



**Rialtas na hÉireann**  
Government of Ireland

# **LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Donegal County Council**

**for the**

**Year Ended 31 December 2019**

Department of Housing, Local Government and Heritage

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

# CONTENTS

AUDITOR'S REPORT TO THE MEMBERS OF DONEGAL COUNTY COUNCIL.....	3
1 Introduction .....	3
2 Non – adjusting post balance sheet event – COVID-19 .....	3
3 Financial Standing .....	5
3.1 Statement of Comprehensive Income .....	5
3.2 Statement of Financial Position .....	5
4 Income Collection.....	6
4.1 Summary of Income Collection .....	6
4.2 Rates.....	6
4.3 Rents and Annuities .....	7
4.4 Housing Loans .....	7
4.5 Debtors (incl. Provision for Doubtful Debts).....	7
5 Transfer of Water and Sewerage Functions to Irish Water .....	8
6 Loans Payable.....	8
7 Capital Account .....	9
7.1 Overview .....	9
7.2 Job Codes.....	9
8 Procurement .....	10
8.1 General.....	10
8.2 Public Spending Code .....	10
9 Fixed Assets .....	10
9.1 Overview .....	10
9.2 Asset Disposals .....	10
9.3 Property Management System .....	11
10 Defective Concrete Blocks in Private and Social Houses.....	11
11 Housing Estates .....	12
12 Local Authority Companies .....	13
13 Governance and Propriety .....	14
13.1 General.....	14
13.2 Corporate Risk Register .....	14
13.3 Internal Audit .....	15
14 Timelines for Responses and Preparation of Accounts Deadlines.....	15
Acknowledgement .....	15

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

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Donegal 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 15 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, together with increased levels of spend. Reductions in income have also had a bearing on the cashflow of the local authority and may impact the ability to deliver services.

The local authority has taken a number of steps to address these issues both at local and national level including:

### Local

Six-monthly management accounts prepared up to June 2020 identified a surplus of €3.3m. The Council note in these accounts that the position at the mid-point at any given year reflects the fact that work programmes incur a greater level of expenditure during the second half of the year.

## National

Participation in the submission of 'Acute Financial Matters' (AFM) reports to the Department of Housing Planning and Local Government (the Department), namely:

- Indicative figures calculating the impact of COVID-19 on 2020 Commercial Rates
- Analysis of Local Government Goods & Services Income impacted by COVID-19
- Analysis of additional expenditure incurred as a response to the COVID-19 pandemic

The following assistance has been made available to the Local Authority:

- A 100% waiver of commercial rates from 27 March to the end of 2020 to all ratepayers with the exception of a small number of categories. The Council will be reimbursed by the Department for the waiver.
- Advance payments have been received from the Department in relation to Local Property Tax payments in 2020. This has assisted the Council's short-term cash-flow position.

## **Chief Executive's Response**

The COVID-19 pandemic has prompted organisations of all kinds, public and private, to focus on the financial implications of the restricted social and commercial environment. Throughout the public health emergency, Donegal County Council has continued to provide vital public services to the citizens of the county. The public health emergency has given rise to additional expenditure in some areas and has had a significant impact on sources of income, such as from commercial rates.

The local authority sector has produced a number of position papers (Acute Financial Matters Reports) highlighting the financial implications facing the sector as a result of the global pandemic. For 2020, central government has committed to providing compensation to local authorities for lost income arising from the six-month waiver of commercial rates. This is welcome, and should mitigate the impact of the public health emergency on this important income stream. Also, the advance payments from Central Government (for example in respect of local property tax receipts, restart grants and the waiver) have supported the Council's cash-flow during 2020.

It is hoped that the many different supports provided to businesses in the county during 2020 (including the supports provided through Donegal County Council's Local Enterprise Office and Economic Development Unit) will sustain many businesses through the difficult period, allowing them to survive and continue to provide much needed employment in the county into the future.

Note 23 of the Annual Financial Statements for 2019 acknowledges the uncertainty that currently exists in terms of estimating the financial consequences of the pandemic. However, it is hoped that, with the passage of time, the worst effects of the pandemic will begin to wane and the additional supports and measures required to meet the ongoing challenges of the pandemic and to recover from its effects will become clearer. Donegal County Council hopes to be able to position itself in the months and years ahead to respond to these challenges and to be in a prime position to drive recovery and to develop the economy and society in the best interests of the county and its citizens.

### 3 Financial Standing

#### 3.1 Statement of Comprehensive Income

The Council recorded a surplus for the year of €652,747 after net transfers to reserves of €6.4m. The variances between the adopted budget and the 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.

This surplus continues the positive trend whereby surpluses have been achieved on the Council's revenue income and expenditure account.

Year	2019	2018	2017	2016	2015
Surplus (€m)	0.653	0.567	0.764	1.254*	0.621

*\*The surplus of €1.254m excludes the elimination of the specific revenue reserve*

Whilst acknowledging an improving deficit reduction in recent years, the Council has a cumulative deficit of €7.7m (2018: €8.4m) on the Statement of Comprehensive Income which is still a serious matter for the Council to address.

##### Chief Executive's Response

The improvement on the revenue account for 2019 was €652,747. The revenue deficit has therefore reduced by €7.233m from year-end 2014 (€14.967m) to year-end 2019 (€7.734m).

The objective of continuing to reduce the revenue deficit remains a priority, and will be aided by the ongoing approach to budgetary control across the Council.

As is the case each year, the Income & Expenditure report provided to the Elected Members sets out the detailed explanation for the outturn on the revenue account across all service divisions.

#### 3.2 Statement of Financial Position

The Council had net current assets of €36.7m at 31 December 2019 (2018: €37.3m). While the Council did reduce its Loans Payable figure by €8.1m during the year, there remains a significant Loans Payable balance of €103.4m at 31 December 2019 (2018: €111.5m). Loans Payable at 31 December 2019 are further analysed in section 6 below.

##### Chief Executive's Response

The ratio of current assets to current liabilities at year-end 2019 was 2.13:1. Commentary on loans payable is provided in Section 6.

## 4 Income Collection

### 4.1 Summary of Income Collection

A summary of the major collection yields and the corresponding closing debtors, with comparatives for the previous year, are as follows:

Income Source	Yield %		Debtors €m	
	2019	2018	2019	2018
Rates	76	76	15.4	15.3
Rents and Annuities	90	89	1.5	1.5
Housing Loans	68	68	0.9	0.9

The collection yields for rents and annuities increased in 2019 while the yields on both rates and housing loans remained the same.

#### Chief Executive's Response

Cash collected from commercial rates increased year-on-year from €26.675m in 2018 to €27.747 in 2019 (an increase of €1.072m). The '% collection' figure remained static at 76%.

Cash collected from rents and loan charges also increased year-on-year. The '% collection' figure for rents improved from 89% to 90%, whereas the '% collection' for housing loans remained static at 68%.

The impact of the public health emergency on businesses and households has made income collection more challenging in 2020. Nevertheless, every effort will be made to maximise income collection to ensure that the Council can maintain services in the years ahead.

### 4.2 Rates

The percentage collected in 2019, which remained the same as the previous year, excludes specific doubtful arrears of €6.9m from the amount for collection. The level of specific doubtful arrears has increased by €0.2m from the previous year and reflects the following:

- Accounts in examinership/receivership/liquidation where no communication has been received regarding a likely dividend,
- Vacancy applications pending at year-end and/or in cases where it has not been demonstrated to the satisfaction of the Council that the vacancy criteria have been met.

There was a welcome 4% increase in the amount collected in 2019; €27.7m compared to €26.7m in 2018. Every effort should be made to further improve on the collection of commercial rates and to deal with arrears issues on a timely basis.

#### Valuations

At year-end, the Council had 1,048 properties awaiting valuation from the Valuation Office. This represents an increase of 150 properties (17%) since December 2018.

#### Chief Executive's Response

The Council welcomes the increased cash collection from commercial rates during 2019 and the positive and proactive engagement from the majority of customers is acknowledged.

Donegal County Council engages proactively with commercial rates customers in a manner that is commensurate with their ability to pay. Formal payment plans allow customers to pay according to their means, whilst aiming to reduce any arrears over a mutually acceptable timeframe. Arrears are only written off when it is certain that they are irrecoverable, usually when a business is liquidated or ceases to trade.

The Small Business Grant scheme has been continued into 2020, both as an incentive and as a support, especially to small businesses. The scheme allows customers who pay their rates bill in full by 31 October to avail of a grant of 7.5%, subject to a maximum of €375. In 2019, over 2,000 customers availed of the Small Business Grant at a total cost to the Council of around €440,000.

The Valuation Office has commenced the process of revaluing all commercial property in County Donegal as part of the 'Reval 2021' process. An important objective, in advance of completing the revaluation process, is that all existing rateable property in the county are included in the revaluation process and/or updated, as may be necessary. Therefore, the Council undertook a specific project, the aim of which was to submit all relevant property for valuation or revaluation in advance of the 'Reval 2021' process. The Valuation Office is currently working through these submissions.

#### **4.3 Rents and Annuities**

The collection yield for housing rents increased slightly in 2019 while the amount collected also increased by 6% from €12.2m in 2018 to €12.9m in 2019. While both these increases are welcomed, every effort should be made to further improve on the collection of housing rents and to deal with arrears issues on a timely basis.

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

The improvement in 2019 in terms of both the amount collected and percentage collected is indeed welcome. As always, efforts will continue to maximise collection performance going forward.

#### **4.4 Housing Loans**

The collection yield for housing loans remained the same in 2019 while the amount collected also remained largely the same in 2019. There was a slight increase in the closing arrears of around €10k. Similar to commercial rates and housing rents, the Council should exhaust all avenues to further improve on the collection of housing loans and to deal with arrears issues on a timely basis.

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

The auditor's comments are noted. As always, efforts will continue to maximise collection performance going forward.

#### **4.5 Debtors (incl. Provision for Doubtful Debts)**

Gross debtors, including those from the main income collections, are shown in Note 5 to the AFS and amounted to around €37.2m at the end of 2019 (2018: €37.1m). An overall provision for doubtful debts is also shown and amounts to around €14m at the end of 2019 (2018: €13.7m). A review of the provision found that it appears adequate. However, it is important given the challenging situations that businesses, tenants and borrowers find themselves in as a result of the global pandemic, that the Council keeps the provision under

constant review.

### Chief Executive's Response

Provisions for bad and doubtful debts are monitored closely on annual basis, with adjustments made as deemed appropriate. The auditor's comments are acknowledged. The effects of the public health emergency on the Council's sources of income will require even closer consideration of the Council's provision for bad and doubtful debts as we move forward.

## 5 Transfer of Water and Sewerage Functions to Irish Water

Irish Water was allocated full responsibility, by statute, for all aspects of water services planning and delivery at national regional and local level. The Council operates under a service level agreement with Irish Water for the provision of water services and recognised €16.8m of income from Irish Water in the 2019 AFS.

As referenced in previous audit reports, the transfer of assets to Irish Water remains ongoing. A member of staff was assigned to this role on a full time basis in 2019.

### Chief Executive's Response

The member of staff assigned to the Asset Transfer Programme in Q3 of 2019 continues to work in this role on a full-time basis in 2020.

This staff member has been working with the assistance and support of the Water Services Area Senior Executive Engineers (SEEs) in each of the five Municipal Districts to review and progress properties on the asset transfer list identified. One of the area SEEs is coordinating this work on a countywide basis. The full-time member of staff is also working closely with the Asset Transfer Department of Irish Water.

Progress on this project was affected by COVID-19 related restrictions, particularly in Q2 of 2020. However, work continued to be progressed and it is envisaged that there will be 40-50 assets recommended to the Department for transfer to Irish Water by Q4 of 2020 and this work will continue into 2021.

## 6 Loans Payable

The Local Authority had capital debt of €103.3m at 31 December 2019 (2018: €111.5m). Almost 85% of this debt is with the Housing Finance Agency with the remaining debt spread across a number of other institutions. This capital debt can be further analysed as follows:

Loan type	2019 (€m)	2018 (€m)
Asset/Grants	46.5	50.9
Recoupable	33.5	35.8
Mortgage related	21.4	22.9
Bridging finance	1.9	1.9
<b>Total</b>	<b>103.3</b>	<b>111.5</b>

Loans for asset/grants are loans which the Local Authority must fund from its own resources. Recoupable and mortgage related loans are matched by corresponding long term debtors in Note 3 of the AFS.

### Chief Executive's Response

Loans payable (Note 7 of the Annual Financial Statement) have continued to reduce, with



the amount now payable standing at €103.3m at the end of 2019. In total, the value of the principal repayable on loans reduced by over €78.8m over the period 2014 to 2019. €28.9m of this reduction relates to loans redeemed on the Council's loan book on foot of the transfer of functions to Irish Water.

Non-mortgage loans for assets/grants are loans which the local authority must fund from its own resources (i.e. loans that do not have a corresponding income source). At year-end 2019, this class of loan liability is significantly lower in absolute terms (at €46.5m, compared with €106.7m at the end of 2013), and represents around 45% of the Council's total loan book. At year-end 2013, it was 56% of the Council's total loan book. This represents a significant improvement on the Council's balance sheet.

## **7 Capital Account**

### **7.1 Overview**

The Council had total capital expenditure, including transfers to revenue, of €88.8m in 2019 (2018: €83m) and total capital income, including transfers from revenue, of €84.3m (2018: €87.9m). There was a credit balance on the capital account of €38m at 31 December 2019 (2018: €42.5m) which was comprised of debit and credit balances on 675 individual job codes.

### **7.2 Job Codes**

A significant volume of work has been performed by Donegal County Council on the capital account. From a detailed review of all capital job codes across all Directorates, there existed only one small unfunded debit balance at 31 December 2019. The Council has a plan to reduce this balance in 2021.

The following issues were noted:

- Of the 675 job codes referenced in paragraph 7.1 above, an analysis of these found that there was no movement on the balances on 277 (or 40%) of these job codes in 2019 i.e. there was no income, expenditure or transfers in 2019 on the job code. Of these 277 job codes, 192 had a credit balance of €15.2m and 85 had a debit balance of €2.8m at 31 December 2019.
- There are a number of job codes where the balance at year-end requires reconciling including the allocation of development contributions against jobs.

The Council should continue to monitor all job codes across the organisation on a regular basis in order to avoid the re-occurrence of unfunded balances.

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

The capital account will continue to be monitored on an ongoing basis, with a view to ensuring that the Council avoids the emergence of any unfunded balances.

Work will continue to progress in terms of managing development contribution balances.

There are a number of legacy former town council capital job codes that require further examination and reconciliation. Progress was made during 2018 and 2019 with a number of job codes reconciled. As noted previously, work will continue incrementally with a view to reconciling all these legacy job codes at the earliest date.

## 8 Procurement

### 8.1 General

The Local Authority has a dedicated Procurement Officer who is attached to the Finance section. The main role of the procurement officer is to:

- Act as the main point of contact for relevant national bodies e.g. Office of Government Procurement.
- Provide guidance to staff on the preparation of tender documents.
- To advise staff on EU Directives, national policies and circulars.

The Local Authority has drafted a Corporate Procurement Plan for the period 2020 to 2022 which is yet to be approved.

#### Chief Executive's Response

A Procurement Steering Group is in the early stages of being formed. Once formed, the first order of business will be to consider the draft Corporate Procurement Plan.

### 8.2 Public Spending Code

Donegal County Council is required to publish an annual report setting out how it complies with the Public Spending Code. The objective of the Public Spending Code is to ensure the State achieves best value for the resources at its disposal. In its report published in August 2020, the Local Authority concluded that it was either broadly compliant or compliant, but with some improvement necessary, with the Public Spending Code. This report, which is a self-review performed by Internal Audit and the Procurement Officer, under the direction of the Management Accountant, has been considered as part of my audit fieldwork.

## 9 Fixed Assets

### 9.1 Overview

At 31 December 2019, the Council had a carrying value of fixed assets on their Statement of Financial Position of €3.417bn (2018: €3.406bn). The increase in the carrying value of around €11m was in the main due to housing assets that were either purchased or transferred from Work-In-Progress (WIP).

### 9.2 Asset Disposals

Some assets, which were disposed of prior to 2019 and only accounted for in the 2019 AFS were noted at audit. The Council should enhance their internal control procedures around fixed assets to ensure that all movements are accounted for in a timely manner.

#### Chief Executive's Response

Donegal County Council's fixed assets have a carrying value of €3.417bn. Net adjustments during 2019 amounted to plus €11.1m, primarily attributable to house purchases and construction (plus €11.3m net).

The auditor's comments are noted. The Finance Section will examine what measures can be taken in order to ensure that accounting for fixed assets is as accurate and up to date as possible.

### 9.3 Property Management System

The 2018 audit report referred to the development of a new system by the Council for managing and recording land & building and property assets. Two members of staff were identified in the early part of 2020 for assignment to the proposed new Property Management Section. Due to the restrictions arising from COVID-19 however, this assignment had to be postponed and I understand that this will now be actioned over the coming months. I will track the progress of this as part of the 2020 audit.

#### Chief Executive's Response

A new and fully integrated property management system (data/mapping & document) has been developed to support the methodology that has been identified for the management of the Council's land and building property assets. Work has commenced on building up a record of the entire property portfolio and, while this will be an extensive programme of work, the system provides the tools to enable this to be done on a structured and managed basis, whilst ensuring that the assets are safeguarded.

Two members of staff have been assigned to the new Property Management Team established within the Finance Directorate. For reasons relating to the ongoing public health emergency, it has not been possible for these staff to apply their efforts fully to their new roles. Additional staff resources are due to be assigned to this team in the coming months with the purpose of accelerating progress in this area.

## 10 Defective Concrete Blocks in Private and Social Houses

An Expert Panel on Concrete Blocks was established by the Department of Housing, Planning & Local Government in 2016, to investigate problems that had emerged in the concrete blockwork of certain dwellings in both private and social houses in Counties Donegal and Mayo. On 13 June 2017, the report of the Expert Panel on Concrete Blocks was published. As a follow on from this report, the National Standards Authority of Ireland (NSAI) established a Technical Committee to develop a standardised protocol. The standardised protocol informs the course of action in relation to remedial works for all affected householders, and was published by the NSAI on 13 November 2018.

S.I. No. 25 of 2020 - Dwellings Damaged by the Use of Defective Concrete Blocks in Construction (Remediation) (Financial Assistance) Regulations 2020 provides the legal framework for the Defective Concrete Block Scheme for private houses which the Council is administering. The Defective Concrete Blocks Grant Scheme is a grant scheme of financial assistance to support affected homeowner(s) to remediate their dwelling, where their dwelling has been damaged by the use of defective concrete blocks in its construction. Following on from the regulations, administrative guidelines were issued to promote and support a consistent approach to the operation and administration of the Scheme by the relevant local authorities.

The Scheme opened for applications from Monday 29th June 2020.

This grant scheme applies to the owners of dwellings which are damaged due to defective concrete blocks containing excessive amounts of deleterious materials, namely mica or pyrite. An owner can only apply for one dwelling and a dwelling can only be the subject of one grant (one owner, one dwelling – one dwelling, one grant). The dwelling must be the individual's principal private residence.

This grant scheme covers up to 90% of the costs associated with the qualifying works deemed necessary for the remediation of the relevant dwelling (subject to maximum limits), and includes the costs associated with the:

- engineer's report;
- preparation of a remedial works plan by a competent engineer;
- contractor carrying out the remedial works;
- professional oversight of the remedial works, including inspection and certification.

Overall expenditure on this scheme will be significant and will be followed up as part of the 2020 audit.

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

The Defective Concrete Blocks Grant Scheme opened for applications at the end of June 2020. Applicants are being considered in accordance with the provisions of the Regulations, the National Technical Standard I.S. 465 and the administrative guidelines issued by the Department of Housing, Local Government and Heritage.

The Department has also confirmed that funding will be provided for remedial works to council houses with defective concrete blocks. It is expected that provision will be made in the national budget for 2021 with multi-annual funding provided in subsequent budgets. The remedial works will be assessed and costed based on the results of tests in line with the national standard. The Council has identified houses that will be prioritised for remedial works in the first tranche of funding and will be submitting applications for funding on an ongoing basis.

## **11 Housing Estates**

The changes introduced in planning legislation during 2008 allowed developers of unfinished housing estates, the majority of home-owners on the estates or the management companies set up therein the power to require local authorities to take such estates in charge. Compliance with the aforementioned legal requirements could result in significant future expenditure being incurred by this Council to bring these estates up to the required standards set out in the conditions to the respective granted planning permissions.

A review of such estates revealed that during 2019, the Council had taken in charge (TIC) 7 estates (212 housing units), and has taken in charge 41 estates in total consisting of 1,844 housing units.

By year-end, 31 December 2019, the Council continued to advance the taking in charge of the remaining estates where formal taking-in-charge procedures had been commenced in previous years with a number of significant contracts awarded and resolution works commenced during the year. The Council plans to TIC all estates that have made an application and comply with the Council's TIC policy that are directly connected to the public sewerage network.

The additional work to be carried out on the above estates and the management of them could represent a significant financial cost to the council.

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

As reported previously, most of the significant remedial works have been funded through the availability of security bonds and department funding, with Council own resources being used to either complement these sources or to carry out direct works that will assist the TIC process for those estates where no alternative funding is available. The Council has been very pro-active in securing department funding to address issues within unfinished estates, in particular under the TIC Initiative, and the Council will again actively pursue any funding opportunities made available. The Council has a very ambitious programme of work in place under the TIC programme, and will continue its engagements with Irish Water in accordance

with the Memorandum of Understanding that is in place. The annual provision for Taking-in-Charge in the adopted revenue budget is of the order of €290k.

The provisions within the revenue account have been targeted at specific estates where shortcomings in essential infrastructure have been identified, and for which there is no other available funding to address such deficiencies. These deficiencies in public infrastructure serving the estates include non-functioning public-lighting, minor road repairs (potholes) and repairs to underground services (blockages and manholes). The annual provision for unfinished housing estates in the adopted revenue budget is of the order of €250k.

## 12 Local Authority Companies

The Council recorded its interest in twelve companies in Appendix 8 of the AFS. Five of the twelve companies had audited 2019 financial statements at 30 June 2020, when the Chief Executive and Head of Finance certified the 2019 Donegal County Council AFS. The Council should make every effort to ensure that all companies in which the local authority has an interest and which are disclosed in the Council's AFS produce timely audited financial statements.

The following issues were identified in relation to these companies:

### Letterkenny Sports Complex Development (LSCD)

The company incurred a deficit of €834k for the year ended 31 December 2018 with accumulated losses of €5.6m at this date. This was referenced to by the Directors of the company in the notes to the financial statements. The Directors stated that the company was dependent on the financial support of the Council and, given that the company was controlled by the Council, were confident that the company would have continued financial support and as such the financial statements were prepared on a going concern basis.

### Finn Valley Swimming Pool Limited (FVSPL)

The company incurred a deficit of €45k for the year ended 31 December 2018 with accumulated losses of €620k at this date. In the independent auditors' report on the 2018 AFS, the auditors draw attention to Note 1 to the AFS which indicates that the company is dependent on support from Donegal County Council. The auditors also state in their report that the company have a €1.9m loan with the Council upon which payment terms have yet to be agreed. The Council informed me in September 2020 that this was still the case and that the Council are making repayments on this loan to the Housing Finance Agency on behalf of the Company.

### Donegal Community & Cultural Development Company (DCCDC)

The company incurred a deficit of €3k for the year ended 31 March 2019 with accumulated losses of €107k at this date. In the notes to the financial statements, the Directors stated that the company is dependent on the continued support of Donegal County Council and have a reasonable expectation that the company will continue to receive an adequate level of support to allow the company to meet their debts as they fall due. The Directors stated that they continued to adopt the going concern basis of accounting in preparing the financial statements.

### An Grianán Theatre Management Company (AGTMC)

The company incurred a deficit of €5k for the year ended 31 December 2018 with accumulated losses of €80k at this date. The Directors, in their Directors report, reference the accumulated losses and state that after making enquiries, have a reasonable

expectation that the company has adequate resources to continue in operational existence over the next 12 months and as such, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

The auditor's comments are acknowledged in relation to the timely preparation of audited accounts by these companies. The effects of the public health emergency created additional challenges for companies in terms of completing and signing off on accounts for 2019. Further engagement will take place with these companies in this regard.

As was noted in the responses in previous audit reports, the Council continues to finance the loan that was required to co-finance the building of the Finn Valley Swimming Pool (FVSP). It is envisaged that this requirement will continue for a further period. This is being kept under review, with periodic scheduled meetings taking place between council management and directors of the company to ensure appropriate governance and oversight.

This oversight extends to an ongoing review of the centre's trading capability, with monies now allocated as part of the Council's annual budget process being released in line with the company's cash-flow requirements to continue trading. This process is supported by the review of primary documentation, such as bank records, in conjunction with rolling projected and actual cash-flow statements.

GTML is the management company for An Grianán Theatre in Letterkenny. The Council has provided an allocation annually as a contribution towards its operational and programme costs. This has and continues to be sufficient to meet the operational requirements of the company in continuing to carry out its business. The company is aware of the need to address the deficit of €80k referred to in the auditor's report, and ongoing engagement will take place with this company in this regard.

As was noted in the responses to previous audit reports, LSCDL was initially formed under the aegis of the former Letterkenny Town Council, for the purposes of managing the construction, development and management of the Letterkenny Sports Complex. The accumulated losses reported by the company include €4.741m relating to the depreciation of assets. The facility itself is managed by a separate private sector company under a management contract. The Local Government Auditor's comments are noted, and it is planned that matters presenting in this audit report will form the basis of an engagement with the company to effect any adjustments or changes in practice that may be required.

## **13 Governance and Propriety**

### **13.1 General**

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of management and the elected members to ensure that effective systems of financial management and control exist.

### **13.2 Corporate Risk Register**

A review of the risk register identified that the Council has detailed risk registers in every Directorate. The Council also established and implemented a corporate risk register in 2019 which is a welcome development.

### 13.3 Internal Audit

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.

The annual work plan was approved by the Audit Committee and the Chief Executive. The Head of Internal Audit reports directly to the Chief Executive and to the Audit Committee on audit reports issued and progress on the implementation of audit recommendations made. The unit issued eight reports during the year and I have taken account of the findings in these reports, where appropriate, in the course of my audit.

## 14 Timelines for Responses and Preparation of Accounts Deadlines

The draft AFS for 2019 was signed by the Chief Executive and Head of Finance, submitted to the Department and presented for audit on 30 June 2020. This was in accordance with Circular Fin 03/2020 Preparation and Submission of the Annual Financial Statement (AFS) 2019.

It is also acknowledged that all audit requests were addressed by the Council in a very timely and professional manner in challenging conditions while adapting to new work practices as a result of the global pandemic. I would like to particularly thank the Acting Head of Finance, the Acting Management Accountant, Financial Accountant, the Audit Liaison Officers and all the finance staff for their assistance and courtesy during the course of the 2019 audit process.

## Acknowledgement

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



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Seamus Leonard  
Local Government Auditor

14<sup>th</sup> October 2020

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