



**Rialtas na hÉireann**  
Government of Ireland

# **Statutory Audit Report to the Members of Waterford City and County Council for the Year Ended 31 December 2022**

## **Local Government Audit Service**

Prepared by the Department of Housing, Local Government and Heritage  
[gov.ie/housing](http://gov.ie/housing)

## Contents

Auditor's Report to the Members of Waterford City and County Council.....	1
1 Introduction.....	1
2 Financial Standing.....	1
2.1 Statement of Comprehensive Income.....	1
2.2 Statement of Financial Position (Balance Sheet).....	2
2.3 Fixed Assets.....	3
2.4 Refundable Deposits.....	3
2.5 Capital Advanced Leasing Facility (CALF).....	4
3 Income Collection.....	5
3.1 Summary of Income Collection.....	5
3.2 Rates.....	5
3.3 Social Housing Rents.....	6
3.4 Housing Loans.....	7
3.5 Debtors and Doubtful Debts Provision.....	8
4 Capital Account.....	8
4.1 Overview.....	8
4.2 Main Capital Projects.....	9
4.3 Bilberry to City Centre Greenway.....	9
4.4 North Quay Development.....	10
5 Rural and Development Funding.....	11
5.1 Rural Regeneration and Development Fund (RRDF).....	11
5.2 Urban Regeneration Development Fund (URDF).....	11
6 Repair and Leasing Scheme.....	12
7 Recovery of Costs.....	13
7.1 Fire Services Costs.....	13
7.2 Waste Management Enforcement Costs.....	13
8 Approved Housing Bodies.....	14
8.1 Approved Housing Bodies / Part V.....	14
9 Planning Contributions Reserves.....	14
10 Local Authority Companies.....	15
10.1 Interest of Local Authority in Companies and Joint Ventures.....	15
10.2 Mount Congreve Trust (MCT).....	15
11 Waterford City Enterprise Building.....	16
12 Governance and Propriety.....	17
12.1 Governance.....	17

12.2 Internal Audit and Audit Committee .....	17
12.3 Ethics Declarations .....	17
12.4 Prevention and Detection of Fraud .....	18
12.5 Revenue Intervention.....	18
Acknowledgement.....	19

# Auditor's Report to the Members of Waterford City and County Council

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Waterford City and County Council for the year ended 31 December 2022, 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 2022 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 3a 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 Financial Standing

### 2.1 Statement of Comprehensive Income

Expenditure for the year at €151.5m was broadly similar to the previous year while income increased marginally to €163m. An overall surplus of €1.4m was recorded, after transfers to reserves of €10.1m, resulting in a further reduction

of the general revenue deficit to €1.2m. The Council has significantly reduced its deficit in the last three years. However, the continued reduction and elimination of the deficit and the maintenance of a balanced revenue account henceforth must remain a key objective of management.

Variances between the adopted budget and the actual outturn, which amounted to €1.4m, are detailed in Note 16 to the AFS. The approval of the members, to the additional expenditure and transfers to reserves, that were not included in the Annual Budget, was obtained at their meeting on 11th May 2023, as required by Section 104(2) of the Local Government Act 2001.

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

The reduction in the deficit continues its downward trend. It is anticipated that the deficit will be reduced further in 2023. Any acceleration of the reduction in the deficit needs to be balanced against the backdrop of increased demands for services and significantly increased inflation.

## **2.2 Statement of Financial Position (Balance Sheet)**

An improved financial position was recorded with net current assets increasing marginally to €6.9m, continuing the trend of recent years. Cash at bank increased significantly to €64m, mainly attributable to the receipt of state grants in advance, refundable deposits and a loan drawn in advance of improvement works to public lighting.

However, at audit I drew management's attention to the need to further improve its processes for the presentation of accruals for both income and expenditure contained in net current assets. This mainly relates to the differing conditions attached to various sources of state grant funding and with the variety, complexity and timing associated with the release of funds and their classification as long- and short-term debtors. Arising from this and included in government debtors was €2.39m, mainly related to buy and renew properties that had been purchased but associated refurbishment works had not progressed to a stage that facilitated the release of state funding before 2023.

Long term loans reduced by €10.7m, to €94.1m, at year end. This included €5.1m, for the early redemption of loans in respect of revenue funding and housing, with the remaining reduction arising from normal repayments.

Accumulated expenditure on work-in-progress, after transfers to fixed assets, increased by €22.2m, to close at €76.6m. Expenditure for the year mainly comprised: Housing construction €9.76m, the North Quay €6.9m, the Greenway €6.9m, and U.R.D.F. works €2.9m.

## **Chief Executive's Response**

We are confident that 100% funding for the buy and renew properties will be re-couped in time. We consider it to be a reasonable estimate at a point in time. We will review with housing on an on-going basis.

## **2.3 Fixed Assets**

The value of assets increased by €10.6m to close at €2,278m mainly due to additions of social housing stock and plant. As highlighted at previous audits, work remains in completing a reconciliation of subsidiary fixed asset records to the General Ledger and AFS. Land and property assets remain summarised or incomplete within the fixed assets balances on the General Ledger and require de-aggregation and reconciliation to subsidiary systems and other records. In addition, the transfer of the residual water treatment assets to Uisce Éireann remains to be completed.

## **Chief Executive's Response**

An assessment of the scale of work and complexity of sub systems for the de-aggregation of the land bank records will be considered. A cross functional team may be required to achieve completion. The scale of work and resources required will mean that this work will take a number of years to complete.

## **2.4 Refundable Deposits**

This creditor balance increased in the year by €500k to close at €4.2m. To date, management has not effectively addressed the issues previously identified in respect of updating administrative planning records and their reconciliation to the accounting system. Almost 80% of the balance (€3.4m) relates to planning bonds. This presents a risk to the Council's cash flow as these bonds may be repayable to developers, on demand. Improvements in the identification of the works associated with the special contributions is also required. A further €743k, mainly relates to historical balances that require management review and consideration as staff indicated that these may not be repayable and could be available for return to general funds.

As previously highlighted, an ever-increasing creditor balance in the AFS is unsustainable and this long-standing issue should be urgently addressed.

## **Chief Executive's Response**

One of the core work areas for the administrative lead in the planning section is to ensure full reconciliation of refundable deposits and development bonds. This work is ongoing and will continue over the next while.

Significant progress has been made in relation to procuring works in respect of unfinished estates and expenditure will be incurred that will significantly

reduce current balances.

## **2.5 Capital Advanced Leasing Facility (CALF)**

This scheme facilitates funding of social housing provision by Approved Housing Bodies (AHBs). Amounts advanced to the AHBs are recorded in long term creditors with a corresponding debtor in Note 3 to the AFS in respect of this 'loan facility'. At previous audits, I drew attention to shortcomings in respect of the administration and financial disclosures of this funding. While some improvement was made with the Council's financial records for 2022, further work is required by Housing to comply with the requirements to introduce, maintain, and reconcile operational scheme details with the €14.7m recorded in the AFS.

### **Other AHB Schemes**

The Council is also required to maintain various registers that includes details of all funding and loans advanced to AHBs in respect of the Capital Assistance Scheme (CAS), Capital Loan Subsidy Scheme (CLSS) and Capital Advanced Leasing Facility (CALF) transactions. These registers form the basis of management oversight in respect of occupancy, allocations, and availability and are central to the discharge of the Council's responsibilities. The continued absence of these formal registers, records and reconciliations is a matter of concern.

The Council's nomination of individuals from the housing lists for tenancies in these AHB properties requires timely, accurate and relevant information in relation to vacancies. This is currently managed on an ad-hoc basis. More formal and detailed records should be maintained to ensure appropriate oversight and occupancy of these housing units, along with the many other social housing schemes funded by the Council including RAS, Long Term Leasing and Repair & Lease.

The close control, governance and oversight of these housing units requires further improvement.

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

The CAS, CLSS and CALF loan registers are currently in the process of being digitalised, agreed with Departmental records and we are also reconciling historical developments costs with Agresso records. The registers are also now being updated by the capital delivery team, on an on-going basis, as new properties are delivered under the various housing schemes.

Occupancy, availability, and nomination to vacant units is actively monitored and managed on an ongoing basis. Annual Statement of Occupancy, required from each AHB operating in WCCC jurisdiction, will be obtained and a robust

nomination procedure is in place and managed under the terms of the Council's Allocations Scheme and advertised through our Choice Based Letting system.

### 3 Income Collection

#### 3.1 Summary of Income Collection

The closing arrears on the main collection accounts as set out in Appendix 7 reduced by €3.3m to €8.4m, their lowest level in several years. This was mainly due to a significant improvement in the collection performance on commercial rates. A summary of the major collection yields and the corresponding closing debtors, with comparatives for the previous year, are as follows:

Income Source	Yield		Debtors	
	2022	2021	2022	2021
	%	%	€m	€m
Rates	95	86	3.0	6.1
Rents & Annuities	80	79	3.9	3.9
Housing Loans	70	68	1.5	1.7

Other income collection departments including vacant sites, lease rents, sundry income, fire charges and licences recorded high levels of arrears and, as previously highlighted, require significant improvement.

#### 3.2 Rates

The improved performance in the rate collection reflects the diligent work undertaken in recent years. Management has a more focused and robust engagement with customers through revised procedures and the escalation of responses. This resulted in an increased collection yield of 95% and an additional €5.4m, collected in the year. This result facilitated a reduction in the bad debts provision, which contributed to the improved balance on the revenue account. Waterford is now one of the few local authorities in the country where arrears of commercial rates are below those of social housing rents.

##### Chief Executive's Response

As stated, there was a significant reduction in the rates arrears within the year. It is anticipated that these results will be materially maintained going forward.



### 3.3 Social Housing Rents

Income from rent increased by €788k to €15.7m with a marginal improvement in the collection yield to 80%. Included in income was 'back dated' rent of over €472k. This was mainly attributable to instances where tenants had not fully disclosed appropriate income and occupancy details. It is the responsibility of the tenant, in the first instance, to advise of any changes in their household composition or income to ensure correct rent charges are made.

While many tenants provide the appropriate information, there is a need for more proactive, robust, and timely actions by the Council's Tenancy Management Section in respect of undeclared occupancy and income. This will help ensure the completeness and accuracy of information, provided by some tenants. In addition, there is also a need for the section to make improvements in the timely recovery of vacant units to avoid the risk of unauthorised occupancy or sub-lettings.

Net rent arrears remained static at €3.9m and comprised arrears of €4.5m offset by payments in advance of €540k. The number of accounts in arrears increased to 3,154. Analysis of the customers, with balances, in Appendix 7 to the AFS is set out below:

Arrears Category	Accounts		Arrears	
	2022	2021	2022	2021
	Tenants	Tenants	€'000	€'000
Over €10,000	77	70	1,129	1,046
€5,000 to €10,000	182	185	1,228	1,297
€1,000 to €5,000	681	718	1,627	1,750
Less than €1,000	2,214	2,103	467	444
Paid in Advance	2,500	2,584	-548	-599
<b>Total</b>	<b>5,654</b>	<b>5,660</b>	<b>3,903</b>	<b>3,938</b>

Compared with other local authorities Waterford has a higher level of arrears with relatively lower average rent charges of approximately €56pw. In addition, the following were noted at audit:

- Arrears represent 25% of the annual rental income.
- Over €2.5m of arrears were classified as "in payment plans". Improved management oversight and operational guidelines for these agreements are required.
- At present, a system of 'mutual agreement' operates resulting in extended repayment periods. Many customers do not adhere to the agreed terms and thereby absorb considerable additional administrative time in resetting agreements with no apparent overall improvement.
- 7% of customers on the housing management system account for €1.7m of the arrears. These customers have disclosed disposable income greater than €500pw, while their arrears are more than €1k.

- There was an increase in the number of accounts in arrears of more than €10k. These accounts present a particularly longstanding difficulty.
- Eight accounts had arrears of more than €20k.
- There must be a greater focus on increasing the collection of rent. Cash receipts for the year have again fallen below rent charges.

At audit, management's attention was again drawn to shortcomings in the administration of the schemes for assessment, allocation, and occupancy of social houses. I have recommended that the basis of all allocations, be formally documented and approved, in accordance with these schemes and Section 22 of the Housing (Miscellaneous) Provision Act 2009. This will help demonstrate that all housing units are let strictly in accordance with the approved schemes including all those allocated outside of choice based letting, including successions to tenancies.

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

Debit adjustments totalling €472k were applied in instances where tenants failed to disclose their true household income. In such cases the Council can arrange to backdate a rent account by up to 3 years. To date in 2023, we have applied further backdated adjustments of €965k to over 265 tenants in respect of delayed or undisclosed changes to household income. This reflects a more proactive approach to tenancy management and the operation of our rental scheme.

In future, a rent review will take place on an annual basis to help ensure rents are accurately assessed on timely household information for all tenants. The Council is committed to minimise the loss of rental income by prevention and prompt effective recovery of arrears. To this end, we are actively engaging with tenants in arrears to work out a mutually agreeable payment plan. We will reinforce our aim to take legal action against tenants who fail to pay their rent arrears.

Decisions in relation to the allocation of housing units is also based on the information supplied by tenants. To improve our processes a monthly Chief Executive's Order outlining all allocations will be implemented and an updated Allocations Scheme is currently at draft stage.

## **3.4 Housing Loans**

Arrears on housing loans reduced by €168k to close at €1.5m. The continued reduction is mainly attributable to customers with long-standing arrears availing of the various debt resolution options. At year-end, fifty accounts had accumulated arrears of €1.48m, with the number of accounts with arrears more than €50k increasing to ten. Many of these larger arrear balances arose slowly over time and considerable work remains in resolving these issues as

entry to debt resolution schemes or capitalisation of arrears may meet some resistance, as currently interest is not charged on arrears.

### Chief Executive's Response

We are continuing to target unsustainable loans for resolution through the MARP (Mortgage Arrears Resolution Process) process and as of October 2023, we are expecting a further incremental improvement in 2023. It should be noted that collection performance has improved in each of the previous three years, and it is anticipated that it will be further enhanced in 2023.

## 3.5 Debtors and Doubtful Debts Provision

Year-end debtors increased to close at €36.3m, mainly attributable to increased government debtors. The doubtful debt provision was reduced by €4.3m to €12.4m, a substantial reduction bringing the provision to 34% of gross debtors. This reduction was based on management's assessment of the risk profile and composition of debtors and is set annually.

### Chief Executive's Response

Provisions are made based on year-end reviews to ensure there is a prudent recognition of risk.

## 4 Capital Account

### 4.1 Overview

Income increased by 27% to €76m and exceeded expenditure by €4.6m thereby increasing the cumulative surplus on the capital account to €8.8m. The improvement was mainly attributable to transfers from the revenue account and state grant income. The closing balance comprised reserves of €44.5m and deficits of €35.7m.

The number of capital projects reduced to 528 with many of the balances being of low value. Additional work is required to reduce the number of minor and completed works balances. The main deficit and reserve balances included:

Significant Deficit Balances on Capital Projects	2022 €m	2021 €m
North Quay Development*	8.8	11.5
Airport CPO	1.7	0.4
City Centre URDF	1.0	0.0
Land Acquisition (Housing)	2.2	2.0
Holy Ghost Properties	0.8	0.9
Bilberry to City Centre Greenway	1.0	1.1

Other Long-Term Deficits: Mercyhurst Site, Manor St John, Doyle Street, Duckspool	1.0	0.7
--	-----	-----

\*The North Quay balance is a net deficit comprising deficits and reserves

Significant Reserves Balances on Capital Projects	2022 €m	2021 €m
Capital Transfer Fund	5.2	5.2
Planning Contributions	4.1	1.6
Housing Annuities and ICR's	5.4	3.3
Plant Replacement	1.1	1.4

## 4.2 Main Capital Projects

Housing related projects accounted for 45% of expenditure to a value of €32.4m, a minor decrease on the previous year. However, the increased activity mainly related to other works including the Greenway, North Quay, Mount Congreve, and urban renewal works along with the airport extension.

## 4.3 Bilberry to City Centre Greenway

This scheme, of approximately 2km, links the existing greenway to the city centre via the Bilberry Carpark to the Clock Tower. The works included road improvements, public lighting, and other public realm enhancements with an initial contract tender value of €6.8m plus VAT. Significant additional costs were incurred with total payments to the contractor now amounting to €10.9m.

Additional consultants' fees were also incurred bringing the cumulative project expenditure to €12.3m, mainly funded from state grants. At year end, a deficit of just over €1m was recorded on the scheme and remains to be funded.

### Chief Executive's Response

This is a live project, which is fully funded by the NTA, and at any one time will carry a deficit balance pending the following quarter's recoupment from the NTA. Further claims have been made to the NTA during 2023. The job should be closed off completely in the coming months pending the resolution of a number of outstanding land compensation claims and the completion of the contractor's final account. Thereafter, a final recoupment claim will be submitted to the NTA.

## 4.4 North Quay Development

Significant progress was recorded on this development with funding secured and a contractor appointed for works amounting to over €108m, along with a new development partner secured for the other private developments associated with the special development zone.

Cumulative expenditure increased to €38.2m, including consultants' fees of €9.9m, which have more than doubled from the original tendered design fee, with further substantial claims to hand, that remain to be agreed.

The year-end deficit on the works reduced to €8.8m, and further reduction is expected as substantial state grant funding of over €170.6m, was allocated to the overall project with over €23m received, in advance, at year end. In addition, negotiations for the disposal of some lands to the development partner is expected to be concluded shortly. Nonetheless, substantial matching funding from the Council will be required.

Prior to year-end the Council entered into an agreement to pay the contractor €23m in advance of the public works being executed. This prepayment and deferred income arrangement was made with the knowledge and participation of the state funding body in the negotiations. However, to address the risk of non-performance by the contractor, on this unique arrangement, required the purchase of a special insurance bond at some cost, by the Council.

In addition, the Michael Street element of the initial project is not provided for within the current proposal resulting in a deficit of €3.7m, which remains to be funded.

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

We are delighted with the progress made in 2022 on the project with the appointment of BAM as the Contractor and the placement of a very significant order for material by BAM for the works. Significant progress has also been made in relation to the selection of Harcourt Developments as the developer of the SDZ site. Harcourt Development have extensive experience of the development of brown field sites in Belfast and Liverpool.

The Council is engaged in negotiated procedure following public advertisement in respect of the development of the Michael Street site and it is expected that acquisition costs will be recouped in due course as part of this process.

## **5 Rural and Development Funding**

### **5.1 Rural Regeneration and Development Fund (RRDF)**

€1.2m of RRDF funding was allocated and expended on the Cappoquin Regeneration Project to year end. This mainly comprised the purchase of properties €405k and consultants fees of €731k and was incurred in advance of additional state funding of €6m that was allocated in 2023.

Under the funding agreement, the Council as “Lead Party” is “fully responsible for the conduct of the project and ensuring full compliance with conditions set out in the funding agreement and including adherence to public financial procedures, the public spending code and capital works management framework, and all EU and nation procurement requirements”.

Strict requirements are also set out as to compliance with government accounting rules and regulations, avoidance of double funding, certification of claims and other governance and oversight including monitoring and accountability requirements.

There are also additional conditions in respect of retaining public ownership of any properties acquired or refurbished under the scheme.

At audit, I expressed my concern to management that over €300k was advanced to a private company to acquire properties that were not in public ownership, at the date of audit, contrary to the funding agreement. I have asked that the public ownership issue be rectified before any new funding is released. The Council should also consider a full review of its compliance with the requirements attaching to this funding before proceeding further.

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

The redevelopment work in Cappoquin is being undertaken in partnership with the Cappoquin Community Development Company which has a long and reputable history of community development and regeneration in Cappoquin. They are providing matched funds and are ideally placed to manage the assets on behalf of the Council and Community into the future. We have discussed several governance models with them and have sought advice from the DRCD on a best practice governance model for this type of partnership. The issue should be concluded over the next few months.

### **5.2 Urban Regeneration Development Fund (URDF)**

This project commenced in 2022, and incurred expenditure of over €2.9m, mainly in respect of property acquisitions and had a closing deficit of €1m. It is expected that the works will be completed in 2027, with estimated expenditure of €70m, comprising the purchase and refurbishment of twenty buildings and public realm improvements funded from state grants and the Council's own

resources.

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

Due to cost inflation, the funding arrangements for the project and the prioritisation of works will be reviewed with the DHLGH in 2023.

## **6 Repair and Leasing Scheme**

This scheme attracts state grant funding for the repair of suitable existing vacant private houses to be brought up to rental standard, then leased by the Council and thereafter let to social housing tenants. To date, the Council has expended over €14.9m on refurbishing over 340 properties, with €5.8m expended in 2022. It has also entered long-term leases from the individual owners at a further cost of €3.2m to date, including €1.1m in 2022. The capital costs are funded from state grants with any shortfall between the lease rent and social housing rents recouped from state funds on an ongoing basis. The Council also treats the capital costs as a loan to be recovered over the lease back period, or otherwise as agreed.

However, this long-term loan / debtor of €14.9m, and the associated lease funding arrangements are not disclosed or presented in the AFS. The required accounting treatment and housing stock controls are currently under consideration by the General Account Working Group.

I also noted that the Council advanced funds for the refurbishment of two properties at a cost of €65k. However, the works were not completed, and the properties did not progress into the scheme for letting as social houses. Therefore, I have requested management to take appropriate actions to recover the amounts advanced. There is also a need to introduce appropriate oversight and internal controls, like those used for monitoring the Council's own housing stock.

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

We await and will implement the recommendations of the General Accounting Working Group, who advise on the accounting treatment of issues such as this for all local authorities.

The advanced funds for one of the properties referred to has already been refunded to the Council and we are pursuing the refund for the second property.

## **7 Recovery of Costs**

### **7.1 Fire Services Costs**

Expenditure of over €9.7m was incurred on the provision of fire services during 2022. These costs included the provision of this service to a significant portion of the functional area of Kilkenny.

As previously highlighted, the full cost of the service provided to Kilkenny was not fully recovered. Requests for a more reasonable contribution by Kilkenny were refused. At the time of audit over €900k was outstanding from Kilkenny County Council. It is essential that an appropriate recovery of all costs be obtained, including a look back review of the historical costs to address the deficit on revenue account.

At audit, I was advised that no agreement has yet been reached and that the issue was referred to independent mediation and that a decision is awaited.

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

The Mediator has reverted to both sides with his recommendations which includes incremental increases to the charge over the next three years and mechanisms to adjust and review costs going forward. We await final agreement from Kilkenny.

### **7.2 Waste Management Enforcement Costs**

At the last audit, I highlighted expenditure of €739k incurred by the Council in the remediation of a private waste facility operated by a former mayor, (The Mayor). Under Section 56 of the Waste Management Act 1996, and related circulars, the Council is empowered and obliged to pursue illegal holders of waste looking to the potential sanctions available in law to maximise the deterrent factor. In addition, to the recovery of costs, the guidance also provides for the imposition of an additional landfill levy on each tonne of waste and provides that local authorities should, where practicable, pursue civil remedies against illegal operators.

In February 2023, the Council issued an invoice to the mayor for the recovery of legal costs of €39k, incurred in high court proceedings related to this issue. However, an invoice for the remaining balance of approximately €700k, had not been issued up to September 2023, nor had a landfill levy been imposed.

The invoice for legal costs remains unpaid. To date, the Council has not exercised its powers under Section 7 of the Local Government (Financial Provision) (No. 2) Act, 1983 to set off the amounts due against any allowances, payment or gratuity made or due to the mayor by the Council.



## **Chief Executive's Response**

An invoice has now been issued regarding the clean-up, remediation and waste disposal works undertaken by Waterford City and County Council. We are seeking legal advice and guidance from the Department of Housing, Local Government and Heritage in respect of recovery of the monies.

## **8 Approved Housing Bodies**

### **8.1 Approved Housing Bodies / Part V**

At the last audit, I highlighted the requirements of Part V of the Planning and Development Act 2000, and the need to improve Council processes in respect of its responsibilities. I also drew particular attention to the necessity of addressing historical issues and the need to introduce timely actions and more structured reporting including the maintenance of a register or other records to provide the appropriate level of assurance.

There remains a need for the Council to improve its systems of control and management to reduce the risk of reliance on key staff, with an almost exclusively manual system for this complex area of administration. Individual transactions are of high value. More robust controls are required to clearly monitor developments from planning to completion to ensure the transfer of information on each application between the planning, housing, and accounting systems that all use differing identifiers.

## **Chief Executive's Response**

This is a difficult and intricate area of administration for the Council and changing legislation has added further layers of complexity. We do complete regular reviews to maintain control over this activity and will also seek systematic solutions should one be available.

## **9 Planning Contributions Reserves**

The planning contributions reserve increased to €4.1m, comprising deficit of €2.3m and reserves of €6.4m recorded on sixteen separate account codes. The increase in the reserve was attributable to income generated in 2022. I have previously requested management to consider amalgamating the accounting codes while also addressing historical deficits balances, specific risks associated with the special planning contributions and amounts owed to Uisce Éireann. While some progress was made, the matter has not been fully resolved.

## **Chief Executive's Response**

Significant progress has been made and we will work to complete the task in the current year.

# **10 Local Authority Companies**

## **10.1 Interest of Local Authority in Companies and Joint Ventures**

The Council's interest in four companies is shown in Appendix 8 to the AFS, those included are:

- Waterford Treasures at the Granary Limited.
- Waterford Regional Airport PLC
- Swimworld (Waterford) Leisure Limited
- Mount Congreve Trust

These entities are in a variety of legal forms including PLC, DAC, private limited company, and a trust. The Council is not required to consolidate the financial results of these bodies into its AFS. The most recent financial statements available for these companies are noted in the AFS. In addition, to those listed in Appendix 8, the Council also provides supports to other entities including financial contributions, staff resources, premises, and other assistance. One of the main risks to the Council is a loan guarantee that it has underwritten for one of these entities. No modified opinions were issued by the private firms, which separately audited these entities.

## **Chief Executive's Response**

The performance of these entities is monitored by council management. The guarantee mentioned is specific to one entity. The council has a director appointed to the board of this company to ensure its interests are represented and its potential exposure managed.

## **10.2 Mount Congreve Trust (MCT)**

In previous audit reports, I highlighted the general arrangements for the transfer of the Mount Congreve Trust to the Council and drew attention to the annual operational deficits and the risk that separate financial supports provided by the OPW when the Council accepted responsibility could be quickly depleted.

I highlighted the need to develop a business plan that would maintain operations, the properties presentation standards and that would also ensure that the MCT would not place a burden on the Council's finances.

Since that time operational losses have continued and amounted to €286k, in 2022, after State and Council subventions of €600k for the year. In preparing

the financial statements the trust's auditors reported that "it is likely that support will be required from Waterford Council and that the trustees are satisfied that this support will be forthcoming and therefore the accounts of the trust should be prepared on a going concern basis."

Since 2020, the Council has provided over €7.33m of funding to the MCT, mainly in respect of capital upgrades amounting to €6.57m. All elements of the upgrades including procurement and appointment of contractors and consultants was undertaken by the MCT. To date, a reconciliation of amounts advanced to certified expenditure incurred by the trust has not been completed by the Council. This should be completed as a matter of urgency to ensure appropriate oversight and assurance in respect of the funds advanced. The absence of timely reconciliations and relevant documentation is a matter of concern, notwithstanding the close involvement of the Council's technical staff.

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

The redevelopment works were substantially completed in 2022, and the garden was officially opened in March 2023. Several elements remained to be completed and additional funding is expected from Fáilte Ireland to enable this. A full reconciliation of the expenditure and funding will be completed as part of the project completion work.

## **11 Waterford City Enterprise Building**

There was no substantial progress with issues identified at the last audit in respect of the use of this building. At the date of audit, I was advised that the Council does not yet have in place:

- A formal agreement between the Council and company.
- Regular formal reporting for performance, usage, occupancy, or rentals.
- Arrangements for governance, ethics, and conflicts of interest.
- An open procurement process for the management service provided by the company including the retention of rental income.

It is a matter of concern that the Council has not yet finalised appropriate structures to ensure the public interest is safeguarded.

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

A lease for the building is with the solicitors for completion, this contains the requirement for a director to be appointed by WCCC and for a Service Level Agreement to be put in place between the two organisations for the operation of the Enterprise Centre.

## **12 Governance and Propriety**

### **12.1 Governance**

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of the Chief Executive and the elected members to ensure that sound systems of financial management and internal control are in place. According to the audit committee charter, the committee has an independent role to advise the Council on financial reporting processes, internal control, risk management and management's response to audit matters.

### **12.2 Internal Audit and Audit Committee**

The Local Government (Financial and Audit Procedures) Regulations 2014 require local authorities to maintain an adequate and effective system of internal audit of its accounting records and control systems. Internal audit has an important role in providing the Chief Executive, Audit Committee and Members with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements.

The Council's internal audit function comprises three personnel. The annual work plan was approved by the Audit Committee and the Chief Executive. The Internal Auditor reports to the Head of Finance and to the Audit Committee on audit reports issued and on progress with implementing recommendations made. I have taken account of the findings in these reports, where appropriate, during my audit. The section finalised 12 reports and undertook the Public Spending Code review.

The Council's Audit Committee met on a regular basis during 2022, and I attended the December meeting when my audit report on the annual financial statement for the year 2021, was considered.

### **12.3 Ethics Declarations**

Under the Ethical Framework for Local Government, the Council is obliged to maintain an ethics register for Council members and staff. Part 15, of the Local Government Act, 2001, obliges members and designated staff to submit annual declarations of specified interests. Declarations were submitted from all members, but a substantial number of staff (67) did not make the return within the specified time frame and these remained outstanding when I reviewed this area at audit. The relevant report to the Chief Executive, in respect of late returns, had also not been made at that time.

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

It is accepted that there were delays in the completion of the declarations in the current year and a communication failure. The matter has been remedied and all persons requiring to make a declaration under the Act have now done so for the appropriate period.

## **12.4 Prevention and Detection of Fraud**

The Council has a Fraud and Corruption Response Policy document that was last reviewed in 2021. However, it has not formally carried out a fraud risk assessment nor is there a fraud risk register in place. While I acknowledged that there are some mitigations, against fraud in place. There is scope to improve the Council's processes to prevent and detect fraud, in many areas, particularly related to tenancy, procurement and payroll fraud to ensure that they comply with international best practice.

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

This will be considered and reviewed in 2024.

## **12.5 Revenue Intervention**

In late 2022, the Council received notification that the Revenue Commissioners, had decided to carry out a level 1 compliance intervention with the Council in relation to the application of Relevant Contractors Tax on Council acquisition of property units "off plan" and the consequential application of reverse charge tax. The matter is subject to ongoing engagement between the local authority sector and the Revenue Commissioners.

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

This intervention letter was received in October 2022. It was issued to all 31 LA's who collectively engaged PWC to provide technical advice. Discussions on this remain on-going at national level between Revenue and the Local Government sector.

## 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 black ink, appearing to read 'James Moran', with a stylized flourish at the end.

James Moran

Principal Auditor

27 October 2023

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

