



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Cavan 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 Cavan County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Cavan 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 5 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

A surplus of €349 was recorded for the year after net transfers to reserves of €6.1m. Details of over / under expenditure are included in note 16 to the AFS. The transfers to reserves and the over expenditure were approved by the members in conjunction with their consideration of the draft AFS at the April

2023 meeting.

2.2 Statement of Financial Position

Principal movements in the finances of the Council during 2022 included:

- Increase in fixed assets of €15.3m which includes the acquisition of 49 housing units and construction of the new fire station in Ballyjamesduff
- Reduction of €9.3m in work in progress (see paragraph 7.1 below)
- Reduction in trade debtors and prepayments of €1.6m due in the main to the recoupment of rates waivers and expenditure associated with COVID-19 and which were outstanding for payment at the end of 2021
- Decrease in creditors and accruals of €3.4m which includes a reduction in deferred income of €1.2m on roads projects and a general decrease in systems generated accruals of €1.4m.

3 Income Collection

3.1 Summary of Income Collection

A summary of the major collection yields and associated closing debtors, with comparatives for the previous three years is as follows:

Income Source	Yield %			Net Debtors €m		
	2022	2021	2020	2022	2021	2020
Rates	83	76	76	3.4	3.7	3.3
Rents & Annuities	79	81	82	1.9	1.6	1.4
Housing Loans	89	91	84	0.05	0.06	0.1

3.2 Rates

There was an increase in the collection yield to 83% in 2022 (76% in 2021). Gross arrears of rates at the end of 2022 totalled €3.8m. Due to the ongoing impact of COVID-19, Cavan County Council received a commercial rates waiver of €544k for the three month period to the end of March 2022.

A review of a sample of arrears on accounts noted that in some cases increased follow up action is recommended. Rates invoices in respect of moieties due for the year did not issue to customers until May 2022. It is my opinion that the late issue of invoices can impact on the collection of rates in the year.

The provision for bad debts at 89% of total gross arrears, while considered adequate in the context of the AFS may be excessive and should be reviewed.

Chief Executive's Response

The Council will continue to prioritise the collection of rates. We will endeavour going forward to ensure the timely issuing of rates invoices. The provision for bad debts will continue to be frequently reviewed against outstanding debtor balances.

3.3 Rents and Annuities

The collection yield for 2022 in respect of rents and annuities was 79% compared to 81% in 2021 and 82% in 2020. Gross arrears at the end of 2022 totalled €2.2m (€2.0m in 2021 and €1.7m in 2020). Arrears on the ten accounts with the highest arrears range from €19k to €37.4k.

A review of a sample of accounts indicated insufficient follow up of arrears in some cases during 2022. Also, in some cases, although regular payments are received, these are insufficient to cover the weekly rent accrual, resulting in an increase in arrears.

The housing rents section are currently working on developing a procedures manual, with processes pertaining to credit control currently in draft form. These procedures should be finalised, communicated and utilised by all relevant staff involved in the arrears collection process. This should ensure timely and efficient follow up of arrears resulting in increased cash-flow to the local authority.

Chief Executive's Response

Procedures are now in place for all arrears beyond four weeks and there is increased follow up on accounts both in house and through the law agent. Payments are also now received on-line. The Council will continue to prioritise the collection of rents and annuities and the following up of arrears.

3.4 Housing Loans

The collection yield in respect of housing loans for 2022 stood at 89% (91% in 2021). Gross arrears totalled €85k at the end of 2022 compared to €110k in 2021. A review of a sample of housing loan accounts in arrears noted that, while more timely follow up is required in some cases, accounts are being monitored for payment.

Chief Executive's Response

The Council will continue to prioritise the collection of housing loans with arrears being reviewed on a regular basis.

3.5 Provisions for Bad Debts

The provision for bad debts in respect of the above are considered adequate but should be kept under review.

Chief Executive's Response

Bad debt provisions will continue to be reviewed on a regular basis.

4 Accounting for Rates Valuation Tribunal Appeals

Valuation tribunal appeal adjustments totalling €0.7m were made in the AFS in 2022. A sum of €0.5m relates to prior years with the balance of €0.2m pertaining to 2022. It was noted that these adjustments were not accounted for in accordance with circular Fin 03/2022 resulting in:

- An understatement of €0.5m in respect of 'Accrued' and 'Waivers and Credits' in appendix 7
- A difference of €0.7m between income from rates in the income and expenditure account and the amount accrued in appendix 7
- Funding of these appeals not being treated as transfers from reserves.

The above have not been corrected in the AFS as they do not affect the overall surplus for the year as reported in the income and expenditure account.

5 Debtors

5.1 Other Services Debtors

Other Services debtors amounted to €1.4m at the end of 2022. Included in this balance are €732k and €691k in respect of fire charges and sundry debtors respectively.

5.2 Sundry Debtors

A review of sundry debtors noted a substantial number of accounts with arrears, with some balances dating back years.

While the provision for bad debts is considered adequate within this category, it is recommended that the collectability of the arrears on these accounts be assessed.

Chief Executive's Response

Sundry debtors are currently under review with regard to aged debtor balances and the collectability of same.

5.3 Fire Charges Debtors

The lack of follow up of arrears of fire charges has been highlighted at previous audits. A review of these at the current audit noted follow up in December 2022 of some invoices issued during the year.

A process should be put in place to ensure regular, timely follow up of all outstanding accounts. Similar to sundry debtors above, while the provision for bad debts is considered adequate, some arrears balances date back years and require review for carrying forward in the AFS.

Chief Executive's Response

A new system for the management of fire charges commenced in 2022. The regular and timely follow up of outstanding fire charges will continue to be prioritised.

5.4 General

Invoices issued by the local authority for services provided by the various directorates of the Council should be monitored in a timely manner to avoid loss of these funds to the Council.

Based on the above findings, and as highlighted in previous audit reports, it is recommended that improved debt management procedures be put in place to monitor and collect arrears in respect of the various directorates of the local authority.

Chief Executive's Response

We are in the process of forming a debt management committee to deal with debt management policies and procedures and the collection of outstanding balances and arrears.

6 Long Term Debtors

6.1 Shared Ownership Loans - Rented Equity Balances

The balance on long term rented equity included in long term debtors at the end of 2022 reduced to €1.3m (€1.4m in 2021) as the housing finance section continued to work with mortgagees to address their housing loan arrears and rented equity balances.

Chief Executive's Response

The finance section is continuing to address shared ownership housing loans in 2023.

7 Fixed Assets

7.1 Accounting for Fixed Assets and Work in Progress

It has been highlighted at previous audits that significant weaknesses exist in accounting for fixed assets and work in progress. The following was noted at the current audit:

- Expenditure and income of €5.3m and €4.3m respectively was excluded from work in progress
- Ten housing units completed and let to tenants at the end of 2022 were not included in fixed assets,
- Land at cost of €1.8m included in land fixed assets is no longer owned by the Council but by Irish Water
- The cost of land in excess of €786k at Errigal Cootehill is duplicated in the value of land fixed assets
- Land at cost of €221k and included in the cost of housing units transferred to fixed assets in respect of a housing development completed 2022 was not transferred out of land fixed assets
- Land costs relating to two separate housing schemes and a fire station are not included in the value of these assets
- An independent valuation was not available to support the selling price of €200k for land.

These matters have no impact on the income and expenditure account.

The weakness in accounting for fixed assets and work in progress is a recurring matter and has been highlighted in previous audit reports. A review of fixed assets in the financial management system (FMS) should be undertaken. Processes / controls should be developed and put in place to improve accounting for fixed assets.

Chief Executive's Response

A number of the above points have now been corrected in the FMS. A review of fixed assets and WIP will be undertaken in 2023 to address the remaining issues. Policies and procedures will be implemented for dealing with all aspects of fixed asset accounting.

7.2 Land / Property Register

As noted at previous audits, work on the land / property register was not complete. Until such time as this is completed, a reconciliation of properties between this register, the FMS and the insurance schedule cannot be carried

out.

Chief Executive's Response

Significant progress was made in the implementation of the land / property register in 2022. New software was procured and installed and all information from the old database has been transferred on to the new database. Work has commenced on digitising the land / property folios and updating the new database. The Council will continue to prioritise the update of the new system and a reconciliation between the land / property register and the FMS in 2023. A reconciliation has been completed between the FMS and the insurance schedule and this will be compared to the property register upon its completion in 2023.

8 Capital Account

8.1 Capital Account Overview

At the end of 2022 there was a net credit balance of €25.5m (€22.1m in 2021) on the capital account. This includes €806k of grant income received in advance in 2022 relating to the Corduff to South of Killydoon roads scheme, which was not treated as deferred income.

Total expenditure excluding transfers to revenue amounted to €45m (€28.8m in 2021). A sum of €17.2m, representing 38% of this expenditure relates to housing activities while €13.2m (representing 29%) pertains to roads. Total income excluding transfers from revenue amounted to €42.6m.

8.2 Capital Projects

Some of the larger projects which incurred significant expenditure during 2022 are outlined below:

Programme Group	Project	Expenditure 2022 €m
1	CAS Scheme - 7 Units at Loretto Wood	1.4
1	Construction of 19 Units at Main Street Mullagh	1.5
1	Construction of 15 Units at Cavan Road Ballinagh	1.7
1	Turnkey Development at Mullaghduff, Ballyconnell	4.1
2	N55 Moynehall to Pollamore Pavement Scheme	1.5
2	N87 Gartaquill to Mullaghduff Pavement Scheme Phase 2	1.6
2	N3 Lisgrea Pavement	3.2
5	Ballyjamesduff New Fire Station	1.1
6	Virginia Library	3.7

8.3 Capital Balances Classified as Unfunded

At the end of 2022 there were projects classified as unfunded, with debit (adverse) balances totalling €4.1m which includes €3.2m pertaining to land acquisitions. Funding for these balances should be identified.

Chief Executive's Response

The debit balances in respect of the purchase of land will be addressed when the land is disposed of by the Council. A review of the remaining unfunded capital balances will be undertaken in 2023.

8.4 Capital Account Balances - General

During a review of capital balances, the following was noted:

- In a number of cases, the accounting code associated with the project (job code) is inaccurate, in particular between work in progress and completed projects (see paragraph 7.1 above)
- Adjustments are required to reflect more accurately the closing balances on a number of job codes related to housing essential repairs and adaptations.

Chief Executive's Response

A full review of all accounting codes on all capital balances will be undertaken, and amendments processed where necessary. The adjustments relating to the closing balances on the housing job codes have been completed.

8.5 Matters Highlighted at Previous Audits

The following two matters have been highlighted in previous audit reports:

(a) Unspent Grant Monies Received from Transport Infrastructure Ireland (TII)

The Council received a total of €197k surplus to requirements from TII in respect of four roads projects. It was recommended that approval be sought from TII to use these monies on other ongoing projects and if this was not obtainable it should be refunded by the local authority.

(b) Cavan Eastern Access Route

A credit balance of €506k is being carried forward on this project since 2016. There is also a balance in trade debtors of €175k, €143k of which relates to the year 2014, pertaining to the contractor who was involved in the construction of this by-pass. I have been informed at previous audits that an adjustment may be required to correct these balances.

I am again requesting that the above matters be brought to a conclusion.

Chief Executive's Response

(a) Unspent Grant Monies Received from TII

We are in discussions with TII in relation to the surplus and are hopeful of reaching agreement in relation to using these monies on alternative projects.

(b) Cavan Eastern Access Route

This matter is currently being reviewed and both balances will be addressed in 2023.

9 Plant and Machinery Adjustment

The plant and machinery (P&M) adjustment was not made in the AFS, resulting in an overstatement of income and expenditure of €1.2m in the service division 'Miscellaneous Services' in the income and expenditure account. This does not affect the overall surplus for the year. However, it distorts the variance for expenditure and income in note 16 in respect of this service division, as the budget process does not cater for activity in the P&M account.

Chief Executive's Response

This adjustment will be made in conjunction with the preparation of the AFS in future.

10 Operation of Part V Register and Controls

The Part V register provided at audit indicated a sum of €1.09m outstanding at the end of 2022 (€1.43m in 2021). A sum of €29k was collected in 2022.

A review of outstanding balances was undertaken by the local authority in 2022 with adjustments in excess of €300k having been made to a number of accounts.

Chief Executive's Response

Significant progress is ongoing in the management of outstanding debt, with the expectation that there will be further reductions in Part V balances in 2023.

11 Development Contributions

11.1 Development Contributions Collection / Arrears

A total of €1.3m (€1.5m in 2021) was collected in respect of development contributions in 2022. A review of a sample of debtor accounts indicated that the local authority is monitoring these for follow up of outstanding amounts.

Chief Executive's Response

The Planning Department will continue to monitor development contributions for follow up of outstanding amounts.

11.2 Development Contributions Scheme

It is noted that the current development contributions scheme covers the period 2017 to 2020. It is recommended that a new scheme be drafted and adopted by the local authority as it has been two years since the year of expiry of the current scheme.

Chief Executive's Response

Section 5.6 of the development contribution scheme reads "The Scheme shall come into effect on 1st January 2017 i.e. applications granted on or after 1st January 2017. The rates shall be fixed from January 1st 2017 until 31st December 2020 unless it is revised in this period. This scheme will also remain in force after these dates until a new scheme is adopted."

The Planning Authority intends to commence a review of the development contribution scheme in 2023.

12 Local Authority Companies

The Council's interest in companies is set out in appendix 8 in the AFS and includes brief financial details of these as at the date of the latest financial statements received.

Glassell Limited's accounts were not independently audited as it availed of the audit exemption on the grounds that it meets the conditions specified in Section 359 of the Companies Act 2014.

13 Governance and Propriety

13.1 Corporate Governance

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of the Chief Executive to ensure that such systems and procedures exist and are robust.

13.2 Internal Audit

Internal audit continued to provide a high quality service within the Council, completing 12 audits which included three public spending code in depth reviews. In addition, a number of cash control checks were also completed.

To assist in the timely completion of internal audit reports it is vital that information requests to the various directorates by internal audit are responded to in a timely manner. Similarly, management responses to recommendations contained in these reports should be submitted without delay to internal audit for their inclusion therein.

Chief Executive's Response

All information requests and management responses are provided on a timely basis for inclusion in internal audit reports.

13.3 Fraud and Contingency Plan

The Council has in place a Fraud and Contingency Plan. As this plan was last updated in January 2019, it is recommended that it be reviewed / updated.

Chief Executive's Response

The Council will review its fraud and contingency plan in 2023.

13.4 Corporate Risk Register

A Corporate Risk Register which incorporates the overarching risks of the local authority with corresponding measures to mitigate these, is maintained in the Council which has recently been updated.

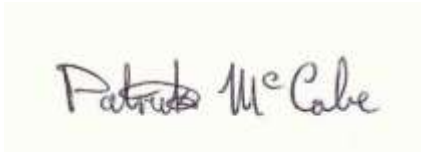
In addition, each directorate within the local authority maintains its own risk register which is updated on an ongoing basis.

13.5 Procurement

The Council operates a dedicated procurement unit assisting all of the directorates and maintaining robust procedures in the procurement of supplies and services.

Acknowledgement

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

A handwritten signature in black ink on a light yellow background. The signature reads "Patrick McCabe" in a cursive style.

Patrick McCabe
Local Government Auditor
23 June 2023

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