



**Rialtas na hÉireann**  
Government of Ireland

## **LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of Sligo County Council**

**for the**

**Year Ended 31 December 2017**

Department of Housing, Planning and Local Government

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

# CONTENTS

AUDITOR'S REPORT TO THE MEMBERS OF SLIGO COUNTY COUNCIL.....	1
1 Introduction.....	1
2 Financial Standing.....	2
2.1 Statement of Comprehensive Income .....	2
2.2 Financial Position.....	2
2.3 Review of the Council's Adherence to the Five Year Financial Plan .....	3
2.4 Budgetary Process.....	3
3 Income Collection .....	4
3.1 Summary of the Revenue Collection Yields .....	4
3.2 Bad Debt Provision .....	4
4 Transfer of Water and Sewerage Functions to Irish Water.....	5
4.1 Issues for Resolution .....	5
4.2 Balancing Statement .....	5
4.3 Development Contributions Monies Owing.....	5
4.4 Loans Payable .....	6
4.5 Agency Work Performed by the Council .....	6
4.6 Sums in Dispute.....	6
4.7 Fixed Assets .....	6
5 Bank Investments.....	7
6 Capital Account.....	7
6.1 Capital Account Issues.....	7
6.2 Loans Drawn Down in Advance to Fund Capital Projects .....	8
7 Capital Debt.....	8
8 Fixed Assets Register .....	9
9 Lissadell House and Other Legal Cases .....	10
9.1 Lissadell House .....	10
9.2 Other Legal Cases .....	11

10	Irish Public Bodies Mutual Insurance (IPMBI).....	11
11	Procurement and Public Spending Code.....	12
11.1	Public Spending Code.....	12
11.2	Procurement of Consultancy Services:.....	12
12	Representations Regarding Salary Allocations .....	14
13	Housing Estates.....	14
14	Governance.....	15
14.1	Risk Register .....	15
14.2	Local Authority Companies .....	15
14.3	Internal Audit .....	16
14.4	Fraud Register .....	16
14.5	Annual Ethics Declarations.....	16
14.6	Protected Disclosure .....	17
14.7	Data Protection .....	17
15	Adjustments to Draft 2017 Accounts as Presented to Members .....	17
16	Preparation of Accounts Deadlines .....	18
17	Acknowledgement.....	19

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

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Sligo County Council for the year ended 31 December 2017, which comprise 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, Planning and Local Government.

My main statutory responsibility, following the 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 2017 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 4 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 judgements 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

The closing surplus for the year amounted to €2.4m. The Council has achieved a surplus in each of the last three years.

Year	2017	2016	2015	2014	2013	2012
Surplus / (Deficit)	€2.4m	€2.11m	€0.66m	(€0.57m)	(€6.31m)	(€2.45m)

Contributing factors to the achievement of the above surplus included the implementation and maintenance of enhanced budget and monetary controls by the Council.

The cumulative deficit totalled €21.4m at 31 December 2017 and remains a very serious matter for the Council to address.

#### Chief Executive's Response

While the cumulative deficit remains a serious issue for the Council, the 2017 financial performance was extraordinary by any standards and credit is due to the staff and members for the manner in which the financial position has been reversed in recent years.

I confirm that the budgetary control measures initiated to facilitate a return to financial stability remain in place and that the executive will continue to seek a reduction of the cumulative deficit.

### 2.2 Financial Position

The following matters of concern affect the Council's finances:

- A cumulative deficit of €21.4m (€23.8m in 2016) on the income and expenditure account at the 31 December 2017
- Long term loans payable by the Council amounted to €101.1m (see paragraph 7).

#### Chief Executive's Response

- Please see response to paragraph 2.1
- Please see response to paragraph 7 re long term loans.

## 2.3 Review of the Council's Adherence to the Five Year Financial Plan

The Council produced a five year financial plan in conjunction with the Department of Housing, Planning and Local Government (the Department) which identified set targets. The Council achieved its targets for 2017, as set out in revised Financial Plan as notified to the Department on the 12 April 2017.

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

Following an extensive period of engagement between the Council and the Department regarding the Financial Plan as approved in December 2015, a number of issues arose that impacted on the Councils' service provision, financial performance and statutory obligations. The criteria set by the Department for the Financial Plan evolved and changed over the two year period of engagement on the Plan, culminating in a target for the reduction of the accumulated deficit within a five-year period being set by the Department at €12.32m. In subsequent discussions, the Council was informed that the target was set at that level as it represented approximately half of the accumulated deficit.

It became clear during 2016 that the target was not viable or sustainable and was severely impacting on the provision of services. In subsequent discussions, it was agreed that attainment of the €12.32m target could be pushed out to 2027. The Department advised that in this event, it would be spreading its' remaining €2m subvention over the same period but that acceleration of the subvention would be made in proportion to higher than anticipated target achievement on the part of the Council. The Department also advised that it was open to considering further submissions from the Council in respect of the Plan and in this regard, the Council expects to be making a further submission by the end of October 2018.

## 2.4 Budgetary Process

A review of Council procedures revealed improved controls pertaining to the monitoring and preparation of the budget and budgetary expenditure. Specifically, improvements are noted in the approvals process for expenditure, monitoring of actual expenditure to budgeted expenditure and preliminary capital procedures. The improved controls resulted in a surplus for the third year in succession.

It is noted however that there were issues in purchasing and tendering procedures (see paragraph 11). It is also noted that a small number of instances occurred where expenditure was not recorded on an actual basis. Management should seek to address these issues.

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

The Council is committed to the continuation of the budgetary control measures referred to.

Please see response to paragraph 11 regarding the tendering procedures.

### 3 Income Collection

Appendix 7 to the AFS shows the movements on the major revenue collections in the year. The collection yields over the last two years were as follows:

Income Source	Yield %		Debtors €m	
	2017	2016	2017	2016
Rates	77%	76%	€3.64m	€3.91m
Rents & Annuities	78%	78%	€1.48m	€1.43m
Housing Loans	61%	57%	€0.72m	€0.84m

#### 3.1 Summary of the Revenue Collection Yields

Collection yields in respect of all the revenue collection accounts either improved or remained static in 2017, although further progress is still required. A review of procedures indicates the Council introduced the following measures to assist with this process:

- Establishment of a dedicated task force for income collection in 2014 which meets monthly to review progress
- Implementation of a new debtors' management system in late 2015 to aid the collection process. This system is continuing to improve the collection process
- Constant review and monitoring of procedures at ongoing meetings in 2016 and 2017 to assist in increasing collections
- Enhancements of controls pertaining to ensuring all applicable properties are rateable in a timely manner.

#### Chief Executive's Response

Considerable progress has been made in the collection of arrears for all income streams in recent years. From the end of 2013 to the end of 2017 the commercial rates collection percentage has improved by 18%. From 2014, rents and annuities increased by 1% and housing loans by 15% while arrears reduced by approximately €327,000 and €1.2m respectively. Further gains are expected in 2018. The improvement in income collection percentages can be attributed to a numbers of factors including:

- Monthly meetings of the income task force to monitor collection of arrears
- Setting and monitoring monthly targets for income collection for each revenue collector
- Introduction of a new debt collection system
- Regular meetings with revenue collectors to review customer balances and decide courses of action for individual arrears cases
- Introduction of mortgage to rent scheme for unsustainable loans and associated application under the mortgage arrears resolution fund for the capital and arrears outstanding on these loans and recapitalisation of arrears.

#### 3.2 Bad Debt Provision

In my opinion the bad debt provision for the above collection yields is adequate. It is noted however that the Council is amongst the highest in the country for vacancy occupancy rates, and in these circumstances it is imperative that the Council maintain prudent bad debt provisions.

## **Chief Executive's Response**

The Council will continue to provide annually in its budget for write off for vacant properties within its provision for irrecoverable rates and bad debt write offs.

## **4 Transfer of Water and Sewerage Functions to Irish Water**

Irish Water (IW) has been allocated full responsibility, by statute, for all aspects of water services planning and delivery at national, regional and local level.

### **4.1 Issues for Resolution**

A number of ongoing issues were identified at audit between the Council and IW. All efforts should be made to resolve these issues and transfer applicable monies as soon as possible:

- The operational service level agreement between IW and the Council remains unsigned at year-end. This does not aid the operational activities of the Council as risk could subsequently arise regarding recouping expenditure
- There is an outstanding transfer of a capital replacement fund to IW amounting to €848k (see paragraph 4.2)
- IW owe the Council €1.406m as part of the balancing statement on the transfer of assets (see paragraph 4.2)
- The Council owe IW €685k relating to development levies collected (see paragraph 4.3)
- Loans payable pertaining to IW remain on the books of the Council (see paragraph 4.4)
- There are sums in dispute between parties amounting to €240k at year end (see paragraph 4.6)
- There are outstanding assets for transfer to IW (See paragraph 4.7).

### **4.2 Balancing Statement**

As part of a due diligence process between IW and Sligo County Council, IW agreed to pay Sligo County Council €1.855m for the transfer of debtors and balances on water and waste water capital projects. A sum amounting to €449k was paid in 2015. At the audit report date, the balance of €1.406m remains unpaid.

Agreement has also been reached on the transfer of a capital replacement fund from Sligo County Council to IW of €1.532m. €684k of this sum was transferred to IW in 2017, the balance of €848k remains outstanding to be transferred at year end. Sligo County Council has signed off on this due diligence process referred to above.

### **4.3 Development Contributions Monies Owng**

At the year-end Sligo County Council owe IW development contributions that were collected on their behalf amounting to €685k.



#### 4.4 Loans Payable

IW related loans amounting to €18m were included in the accounts of Sligo County Council at 1 January 2015. The Department funded the repayment of €14.1m of these loans. Interest and principal repayments on the remaining IW related loans at year-end 2017 of €3.9m are being serviced by the Department.

#### 4.5 Agency Work Performed by the Council

The Council acts as an agent for IW under the terms of a service level agreement. The Council received €4.6m revenue income from IW as a result of this agreement in 2017.

#### 4.6 Sums in Dispute

At the year-end there is a sum in dispute between IW and the Council amounting to €240k. This relates to re-charges pertaining to machinery charges. This sum is still in dispute at the date of the audit report.

#### 4.7 Fixed Assets

There are still significant Assets for transfer to IW. See paragraph 8.

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

Sligo County Council did not sign the 2018 annual service plan ("ASP") with IW as it was not in agreement with continued reduction in headcount numbers as requested by IW and which, in our view, impact on our ability to deliver on the targets set out in the ASP. Our decision not to sign is consistent with the stance taken by many other Local Authorities for 2018. To date in 2018 there have been no issues with regard to the recoupment of expenditure billed to IW.

Agreement on the disputed sum of €240K billed to IW at the end of 2017 has been reached and settlement of same has been committed to by IW by end October 2018.

At the end of 2015 IW owed the Council €1.855m for the transfer of debtors and balances on water and waste water capital projects. The Council in turn owes IW €1.532m for capital replacement funds due to IW under the terms of the service level agreement. In February 2017 €684,818 was transferred to IW from the Capital Replacement fund but the balance is not transferred as agreement has not been reached with the third party operator of Sligo Main Drainage on the funding for Capital Replacement contractual commitments. There is still €1.406m due to Sligo County Council from IW from the Balancing Statement. As a result of the balancing statement balances not being resolved, the collection of current development contributions for water has been withheld from IW.

A significant number of assets were transferred in 2017, 38 in total by way of 2 statutory instruments. The assets were treatment plants and reservoirs. It is confirmed that a further 18 properties are under review with referral to the Property Registration Authority ("PRA"). A significant number of these assets are properties where multiple properties are on the same folios. This requires referral to the PRA for sub-division and mapping in some cases. This is to ensure that folios are available to attach to the Chief Executive approval and those properties which are not associated with water services remain in the ownership of the Local Authority. This problem is one that all Local Authorities are encountering in their efforts to bring forward assets for transfer to IW.

Delays at the PRA and queries from their office have delayed the preparation of CE approval orders but it is expected to have a significant list for submission in the present year.

Sligo County Council is regarded as one of the most proactive Local Authorities in the matter of transferring assets to IW.

## **5 Bank Investments**

Bank investments are recorded in the accounts at €2.325m. This sum is overstated by €684k (see paragraph 4.2), and the corresponding debtor owing from IW is understated by €684k. This error has no revenue impact on the AFS.

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

This relates to the amount of €684,818 transferred to IW from the capital replacement fund in Feb 2017 as per note 4 above not being moved from bank investments in error but has no financial impact.

## **6 Capital Account**

### **6.1 Capital Account Issues**

The Council identified and included in the accounts unfunded balances totalling approximately €4m at 31 December 2017. A review of capital balances identified that significant work has been conducted by the Council in reviewing these balances in 2017. A small number of issues were noted in the management of the capital account including the fact that a small number of outstanding reconciliations are to be completed on capital accounts at the year end.

The Council should identify an appropriate funding source for the above unfunded balances where appropriate.

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

The Council will follow up on the small number of outstanding reconciliations referred to above.

## 6.2 Loans Drawn Down in Advance to Fund Capital Projects

Sligo County Council received loans amounting to €750k in 2010 for the provision of burial grounds. At the date of this audit report eight years later, only €327k of this money has been spent.

### Chief Executive's Response

A loan of €750K was drawn down in 2010 in anticipation of a programme of burial ground additions and enhancement works that has not progressed as quickly as expected. A number of schemes are being pursued at present. Total expended to end of 2017 is €327k.

An extension to Sligo Cemetery will be delivered on a phased basis and Phase I will commence in quarter four 2018 with a projected costing estimated to be in the region of €150k.

## 7 Capital Debt

Capital debt amounted to €101.1m at the 31 December 2017. This is further analysed as follows:

Capital Debt	Amount (€)
Mortgage and voluntary housing related borrowings	€26.4m
Loans fully recoupable pertaining to IW	€3.9m
Loans funded through the land aggregation scheme	€7.4m
Land acquisition loans	€30.1m
Loans to fund revenue and capital balances	€33.3m
<b>Total</b>	<b>€101.1m</b>

The following funding arrangements exist in relation to the above loans:

- Repayments of mortgage and voluntary housing related borrowings are matched by corresponding income. A mortgage loan funding surplus position exists, in that loans receivable pertaining to mortgage and voluntary housing related borrowings, are €636k greater than loans payable at the 31 December 2017
- Interest and principal repayments on the remaining IW related loans at year-end 2017 of €3.9m are being serviced by the Department
- Loans funded from the land aggregation scheme amounting to €7.4m are fully recoupable from the Department
- Land acquisition loans of €30.1m are serviced in accordance with negotiations between the Department, the Housing Finance Agency and the County and City Management Association ("CCMA") on an interest only basis since December 2014

- Of the €33.3m loans to fund revenue and unfunded capital balances, €26.8m are currently interest only on a phased basis until 2018. Management estimate projected additional principal and interest costs on these loans in 2018 will be approximately €500k. This will have an impact on the preparation of future budgets.

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

A complete long term debt analysis has been included in the Financial Plan and provides for the repayment of principal and interest on loans from 2018.

The Mortgage and Voluntary Housing related borrowings of €26.4m are fully serviced with the repayment of principal and interest from housing loan customers.

Of the €18m IW loans included in the long term debt analysis in the Financial Plan, €12.8m due to the Housing Finance Agency ("HFA") for water infrastructure loans has been repaid in full to the HFA upon receipt of this money from the Department in July 2015. The balance of the water loans of €3.9m are due to other lending authorities and have not yet been transferred to IW. In the interim the cost of servicing these loans is recouped in full from the Department pending a decision at national level as to how these loans are to be dealt with.

Development Land Loans of €7.4m are being addressed through the Land Aggregation scheme process.

Land Development Loans of €30.1m are being serviced in accordance with the outcome of recent negotiations at national level between the Department, HFA and CCMA on an interest only basis since Dec. 2014 and portions of these lands will be cleared as Housing Projects are developed on these lands in 2018 and 2019.

The balance of long term loans of €33.3m consists of loans to fund revenue and loans to fund capital projects including parks, buildings & burial grounds.

## **8 Fixed Assets Register**

A review of the Council's registers of lands and buildings indicates that it has not been properly maintained. Whereas significant work has been conducted on the area over the last number of years, it is noted that significant assets remain to be transferred to IW.

A review of 157 assets relating to water infrastructure, which the Council have yet to transfer to IW at the date of this audit report, indicates outstanding issues pertaining to these assets. Specifically, it identifies that 17 of these assets or 11% are either incorrectly registered to a third party other than Sligo County Council or were never registered in the name of the Council.

The Council needs to address the issues as identified in this area. Specifically it should:

- Review its historic assets, as issues highlighted above identify assets that were either unregistered or registered to an incorrect party. The Council must ensure that it has recorded appropriate title to all its assets
- Identify all way-leaves or permissions pertaining to these assets, and record and register all its assets with the Property Interest Register
- Complete the process of transferring title to IW for assets removed from the books of the Council totaling €300m
- Ensure that all assets are reconciled to the insurance register, to ensure all assets are appropriately insured at the year end
- The Local Government Audit Service's VFM Report No. 30 "Corporate Estate Management and Maintenance in Local Authorities" stated that the Council should develop a Property Asset Management Plan to ensure the effective management of the Council's property and building assets. A follow-up progress report identified that Sligo County Council did not have such a plan in place in 2017, but would commence preparing such a plan, resources permitting.

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

The matter of transfer of assets to IW has been dealt with at 4.7 above.

The assets are checked for Insurance Cover on an annual basis but a more formal reconciliation will be implemented for 2019.

The 35% reduction in staff of recent years has limited the Council's ability to put in place a comprehensive asset register. Notwithstanding the staff reduction, a good deal of work has been undertaken and that work will continue as resources allow. In addition, the submission to be made to the Department in October 2018 regarding the Financial Plan (see 2.4 above) will include a request for approval for the establishment of a Property Management Unit to address these and other asset management issues.

## **9 Lissadell House and Other Legal Cases**

### **9.1 Lissadell House**

Sligo County Council was involved in a legal case with the owners of Lissadell House concerning public rights of way over their property. In a judgement delivered on the 11 November 2013, the Supreme Court ruled in favour of the owners of Lissadell. An order as to legal costs was determined on 2 April 2014. The effect of this order is that Sligo County Council is responsible for all of its own legal costs and 75% of the costs of the other party.

Legal costs on this case incurred by the Council up to 31 December 2017, amounting to €2m have been charged to the revenue account. The Council have informed me that they do not expect any additional costs pertaining to their defence of this court case at the date of this audit report.

Agreement in relation to costs incurred by the other party has not yet been finalised. These costs have been calculated by the Plaintiff and submitted to the Council and amount to €3.682m. The Council have engaged legal cost accountants to examine this amount and this process is ongoing. The Council propose to fund this bill from a distribution receivable from Irish Public Bodies Mutual Insurance (IPBMI). This is further explained in Note 10 of the Audit Report. The Council have further explained this matter in note 23 to the AFS.

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

The Lissadell case is a matter of public record with the issue of the Council's liability being 75% of the Plaintiff's costs. The costs are expected to be finally determined by the end of 2018 or the start of 2019.

## **9.2 Other Legal Cases**

A review of correspondence received from the Council's solicitor identified a number of other legal cases where provision has not been included in the accounts pertaining to outstanding court cases. The Council's solicitor has set out estimates of where he considers significant liability is likely to arise for Sligo County Council at the end of 2017. He has also stated in relation to some of these cases that the Council's insurance will only cover a small percentage of potential liabilities.

Council management have represented to me that they have not provided for these cases because they expect to seek recourse from either the external agency that provided the projects related to these legal cases, or seek recourse from IPBMI, where applicable. The Council should review these liabilities in advance of next year's audit, and ensure all outstanding court cases are accounted for in accordance with the ACOP and consider if it is prudent to provide some provision in the AFS for these matters.

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

The legal cases are kept under review on an ongoing basis.

## **10 Irish Public Bodies Mutual Insurance (IPBMI)**

IPBMI have informed Sligo County Council in writing that they will receive a distribution of €4.1m. €1.96m was notified to the Council in 2017 and received in January 2018, and the remainder will be receivable in four equal instalments from 2019 to 2022.

A review of the Council's premiums with IPBMI from 2010 to 2017 indicates that additional retrospective premiums will be due of at least €600k. This will result in an additional cost to the Council of at least €450k, as €150k has already been provided for in the AFS to cover these additional claims. Therefore, the net benefit of the capital distribution will be at most €3.65m. The Council have informed me that this money to the extent required, will be used to fund Lissadell House costs. The Council expect costs associated with Lissadell House to be reduced as a result of a process being engaged in by the legal cost accountants.

The Council offset the €1.96m notified in 2017, against potential future Lissadell House costs in the 2017 AFS

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

There was an increased premium as a result of moving to ground up cover on the Public Liability programme with effect from 1 January 2017(€119K), and clearing all retrospective balances up to and including 2014 on the Public Liability programme (€274K). While there remains two years of potential retrospective costs on the Public Liability insurance to be dealt with covering 2015 and 2016, the transition to ground up cover introduces a greater amount of certainty in respect of the Council's Public Liability insurance cover.

## **11 Procurement and Public Spending Code**

### **11.1 Public Spending Code**

Sligo County Council is required to publish an annual report setting out how it complies with the above code. The stated objective of the code is to ensure the State achieves best value for the resources at its disposal. In its report pertaining to 2017, Sligo County Council found no serious areas of non-compliance, but did identify some areas where compliance with the Code could be strengthened and improved.

### **11.2 Procurement of Consultancy Services:**

A review of tendering procedures in Sligo County Council highlighted the following issues:

- The Council has engaged a firm for a number of years pertaining to software licensing in the area of financial management within the Council. Payments totalling €122k have been made since 2005. This service was not tendered for
- The Council engaged a company to conduct a review of financial processes within the Council for an amount of €21k. The procurement of this service was not in accordance with its procurement procedures manual
- The Council engaged a company to carry out an environmental review in 2017. The Council awarded this contract on the basis of a tendering competition that was run in 2008. The total amount paid to the company in 2017 in relation to this review was €100k. The Council should consider if it represents value for money to rely on a tendering competition pertaining to 2008 in this case.

## **Chief Executive's Response**

The Local Government sector, in utilising the Agresso Financial system has, over an extended period, used additional software packages to compliment the data analytics within the system. Similar to practically all the other Local Authorities, the Council has utilised a specific, dedicated software package, which requires an annual license fee payment to its' owners for its use. The license fee in respect of 2017 was €10,036.80. Given the dedicated nature of the software, it is not practicable to tender for its procurement. Sligo County Council is operating in a manner consistent with all other Local Authorities in this matter.

The financial review process conducted in 2016 with Grant Thornton of the budgeting process operated by Sligo County Council. The purpose of the review was to identify opportunities for improvement by analysing the substance and visibility of the underlying drivers of the budget and reducing the effort required in implementing and tracking the budget on an annual basis. This was a follow up to recommendations from the earlier review by Grant Thornton in 2015.

With regard to the environmental review, I am satisfied that in retaining the services of the 2008 appointed Consultants on the risk assessment project for the former landfill at Finisklin, that it was appropriate that we continue to utilise their services in order to complete the project, and that in doing so we were in compliance with the procurement regulations. Sections 72(1) (b) (i) & (ii) and 72(1) (c) (i) of the regulations would appear to be applicable in this case.

The original request for tender was issued in October 2008 and included an outline of what was required of the successful applicant. This included that the consultant appointed should ensure that Sligo County Council was fully compliant with the Code of Practice applicable to this work. The Project for which the successful tenderer was appointed was not completed, as per the Code of Practice. The end of this project should have resulted in Sligo County Council applying for and receiving a certificate of authorisation from the Environmental Protection Agency ("EPA"). However when we submitted our application to the EPA, we were informed that they were unable to process it at that time (April 2011).

Six years later in 2017 we received correspondence from the EPA in relation to this application. They were asking us to carrying out additional monitoring of surface waters, as well as to carry out further ground water and gas monitoring as the data in the application at the date of correspondence was in excess of five years old. It could not have been foreseen by Sligo County Council at the time the application was made that it would take in excess of 5 years for the EPA to process the application. The work carried out to that date had brought us to the generic quantitative risk assessment phase as per the Code of Practice but the EPA was requiring us to carry out a detailed quantitative risk assessment for the site. In order for us to become fully compliant with the Code of Practice further specified works had to be carried out and these were all included in the original request for tender from 2008.



## **12 Representations Regarding Salary Allocations**

I relied on representations received from management that all salaries charged against capital jobs are in accordance with Departmental guidelines.

## **13 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 in bringing these estates up to the required standards under the conditions of the respective granted planning permissions.

Management have represented that the Council have in excess of 70 files pertaining to the taking in charge of estates that require additional work to be carried out. Some of these files relate to formal requests from developers or residents for the Council to take them in charge. The Council have represented that whereas the majority of these will require some work to be carried out on them; a large number would not be designated as unfinished housing estates.

The additional work to be carried out on the above estates, along with their management, could represent a significant financial cost to the Council.

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

As with all Councils, Sligo is potentially exposed to a number of significant financial costs over which it has no control. These include payment of coroner's fees, response to severe weather incidents and taking in charge of estates.

With regard to Section 180 of the Planning and Development Act 2000, a legal obligation is imposed on planning authorities to take in charge residential developments, finished or unfinished, where certain conditions have been met. Sligo County Council seeks to ensure that residential developments are completed to a satisfactory standard through securing adequate bonds, inspection of construction and enforcement action when necessary. Where a development is not completed to a satisfactory standard, the planning authority will draw down the security/bond in order to complete the development. Generally, the amount of the bond drawn down is sufficient to carry out the necessary outstanding remedial works to complete the development.

## 14 Governance

Corporate governance comprises the systems 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 controls are in place.

### 14.1 Risk Register

The Council have undertaken a risk identification process facilitated by Irish Public Bodies (IPB). The Council updated its risk register in May 2016, and further updated its register in August 2018.

The management team has approved this revised risk register.

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

The Risk Register will be reviewed by the Management Team on an ongoing basis.

### 14.2 Local Authority Companies

The Council has recorded its interest in eight companies in Appendix 8 of its AFS.

An internal audit report conducted in 2018 highlighted that the Council may not have included in Appendix 8 all the relevant interests in companies in accordance with the current Accounting Code of Practice. Management should review this before completion of 2018 accounts.

The Council should make all efforts to ensure timely audited financial statements are prepared by these companies.

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

The up to date list of companies the Council has an interest in will be included in the 2018 AFS following the Internal Audit findings.

I am in agreement with the Auditor in this matter. The process commenced in 2018 whereby each Council representative on the Board of such company has been requested to ensure timely preparation of audited financial statements. It is noted however that each company has a responsibility to comply with its corporate governance obligations and each has its own Memorandum and Articles of Association.

### 14.3 Internal Audit

Internal audit is an independent appraisal function within an organisation, which operates as a service to management by reviewing and evaluating the effectiveness of the internal control system. A review of the workings of internal audit identified the following issues:

- A part-time internal auditor was appointed from March 2016 to January 2017
- From January 2017 to August 2017 there was no internal audit function in place; however a review of information presented to me by Council did indicate that this delay can be partly explained by time taken to recruit a suitable replacement for this post.

A properly resourced internal audit function is essential to ensure the Audit Committee is supported.

It is noted that since September 2017 to the date of this audit report, a full-time internal auditor has been in place.

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

A full time Internal Auditor was appointed in June 2017. Although this role was vacant from March 2016 the Audit Committee continued to meet. I also confirm the Council's continued commitment to the maintenance of the Internal Audit role.

### 14.4 Fraud Register

The latest fraud policy "Fraud Prevention and Contingency Plan" in place in Sligo County Council has not been updated since 2007. The Council should review this policy and update as a matter of urgency.

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

Sligo County Councils Fraud Policy is being updated as part of the 2018 work programme of the Internal Auditor.

### 14.5 Annual Ethics Declarations

Section 171 of the Local Government Act, 2001 requires those to whom Section 167 (1) of the Act applies typically council members and senior staff to submit an annual declaration to the nominated Ethics Registrar. Statutory Instrument No 582/2002 set the last day of February as the return date for these forms.

The responsibility for completion of the ethics return rests with the Councillor or staff member for whom the Council deemed the legislation applicable. It was noted that a small number of staff submitted their form after the prescribed date.

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

Arrangements for the submission of the declaration forms will be reviewed.

## **14.6 Protected Disclosure**

In September 2017, Sligo County Council introduced into operation a policy document in relation to protected disclosures titled '*Protected Disclosures Policy and Procedures September 2017*'. There was an interim policy in place from December 2014 until September 2017.

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

The Policy is in place and operational.

## **14.7 Data Protection**

The EU General Data Protection Regulation (GDPR) provides a single, harmonised data privacy law for the European Union and was directly applicable from 25 May 2018. Public bodies, whose activities have a commercial comparative in the private sector, are subject to fines in the event of an infringement. As such, County Councils are subject to fines.

The Council have appointed a full time Data Protection Officer in Sligo County Council from July 2018. Whereas work has been conducted in this area, the Data Protection Officer has identified a significant body of work in this area still to be completed.

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

A Data Protection Officer has been appointed and progress is being made on this significant body of work.

## **15 Adjustments to Draft 2017 Accounts as Presented to Members**

As a result of the audit, the Council made the following amendments to the draft 2017 accounts.

- A revised Appendix 8 to include up-to-date information pertaining to associate or subsidiary companies of the Local Authority
- Inclusion of Note 23 in the accounts pertaining to Lissadell House

The following errors were noted but were not amended by management:

- Total development contributions debtors were estimated in the 2017 AFS. The actual figure for total development contribution debtors should have been €1.244m, which is €150k less than sum included in AFS
- Short term development contribution debtors were also estimated in the 2017 AFS. The actual figure for short term development contribution debtors should have been €110k, which is €109k less than sums included in AFS
- Bank Investments were overstated in the AFS by €684k and IW debtors understated by a corresponding amount.

The Council should also review its legal provisions as set out in paragraph 9.2.

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

The audited accounts have updated the relevant data in appendix eight in relation to the balances for associated Companies and included a note in relation to the contingent liability for Lissadell Costs.

The analysis between long term and short term development contribution Debtors was not available for the AFS presented to the Council in April 2018 but is available now and has been presented to the Auditor. The AFS have not been amended on the agreement of the auditor but will be presented correctly for the 2018 AFS.

## **16 Preparation of Accounts Deadlines**

It was noted that the draft AFS for 2017 was finalised for 2017 on 28 March 2018. This is in accordance with the Department's Accounting Code of Practice which requires the AFS to be prepared by the 1 April of the following year.

## 17 Acknowledgement

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

*Raymond Lavin*

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**Raymond Lavin**  
**Principal Local Government Auditor**

15 October 2018

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