



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Limerick City and County Council for the Year Ended 31 December 2023

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
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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 2023, 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 2023 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 Financial Standing

2.1 Statement of Comprehensive Income

In 2023, the Council recorded a surplus of €24k after making net transfers to reserves of €15.9m. The cumulative surplus in the revenue account increased by €24k to €956k.

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 27 May 2024.

2.2 Financial Position

Significant movements in the finances for the year included:

- Increase in fixed assets accumulated costs of €34.8m (paragraph 4).
- Increase in long-term debtors of €45.6m, mainly due to capital advance leasing facility loans (+€11.1m), increase in recoupable loan advances (+€12.8m) and increase in long-term investments (+€9.5m).
- Increase in work in progress and preliminary expenses (+€61.3m).
- Increase in trade debtors and prepayments of €23.6m (paragraph 6).
- Decrease in bank and investments of €32.6m.
- Increase in creditors and accruals of €26.1m.

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 (%)
	2023	2022	2023	2022
Commercial Rates	€4.8m	€5.9m	94%	92%
Housing Rents	€5.7m	€5.2m	97%	97%
Housing Loans	€0.3m	€0.3m	87%	86%

3.2 Rates

Arrears

In 2023, rates arrears at year-end decreased by €1.1m to €4.8m. The amount collected in 2023 increased by €5.9m to €61.7m, mainly due to the cessation of the waiver scheme.

Bad Debt Provision

In 2023, the rates bad debt provision decreased by €1.2m to €3.9m in line with the decrease in year-end arrears. A review of the provision deemed it adequate.

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 2024 AFS.

Director General's Response

The commercial rate collection level in 2023 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 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	
	2023	2022	2023	2022	2023	2022
HAP	€158.5m	€158.1m	€-1.4m	€-1m	101%	101%
Rents	€19.6m	€18.4m	€6.6m	€5.8m	74%	76%
RAS	€2.2m	€2.1m	€0.5m	€0.4m	82%	82%
Total	€180.3m	€178.6m	€5.7m	€5.2m	97%	97%

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 makes 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.

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). I will review the findings of this investigation when it is completed.

Write Offs

In 2023, the amount of arrears written off increased by €260k to €1m. The amount written off is fully recoupable from the Department.

Collection Rate

At year-end 2023, there were 56,848 active accounts. In 2023, the rent accrued increased by 400k to €158.5m. The collection rate remained at 101% and the net arrears (arrears including credit balances) decreased by €400k to €-1.4m. 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) decreased by €1.4m to €2.6m.

Director General's Response

The HAP SSC continues to complete transactional and financial support for the national HAP Scheme. The HAP SSC successfully managed over 56,800 tenancies with a collection rate of 101% in 2023.

The HAP SSC awaits the issuance of the Ombudsman Report and will consider and implement its recommendations as directed by the Department of Housing, Local Government and Heritage.

3.5 Housing Rents

Arrears

In 2023, net arrears (arrears including credit balances) increased by €600k to €6.6m. There were 42 accounts with arrears in excess of €20k, which accounts for €1.2m of arrears. The value of gross arrears (arrears excluding credit balances) is €7.3m. It is recommended the Council address the growing arrears, particularly long-term arrears.

Collection Percentage

The 2023 collection yield reduced by 2% to 74%. The amount of housing rents collected increased by €0.8m to €18.7m, 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 2023, the Council completed 2,162 rent reviews. These reviews added an additional €1.2m to the accrued amount.

Bad Debt Provision

The bad debt provision for housing rents increased by €0.6m to €4.7m. A review of the provision deemed it adequate.

Director General's Response

The Council will continue to focus on improving the collection of housing rents in particular outstanding arrears. Significant progress continues to be 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 2023, net arrears decreased by €5k to €295k. There were 12 accounts with arrears in excess of €10k, which accounts for €261k of arrears.

Collection Percentage

In 2023, the collection yield for housing loans increased by 1% to 87%. The Council needs to continue to improve procedures for the collection of arrears.

Bad Debt Provision

In 2023, the bad debt provision for housing loans decreased by €9k to €472k. A review of the provision deemed it adequate.

Director General's Response

The Council will continue to maintain and build on the 2023 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 €34.8m. This comprised of additions/work-in-progress (WIP), transfers (€57.6m), and historical cost adjustments/disposals (€22.8m). The following table presents the main additions and items transferred from WIP in 2023:

Asset	€m
18 Units Cliona Park, Moyross	6.3
17 Units Rosbrien Court	6.1
18 Units Bank Place, Hospital	5.9
Croom Distributor Road	4.6
Barrow House – Corporate Building	4.0
12 Units Station Close, Knocklong	3.4
Land at Mackey Roundabout	1.8
3 Units Newtown Meadows, Castletroy	1.5
5 Units Maypole Crescent	1.3
4 Units Abbey Grove Mungret Street	1.2
Total	36.1

4.2 Opera Site Disposal

In January 2023, a portion of the Opera Site was disposed of to Limerick 2030 Strategic Development DAC (LTT) for €17.5m. Audit identified the following:

- The Section 183 disposal approved by the members was for *'the entire site known as the Opera Site (incl. the Granary Building)'*. This meeting took place on 22 November 2021.

- The €17.5m sale was discharged as follows;
 - Equity issue in LTT €8.8m.
 - Loan repayable to the Council €8.7m.
- Prior to this equity issue in LTT, the Council already held a 100% ownership of LTT.
- Development costs of €1.9m associated with a portion of the site disposed of to LTT, will have to be funded by the Council's own resources.

The Council should conduct a review to ascertain if best practice has been followed regarding this disposal.

Director General's Response

The auditor's comments are noted. The Council's legal adviser is satisfied that the disposal was in accordance with the Section 183. There is a requirement to fund the development costs of €1.9m from the Council's own resources.

4.3 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 is in the process of appointing consultants to undertake condition surveys on a number of their own properties in the near future.

Director General's Response

In July 2023, the Defective Concrete Block Grant Scheme was enacted under 'Remediation of dwellings damaged by the use of defective concrete blocks regulations 2023' The Council launched an online portal for applications to enter the grant scheme and provide information. Since its launch in July 2023, there has been 35 applications made for support from the grant scheme which are at various stage of assessment and approval by the Housing Agency.

A scheme for Local Authority Housing units is expected to launch in late 2024.

5 Uisce Éireann

5.1 Support Services 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. In August 2024, a Support Services Agreement (SSA) between Uisce Éireann (UE) and Limerick City and County Council was signed. This SSA will continue until 31 December 2026.

Director General's Response

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

6 Debtors

6.1 Government Debtors

At the end of 2023, Government debtors increased by €22.2m to €33.9m. In September 2024, €3.4m (10%) remained unpaid. The Council should continue to monitor and address amounts owed in a timely manner.

6.2 Bad Debt Provision

In 2023, total gross debtors increased by €27.3m to €71.7m, mainly due to Government debtors as noted above. The bad debt provision increased by €1.2m to €20.4m. 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.

Director General's Response

The auditor's comments are noted. The bad debt provision will be further reviewed as part of the AFS 2024 work programme.

7 Loans Payable

7.1 Loans Payable Overview

In 2023, the loans payable in Note 7 amounted to €165.7m (2022: €164m).

The loans payable are summarised as follows:

Loan Category	Balance at 31/12/2023 €m
Mortgage loans	21.7
Assets	86.3
Recoupable	54.2
Shared Ownership – Rented Equity	3.5
Total	165.7

- The mortgage loans of €21.7m and the shared ownership rented loans of €3.5m have a corresponding stream of income.
- The asset loans of €86.3m fund the Council's own projects and offices/buildings and are funded from the revenue account.
- Recoupable loans of €54.2m are matched by corresponding long-term debtors in Note 3 of the AFS.
- Of the total loans payable, €138.9m (84%) of debt is with the Housing Finance Agency (HFA), €25m (15%) is with the European Investment Bank (EIB) and the remaining €1.8m (1%) is with other providers.
- In 2023, the Council drew down a new loan from the HFA of €3.8m for the development of the Sonny's Corner project.

Director General's Response

The Council continues to actively monitor and review capital debt.

8 Capital Account

8.1 Capital Account Overview

At year-end 2023, the credit balance decreased by €27.4m to €100.5m mainly due to the increased activity relating to the Opera Site. In 2023, capital expenditure totalled €266.3m.

8.2 Capital Account Unfavourable Balances

At year-end 2023, there was €3.3m of unfavourable balances that had no activity in 2023. All efforts should be made to address the remaining unfavourable balances.

Director General's Response

The auditor's comments are noted and the Council continues to actively engage with the DHLGH 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 revised budget set for this project is €12.6m. By October 2024, the total expenditure incurred on the project was €14.3m. Any amounts not funded by the NTA, URDF and ERDF will have to be funded by the Council's own resources. This area will be reviewed again at next year's audit.

Director General's Response

The O'Connell Street Urban Renewal Project is now complete. The Final Account has been agreed and the street is now under the management of the Roads, Traffic & Cleansing Department. 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 increased by €1.8m to €3.1m. 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.

Director General's Response

The auditor's comments are noted and the Council continues to actively engage with the DHLGH to ensure timely drawdown of funds. There may be a requirement to fund some of the outstanding amount from own resources, this will be determined following submission of the final accounts to the DHLGH.

8.5 Regeneration of Lord Edward Street Project

At year-end 2023, 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.

Director General's Response

The LCCC appeal dating from May 2020 has yet to be determined by the DHLGH as "the submission is still under review and once a final determination has been reached, the Department will be in touch with the Council". The Council will continue to liaise with the Department with a view to bringing about a conclusion in as short a timeframe as possible. Subject to a final budget adjustment, there may be a requirement to fund an element of the project from own resources.

8.6 Housing Capital Projects

At year-end, a number of housing projects have unfavourable balances.

Project	€m
Deerpark Adare North Site – 13 units	1.8
Clonmacken Construction – 43 Units	1.3
Glenview Hospital – 20 units	1.4

All efforts should be made to address these unfavourable balances.

Director General's Response

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

9 Approved Housing Bodies

9.1 Approved Housing Bodies (AHB)

There are 53 AHBs in operation in Limerick. At the end of 2023, there were 2,408 properties financed through the Council that were owned or managed by AHBs. There is €57.6m of debt included on the Council's balance sheet related to AHBs through the Capital Advance Leasing Facility (CALF) and other recoupable loan balances. In 2023, €14.3m of revenue expenditure was AHB related through various schemes including 'payment and availability agreements', leasing and RAS. In 2023, the Council disposed of three properties to AHBs for nominal fees.

Given the volume of funding granted to these bodies, the Council should ensure adequate oversight, monitoring and reporting arrangements are in place to ensure compliance with the relevant regulatory frameworks. The Council should also make every effort to implement the applicable recommendations made in the Local Government Audit Service Value for

Money Report No. 29 *'The oversight Role of the Local Authorities in the Provision of Social Housing by Approved Housing Bodies'*.

Director General's Response

The Council will continue to ensure adequate oversight, monitoring and reporting arrangements are in place to ensure compliance with the relevant regulatory frameworks. The Council is also making every effort to implement the applicable recommendations made in the Local Government Audit Service Value for Money Report No. 29 *'The oversight Role of the Local Authorities in the Provision of Social Housing by Approved Housing Bodies'*

10 Limerick Twenty Thirty Strategic Development DAC

10.1 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 2023, the Council had advanced principal loans of €56.6m to LTT (2022: €32.9m). The loans were used for the following developments:

- Gardens International Office Complex €25.5m (paragraph 10.2).
- Loans in relation to the Opera Site Development €26.7m (paragraph 10.3).
- Cleaves & Salesians Buildings €4.4m (paragraph 10.4).

10.2 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. Despite the rearrangement of the original loan terms, LTT remain €0.9m in arrears at year-end. The Council should ensure strong oversight, monitoring and reporting arrangements for LTT to ensure these issues are addressed in a timely manner.

Director General's Response

Limerick Twenty Thirty DAC entered into a number of long-term leases for the full letting of 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. In June 2024 two new lease arrangements have been entered into with LTT for the fourth and fifth floors of GIOG. There has been a noticeable increase in interest in Gardens and the expectation is that this vacated space will be let in 2025 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.

10.3 Opera Site

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. At year-end 2023, the Council has issued three loans to LTT in relation to the development of the Opera Site;

- Opera Site working capital loan €3m (Issued: December 2020)
- Opera Site part disposal loan €8.7m (Issued: March 2023)

- Opera Site land development loan €15m (Issued: March 2023)

The Council should ensure strong oversight, monitoring and reporting arrangements for LTT to ensure strict adherence to the terms of the loan agreements.

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.

Director General'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 continue the progression of the project. 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.

10.4 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 2023, the interest charged was €77k.

Director General's Response

The auditor's comments are noted and the Council will ensure that the terms of the loan agreement are met.

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 2023, the Council included a Derelict Site Levy totalling €1.3m. The year-end debtor figure amounted to €2.5m. In October 2024, €2.3m remains outstanding.

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 2023, the Council charged a Vacant Site Levy of €876k. The debtor figure for the year-end is €2.9m. In October 2024, €2.1m remains outstanding.

Director General's Response

The Council continues to follow up all amounts due including arrears from Derelict and vacant Site levies.

12 Payroll and Pensions

12.1 Overtime

In 2023, overtime payments of €4.9m were paid to 449 employees with 84 employees earning over €20k each in overtime payments. In 2022, overtime payments totalled €4.9m with 81 employees earning over €20k each in overtime.

An audit review of overtime claims identified instances of:

- Claims not appropriately signed off.
- 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.

Director General's Response

In accordance with the Council's overtime 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

13.1 Overview

The Council's interest in 11 companies is shown in Appendix 8 to the AFS. The financial performance included in Appendix 8 of the Council's 2023 AFS refers to the 2022 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.

Director General's Response

I wish to acknowledge the comments noted above by the Local Government Auditor. At the start of 2024, 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 2024. Similar reminders will be issued for their 2024 accounts.

13.2 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. The financial statements of the company for the period 31 December 2023 were not

available for review by audit at the time of writing.

Management have informed audit that funding of €1.3m has been allocated from the Large Scale Infrastructure Fund towards the cost of this project. The Council has committed to funding the balance of this project from its own resources. It is expected these works will be completed in 2025.

In 2023, the Council paid a subvention of €367k to Askeaton Pool and Leisure DAC. The Council incurred additional costs of €83k mainly relating to engineering consultancy costs.

Director General's Response

The refurbishment works for the Leisure Centre commenced in the Summer of 2024. While the centre was closed in 2023, Askeaton Pool and Leisure DAC continued to incur expenditure on security and critical maintenance, so there is a requirement to fund these amounts from the Council's own resources.

13.3 Innovate Engine DAC

In December 2022, the Council paid €100k to Innovate Engine DAC for the development of E-Hubs in Bruff and Rathkeale. These projects have reverted to the Council for completion but the €100k was not repaid. The Council have confirmed that Innovate Engine DAC have been requested to return the funds in full.

The Council should ensure appropriate safeguards are in place to monitor such funding arrangements with associated companies.

Director General's Response

The auditor's comments are noted and the Council will continue to monitor all funding arrangements with Innovate Engine DAC.

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.

Eleven internal audit reports were produced in 2023. 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 four occasions during 2023. I met with the Audit Committee to discuss the 2022 Audit Report in December 2023. This report was presented to the Council at their meeting in May 2024 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 2023 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 one area that required improvement.

14.5 Statement on Internal Financial Control (SIFC)

An Advisory Group, chaired by DHLGH, and, comprising representatives of the main local government governance related stakeholders, was established to guide and advise on a Statement of Internal Financial Control for the Local Authority Sector. This work is now complete and in accordance with Circular LG05-2024, Local Authorities are now required to prepare and publish a SIFC as part of their Annual Reports for 2023. The SIFC, which is signed by the Chief Executive, includes their summary of the financial standing of the local authority, and, the key internal financial controls. I do not form an opinion on the statements made in the SIFC.

14.6 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.

Director General'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.

Limerick City and County Council with the Department of Housing, Local Government & Heritage continues to engage with Revenue on the Intervention regarding the application of Relevant Contracts Tax.

14.7 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.

Director General'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

25 October 2024

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