



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Cavan County Council for the Year Ended 31 December 2023

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 2023, 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 2023 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

The Council recorded a surplus of €295 after net transfers to reserves of €3.9m. 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

2024 meeting.

2.2 Statement of Financial Position

Principal movements in the finances of the Council during 2023 included;

- Net increase in fixed assets of €16.4m which includes the addition of 52 housing units, the Cavan Civil Defence building and the Virginia Civic Cultural and Library Services Centre
- Increase in work in progress of €22.2m which includes €15.9m on the N55 Corduff to South of Killydoon roads project and sums of €3.0m and €3.2m on the Elm Grove and Mullagh housing developments respectively
- Decrease in cash in bank and investments of €2.0m is due in the main to capital spending in 2023 including €1.1m on the construction of the new Cavan Civil Defence building which will be funded by loan borrowings and various housing schemes where funding had not yet been received at year end
- Increase in creditors and accruals of €2.1m includes €1.3m due in respect of contract payments pertaining to the N55 Corduff to South of Killydoon roads project and various smaller amounts due to other suppliers at year end.

3 Income Collection

3.1 Summary of Income Collection

A summary of the major collection yields and associated closing debtors (as outlined in appendix 7 to the AFS), with comparatives for the previous year is as follows:

Income Source	Yield %		Net Debtors €m	
	2023	2022	2023	2022
Rates	87	83	2.5	3.4
Rents & Annuities	78	79	2.1	1.9
Housing Loans	100	89	0	0.05

3.2 Rates

The collection yield for 2023 with regard to rates was 87% compared to 83% in 2022. Gross arrears totalled €3.7m (€3.8m in 2022). While rates invoices did not issue until mid April, this was an improvement on the previous year. A sample of accounts reviewed, indicated that accounts in arrears are monitored and followed up for payment.

Chief Executive's Response

The Council will continue to prioritise the collection of rates and the monitoring of accounts and will endeavour going forward to ensure the timely issuing of all rates invoices.

3.3 Rents and Annuities

The collection yield in respect of rents and annuities for the last five years are included in the table below. Gross arrears outstanding for each of these years are also included;

Year	2023	2022	2021	2020	2019
Collection Yield	78%	79%	81%	82%	85%
Gross Arrears	€2.5m	€2.2m	€2.0m	€1.7m	€1.3m

As set out above, there has been a decrease in the collection yield over the years. There has also been an increase in gross arrears. Balances range from €19.9k to €39.5k (€19k to €37.4k in 2022) in respect of the ten accounts with the largest arrears. A sum of €142k of total gross arrears outstanding at the end of 2023 related to rents associated with shared ownership loans (see paragraph 4.1 below).

A review of a sample of accounts indicated that there is a lack of follow up of arrears. In the case of some accounts, although regular payments are received, these are insufficient to cover the weekly rent accrued, resulting in increased arrears.

The Council should review the adequacy of the bad debt provision as while considered immaterial, it may be understated.

Chief Executive's Response

The Council will review the matters outlined above with a view to improving the collection of arrears of rents and annuities. The provision for bad debts will also be kept under review to ensure its adequacy.

3.4 Housing Loans

Gross arrears of housing loans at the end of 2023 totalled €45k compared to €90k in 2022. Balances range from €1k to €9k (€3k to €29k in 2022) in respect of the ten accounts with the largest arrears. A sum of €19k of total gross arrears related to shared ownership loans (see paragraph 4.1 below). While the mortgage arrears resolution process (MARP) is not being utilised, a sample of accounts selected, indicated that arrears of housing loans are monitored and followed up for payment.

Chief Executive's Response

The Council monitors the collection of all housing loans with payment of arrears being reviewed on a regular basis.

4 Debtors

4.1 Shared Ownership Loans

Shared ownership loans are loans geared towards providing finance to individuals on low income to acquire their principal private residence. The local authority takes an equity share by purchasing part of the property. This amount is referred to as 'Rented Equity'. The occupier of the property takes out a mortgage to purchase the remaining part of the property. In addition to the mortgage repayments, the borrower also pays rent calculated on the rented equity stake taken out by the Council.

At the end of 2023 there were 19 shared ownership loans in issue by the local authority. An amount of €1.3m is included in long term debtors in note 3 to the AFS pertaining to rented equity in respect of these loans with balances ranging from €41k to €102k.

In five of these accounts, the mortgages have been redeemed. However, rent is still being paid monthly on the rented equity portion of the property. Therefore, the rented equity balance associated with these accounts remains static and carried forward annually. This should be reviewed.

There are rent arrears ranging from €3k to €33k on nine ownership loans. These balances require follow up for payment.

Chief Executive's Response

The finance section will complete a review of all shared ownership loans in 2024 with a view to addressing the matters highlighted above.

4.2 Fire Charges Debtors

An improvement on previous years in the follow up of fire charges was noted at this audit. However, based on a sample of accounts reviewed, it is recommended that a process be put in place to ensure that arrears notices issue to all customers with follow up notices issuing in a sequential and timely manner.

Chief Executive's Response

In 2023, the Council continued working to improve the process in following up outstanding fire charges. The Auditor's comments in relation to issuing follow

up notices in a sequential and timely manner is acknowledged and will be taken into account as part of this process.

5 Fixed Assets

5.1 Fixed Assets Overview

The total net book value of fixed assets totalled €1,590.6m at the end of 2023 compared to €1,574.2m in 2022, representing an increase of €16.4m. This increase included €10.8m for housing and €7.3m for buildings, with decreases of €1.4m and €0.3m for land and plant and machinery respectively. The amount of €2.9m included in the AFS in respect of 'Disposals\Statutory Transfers' with regard to land, relates to accounting adjustments which were made as a result of matters highlighted at the previous audit.

5.2 Virginia Cultural and Civic Library Services Centre

Work on the Virginia Cultural and Civic Library Services Centre was completed in 2023 and included in fixed assets at a total cost of €6.6m. Funding for this project included €4.8m from the Department of Rural and Community Development, €0.8m in transfers from the income and expenditure account and €1.0m in internal capital transfers including €0.6m by way of a transfer from a reserve to fund rural regeneration.

The approved tender for the contract works relating to this project was €4.0m. However, the final contract costs amounted to €5.6m. This increase includes €488k of inflationary payments made to the contractor in accordance with the Office of Government Procurement 'Cost Inflation Provisions'. It also includes €449k in respect of claims which were settled through the conciliation process with the remaining increase settled as part of a 'Final Account Agreement'. These amounts are inclusive of VAT.

Chief Executive's Response

The construction of this project was significantly impacted by the Covid 19 pandemic and the subsequent inflationary pressures. Consequently, additional costs were incurred. Some of these additional costs were incurred as a result of claims determined / settled in accordance with the relevant 'Conditions of the Public Works Contract'. Other additional costs were incurred as a result of payments due to the contractor in accordance with Office of Government Procurement 'Cost Inflation Provisions'.

5.3 Land / Property Fixed Assets

There is a lack of information included in the Financial Management System (FMS) with regard to land / property fixed assets. This is resulting in some cases, in the inability to associate property folios registered in the Local

Authority's name with the Property Registration Authority (PRA), to the relevant land / property included in the FMS (see also paragraph 5.4 below).

During a review it was noted that land to the value of €0.6m was included in both land fixed assets and work in progress. This should be corrected. This has no impact on the income and expenditure account.

Chief Executive's Response

Fixed assets acquired in recent years have all the required information included in the FMS. In conjunction with the completion of the land / property register as outlined in paragraph 5.4 below, the Council will ensure that the necessary information is included in the FMS in respect of all of these assets. This will enable the association of these to property folios registered in the Local Authority's name with the PRA.

5.4 Land / Property Register

The land / property register remained incomplete at the end of 2023. Pending completion of this register, a reconciliation of properties between this register, the FMS and the insurance schedule cannot be completed.

Chief Executive's Response

Further progress was made in completing the land / property register in 2023. Work continued digitising land / property folios and updating the new database. This work will continue and when finalised, the necessary reconciliation between this register, the FMS and insurance schedule will be completed.

6 Capital Account

6.1 Capital Account Overview

At the end of 2023 there was a net credit balance of €21m (€25.5m in 2022) on the capital account. Total expenditure including transfers to revenue amounted to €67.9m (€45.3m in 2022) while total income including transfers from reserves amounted to €63.4m (€48.7m in 2022).

Total expenditure excluding transfers to revenue amounted to €66.2m (€45m in 2022). A sum of €30.2m (€13.2m in 2022), representing 46% of this expenditure relates to roads projects while €23.5m (€17.2m in 2022) representing 35% pertains to housing projects.

6.2 Capital Projects

A listing of projects by programme group which incurred significant expenditure during 2023 is shown below;

Programme Group	Project	Expenditure 2023 €m	Cumulative Expenditure to the end of 2023 €m
1	Housing Scheme at Elm Grove Cavan	1.8	3.1
1	Turnkey Development at Mullaghduff, Ballyconnell	5.1	9.3
1	Turnkey Development at Glenwood Park, Tullybuck	1.0	1.0
2	Whitegate to Maghera Pavement	2.8	2.8
2	Butlersbridge to Broder Phase 1	1.8	1.8
2	N55 Corduff to South of Killydoon Section B	16.0	17.8
2	N55 Cavan to Longford Border	1.4	1.4
4	Leader Economic Development - Rural Tourism Broadband	1.1	5.1
5	Civil Defence New Premises Pullamore 2021	1.1	1.2
6	Virginia Library	1.6	6.6

6.3 Matter Highlighted at Previous Audits

It has been previously agreed with the local authority and highlighted in previous audit reports that the Council received a total of €197k surplus to requirements from Transport Infrastructure Ireland (TII) in respect of a number of capital roads projects. It was recommended that approval be sought from TII to use these monies on other ongoing projects and if this was not obtained it should be refunded by the local authority.

I have been informed at this audit that in respect of €117k of this sum, the Council will undertake a review for possible miscoding of expenditure on capital schemes relating to the N55 roads project as soon as possible after all schemes relating to this project are complete.

Chief Executive's Response

Cavan County Council are currently reviewing old N55 schemes excluding the large N55 Section A and Section B scheme, with respect to possible miscoding. These schemes will be reviewed by both administrative staff and a technical staff member and finished by mid-October as part of a TII audit. Other old historic national roads credit balances are being reviewed within this

timeframe also.

7 Development Contributions

7.1 Development Contributions Temporary Time-Limited Waiver

In 2023, the Government approved additional measures under the 'Housing for All Action Plan' to incentivise the activation of increased housing supply and help reduce housing construction costs, including the introduction of temporary time-limited arrangements for the waiving of local authority "Section 48" development contributions. This waiver is reported in the capital account. Further details are included in note 24 to the AFS.

The total amount waived under this scheme by Cavan County Council for the year ended 31 December 2023 was €345k.

7.2 Development Contributions Collection / Arrears

A total of €1.0m (€1.3m in 2022) was collected in respect of development contributions in 2023. A review of a sample of accounts indicated that the local authority continues to monitor these for follow up of outstanding amounts.

Chief Executive's Response

A total of €345k was waived by Cavan County Council under the temporary time-limited waiver scheme. This amount has been recouped from the Department of Housing, Local Government and Heritage.

The planning section will continue to monitor development contributions for follow up of outstanding amounts.

7.3 Development Contributions Scheme

It is three years since the date of expiry of the development contributions scheme currently in operation in the local authority which covered the period 2017 to 2020.

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 section has recently completed a draft development contribution scheme which will be presented to the elected members for their

consideration in quarter 4, 2024.

8 Operation of Part V Register and Controls

The Part V register maintained in the local authority and provided at audit indicated a sum of €1.07m outstanding at the end of 2023 (€1.09m in 2022). A sum of just €20k (€29k in 2022) was collected in the year. This outstanding balance requires review for collectability and pursuit for payment.

Chief Executive's Response

Progress is ongoing in the management of outstanding debt, with the expectation that there will be further reductions in Part V outstanding balances in 2024.

9 Accounting for Approved Housing Bodies (AHBs)

At the end of 2023, payments totalling €7.9m were made to various AHBs in the form of capital asset leasing facilities (CALF). This amount is included in both 'Long Term Debtors' and 'Creditors, Amounts Greater than One Year - Other' at a sum of €8.3m as it incurs 2% simple interest per annum.

During a review of CALF, it was noted that a payment made in 2023 to an AHB of €310k was not recorded as a long-term debtor / creditor in the AFS. This should be corrected. This has no impact on the income and expenditure account.

A national Value for Money report 'The Oversight Role of Local Authorities in the Provision of Social Housing by Approved Housing Bodies', completed by the Local Government Audit Service Value for Money Unit included recommendations with regard to accounting for AHBs. A review at audit noted that a number of these recommendations have only been partially implemented by the Local Authority. In order to ensure appropriate oversight and good governance, it is imperative that all efforts are made to fully implement these recommendations as soon as possible.

Chief Executive's Response

The correction mentioned above has now been made. The Council will endeavour to implement all recommendations made as outlined in the Local Government Audit Service Value for Money Unit report where appropriate.

10 Contracts of Indefinite Duration

In 2023, eight employees who had been acting in more senior grades to the substantive grade to which they were originally assigned, were awarded contracts of indefinite duration in respect of the more senior grades. This arose as a result of having been acting in these grades for a continuous period for a number of years.

Chief Executive's Response

These contracts of indefinite duration were awarded as a result of a Supreme Court decision involving an individual in another public sector body. Arrangements have been put in place to ensure that this issue does not arise in future.

11 Local Authority Companies

11.1 Local Authority Companies Overview

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.

11.2 Glassell Limited

This is a wholly owned subsidiary of the local authority. The principal activity of this company is the operation of a multi storey car park.

In 2023, Cavan County Council contributed €150k (€131k in 2022) towards the running costs of this company which continues to need the support and financial undertaking from the Council.

According to the accounts for year ended 31 December 2022, the most recent accounts available, this company incurred a loss of €117k (€89k in 2021).

The accounts of this company 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.

11.3 Cavan Regional Health and Leisure CLG

This company is limited by guarantee. The principal activity of this entity is the provision of sports and leisure facilities to the public.

In 2023, Cavan County Council contributed €275k (€347k in 2022) towards the running costs of this company including loan repayments.

Loans payable at the end of 2022 in respect of this company were €665k. These borrowings are secured by a letter of comfort from Cavan County Council to the value of €1.15m.

According to the audited accounts for year ended 31 December 2022, the most recent available, this company incurred a deficit of €66k (surplus of €21k in 2021).

11.4 Cavan Digital Hub Limited

This is a wholly owned subsidiary of the local authority. The principal activity of this company is to promote the digital economy within County Cavan and to act as a launch pad for digital start-ups.

Cavan County Council contributed €115k in 2023 (€90k in 2022) towards the running costs of this company.

According to the audited accounts for year ended 30 June 2023, the most recent available, the company made a profit of €360 (loss of €33k for year ended 30 June 2022).

Chief Executive's Response

The Council's interest in local authority companies is set out in appendix 8 in the AFS with related financial information. The Council contributes to the running costs of these companies and provides for this in the annual budget. This will be kept under review for 2024.

The financial year ending 30th June 2023 was the most successful year to date for Cavan Digital Hub DAC. The board of Cavan Digital Hub DAC oversee the operations of the Hub and note that, as the number of clients and users increase / decrease, so too does the level of income generated by this company.

12 Governance and Propriety

12.1 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.

12.2 Statement of Internal Financial Control (SIFC)

An Advisory Group, chaired by the Department of Housing, Local Government and Heritage and comprising of representatives of the main local government governance related stakeholders, was established to guide and advise on a SIFC for the local authority sector. This work is now complete and in accordance with circular LG05-2024, local authorities are now required to prepare and publish a SIFC as part of their Annual Reports for 2023. The SIFC which is signed by the Chief Executive, includes their summary of the financial standing of the local authority and the key internal financial controls.

Chief Executive's Response

The SIFC was prepared and included in the Annual Report 2023 and signed by the Chief Executive.

12.3 Fraud and Contingency Plan

The Council has in place a Fraud and Contingency Plan. This plan was last updated in January 2019. It is recommended this plan be reviewed and updated.

Chief Executive's Response

The Fraud and Contingency Plan will be reviewed and updated as required in 2024.

12.4 Internal Audit

Internal audit continues to provide a high quality service within the Council. During 2023, a total of 13 audits were completed which included three public spending code in depth reviews. A number of cash control checks were also completed during the year.

It was noted in some cases there are significant delays between the time draft internal audit reports are completed to the time management responses are received and reports are cleared for issue. This delay can impact on the effectiveness and the quality of the information contained in these reports. This matter should be reviewed.

Chief Executive's Response

Procedures and timelines will be reviewed in respect of internal audit report completion. This will ensure that internal audit information requests and management responses are provided on a timely basis.

12.5 Audit Committee

The Council's audit committee operates under a written charter adopted by the Members. It met on four occasions during 2023. This committee plays a vital role, contributing to the independent oversight of corporate governance within the local authority.

12.6 Risk Management

The Council maintains a Corporate Risk Register which incorporates the overarching risks of the local authority. This register is reviewed and updated if necessary, on an ongoing basis.

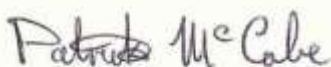
Each directorate within the local authority also maintains a risk register which is updated on an ongoing basis.

12.7 Procurement

Cavan County Council operates a dedicated procurement unit. This unit assists the various directorates in applying public procurement guidelines and ensuring that value for money is achieved in the procurement of goods 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.



Patrick McCabe

Local Government Auditor

14 June 2024

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