



**Rialtas na hÉireann**  
Government of Ireland

# **Statutory Audit Report to the Members of Monaghan County Council for the Year Ended 31 December 2020**

## **Local Government Audit Service**

Prepared by the Department of Housing, Local Government and Heritage

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# Auditor's Report to the Members of Monaghan County Council

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Monaghan County Council for the year ended 31 December 2020, which comprises the Statement of Accounting Policies, Statement of Comprehensive Income, Statement of Financial Position, Funds Flow Statement and notes to and forming part of the accounts. The financial reporting framework that has been applied in its preparation is the Code of Practice and Accounting Regulations for Local Authorities, as prescribed by the Minister for Housing, Local Government and Heritage.

My main statutory responsibility, following completion of the audit work, is to express my independent audit opinion on the AFS of the Council, as to whether it presents fairly the financial position at 31 December 2020 and its income and expenditure. My audit opinion, which is unmodified, 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 independent opinion on the statement and to report my opinion. I conducted my audit in accordance with the Code of Audit Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the AFS. It also includes an assessment of the significant estimates and judgments made by the Council's management in the preparation of the AFS, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations, which I considered necessary to provide sufficient evidence to give reasonable assurance that the financial statement is free from material misstatement, whether caused by fraud or error.

This report is prepared in accordance with Section 120(1) (c) of the Local Government Act, 2001 and should be read in conjunction with the audited AFS.

## 2 COVID-19 – Impact on Local Authorities

### 2.1 Overview

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities during 2020. This has resulted in a reduction in income from some sources, an increased level of COVID-19 related expenditure and related government subvention for the local authority.

At a national level, the Government introduced a number of schemes including

the restart grant schemes and rates waiver scheme to support businesses, as noted in paragraphs 2.2 and 2.3 below. In addition, local authorities were reimbursed by the Department for the loss of income from goods and services and for additional COVID-19 expenditure incurred by them (see paragraph 2.4).

In June 2021, it was agreed by the General Accounts Working Group to amend Note 23 and include an additional Note 24 in relation to Restart Grants / Plus in the audited Annual Financial Statements 2020.

## **2.2 Restart Grants Scheme**

During 2020, the Government decided to support commercial micro, small and medium businesses, through the Restart Grant Scheme and later the Restart Grant Plus Scheme. The qualifying businesses were required to have a rateable premises and experienced a loss of turnover due to the COVID-19 restrictions. The scheme provided for assistance with the costs of reconnecting with the marketplace, reopening their business and re-employing staff. Qualifying businesses who met the specified eligibility criteria could apply to the local authority for grants under these schemes.

Under the service level agreement between Enterprise Ireland, Department of Enterprise, Trade and Employment, the Department and each local authority, the Council had responsibility to manage within its functional area the processing of applications and payments, in accordance with the criteria specified, and to make reports to the above Government departments to enable oversight and review of the scheme. Each business was responsible to self-certify in completing its application that it met these criteria.

The Council only verified the application against a rate account, where one existed, and confirmed that the applicant had fully completed the application including the declaration. The Council did not have to verify any other information included in the application. Where rates were not assessed in 2019 or 2020, estimates of liability were made by the local authority. This was necessary to determine the support available to the relevant business.

Accordingly, the audit of expenditure under these schemes, which amounted to €9.4m in Monaghan County Council for the year ended 31 December 2020, was limited to the specific responsibilities of local authorities, as set out above, and did not include the verification of other eligibility criteria declared by the applicants.

The accounting treatment for this is set out in Note 24 in the AFS.

## **2.3 Rates Waiver Scheme**

In order to support both the local government sector and commercial ratepayers, a funding package of €900m was allocated by the Government to fund the cost of a waiver of commercial rates for nine months from 27 March 2020 to 27 December 2020.

The waiver was available to businesses, which were forced to close, and those, which experienced significant negative economic disruption due to public health restrictions, imposed in response to COVID-19.

The total amount received by Monaghan County Council for the year ended 31 December 2020 was €6.1m.

The accounting treatment for this is set out in Note 23 in the AFS and further disclosure is included in Appendix 7.

The methodology and manner for calculating rates income collection differs in 2020 compared to prior years.

## 2.4 Reimbursement for loss of goods and services income and COVID-19 related expenditure

The Department reimbursed the Council for the loss of goods and services income and additional expenditure incurred by them as a result of COVID-19. The total amount received by Monaghan County Council for the year ended 31 December 2020 was €1.16m, split between €0.33m for the loss of goods and services income and €0.83m for additional COVID-19 related expenditure.

## 3 Financial Standing

### 3.1 Statement of Comprehensive Income

The Council recorded a surplus of €0.35m (2019: €0.07m) after net transfers from/to reserves of €3.7m. The detail of the variances between the adopted budget and the actual out-turn are documented in Note 16 of the AFS. During April 2021, the members approved the additional expenditure in accordance with section 104 of the Local Government Act, 2001.

The current year's surplus is set out in the context of previous year's results.

*Table 1 – Schedule of Surpluses/(Deficits) between the years 2016 – 2020*

Year End	2020	2019	2018	2017	2016
Surplus/(Deficit)	€0.35m	€0.07m	€0.07m	(€0.16m)	€0.49m

### Chief Executive's Response

In recent years the Council has consciously tried to reduce the revenue deficit in accordance with the local government auditor's recommendation. Financial interventions by government departments through various grants such as compensation for loss of income and COVID-19 related expenditure and the rates waiver scheme impacted positively on the financial position of the Council. This along with the prudent financial management of budget holders in ensuring expenditure was retained within budget resulted in the surplus for the year.

## 3.2 Statement of Financial Position

The Statement of Financial Position increased by €22.2m, resulting in net assets/total reserves of €1,481.4m, (2019: €1,459.2m). The significant movements included:

*Table 2 – Brief Summary of Movements for the Statement of Financial Position between the years ended 31-Dec-19 and 31-Dec-20*

<b>Assets and Liabilities</b>	<b>2020</b>	<b>2019</b>	<b>Increase or Decrease</b>	<b>Explanations</b>
Fixed Assets/WIP	€1,482.7m	€1,464.1m	€18.6m	Increases to housing and WIP expenditure.
Long-Term Debtors	€21.5m	€21.4m	€0.1m	Increase to recoupable loans.
Current Assets	€21.2m	€14.4m	€6.8m	Increases to bank and cash.
Current Liabilities	(€11.3m)	(€8.6m)	(€2.7m)	Increases to creditors.
Long-Term Liabilities	(€32.7m)	(€32.1m)	(€0.6m)	Increases to refundable deposits.
	<b>€1,481.4m</b>	<b>€1,459.2m</b>	<b>€22.2m</b>	

### Chief Executive's Response

The changes highlighted above reflect the level of activity that was undertaken by the Council in 2020. The increase in fixed assets and work in progress reflect the level of activity in progressing capital projects during 2020. Additional social houses were both acquired and built during the year. Cash balances increased during the year due to the prompt submission of claims by the Council and the equally prompt payment of these claims by various government departments and funding bodies.

## 4 Income Collection

### 4.1 Summary of Income Collection

A summary of the revenue collection yields and closing debtors, compared with the previous year are as follows:

*Table 3 – Year-on-Year Comparison of the Revenue Collection Accounts*

<b>Collection Accounts</b>	<b>Yield 2020</b>	<b>Yield 2019</b>	<b>Debtors 31-Dec-20</b>	<b>Debtors 31-Dec-19</b>
Rates	80%	86%	€3.50m	€3.30m
Rents	97%	95%	€0.16m	€0.20m
Housing Loans	83%	78%	€0.20m	€0.20m

## 4.2 Rents

The collection rate of 97% reflected an increase of 2%, compared to the previous year (2019: 95%). The increased yield reflected the Council's continued acquisition of social housing units. In addition, the Council launched a mobile phone application, enabling tenants to reduce arrears and manage their rent accounts online.

The net year end rents debtors consisted of credit balances of (€0.18m) and debit balances of €0.34m. The rents debtors' bad debt provision of €0.07m, equated to 21%, of the year end rents debtors accounts with debit balances.

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

The consistently high rent collection is indicative of considerable efforts of Council staff along with advances made in recent years in terms of payment methods. New housing tenants in receipt of social welfare are required to pay through An-Post household budget. For other tenants there are multiple payment options available such as standing orders, cash desk, customer app, web payments and An Post Billpay. The customer app also allows tenants to view enquiries on their rent account.

## 4.3 Commercial Rates

The collection rate of 80% decreased by 6%, compared to the previous year (2019: 86%). The decreased yield also affected the year end debtors, which increased to €3.5m from the previous year (2019: €3.3m)

The change in the accounting treatment for rates, contributed to the decreased collection rate; with rates waivers applied against the rates warrants for collection. To compute a year-on-year comparison with the previous year, if waived income remained collectable, the collection rate would total 89%.

The net year end rates debtors' balances consisted of credit balances of (€1.5m) and debit balances of €5.0m. The bad debt provision for rates of €2.03m, represented 41% of the year end debtors' accounts with debit balances.

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

Rates collection and percentage yield is distorted considerably in 2020 versus prior years as a result of the effect of business closures due to COVID-19 restrictions and also the rates waiver. It's difficult to compare the outcome for 2020 versus 2019 due to the change in accounting policy for the deferred income (for accounts in credit as a result of the waiver), the lower amount collected and the impact of the rates waiver scheme on the collection percentage.

## 4.4 Housing Loans

The collection rate of 83% increased by 5% from the previous year (2019: 78%), while the year end debtors remained static at €0.2m. Transactions contributing to the increased yield, included, the issue of 19 housing loans and the redemption of 9 loans.

The net year end balance consisted of credit balances of (€0.08m) and debit balances of €0.28m. The bad debt provision of €0.1m, represented, 36% of the year end debit balances.

The Council recorded 14 outstanding shared ownership loans and is encouraging the loan-holders to convert their rented equity to new annuity loans.

### Chief Executive's Response

Monaghan County Council continue to prioritise the collection of all income. New borrowers are required to pay their loan repayments using direct debit. For other borrowers there are multiple other payment options available such as standing orders, cash desk, customer app and web payments.

## 4.5 Bad Debts Provision and Income Collection

The bad debt provision increased by €0.489m to €2.754m, (2019: €2.265m). The increase was allocated to each of the collection accounts.

Most of the Council's arrears are pursued by a team within the Finance Department, however, some streams of income for example, development contributions, parking fines and fire charges are pursued within their respective divisions.

### Chief Executive's Response

The main elements contributing to the change in the bad debt provision are:

Rates - increase of €454k

Loans - increase of €46k

Rents - increase by €8k

Sundry and Finance - reduce by €19k

It was considered prudent to increase the provisions due to the uncertainty caused by COVID-19 regarding the ability to collect outstanding amounts.

Due to some charges being linked to systems outside of Agresso it is considered more appropriate that these charges are collected by the section generating the charge.



## 5 Capital Account

### 5.1 Capital Account Overview

Capital expenditure including transfers to revenue decreased by €9.1m to €39.2m, compared to the previous year (2019: €48.3m). Total income including transfers from revenue also decreased by €3.3m to €42.1m, (2019: €45.4m). Please see the below table setting out the current year's outturn by division.

*Table 4 – Brief Summary of Capital Account Movements for the Year Ended 31-Dec-20*

Divisions	Total Spend	Areas of Highest Spend	Total Income	Sources of Funding	Surplus or (Deficit)
Housing	(€23.4m)	Acquisitions	€22.9m	Grants	(€0.5m)
Roads	(€8.4m)	Upgrading	€8.7m	Grants	€0.3m
Water	(€0.4m)	Group Water	€0.4m	Grants	€0.0m
Development	(€3.0m)	Urban Renewal	€3.2m	Grants/other	€0.2m
Environment	(€1.0m)	Fire Services	€1.4m	Grants	€0.4m
Recreation	(€1.8m)	Public Amenities	€1.7m	Grants	(€0.1m)
Miscellaneous	(€1.0m)	Rates Limitation Order	€0.2m	Grants/other	(€0.8m)
Transfers	(€0.2m)	Members Gratuities	€3.6m	SoCI*	€3.4m
	<b>(€39.2m)</b>		<b>€42.1m</b>		<b>€2.9m</b>

\* *Statement of Comprehensive Income*

The incurred expenditure for the current year, remained consistent with the previous year. The two largest divisions in 2020, remained, housing €23.4m, (2019: €21.6m) and roads €8.4m, (2019: €15.4m). The number of acquired housing units in 2020 decreased by 35 to 74, compare to the previous year (2019: 109). Whilst, work-in-progress, recorded on-going construction for 5 housing projects. The roads division also performed consistently with the previous year, with, construction and improvement work on thirty-two projects, compared to the previous year with expenditure incurred on thirty-one projects.

Capital grants marginally increased by €0.09m to €35.59m, compared to the previous year (2019: €35.50m). The Department of Housing, Local Government and Heritage and Transport Infrastructure Ireland, in addition to several government departments, continued to provide the Council with the largest sources of capital funding.

#### Chief Executive's Response

The capital account shows the investment in capital infrastructure by the Council for the year. The reduction in spend and grants received reflects the slowdown in activity due to site closures caused by the restrictions introduced by the government to combat the spread of COVID-19.

## 5.2 Capital Project Funding

During 2020, the number of utilised capital job codes decreased significantly by 55 to 361 (2019: 416). Conversely, the number of job codes with debit and credit balances, increased, see table 5.

*Table 5 – Yearly Analysis of the Number of Job Codes Transacted by the Capital Account*

<b>Analysis of Transacted Capital Job Codes</b>	<b>2020</b>	<b>2019</b>
Capital Job Codes with Zero Balances	59	146
Capital Job Codes with Credit Balances	151	130
Capital Job Codes with Debit Balances	151	140
<b>Capital Job Codes Transacted during the Year</b>	<b>361</b>	<b>416</b>

The funding position of the capital account at year end, recorded a credit balance of €6.2m, an increase of €2.9m on the previous year end (2019: €3.3m). The year-on-year movement for capital job codes with credit and debit balances is set out below.

*Table 6 – The Year End Monetary Values of (Debit)/Credit Capital Job Codes*

<b>Monetary Values of Capital Job Codes</b>	<b>2020</b>	<b>2019</b>
Capital Job Codes with Credit Balances	€25.1m	€20.6m
Capital Job Codes with (Debit) Balances	(€18.9m)	(€17.3m)
<b>Net Value of Capital Job Codes</b>	<b>€6.2m</b>	<b>€3.3m</b>

Despite the capital account's favourable funding position at year end of €6.3m, three Council divisions ended the year with total debit balances of (€3.6m). The Council need to identify appropriate funding to eliminate their debit/unfunded balances.

### Chief Executive's Response

The Council continues to address the issue of outstanding capital balances. Some provisions are made in the annual budget for specific outstanding balances. Provisions made by the former Town Councils to address outstanding balances are continued in the annual budget. The majority of capital balances are reconciled and reviewed on a regular basis with great efforts being made to reduce, reconcile and fund them.

## 6 Fixed Assets

The property interest register did not accurately record the Council's immovable properties. For example, housing assets were recorded as estates, under the one property folio, instead of being recorded as individual assets. An inaccurate property register limits its effectiveness to the Council.

The conveying of legal title from the Council to Irish Water, for transferred water infrastructure continued during 2020. At year end there remained 71 folios awaiting transfer to Irish Water, a decrease of 6 compared to the previous year end (2019: 77).

A review of the procedures pertaining to the above tasks, could identify the underlying issues hindering their operation and expedite their progress.

### Chief Executive's Response

The practice of registering Council housing estates as one entry in the property interest register has resulted in the number of Council houses being understated. In future all Council houses will be recorded individually, and previous entries will be corrected.

Work is ongoing in relation to the transfer of assets to Irish Water.

## 7 Refundable Deposits

Refundable deposits increased by €0.88m to €5.86m, compared to the previous year end (2019: €4.98m). Most of the retained deposits, pertained to property development. Several categories shared similar descriptions, where possible the number of categories should be simplified and reduced.

### Chief Executive's Response

A review of refundable deposits will be undertaken, and the number of categories will be reduced as recommended.

## 8 Loans Payable

The Council's long-term borrowing remained consistent with the previous year. The loans payable (before amounts due within one year) decreased by (€0.4m) to €23.3m, compared with the previous year end (2019: €23.7m). The Council's borrowings funded the following:

- Housing - Mortgage funding - €11.5m

- Housing - Recoupable loans - €5.4m
- Housing - Shared ownership - €0.6m
- Assets - €5.8m

The purpose of the current year's borrowings of €1.0m, remained in line with the previous year and funded the provision of mortgages to former tenants. At year end, the mortgage loan funding position ended the year with a surplus of €5k, compared with a deficit of €92k for 2019.

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

Monaghan County Council's only borrowing in 2020 was for mortgage loans that were subsequently loaned to loan applicants for rebuilding Ireland Home Loans. The mortgage loans funding difference of €5k shows how accurately the mortgage loans receivable and mortgage loans payable reflect each other. The difference represents 0.041% of the total loan book.

## **9 Development Contributions**

Development contribution debtors totalled €2.4m an increase of €0.4m, compared to the previous year end (2019: €2.0m). Despite the increase to debtors, the bad debt provision of €0.6m, remained unchanged for the previous two years.

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

Development contributions are reviewed on an ongoing basis and any uncollectable amounts are written off as soon as identified. The bad debt provision has been reviewed and based on an analysis of the accounts outstanding it is considered appropriate.

## **10 Procurement**

Public procurement is subject to EU and national legislation and guidelines. In addition, the Office of Government Procurement issued the National Public Procurement Guidelines for Goods and Services to assist procurement practitioners.

Monaghan County Council operates a policy of devolved responsibility for procurement to each section. To assist the sections, the Procurement Officer provides advice, training and regularly interacts with the section heads and senior management with responsibility for procurement. To undertake this substantial role, the Procurement Officer was assisted by one member of staff on a part time basis.

During 2020, the Procurement Officer undertook several examinations of

procurement competitions. Some procurement weaknesses were identified, ranging from the inappropriate use of a framework to issues pertaining to the documentation of procurement processes.

It is recommended that the Procurement function is enhanced to improve the Council's compliance with national and EU regulations and thereby eliminate the above weaknesses. At the time of writing this report the post of Procurement Officer was vacant.

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

Monaghan County Council is currently investigating the establishment of a procurement unit to provide assistance to the Procurement Officer. The Council is the pilot for the national roll out of Milestone 7 (an enhancement to the Financial Management System). Part of this pilot involves the introduction of a new Contract Spend Management System module. This system will enable the easy recording of all contracts within the FMS and will help address the recording weakness identified.

## **11 Governance and Propriety**

### **11.1 Overview**

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. The Chief Executive, the management team and the elected members are responsible for ensuring that there are sound systems of financial management and internal control in place.

### **11.2 Internal Audit**

The Internal Audit function consists of two officers and provides the Council with a valuable service. In compliance with professional standards, the Council's corporate governance requires the Internal Auditor to report directly to the Audit Committee and to the Chief Executive. During 2020, the Internal Audit function presented seven reports. Between 2019 and November 2020, Internal Audit issued 88 recommendations, of which 94% were implemented.

During the audit, I reviewed the Internal Auditor's reports and when appropriate, I took the findings into account when planning my audit.

### **11.3 Audit Committee**

The Audit Committee met four times and produced its annual report for 2020 in January 2021. The annual report was presented to the Council in February 2021.

## 11.4 Ethics Declarations

Part 15 of the Local Government Act, 2001 obliges Council members and designated members of staff to submit an annual declaration of specific interests. Council members and designated members of staff, submitted the required declarations.

## 11.5 Investigations into Financial Irregularity

Previous audit reports from 2018 and 2019, highlighted the instances of two cases of financial irregularity by former members of staff. These issues are still the subject of Garda investigations.

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

There has been no change in the status of these investigations during the year being audited.

## 12 Local Authority Companies

The Council declared its interests in the following three companies.

### **Bioconnect Innovation Centre CLG**

The principle activity of the company is to establish a regional biotechnology centre of excellence. Audited financial statements were not available at the time of this report.

### **Focussed Engineering Network DAC**

It is the Network's ambition to develop a fully functioning engineering network in the region servicing the engineering sector and the companies that support it. Audited financial statements were not available at the time of this report.

### **National Data Platform DAC**

The principle activity of the company is to assist the development of artificial intelligence. The audited financial statements for the year ended 31 October 2020, reported the company did not trade during this year.

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

The financial statements for all associated companies will be obtained and published annually in accordance with the recommendation.

## 13 Climate Action Plan

In October 2020, the Council submitted its first annual report to the Eastern and Midlands Climate Action Regional Office. The progress report benchmarked the Council's performance with its Climate Adaptation Strategy 2019-2024, containing 60 actions. The report highlighted a completion rate to-date of 8%, with a further 60% of actions, classified as on-going.

Examples of climate change initiatives progressed during 2020, included:

- Construction of BER A rated homes in Scotstown
- Purchase of an electric street sweeper
- Retrofitting of public lighting
- The publication of a new wetland action plan
- The establishment of a climate action and environmental SPC
- The identification of Council owned lands suitable for the planting of native woodlands.

## Acknowledgement

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



Martin White

Local Government Auditor

22 October 2021

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