07 July 2020 stated that management had not determined the financial impact of COVID-19 as the crisis was ongoing at the date of signing of the financial statements. However as a result of COVID-19 they did expect delays to projects and the slowdown in the economy would affect trading conditions. The directors considered that it was appropriate for the financial statements to be prepared on a going concern basis.

### **13.3 Grove Island Leisure Centre Ltd**

At audit, the 2019 financial statements for Grove Island Leisure were obtained. The auditors' opinion on these accounts were unmodified however it did include an emphasis of matter paragraph. This paragraph related to the departure from the going concern basis of accounting to a break-up basis following a board decision to dissolve the company in the foreseeable future.

Limerick City and County Council have confirmed in writing that they will pay amounts due to the company's bankers and other creditors, as they fall due, for a minimum of twelve months from the date of signing of these financial statements. The 2019 financial statements were signed on 22 November 2020. The 2019 financial statements recorded net current liabilities of €961,049 and long term creditors of €3,430,521.

Grove Island is a 100% owned subsidiary of the Council. I have requested that LCCC undertake a full strategic review to establish the full liability to them in the event of this company being dissolved.

### **13.4 Askeaton Pool and Leisure DAC**

The 2019 audited accounts for Askeaton Pool and Leisure DAC were obtained. The auditor's opinion on these accounts were unmodified and did not include an emphasis of matter paragraph.

These accounts showed a loss before taxation of €12,999 and the net liabilities had increased to €217,614 (2018 - €204,615).

The directors' report dated 30 April 2020 stated that they did not consider the going concern basis to be appropriate and that the company is dependent on the continued support of Limerick City and County Council in the form of revenue grants.

In 2020, LCCC provided an additional €65k grant on top of the budgeted contribution of €110k. The grant of €65k was given to the company as a result of the financial difficulties experienced in light of COVID-19 pandemic.

### **13.5 Adare Heritage Trust CLG and Dovecote Restaurant Ltd**

The 2019 financial statements for both these companies were approved on the 18th of December 2020. The directors of Adare Heritage Trust CLG are also directors of Dovecote Restaurant Ltd.

The 2019 accounts of Adare Heritage Trust CLG showed a loss before taxation of €27,768 and net current assets of €2,029.

The 2019 accounts of Dovecote Restaurant Ltd showed a profit before taxation of €1,356 and net current liabilities of €6,206.

In 2020, LCCC provided an additional grant of €65k to Adare Heritage Trust CLG as a result of the COVID-19 pandemic.

## **Chief Executive's Response**

The Guidance on Governance Requirements for Limerick City and County Council Associated Companies sets out the procedures to be followed in relation to the improvement of governance. This is an area which is under on-going review to ensure that best practice is followed in relation to the manner in which the Council manages its interaction with such companies. As a result of the global pandemic, there was a requirement for the Council to provide financial support to Askeaton Pool and Leisure Ltd and Adare Heritage Trust.

## **14 Governance and Propriety**

### **14.1 Governance Overview**

Corporate governance comprises the system and procedures by which enterprises are directed and controlled. It is the responsibility of the Chief Executive and the elected members to ensure that sound systems of financial management and internal control are in place.

### **14.2 Internal Audit Function and Audit Committee**

The Local Government (Financial and Audit Procedures) Regulations 2014 require local Authorities to maintain an adequate and effective system of internal audit of its accounting records and control systems. Internal audit has an important role in providing the Chief Executive with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements

During 2019, the Council retendered for internal audit services to be provided by an external audit firm. The Council also has two staff assigned to Internal Audit, one whose time is dedicated to checking receipting of cash in the Council. Given the size, diversity and complexity of the organisation, the Council should ensure that the level of Internal Audit is adequate.

Internal audit issued three reports in 2019 and account has been taken of them during the conduct of this audit.

The Council's audit committee held four meeting during the year and considered the auditor's report on the financial statements for the year-end 31 December 2018 at the December 2019 meeting, which the Auditor attended.

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

The Council recognise the important role that Internal Audit plays in monitoring and ensuring the implementation of best practice in corporate governance, risk management and internal controls. In this regard the Council ensures that the internal audit function in Limerick is resourced to ensure that appropriate controls are in place to monitor the management of public funds and the governance of operations generally.

The Council's Internal Audit function is supported by an outsourced Audit function in LCCC. This audit function was retendered in 2019 and the existing auditors were reappointed. A new internal auditor was also appointed in 2019.

A three year strategic audit plan was approved by audit committee in line with the recommendations in the 2018 NOAC report on Internal Audit in Local authorities. This plan provides for a work programme for both the internal audit and outsourced auditors. The Council are satisfied that the available resources and support have been provided to ensure that the actions in the audit plan continue to be achieved.

### **14.3 Annual Ethics Declaration**

Section 171 of the Local Government Act, 2001 (as amended) requires certain council members and senior staff to submit an annual declaration to the nominated Ethics Registrar. Statutory Instrument No 582/2002 set the last day of February as the return date for these forms.

The responsibility for completion of the ethics return rests with the Councillor or staff member for whom the Council deemed the legislation applicable. A number of instances of non-receipt of declarations were noted at audit.

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

The Council will follow up on declarations, which have not yet been received.

## **15 Investigation into Financial Irregularity**

At the end of 2019, an investigation into financial irregularity resulted in disciplinary proceedings being taken against an employee. As a result the individual's employment has been terminated. The Council made the Department aware of the full process and outcome of this investigation.

The Council have referred this matter to the Gardaí. The Council are currently awaiting the outcome of this investigation.

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

The Council will continue to ensure strong governance is in place to identify and prevent financial irregularity.

## 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 cursive script that reads "Jo-Anne Greene".

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Jo-Anne Greene

Local Government Auditor

20 January 2021

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