Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Roscommon County Council for the Year Ended 31 December 2020

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage

gov.ie/housing

Contents

Auditor's Report to the Members of Roscommon County Council 1
1 Introduction 1
2 COVID-19 – Impact on Local Authorities 1
2.1 Overview 1
2.2 Restart Grants Scheme 2
2.3 Rates Waiver Scheme 2
2.4 Reimbursement for loss of goods and services income and COVID-19 related expenditure 3
3 Financial Standing 3
3.1 Statement of Comprehensive Income 3
3.2 Statement of Financial Position 3
3.3 Members' Approval 4
3.4 Local Property Tax 4
4 Income Collection 5
4.1 Summary of Income Collection 5
4.2 Rates 5
4.3 Housing Rents and Annuities 6
4.4 Housing Loans 6
4.5 Provision for Bad Debts 7
5 Irish Water 7
5.1 Transfer of Water and Sewerage Functions 7
5.2 Transfer of Assets to Irish Water 8
6 Fixed Assets 8
6.1 Fixed Asset Records 8
6.2 Rights of Way and Other Easements 8
7 Capital Account 9
7.1 Capital Account Overview 9
7.2 Capital Account - Unspent Balances at Year End 9
7.3 Capital Account - Balances Requiring Funding at Year End 10
8 Loans Payable 11
8.1 Loans Payable 11
9 Development Contributions 11
9.1 Development Contributions 11
10 Procurement 12
10.1 Procurement 12

10.2 Prompt Payments 13
11 Local Authority Companies 13
11.1 Council's Interest in Companies 13
11.2 Roscommon Leisure Centre 14
11.3 Moylurg Rockingham Limited 14
11.4 Back Lane Management Limited 15
12 Creditors 15
12.1 Trade Creditors 15
13 Other Matters 17
13.1 Unfinished Housing Developments 17
14 Governance and Propriety 17
14.1 Internal Audit Unit 17
14.2 Ongoing Investigation 18
14.3 Audit Committee 18
14.4 Ethics Returns 18
Acknowledgement 19

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 2020, 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 2020 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 COVID-19 – Impact on Local Authorities

2.1 Overview

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities during 2020. This has resulted in a reduction in income from some sources, an increased level of COVID-19 related expenditure and related government subvention for the local authority.

At a national level, the Government introduced a number of schemes including the restart grant schemes and rates waiver scheme to support businesses, as noted in paragraphs 2.2 and 2.3 below. In addition, local authorities were reimbursed by the Department for the loss of income from goods and services and for additional COVID-19 expenditure incurred by them (see paragraph 2.4).

In June 2021, it was agreed by the General Accounts Working Group to amend Note 23 and include an additional Note 24 in relation to Restart Grants / Plus in the audited Annual Financial Statements 2020.

2.2 Restart Grants Scheme

During 2020, the Government decided to support commercial micro, small and medium businesses, through the Restart Grant Scheme and later the Restart Grant Plus Scheme. The qualifying businesses were required to have a rateable premises and experienced a loss of turnover due to the COVID-19 restrictions. The scheme provided for assistance with the costs of reconnecting with the marketplace, reopening their business and re-employing staff. Qualifying businesses who met the specified eligibility criteria could apply to the local authority for grants under these schemes.

Under the service level agreement between Enterprise Ireland, Department of Enterprise, Trade and Employment, the Department and each local authority, the Council had responsibility to manage within its functional area the processing of applications and payments, in accordance with the criteria specified, and to make reports to the above Government departments to enable oversight and review of the scheme. Each business was responsible to self-certify in completing its application that it met these criteria.

The Council only verified the application against a rate account, where one existed, and confirmed that the applicant had fully completed the application including the declaration. The Council did not have to verify any other information included in the application. Where rates were not assessed in 2019 or 2020 and the local authority could not make a reasonable estimate of the applicable rates liability, the minimum grant payment was applied.

Accordingly the audit of expenditure under these schemes, which amounted to €8.2m in Roscommon County Council for the year ended 31 December 2020, was limited to the specific responsibilities of local authorities, as set out above, and did not include the verification of other eligibility criteria declared by the applicants.

The accounting treatment for this is set out in Note 24 in the AFS.

2.3 Rates Waiver Scheme

In order to support both the local government sector and commercial ratepayers, a funding package of €900m was allocated by the Government to fund the cost of a waiver of commercial rates for nine months from 27 March 2020 to 27 December 2020.

The waiver was available to businesses, which were forced to close, and those, which experienced significant negative economic disruption due to public health restrictions, imposed in response to COVID-19.

The total amount received by Roscommon County Council for the year ended 31 December 2020 was €4m.

The accounting treatment for this is set out in Note 23 in the AFS and further disclosure is included in Appendix 7.

The methodology and manner for calculating rates income collection differs in 2020 compared to prior years.

2.4 Reimbursement for loss of goods and services income and COVID-19 related expenditure

The Department reimbursed the Council for the loss of goods and services income and additional expenditure incurred by them as a result of COVID-19. The total amount received by Roscommon County Council for the year ended 31 December 2020 was €806k, split between €81k for the loss of goods and services income and €725k for additional COVID-19 related expenditure.

3 Financial Standing

3.1 Statement of Comprehensive Income

The Council recorded a surplus of €17k for the 2020 financial year. This was after net transfers to reserves of €4.8m. The Council had a positive cumulative balance of €219k on the revenue account at 31 December 2020.

3.2 Statement of Financial Position

The Council continued to record a stable financial position at the end of 2020 and neither sought nor required an overdraft facility for the year. The Council continued to invest surplus funds with the Housing Finance Agency (HFA) throughout 2020 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 €4.8m in the year primarily due to expenditure of:

- €2m on land for future housing projects and
- €4.3m on the acquisition of 29 housing units.

These increases were offset by asset disposals, which included the disposal of

13 houses, which had previously cost the Council €1.2m.

Chief Executive's Response

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

Minimising negative interest continues to be a priority.

The Council with the support of central government grants and match funding provided by the Elected Members will continue to invest in infrastructural assets and continue the construction of houses in the county.

3.3 Members' Approval

At their monthly meeting on 26 April 2021, the Council Members approved the 2020 draft financial statements, the over expenditure in the year as outlined in note 16 and the transfers to / from reserves as disclosed in Appendix 9 to the AFS.

3.4 Local Property Tax

Throughout 2020, Roscommon County Council continued to be reliant on government funding for a substantial portion of its revenue income. Note 15 to the AFS highlights that of €76m total revenue income, €37.5m came directly from grants and subsidies (49%) and a further €10.8m (14%) came from local property tax (LPT). As in 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. The Council adopted a resolution to vary the basic rate of LPT upwards by 15% for 2020, which is the 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 change 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' outlines how equalisation funding will be replaced by exchequer funding in the future.

The 15% variation of LPT is retained within the county and helps to attract inward investment in the county and provide services for its citizens.

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:

	Yield %		Debtors	
Income Source	**2020**	**2019**	**2020**	**2019**
Rates	68%	89%	€2,736,574	€1,358,168
Rents and Annuities	93%	91%	€394,360	€474,828
Housing Loans	62%	76%	€145,193	€120,379

The inconsistency in the collection yield for rates is discussed in paragraph 4.2. The yield from rents and annuities increased as outlined in paragraph 4.3, while the yield from housing loans declined as detailed in paragraph 4.4.

4.2 Rates

The 68% rates yield in 2020 as shown in Appendix 7 to the AFS, reflects a significant decline from the previous year's yield of 89%. However, these figures are not comparable for the reasons outlined in paragraph 2.3. The nine month rates waiver granted to eligible ratepayers for which the Council received a grant of equal amount (€4m), was categorised as a waiver and excluded from the amount collected figure in Appendix 7. In addition, €1.2m was paid by ratepayers during 2020 who were subsequently granted a waiver, resulting in a credit on their accounts at the end of 2020. These credit balances were also excluded from the cash collected figure and were deferred to 2021 income, thereby increasing the closing debtor balance. If both transactions were treated as collected rather than waived or deferred for 2020, then the collection yield would have been 88%.

While the rate debtors figure increased by €1.4m in the year, €1.2m of this is income deferred to 2021 as outlined in the previous paragraph. Of the remaining €2.7m debtors, €1.7m of these were reviewed during the audit. I found 91% had been paid since the year end, with appropriate follow-up action taken for the remaining balances examined.

Chief Executive's Response

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

The rates waiver in 2020 resulted in the collection of €4m during 2020. This has been extended into 2021 however at a more targeted sector. This targeting of the rates waiver will result in the Council having to collect rates in 2022 from businesses that are still recovering from the aftermath of COVID-19 and may result in collection rates being adversely affected.

4.3 Housing Rents and Annuities

Roscommon County Council continued to perform well vis-à-vis other local authorities in relation to rent and annuity collection yields, with an improvement to 93% during 2020 and cash collected increasing by €150k. Rent and annuity debtors decreased by €61k to €394k by the end of the year, with 61% of the client accounts having either a zero or an overpaid balance at this date. A review of a sample of these debtors found that 59% were performing, a further 29% were engaging with the Council in relation to addressing their arrears, with the remaining 12% not engaging.

Chief Executive's Response

Roscommon 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 yields have held up in 2021 but may come under pressure in 2022 as COVID-19 supports are wound down.

4.4 Housing Loans

The Council's percentage collection for housing loans declined to 62% in 2020 (76% in 2019), with a corresponding decrease of €141k in the cash collected in the year. The income accrual for housing loans also reduced by €97k in the year, primarily due to two redemptions of €171k included in income for 2019, which distorted the year on year comparison despite the increased income from the twelve new loans issued in 2020. Older non-performing loans continue to contribute to the poor collection level. Recent loans issued under the Rebuilding Ireland Home Loan Initiative are subject to stricter control and enforcement provisions than applied to previous loan schemes and as a result tend to perform better.

A review of 86% of the debtors found that just over half of these were performing, with the remainder being the subject of legal action or having charges registered against them.

Chief Executive's Response

The loans issued under the Rebuilding Ireland Home Loan Initiative are performing well.

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 Provision for Bad Debts

At 50% of applicable debtor balances, the provision for bad debts at the end of 2020 appears to be adequate. However, this provision needs to be kept under constant review given the current and future effects on the economy of COVID-19.

Chief Executive's Response

Noted.

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 2020 costs totalling €5.9m, which were incurred by the Council relating to the provision of services under the terms of this agreement were recouped from IW, 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 position regarding the transfer of assets to IW remained unchanged from that previously reported. Of the 211 water related assets identified for transfer, to date 181 assets (86%) have transferred in full or part, with the remaining 30 assets having ongoing ownership issues that need to be resolved to enable the transfer to be completed.

Chief Executive's Response

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

6 Fixed Assets

6.1 Fixed Asset Records

Progress in relation to the recording and verification of the Council's portfolio of fixed assets has slowed down considerably in the last twelve months. While considerable data has been gathered to enable this exercise to be progressed, the data returned by sections requires validation and follow up before any adjustments and reconciliation to the fixed asset register (FAR) can occur. One section has still failed to make a return. This matter was raised in the course of the audit and agreement has been reached at management level of a process, resourced with a staffing allocation that should enable the completion of this exercise.

Chief Executive's Response

This project has now been fully resourced with a dedicated staffing allocation and the Council aims to complete this project in 2022.

6.2 Rights of Way and Other Easements

Roscommon County Council has undertaken an exercise to identify all rights of way and other easements that accrue to it, with a view to ensuring that all are registered by the current deadline of 30 November 2021. This identified 21 cases, 3 of which have been registered. In the remaining 18 cases, signed agreements are available, but these have not been registered. Further work needs to be carried out to ensure that the Council's entitlements are adequately protected and can be legally enforced if a decision is taken to not formally register these rights.

Chief Executive's Response

The Council will review its options in terms of ensuring the Council's entitlements are adequately protected.

7 Capital Account

7.1 Capital Account Overview

The capital account recorded a net credit balance of €23.4m at the end of 2020, which represents an increase of €1.2m 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.

62% of the expenditure in the capital account during 2020 related to road projects, with a further 21% relating to housing projects. Capital expenditure (net of transfers) in the year totalled €45.6m, of which the largest projects were:

- N5 Ballaghaderreen to Longford...€17.2m
- N60 Oran Realignment Works...€5.2m
- Purchase of Land at Monksland for housing...€1.9m
- Construction of 7 houses at Cluain Fraoigh...€1.5m

The balance consisted of multiple jobs, each with expenditure below €1.5m.

7.2 Capital Account - Unspent Balances at Year End

The Council had a total of 211 credit balances valued at €28.8m included in the Capital Income and Expenditure Account at the end of 2020. In summary these included:

- €11.8m funding for specified jobs: (I) €5.4m for projects other than roads or housing, (ii) €3.3m for housing projects and (iii) €3.1m for road projects.
- €4.3m reserves, which consisted of: (i) €1m provision for rate valuation appeals, (ii) €0.9m provision for footpath remediation works, (iii) €0.7m provision for the rental accommodation scheme (RAS), (iv) €0.6m matched funding, (v) €0.5m provision for future election costs, (vi) €0.5m for machinery replacement and (vii) €0.1m for various other purposes.
- €3.2m 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 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 11.3.

- €0.85m of refundable amounts, namely RAS deposits and Road Opening Licences.
- €0.5m derelict site levies, which cannot be expended until collected (nil collected to date).
- €0.35m Non-Principal Private Residence (NPPR) income due in instalments.

There are €3.9m of balances remaining available for allocating to specific project(s) with a further €0.5m balances 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 Capital Account continues to be in a strong position. Funds will continue to be redistributed across a range of infrastructural projects.

7.3 Capital Account - Balances Requiring Funding at Year End

There were 83 job codes recording €5.4m debit balances at the end of 2020. While most of these represent ongoing jobs that will be funded as the project advances, the following issues were identified:

- €2.4m expenditure (of which €2m was incurred during 2020) 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.
- €147k expenditure (of which €55k was incurred in 2020) has been incurred since 2018 in relation to the drafting of pavement design and contract documents. This expenditure is being funded through other job codes and needs to be matched with its funding source for future audits.
- €121k expenditure (of which €4k was incurred in 2020) has been incurred since 2016 in relation to an unfinished housing development for which the applicable bond remains due to the Council.
- €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.

Expenditure of €139k carried in the capital account since 2009 on a public private partnership (PPP) housing scheme, which had been reported in previous audit reports, was funded from internal Council resources during 2020.

Chief Executive's Response

The €2.4m of land purchased will be recouped as the project progresses through the various stages.

The €147k matching of expenditure and income will occur in 2021.
€121k expenditure has been incurred since 2016 in relation to an unfinished housing development for which the applicable bond remains due to the Council.

As documented previously no change will occur regarding the transactions of €103k until the properties are sold.

8 Loans Payable

8.1 Loans Payable

At the end of 2020, loans of €30m remained payable by the Council as outlined in note 7 to the AFS. This balance consisted of:

- €23.1m 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 €19.9m to fund the corporate headquarters and €3.2m to fund historic capital balances.
- €3m 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 €1.6m water loans and €1.4m voluntary housing loans to AHBs.
- €3.2m 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 as outlined in paragraph 7.3.

Chief Executive's Response

Noted.

9 Development Contributions

9.1 Development Contributions

At the end of 2020, development contribution debtors as recorded in note 5 to the AFS had decreased to €4.7m. In the main this was due to €1.2m of write offs in the year where the applicable planning permissions had expired without development having commenced, or where the developments were not

completed in full. A further €243k has been written off in 2021 to date.

A review of €2m development contribution debtors at the end of 2020 found that, in 26% of the balance reviewed, the necessary follow up action by the Council to collect these debts was delayed due to COVID-19.

Chief Executive's Response

The Council acknowledge the delay due to COVID-19. The follow up action will result in a number of cases being referred for legal action and others being written off.

10 Procurement

10.1 Procurement

The Council's Procurement Unit are continuing to enhance controls and during 2020, the following controls were implemented:

- Certain fields within the financial system were made mandatory, with the effect that only staff within the Procurement Unit can generate a purchase order.
- Other staff can place a requisition, which must be approved prior to a purchase order being generated.
- Part of this approval process now includes verifying the procurement process, thereby ensuring that any proposed procurement over the threshold (€25k for supplies and services / €50k for works) is supported by an appropriate tender reference number.
- For proposed procurement under the tendering threshold, quotes are required and these requisitions are validated against the quotation documents uploaded on the system.
- The information received from the procurement system is compiled and uploaded to a contracts database, which is published on the Procurement Zone of the Council's intranet for all staff to view. This is monitored by the Procurement Unit to ensure that it is being complied with. Non-compliance is reported to the Senior Management Team where identified.

These enhanced controls provide assurance that any significant procurement is compliant with Council policies and procedures. From a sample of requisitions generated in 2020 that were selected for audit review, verification was received that all had been properly procured.

Low value purchase (LVP) cards continued to be rolled out by the Procurement Unit, with a view to reducing the number of low value purchases being processed through the Accounts Payable Section. €185k of expenditure was incurred through these cards during 2020, compared with €31k the previous year. The Procurement Unit monitor all such expenditure. A sample selected for audit found appropriate back up to support all purchases and evidence that all

expenditure was properly incurred.

A contract for the provision of legal services was signed in January 2020. The need for a tendering process for this expenditure was referred to in previous audit reports so its implementation is a welcome development. This contract was awarded based on a framework agreement negotiated by the Office of Government Procurement (OGP), and it will remain in place for a minimum of two years, with an option to extend it for a maximum of two more years.

The composite policies and procedures document referred to in last year's audit report was finalised and rolled out in January 2021.

The above controls provide enhanced assurance both to management and to audit, that the Council is monitoring and controlling its expenditure with a view to obtaining value for money through its procurement function.

Chief Executive's Response

Noted. The Procurement Unit will continue to implement new controls to improve compliance and efficiencies.

10.2 Prompt Payments

During 2020 the Council paid 97% of all invoices received within 30 days. This continues the pattern noted in recent years. In 2019, 95% of all invoices received were paid within this time frame. Once paid within 30 days, invoices do not attract interest or penalties under the European Communities (Late Payment in Commercial Transactions) Regulations - formerly the prompt payment legislation.

Roscommon County Council paid no interest or penalties during the year and details of the Council's payment practices were included in the Council's 2020 Annual Report.

Chief Executive's Response

Noted.

11 Local Authority Companies

11.1 Council's Interest in Companies

Appendix 8 to the AFS lists the three companies in which the Council had an interest during 2020. These were:

- Roscommon Leisure Centre Ltd
- Moylurg Rockingham Ltd

- Back Lane Management Ltd.

Audited accounts and all the 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 Accounting Code of Practice. Instead, the Council treated all three companies as associate companies, in accordance with the Code.

11.2 Roscommon Leisure Centre

Throughout 2020, Roscommon Leisure Centre Ltd (RLC) remained a wholly owned subsidiary of Roscommon County Council.

This company's activities were impacted severely by the COVID-19 pandemic, as reflected in the 2020 accounts. The Council provided €263k subvention to this company (2019: €246k), as a result of which the company recorded a surplus of €12k in the year. Despite this surplus, the company had incurred €203k accumulated losses to the end of 2020. It also continued to owe a €198k loan to the Council, in addition to a €110k advance subsidy, paid by the Council in 2020.

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 2020. 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.

11.3 Moylurg Rockingham Limited

Throughout 2020, Moylurg Rockingham Ltd (MRL) remained 50% owned by Roscommon County Council. This company did not receive any subvention from the Council during the year. Like most businesses in the leisure / tourism sector, MRL was significantly impacted by COVID-19 and recorded a loss of €202k for the year (2019: profit of €66k).

The Council's 50% share of the reserves at the end of 2020 amounting to €594k, was 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 of €895k 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 previously recommended, the auditors of MRL stated that the joint venture agreement needs to be updated between Coillte, MRL and the Council, 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 addressed. I recommend that this review should be conducted as a matter of priority, with both the basis for the loan repayment and the treatment of the accumulated losses from the early years of the company's existence being agreed and a payment schedule implemented as appropriate.

Chief Executive's Response

The net balance due to the Council will be recorded in note 3 of the 2021 accounts. The Council agree that there is a need to update the joint venture and will aim to address this issue in 2022 with Coillte.

11.4 Back Lane Management Limited

During 2020, the Council continued to own 50% of Back Lane Management Limited (BLM). I note from the audited accounts supplied, that the annual income and expenditure of this company was not material in the context of the Council. However, there continued to be no Council representative listed as a director of this company in its audited accounts. The Council should consider if this represents best practice or achieves corporate governance requirements for a public body.

Chief Executive's Response

In 2022 the Council aims to engage with BLM regarding corporate governance requirements. As noted BLM is not a material element of the Council's operations.

12 Creditors

12.1 Trade Creditors

The trade creditor figure at the end of 2020 totalled €4m. €3.26m of this balance was reviewed during audit and this found that €1.45m (44%) had been paid within three months of the year end. €60k (2%) remained unpaid at the end of September 2021. The balance of €1.75m (54%) was paid between four and nine months after the year end.

These invoices had been received, processed and the goods / services

receipted on the system prior to the end of 2020, but were subsequently removed from the income and expenditure figures in the AFS. As the work was either not completed or not completed to a satisfactory standard, the payments were then parked on the financial system and remained unpaid up to ten months later. All of the transactions reviewed relate to revenue works, with the exception of just €60k relating to capital jobs.

As the Council had drawn down €3.7m income relating to works that could not be completed due to COVID-19 in 2020, the Council posted a journal at the end of 2020 to prepayments (in debtors) and to deferred income (in creditors). This was flagged in the financial review.

The following issues arise in relation to the practice adopted by the Council for the preparation of the draft 2020 AFS:

- The Council has inflated both the Balance Sheet debtor and creditor figures for 2020 by €3.7m.
- As highlighted in previous audits, the practice of receipting invoices for goods / services / works not yet completed on the financial system and then parking the payments circumvents basic controls built into the accounting system and 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 represents a breach of (I) the Department's Accounting Code of Practice, which requires the application of the accruals concept to match income and expenditure to the year it is incurred and (ii) the funding agreements that state that claims should only be made for expenditure actually incurred.

The reason for the practice adopted by the Council is to enable the draw down grant allocations from funding bodies by the year end, without spending the funds within the financial year. For future years, it is vital that where income is drawn down in advance, it is deferred and the expenditure to which it relates is treated as a prepayment, with both income and expenditure excluded from the AFS in the year of receipt. In addition, the Council should seek the written permission of the funding body to adopt this practice.

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.

This issue was compounded by difficulties completing the works due at the end of 2020 due to COVID-19. The scale of this issue relating to revenue works will not be repeated in the future. There is however 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 the fall due

and grant allocations were drawn down as directed by funding departments.

13 Other Matters

13.1 Unfinished Housing Developments

At the end of 2020 there were 105 unfinished housing estates, consisting of 2,521 housing units in the county (2019: 117 estates with 2,664 housing units). This represents a further reduction in the year, despite the delays in carrying out works tendered and scheduled for completion during 2020 and the first half of 2021 created by the advent of COVID-19.

At the end of 2020, the Council had:

- Received €4.3m from bonds drawn down in relation to 44 estates of which €1.8m remains unspent to date.
- Cash bonds for 24 estates worth €0.8m.

Remediation works costing €214k were carried out by the Council on these estates during 2020, all of which was funded from bonds previously received.

Chief Executive's Response

The Council aims to reduce the number of unfinished estates in the county. The reduction of unfinished estates continues year on year with significant council resources been allocated to this matter.

14 Governance and Propriety

14.1 Internal Audit Unit

The internal audit unit (IAU) has been staffed since mid-February 2020. It produced five reports in the year, along with the 2019 Public Spending Code Quality Assurance Report for the National Oversight and Audit Commission (NOAC), and three specific reviews requested by management. One of these reviews is outlined below. I have taken account of the findings in these reports, where appropriate, in the course of my audit.

Chief Executive's Response

The IAU will continue to be fully staffed.

14.2 Ongoing Investigation

An investigation was carried out by the IAU, into a cheque payment. This matter has been referred to the Gardaí and remains under investigation at the time of audit.

Chief Executive's Response

Noted.

14.3 Audit Committee

The Audit Committee held the required minimum of four meetings in 2020. I attended the meeting on 16 December 2020 to discuss my 2019 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 December 2020 meeting. The Committee also prepared their 2020 annual report which was adopted at the Council's March 2021 meeting.

Chief Executive's Response

Noted.

14.4 Ethics Returns

COVID-19 had a significant impact on the work practices that had previously been adopted in relation to the receipting of ethics returns. Many forms were submitted electronically, which simplified validating the date of receipt. However, it was more difficult to establish with certainty the date of receipt of those returns that were submitted in hard copy. While the envelopes were date stamped on receipt and these dates were recorded on a spreadsheet by the Ethics Registrar, these envelopes were not retained to permit the recorded date to be validated. From the records retained by the Ethics Registrar it was established that ethics returns were submitted after the cut-off date by: (I) two Councillors and (ii) twenty-seven staff members. In addition, there was no ethics return received for two existing staff members and one former staff member despite repeated reminders being issued.

There was a significant improvement in the monitoring of ethics returns with blank sections, with these forms being returned to be fully completed.

The system of identifying applicable staff members for ethics return purposes was reviewed in the course of the audit and it was agreed that procedures will be amended for future years.

Chief Executive's Response

Standard Operating Procedures will be reviewed in light of the issue identified.

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 October 2021

gov.ie/housing

Department of Housing, Local Government and Heritage

Rialtas na hÉireann
Government of Ireland