

## Vote 25. - Environment and Local Government

### 26. Controls over Local Authority Finances

The Local Government Audit (LGA) service is responsible for the audit of the accounts of all Local Authorities (LAs). The LGA reports are submitted to the Department and to the LAs and form part of the controls exercised by the Department in ensuring that procedures for the spending of public moneys are satisfactory. Copies of the reports on the audits are made available to me and, at 31 May 1998, I had received copies of all 39 LGA Reports for 1995 and copies of 26 of the 1996 reports.

Paragraph 24 of my 1996 Report was concerned about controls over Local Authority finances and in it, I drew attention to certain critical comments made by LGAs which were common to a number of LAs, and which had been adverted to in their 1994 and 1995 Reports. Some £646m was paid to Local Authorities from this Vote in 1997.

My review of the 1996 LGA Reports disclosed that the LGAs still had reservations concerning a number of these matters as follows:

- Expenditure in excess of estimates on various programmes prior to the approval of the LA which, however, was given in most cases in the following financial year or, in a few cases, the year after that. In 19 out of 26 reports examined, this was the case. As stated by the LGAs, these approvals should, where possible, be obtained prior to such over-expenditure or liability being incurred.
- Collection yields in respect of commercial rates, housing rents and loan repayments together with water and service charges continued to be subject to critical comment in most cases (21 out of 26). Some LGAs referred to the statutory abolition of water and service charges with effect from January 1997 as contributing to the arrears situation.
- Unfunded debit balances on capital works where there was no foreseeable prospect of these balances being eliminated from either internal or external sources needed to be addressed.
- Many LAs incurred adverse Revenue Account balances but provision was not made for their elimination in the following year's estimates.
- While internal audit in local authorities is now more widespread than previously, the LGAs noted a significant number where the function was not in place or where it was restricted in operation.

The Department informed me that as part of its ongoing work on developing the value for money agenda in LAs, the Department, in June 1998 commissioned a consultancy study to review the way in which the LGA service can maximise its contribution to this agenda. This study will supplement other work also being carried out in the Department on the modernisation of accounting systems, enhancement of costing systems and development of performance indicators



for the local government sector, all of which is paving the way for securing better value for money performance and measurement in LAs.

## 27. Nugatory Expenditure

Major water supply and sewerage schemes are carried out by local authorities following approval by the Department of Environment and Local Government (the Department). The cost of these works are generally met by the Vote and while the local authority enters into the contractual arrangement, the Department has to approve the contract documents.

The West Wicklow Water Supply Scheme was examined as part of a review of expenditure on these schemes. Departmental papers indicated that:

- In December 1988, the Department of Defence (Defence) gave approval to Wicklow County Council (the Council) to use lands in the Glen of Imaal for site investigation at Knickeen Ford. Also that month, the Council informed the Department that an Order had been made accepting a tender in the sum of £69,584 for the site investigation contract and explained that the contract had to be completed by the end of January 1989 in accordance with an agreement reached with Defence concerning access to the Firing Range which is situated in the Glen of Imaal.
- The Department requested the contract documents for site investigations in February 1989. However, although the documents as submitted in July of that year were deemed to be in order, the Department insisted in November 1989 that the Council re-advertise for the contract. The lowest tenderer at £77,736 was the same firm which had been earlier accepted, but as this firm specified a completion time of 10 weeks to carry out the works and as Defence was prepared to only allow 4 weeks access to the site, the contract was awarded in August 1990 to another firm who submitted the second lowest tender of £82,920.
- The final account for the work, which was carried out in late 1990, amounted to £168,684. The increase was due almost entirely to extra costs on rotary core drilling. The Consulting Engineer on the project stated that "the results of the initial boreholes drilled on site revealed that the underlying rock was more badly weathered and highly variable than expected". The contractor was instructed to drill further boreholes over the site and, due to the time constraints imposed by Defence, the core drilling rig was used for drilling through alternative methods because of its much higher output than the cable tool rigs.
- Consultants' fees and expenses amounted to £83,520 and inhouse technical fees incurred by the Council in the preparation of the preliminary report for the scheme came to £57,402 bringing total fees to £140,922.
- The project was eventually put into abeyance in 1996 after Defence in 1992 had refused to allow the Council to build on its land, as the site chosen by the Council for the construction of a dam would severely restrict military use of the Glen of Imaal as a training area and furthermore the area could not be declared free from unexploded ordnance and would therefore present a safety risk.



- Total expenditure on the scheme funded by the Department amounted to £323,007. This comprised

	£
Site Investigation Contract	168,684
Advertising	1,419
Technical Fees - Council	57,402
Consultant Engineers' Fees and Expenses	83,520
Materials	6,018
Plant and Machinery	2,975
Stationery, Ordnance Survey Maps etc.	2,777
Miscellaneous Expenses	212
<b>Total</b>	<b>£323,007</b>

Public financial procedures require the noting in the annual Appropriation Accounts of losses in the nature of payments for which no value has been obtained by the Department concerned. As it appeared to me that this case could be regarded as falling into that category I asked the Accounting Officer why the 1996 Appropriation Account for the Department was not noted to this effect.

The Accounting Officer informed me that:

- In the normal course, the outcome of site investigations will enable aspects of a project to be designed and constructed in the most economic manner possible. It is inevitable, however, that there will be some instances where site investigations reveal that it would be uneconomic, or simply impractical, to proceed with a particular project. In these circumstances, he could not accept that site investigation costs must be classified as nugatory expenditure where the results of the investigation give rise to a project, or one aspect of it, being abandoned.
- He accepted that the case of the West Wicklow Water Supply Scheme is complicated by fundamental issues relating to the intrinsic suitability or otherwise of the Knickeen Ford site. In this context, the view of Defence and the military authorities go to the heart of the matter. At no stage prior to October 1992 was the Department or (to the best of its knowledge) the Council aware of the strong objections of Defence or the Army to development of the Knickeen Ford site as a supply source.
- The Knickeen Ford site was, and continues to be, the supply source which offers the best potential in terms of economic and civil engineering criteria. Bearing in mind that Defence agreed to the site investigations in 1988 and in 1990, it is considered that neither the local authority nor the Department had any reason to entertain reservations about expenditure incurred on the site investigation works.
- Departmental checks had not uncovered any instances in other schemes or programmes where nugatory payments occurred.



The Accounting Officer also informed me that Wicklow County Council is exploring options in relation to an alternative source for the scheme, but to date no economic or other suitable alternative has been identified.

I also sought the views of the Accounting Officer of the Department of Defence who informed me that:

- In 1984 the Council approached Defence with a proposal to abstract water from a number of points in the Glen of Imaal. Permission was granted to carry out the necessary surveys but since intake points were on land where artillery firing was taking place, Defence suggested that the Council might instead take additional water from their existing water scheme at Coolmoney Camp which is currently supplying approximately 35 local households.
- The Council informed Defence in 1987 that a new scheme was being considered which would involve the construction of a new dam. Following a survey by the Consulting Engineers, permission was given to the Council to construct and maintain a flow gauging station on the Knickeen River which is on Defence lands. Further permission for site investigations was granted in 1988 subject to the condition, *inter alia*, that it was being granted 'without prejudice to any further facilities which may be required in connection with the next phase of the water supply scheme in question' and this was accepted by the Council.
- When in 1992 the Council sought permission for further site investigation to establish the likely consequences for the area should a dam be installed, Defence outlined its fundamental objections to the building of an impoundment dam in the area chosen.
- At meetings held since 1984 with Defence personnel the Council representatives have been made aware of the dangers from unexploded ordnance in the ground and safety restrictions on military and civilian personnel entering the area were emphasised at all times. In this regard it should be noted that 3 children were killed in the Glen of Imaal in an accident involving an unexploded ordnance in April, 1979. Following the accident, a committee which was appointed to investigate the circumstances of the accident and which subsequently produced the Crean Report, included a representative of Wicklow County Council. Safety measures recommended in this Report continue to be implemented by Defence.

## **28. Motor Vehicle Duties**

Up to and including 30 June 1997, local authorities (LAs) collected motor tax and driving licence fees in their capacity as licensing agents, lodged the proceeds to local motor tax bank accounts and from there transferred them to the central motor tax account in the Central Bank. LAs could deduct expenses incurred by them in the administration and collection of the tax before lodging the net proceeds.



The gross amount collected up to 30 June 1997, in respect of motor tax and driving licence fees was £160m with £6.6m being deducted for administration and collection expenses by the LAs.

The motor tax accounts of the LAs are audited by the Local Government Auditors (LGAs) whose reports are made available to me. My audit of motor tax revenue is limited to a test check of the transactions on the central motor tax account. I rely on the LGAs' examination for assurance that proper procedures for assessment, collection and bringing to account of motor tax revenue are being operated by the LAs. For the year ended 31 December 1997, 4 LGA reports (of a possible 29) were available to me. From a perusal of these reports, in my opinion there is nothing material on which I need to report to Dáil Éireann.

Driving test fees, which are paid to the Department, amounted to £3.7m for all of 1997 and were appropriated in aid of the Vote.

The Local Government (Financial Provisions) Act, 1997, gave effect to the new local authority funding arrangements from July 1997. In addition to abolishing the power of LAs to levy charges for the provision of a domestic water supply and sewage disposal facilities, and terminating the Rate Support Grant, it assigned LAs the proceeds of

- Motor Taxation
- Driving Licence Fees
- Miscellaneous Fees and Duties

From 1 July 1997, LAs were required to pay the sums collected in respect of these items, apart from 80% of tax on cars and motor cycles, into an Equalisation Fund which was established with effect from that date for the purpose of assisting less well-off LAs in their efforts to provide services at levels comparable with the financially stronger authorities. In addition, the central motor tax account was closed and all moneys in the account were transferred to the Equalisation Fund, which is maintained in a commercial bank. The amount transferred into the Equalisation Fund by LAs in 1997 was £47.8m while £51.2m was also transferred from the Central Bank, being the balance due from the central motor tax account at 1 July 1997. Interest received accounted for a further £160,000.

Payments from the Equalisation Fund in the period 1 July 1997 to 31 December 1997 totalled £89.4m comprising

	£
<b>Payments to LAs</b>	
Payments in lieu of Rate Support Grant	83,476,108
Group Water Scheme Administration	1,500,000
Rates forgone on Diplomatic Premises	314,294
Refunds of Overpayments by LAs	251,417
<b>Other Payments</b>	
Vehicle Registration Unit Administration	3,845,000
Deposit Interest Retention Tax and Stamp Duty	41,547
	<b>£89,428,366</b>

The system falls to be further reviewed with effect from 1 January 1999 under the provisions of the Local Government Act, 1998.