



LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Westmeath County Council

for the

Year Ended 31 December 2015



An Roinn Tithíochta, Pleanála, Pobail agus Rialtais Áitiúil
Department of Housing, Planning, Community and Local Government

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AUDITOR'S REPORT TO THE MEMBERS OF WESTMEATH COUNTY COUNCIL

1 Introduction

- 1.1** I have audited the Annual Financial Statement (AFS) of Westmeath County Council for the year ended 31 December 2015, 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, Community 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 2015 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 8 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.

- 1.2** 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 (Income and Expenditure Account)

The Council recorded a surplus for the year of €221k after transfers to reserves of €4.1m and has an accumulated revenue surplus of €249k at 31 December 2015. Note 16 to the AFS outlines the differences between the adopted estimates and the actual outturn. The over expenditure for the year was approved by the members at their meeting on 21 March 2016.

Chief Executive's Response

Having eliminated the accumulated revenue deficit in 2014 we are pleased to have recorded a surplus for 2015. We recognise the importance of maintaining this position.

2.2 Loans Payable

The Council has loans payable of €83.1m at 31 December 2015 (2014: €109.6m) relating to the following:

Council Buildings	€37.4m
Land Acquisition	€3.0 m
Mortgage Lending	€24.9m
Affordable Housing	€11.5m
Other	€6.3m

The annual financial cost of servicing this borrowing in 2015 was €4.3m, which included revenue funded payments of €1.9m on council buildings and land acquisition.

Chief Executive's Response

We note the points made and comment as follows:

Council buildings - Current annual loan repayments of €1.9m on council buildings are a significant cost. The loans were used to part fund our headquarters in Mullingar, the Civic Centre in Athlone and offices in Cullionbeg, Mullingar which are rented to Transport Infrastructure Ireland generating rental income of circa €105,000 p.a.. It is our intention to dispose of surplus property at the appropriate time, the proceeds of which will be used to pay down this debt. In the meantime rent of this surplus property is generating income of €150,000 p.a.

Land Acquisition – This is in respect of housing land purchases and is being funded through the Income and Expenditure Account as a result of the withdrawal of funding through the Land Aggregation Scheme which was operated by the Department of Housing, Planning, Community and Local Government.

Mortgage Lending - These loans are backed by loans receivable from borrowers. The value of the portfolio has been reduced by 33% since 1 January 2010 notwithstanding the advancement of new loans to the value of circa €3m in the same period. These new loans are performing satisfactorily. We are continuing to make progress in the reduction of this portfolio in 2016.

Affordable Housing - These borrowings are in respect of 52 unsold affordable houses in various locations throughout the county. All of these houses are occupied and the interest on the borrowings is being funded through the Government's leasing scheme.

Other – This balance comprises (1) the Council's portion of shared ownership loans which is secured as a charge on the related properties and (2) loans to fund investment in local authority run sports and tourism projects repayments of which are being made in accordance with the respective loan terms.

3 Income Collection

3.1 General

The collection yields and arrears on the main income sources were as follows:

	2015 Yield %	2015 Arrears €000	2014 Yield %	2014 Arrears €000
Rates	79	3,911	75	4,406
Housing Rents and Annuities	95	306	94	384
Housing Loans	73	616	62	1,069

3.2 Rates

The methodology for calculating rates yields was amended in 2015 after allowing specific doubtful arrears to be excluded from the total for collection figure. The specific doubtful arrears which are excluded are set out in Appendix 7 of the AFS. The 2014 figure recorded above is restated for comparison purposes. The collection yield increased by 4% due to an increase in collections of €1m. The arrears decreased to €3.9m and there is a bad debt provision of €2.6m that is reasonable.

Chief Executive's Response

We are pleased with the progress made in 2015 on both the improvement in collection yield and reduction in arrears. We are on course to achieve our target collection percentage of 81% for 2016.

3.3 Housing Rents and Annuities

The collection yield for rents and annuities increased to 95%. The arrears decreased to €306k and there is a bad debt provision of €284k that is reasonable.

Chief Executive's Response

We will continue to work to improve both the collection percentage and to reduce arrears. The level of arrears reduced by 43% in the three years to 31 December 2015 while the rent roll increased by 7% in the same period.

3.4 Housing Loans

The collection yield has increased significantly over the last three years to 73% in 2015. This increase arose from the removal of revenue arrears on loans under voluntary repossessions and mortgage to rent schemes and also account holders paying in excess of their payment plan to reduce their overall revenue arrears.

The Council are currently trying to restructure the loans on 75 account holders who were in reduced payment plans and constitute the majority of the revenue arrears. It is important for the finances of the Council that arrangements are implemented to put these account holders in long term sustainable mortgages or processed under the mortgage to rent scheme.

Chief Executive's Response

This area continues to receive significant attention from the management and staff of the Council. We will again improve our collection percentage in 2016.

We recognise the importance for the finances of the Council that arrangements are implemented to put all account holders in arrears on long term sustainable mortgages; be processed under the mortgage to rent scheme; or, where appropriate, be the subject of court action to repossess the property.

4 Transfer of Water and Sewerage Functions to Irish Water

From 1 January 2014, 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. The Council acts as an agent for IW under the terms of a service level agreement.

4.1 Fixed Assets

In 2014 all of the Council's water and waste water assets were removed from the Council's AFS. The legal transfer of 33 properties has taken place to date while a further 10 are in the process of transfer. The legal transfer of ownership of the remaining 65 assets will take some time due to ongoing title issues and will be reviewed at next year's audit.

4.2 Balancing Statement

As part of a due diligence process between IW and Westmeath County Council, the Council agreed to pay IW €436k for the transfer of debtors and development levies and balances on water and waste water capital projects. This amount was paid in 2015.

4.3 Service Level Agreement

The Council acts as an agent for IW under the terms of a service level agreement. The Council received €4.5m from IW under this agreement in 2015.

4.4 Water Related Loans

The Council had water related loans with the HFA amounting to €22.2m at the start of 2015. These loans have been repaid to the HFA in July 2015 with funding received from the Department of Housing, Planning, Community and Local Government (the Department).

Chief Executive's Response

We will continue to work with Irish Water to deliver water services on an agency basis under the terms of the service level agreement. We agree that the legal transfer of ownership of the remaining assets will take time.

5 Bridging Finance - Affordable Housing

The Council received funding of €1.1m from the Department during 2015 to redeem bridging loans for 6 unsold affordable houses. Bridging loans remain outstanding of €11.5m, on an interest only basis, in respect of 52 housing units originally acquired for resale under the affordable housing program. These units are allocated to a voluntary housing body under the Social Leasing Scheme to address current housing needs.

Chief Executive's Response

All of these houses are occupied and the interest on the borrowings is being funded through the Government's leasing scheme which by its nature is an interim measure introduced to address a sector-wide problem. A long term solution which facilitates the repayment of these borrowings will require an appropriate initiative from central Government.

6 Capital Account

The Council has €9.6m in unfunded housing capital balances. These balances mainly relate to the purchase and servicing of sites for future housing developments.

Chief Executive's Response

Our annual budget includes a provision of €50,000 to fund these balances. While this is not significant in terms of the quantum it was an important precedent when introduced in 2014 and has continued each year since. Furthermore a large element of these balances represents assets with a potential value. The release of this value will be used to fund in whole or part the respective deficit.

7 Fixed Asset Register

The fixed asset register (FAR) does not record whether the Council has possession of the title documents on Council land. There are 262 parcels of land recorded in the FAR at 31 December 2015. The Council need to conduct an exercise to ensure that they hold the necessary title documents.

Chief Executive's Response

We will incorporate this work objective into the Finance Directorate Team Plan for 2017.

8 Corporate Governance

8.1 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 sound systems of financial management and control are in place.

8.2 Audit Committee and the Internal Audit Function

In February 2016 the Council members approved the audit committee 2016 annual work programme and the audit committee charter. The audit committee chairperson also presented to the Council the Audit Committee Report pursuant to Section 121 of the Local Government Act 2001 and the Audit Committee 2015 Annual Report.

The internal auditor reports directly to the Chief Executive in respect of his work. The unit produced three audit reports, one follow-up report and carried out cash counts during 2015. In carrying out my audit I have taken account of the work undertaken by the internal audit unit.

Chief Executive's Response

We believe that the audit committee and internal audit function is operating effectively. We will continue to commit resources to support the work of the audit committee and the internal audit function.

8.3 Local Authority Companies

The Council's interest in three companies is set out in appendix 8 in the AFS. Both the Athlone Regional Sports Centre Limited and Athlone Arts & Tourism Limited are limited by shares and the net assets of both these companies are included in the Statement of Financial Position (Balance Sheet) in the AFS. Mullingar Integrated Arts Centre Limited is a company limited by guarantee and the net assets of the company are excluded from the Statement of Financial Position (Balance Sheet) in the AFS.

Chief Executive's Response

We have accounted for the Council's interest in the three companies as at 31 December 2015 in accordance with the current Code of Practice and Accounting Regulations for Local Authorities.

9 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.



Daragh Mc Mahon
Local Government Auditor
26 October 2016