LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Meath 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 MEATH COUNTY COUNCIL

1. Introduction

1.1. I have audited the annual financial statement of Meath County Council for the year ended 31 December 2013, which comprise 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 the completion of the audit work, is to express an opinion on the annual financial statement (AFS) of the Council as presented for audit, in accordance with the Code of Audit Practice. My audit opinion on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on page 5 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 opinion on the statement 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 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. There was a significant reduction of the debit balance on the revenue account to €3.8m at the end of 2013 from €6.75m at the end of 2012. This was mainly attributable to the arrangements necessary for the take over of water and waste water services by Irish Water, which impacted as follows:

- Reversal of bad debts provision €1.4m
- Final billing brought forward to December resulting in 15 months being billed in 2013, hence income increase.

The Council will need to implement strict budgetary controls to ensure the remaining adverse balance is eliminated over the coming years.

Response of the Chief Executive

Meath County Council's Annual Financial Statement for 2013 reported the eighth successive surplus and as a result the cumulative deficit has been reduced by €7m from a peak of €10.8m in 2005 to €3.8m in 2013. This has been achieved by an on going process of cost reduction, rationalisation and efficiency measures along with relentless budgetary control. The additional water services income and bad debts adjustment were also contributory factors in making the 2013 surplus.

2.2. There was a significant movement in the net unfunded balances during 2013 from €11.2m to €6.7m. The unfunded balance of €10.8m on the Tiphead Closure Account did not change. The funding of this debit balance has been the subject of discussions between the Council and the Department of the Environment, Community and Local Government (the Department) over a number of years, but no source of funding has been identified. Arrangements need to be put in place to fund this debit balance.

Response of the Chief Executive
Over the past eight years the unfunded balances have been reduced from a high of €43m in 2005. Meath County Council's commitment to reduce the unfunded balances (many of which are of a historical nature) remains on course.

3. Income Collection

3.1. The yields from the main revenue collection accounts over the last six years were as follows:

	2013	2012	2011	2010	2009	2008
	%	%	%	%	%	%
Rates	82	79	82	87	91	95
Housing Rents and Annuities	87	87	86	89	91	92
Commercial Water Charges	52	50	47	40	30	25
Housing Loans	69	77	84	87	85	96

3.2. Commercial Rates: - The collection yield for rates for 2013 improved to 82%, which resulted in a reduction in the arrears figure of €0.7m to €4.8m. An audit sample representing 29% of the total arrears balance was selected for examination. Evidence was obtained through examinations carried out during audit that the Council is monitoring the arrears cases and agreeing payment plans with rate payers. The payment plans are having mixed results with some working well, but others not adhering to them.

The write off of rates in 2013 included €1.06m as a result of the Supreme Court Judgment in relation to the valuation appeal in the case of the M1 Toll Plaza. The rates assessment was reduced by just over 20% having retrospective effect for the years 2005 to 2013.

Response of the Chief Executive

Meath County Council endeavours to maximise commercial rates collections in difficult economic circumstances. This can be shown in the collection yield of 82% which is above the national average.

3.3. Housing Rents and Annuities: - The collection yield for rents and annuities showed no change from 2012 at 87%. A sample representing 5% of the arrears at the end of 2013 was selected for examination. In all cases the Council is implementing procedures to collect the outstanding amount, and in 67% of the sample, the Council had obtained a warrant for possession.

Response of the Chief Executive

Meath County Council endeavours to maximise the collection of housing rents in difficult economic circumstances. This can be shown in the collection yield of 87% which is in line with the national average.

3.4.Commercial Water Charges: The collection yield for water charges was 52% in 2013. Any comparison with previous years is of limited value, because the accrual was for 15months to 31 December 2013.

The Water Services Act, 2013 and the Water Services (No. 2) Act, 2013 provides for the establishment of Irish Water. As water services will be the responsibility of this new utility company, the collection of these debtors will transfer. The Council has prepared and submitted the schedule of debtors as per criteria set out by Irish Water, and it is now subject to due diligence by Irish Water.

Response of the Chief Executive

Meath County Councils actual collection yield would have been 62% if the last quarter bill which was generated in late December was excluded. This shows the huge effort put in by all and a massive improvement in collection levels.

3.5.Housing Loans: - The collection yield for housing loans has been deteriorating since 2008 when it was 96% and in 2013 was down to 69%. The arrears figure at the end of 2013 of €498k included credit balances of €65k.

Response of the Chief Executive

Meath County Council uses the Department's approved MARP scheme, and has made contact with all those in arrears and engaging with all in trying to find a solution. The current economic climate has resulted in a huge drop of earnings on the sector of the population that qualified for local authority housing loans.

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4. Development Contributions

Total development contribution debtors at 31 December 2013 were €23.35m analysed as long term debtors of €6.89m and short term debtors of €16.46m in the AFS. A review at audit found, that included are over fifty accounts with credit balances amounting to €2.65m.

These accounts should be examined, the facts established as to how the credit balance arose, and the resulting necessary steps taken to clear them.

Response of the Chief Executive

The majority of these credit balances have arisen due to subsequent permissions / revisions having been granted on the parent permission. Once a full reconciliation of the files has been carried out there will be a reallocation of payments between the various planning references attaching to the same site / development. The planning department is currently working on this reconciliation.

5. Litigation

Management confirmed to me during audit, that there are a number of legal cases being actively monitored by the management team and the 'major litigation cases review team'. Potentially these cases could have significant financial implications and as such require ongoing monitoring by the Council.

Response of the Chief Executive

Meath County Council, particularly in the context of its role as a planning and environmental authority, will have at any given time many "open" legal case files. The 'major litigation cases review team' meet regularly and report to management on all open legal files involving Meath County Council. A comprehensive assessment of potential liability and costs arising out of all "open" cases has been carried out and some provision has been made in the AFS.

6. Changes in Local Government Structures 2014

The Local Government Reform Act 2014 makes legal provision for the reforms set out in the Government's Action Programme for Effective Local Government; Putting People First. Amongst the principal features that will impact here is the unified county-wide administration with the amalgamation of Trim, Navan and Kells Town Councils with Meath County Council.

7. Bank Investment Policy

There is no documented bank investment policy or guidelines in Meath County Council. A review of the year end bank investment balances showed that the €47m, as shown in the balance sheet, is invested in two banks.

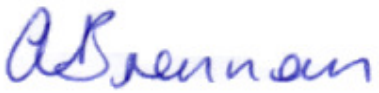
The management of the Council's bank investment portfolio should be governed by

a formalised investment policy, which should include controls, authorisation and risk assessment procedures as recommended in Value for Money Report No. 16, Treasury Management in Local Authorities. In balancing risk against return, the Council should always be more concerned to avoid risks than to maximize return.

Response of the Chief Executive

Treasury Management has been the subject of a national review within the local authority sector and in 2013 a new draft treasury policy was developed in conjunction with Meath County Council. This policy, which will be adopted by Meath County Council, seeks to address issues such as liquidity, funding, loans, investments and banking. Treasury activities are managed on a "low risk" basis and decisions such as investments are made in a risk adverse manner.

Acknowledgement
I wish to record my appreciation for the courtesy and co-operation extended to both Paul Mullen and me by the management and staff of the Council.



Local Government Auditor
23 July 2014