



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Limerick City and 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](https://www.gov.ie/housing)

Contents

Auditor's Report to the Members of Limerick City and County Council	1
1 Introduction.....	1
2 Financial Standing	2
2.1 Statement of Comprehensive Income	2
2.2 Financial Position.....	2
3 Major Revenue Collections.....	2
3.1 Summary of Major Revenue Collections	2
3.2 Rates	3
3.3 Rents and Annuities.....	4
3.4 Housing Assistance Payment (HAP).....	4
3.5 Housing Rents	6
3.6 Housing Loans	6
4 Fixed Assets	7
4.1 Fixed Assets Overview	7
4.2 Asset Management	7
4.3 Property Interest Register	7
4.4 Defective Concrete Blocks.....	7
5 Uisce Éireann	8
5.1 Master Co-Operation Agreement	8
5.2 Water Related Assets	8
6 Debtors.....	9
6.1 Government Debtors.....	9
6.2 Bad Debt Provision	9
7 Loans Payable.....	9
8 Capital Account	10
8.1 Capital Account Overview	10
8.2 Capital Account Unfavourable Balances	10
8.3 O'Connell Street Urban Renewal	10
8.4 Regeneration Thermal Upgrades.....	11
8.5 Regeneration of Lord Edward Street Project.....	11
8.6 King John's Castle	11
9 Development Levies	12
10 Limerick 2030 Economic and Spatial Plan	12
10.1 Gardens International Office Complex (GIOC).....	13
10.2 Cleeves and Salesians Buildings	14

10.3	Opera Site.....	14
11	Other Income	15
11.1	Derelict Sites.....	15
11.2	Vacant Sites.....	15
12	Payroll and Pensions	16
12.1	Overtime	16
13	Local Authority Companies	16
13.1	Askeaton Pool and Leisure DAC.....	17
14	Governance and Propriety	17
14.1	Governance Overview	17
14.2	Internal Audit Function	18
14.3	Audit Committee	18
14.4	Public Spending Code	18
14.5	Revenue Intervention.....	19
14.6	Investigation into Financial Irregularity.....	19
	Acknowledgement.....	19

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 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 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 of 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

In 2022, the Council recorded a surplus of €24k after making net transfers to reserves of €12.5m. The cumulative surplus in the revenue account increased by €24k to €932k.

Variances between the adopted budget and the actual financial performance are detailed in Note 16 of the AFS. Members' approval, as required by Section 104 of the Local Government Act 2001, for the expenditure in excess of the annual budget was obtained at the Council meeting of 22 May 2023.

2.2 Financial Position

Significant movements in the finances for the year included:

- Increase in fixed assets accumulated costs of €35.8m (paragraph 4).
- Increase in long-term debtors of €9.5m, mainly due to capital asset leasing facility loans (+€17.2m) and decrease in recoupable loan advances (-€8.5m).
- Decrease in trade debtors and prepayments of €13.5m (paragraph 6).
- Increase in bank and investments of €41m.
- Increase in loans payable €15m (paragraph 7).

3 Major Revenue Collections

3.1 Summary of Major Revenue Collections

The major revenue collection yields were as follows:

Income Source	Debtors (€)	Debtors (€)	Yield (%)	Yield (%)	Waiver	
	2022	2021	2022	2021	2022	2021
Commercial Rates	€5.9m	€8.7m	92%	88%	€1.6m	€16m
Housing Rents	€5.2m	€6.7m	97%	96%		
Housing Loans	€0.3m	€0.3m	86%	86%		

3.2 Rates

Waiver

The Government agreed a rates waiver scheme to apply to certain property categories for Quarter 1 in 2022. The rates waiver applied by the Council was €1.6m. This amount was fully recouped from the Department of Housing, Local Government and Heritage (DHLGH) in December 2022.

Arrears

In 2022, rates arrears at year-end decreased by €2.8m to €5.9m. The amount collected in 2022 increased by €13.2m to €55.8m, mainly due to the cessation of the waiver scheme to most ratepayers.

Bad Debt Provision

In 2022, the rates bad debt provision decreased by €2.6m to €5.1m in line with the decrease in year-end arrears. This represents a provision of 86%. A review of the provision deemed it adequate.

Valuation Appeals Support

In 2022, the Department provided funding in respect of the loss of commercial rates income following the conclusion of the Global Utility companies' valuation appeals. The amount provided to the Council was €1.2m. The Department have stated that this payment is on a once off basis only.

Potential Liability

A potential liability regarding the rate valuation of windfarms following a decision taken by the Valuation Office remains unresolved. Management should continue to review the adequacy of this provision when preparing the 2023 AFS.

Chief Executive's response

The commercial rate collection level in 2022 continued to improve and this is a reflection of the strengthening of resources along with increased take-up of the SME support scheme and direct debit payment method.

The Council will continue to maintain and build on the rates collection performance of 2022. The Council will monitor the impact of further determinations of the Valuation Tribunal in relation to the windfarms and reflect accordingly in the Annual Financial Statements.

3.3 Rents and Annuities

A summary of the rents and annuities figure in Appendix 7 is:

Income Source	Accrued		Debtors		Collection Yield	
	2022	2021	2022	2021	2022	2021
HAP	€158.1m	€157m	€-1m	€1.1m	101%	99%
Rents	€18.4m	€17.5m	€5.8m	€5.3m	76%	77%
RAS	€2.1m	€2.1m	€0.4m	€0.3m	82%	86%
Total	€178.6m	€176.6m	€5.2m	€6.7m	97%	96%

3.4 Housing Assistance Payment (HAP)

Under the Housing Assistance Payment scheme (HAP), Limerick City and County Council (LCCC) is providing a national financial transactional Shared Services Centre (SSC) to all other Councils in the state. LCCC on behalf of all other Councils, collects differential rent from the HAP tenants across the country and in turn make payments to the landlords within the limits set for each County.

Responsibility

It is the responsibility of each of the participating Councils 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.

Rent Reviews

A large-scale rent review of HAP tenants has yet to be undertaken by some Local Authorities. This review is necessary to ensure the differential rent collected by the HAP Shared Service is up to date and accurate.

Memorandum of Agreement (MOA)

In 2019, the HAP SSC and the Department signed an MOA to define the terms of the relationship between the two parties. This agreement sought to ensure clarity of accountability, roles and responsibilities, and other details such as compliance and monitoring arrangements. The MOA states '*it is valid from September 2019 until further notice*'. However the MOA notes a review will be completed within an '*initial 12-month period and, at a minimum, once every two years thereafter*'. To date, this review is not completed. Management have stated the review is currently in progress and a new MOA is expected to be signed later this year.

ISO Certification

In March 2022, the HAP SSC received ISO 9001:2015 certification for implementing and maintaining a quality management system. The National

Standards Association of Ireland issued this certification: it is valid until March 2025.

Office of the Ombudsman Investigation

In October 2022, the Council received notification that the Ombudsman, was to carry out an investigation into the administration of the Housing Assistance Payment (HAP). This investigation is ongoing: I will review the findings of this investigation when it is completed.

Place Finder

From January 2018, the Homeless HAP Place Finder service was made available to all Councils. This service allows Local Authorities to pay a deposit equivalent to one month's HAP rental payment. Additionally, this allows advanced 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 2022 a total of €12.2m was paid by SSC to Local Authorities for these Place Finder costs.

Write Offs

In 2022, the amount of arrears written off increased by €487k to €775k. The amount written off is fully recoupable from the Department.

Collection Rate

At year-end 2022, there were 59,258 active accounts. In 2022, the rent accrued increased by €1.1m to €158.1m. The collection rate increased by 2% to 101% and the net arrears (arrears including credit balances) decreased by €2.1m to €-1m. This occurred as the amount paid in advance by tenants exceeded the amount owed by other tenants. Furthermore, the increased write off contributed to the reduction in arrears.

The gross debtor at year-end (debtor excluding credit balances) was €4.0m.

Chief Executive's response

The HAP SSC continues to complete transactional and financial support for the national HAP Scheme. The HAP SSC successfully managed over 59,000 tenancies with a collection rate of 101% in 2022.

The HAP SSC awaits the issuance of the Ombudsman report and will give its recommendations due consideration.

3.5 Housing Rents

Arrears

In 2022, net arrears (arrears including credit balances) increased by €500k to €5.8m. There were 140 accounts with arrears in excess of €10k, which accounts for €2.2m of arrears. The value of gross arrears (arrears excluding credit balances) exceeding 3 months is €6.1m. It is recommended the Council address the growing arrears, particularly long-term arrears.

Collection Percentage

The 2022 collection yield reduced by 1% to 76%. The amount of housing rents collected increased by €779k to €17.9m, mainly due to the rent reviews noted below.

Rent Reviews

The Council has continued to progress their programme of rent review assessments on their housing tenants. These reviews ensure the differential rent collected by the Council is up to date and accurate. In 2022, the Council completed 1,180 rent reviews. These reviews added an additional €862k to the accrued amount.

Bad Debt Provision

The bad debt provision for housing rents increased by €0.2m to €4.1m. A review of the provision deemed it adequate.

Chief Executive's response

The Council will continue to focus on improving the collection of housing rents in particular outstanding arrears. Significant progress has been made in the setting up of payment plans for those in arrears, which were the subject of rent reviews.

3.6 Housing Loans

Arrears

In 2022, net arrears decreased by €10k to €300k. There were 15 accounts with arrears in excess of €10k, which accounts for €279k of arrears. The value of gross arrears over 3 months is €459k.

Collection Percentage

In 2022, the collection yield for housing loans remained unchanged at 86%. The Council needs to continue to improve procedures for the collection of arrears.

Bad Debt Provision

In 2022, the bad debt provision for housing loans decreased by €29k to €481k. A review of the provision deemed it adequate.

Chief Executive's response

The Council will continue to maintain and build on the 2022 collection performance and continue to address all outstanding arrears.

4 Fixed Assets

4.1 Fixed Assets Overview

The accumulated costs of fixed assets increased by €35.8m. This comprised of additions/work-in-progress (WIP) transfers (€47.6m) and historical cost adjustments/disposals (€11.8m). The following table presents the main additions and items transferred from WIP in 2022:

Asset	€m
33 Units Glengrove, Killmallock	10.6
17 Units Wallace Place, Blackboy Road	5.3
19 Units Woodfield Manor, Newcastle West	4.8
13 Units Russell House, Broad Street	4.0
14 Units Redgate Close, Old Cratloe Road	4.0
7 Units Kilmurry Close, Garryowen	1.8
7 Units St Ita Street, St. Marys Park	1.7
5 Units Liadhain Terrace, Kileely Road	1.5
Total	33.7

4.2 Asset Management

Asset management improvements were noted. However, some issues were identified during the audit. The Council should continue to ensure that:

- The reconciliation of the fixed asset register to the housing management system is completed annually.
- A system of physical stocktakes to ensure existence of assets is undertaken.
- Moveable assets are appropriately tagged.

4.3 Property Interest Register

In December 2022, the Council went live with a new GIS based Property Interest Register. This system is operational but further work will be required in order to capture the full property interests of the Council. At present, this system does not include social housing assets.

4.4 Defective Concrete Blocks

In July 2023, the Defective Concrete Blocks Scheme for the Limerick Local Authority Area was launched. Private homeowners can apply to the Council to seek financial compensation in order to remediate affected houses.

There is no compensation scheme for Council properties currently. The Council expects to carry out condition surveys on all their own properties in the near future. These surveys will highlight properties that may have defective concrete blocks.

Chief Executive's response

The auditor's comments are noted.

A complete reconciliation between the Fixed Asset Register (FAR) and the Housing System is completed annually. Certain moveable assets are tagged by the relevant department and a sample of assets will be inspected annually. The new PIR system will provide a stable and complete property ownership database (excluding social housing units) and mapping system.

The Council will continue to engage with the DHLGH regarding the introduction and operation of the Defective Concrete Blocks Scheme for the Limerick Local Authority Area.

5 Uisce Éireann

5.1 Master Co-Operation Agreement

In May 2023, the Chief Executive signed the Master Co-Operation Agreement. This replaces the Service Level Agreement that was in place since 1st January 2014. A Support Services Agreement (SSA) between Uisce Éireann (UÉ) and Limerick City and County Council is due to be signed before the end of 2023. This SSA will continue until 31 December 2026.

5.2 Water Related Assets

An asset transfer-working group has been established between the Local Authority sector and UÉ to resolve title issues and similar matters in the short-term.

At September 2023, the ownership of water assets was:

• Registered to the Council.	4
• Registered to third party.	31
• Unregistered.	19
• Transferred to UÉ.	<u>242</u>
Total	296

The number of assets registered to a third party or unregistered represents 17% (50) of water assets. The Council should continue to work with UÉ and other bodies to resolve the title issues in the short-term.

Chief Executive's response

Limerick City and County Council will continue to work with UE to ensure the smooth operation of the new Support Services Agreement.

6 Debtors

6.1 Government Debtors

At the end of 2022, government debtors decreased by €11.3m to €11.6m. During the audit, significant progress was noted in the collection of these debtors. In September 2023, €2.6m (22%) remained unpaid. The Council should continue to monitor and address amounts owed in a timely manner.

6.2 Bad Debt Provision

In 2022, total gross debtors decreased by €14.6m to €44.4m. The bad debt provision decreased by €0.9m to €19.2m. A review of the provision deemed it adequate. However, the Council should continue to monitor the level of the bad debt provision given the challenging factors of the current economic climate.

Chief Executive's response

The Auditor's comments are noted. Bad Debt provision will be further reviewed as part of the AFS 2023 work programme.

7 Loans Payable

In 2022, the loans payable in Note 7 amounted to €164m (2021: €148.9m). The loans payable are summarised as follows:

Loan Category	Balance at 31/12/2022 €m
Mortgage loans	19.6
Assets	99.4
Recoupable	41.4
Shared Ownership – Rented Equity	3.6
Total	164.0

- The mortgage loans of €19.6m and the shared ownership rented loans of €3.6m have a corresponding stream of income.
- The asset loans of €99.4m fund the Council's own projects and offices/buildings and are funded from the revenue account.
- Recoupable loans of €41.4m are matched by corresponding long-term

- debtors in Note 3 of the AFS.
- Of the total loans payable, €136m (83%) of debt is with the Housing Finance Agency (HFA), and €25m (15%) is with the European Investment Bank (EIB).
- In 2022, the Council drew down a new loan from the HFA of €20m for the Opera Site.

Chief Executive's response

The Council continues to actively monitor and review capital debt.

8 Capital Account

8.1 Capital Account Overview

At year-end 2022, the credit balance increased by €26.2m to €127.9m mainly due to the drawdown of the €20m HFA loan for the Opera site. In 2022, capital expenditure totalled €184.2m.

8.2 Capital Account Unfavourable Balances

At year-end 2022, the O'Connell Street urban renewal project (Paragraph 8.3) had an unfavourable balance of €1m. There was €2.7m of unfavourable balances that had no activity in 2022. All efforts should be made to address the remaining unfavourable balances.

Chief Executive's response

The auditor's comments are noted and the Council continues to actively engage with the DHLGH and the NTA to ensure timely drawdown of funds.

8.3 O'Connell Street Urban Renewal

The O'Connell Street Urban Renewal project is a public realm project for significant upgrade works on O'Connell Street. The project has funding allocated from the National Transport Authority (NTA), Urban Regeneration Development Fund (URDF) and European Regional Development Fund (ERDF). The budget set for this project was €9.1m. By September 2023, the total expenditure incurred on the project was €11.2m. Management have informed audit that a number of further claims are currently under dispute. These claims are in the dispute resolution process. This area will be reviewed again at next year's audit.

Chief Executive's response

The O'Connell Street Urban Renewal Project is now substantially complete. The project team are assessing the contractor's claims and are also ensuring that outstanding snags are complete. ARUP consulting engineers are preparing the final account report and a full post project review will be carried out in the coming months.

8.4 Regeneration Thermal Upgrades

At year-end the cumulative debit balance on the thermal upgrade job codes decreased by €3.3m to €1.3m. The Council is in discussion with the Department to resolve the debit balances.

Any amounts not funded by the Department will have to be funded by the Council's own resources. This area will be reviewed again at next year's audit.

Chief Executive's response

Significant progress was made during 2022 in reducing outstanding debit balances. During 2022, the DHLGH determined revised budgets in respect of a number of applications and are in the process of finalising their determination in respect of the remaining budget applications. There may be a requirement to fund some of this outstanding amount from own resources.

8.5 Regeneration of Lord Edward Street Project

At year-end 2022, there was a debit balance of €290k. In 2020, the Department approved the final account for this project: however, the Council appealed this decision. The Council continues to await a reply on the appeal.

Chief Executive's response

The LCCC appeal dating from May 2020 has yet to be determined by the DHLGH as a number of outstanding contractual matters had still to be resolved by the Council. These are now being finalised which will enable a final determination to be made. There will be a requirement to fund an element of the project from own resources.

8.6 King John's Castle

In April 2022, the business operations, assets and staff at King John's castle transferred from Shannon Heritage to Discover Limerick DAC, a wholly owned subsidiary of the Council. The Council has an equity investment in Discover Limerick DAC in the form of issued share capital of €500k. As a part of this transfer, Shannon Heritage will receive a sum of €103k from the Council.

Chief Executive's response

During 2022, the Council set up Discover Limerick DAC, a wholly owned subsidiary to manage the operation of tourism facilities which the Council have responsibility for. The DAC has a strong board with members and executive from the Council supplemented with expertise from the tourism sector. The DAC has also built a strong executive management structure with both financial and management experience.

To date, the DAC has delivered the following:

- Transfer of the management and operation of King John's castle to the DAC in 2022
- Transfer of the management and operation of Lough Gur Visitor attraction in 2023
- In the process of transferring the management and operation of Adare Heritage centre with a target date of November 2023

The Council through regular shareholder meetings, receive updates on the financial and governance of the DAC from its executive.

9 Development Levies

Income

In 2021, development levy income reduced by €2.6m to €0.3m. This reduction in income was due to an accounting adjustment whereby the Council reclassified a number of short-term debtors into long-term debtors. In 2022, development levy income was €6.1m. Audit identified income of €1.2m that was allocated to 2022 but should have been deferred to 2023 period. This misallocation has no effect on the revenue account.

Debtors

Development levy debtors increased by €0.2m to €4.0m. The bad debt provision increased by €0.2m to €1.7m.

Chief Executive's response

The Council will complete a reconciliation at year end to ensure all amounts paid at year end relate to developments that have commenced in that financial year. The Council continues to follow up amounts due including arrears from Development Contributions.

10 Limerick 2030 Economic and Spatial Plan

In 2013, the Limerick 2030 Economic and Spatial Plan was launched and set out a framework for the development of Limerick City and its environs up to 2030. 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 finance to LTT to develop assets owned by LTT, subject to Council approval. The Council borrows funds and subsequently releases the necessary finance to LTT as required. Signed loan agreements are in place setting out the repayment schedules for LTT to repay these loans.

At year-end 2022, the Council had advanced principal loans of €32.9m to LTT (2021: €40.7m). The Troy Studios development loan (€7.8m) was fully redeemed in August 2022. The remaining loans were used for developments:

- Gardens International Office Complex €25.5m (paragraph 10.1).
- Cleaves & Salesians Buildings €4.4m (paragraph 10.2).
- Opera Development working capital loan €3m (paragraph 10.3).

10.1 Gardens International Office Complex (GIOC)

The terms of the original GIOC loan agreement specified the loan repayments were to be interest only for the first five years, up until the 1st of January 2022. After this date, LTT were due to commence the repayment of the capital element of the loan. In March 2023, management of LTT requested the interest only period to be extended until the 31st of December 2024 citing ‘a *cash flow deficiency*’ arising from vacancy issues in the complex. The Council agreed to this request.

The Council continued to pay the corresponding loan (principal and interest) to the Housing Finance Agency. For the period 1st of January 2022 to 31st of December 2024, the capital repayments will be approximately €1.9m. This will have a significant impact on the Council’s cash flow. Audit notes at the time of reporting, the vacancy issues in the complex remain unresolved. The Council should ensure strong oversight, monitoring and reporting arrangements for LTT to ensure the cash flow deficiency is addressed in a timely manner.

Chief Executive’s response

Limerick Twenty Thirty DAC entered into a number of long-term leases for the full letting of the Gardens in January 2019. The passing rent under the terms of these leases, generated a return estimated as being sufficient to service both the long-term and capital and interest costs associated with the financing of the Gardens Development. As a result of the impact of COVID in its primary market, the tenant filed for Chapter 11 in the United States in 2021, resulting in negotiation by it of the surrender of two of its four leases.

Despite the carryover effects of COVID, market trends in the letting market, and the recessionary impact of the Ukrainian war, LTT has been actively engaged with a number of letting partners in seeking tenants for the vacated space.

There has been a noticeable increase in interest in Gardens and the expectation is that this vacated space will be let in 2024 as result of its LEED Gold status and ESG compliance.

Notwithstanding the above and based on the most recent valuation of the property (January 2023), the current loan to value ratio stands at approximately 75% and both LTT and LCCC are confident that once tenancy is fully let in Gardens International, all outstanding interest and capital will be discharged fully.

10.2 Cleeves and Salesians Buildings

The members of the Council approved the disposal of the North Circular Road properties, namely Cleeves Factory Site (€3.3m) and Salesian Convent (€1.1m) to LTT in March, 2019.

The purchase by LTT was financed by way of a loan from the Council. As part of the loan agreement, interest only will be charged until January 2026, after which both principal and interest will be charged. In 2022, the interest charged was €77k.

10.3 Opera Site

Limerick Twenty Thirty Strategic Development D.A.C. (LTT) on behalf of the Council will deliver the Opera Site project over a six-year period. The estimated cost of this project is approximately €270m, which largely will be funded from the European Investment Bank (EIB), Council of Europe Development Bank, HFA and other joint venture funding partners.

In 2020, An Bord Pleanála granted planning permission for the development of the Opera Site to proceed, with works commencing on the site in November 2020. In December 2020, the Council drew down the first loan tranche of €25m for the Opera Site development from the EIB. At year-end 2022, a further €35m in loans from the HFA was drawn down.

A Service Level Agreement (SLA) of €7.4m was signed between LTT and the Council for the delivery of works associated with the Opera Site Development to 31st of December 2022. At year-end, expenditure incurred was €3m.

In 2023, the Council undertook a detailed review of the VAT incurred on costs associated with the Opera Site for the years 2021 to 2023. This review identified that decanting costs were incorrectly interpreted as being directly associated with the Opera Site development works. This resulted in an overclaim of VAT by the Council of €631k. The penalties and interest charges amounted to a further €99k. In June 2023, the Council made an unprompted qualifying disclosure to Revenue and paid the full amount of €730k.

Chief Executive's response

The auditor's comments in relation to the Opera Development are noted. The Council continues to monitor expenditure on this project. LTT is actively progressing the commercial elements of the overall development with interested investors / developers. In relation to the 14 storey OPW building, the Council is currently engaging with the relevant stakeholders including DHLGH, DPER, OPW and Revenue in order to agree the funding mechanism. The Council is also providing regular updates both to the European Investment Bank and the Council of Europe Development Bank.

As noted by the auditor, the unprompted qualifying disclosure was made following a detailed internal review by the Council of all expenditure and VAT claims. The Council will continue to monitor the mix of commercial versus public use within the development and update Revenue accordingly.

11 Other Income

11.1 Derelict Sites

A Derelict Site Levy of 7% on the market value of a property included on the Derelict Sites Register is charged on the 1st January of the financial year following entry onto the Council's Derelict Site Register.

For the AFS 2022, the Council included a Derelict Site Levy totalling €691k. The year-end debtor figure amounted to €1.5m, of which €196k has been collected to date.

Chief Executive's response

The Council continues to follow up all amounts due including arrears from Derelict Site levies. To date, 278 reminder letters were issued and legal proceedings commenced in 65 cases.

11.2 Vacant Sites

A Vacant Site Levy of 7% of site market valuation is chargeable on sites registered on the Local Authority Vacant Site Register.

For the AFS 2022, the Council charged a Vacant Site Levy of €756k. The debtor figure for the year-end is €2.2m. At the date of audit, €114k of this €2.2m has been collected.

Chief Executive's response

The Council continues to follow up all amounts due including arrears.

12 Payroll and Pensions

12.1 Overtime

In 2022, overtime payments of €4.9m were paid to 434 employees with 81 employees earning over €20k each in overtime payments. In 2021, overtime payments totalled €4.8m with 85 employees earning over €20k each in overtime.

An audit review of overtime claims identified instances of:

- Claims not appropriately signed off.
- Claims not submitted in a timely manner.
- Hours worked in excess of working time acts.

Improved oversight is required in the areas of monitoring and approving overtime claims to ensure these issues are addressed.

Chief Executive's response

The Council introduced an overtime policy in June 2022 and in accordance with this policy, overtime reports are circulated on a monthly basis to management to ensure that all overtime is monitored continuously. All overtime claims are approved by the appropriate line manager to ensure adherence to the policy. It should also be noted that a significant percentage of the overtime referred to above relates to the Council's Fire Service.

13 Local Authority Companies

The Council's interest in 10 companies is shown in Appendix 8 to the AFS. The financial performance included in Appendix 8 of the Council's 2022 AFS refers to the 2021 results for their subsidiary and associate companies. It has been previously highlighted that there is a need for the timely finalisation of these accounts to ensure that the Council's AFS reports the most up-to-date position of these companies.

The Council should ensure strong oversight: monitoring and formal reporting arrangements are in place for all Local Authority companies to ensure the Council is informed of any issues that may arise.

Chief Executive's response

I wish to acknowledge the comments noted above by the Local Government Auditor. At the start of 2023, Limerick City and County Council wrote to the company secretary of each of the associated companies requesting that their accounts be audited and certified prior to the completion of the Council's

Annual Financial Statement at the end of March 2023. Similar reminders will be issued for their 2023 accounts.

13.1 Askeaton Pool and Leisure DAC

The Council own a 51% share in Askeaton Pool and Leisure DAC, with the remaining 49% owned by Askeaton Swimming Club. This DAC operates the Askeaton Pool and Leisure Centre.

The leisure centre closed in March 2023 to allow significant capital works to be completed. The facility's plant room has been affected by flooding and adverse weather conditions since its opening in 2007. The company's auditors, in their audit report for the period 31 December 2022 note *'there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern'*. However, the auditor's opinion was not modified in respect of this matter.

Management have informed audit that funding of €650k has been allocated from the Large Scale Infrastructure Fund towards the cost of these emergency works. It is expected these works will take at least 12 months to complete. The Council has entered into a service level agreement with Limerick 2030 DAC to manage the associated capital works. As a part of this agreement, Limerick 2030 DAC will hold a procurement competition to appoint an operator of the centre.

In 2022, the Council paid a subvention of €190k to Askeaton Pool and Leisure DAC.

Chief Executive's response

The Council, through Limerick Twenty Thirty DAC will ensure that the procurement competition to appoint an operator for the centre will be carried out in parallel with the capital work. While the centre is closed, Askeaton Pool and Leisure DAC continues to incur expenditure on security and critical maintenance.

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

The Local Government (Financial and Audit Procedures) Regulations 2014 requires Local Authorities to maintain an adequate and effective system of internal audit of its accounting records and control systems.

Five internal audit reports were produced in 2022. I have, where appropriate, taken account of the findings in these reports, in the course of my audit.

14.3 Audit Committee

The Audit Committee met on six occasions during 2022. I met with the Audit Committee to discuss the 2021 audit report in December 2022. This report was presented to the Council at their meeting in May 2023 together with the report from the Audit Committee under Section 121(3) of the Local Government Act, 2001 as amended by Section 60 of the Local Government Reform Act, 2014.

14.4 Public Spending Code

The Council is required to publish an annual report setting out how it complies with the above code. In the report relating to the 2022 financial year, the Council noted there was a satisfactory level of compliance with the requirements of the Public Spending Code. As part of this process, no serious concerns were raised of non-compliance with the Code: however it noted some areas require improvement.

Chief Executive's response

Limerick City and County Council is committed to the principles underpinning corporate governance including the enhanced development and expansion of the internal audit function, the continued engagement of its professional and transparent Audit Committee and improved compliance with the Public Spending Code.

In order to facilitate better informed and strategic decision making as well as the efficient and effective use of resources, Limerick City and County Council has developed a Governance Framework. This framework provides councillors, managers and staff with a consolidated document containing information to assist in understanding their duties, roles and governance responsibilities. Mandatory Financial Governance Training (on an online training platform) has been rolled out to all staff members.

14.5 Revenue Intervention

In October 2022, the Council received notification that the Revenue Commissioner, has decided to carry out a Level 1 compliance intervention in Limerick City and County Council. This relates to the application of Relevant Contracts Tax on the acquisition of property units 'off plan' and the consequential application of reverse charge tax. This matter is subject to ongoing engagement between the Local Authority Sector and the Revenue Commissioners.

Chief Executive's response

Limerick City and County Council with the Department of Housing, Local Government & Heritage continues to engage with Revenue on this matter.

14.6 Investigation into Financial Irregularity

In 2019, an investigation into a financial irregularity resulted in disciplinary proceedings being taken against an employee. This resulted in the termination of the individual's employment with the Council. This matter was referred to An Garda Síochána. The Council are currently awaiting the outcome of this investigation.

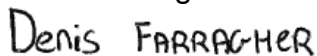
Chief Executive's response

The Council continues to assist An Garda Síochána on this matter and 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.

Denis Farragher

DENIS FARRAGHER

Local Government Auditor

11 October 2023

gov.ie/housing

Department of Housing, Local Government and Heritage



Rialtas na hÉireann
Government of Ireland