



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of South Dublin County Council for the Year Ended 31 December 2021

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 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 2021, 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 2021 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 COVID-19 – Impact on Local Authorities

2.1 Overview

The COVID-19 outbreak and the emergency measures taken to mitigate it have continued to have a significant impact on the finances of local authorities during 2021. 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 in 2021, the Government introduced the Small Business Assistance Scheme for COVID (SBASC) and extended the Rates Waiver Scheme to support businesses, as noted in paragraphs 2.2 and 2.3 below.

As agreed by the General Accounts Working Group, the audited Annual Financial Statement for 2021 includes revised Notes 23 and 24 in relation to the rates waiver and SBASC respectively.

2.2 SBASC Scheme

As part of the Government's 2021 COVID support package, the Small Business Assistance Scheme for COVID (SBASC) was introduced as a direct aid to companies, self-employed, sole traders or partnerships with a minimum turnover of €50,000 who were not eligible for the Revenue scheme CRSS, Fáilte Ireland Business Continuity Scheme or the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media's Live Performance Support. The scheme was funded by the Department of Enterprise, Trade and Employment but was administered on its behalf by the Local Authorities.

The SBASC II Scheme was introduced in the second quarter in 2021 and included businesses which were not operating from rateable premises. A €1,000 grant was also introduced for businesses with a pre-COVID turnover between €20,000 and €49,999.

As with the Restart Grant Schemes in 2020, each business had to self-certify by completing the application that it met the relevant criteria. The Local Authority was required to verify the application against rate accounts, where one existed, and to confirm that the applicant had fully completed the application including the declaration.

Accordingly the audit of expenditure under these schemes, which amounted to €740k in South Dublin County Council for the year ended 31 December 2021, 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

The Government continued its support for the local government sector, with the provision of an amended commercial rates waiver in 2021. This waiver, funded by Government, at a cost of €542m supported local businesses in payment of their rates bills, and ensured continuity of services at local authority level.

The total amount received by South Dublin County Council for the year ended 31 December 2021 was €28m. The accounting treatment for this is set out in Note 23 in the AFS and further disclosure is included in Appendix 7.

In 2021, as in 2020, the methodology and manner for calculating rates income collection differed from previous years.

3 Financial Standing

3.1 Statement of Comprehensive Income

The net surplus for the year amounted to €27k after transfers to reserves of €47.2m. 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 2021 are shown below.

3.2 Bank Balances

Cash at bank decreased from €36.7m in 2020 to €9.6m in 2021; while bank investments increased from €335m to €412m in the year. This results in an overall improvement of approximately €50m in the cash position of the Council.

3.3 Creditors and Accruals

As shown in Note 6 in the AFS, total creditors and accruals increased from €104m in 2020 to €110m in 2021. Included in the 2021 balances are accruals of €28.7m (€22.9m in 2020) which accounted for most of the increase. A manual accrual of capital expenditure amounting to €12m has been provided, which is equal to the capital reserve for rates valuation appeals. This accounting treatment is in accordance with Circular Fin 03/2022 issued by the Department of Housing, Local Government and Heritage.

3.4 Other Balances

Other balances increased from €239m in 2020 to €282m in 2021, mainly due to increases in development contributions on hand (€27m) and asset related capital balances (€27m).

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	
	2021	2020	2021	2020
	%	%	€m	€m
Rates	87	82	18.2	17.8
Rents & Annuities	74	74	10.1	9.5
Housing Loans	83	80	1.0	1.1

The yield from Rents & Annuities remained poor while Housing Loans improved slightly. The impact of the rates waiver scheme on the collection yield for Rates is referred to below (paragraph 4.2).

4.2 Rates

The percentage collected in 2021 (87%) and 2020 (82%), as shown in Appendix 7 in the AFS, is not comparable with the yield in 2019 and earlier years. This is due to the 9 month rates waiver granted to eligible ratepayers for which the Council received a grant of equal amount (2021 : €28m and 2020 : 59m). If this grant income was treated as collected rather than waived the collection yield would be 90% and 89% in 2021 and 2020 respectively.

In addition to the above a deferral of income (€1m) was made where ratepayers, who were entitled to a waiver, paid their rates and this resulted in a credit on their accounts. This had the effect of removing credit balances, which arose as a result of the waiver, from the arrears at 31 December 2021.

Chief Executive's Response

There has been a steady improvement in the percentage collection of commercial rates over the past number of years. The Council will continue to work with its customers to maximise its collection and improve on the 90% collection rate at the end of 2021.

4.3 Rents and Annuities

The collection yield for housing rents remains poor at 74%. Arrears at the year-end increased to €10.1m compared to €9.5m at the previous year-end. The increasing level of arrears, including an increase in the number of individual accounts with substantial arrears, is a cause for concern and should be addressed as soon as possible.

Chief Executive's Response

The COVID-19 pandemic had a significant impact on the collection of Rents & Annuities over the past two years. The Council allocated additional resources to its Debt Management Unit which has implemented new processes and procedures to help customers who are in rent arrears. Working constructively with its tenants, the Council has now reduced the rent arrears to €9.5m and the Debt Management Unit continues to work positively with the Council's customers who have payment issues.

4.4 Housing Loans

There was an increase in the collection percentage for housing loans in 2021 when compared to 2020. The amount collected in 2021 also increased and there was a corresponding reduction in arrears at the year-end.

Chief Executive's Response

The collection of outstanding money is a priority for the Council, and it continues to improve its percentage collection of Housing Loans. The Council, through its Debt Management Unit works constructively and assists any customer who has payment difficulties.

4.5 Housing Loans System

The deficiencies in the system for recording and accounting for housing loans were again evident in 2021, as set out in previous reports. 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 use of this system for the recording of housing loans continues to represent a risk to the Council.

The Council is currently implementing the Agresso Loans Module as a replacement for the current system in use.

Chief Executive's Response

A dedicated Council project team is working on delivering the project plan for implementation of the Agresso loans module, together with the LGMA and external consultants. This project has proven more complex and time

consuming that originally envisaged. It is currently expected that the transition to Agresso Loans will be complete by year end.

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 €84.3m at the end of 2021; a decrease from €92.8m since last year. An overall provision for doubtful debts is also shown and amounts to €33.5m in 2021.

A dedicated debt management unit which was established within the Council in the previous year continues to provide a more effective approach to dealing with arrears and improve collections. It is important that significant debtor balances are monitored and pro-active steps to deal with arrears are taken as early as possible.

Chief Executive's Response

The Council's Debt Management Unit monitors all the Council's outstanding income and liaises with the various departments to ensure that it maximises the collection of any outstanding debt. The Debt Management Unit takes positive and practical steps to ensure that all monies are collected as soon as possible which minimises doubtful debts.

5 Capital Account

5.1 Capital Account Overview

Capital expenditure in 2021 increased and amounted to €103m (€90m in 2020) and total capital income, including transfers from revenue, amounted to €138m in 2021 (€127m in 2020). This resulted in improvement in the capital account balance of €35m and a closing credit balance of €325m. As in previous years, housing accounted for the largest proportion of expenditure excluding transfers (35%) and amounted to €35.5m in 2021 (€40.9m in 2020). Income from development contributions increased from €25.5m to €30.6m; while grants and LPT remained constant at €55m in the current year.

5.2 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	
	2021 €m	Cumulative €m
Grange Castle West Land	9.0	18.7
Airlie Park - Adamstown Park SDZ (LIHAF)	5.0	6.7
N81 Cycling, Walking and Bus Facilities	3.3	4.0
Riversdale, Watery Lane, Clondalkin (Social Building Programme)	2.7	2.9
Lucan Swimming Pool	2.6	7.2
Dodder Greenway Section 3	2.4	2.4
Homeville, Knocklyon (Social Building Programme)	2.2	2.4
Celbridge Link Road LIHAF (Tubber Lane to Celbridge Road)	2.1	3.9
Heatnet Project	2.0	2.7
Village Initiatives Templeogue	1.7	1.8
Grange Road Walking and Cycling Scheme	1.6	1.8
Tandy's Lane Park - Adamstown SDZ (LIHAF)	1.3	4.6
Energy Efficiency Programme Phase 2	1.3	1.3
St Catherine's (Social Building Programme)	1.2	1.7
Kilcarbery LIHAF Phase 2	1.1	1.1
N81 Landscape Improvement Scheme	1.0	2.1
Tallaght Hospital Access Road (Belgard to Cookstown Link) URDF	1.0	2.8

In addition to the above projects, expenditure was incurred on various social housing and Part V acquisitions (€9.1m), Voluntary Housing - CALF (€11.6m) and CAS (€1.1m).

6 Voluntary Housing and Approved Housing Bodies

The Council maintains an Approved Housing Bodies (AHB) register which records details of Capital Assistance Scheme (CAS), Capital Loan Subsidy Scheme (CLSS) and Capital Advanced Leasing Facility (CALF) units and relevant details. The Integrated Housing System contains property information on all housing stock, including some details of AHB owned properties. The general ledger in Agresso records details of transactions to date relating to AHB properties, including loan advances and interest charges for CALF properties.

There are currently variations and gaps in the data held in the AHB records referred to above and it is important that these records are updated and maintained on a regular basis to ensure that consistent and reliable information

is available in respect of all AHB properties in the Council area.

Chief Executive's Response

Updating of the register of AHB properties is ongoing with a view to a definitive list being maintained in Agresso that reconciles with the other data sources. Improvements have been made in relation to the data and records held in relation to the AHB and progress will continue updating the register as the delivery of properties for the AHB increases.

7 Fixed Assets

7.1 Fixed Assets Overview

Total fixed assets at the end of 2021 stood at €3,408m compared to €3,359m in 2020, with the largest increases during the year in Buildings (€25.4m) and Roads and Infrastructure (€23.2m) categories.

7.2 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 has continued with over 1500 property transactions now included in the register. The Council's internal audit unit carried out a review of the data available in the property register and the procedures around the system in operation in the Economic Enterprise and Tourism Development (EETD) directorate. The overall assurance rating provided from a review of the internal controls was satisfactory and two main findings / recommendations were included in the final report issued i.e.

- Properties managed by EETD and other directorates not yet included on the register; and
- Lack of a comprehensive reporting function to extract data from the register.

Every effort should be made to prioritise the implementation of the recommendations made.

Chief Executive's Response

The Council has significantly progressed the establishment of a comprehensive and up-to-date property register, with the inputting of data and upgrading of records on the property register being advanced. Every effort is being made to ensure that the recommendations of the internal audit report are being addressed appropriately. The feasibility of other directorates contributing to the

updating of records relating to property under their respective remits is currently being explored as part of a comprehensive assessment of the property register's optimal operational and resource requirements under the Council's Corporate Strategic Workforce Plan review. There is a firm commitment to ensure that all directorates' properties are recorded on the register, with this matter being progressed, whilst additional reporting functionality will be considered as part of any future developments of the property register.

8 Loans Payable

Loans payable by the Council at the end of 2021 amounted to €179m (€187m in 2020) and can be analysed as follows:

Loan Type	2021	2020
Recoupable	78m	83m
Mortgage Related	55m	57m
Bridging Finance	34m	34m
Assets	12m	13m
	179m	187m

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.

Chief Executive's Response

The Council monitors its loan position very carefully. The €34m in bridging finance refers to loans drawn down with state approval and the state continues to service the payment of interest on these loans. As the state makes funding available the loans are redeemed. The value of the Council's bridging loans have since reduced to €27m.

9 Procurement

The Council has a centralised procurement unit comprising a Procurement Officer and a team of five staff. A combination of divisional management and the central procurement unit is responsible for ensuring compliance with the

Council's procurement policy.

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
- Co-ordinating the publication of summary information on contracts awarded in line with EU and national requirements.

The Council maintains a comprehensive contracts database which is a valuable resource for the procurement function in the Council and assists in the preparation for upcoming procurement tender competitions.

There were 71 tender competitions conducted in 2021. The Council's procurement steering group met six times in 2021. The key areas discussed included:

- Planned procurements and progress updates
- Updates on contracts used by multiple Departments
- National guidance on areas such as COVID-19, Brexit, and Green Public Procurement
- Public Spending Code Report
- Staff awareness/information campaign

The Council carried out annual procurement compliance checks in Q4 2021. This showed that, with regard to quotations/tenders being sought in line with the Council's procedures, the Council has maintained the high level of compliance achieved in 2020. Meetings were held with the Directors of Service for each Council department in Q1 2022 to run through the findings in the procurement compliance checks report and to reduce areas where suppliers are hired by the Council without a competitive procedure being held.

I note that a Green Public Procurement working group has been set up in 2022 and has met once to date.

At audit, a sample of transactions were tested and in the course of these audit tests it was noted that:

- A small number of contracts were extended by Chief Executive Order beyond their expiry date
- One contract that had expired continued to be used
- The contract award notice was not published for one contract

The information recorded on the contracts database for some contracts was not complete particularly with regard to contract award notices and tender reference numbers.

The Low Value Purchase (LVP) Card spend for 2021 was €414k (2020: €430k)

representing 65 cards. However, as noted last year, the Council does not have an online reporting facility for LVP cards which hinders the ability to identify non-compliant procurement spend. I note that the current contract with the LVP card service provider expired in April 2022. The Office of Government Procurement (OGP) has recently sought tenders for this service.

The overall level of compliance with the Council's purchase to pay procedures has increased from 2020. However, there is room for improvement.

Every effort should continue to be made to ensure compliance with the Council's procurement policies in all departments. The Council's purchase to pay procedures, 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 auditor's comments regarding the ongoing improvements in procurement compliance and the significant work of the Procurement Unit and the Steering Group in 2021 are noted. The findings related to contract management and prompt payments will be highlighted across the organisation and targeted for improvement. The LVP cards issue should be resolved with the satisfactory completion of the OGP tender process. The focus and oversight on procurement compliance across the organisation will continue.

10 Local Authority Companies

The Council's interest in five 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
- South Dublin District Heating CLG

All five companies are 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 are noted in the AFS.

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 six personnel, of which one has a professional qualification. 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 eight 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 five meetings during the year and considered the auditor's report on the annual financial statements for the year-end 31 December 2020 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 2021.

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

28 September 2022

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