National Oversight and Audit Commission

Financial Performance of Local Authorities 2013-2015: Deficits, Audit Opinion and Financial Statements

NOAC Report No. 8 – April 2016

NOAC (the National Oversight and Audit Commission) was established in July 2014 under the Local Government Reform Act to provide independent oversight of the local government sector. The statutory functions assigned to NOAC include the scrutiny of performance in respect of the financial resources available to local authorities. The information contained in this NOAC report has been provided by the local authorities concerned or obtained from reports produced by the Local Government Audit Service (LGAS) and figures from sources other than the LGAS have not been the subject of an independent validation process.

Financial Performance of Local Authorities 2013 - 2015

As part of its function to scrutinise the financial performance of local government bodies, NOAC decided in 2014 that it should undertake a review of those local authorities that had significant cumulative revenue deficits at end 2013 or were the subject of a qualified audit opinion by the Local Government Audit Service Auditor that year. It also examined the timeliness of production of the Annual Financial Statements by local authorities over the last 3 years. A separate report – *Local Authority Rates Collection 2013 - 2014* – deals with a review of rates collection performance by local authorities which has also been undertaken by NOAC.

Based on their audited financial statements for the year ended 31 December 2013, 12 local authorities had cumulative surpluses at the end of that year while 19 had cumulative deficits. The outturn for all local authorities is set out in Table 1 on page 2 and indicates the overall position at end 2013 to be a national deficit of €9.9m. [Note: While NOAC's review of revenue balances was based on the 2013 data in Table 1, the equivalent 2014 figures are at Appendix A and show an improvement in the position nationally to an overall surplus for the sector in 2014 of €3.15m.]

NOAC decided to seek further information from those local authorities showing a cumulative revenue deficit at end 2013 greater than 9% of their revenue. Three local authorities were in this category:

- *Offaly County C*ouncil with a cumulative deficit at end 2013 of nearly €5m representing 9.3% of its revenue,
- *Donegal County Council* with a cumulative deficit at end 2013 of nearly €17.8m representing 13.6% of its revenue, and
- *Sligo County Council* with a cumulative deficit at end 2013 of €21.7m representing 39.9% of its revenue.

The accounts of one local authority, Louth County Council, received a modified audit opinion in 2013. Information was sought from Louth County Council on the measures taken to address the concerns outlined in the audit report issued by the Local Government Auditor on its 2013 accounts.

This report also contains information on the extent of compliance by local authorities with dates set for presentation of their Annual Financial Statements for audit.

Rates collection performance of local authorities, which is the subject of the separate report referred to above, contributes to the overall performance of authorities dealt with in this report and, accordingly, the 2 reports should be read in conjunction with each other.

Significant Revenue Deficit Balance

Table 1
Cumulative General Revenue Balance and Income: 2013

Local Authority	General Revenue Balance at 31/12/2013	2013 Income	Balance as % of Income
Carlow County Council	(22,516)	42,739,506	(0.05%)
Cavan County Council	1,662,690	61,713,570	2.69%
Clare County Council	(1,076,611)	104,306,184	(1.03%)
Cork City Council	734,369	162,431,366	0.45%
Cork County Council	11,017,477	295,245,370	3.73%
Donegal County Council	(17,796,835)	130,607,220	(13.63%)
Dublin City Council	16,576,645	807,843,703	2.05%
Dún Laoghaire-Rathdown County Council	9,648,544	178,829,890	5.4%
Fingal County Council	15,947,276	218,944,378	7.28%
Galway City Council	192,170	81,383,893	0.24%
Galway County Council	(1,898,994)	123,533,556	(1.54%)
Kerry County Council	3,035,261	114,986,777	2.64%
Kildare County Council	(2,493,285)	150,255,260	(1.66%)
Kilkenny County Council	(140,093)	68,878,149	(0.2%)
Laois County Council	(493,025)	57,830,422	(0.85%)
Leitrim County Council	(1,579,451)	38,827,392	(4.07%)
Limerick City & Limerick County Councils	573,823	189,478,912	0.3%
Longford County Council	(196,029)	39,378,505	(0.5%)
Louth County Council	(154,872)	63,521,480	(0.24%)
Mayo County Council	(5,781,646)	124,978,675	(4.63%)
Meath County Council	(3,850,905)	102,727,121	(3.75%)
Monaghan County Council	(1,656,011)	59,951,788	(2.76%)
Offaly County Council	(4,963,337)	53,488,075	(9.28%)
Roscommon County Council	149,312	61,777,620	0.24%
Sligo County Council	(21,716,204)	54,384,172	(39.93%)
South Dublin County Council	10,729,454	229,038,139	4.68%
Tipperary North & South County Councils	3,338,886	131,136,640	2.55%
Waterford City & Waterford Co. Councils	(8,479,891)	119,707,914	(7.08%)
Westmeath County Council	(1,790,272)	62,515,248	(2.86%)
Wexford County Council	(6,867,900)	95,549,818	(7.19%)
Wicklow County Council	(2,521,895)	93,865,420	(2.69%)
Totals	**(9,873,865)**	**4,119,856,163**	**(0.24%)**

Information Sought by NOAC

In August 2015, NOAC wrote to the Chief Executives of the local authorities with deficits greater than 9% of their revenue seeking their views on the impact of the respective deficits on the financial sustainability of the authorities concerned. Information was also requested on the measures that were being employed or were planned by the 3 authorities to reduce or eliminate the deficits and the associated timeframes involved.

Deficits of Local Authorities

Offaly County Council

*Offaly County C*ouncil had a cumulative deficit at end 2013 of nearly €5m representing 9.3% of the revenue in that year.

The Council provided background information on the development in the accumulated deficit over a period of 6 years from €0.33m at end 2007 to €4.96m at end 2013. The key factors identified were:

- exceptional vacancy of property and uncollectable rates of €1.74m,
- one-off costs of €0.74m associated with the closure of 3 fire stations,
- exceptional retirement gratuity payments amounting to €1.8m to staff availing of incentivised early retirement,
- €0.3m attributable to a reduction in planning fee income, and
- loss of net income from a landfill closed in 2011.

The Council informed NOAC that it took a decision in 2013 to amortise the accumulated deficit over a period of about 10 years. Subsequently, NOAC asked the Council to outline the analysis that led it to consider 10 years to be an appropriate timeframe to eliminate the deficit and not involve excessive funding costs or exposure to undue financial risks.

The Chief Executive responded that amortisation of the deficit over a period of about 7.5 years by budgeting for a surplus of income over expenditure of €660,000 annually had been recommended by the Management Team in 2012. The elected members decided that this would have too harsh an impact on local services and set the target reduction at €550,000 per annum. The context for the decision was a 21.4% reduction in the Local Government Fund allocation to the Council between 2008 and 2013 and a reduction in staff numbers over that period of 27%.

The Council also decided in 2012 to continue to fund the deficit through overdraft finance at a then rate of 2.72% on the basis that interest savings could be made taking account of the timing of income and cash flows. The effect of these cash flows would mean that the overdraft would not always be at the full extent of the deficit.

The Chief Executive advised that the Council's expenditure/income vis à vis its budget is reported on to the members and to the Department of the Environment, Community and Local Government (the Department) every 3 months and stated that the Department had expressed satisfaction at its 2015 annual review meeting with the Council with the approach adopted and progress in reducing the deficit.

Subsequent Performance

While the surplus achieved in 2013 was 11% short of the targeted €550,000, the 2014 surplus achieved was €558,335. The inclusion of the relevant outturns and balances relating to the dissolved Birr and Tullamore Town Councils in the 2014 Annual Financial Statement (AFS) added a further €329,988 to the opening deficit. Based on the Council's unaudited accounts for 2015, a surplus of €586,237 was achieved in that year and the cumulative revenue deficit had been reduced to €4.1m by the end of 2015, representing 7.2% of that year's revenue. The target surplus budgeted for 2016 remains €550,000. The LGAS Auditor's Report on the 2014 accounts commended Offaly County Council on the surplus generated in 2014 which had reduced the accumulated deficit and stated that it was essential that the elimination of the significant deficit continue as planned.

Donegal County Council

Donegal County Council had a cumulative deficit at end 2013 of nearly €17.8m representing 13.6% of the revenue in that year.

The extent of the cumulative deficit at end 2013 was attributed by the Chief Executive to the following factors:

- demand arising for services,
- the revenue required to fund services,
- capital expenditure incurred and co-funding implications of that,
- the impact of local economic challenges on income, and
- retirement gratuities of €9.75m in the period 2008 to 2012.

In addition, the Chief Executive drew attention to reductions in income from the Local Government Fund (€27.91m over 2008-2012), planning income reduction (€7.94m over 2006-2012) and a reduction of payroll recovery from capital of €15m over 2008-2012.

The Council supplied figures relating to its deficit and specific revenue reserves going back to 2001 when the accumulated deficit was already greater than €9.9m. It had increased by 24% the following year and by a further 32% in 2003 to a cumulative €16.3m. Thereafter, the accumulated deficit reduced gradually each year up to end 2011 when it stood at €12.3m. In 2012 it increased by 39% while the increase the following year was 4%, bringing the deficit to €17.8m at end 2013.

Measures endorsed by the elected members in autumn 2010 for progressive utilisation by Donegal County Council included:

- arranging a loan to replace overdraft financing of unfunded capital debt estimated at the time to be €48.6m,
- examination and re-organisation of services to achieve the maximum sustainable levels of efficiency and reduction in expenditure having regard to a number of factors,
- maximisation of income collection in areas such as the Non-Principal Private Residence (NPPR) charge,

- targeting of external funding opportunities in areas such as INTERREG and PEACE and earliest possible recoupment of external funds,
- reduction in staff numbers by 33% from 1,240 at end 2006 to 832 at end 2014,
- pursuit of procurement efficiencies and participation in national shared service initiative developments.

The Chief Executive advised that progress in implementing these measures since then has resulted in a significant reduction in payroll costs, the resolution of the outstanding unfunded capital debts, substantial income from the NPPR, the establishment of significant efficiencies and a substantial increase in the provisions for bad debts, while maintaining service delivery. The consequential improvement in the cash position has enabled the Council to operate without the need to draw on an overdraft since early 2011. The finalisation of arrangements with Irish Water further improves the cash position.

At end 2014 the Council had a consolidated specific reserve of €3,374,679 which it considered should be formally netted against the general revenue deficit having regard to the original intent for its provision in the early 2000s, which is now redundant. Discussions were taking place with the Department on the treatment of this specific reserve. If netting against the deficit were to be approved, the end 2015 cumulative deficit position would then be €10.97m or 8.2% of 2015 income.

The Chief Executive has advised that the timeframes associated with the achievement of a further substantial reduction in the general revenue deficit are dependent in many respects on external matters impacted by the pace of recovery in the national economy, which will determine the availability of central funding to the Council and the level of buoyancy that returns to local funding such as Rates and the Local Property Tax. He is convinced that it is the Council's intent, based on the predicted economic recovery, to make steady progress on reducing the deficit up to 2019. He is of the view that the existing revenue deficit is manageable over the medium term and should not compromise the financial sustainability of Donegal County Council.

Subsequent Performance

The inclusion in Donegal County Council's accounts for 2014 of outturns and balances in respect of the dissolved Buncrana, Bundoran and Letterkenny Town Councils reduced the opening deficit by €2.045m and there was also a surplus that year of €785,544. The unaudited accounts for 2015 show a further surplus of €620,934 bringing the accumulated deficit down to €14.35m or 10.75% of revenue for the year.

The audit report on the 2014 accounts referred to the need for strict budgetary controls to be constantly monitored and reviewed to eliminate the cumulative deficit, which was described as a very serious matter for the Council to address. The Auditor also broke down the loans totalling €171m payable by the Council into mortgage and approved housing body related borrowings of €66m, loans recoupable from Irish Water of €37m and borrowings for assets that have to be funded internally by the Council of €68m. In the Chief Executive's response to the Auditor, he referred to the range of targeted actions being applied over the period to 2019 with the objective of moving to a situation where reasonable expenditure demands are in balance with income. He also referred to the Council's intention, as part of its 2016 revenue budget considerations, to provide for the paying of full principal and interest on the non-mortgage loan book, which will see the gradual reduction over time of the €68m borrowings that are to be funded internally by the Council.

Sligo County Council

Sligo County Council had a cumulative deficit at end 2013 of €21.7m representing the equivalent of 39.9% of its revenue for that year. The cumulative deficit increased by €575,261 in 2014 and the inclusion of the dissolved Sligo Borough Council deficit of €3,735,548 meant that by the end of that year it stood at €26.6m - representing 43.4% of revenue in that year.

The Chief Executive attributed the deficit to a combination of 4 factors:

- high legacy cost centres related to historic staffing levels within the Council,
- the cost of compliance with Government policy,
- a low rates base with an absence of local income sources and economies of scale, and
- weaknesses in the local government funding model that made it vulnerable to the economic crash.

The Chief Executive provided NOAC with a copy of a 5-Year Financial Plan submitted to the Department in August 2015. It envisaged a reduction in the cumulative deficit of €0.69m in 2015, rising to €3m in 2016, €6.4m in 2017, €9.5m in 2018 and €12.3m in 2019.

He advised of a 33% reduction in staff numbers between 2008 and 2015 and a proposal to further reduce staff by 2019 which would entail a total reduction of 42% on the 2008 staff complement of 640. The staff reductions to date have resulted in annual payroll savings of €7.6m.

A range of efficiency measures were implemented over all expenditure lines and reviews of individual services led to the discontinuation of certain services. Similar reviews of income streams resulted in dedicated teams being tasked with revenue collection. This has led to significant success in respect of NPPR in recent years. The focus is now on the collection of Rates, Housing Loans and Rents arrears.

In relation to the cost of compliance with government policy, the Chief Executive cited the provision of water services infrastructure and the water pricing policy, acquisition of land banks at the height of the market for future housing and Public Private Partnerships, application costs incurred under the Gateway Innovation Fund[1] and the cost of Coroner's fees. He linked the deterioration in the Council finances to a doubling of water services operational costs between 2008 and 2013 and an 'equally dramatic fall' in the Local Government Fund (of about 21%) in that period. The Chief Executive stated his commitment to returning the Council finances to a sustainable path and to

[1] The Gateway Innovation Fund was established under the National Development Plan 2007-2013 as a specific measure to assist in the strategic development of the 9 Gateway cities and towns designated in the National Spatial Strategy.

fulfilling the Council's national policy obligations; he referred to his belief that the financial plan submitted to the Department balances the various competing needs and will redress the financial position over time.

The long-term loan indebtedness of Sligo County Council of €121.4m includes a €7.5m long-term loan towards the revenue deficits, a €4.5m bridging loan to facilitate overdraft requirements, €30m of development land loans being serviced on an interest only basis since December 2014 in accordance with the outcome of national negotiations, and €22.5m in loans for miscellaneous capital developments, €7.5m of which was being fully serviced with the other €15m being paid on an interest only basis. The 5-Year Financial Plan provides for the resumption of principal and interest payments on this €15m balance with effect from 2018. Surpluses generated over the course of the Plan will be applied to the servicing of the overdraft, bridging loan and long term loan in that order.

The Chief Executive stated that, in recent years, work had been carried out to close out the majority of the unfunded capital balances, particularly those pertaining to housing and roads. The Financial Plan outlines the position and sets out the Council's proposed treatment of the remaining 9 projects totalling €5.3m. In terms of monitoring, he stated that the Plan entails thorough quarterly reviews of performance against targets, reporting on progress to the elected members in the Chief Executive's monthly management report, ongoing monitoring by the Audit Committee and half-yearly engagement with the Department.

Subsequent Performance

The LGAS Auditor's report on the 2014 accounts referred to the cumulative deficit of €26.6m at end 2014 as a very serious matter for the Council to address. As well as the cumulative deficit, the Auditor identified as concerns a significant contingent liability disclosed in the accounts pertaining to legal costs owing by the Council and the €121.4m of long-terms loans payable by the Council. Paragraphs were included in the audit opinion drawing attention to the critical financial position of the Council and the significant contingent liability. The Chief Executive's response focussed on the 2014 deficit which he related to the withdrawal of a Local Government Fund allocation of €750,000 not notified by the Department until January 2015, which resulted in the Council's finances for 2014 being pushed from a revenue account surplus to a deficit. In relation to the legal costs, the Chief Executive pointed out that, while they had yet to be determined, the Financial Plan takes account of this pending liability.

The unaudited accounts for 2015 were not available at the time of writing.

Modified Audit Opinion 2013

Louth County Council

Louth County Council was the only authority where the audit opinion was modified due to concerns as to the adequacy of the provision for bad debts. The specific findings of the LGAS Auditor were:

- The collection yields for rates at 56%, rents and annuities at 76%, housing loans at 48% and commercial water charges at 46% were all below the national average.
- The bad debt provision in respect of rates at 17.5% was not adequate and an additional charge in the region of €1.5m would be required to be made in the Income and Expenditure Account.
- The value of rent accounts in arrears for more than a year by end 2013 was €398,000 and the bad debt provision was €52,000, whereas the Auditor estimated a provision of about €318,000 to be required.
- Commercial water debt at end 2013 was €5.4m with a bad debt provision of €533,000, which the Auditor deemed inadequate based on the national average provision of 37% of commercial water debts.
- Fire charges debtors amounted to €1.2m, while receipts in 2013 were €73,000 – the poor collection yield indicated a bad debt provision of €1m was required whereas no provision was made.

Information Sought by NOAC

NOAC wrote to the Chief Executive of Louth County Council in August 2015 seeking an update on the measures that have been taken, put in train or were planned to address the audit concerns and seeking information on the progress that had been made.

On 15 October 2015, the Council's Accountant replied to NOAC's queries on its response to the audit concerns to the following effect:

- A Debt Collection Unit has been put in place within the Finance area of the Council. New procedures have been established to ensure that potential bad debts are identified earlier and it results in potential legal action taking place at an earlier stage than previously. The Council has participated in the Debt Management Project[2] initiatives and, by 30 September 2015, had taken in €1.7m more than in the same period in 2014.

- The Council's Housing Section has established a dedicated team, based in Drogheda, to deal with Housing arrears and take responsibility for collecting rental income for the entire county. Rents collected to end September 2015 were €205,000 greater than in the first 9 months of 2014 while the collection of housing loan repayments showed a slight increase of €12,000 over the same period.

[2] This refers to the Local Government Management Agency Programme Management Office's Debt Management Project.

- The collection of fire income had recently been outsourced to a private debt collection agency but it was too early to establish the success or otherwise of this action.

- The Council was in the middle of the 2016 budgetary process during which it was intended to review the bad debt provision.

Subsequent Performance

The Auditor's opinion of Louth County Council's Annual Financial Statement for 2014, incorporating the dissolved Dundalk Town and Drogheda Borough Councils, was unmodified. The Auditor's report contained 2013 collection yields for Rates, Rents & Annuities and Housing Loans adjusted to include the dissolved Councils, which resulted in a 5% collection yield increase for Rates and Housing Loans and a 1% reduction for Rents & Annuities when compared with the 2014 figures. Income from fire charges in 2014 was 10.5% greater than in 2013. The Auditor did, however, comment that the bad debt provision for Rents of €420,000 was understated by €380,000. He also stated that the bad debt provision for trade debtors of €1.9m may be understated by €1.1m. The total provision for doubtful debts in 2014 was €12.67m, representing a reduction on the 2013 figure of 21.6%.

Annual Financial Statement Production 2013 - 2015

Section 107 of the Local Government Act 2001 requires local authorities *to establish and maintain financial systems, accounts, reporting and record keeping procedures, including the preparation of an annual financial statement, which are consistent with such accounting code of practice, or amendments to it, that the Minister* for the Environment, Community and Local Government *may issue from time to time.*

The current Code of Practice and Accounting Regulations issued by the Department of the Environment, Community and Local Government (D/ECLG) in December 2014 apply to the Annual Financial Statements (AFSs) for 2014 and 2015. The Code provides that the accounting year will end on the 31st of December and the AFS should be prepared and submitted to the D/ECLG by 31st March of the year following the end of the accounting year. Section 4.5 of the previous version of the Code of Practice required that the AFS be prepared by the 1st of April and published by the 1st of July of the following year. Circulars issued by the D/ECLG to local authorities, including Circular Fin 15/2015 of 23 December 2015 in relation to the preparation and submission of the 2015 AFS, have sought the supply of the AFS by the following 1 April.

In seeking to review compliance with the foregoing requirements, NOAC found no complete record sufficient to evidence the date of receipt by the Department in 2015 of the 2014 AFSs.

Table 2 sets out the dates on which the Head of Finance and Chief Executive of the current 31 local authorities certified their AFSs in respect of the years 2013, 2014 and 2015 (where submitted by 15 April 2016). On the basis that the required date was 1 April for the 2013 AFS and 31 March for the 2014 and 2015 AFSs, dates in compliance are shaded in green, certification dates within the following month are shaded in orange and certification dates within 2 months of the requirement are shaded in pale red. The authority name is shaded where at least 2 out of the 3 dates are shaded the same colour.

In summary, 13 local authorities certified the preparation of their 2013 AFS on time, 11 certified their 2014 AFS on time and 16 authorities submitted their 2015 AFS with a certification date no later than 31 March 2016. 7 Chief Executives and Heads of Finance were more than 2 months late in certifying the 2013 AFS and 6 were more than 2 months late in certifying the 2014 AFS. The applicable statutory requirement is now the submission of the certified AFS to the D/ECLG by 31 March and 15 local authorities are in breach of this requirement in respect of 2015. Late completion of the 2014 AFS was mainly attributed to the additional complication of incorporating the figures relating to the abolished Town and Borough Councils in the 2014 accounts but that exercise is not relevant to the very poor compliance rate in relation to the 2015 AFSs.

Eight local authorities are deemed compliant in each of the 3 years – Cork, Dublin and Galway City Councils, Dún Laoghaire-Rathdown, Fingal, Laois, Longford and Roscommon County Councils. The other local authorities with their names shaded in green (Galway county, Kerry, Meath, South Dublin and Wexford) submitted their AFS on time in 2 out of the last 3 years and in the case of Kerry, Meath and Wexford, the late year – 2014 – was more than likely attributable to that being the first year of preparing the AFS to include the accounts of the dissolved Town and Borough Councils.

The 6 authorities who have both not yet submitted the 2015 AFS and who were more than 2 months late in certifying their AFSs for 2013 and 2014 are Limerick and Waterford City and County Councils and Monaghan, Sligo, Tipperary and Wicklow County Councils. While it is acknowledged that 3 of these were merged as part of the 2014 local government reforms, this should not have impacted on their ability to submit their 2015 AFS on time.

Table 2

Date of Signing of Annual Financial Statements (AFS)

Local Authority	2013 AFS	2014 AFS	2015 AFS*
Carlow County Council	14 April 2014	17 April 2015	
Cavan County Council	30 May 2014	8 May 2015	
Clare County Council	2 May 2014	20 April 2015	
Cork City Council	4 March 2014	5 March 2015	11 March 2016
Cork County Council	22 April 2014	1 April 2015	31 March 2016
Donegal County Council	23 May 2014	29 May 2015	31 March 2016
Dublin City Council	31 March 2014	30 March 2015	16 March 2016
Dún Laoghaire-Rathdown County Council	28 March 2014	31 March 2015	31 March 2016
Fingal County Council	31 March 2014	31 March 2015	31 March 2016
Galway City Council	31 March 2014	31 March 2015	31 March 2016
Galway County Council	31 March 2014	31 March 2015	
Kerry County Council	31 March 2014	8 April 2015	31 March 2016
Kildare County Council	15 April 2014	1 April 2015	23 March 2016
Kilkenny County Council	2 April 2014	3 April 2015	
Laois County Council	25 March 2014	24 February 2015	14 March 2016
Leitrim County Council	14 May 2014	31 March 2015	6 April 2016
Limerick City and County Council*	11 Sept. 2014	1 July 2015	
Longford County Council	11 March 2014	31 March 2015	18 March 2016
Louth County Council	11 June 2014	30 April 2015	
Mayo County Council	30 April 2014	1 May 2015	
Meath County Council	1 April 2014	13 April 2015	1 March 2016
Monaghan County Council	13 June 2014	23 June 2015	
Offaly County Council	7 May 2014	17 April 2015	31 March 2016
Roscommon County Council	31 March 2014	31 March 2015	31 March 2016
Sligo County Council	1 July 2014	30 June 2015	
South Dublin County Council	31 March 2014	31 March 2015	7 April 2016
Tipperary County Council*	1 Oct. 2014	1 December 2015	
Waterford City and County Council*	25 August 2014	14 Sept. 2015	
Westmeath County Council	6 May 2014	27 April 2015	16 March 2016
Wexford County Council	31 March 2014	2 April 2015	31 March 2016
Wicklow County Council	26 June 2014	24 June 2015	

* Submitted by 15 April 2016

Note: In the case of the merged authorities, the latter of the 2 receipt dates is shown in respect of the 2013 AFS

Conclusions

Deficits

- The improvement in the financial positions of both Offaly and Donegal County Council in 2014 and 2015 is welcome and an early indication that the measures being employed by these local authorities are beginning to address their financial positions.

- Given the scale of the problems that remain, there can be no room for complacency and both Councils must continue to monitor expenditure and income rigorously to ensure that there is no slippage in their progress towards financial equilibrium.

- While agreement on Sligo County Council's Financial Plan with the Department is a welcome development, the financial position of that Council remains of concern, particularly since its deficit grew further in 2014. Moreover, the projected reductions contained in that Plan, if attained, would still mean a cumulative deficit of 22.6% of projected income in 2019.

- As the 2015 accounts of Sligo County Council are overdue, it is not possible at this stage to confirm if the Plan's target surplus of €690,000 in 2015 has been achieved. The planned reductions in subsequent years are even more challenging, demanding an adjustment of €12.32m over the 5 year period to end 2019. In view of the increasing scale of the adjustment, the outturns will need to be monitored on a timely basis to ensure that they are in line with projections in the Financial Plan of the authority.

Modified Audit Opinion

- While Louth County Council is the only authority that has received a modified opinion in recent years, it needs to be borne in mind that many authorities report financial performances that, while not reaching the threshold that gives rise to adverse or modified audit opinions, nevertheless have significant levels of deficits and revenue collection shortcomings. It is recommended that relevant local authority Audit Committees develop appropriate measures of performance in these areas and engage with management where the outcomes are less than satisfactory.

AFS Production Delays

- It is unacceptable that the trend of late preparation and submission of the AFS is continuing and that only 16 of the 31 local authorities have prepared and submitted a 2015 AFS certified by the Chief Executive and Head of Finance by 31 March 2016. This is a poor response to the letter sent to Chief Executives in March 2016 by the Secretary General of D/ECLG asking them to ensure that the 2015 AFS for their authority is submitted to the Department strictly in accordance with the deadline. Now that the 2014 reforms have been worked through the system, local authorities need to assess and address the factors that are delaying submission of accounts for annual audit.

- Ultimately, the only independently validated evidence of the actual outturns of authorities is their audited financial statements. Production delays adversely impact on the timeliness of audit completion. There is a role for Audit Committees in reviewing account production systems and procedures and monitoring progress towards achievement of the specified deadlines.

- Given that the statutory deadline is now expressed as a requirement to prepare and submit the completed AFS to the D/ECLG, that Department should ensure that its systems for receipt and recording of the AFSs are robust and can reliably enable identification of non-compliant local authorities so as to facilitate improved monitoring of performance in this area.

Appendix A

Cumulative General Revenue Balance and Income: 2014

Local Authority	**General Revenue Balance at 31/12/2014**	**2014 Income**	**Balance as % of Income**
Carlow County Council	366,511	52,534,662	(0.7%)
Cavan County Council	1,742,757	62,935,008	2.77%
Clare County Council	(800,989)	105,160,486	(0.76%)
Cork City Council	772,919	152,318,109	0.51%
Cork County Council	10,601,836	299,002,319	3.55%
Donegal County Council	(14,966,588)	134,117,487	(11.16%)
Dublin City Council	28,354,582	755,092,120	3.76%
Dún Laoghaire-Rathdown County Council	9,699,927	159,421,341	6.08%
Fingal County Council	15,967,583	214,629,872	7.44%
Galway City Council	254,693	74,685,350	0.34%
Galway County Council	(1,891,838)	117,231,258	(1.61%)
Kerry County Council	6,184,008	132,523,502	4.67%
Kildare County Council	(1,445,710)	144,171,501	(1%)
Kilkenny County Council	(68,390)	73,401,630	(0.09%)
Laois County Council	(393,285)	56,261,908	(0.7%)
Leitrim County Council	(1,426,331)	36,555,830	(3.9%)
Limerick City & County Council	599,562	170,646,459	0.35%
Longford County Council	(126,465)	41,750,612	(0.3%)
Louth County Council	(2,607,460)	94,554,221	(2.76%)
Mayo County Council	(5,059,932)	139,792,762	(3.62%)
Meath County Council	(3,840,500)	100,701,951	(3.81%)
Monaghan County Council	(2,879,914)	59,928,974	(4.81%)
Offaly County Council	(4,734,970)	56,230,818	(8.42%)
Roscommon County Council	166,848	57,896,036	0.29%
Sligo County Council	(26,602,276)	61,273,264	(43.42%)
South Dublin County Council	12,051,637	215,602,400	5.59%
Tipperary County Council	5,536,784	141,042,673	3.93%
Waterford City & County Council	(8,677,450)	128,245,295	(6.77%)
Westmeath County Council	27,702	68,013,510	(0.04%)
Wexford County Council	(9,873,539)	107,134,832	(9.22%)
Wicklow County Council	(3,783,860)	101,230,112	(3.74%)
Totals	3,147,852	4,114,086,302	0.08%

Notes: The 2014 figures show a €3m increase in Wexford County Council's cumulative deficit bringing it to over 9% of 2014 income arising from the inclusion of the dissolved Town and Borough Councils' figures.

Carlow and Westmeath County Councils have moved from a deficit balance to a surplus in 2014. In Westmeath's case the inclusion of Athlone Town Council's figures accounted for only 47% of that improvement in its finances.