



Rialtas na hÉireann
Government of Ireland

LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of South Dublin County Council

for the

Year Ended 31 December 2019

Department of Housing, Local Government and Heritage

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AUDITOR'S REPORT TO THE MEMBERS OF SOUTH DUBLIN COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of South Dublin County Council for the year ended 31 December 2019, 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 2019 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 7 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 Non – adjusting post balance sheet event – COVID-19

In accordance with Circular Fin 05/2020, the local authority has included a note in their Annual Financial Statements (see note 23) in relation to COVID-19. This note refers to the impact of COVID-19, a non-adjusting post balance sheet event, and describes the uncertainty faced by the local authority as a result.

Whilst my opinion is not qualified as a result of the uncertainty, I have included an Emphasis of Matter paragraph.

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities post year-end. This has resulted in a reduction in, and uncertainty of, various income sources, together with increased levels of spend. Reductions in income have also had a bearing on the cashflow of the local authority and the ability to deliver services.

The local authority has taken a number of steps to address these both at local and national level including.

- The implementation of the nine month waiver of commercial rates from 27th March 2020, as set out in circular Fin 4/2020 and the budget statement of October 2020. This waiver applied to all but a small number of categories of businesses and the cost of this initiative was fully funded by the Exchequer.
- The monitoring of the impact of COVID-19 on the Council's income from goods and services. The sources of income identified included leisure and tourism activities, fire safety control, planning receipts and parking charges.
- The analysis of additional and emergency costs associated with COVID-19, which included the cost of the provision of staff laptops.
- The preparation of the 2021 budget taking account of the financial implications of COVID-19. The annual budget meeting was held on 19 November 2020 and the Council's budget for 2021 was approved at a second meeting on 26 November 2020.

Chief Executive's Response

Waiver of commercial rates.

It is anticipated that a sum of circa €54m will be provided by the government to South Dublin County Council in lieu of rates waived. The recoupment claim for the 6-month waiver was submitted in the sum of €36.5m at the end of October and the claim for the final 3-month waiver will be made at the end of November. It is anticipated that all sums will be received by South Dublin County Council before the close of the financial year.

Impact on income from goods and services.

South Dublin County Council monitored very closely the impact that COVID-19 was having on income from goods and services. As the country progressed through the various phases of the government's roadmap to deal with COVID-19 the income from goods and services remained strong for South Dublin County Council, however some income streams including income from housing rents, parking charges, fire charges and some miscellaneous income showed signs of pressure, the total of which is estimated at €1.5m. However, some of this reduced income will be off-set by income from other areas and /or by reduced expenditures.

Analysis of additional and emergency costs

To date South Dublin County has incurred additional expenditure in the sum of €1.4m relating to COVID-19. A significant portion of this amount (circa €425k) is associated with IT costs incurred in providing additional laptops, IT equipment and licenses etc. to enable remote working. There were also additional costs incurred by our Housing department and in preparing our corporate buildings and vehicles to deal with social distancing. Some of this expenditure will be recoupable from government departments as well as a small sum to be received from our insurers.

Preparation of the 2021 budget

In the preparation of next year's budget South Dublin County Council is mindful that the impact of the pandemic may continue into 2021. However, a repeat of the expenditures incurred in 2020 is not anticipated. There will be some additional cleaning and maintenance costs for the Council's corporate buildings and vehicles as well as some additional replacement signage for social distancing in our playgrounds and open spaces. Should the prevailing impact of COVID-19 continue at present levels well into 2021 South Dublin County Council is aware that a recovery fund of €3.4bn has been included in the national budget. The purpose of this fund is to allow for specific targeted measures to be introduced when and where the need arises and is to be used for measures to support the economy as it continues to recover from the onset of COVID-19 and deals with the challenges of Brexit.

3 Financial Standing

3.1 Statement of Comprehensive Income

The net surplus for the year amounted to €4k after transfers to reserves of €34.8m. The variances between the adopted budget and actual outturn are shown in Note 16 to the AFS. The approval of the members, as required by S.104 of the Local Government Act, 2001, was obtained.

Significant movements in the finances of the Council in 2019 are shown below.

3.2 Work in Progress

There was a decrease of €33.8m in work in progress and preliminary expenses cumulative expenditure when compared to 2018; bringing the total at the end of 2019 to €77.6m. This represents a decrease of 37% and reflects the transfer of expenditure from previous years to fixed assets.

3.3 Bank Investments

Bank investments increased by €50m from €234m to €284m at the end of 2019, which reflects the improvement in the capital account balance in the current year.

4 Income Collection

4.1 Summary of Income Collection

A summary of the major collection yields and the corresponding closing debtors, with comparatives for the previous year, are as follows:

Income Source	Yield		Debtors	
	2019	2018	2019	2018
	%	%	€m	€m
Rates	88	86	19.6	22.9
Rents & Annuities	76	75	8.2	8.1
Housing Loans	79	75	1.2	1.3

The yield from Rates, Rents & Annuities and Housing Loans all improved in 2019.

4.2 Rates

The percentage collected in 2019, which showed an improvement on the previous year, excludes specific doubtful arrears of €3.8m from the amount for collection. The level of specific doubtful arrears has decreased from €4.5m in the previous year and reflects the number of vacancy applications received or pending and accounts in examinership,

receivership or liquidation.

There was an increase in the amount collected in 2019; €118m compared to €115m in 2018. Arrears at the year-end decreased to €19.6m compared to €22.9m in the previous year.

Chief Executive's Response

COVID-19 has had a significant impact on the commercial sector of our economy, however there have been several rates waiver schemes introduced by the government. It is estimated that the exchequer will provide a grant to South Dublin County Council in the sum of circa €54m in lieu of waived rates. This should have a significantly positive impact on the rates collection figures for 2020.

4.3 Rents and Annuities

The collection yield for housing rents increased slightly in the current year and remains poor at 76%. Arrears at the year-end remained at a similar level to the previous year at €8.2m.

Chief Executive's Response

COVID-19 has impacted quite severely on the collection of housing rents over the past eight months. Social distancing has limited the ability for Council staff to meet, face to face and consult with tenants and the Government direction not to permit termination of tenancies during periods of lock down is resulting in increased arrears. However, the new debt management unit continue to engage with our rent customers and assist tenants in devising repayment plans so that they can address their arrears situation.

4.4 Housing Loans

There was an increase in the collection percentage for housing loans in 2019 when compared to 2018. The amount collected in 2019 also increased and there was a corresponding reduction in arrears at the year end.

Chief Executive's Response

COVID-19 has not had a major impact on the collection of housing loans to date and there has been very few applications to defer mortgage repayments. The collection of loans remains positive and a reduction in arrears for 2020 is expected.

4.5 Housing Loans System

As in previous years, deficiencies in the system for recording and accounting for housing loans were evident in 2019. The system is not integrated with the main financial management system and does not provide adequate management information on the various types of loan accounts. It does not account correctly for all loan types and requires a complex reconciliation procedure to provide information for the financial accounts. While the reconciliation procedure does ensure the consistency of transactions between the loans system and the financial management system, the continued use of this system for recording of housing loans represents a risk to the Council.

Chief Executive's Response

Fingal County Council, on behalf of a number of authorities including South Dublin County Council, conducted an examination of the range of potential options available and progressed to a series of workshops, in conjunction with LGMA, to examine the Agresso

functionality for the various loan types. This has not resulted in a recommendation to proceed to date so they have engaged further with the providers of the current system to explore options, including the development of a bespoke system.

Separately, South Dublin County Council is engaging with other local authorities to explore their current use of Agresso, comparing their loan types and volumes, to get a general view of its suitability.

4.6 Debtors and Debt Collection

Gross debtors, including those from the main income collections, are shown in Note 5 to the AFS and amounted €81.5m at the end of 2019. An overall provision for doubtful debts is also shown and amounts to €32.2m in 2019. The calculation of this provision reflects the likelihood of collecting the debts and is based on an analysis of each category of debtor.

In order to improve the collection of rates, housing rents and loans, a decision was made to set up a dedicated debt management unit within the Council. The introduction of such a unit should provide a more effective approach to dealing with arrears and improve collections.

Chief Executive's Response

The debt management unit has been established and the staff have been assigned to it. Progress in establishing new process and protocols, focused on the collection of the Council debt are well advanced, however COVID-19 is presenting challenges in the collection of some debt.

5 Transfer of Water and Sewerage Functions to Irish Water

The responsibility for water and sewerage functions was transferred to Irish Water (IW) in 2014 and the Council delivers services on behalf of the company under a service level agreement. The Council also continues to liaise with IW's National Special Projects Office (NSPO) in order to progress the transfer of assets.

6 Capital Account

6.1 Capital Account Overview

Capital expenditure in 2019 decreased and amounted to €111m (€123 in 2018) and total capital income, including transfers from revenue, amounted to €157m in 2019 (€161m in 2018). This resulted in improvement in the capital account balance of €45m and a closing credit balance of €254m. As in previous years, the housing area accounted for the majority (70%) of the expenditure and amounted to €76.7m in 2019 (€89.3m in 2018). Income from Local Property Tax and grants decreased from €101m to €85m, while development contributions income increased from €20m to €25m in the current year.

6.2 Capital Projects

A list of the larger individual capital projects in progress, showing current and cumulative expenditure to date, is as follows:

Capital Project	Expenditure	
	2019 €m	Cumulative €m
St Cuthberts, Clondalkin - Social Housing	10.9	13.1
R120 Adamstown Road improvement Scheme	5.8	22.3
North Clondalkin Library	3.4	4.1
Ballyboden - Social Housing	2.3	13.3
MacUilliam - Infill Housing	1.8	7.1
Killinarden, Tallaght - Social Housing	1.4	7.4
Lucan Swimming Pool	1.2	2.0
N81 Landscape Improvement Scheme	1.1	1.2
Grange Castle Pocket Park	1.1	1.2

In addition to the above projects, expenditure was incurred on various social housing and Part V acquisitions (€39m), Voluntary Housing - CALF (€9.7m) and CAS (€7.5m).

6.3 Capital Balances

There were a number of jobs, relating to voluntary and affordable housing projects, with no current activity but residual balances carried forward from previous years. These included 15 affordable housing jobs (net balance €1.9m) and 32 voluntary housing jobs (net balance €1m). During 2019 the affordable housing balances were cleared by a combination of internal capital and transfers from revenue. The cumulative debit balance of €1m relating to voluntary housing projects remained at the year-end and will have to be funded.

Chief Executive's Response

This debit balance relates to a decision to consolidate outstanding voluntary housing job balances in the capital account; with potential funding identified from a claim submitted to the Department of Housing, Local Government and Heritage (DHLGH) on historic balances. A decision is awaited on the funding of this claim.

6.4 Voluntary Housing and Approved Housing Bodies

A number of recommendations were made at previous audits in relation to the administration and oversight of funding provided to Approved Housing Bodies (AHBs) under the various voluntary housing schemes. The Council maintains a register of all AHB loans which records details of Capital Assistance Scheme (CAS), Capital Loan Subsidy Scheme (CLSS) and Capital Advanced Leasing Facility (CALF) transactions and this register is used for the compilation of the Central Credit Register (CCR) returns. In addition to the above, there are a number of CLSS loans which were issued in previous years and have not been fully reconciled with the financial management system (Agresso). Value for Money Unit reports also included recommendations on the oversight role of local authorities in this area.

Given the increase in expenditure through these bodies, outstanding issues should be addressed as soon as possible.

Chief Executive's Response

A project team has been established to commence work on the reconciliation of historical CLSS projects with the Council's financial management system. Work has commenced to

review individual CLSS projects, including the review of financial transactions against the Department of Housing, Local Government and Heritage funding approvals and drawdown history. The implementation of outstanding VFM report recommendations is in progress, including the use of the new Integrated Housing System, where appropriate.

7 Fixed Assets

7.1 Fixed Assets Overview

Total fixed assets at the end of 2019 stood at €3,336m compared to €3,245m in 2018 and there were significant additions to assets during the year in the housing area, increasing by €95m to €1,749m in 2019. These included purchased housing units and additions from work in progress.

7.2 Fixed Asset Register

The Council's fixed assets are recorded in the fixed asset register, which is part of the financial management system (Agresso), and issues have been raised at previous audits in relation to the reconciliation of this register with other Council property records.

Significant progress has been made in recent years; housing stock records are reconciled with housing units in the fixed asset register and insurance records are reconciled with buildings in the asset register. In the current year, plant in the fixed asset register has been reconciled with the fleet management system and insurance records. The verification of land assets to property records will require a significant effort and has yet to commence (see paragraph 7.3).

Chief Executive's Response

The fixed asset register (FAR) within the Council's financial management system (Agresso) has been amended so that the FOR (File On Register) reference can be recorded as part of the register. This has been completed for most of the land assets within Agresso and will progress for the remaining assets. The completion of the Council's property register will greatly enhance this exercise.

7.3 Property Register

The need for a comprehensive property register for all Council property was raised at previous audits and the development of a geographic information system to map Council land acquisitions and disposals had commenced. Limited progress in the input of historical acquisition and disposal data has been made in recent times. It is important that this task is prioritised so that the cross referencing of updated register details with the information in the fixed asset register can be completed for significant land and buildings in Council ownership.

Chief Executive's Response

Development of a bespoke geographic mapping and database system on ARC GIS Register continues to progress. The system maps and contains primary information through linked data tables for Council land acquisitions and disposals over a number of years. We have transferred a large amount of acquisition and disposal data onto the GIS database and created shape files on the system to map the lands that have been acquired and disposed of by the Council. We have also inserted FOR references on land assets listed in Agresso to facilitate cross referencing between the systems. Progress will continue on updating the

GIS register system from the details held on our disposal and acquisition files. We will reconcile the updated register details with the information on the fixed asset register on Agresso.

8 Loans Payable

Loans payable by the Council at the end of 2019 amounted to €191m (€190m in 2018) and can be analysed as follows:

Loan Type	2019	2018
Recoupable	88m	93m
Mortgage Related	54m	47m
Bridging Finance	34m	34m
Assets	15m	16m
	191m	190m

Recoupable loans and mortgage related loans are matched by corresponding long-term debtors in Note 3 in the AFS. Bridging finance relates to loans, which were used to fund the cost of affordable housing units, and these loans are currently being repaid on an interest only basis. The cost of repaying the principal on these loans, which remains constant at €34m, will require funding at some point in the future.

The principal outstanding, in respect of one particular loan, as shown on the Housing Finance Agency statement at the end of 2019, differs from the balance shown in the Council records. This matter needs to be resolved as soon as possible.

Chief Executive's Response

The difference between the amounts shown for both organisations has been reconciled and a resolution to this issue will conclude shortly.

9 Procurement

The Council has a centralised procurement unit, comprising a Procurement Officer and a team of four staff, and its work is guided by the Corporate Procurement Plan, the most recent version of which was prepared in consultation with the Procurement Steering Group and Senior Management and covers the period 2018 - 2020.

The role of the Procurement Unit includes:

- Providing ongoing assistance to staff preparing requests for tenders / quotations;
- Developing and co-ordinating procurement training for staff;
- Centrally managing the advertisement and receipt of tenders / quotations via the e-tenders platform; and
- Co-ordinating the publication of summary information on contracts awarded in line with EU and national requirements.

As in previous years, the Council carried out procurement compliance checks and found that while there were year on year improvements, there was still a significant level of non-compliance. At audit a sample of transactions were tested and in the course of these audit tests it was noted that, in some instances, the relevant procurement information was not

recorded correctly in the financial system. Some contracts had also been extended past their maximum expiry date. These findings are consistent with the results of compliance checks carried out by the Procurement Unit.

Every effort should continue to be made in order to ensure compliance with the Council's procurement policies in all departments. The Council's purchase to pay guidelines, particularly in relation to the raising of purchase orders, set out good practice and are critical for facilitating procurement compliance.

Chief Executive's Response

The Procurement Unit and the Procurement Steering Group support departments to be compliant with the Council's procurement policies. Work is ongoing to address areas of non-compliance identified. While some processes have taken longer than anticipated to complete it is envisaged that continued progress will be demonstrated when the compliance checks are carried out again, as a number of tender processes have been completed and/or commenced since the 2019 checks.

10 Local Authority Companies

The Council's interest in four companies is shown in Appendix 8 to the annual financial statements. These are:

- Grange Castle Facilities Management Limited
- South County Dublin Leisure Services Limited
- South Dublin Arts Centre Company Limited
- Civic Theatre Company Limited

All four companies are companies limited by guarantee without having a share capital and the voting power of representatives of the Council is shown as a percentage. The Council's interest in these companies has not been consolidated in the accounts. The most recent financial statements available for these companies covered the year ended 31 December 2019.

Appendix 8 also lists South Dublin District Heating CLG, which was incorporated in October 2019.

11 Governance and Propriety

11.1 Governance

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. It is the responsibility of the Chief Executive and the elected members to ensure that sound systems of financial management and internal control are in place. According to the audit committee charter, the committee has an independent role to advise the Council on financial reporting processes, internal control, risk management and audit matters.

11.2 Internal Audit and Audit Committee

The Local Government (Financial and Audit Procedures) Regulations 2014 require local authorities to maintain an adequate and effective system of internal audit of its accounting

records and control systems. Internal Audit has an important role in providing the Chief Executive with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements.

The Council's internal audit function currently consists of 6 personnel, of which one is a member of a professional accountancy body. The annual work plan was approved by the audit committee and the Chief Executive. The head of internal audit reports directly to the Chief Executive and to the audit committee on audit reports issued and progress on the implementation of audit recommendations made.

The unit produced 12 reports during the year, including three reviews related to the Council's obligations under The Public Spending Code, and I have taken account of the findings in these reports, where appropriate, in the course of my audit.

The Council's audit committee held four meetings during the year and considered the auditor's report on the annual financial statements for the year-end 31 December 2018 at the October meeting, which the Auditor attended.

11.3 Risk Management

The Council's Risk Management Policy document sets out how risk management should be formalised and embedded in the culture and ethos of the organisation, including the need to develop an awareness and understanding of the likelihood of potential risks to the organisation.

The Council's Risk Register includes corporate risks and departmental risks, which are divided into operational areas, and these are rated and reviewed by management on a regular basis. Relevant mitigating controls and actions are identified and recorded against each risk in the register.

11.4 Ethics Declarations

The Council maintains an ethics register for council members and staff. Part 15 of the Local Government Act, 2001 obliges council members and designated staff to submit an annual declaration of specified interests. Declarations were received for all council members and designated staff of the Council for 2019.

Acknowledgement

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



Richard Murphy

Principal Auditor

30 November 2020

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