



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Monaghan County Council for the Year Ended 31 December 2021

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 2021, 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 2021 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 continued to have a significant impact on the finances of local authorities during 2021. 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 in 2021, the Government introduced the Small Business

Assistance Scheme for COVID (SBASC) and extended the Rates Waiver Scheme to support businesses, as noted in paragraphs 2.2 and 2.3 below.

As agreed by the General Accounts Working Group, the audited Annual Financial Statement for 2021 includes revised Notes 23 and 24 in relation to the rates waiver and SBASC respectively.

2.2 SBASC Scheme

As part of the Government's 2021 COVID support package, the Small Business Assistance Scheme for COVID (SBASC) was introduced as a direct aid to companies, self-employed, sole traders or partnerships with a minimum turnover of €50,000 who were not eligible for the Revenue scheme CRSS, Fáilte Ireland Business Continuity Scheme or the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media's Live Performance Support. The scheme was funded by the Department of Enterprise, Trade and Employment but was administered on its behalf by the Local Authorities.

The SBASC II Scheme was introduced in the second quarter in 2021 and included businesses which were not operating from rateable premises. A €1,000 grant was also introduced for businesses with a pre-COVID turnover between €20,000 and €49,999.

As with the Restart Grant Schemes in 2020, each business had to self-certify by completing the application that it met the relevant criteria. The Local Authority was required to verify the application against rate accounts, where one existed, and to confirm that the applicant had fully completed the application including the declaration.

Accordingly the audit of expenditure under these schemes, which amounted to €0.479m in Monaghan County Council for the year ended 31 December 2021, 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

The Government continued its support for the local government sector, with the provision of an amended commercial rates waiver in 2021. This waiver, funded by Government, at a cost of €542m supported local businesses in payment of their rates bills, and ensured continuity of services at local authority level.

The total amount received by Monaghan County Council for the year ended 31 December 2021 was €3.697m. The accounting treatment for this is set out in Note 23 in the AFS and further disclosure is included in Appendix 7.

In 2021, as in 2020, the methodology and manner for calculating rates income collection differed from previous years.

3 Financial Standing

3.1 Statement of Comprehensive Income

The Council recorded a surplus of €1.99m (2020: €0.35m) after transfers from/to reserves of €3.11m. The current year's surplus eliminated the revenue account deficit of €1.86m and created a year end surplus of €0.13m.

Details of expenditure variances between the adopted budget and the actual out-turn are documented in Note 16 of the AFS. The members, approved the additional expenditure of €9.9m in May 2022, in accordance with S.104 of the Local Government Act, 2001.

The below analysis sets out the current year's surplus in the context of previous results.

Table 1 – Schedule of Surpluses/(Deficits) for the year's 2021-2017

Year End	2021 €	2020 €	2019 €	2018 €	2017 €
Surplus/(Deficit)	1.99m	0.35m	0.07m	0.07m	(0.16m)

Chief Executive's Response

In recent years Monaghan County Council has consciously tried to reduce the revenue deficit in accordance with the Local Government Auditor's recommendation. This is the fourth year in succession that the Council recorded a revenue surplus. The main items contributing to the surplus in 2021 are, a lower than anticipated rates write off, an overall reduction in the provision for doubtful debts, payroll savings arising from COVID related difficulties in recruiting staff and approval to use historic Programme Group 3 capital credits to reduce the cumulative revenue deficit. Financial interventions by Government Departments through various grants such as compensation for loss of income and COVID related expenditure and the Rates Waiver Scheme also 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 all contributed to the surplus for the year.

3.2 Statement of Financial Position

The Statement of Financial Position (SoFP) increased by €14.5m with year end net assets of €1,495.9m. Table 2 highlights the significant movements during the year.

Table 2 – The SoFP year-on-year movements by category

Assets/ Liabilities	2021 €	2020 €	Inc/(Dec) €	Explanations
Fixed Assets/WIP	1,490.1m	1,482.7m	7.4m	Increase to housing and public amenities
Long-Term Debtors	22.3m	21.5m	0.8m	Increase to housing loans
Current Assets	27.4m	21.2m	6.2m	Increase to cash at bank
Current Liabilities	(10.4m)	(11.3m)	0.9m	Decrease to creditors and accruals
Long-Term Liabilities	(33.5m)	(32.7m)	(0.8m)	Increased CALF liability off-set by decrease to loans payable
	1,495.9m	1,481.4m	€14.5m	

Chief Executive's Response

The increase in fixed assets and work in progress reflect the level of activity in progressing capital projects during 2021. 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. Credit balances on realised reserve accounts also had a positive impact on current assets.

4 Income Collection

4.1 Summary of Income Collection

I have outlined below a summary of revenue collection yields and closing debtors for rates, rents and housing loans for the last two years:

Table 3 – Collection Accounts yields and debtors per Appendix 7 of the AFS

Collection Account	Yield 2021 %	Yield 2020 %	Debtors 31-Dec-21 €	Debtors 31-Dec-20 €
Rates	95	80	2.2m	3.6m
Rents	96	97	0.19m	0.16m
Housing Loans	80	83	0.23m	0.19m

4.2 Commercial Rates

The collection yield for commercial rates increased during the year by 15% to 95% with debtors decreasing by €1.4m to €2.2m. The year end debtors consisted of balances in arrears of €2.8m and credit balances of €0.6m. The bad debt provision of €1.65m, represents 58% of debtors in arrears. This provision is considered adequate.

The introduction of the Government's Rates Waiver Scheme (see paragraph 2.3), changed the methodology and manner of calculating the rates income collection yield. If the waiver amount was treated as income collected, the yield would have been 96% and 89% for 2021 and 2020, respectively.

Chief Executive's Response

Rates collection and percentage yield is distorted considerably for 2020 and 2021 compared to prior years as a result of the effect of business closures due to COVID-19 restrictions and also the rates waiver. The continuation of the rates waiver for some businesses and the fact that a significant number of rate payers used this as an opportunity to clear historical balances had a positive impact on the collection yield in 2021. The prudent management of rate accounts including uncollectable accounts also contributed to the increased collection percentage.

4.3 Rents

The collection yield from rents marginally decreased in 2021 to 96% (2020: 97%) with year end debtors increasing to €195k (2020: €156k). The year end net balance consisted of balances in arrears of €385k and credit balances of €190k. The bad debt provision for rents is €130k, which represents 34% of debtors in arrears.

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. The slight increase in debtors in 2021 is a result of collectors not being able to visit households in arrears due to COVID restrictions.

4.4 Housing Loans

The collection yield for housing loan debtors decreased to 80% (2020: 83%), with year end debtors increasing to €229k (2020: €189k). The Council continued to record 14 outstanding shared ownership loans. The year end balance consisted of arrears totalling €267k and credit balances of €38k.

The bad debt provision for housing loans of €120k, represents 45% of debtors in arrears.

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, and customer app and web payments. The increase in arrears is mainly due to the change in the financial circumstances of many loanees due to COVID. Monaghan County Council works directly with all loanees in arrears in order to help them maintain their account in a satisfactory manner. Shared ownership loans represents 7% of all loans.

4.5 Provision for Bad Debts

The bad debt provision decreased by €563k to €2,191k. The movements to the provision during the year included;

- Increase to housing loans of €20k to €120k
- Decrease to development contributions of €268k to €288k
- Decrease to commercial rates of €374k to €1,653k
- Increase to rents of €59k to €130k

The increase to the housing loans and rents provisions are warranted given the composition of the year end debtors. The decreases in the other provisions are

considered reasonable.

Chief Executive's Response

The bad debt provisions were revised following an examination of all amounts outstanding for each of the collection categories. The provisions made take account of all accounts that are in collection plans and are abiding by the agreed terms of the plan. Bad debt provisions are adjusted annually to take account of the particular circumstances that are prevalent when the draft AFS is being completed.

5 Capital Account

5.1 Capital Account Overview

Capital expenditure in 2021 decreased by €9.2m to €30m (2020: €39.2m). The programme groups that incurred the highest spend are Housing with €12.9m (2020: €23.4m) and Roads with €6.1m (2020: €8.4m). Completed housing units increased by 14. The operations of the roads programme group increased with the introduction of the Active Travel Programme.

The Department of Housing, Local Government and Heritage and Transport Infrastructure Ireland provided the largest sources of funding. Total income decreased by €7.2m to €34.9m (2020: €42.1m).

The below analysis sets out each capital programme group's highest spend and source of income.

Table 4 – The capital programme's highest spend and main source of funding

Capital Programme	Total Spend €	Area of Highest Spend	Total Income €	Main Source of Funding	Surplus/(Deficit) For the Year €
Housing	(12.9m)	Acquisitions	15.0m	Grants	2.1m
Roads	(6.1m)	Upgrading	7.9m	Grants	1.8m
Water	(0.4m)	Schemes	0.6m	Grants	0.2m
Development	(4.0m)	Amenities	3.2m	Grants/Levies	(0.8m)
Environment	(1.0m)	Equipment	0.7m	Grants	(0.3m)
Recreation	(3.4m)	Amenities	3.2m	Grants	(0.2m)
Misc.	(1.1m)	Equipment	0.4m	Grants/IR ¹	(0.7m)
Transfers	(1.1m)	To SoCI ²	3.9m	From SoCI ²	2.8m
	(30.0m)		34.9m		4.9m

¹ Internal receipts

² Statement of comprehensive income

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 Funding of Capital Projects

At year end the number of capital job codes with credit balances decreased to 117 (2020: 151), in contrast the number of capital job codes with debit balances increased to 173 (2020: 151).

Despite the increase of capital job codes with debit balances, the capital account's funding position recorded a year end credit balance of €11.2m, an increase of €5m on the previous year. Table 5 summarises the composition of the capital account's year end balance. During the year, job codes with credit balances increased by €2.4m to €27.5m, while job codes with debit balances decreased by €2.6m to €16.3m.

Table 5 – The monetary value of capital job codes by credit and debit balances

Monetary Value of Capital Job Codes	2021	2020	2019
	€	€	€
Capital job codes with credit balances	27.5m	25.1m	20.6m
Capital job codes with (debit) balances	(16.3m)	(18.9m)	(17.3m)
Net value of capital job codes	11.2m	6.2m	3.3m

Last year's audit report highlighted that three capital programme groups ended the year with debit balances. At the current year end, two capital programme groups, environmental services, recreation and amenities recorded debit balances totalling €1.5m. The Council is faced with an on-going issue of seeking to identify sources of income to fund and eliminate its capital job codes with debit balances.

Chief Executive's Response

All capital balances are reviewed on a quarterly basis and any outstanding claims are followed up. Where possible budget provisions are made for debit capital balances that have no identified source of funding. The main contributor to the increase in the number of job codes with debit capital balances is the multi annual Active Travel Programme. These jobs are 100% funded but recouped in arrears. Although there is 24 of these jobs they account for less than €40,000 of debit balances.

6 Fixed Assets

The housing category of fixed assets (paragraph 5.1) incurred the majority of total expenditure on acquisitions and construction.

Work is on-going to update the property interest register. A reconciliation of all housing, land and buildings is necessary between the fixed asset register and the property interest register to ensure the records are complete.

The transfer of legal title to Irish Water for former water assets is on-going and at year end there remained 61 folios (2020: 71) awaiting transfer.

Chief Executive's Response

Although housing estates are recorded under one folio instead of individual units these folios are linked to the Council's iHouse system and the individual house details are available by drilling down into the system. A reconciliation of items that are common to both the fixed asset register and the property interest register will be undertaken.

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

7 Loans Payable

The long-term borrowing position (before amounts due within one year) decreased with a year end balance of €22.7m (2020: €23.3m). Repayments totalled €1.5m and exceeded borrowings of €1m. The current year's borrowings exclusively funded mortgages to former tenants to acquire their properties.

Table 6 – Analysis of outstanding loan principle by year end

	2021	2020	2019
Analysis of Loans Payable Balances	€	€	€
Mortgage Loans	11.5m	11.5m	11.3m
Assets/Grants	5.6m	5.8m	6.0m
Recoupable	5.1m	5.4m	5.7m
Shared Ownership	0.5m	0.6m	0.6m
Balance at 31 December	22.7m	23.3m	23.6m

The analysis highlights €11.5m or 51% of outstanding loans relates to mortgage funding. A total of €5.1m is financed in full by recoupment from the Department; while €5.6m remains outstanding for the acquisition of assets. Shared ownership loans totalled €544k. The year end mortgage funding gap totalled

€79k, an increase of €74k from the previous year.

Chief Executive's Response

Monaghan County Council only borrowing in 2021 was for mortgage loans that were subsequently loaned to loan applicants for rebuilding Ireland Home Loans. Mortgage loans do not place any burden on the finances of the Council. The €5.6m of asset loans consists of seven loans for capital projects. The annual principal repayment on these loans is approximately €237,750.

8 Development Contributions

Development contribution debtors increased to €2.8m an increase of €400k on the previous year. The year end bad debt provision totalled €288k a decrease of €268k on the previous year.

Chief Executive's Responses

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.

9 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.

The Council operates a policy of devolved responsibility for procurement to each section. To assist the sections, the Procurement Officer provided advice, training and regularly interacted with the section heads and senior management with responsibility for procurement. Internal Audit performed a review for the public spending code and noted minor weaknesses.

The position of Procurement Officer is vacant since July 2021. The absence of a suitably qualified Procurement Officer, could potentially expose the Council to risk and undermine the progress achieved by the previous Procurement Officer. It is recommended that the Council seek to appoint a suitably qualified officer as soon as possible.

Chief Executive's Response

Monaghan County Council operates a procurement team model with a nominated contact in each section who has received procurement training taking responsibility for the procurement requirements of the section. Although there is no Procurement Officer in place there is sufficient procurement knowledge within the Council and external expertise available that ensure compliance with procurement legislation and requirements. The Council ran two recruitment processes to fill the vacant position in the past 12 months however there were no successful applicants. The Council will endeavour to fill this position as soon as possible as recommended by the Local Government Auditor.

10 Governance and Propriety

10.1 Governance and Propriety 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.

10.2 Internal Audit

The Internal Audit unit forms an important role in identifying and mitigating risk. The unit consists of two officers. In accordance with best practice the Internal Auditor reports directly to the Chief Executive. During the year, Internal Audit presented the Audit Committee with 11 reports. Between, 2021-2019, Internal Audit issued a total of 139 recommendations of which 132 or 95% were implemented before the current year end.

I reviewed the Internal Audit reports and where appropriate, I took into consideration the reports' findings.

10.3 Audit Committee

The Audit Committee met five times during 2021 and produced its annual report in January 2022. The Audit Committee's annual report was presented to the Council in February 2022.

10.4 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.

10.5 Investigations into Financial Irregularity

Previous audit reports from 2018 to 2020 highlighted instances of financial irregularity by two former members of staff. These matters are still the subject of Garda investigations and court proceedings.

Chief Executive's Response

One of these cases has been listed in court for a hearing at a future date. There is no change in the status of the other case.

11 Local Authority Companies

The Council declared interests in the following companies:

Bioconnect Innovation Centre CLG

The principle activity of the company is to establish a regional biotechnology centre of excellence. Audited financial statements for the year ended 31 June 2021, reported a deficit of €64k with net assets of €233k. The Auditor drew attention to an emphasis of matter, concerning the continued funding of the company. The company is dependent on the Council and a consortium to fund its future development.

Focussed Engineering Network DAC

The principle activity of the company is to develop a platform to bring engineering companies together to share information and provide related services. Audited financial statements for the year ended 31 October 2021, recorded a profit/loss of zero and net assets of €2.

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 2021, reported a profit/loss of zero, with net assets of €3.

Chief Executive's Response

The Bioconnect Innovation centre is currently under construction and is expected to be completed by June 2023. The company will start to generate income when its core business of food research is initiated in 2023.

Enterprise Ireland's Regional Enterprise Development Fund provide 80% funding for this project. Match funding will be provided by Monaghan County

Council and a consortium of other Agri Food companies in the region.

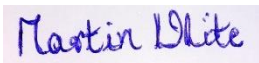
12 Climate Action Plan

The Council continued to implement the following in accordance with its Climate Adaptation Strategy 2019-2024.

- Construction of BER A rated homes in Scotstown
- Retrofitting of all public lighting
- The implementation of a wetland action plan
- 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.

A handwritten signature in blue ink that reads "Martin White". The signature is written in a cursive style and is placed on a light purple rectangular background.

Martin White

Local Government Auditor

15 September 2022

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