



Rialtas na hÉireann
Government of Ireland

LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Roscommon County Council

for the

Year Ended 31 December 2019

Department of Housing, Local Government and Heritage

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CONTENTS

AUDITOR'S REPORT TO THE MEMBERS OF ROSCOMMON COUNTY COUNCIL	1
1 Introduction	1
2 Non – adjusting post balance sheet event – COVID-19	1
3 Financial Standing	2
3.1 Statement of Comprehensive Income	2
3.2 Statement of Financial Position	3
3.3 Members' Approval	3
4 Income Collection	3
4.1 Summary of Income Collection	3
4.2 Rates.....	4
4.3 Housing Rents and Annuities	4
4.4 Housing Loans	5
4.5 Exchequer Funding.....	5
5 Irish Water	6
5.1 Transfer of Water and Sewerage Functions	6
5.2 Transfer of Assets to Irish Water	6
6 Fixed Assets.....	6
6.1 Fixed Asset Records	6
6.2 Registration of Rights of Way and Other Easements.....	6
7 Capital Account	7
7.1 Capital Account Overview	7
7.2 Capital Account - Credit Balances	7
7.3 Capital Account - Debit Balances	8
8 Loans Payable.....	8
8.1 Loans Payable.....	8
9 Development Contributions	9
9.1 Development Contributions.....	9
10 Procurement	9
10.1 Procurement Controls.....	9
10.2 Prompt Payments.....	10
11 Local Authority Companies	10
11.1 Council's Interest in Companies.....	10
11.2 Roscommon Leisure Centre	10
11.3 Moylurg Rockingham Limited	11

11.4	Back Lane Management Limited.....	11
12	Governance and Propriety	11
12.1	Internal Audit Unit	11
12.2	Audit Committee	12
12.3	Ethics Returns	12
12.4	Donation Returns	12
13	Creditors.....	13
13.1	Trade Creditors	13
14	Other Matters	13
14.1	Unfinished Housing Developments.....	13
	Acknowledgement	14

AUDITOR'S REPORT TO THE MEMBERS OF ROSCOMMON COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of Roscommon County Council for the year ended 31 December 2019, 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 2019 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 9 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 Non – adjusting post balance sheet event – COVID-19

In accordance with Circular Fin 05/2020, the local authority has included a note in their Annual Financial Statements (see note 23) in relation to COVID-19. This note refers to the impact of COVID-19, a non-adjusting post balance sheet event, and describes the uncertainty faced by the local authority as a result.

Whilst my opinion is not qualified as a result of the uncertainty, I have included an Emphasis of Matter paragraph.

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities post year-end. This has resulted in a reduction in, and uncertainty of, various income sources, together with increased levels of spend. Reductions in income have also had a bearing on the cash flow of the local authority and the ability to deliver services.

The local authority has taken a number of steps to address these both at local and national level including:

- Advising businesses of their entitlements under the various government schemes, principally the Re-Start Fund. The Council estimates that €8.1m will be channelled to local businesses under this initiative.
- Applying the nine month commercial rates waiver to qualifying ratepayer accounts and claiming the credit in lieu from government funding. The Council estimates this will entail waivers totalling €3.9m being passed on to eligible businesses in the county.
- Participation in the submission of acute financial management reports, to advise the Department of Housing, Local Government and Heritage (the Department) of likely shortfalls in Council income (currently estimated at €170k) and estimated increased Council expenditure (currently estimated at €650k) throughout 2020.
- Providing a further €0.5m reserve against rate debtors in the 2019 AFS.
- Ongoing reviews of 2020 expenditure and notification of agreed remedial actions to budget holders where appropriate to minimise budget over runs.
- Ongoing focus on the digital transformation process by the Council, to streamline electronic services provided to members of the public.
- Preparation of the 2021 budget on the basis outlined by the Department.
- Facilitating remote working by staff at an estimated cost of €300k and the provision of an additional €100k support to Roscommon Leisure Centre. These costs are reflected in the figures notified in the acute financial management reports referred to previously.

Due to the existing government supports and the actions taken by management throughout the current year, it is not anticipated that the Council will experience a significant deficit in 2020. However the impact of COVID-19 may have significant ramifications for future years, particularly if the existing government supports do not continue beyond 2020.

Chief Executive's Response

Central government support during the pandemic was essential, allowing Re-Start grants to be allocated to businesses and providing direct funding to the Council in regard to the Rates Waiver Scheme and meeting a shortfall in income from goods and services as well as additional expenditure associated with PPE equipment and remote working.

Financial reports were provided to Members at regular intervals throughout 2020, informing them of the Council's up to date financial position and allowing them in partnership with the Executive to make timely decisions to ensure the financial position of the Council was protected.

Due to the combination of government support and prudent management of finances, the Council will deliver a balanced budget for 2020 and in November 2020 was in a position to reinstate the General Municipal Allocation (GMA) of €255k.

The Council in partnership with the County and City Managers Association (CCMA) will continue to liaise with Department of Housing, Local Government and Heritage (DHLGH) to ensure services within Roscommon are maintained in 2021 as they were in 2020.

3 Financial Standing

3.1 Statement of Comprehensive Income

The Council recorded a surplus of €12k for the 2019 financial year. This was after net transfers to reserves of €3.8m. The Council had a positive cumulative balance of €202k on the revenue account at 31 December 2019.

3.2 Statement of Financial Position

The Council continued to record a stable financial position at the end of 2019. Both the Council Members and the Department gave approval for an overdraft facility of €6m for the year, which was not required. The Council continued to invest surplus funds with the Housing Finance Agency (HFA) throughout 2019 to minimise the negative interest charges being applied by the bank.

In common with most local authorities, the Council's net assets consisted in the main of fixed assets. Fixed assets increased by €5.4m in the year primarily due to expenditure of:

- €1.5m on an extension to the Arts Centre
- €1.4m on new plant and equipment and
- €4.7m on the acquisition of 28 housing units.

These increases were offset by asset disposals including the disposal of 15 houses, which had previously cost the Council €1.8m, along with the disposal of land and equipment.

Chief Executive's Response

The comments are welcome in relation to the Council's stable financial position.

New improved treasury management monitoring procedures ensured interest charges were minimised.

The Council with support of central government grants and match funding provided by Elected Members, will continue to invest in infrastructural assets for the citizens of the county and progress the construction of houses to meet targets identified as part of the Rebuilding Ireland Programme.

3.3 Members' Approval

At their May 2020 monthly meeting, the Council Members approved the draft financial statements, the over expenditure in the year as outlined in note 16 to the AFS and the transfers to / from reserves.

4 Income Collection

4.1 Summary of Income Collection

A summary of the main collection yields and the corresponding debtors, along with prior year comparatives, are as follows:

Income Source	Yield %		Debtors	
	2019	2018	2019	2018
Rates	89%	86%	€1,358,168	€1,906,949
Rents and Annuities	91%	92%	€474,828	€414,000
Housing Loans	76%	55%	€120,379	€139,376

4.2 Rates

The Council achieved a 3% improvement in rate collection yield during 2019, exceeding the target set by the County and City Management Association (CCMA). The cash collected from rates increased by €95k, with the applicable debtors reducing by €0.5m in the year.

As outlined in last year's audit report, 2018 was the first year that the rate charges for Roscommon were impacted by the revaluations carried out by the Valuation Office. These revaluations have resulted in a significant number of appeals being referred to the Valuation Tribunal. To date these appeals have resulted in reduced rate charges in virtually all cases, as reflected by the €584k written off in the year recorded in Appendix 7 to the AFS.

A review of €1.4m of rate debtor account balances at the end of 2019 found approximately 38% were performing, 36% were the subject of legal action, 3% were for write off and the remaining 23% were uncertain due to COVID-19.

As a consequence of both these appeals and the advent of COVID-19 since the year end, the Council considered it prudent to make a further €0.5m provision for this income stream. I have reviewed this provision and deem it to be prudent given the uncertainty currently prevailing.

Chief Executive's Response

The reduction in debtors of €0.5m in the year, followed a trend over a number of years of improved performance in this collection area. However, due to the pandemic this trend is unlikely to continue in 2020.

The collection target of 87% for 2019 as set by the CCMA National Rates Working Group, was surpassed by 2% with a collection rate of 89%.

Rates are an important income source for the Council and all outstanding debt will be actively pursued up to and including legal action to ensure funding is available to provide services to the citizens of Roscommon.

4.3 Housing Rents and Annuities

The rent and annuity collection yield declined marginally to 91% during 2019 despite which the cash collected increased by €536k. The Council continues to be amongst the better performing local authorities in relation to this income stream.

A review of €124k (20%) of rent debtor accounts at the year end found 55% were performing with a further 5% for write off. The remaining 40% were not performing. However of those classified as not performing, two thirds were engaging with the Council to address the issue.

As with other sources of income, housing rental income is likely to be impacted severely by the COVID-19 outbreak in 2020. I have reviewed the bad debt provision made for this income stream and deem it adequate.

Chief Executive's Response

During 2019 the maximum rent threshold was removed, which led to a fairer more equitable calculation for households and increased income.

As highlighted in the report the Housing Unit is one of the best performing local authorities in

relation to the collection of rent. This is due to regular monitoring of accounts and intensive engagement with customers, with the aim of maximising income to reinvest in the housing stock.

Collection rates have held up in 2020, but this is due in part to the Pandemic Unemployment Payment (PUP), which is due to be unwound in the first quarter of 2021 and could potentially impact on collection rates. This has already been signaled to Elected Members in financial reports presented during 2020.

4.4 Housing Loans

During 2019 the Council's collection level for housing loans improved substantially to 76% (from 55% the previous year). This improvement was the result of the 12 new loans issued under the Rebuilding Ireland Home Loan initiative, which has strict monitoring and enforcement criteria in the case of non-performance. The collection level continued to be negatively impacted by historic debts however a substantial provision has been made against these, which is deemed prudent given the circumstances and the period some of these debts remain outstanding.

Chief Executive's Response

The loans issued under the Rebuilding Ireland Home Loan Initiative are performing well and the Council is in compliance with Circular 28/2019.

In previous reports I highlighted the issue of loans advanced during the 1980's and 1990's. In certain cases, the occupiers of the houses have complex needs which must be taken into account when coming to a decision, as to either initiate legal action or wait for ownership of the house to pass to the Council upon bereavement of the occupier due to the fact that the Council maintains an interest in the property.

4.5 Exchequer Funding

Roscommon County Council continues to be reliant on government funding for a substantial portion of its revenue income, as outlined in note 15 to the AFS. Grants and subsidies amounted to €24.5m (38% of revenue income), with local property tax (LPT) accounting for a further €10.2m (16% of revenue income).

Roscommon County Council is a net beneficiary of the LPT equalisation fund, with €7m of its LPT income coming from this source. Consequently the Council's cash flow is highly reliant on this funding and sensitive to any proposed changes in how this funding is distributed.

Chief Executive's Response

The Council are especially sensitive to any change in Local Property Tax, with the €7m provided through the equalisation fund and 15% variation to the basic rate as agreed by Elected Members, needed to maintain services.

The "Programme for Government – Our Shared Future", will remove equalisation funding which will be replaced by exchequer funding. It is important that if all money collected locally is retained within the county it is collected, the Government provide a mechanism to ensure Roscommon does not receive reduced funding.

5 Irish Water

5.1 Transfer of Water and Sewerage Functions

All functions relating to the provision of water and sewerage, other than rural water schemes, transferred to Irish Water (IW) from 1 January 2014, with a twelve-year service level agreement signed between the parties on 31 December 2013. During 2019 the €6.4m costs incurred by the Council relating to the provision of services under the terms of this agreement were recouped, as reflected in Appendix 4 to the AFS.

Chief Executive's Response

Noted. Discussions are taking place under the auspices of the Workplace Relations Committee (WRC) regarding the Irish Water Transformation Programme, which will lead to the end of the service level agreement and Irish Water becoming a single public utility.

5.2 Transfer of Assets to Irish Water

The process of transferring the 211 identified water-related assets to IW remains ongoing. To date 181 assets (86%) have transferred in full or in part, or are ready to transfer. The remaining 30 assets have ownership issues and need to be firstly registered in the Council's name with the Property Registration Authority (PRA), to enable their subsequent transfers to IW.

Chief Executive's Response

This work is on-going and as with any legal process it can take some time to complete.

6 Fixed Assets

6.1 Fixed Asset Records

Since the previous audit, progress has been made in relation to the recording and verification of the Council's portfolio of fixed assets. All sections within the Council have been circulated with a list of fixed assets attributed to them. Currently, there are two sections for whom returns remain outstanding. I am advised that both of these sections are in contact with the Asset and Energy Management Unit and have significant work completed in relation to their respective returns.

Once all returns have been received, it will be possible to finalise a composite list of the Council's fixed assets and cross check this list to all other registers, including the insurance register and the land register. It is hoped to have this reconciliation completed by the end of 2020 and this will be a welcome development.

Chief Executive's Response

This area of work has been greatly advanced over the last year and the aim is for it to be completed in 2021.

6.2 Registration of Rights of Way and Other Easements

The need to ensure that all rights of way and way leaves have been properly registered was flagged in previous audit reports. In December 2019 the management team were updated

on this matter and how it might be progressed. This exercise needs to be followed up through the various directorates, to ensure all such entitlements are identified and that the necessary work is completed to enable registration of title by the specified deadline. To date, the resources required to ensure that this happens have not been allocated.

Chief Executive's Response

As documented in the 2018 report, my aim is to complete this work in the medium term as this exercise is intensive and as Chief Executive I must balance the resources of the organisation to ensure the delivery of services.

7 Capital Account

7.1 Capital Account Overview

The capital account recorded a net credit balance of €22.2m at the end of 2019 as reflected in note 11 to the AFS. This represents an increase of €3.2m in the year. The component parts of the closing balance are reflected in notes 2 and 10 to the AFS and details of the income and expenditure in the year are outlined in note 11.

Three quarters of the monetary transactions in the capital account during 2019 related to road and housing projects. Capital expenditure (net of transfers) in the year totalling €40.9m, of which the largest projects were:

Project	Expenditure in Year
Purchase and construction of houses	€8.0m
N5 Ballaghaderreen to Longford road works	€6.4m
N60 Oran Realignment Road Project	€5.6m
Various other road projects	€4.0m
Pavement / footpath works	€2.4m
Housing grants	€1.4m
N61 Coolteigue phase 1 realignment	€1.3m

7.2 Capital Account - Credit Balances

The Council had 172 credit balances valued at €24.7m included in the Capital Income and Expenditure Account at the end of 2019. In summary these included:

- €14m funding for specified jobs, notably: (i) €4.8m for road projects, (ii) €3.3m for land purchases and projects requiring matching funding, (iii) €2.8m for housing projects and (iv) the remaining €3.1m was earmarked for various other capital jobs.
- €2.8m reserves, consisting mainly of: (i) €1m provision for rate valuation appeals, (ii) €0.6m provision for RAS, (iii) €0.5m provision for footpath remediation works, (iv) €0.5m provision for future election costs.
- €2.8m relating to development levies. These funds can only be applied to jobs once the amounts due have been collected and can only be allocated in accordance with terms and conditions of the development contribution scheme adopted by Council.
- €2.3m funding drawn down to remediate unfinished housing developments.
- €1.1m net due from Moylurg Rockingham Ltd. This consisted of the €2m loan provided to the company on its commencement less €0.9m, which is the Council's portion of the company's accumulated losses from early years. These transactions are discussed further in paragraph 11.

- €0.7m of refundable amounts, namely RAS deposits and Road Opening Licences.
- €0.4m Non-Principal Private Residence (NPPR) income due in instalments.

The €0.6m balances remain available for allocating to specific project(s).

Chief Executive's Response

The Capital Account continues to report a healthy position. Extensive work was undertaken during 2018 and 2019, leading to the closure of many job codes and the redistribution of funds to meet costs associated with projects linked to improving infrastructure and increased economic activity in our towns and villages.

7.3 Capital Account - Debit Balances

There were 75 job codes recording €2.5m debit balances at the end of 2019. While most of these represent ongoing jobs that will be funded as the project advances, the following issues were identified:

- €117k expenditure has been incurred since 2016 in relation to an unfinished housing development for which the applicable bond remains due to the Council.
- €92k expenditure has been incurred since 2018 in relation to pavement design and contract documents. This has not been funded to date and consequently appears unlikely to be funded by Transport Infrastructure Ireland.
- €139k was spent in 2009 on a public private partnership (PPP) housing scheme. This expenditure can only be recouped once the project commences. Cork County Council has been appointed the lead authority nationally in relation to PPP projects and is conducting a procurement process to advance these. No change in this project code has taken place since the matter was raised in the last audit report.
- €103k remains unfunded in relation to an affordable house project. These properties were funded through bridging finance as outlined in paragraph 8 and are currently leased to an approved housing body (AHB). This balance and the €0.7m bridging loan have no funding source until these properties are sold. No change in this project code has taken place since the matter was raised in the previous audit report.

Chief Executive's Response

The Council is actively pursuing the bondholder for the €117k identified in the report. Unfortunately due to many financial institutions selling-on financial instruments the process is complex and time consuming.

The transaction relating to the amount of €92k is a timing difference.

The €139k associated with the PPP contract is currently under negotiation with DHLGH as these costs were incurred prior to the contract being signed.

As documented in the report no change will occur regarding the transaction of €103k until the properties are sold.

8 Loans Payable

8.1 Loans Payable

At the end of 2019, loans of €30m were payable by the Council as outlined in note 7 to the

AFS. This balance consisted of:

- €23.6m non-mortgage loans - the Council funded the €825k repayments of both interest and principal for these loans in the year from revenue income. This balance consisted of €20.3m to fund the corporate headquarters and €3.3m to fund historic capital balances.
- €3.2m non-mortgage loans - the Department funded the repayments of both interest and principal for these loans at a cost of €387k in the year. This balance consisted of €1.8m water loans and €1.4m voluntary housing loans to AHBs.
- €2.5m mortgage loans - housing customers funded the repayments on these loans.
- €0.7m non-mortgage loans - the Department funded the €9k interest only repayments for these bridging loans in the year. These loans relate to unsold affordable housing units, currently leased to AHBs.

Chief Executive's Response

Noted.

9 Development Contributions

9.1 Development Contributions

At the end of 2019 development contribution debtors had decreased to €5.5m, due in the main to €0.7m of write offs in the year where the applicable planning permissions had expired without development having commenced. A review of €3m development contribution debtors at the end of 2019 found €175k required follow up action by the Council to bring these matter to a resolution.

Chief Executive's Response

The follow up action relating to the debtors totalling €175k has commenced and will result in a mixture of some cases being referred for legal action and others written off.

10 Procurement

10.1 Procurement Controls

Controls over the procurement process were further strengthened by the Council since the previous audit report. Additional staff resources have been allocated, enabling enhanced controls and ongoing reporting to the management team by the unit. A corporate procurement plan 2019 - 2021 was adopted during the year and the composite policies and procedures document referred to in last year's audit report as being required, is currently being drafted. It is anticipated that this document will be in place by the end of 2020.

Chief Executive's Response

The Procurement Unit is now fully staffed allowing new control measures to be introduced, which in turn have improved compliance throughout the organisation.

The Digital Transformation Programme has also enabled new processes to be embedded within the Council's Financial Management System (FMS) leading to improved contract management.

10.2 Prompt Payments

Throughout 2019, the Council paid 95% of all invoices (these accounted for 97% of the invoice values) within 30 days, which represented a further improvement over the previous year. Once paid within 30 days, no interest or penalties arise under the prompt payment legislation. Details of the Council's payment practices were reflected in the Council's 2019 Annual Report, as required by Section 12 of the Prompt Payment of Accounts, 1997.

Chief Executive's Response

Noted.

11 Local Authority Companies

11.1 Council's Interest in Companies

As identified in Appendix 8 to the AFS, the Council had three companies in which it recorded an interest during 2019. These were:

- Roscommon Leisure Centre Ltd
- Moylurg Rockingham Ltd
- Back Lane Management Ltd.

Audited accounts and all requested documentation for these three companies were made available to me in the course of the Council's audit.

The Council did not prepare consolidated accounts in relation to these companies, as it availed of the materiality exemption permitted under the Code of Practice. Instead, the Council treated all three companies as associate companies, in accordance with the Code.

11.2 Roscommon Leisure Centre

Throughout 2019 Roscommon Leisure Centre Ltd (RLC) remained a wholly owned subsidiary of Roscommon County Council.

The Council provided €246k subvention to this company (in 2018 the subvention was €226k), despite which the company recorded a deficit of €1.8k in the year. This company had incurred €214k accumulated losses to the end of 2019, as well continuing to owe a €198k loan to the Council, both of which were reflected in note 3 to the Council's AFS.

The auditor's report for RLC included a paragraph outlining the material uncertainty related to going concern for this company. This drew the reader's attention to the company's accumulated losses and the fact that the company's liabilities exceeded its assets at the end of 2019. Despite this, the audit opinion was not qualified based on undertakings given by the Council to continue to support this entity.

Chief Executive's Response

The Executive and Elected Members are committed to supporting RLC as it provides significant value and health benefits to the local community.

11.3 Moylurg Rockingham Limited

Throughout 2019 Moylurg Rockingham Ltd (MRL) remained 50% owned by Roscommon County Council. Similar to recent years, this company did not require any subvention from the Council during 2019 and recorded a profit of €66k for the year (the profit was €183k for the previous year).

The Council's 50% share of the reserves at the end of 2019 amounting to €694k, which along with the €3k working capital loan repayable to the Council from this company, were reflected in note 3 to the Council's AFS.

Included in note 5 was the €2m loan repayable by MRL to the Council, reduced by the Council's portion of the accumulated losses incurred by MRL for the years 2005 to 2012 inclusive. This net balance should be recorded in note 3 for future years, unless there is agreement to repay these amounts within the following twelve months.

As was the case previously, the auditors of MRL recommended that the joint venture agreement needed to be updated, particularly in relation to the €2m loan from the Council. I recommend that this review should be addressed as a matter of priority, with both the loan and the treatment of the accumulated losses from the early years of the company's existence being renegotiated.

Chief Executive's Response

The net balance due to the Council will be recorded in note 3 of the 2020 accounts.

The Council agree that there is a need to update the joint venture and will aim to address this issue in 2021 with Coillte as part of the overall masterplan for the venture.

11.4 Back Lane Management Limited

During 2019 the Council continued to own 50% of Back Lane Management Limited (BLM). Despite this, no Council representative was listed as a director of this company in its audited accounts. The Council needs to address this situation to ensure that it can meet its obligations as a public body to exercise due corporate governance over all business entities in which it has an interest. I note from the audited accounts supplied, that the annual income and expenditure of this company was not material.

Chief Executive's Response

The Council will enter into discussions with BLM in quarter 1 of 2021 around issues such as corporate governance. However, as noted in the report and outlined in Appendix 8 of the AFS, the company does not form a material element of the Council's operations.

12 Governance and Propriety

12.1 Internal Audit Unit

The Internal Audit Unit (IAU) was staffed for approximately half of 2019. This inevitably impacted on the amount of work undertaken during the year, with two reports and a review of the 2018 public spending code being completed.

Management needs to ensure that adequate resources are provided to the IAU, to ensure

that it can continues to provide the necessary assurances to both management and the Audit Committee on an ongoing basis.

Chief Executive's Response

The IAU is now operating at full capacity.

12.2 Audit Committee

The Audit Committee held three meetings in 2019, one prior to and two post the local elections in May 2019. Consequently the Council failed to meet the requirement to hold four meetings in the year. I attended the meeting on 14 November 2019 to discuss my 2018 audit report, following which the Audit Committee submitted their report to the Council Members as required under Section 60 of the Local Government Reform Act, 2014. This was adopted at the Council's November 2019 meeting. The Committee also prepared their 2019 annual report which was adopted at the Council's July 2020 meeting.

Chief Executive's Response

Noted. As highlighted, it was an election year, which resulted in the need for a new Audit Committee to be formed with different members, in line with good corporate governance.

12.3 Ethics Returns

A review of the ethics returns for 2019 found that:

- Ethics returns were submitted after the cut-off date by: (i) three Councillors and (ii) fifty one staff members.
- Ethics returns with blank sections were accepted in relation to: (i) three Councillors and (ii) two staff members.

It was established that some of the staff members making late ethics returns were not legally required to make any such return and should not have been requested to do so. The system of identifying applicable staff members for ethics return purposes needs to be reviewed and procedures amended where appropriate for future years.

Chief Executive's Response

Standard Operating Procedures have been reviewed and updated in order to address the issues identified and to prevent a recurrence of similar issues in future.

12.4 Donation Returns

Under S19(2) of the Local Elections (Disclosure of Donations and Expenditure) Act, 1999 the Council is required to publish, within 14 days, details of where members of the public may view donation returns made by Council Members. No evidence could be supplied in the course of the audit that this advertisement was placed in relation to the 2019 annual donation returns. Furthermore, four former Councillors were not requested to make a donation return for 2019.

Chief Executive's Response

Standard Operating Procedures have been reviewed and updated in order to address the issues identified and to prevent a recurrence of similar issues in future.

13 Creditors

13.1 Trade Creditors

The trade creditor figure at the end of 2019 included €500k that remained unpaid at the time of audit. Of this €383k was withheld pending the correction of defects and the balance of €117k related to ongoing works. These invoices had been received, processed and receipted on the system prior to the end of 2019 consequently these amounts were included in the 2019 AFS. However as the work was either not completed or not completed to a satisfactory standard, the payments were then parked and remained unpaid at the time of the review, some seven months later.

While these transactions relate to capital works and therefore have no impact on the revenue account, they circumvent basic controls built into the accounting system. They potentially expose the Council to the risk of loss, as a payment could be released in error prior to the receipt of the goods / services. The practice also represents a breach of both the Department's Code of Practice (accruals concept) and funding agreements that state that claims should only be made for expenditure incurred. This matter remains ongoing despite being highlighted in previous audit reports. The reason for the practice is to enable the Council to draw down grant allocations from funding bodies by the year end, without spending the funds within the financial year. This matter needs to be addressed with the applicable funding authorities and their written agreement to advance drawdowns should be available for future audits.

Chief Executive's Response

As highlighted in previous audit reports, this issue is not unique to Roscommon County Council and requires a whole government approach / resolution. There is a conflict between the local authority accounting system which is based on accrual accounting and funding departments that operate on a receipts and payment basis.

The Council has a contractual obligation to discharge amounts as they fall due and grant allocations were drawn down as directed by funding departments.

14 Other Matters

14.1 Unfinished Housing Developments

At the end of 2019 there were 117 unfinished housing estates, consisting of 2,664 housing units in the county (in 2018 there were 149 estates with 3,393 housing units). This represents a welcome reduction in the year.

At the end of 2019, the Council had:

- Received €4.2m from bonds drawn down in relation to 43 estates of which €1.8m remains unspent to date.
- Cash bonds for 23 estates worth €805k.

Remediation works costing €713k were carried out by the Council on these estates during 2019, all of which was funded from bonds previously received.

Chief Executive's Response

The reduction of unfinished estates is not only a positive for the residents living in those

estates, but also improves the built environment of Roscommon as a whole.

Both financial and human resources have been allocated to this area of work for a number of years. This will continue into the future as the Council aims to reduce the number of unfinished estates in the county.

Acknowledgement

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



Mary Kearney

Local Government Auditor

3 December 2020

housing.gov.ie

