



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Roscommon County Council for the Year Ended 31 December 2022

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
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Auditor's Report to the Members of Roscommon County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Roscommon 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 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 Financial Standing

2.1 Statement of Comprehensive Income

The Council recorded a surplus of €26k in 2022, after net transfers to reserves of €6.2m. At 31 December 2022, the Council had a positive cumulative

balance of €0.27m on the revenue account.

2.2 Statement of Financial Position

The Council continued to record a stable financial position at the end of 2022.

The commercial banks ceased charging negative interest on balances in excess of €1m during 2022, as a consequence the balance held by the Council in the current account had increased substantially by year end.

In common with most local authorities, fixed assets accounted for most (98%) of the Council's net assets at the year end. Fixed assets decreased by €2.7m primarily due to:

- The disposal of 21 housing units that cost €2.9m. 17 of these disposals were under the Tenant Purchase Scheme, with the remaining 4 demolished to provide a site for a new housing development.
- The removal of 12 buildings costing €1.5m. These were identified as part of the fixed asset review referred to in paragraph 5.1, which was completed in early 2023. These properties had been disposed of in previous years, but had not been removed from the fixed asset register.

Offset against these disposals, was the acquisition of 10 housing units at a cost of €1.3m.

2.3 Members' Approval

The Council Members approved the 2022 draft financial statements, the over expenditure in the year as outlined in note 16 and the transfers to / from reserves as outlined in appendix 9 to the AFS, at their monthly meeting on 24 April 2023.

2.4 Reliance on Government and LPT Funding

Roscommon County Council continued to be reliant on government funding, which accounted for 58% of its revenue income during 2022. Note 15 to the AFS highlighted that of €73.9m total revenue income, €31.9m came directly from grants and subsidies and a further €10.8m came from local property tax (LPT). Similar to previous years, Roscommon County Council was a net beneficiary of the LPT equalisation fund, with €7m of the €10.8m received coming from this source.

For 2022 the Council continued to adopt a resolution to vary the basic rate of LPT upwards by the (15%) maximum variation permitted.

Chief Executive's Response

The Council is heavily reliant on government funding and this is in line with previous years.

The Council is especially sensitive to any changes in Local Property Tax. The county receives €7m in equalisation funding. This funding is needed to maintain essential services in the county. The 'Programme for Government – Our Shared Future' has been implemented in 2023 with equalisation funding being replaced by exchequer funding.

The 15% variation of LPT is retained within the county and helps to attract inward investment in the county and provide services for the citizens. This 15% uplift is in place for 2023 and 2024.

3 Income Collection

3.1 Summary of Income Collection

A summary of the main collection yields and the debtor balances for the current and previous years reflected in the AFS are as follows:

Income Source	Yield %		Debtors @ Year End	
	2022	2021	2022	2021
Rates	89%	89%	€1,343,850	€1,232,568
Rent and Annuities	91%	93%	€524,603	€370,508
Housing Loans	71%	65%	€135,470	€136,487

These income streams are discussed in detail below.

3.2 Rates

The rates collection level outlined in Appendix 7 to the AFS was unchanged at 89% for the year and the Council continued to grant a full refund of rates for vacant properties.

The debtor balances on rate accounts increased by €111k in the year, despite the fact that 46% of these accounts were overpaid to the value of €266k. I reviewed all debtor accounts with balances in excess of €15k. This review found that of the balances due to the Council, nearly 2/3rds have been paid since the year end. Of the remaining 1/3rd, 28% have agreements in place regarding payment terms, 4% are for write off, 27% have legal action initiated by the Council, with the remaining 41% being pursued by the Council.

Chief Executive's Response

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 County Roscommon.

3.3 Rents and Annuities

The Council recorded a 91% collection level in relation to the rents and annuities income stream, a 2% reduction in the year.

Rent debtor balance increased by €154k in the year, despite 59% of rent clients having credit balances totalling €242k on their accounts at the year end. A review of all debtor balances in excess of €8k due to the Council, found that 43% were performing or engaging with the Council in relation to payment of their debt and charges have been registered in favour of the Council against a further 8% of the balance. Of the remaining cases, 18% were being addressed through the Mortgage Arrears Resolution Process (MARP), 12% were referred to the Council's legal representatives, with the remaining 19% not engaging with the Council in relation to the payment of arrears.

The Council conducted a rent review of all Council tenants in 2022 / 2023 by municipal district (MD), which entailed approximately 1,400 accounts. However this review did not include housing assistance payment (HAP) or rental accommodation scheme (RAS) tenants, as the proposal was to complete the review of these (approximately 650) accounts following the completion of the MD reviews. I have been advised that the HAP and RAS reviews have been postponed until early 2024 due to staffing issues. I recommend that these reviews should be carried out at the earliest opportunity, to ensure that rent charges are up-to-date and income due is properly levied.

Chief Executive's Response

Roscommon continues to be one of the best performing local authorities in relation to rent collection. 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. The HAP and RAS reviews will occur in 2024.

3.4 Housing Loans

The housing loan collection level increased by 6% to 71% during the year, however further improvement is required in this area. The debtor balance decreased, with almost 3/4 of these loans being in credit at the end of 2022 to the value of €47k. Those loans with balances due owed €183k to the Council. I reviewed 76% of this balance and found that 21% were compliant with the loan agreement and a further 27% had charges raised in favour of the Council. Of the remainder, 42% were being legally pursued and the remaining 10% were being addressed through MARP.

Chief Executive's Response

The loans issued under the Rebuilding Ireland Home Loan Initiative are performing well. Collection rates have improved due to an increased focus on collection rates. However as in previous years the issues surrounding the loans advanced during the 1980's and 1990's remains the same. 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 as the Council maintains an interest in the property.

3.5 Bad Debt Provision

At 57% of applicable debtor balances, the provision for bad debts at the end of 2022 appears to be adequate. However, this provision needs to be kept under constant review.

Chief Executive's Response

Noted that provision is adequate.

4 Uisce Eireann

4.1 Transfer of Functions to Uisce Eireann

All functions relating to the provision of water and sewerage, other than rural water schemes, transferred to Uisce Eireann (UE: formerly Irish Water) from 1 January 2014, with a twelve-year service level agreement signed between the parties on 31 December 2013. As this agreement is due to terminate in December 2025, negotiations are ongoing with a view to arranging services post December 2025.

During 2022 costs totalling €6.4m, which were incurred by the Council relating to the provision of services under the terms of this agreement, were recouped from UE as reflected in Appendix 4 to the AFS.

Chief Executive's Response

Noted. Discussions are continuing with Uisce Eireann in relation to the ending of the service level agreements with all local authorities.

4.2 Transfer of Assets

The position regarding the transfer of assets to UE has remained unchanged from that outlined in the 2019 audit report. Of the 211 water related assets identified for transfer, to date 181 assets (86%) have transferred in full or in part, with the remaining 30 assets having ownership issues that need to be resolved to enable the transfer to be completed. As this matter has been ongoing for a considerable period, it should be completed at the earliest

opportunity.

Chief Executive's Response

This work is ongoing and as with any legal process it can take time to complete. Priority will be given to this issue in 2024 to resolve the remaining 30 assets.

5 Fixed Assets

5.1 Fixed Asset Records

The exercise of accurately recording the Council's portfolio of fixed assets in the fixed asset register (FAR) was completed for the 2022 draft AFS, which was a welcome development. This resulted in multiple adjustments, a sample of which were reviewed in the course of the audit. In addition to correcting the FAR, the asset records were reconciled to the other records held by the Council, including the insurance schedule. Now that it has been completed, it is vital that this exercise is kept up-to-date.

No comparison of the Road Register to the AFS road asset valuation had been completed for the 2022 AFS and I recommend that this should be prepared for future audits.

While the policy and procedure document covering fixed asset additions and disposals recommended in the course of previous audits was drafted, it has not been finalised or adopted to date and this needs to be completed at the earliest opportunity.

Chief Executive's Response

Significant work was completed on fixed assets in 2022 and 2023 and this will continue going forward. The comparison between the Road Register and the AFS 2023 road asset valuation will occur. Policy and procedure documents relating to fixed assets will be finalised in 2024.

5.2 Rights of Way

As documented in last year's audit report, the Council had identified a right of way that required registering with Tailte Eireann, formerly the Property Registration Authority (PRA). This matter remains outstanding and needs to be brought to a conclusion.

Chief Executive's Response

Agreed. One case needs to be registered in the near future so as to ensure the Council's entitlements are adequately protected.

6 Capital Account

6.1 Overview of Capital Account

The capital account recorded a net credit balance of €28.6m at the end of 2022, which represents a decrease of €9.3m 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.

During 2022 capital expenditure (net of transfers) totalled €51.4m, of which 54% related to road projects, 17% related to housing projects with a further 20% relating to development management projects. The largest projects were:

- N5 Ballaghaderreen to Longford...€18.6m
- NRDO costs...€1.7m
- Boyle Enterprise Centre...€1.3m
- Castlerea Food Hub...€1.2m
- Subsidies to Group Water Schemes...€1.2m
- N5 Moneylea to Carrowntoosan...€1.2m
- N61 Athlone North Bogganfin...€1.1m

The balance consisted of multiple job codes, each with expenditure below €1m in the year.

6.2 Unspent Capital Balances

The Council had a total of 218 credit balances valued at €38.5m included in the Capital Income and Expenditure Account at the end of 2022. In summary these included:

- €17.3m funding for specified jobs: (i) €5.2m for road projects, (ii) €4.6m for housing projects and (iii) €7.5m for projects in other service categories.
- €7.3m reserves, which consisted of: (i) €2.9m matched funding for future capital projects, (ii) €1.3m for machinery replacement, (iii) €1m provision for footpath remediation works, (iv) €1m provision for rate valuation appeals, (v) €0.6m provision for RAS and (vi) €0.5m provision for future election costs.
- €4.3m 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.
- €2.7m funding drawn down to remediate unfinished housing developments.
- €1.1m 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 10.3.
- €800k refundable amounts, namely €400k RAS deposits and €400k road opening licences.
- €500k derelict site levies, which cannot be expended until collected, with zero having been collected to date.

There are balances of €3.6m remaining available for allocating to specific project(s) with balances of €0.9m that require further examination to determine their precise status. These projects should be reviewed in advance of the next audit to ensure that all are accurately classified.

Chief Executive's Response

The overall capital account has continued to maintain its strong position in 2022. Funds will be redistributed across a range of projects especially in relation to the €3.6m mentioned above.

6.3 Jobs to be Funded

There were 119 job codes recording €9.9m debit balances at the end of 2022. While most of these represent ongoing jobs that will be funded as the project advances, the following issues were identified:

- €2.5m expenditure relates to land purchased for housing purposes. This expenditure can only be recouped once the projects to which it relates progresses to design and build stage.
- €150k expenditure has been incurred since 2016 (€26k in 2022) in relation to an unfinished housing development. A bond was claimed in April 2023 for this development, but negotiations remain ongoing and to date, the €375k bond has not been paid over to the Council.

The affordable housing job code referred to in previous reports has now been resolved. The €0.7m bridging loan was funded by the Department in December 2021 and the loan was redeemed in January 2022, as discussed in paragraph 7.1. The unfunded balance of €103k on this job code was funded from internal Council resources.

Chief Executive's Response

The €2.5m of land purchased for housing purposes will be recouped as the project progresses through the various stages.

The €375k applicable bond is still due to the Council and currently extensive negotiations are ongoing and it hoped a conclusion will be reached by the end of 2023.

7 Loans Payable

7.1 Loans Payable

At the end of 2022, loans of €29.1m remained payable by the Council as outlined in note 7 to the AFS. This balance consisted of:

- €22m loans: the €836k repayments of interest and principal for these loans during the year were funded from the Council's revenue income. This balance consisted of €19m to fund the corporate headquarters and €3m to fund historic capital balances.
- €2.2m loans: the Department funded the repayments of both interest and principal for these loans at a cost of €956k in the year. This balance consisted of €1m water loans and €1.2m voluntary housing loans to approved housing bodies (AHBs).
- €4.9m mortgage loans - housing customers funded the repayments on these loans.

As referred to in 6.3 above, the affordable housing loans were redeemed in January 2022 following the receipt of funding from the Department.

Chief Executive's Response

Noted.

8 Development Contributions

8.1 Development Contribution Debtors

At the end of 2022, the development contribution debtors recorded in note 5 to the AFS had increased to €5.2m. A review of a sample of these debtors found that 40% were paid or were in compliance with an agreement to pay. A further 10% were the subject of legal action. The remaining 50% required follow up action by the Council.

Chief Executive's Response

Development contributions are being actively pursued by the Council and this will continue in 2023. The staffing structure in Planning Department will be re-examined to increase the allocation of staff that work in this area.

9 Procurement and Tendering

9.1 Procurement Review

A sample of contracts in place during the year was reviewed to determine if the procurement controls were operating effectively. This review covered both the tendering and quotation processes and included both capital and revenue

funded jobs. In all of these sample cases the contracts were validated as having been appropriately procured.

One instance was noted during the fixed asset review, where a job was tendered based on a specification that was subsequently found to be inaccurate. This resulted in works that had been specified being omitted and other works being included that had not been reflected in the original specification. Final costs on this job exceeded the tender price by €254k.

Chief Executive's Response

Noted. Procurement Section continues to be adequately staffed to ensure improved compliance and efficiencies. Controls have been improved to identify inaccurate tendering and overspends at an early stage.

9.2 Payment of Invoices

During 2022, the Council paid 98% of all invoices received within 30 days (2021: 98%). Once paid within 30 days, invoices do not attract interest or penalties under the European Communities (Late Payment in Commercial Transactions) Regulations. Roscommon County Council paid no interest or penalties during the year under these regulations.

Chief Executive's Response

Noted. Payment of invoices on a timely basis is a priority for the County Council.

10 Local Authority Companies

10.1 Council's Interest in Companies

Appendix 8 to the AFS lists the three companies in which the Council had an interest during 2022. These were:

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

Audited accounts were available for two of these companies in the course of the Council's audit, with draft accounts available for the remaining company. All other requested documentation for these three companies was made available to me.

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

10.2 Roscommon Leisure Centre

Throughout 2022, Roscommon Leisure Centre Ltd (RLC) remained a wholly owned subsidiary of Roscommon County Council.

The Council providing €225k subvention to this company (2021 subvention was €300k), in accordance with the Council's 2022 adopted budget. The company recorded a surplus of €16k for the year ended 31 December 2022, reducing the accumulated losses at the end of 2022 to €171k.

During 2022, the company made a further €5k repayment on a loan received from the Council in 2016, with a balance of €188k remaining due at the year end.

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 2022. Despite this, the audit opinion was not qualified due to undertakings given by the Council to continue its support for 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.

10.3 Moylurg Rockingham Limited

Moylurg Rockingham Ltd (MRL) remained 50% owned by Roscommon County Council throughout 2022 and it did not receive any subvention from the Council during the year. The company's accounts recorded a loss of €8k for the year (2021 a profit of €104k).

Included in note 5 to the Council's AFS was the (net) €1.1m repayable by MRL to the Council, as outlined in paragraph 6.2. This balance should be recorded in note 3 for future years, unless there is agreement to repay it within the following twelve months.

The auditors of MRL continued to recommend that the joint venture agreement between Coillte, MRL and the Council needs to be updated, particularly in relation to the €2m loan from the Council to MRL. The auditors specifically stated that the terms for the repayment of this loan need to be re-negotiated, with more transparent terms being agreed. I endorse this recommendation, which has been outstanding for a number of years.

Chief Executive's Response

The net balance due to the Council will be recorded in note 3 of the 2023 accounts. During 2022 the Council received independent advice regarding the structure of the joint venture. It has been agreed between the parties that the

joint venture will be examined in detail once future development plans become clearer.

10.4 Back Lane Management Ltd

During 2022, the Council continued to own 50% of Back Lane Management Limited (BLM). The transactions of this company are not material in the context of the Council. However, as there continued to be no Council representative listed as a director in the company's audited accounts, the Council needs to consider if this represents best practice, or if this allows the Council to achieve the standard of corporate governance required from a public body.

Chief Executive's Response

In 2024 the Council will address the corporate governance requirements of this company. The Housing Department of the Council will be made aware of the requirement for a Council representative to be a director of this company.

11 Creditors

11.1 Trade Creditors

The trade creditor figure at the end of 2022 totalled €1.2m. A review found that €545k of capital expenditure, which related to the proposed purchase of three housing units, had been cancelled since the year end. Both the creditor balance at the year end and capital expenditure for 2022 are overstated by this amount.

Chief Executive's Response

The proposed purchase of the three housing units was cancelled after the AFS 2022 was completed in quarter one of 2023, in line with the statutory deadline.

12 Other Matters

12.1 Unfinished Housing Developments

At the end of 2022 there were 70 unfinished housing developments (UHDs), consisting of 1,895 housing units in the county (2021 had 87 estates with 2,086 housing units).

On the same date, the Council had:

- Received a total of €5m (€0.2m received in 2022) from bonds drawn down in relation to 46 developments, of which €1m remains unspent to date.
- Cash bonds were held in relation to 16 estates worth €0.7m.

Remediation works costing €0.3m were carried out by the Council on these estates during 2022. Further works are ongoing, with another 7 developments anticipated to be fully remediated by the end of 2023. This represents ongoing progress since the end of 2018, when there were 149 such developments awaiting remediation. Current projections estimate a reduction of ten to fifteen developments per annum, with an estimated completion date between 2028 and 2032. It is expected that existing funding from bonds will not be sufficient to meet the remaining costs and alternative funding sources will need to be identified and secured to fund these ongoing works.

Chief Executive's Response

The Council is committed to reducing the number of unfinished estates in the county year on year. This requires significant Council resources.

The Council will endeavour to quantify the additional resources that may be required and seek to provide additional future funding to address this issue.

12.2 Gender Pay Gap

The Gender Pay Gap Information Act, 2021 requires organisations with over 250 employees to report on their gender pay gap position, with the first effective period for all local authorities being the twelve months to 30 June 2022.

Roscommon County Council published its first report, which concluded that on the snap shot date of 30 June 2022, on average female employees occupied higher paid roles in the Council.

Chief Executive's Response

Noted.

13 Governance and Propriety

13.1 Internal Audit Unit

The internal audit unit (IAU) was resourced with a full time member of staff throughout 2022, however since early 2023 this position has become vacant. The Unit produced 5 reports in the year, including the 2021 Public Spending Code Quality Assurance Report for the National Oversight and Audit Commission (NOAC). Where appropriate I have taken account of the findings of these reports in the course of my audit.

Chief Executive's Response

Noted. The role of the Internal Auditor has been filled as of August 2023.

13.2 Audit Committee

The Audit Committee held the required minimum of four meetings in 2022.

I attended a meeting on 5 October 2022 to discuss my 2021 audit report, following which the Audit Committee prepared their report on the annual audit, as required under Section 60 of the Local Government Reform Act, 2014. This report was noted by the Council Members at their meeting on 24 October 2022.

The Audit Committee's 2022 annual report has not been presented to or adopted by the Council Members to date.

Chief Executive's Response

This oversight occurred due to the vacancy in the Internal Auditor role. This position has now been filled and this matter will be addressed at the earliest opportunity.

13.3 Ethics Returns

A review of the 2022 ethics returns found that all Council Members submitted their returns by the due date, but 28 staff members (20%) were late in submitting their forms.

Chief Executive's Response

Noted. The Council will review its Standard Operating Procedures in light of the late returns.

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 Keaney

Local Government Auditor

28 September 2023

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Department of Housing, Local Government and Heritage



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