



LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Louth County Council

for the

Year Ended 31 December 2013



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

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AUDITOR'S REPORT TO THE MEMBERS OF LOUTH COUNTY COUNCIL

1 Introduction

- 1.1 I have audited the annual financial statements of Louth County Council for the year ended 31 December 2013, which comprises the Statement of Accounting Policies, Income and Expenditure Account, Balance Sheet, Funds Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is the Accounting Code of Practice for Local Authorities, as prescribed by the Minister for the Environment, Community and Local Government.

My main statutory responsibility, following completion of the audit work, is to express an opinion on the annual financial statement of the Council as presented for audit in accordance with the Code of Audit Practice. My audit opinion on the Annual Financial Statements (AFS) of the Council is a qualified opinion in relation to the inadequacy of the bad debt provision which is elaborated in paragraphs 3 and 4 of this report.

The Council is by law, responsible for the maintenance of all accounting records including the presentation of the AFS. It is my responsibility, based on my audit, to form an opinion on the statements and to report my opinion to you. I conducted my audit in accordance with the principles and practice of Local Government Audit. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the annual financial statement. It also includes an assessment of the significant estimates and judgements made by the Council's management in the preparation of the financial statement, 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error.

- 1.2 This report is issued in accordance with Section 120 of the Local Government Act, 2001 and should be read in conjunction with the audited AFS.

2. Financial Standing

- 2.1 Income and Expenditure Account
The closing deficit for the year of €872,412 continues the trend since 2011 of increasing deficits on the Council's revenue account

Year	Deficit (€)
2011	243,235
2012	724,589
2013	872,412

The increasing annual deficit in addition to the under provision for bad debts as detailed in paragraphs 3 and 4 has to be a priority for the Council to address.

3. Income Collection

3.1 The percentage yields from the main revenue collection accounts for the last four years were as follows

	2013	2012	2011	2010
Rates	56%	55%	59%	67%
Rents & Annuities	76%	81%	83%	86%
Housing Loans	48%	54%	59%	59%
Commercial Water Charges	46%	54%	40%	34%

3.2 Rates

A collection yield of 56% for rates is not satisfactory. It is below the 2012 national average yield of 76% for all city and county councils. In addition to the poor collection yield the Council's bad debt provision at 17.5% is not adequate. Based on 40% of the closing arrears provision an additional charge in the region of €1.5 million would be required to be made in the Income and Expenditure account.

3.3 Rent and Annuities

The 76% collection yield for rents and annuities is below the national average of 83% for all city and county councils for 2012. The value of rent accounts in arrears for a period greater than twelve months at the year end was €398k. The Council's bad debt provision for rents was €52k. Based on the aged analysis and assuming a 20% collection on arrears greater than a year the Council's bad debt provision for rents is understated by approximately €266k.

3.4 Housing Loans

The collection yield declined by a further 6% when compared to the previous year's 54%. The Council's net arrears of €221k comprised of 97 accounts of which 74 were active in 2013 and 31 of the active accounts were in credit at the year end. The Council has provided €65k for negative equity in the event of it seeking repossession of a house due to the non-payment of loans.

3.5 Commercial Water

The collection yield at 46% shows a drop of 8% on the previous year. The overall yield for all city and county councils in 2012 was 56%. The debtors at the year amounted to €5.4 million with a bad debt provision of €533k which is equivalent to a 10% provision of water debtors. Based on data collected for city and county councils the general bad debts provision at the end of 2012 amounted to 37% of the commercial water debtor. Based on the national average the current bad debt provision is inadequate.

Chief Executive's Response

I acknowledge that our collection yields across our various income streams are currently rather poor and this has been a source of concern to me for some time. In order to try and deal with this, we have, as part of the recent reorganisation and restructuring of the Council, established a separate debt collection section within finance to deal with a number of key income streams along with a separate new unit within housing to deal with housing income. While it is still early days, I hope that a systematic, structured and persistent approach to debt collection will improve our collection rates over time.

Whilst we have made very substantial provision for bad debts and write offs, for example for vacant properties, it is clear that the provision has been somewhat inadequate. I will be revising the level of bad debt provision as I prepare the Draft Budget for 2015. In addition, I have suggested to Council that it should consider using its new legal powers to amend the rate of refund of rates for vacant properties downwards from 100% to 50%.

4. Fire Charges

At audit a review was carried out of the fire charges debtors of €1.2 million. Total receipts in respect of these charges amounted to €73k in the year. No bad debt provision was provided for fire charges in the AFS. Based on the poor collection yield a provision of €1 million would appear to be required for bad debts.

A detailed review should be carried out of all debtors to ensure that if there is little likelihood of payment that adequate bad debts provisions are created.

Chief Executive's Response

This will be examined as part of the preparation of the Draft Budget for 2015.

5 Refundable Deposits

The Council made some progress in its review of planning deposits in the year under audit, this work needs to be expedited.

Chief Executive's Response

This work will continue.

6 Internal Audit

The Council's internal audit function is provided by a professional accounting firm. I have taken account of this work in the conduct of my audit. I recommend that management introduce a routine checking on receipts particularly in light of the new merged authority.

Chief Executive's Response

I will examine this suggestion as a matter of urgency.

7 Annual Report

The Council is required to produce an annual report not later than the 30 June each year under section 221 of the Local Government Act 2001. The 2013 annual report has not been produced to date.

Acknowledgement

I wish to record my appreciation for the courtesy and co-operation extended to both Martin White and myself by the management and staff of the Council during the audit.



Maurice O'Neill

Local Government Auditor

7 October 2014