

Roscommon County Council Audit Committee Report on the Audited Annual Financial Statement (AFS) 2018 and Local Government Auditor's Report (pursuant to section 121 of the Local Government Act¹)

The Audit Committee considered the 2018 Audited Annual Financial Statement (AFS) and the Local Government Auditor's report at its meeting held on the 14th November 2019.

The Auditor's opinion, is **unmodified**, as the annual financial statement has been prepared in accordance with the Code of Practice and Accounting Regulations and presents fairly the financial position of the Council at 31st December 2018 and its income and expenditure for the year reported.

The Committee's deliberations included a review of management responses to audit findings and related matters as presented by the Director of Services for Finance and Local Government Auditor.

Based on these deliberations, the Committee consider that the following areas be brought to the attention of the Council:

Revenue Account

The Revenue Account reported a surplus of €6K after net transfers to reserves of €3.1m with an accumulated surplus at 31st December 2018 of €190K.

Income Collection

The 86% collection yield for Rates was a 3% improvement on the previous year's performance (83%), resulting in an additional €1.7m cash collected and was 1% ahead of the target set by the County and City Management Association (CCMA). As members are aware, 2018 was the first year for rate charges impacted by the revaluation process. There are still €2.45m of appeals outstanding with the Valuation Tribunal, which if successful could result in a reduction in the rates warrant. The Audit Committee, therefore, supports the decision to provide €0.5m towards future adjudications.

At 92% the collection rate for Rents and Annuities shows a marginal increase on the previous year (91%). The Council continues to be among the best performing local authorities in this income stream.

The loans collection yield, at 55% was down on the 56% collection rate for 2017. The collection rate is disappointing, however, it is important to note that the majority of the arrears relate to a small number of customers who require support in the current housing climate. All new loans issued under the Rebuilding Ireland Home Loan (RIHL) Scheme are performing.

Debt Collection

A new contract for legal services relating to debt collection has been in place since October 2018. Management decided against the option of a centralised debt collection unit as highlighted in an Internal Audit report, but have implemented a consistent approach including

¹ As amended by Section 60 of the Local Government Act 2014

bespoke software for the collection of debt in the main income streams i.e. rates, rents and development contributions.

Bad Debt Provision

The bad and doubtful provision for the Council at the end of 2018 represented 51% of gross debtors and is deemed to be adequate.

Irish Water

The local authority is currently in a service level agreement (SLA) to deliver water services. Under the Irish Water Transformation Programme it is planned to end the SLA in 2021 as Irish Water becomes a single utility.

To date 173 (83%) of water related assets have transferred to Irish Water. Roscommon County Council are promoted as an exemplar within the sector.

Water Loans

The Council has one water related loan included in its 2018 AFS valued at €2m. The Department of Housing, Planning and Local Government (DHPLG) continue to fund repayments of both principal and interest due on this loan.

Fixed Assets and Recording of Way Leaves and Right of Ways

The Asset and Energy Management Unit continued reconciling assets during 2018. The Unit in its 2020 work plan and in partnership with Finance, will ensure new procedures are implemented regarding the disposal and purchase of assets, including the subsequent recording of information on the Fixed Asset register (FAR).

The €5k minimum value limit for recording assets as documented in the Code of Practice, means a separate system is required to record way leaves and right of ways, by the target date of December 2021.

Credit & Debit Balances

The Council has €1.76m debit balances at the end of 2018, relating to jobs that require funding or have outstanding recoupment claims.

There was also a credit balance of €20.7m on a number of other jobs, as outlined in the Audit Report. Of this amount €3.7m has been earmarked for ambitious projects requiring match funding to tackle dereliction in towns and villages and investment in infrastructural projects.

Reserves

Included in the capital account are reserves of €5.3m. The most significant amounts related to (a) €1.6m from the Rental Accommodation Scheme/Tenant Purchase Scheme, which is ring fenced for future housing projects and require DHPLG approval; (b) €1m reserves for IT refresh projects and machinery replacements; (c) €0.5m for rates revaluation appeals and (d) €0.4m provision for footpath repairs.

Development Contributions

Development Contributions debtors were €6.1m at year end. This represents a €0.7m decrease when compared to the previous year.

Procurement

The level of procurement compliance within the Council has improved considerably over recent years. There is however, a need to review of policies and procedures, which will take place during 2020.

Companies in which the Council has an Interest

Roscommon Leisure Centre (RLC) Ltd is 100% owned by the Council. The Council provided subvention of €226k during 2018. At the end of 2018 the audited accounts of RLC recorded an accumulated loss of €213k, a reduction of €18k on the reported 2017 figure. The Council will continue to financially support RLC as it delivers benefits to the local community and provides significant public value.

Moylurg Rockingham Ltd is 50% owned by Roscommon County Council with 50% owned by Coillte. The Company recorded a profit of €183K for 2018. The Council in partnership with Coillte, will review the joint venture agreement during 2020 as it is an action point in the recently procured masterplan.

Back Lane Management Ltd is 50% owned by Roscommon County Council with 50% owned by Boyle Chamber of Commerce. No subvention or other financial supports were provided to this Company during 2018.

Internal Audit and Audit Committee

The member of staff allocated to the Internal Audit Unit was assigned to finance duties from February 2018 until November 2018 and provided training to the new Financial / Management Accountant until after the preparation of the draft AFS in March 2019. Management made this decision, based on resources available, the risk profile of the Council, the need to maintain financial standards and meet deadlines as stipulated by DHPLG.

The Audit Committee held the required four meetings during 2018. Senior members of staff and the Local Government Auditor met with the Audit Committee during the year.

Ethics Returns

Significant improvement was recorded in compliance compared to previous years.

Trade Creditors

Invoices valued at €1.6m were included in trade creditors at year end, despite goods not being received. This matter has been highlighted in previous audit reports and relates to the drawdown of grant funding by the Council at the request of a funding authority. This issue is not unique to Roscommon and the Council have requested a resolution to this situation, which requires a whole government approach as there is a conflict between the local authority accounting system (accrual accounting) and funding authority's that operate on a cash basis.

Unfinished Housing Estates

At the end of 2018, the Council held financial bonds to the value of €1.6m and cash bonds totalling €903k.

There were 149 unfinished estates in the county, consisting of 3,393 houses (in 2017 there were 152 estates with 3,447 units).

Signed



Audit Committee Chairperson

Date 14/11/2019