Rialtas na hÉireann
Government of Ireland

LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Dún Laoghaire Rathdown County Council

for the

Year Ended 31 December 2019

Department of Housing, Local Government and Heritage

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CONTENTS

AUDITOR’S REPORT TO THE MEMBERS OF DÚN LAOGHAIRE RATHDOWN COUNTY COUNCIL

1 Introduction

I have audited the Annual Financial Statement (AFS) of Dún Laoghaire Rathdown County Council (the 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 4 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 Council has included a note in their AFS (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 Council 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 cash flow of the Council and the ability to deliver services.

The Council has taken a number of steps to address these both at local and national level that included the following measures:

- A nine months waiver of commercial rates until December 2020 for relevant businesses that were adversely affected by the pandemic.

- Actively engaged in encouraging eligible businesses to apply for both of the Government's restart grants schemes.

Chief Executive's Response

The emergence of COVID-19 earlier this year had an immediate and detrimental impact on the Council's financial position with a significant reduction in income from parking, property lettings, harbour related activities and concerts. There was an increase in COVID related expenditure mainly in relation to the provision of additional IT equipment to facilitate remote working and there was also a requirement to substantially increase the rates bad debt provision. However, there will be some expenditure savings where planned works programmes and events cannot be progressed due to restrictions imposed, there are also projected payroll savings as recruitment was delayed. In addition, the 9-month rates waiver resulted in a substantial reduction in the end of year rates arrears projection and also resulted in a major improvement to the cash flow position. It is anticipated that the Council will operate a deficit in 2020.

3 Financial Standing

3.1 Statement of Comprehensive Income (Income and Expenditure Account)

The Council recorded a deficit of €1.05m (2018: surplus €15.8k) for the year ended 31 December 2019 thereby reducing the accumulated surplus to €8.73m at that date. The 2019 deficit can be attributed to the Council taking full responsibility for the operational costs of the Dún Laoghaire Harbour activities that were previously managed and administered by the former Dún Laoghaire Harbour Company (see paragraph 3.2). The impact of the recurring harbour related costs needs to be carefully considered when preparing the statutory annual budget.

In recognition of the financial impact to the Council of taking on the costs of managing the harbour, the Department of Housing, Local Government and Heritage (the Department) waived the requirements of section 3.2.2 of the Accounting Code of Practice and Accounting Regulations for Local Authorities to allow for the additional transfers to reserves that were made in 2019.

The elected members, at the monthly meeting of the Council held in July 2020, approved (by resolution in accordance with section 104(2) of the Local Government Act, 2001) the expenditure incurred in 2019 that was in excess of the adopted budget for that year. The details of the divisional variances are outlined at note 16 to the AFS.

3.2 Dún Laoghaire Harbour Company

The Harbours Act 2015 (the Act) provided for the transfer by way of Ministerial Order of 5 named ports, one of which was the Dún Laoghaire Harbour. The Order provided for the dissolution (without winding up) of the Dún Laoghaire Harbour Company and the transfer of the harbour to the Council.

The then Minister for Transport, Tourism & Sport in the exercise of the powers conferred on him by section 28 of the Act (Statutory Instrument no.391 of 2018 refers) and with the consent of the then Ministers for Housing, Planning & Local Government and Public Expenditure & Reform ordered that the transfer date for the Dún Laoghaire Harbour was 3 October 2018.

As outlined at the previous audit, all of the company's staff transferred, in accordance with the provisions of the Act, to the Council on the dissolution date. The Act provided for the Council taking responsibility for the superannuation scheme of the transferred staff. Consequently, the Council has now responsibility for the administration of two separate superannuation schemes. I have been advised that the new scheme is currently being administered on the basis of the preferred funding option recommended by professional consultants that were retained by the Council.

I have been further advised that the former company's superannuation's scheme rules, while established under irrevocable trusts in 1997, were never formally regularised. I have asked management to review the status of the scheme as a matter of priority to ensure that there are no legal impediments to the Council taking over responsibility for its administration.

Due to the additional risks inherent in the administration of this new superannuation scheme, I have recommended to management that the adopted approach to funding it should be kept under regular review.

It is noted that, while the pay and conditions of the indoor based staff of the former harbour company have now been successfully integrated to the Council's pay structures, efforts are still ongoing in relation to aligning the pay and conditions of the outdoor based staff. This matter also needs to be resolved and regularised as soon as is practicable.

An offer of redundancy was accepted by one former company employee with the payment being made by the Council in 2019. The total amount paid to the former employee also included an out of court settlement of two High Court proceedings taken against the former Dún Laoghaire Harbour company for which the Council became legally liable.

Circular LG (P) 4/2018 issued by the Department requires local authorities to adopt a consistent set of arrangements, controls and procedures where offers of severance terms are being considered.

In respect of the Council's adherence to the requirements of this circular, the following matters were noted:

- While a business case was submitted to the Department that included an outline of the Council's intention to make the redundancy offer, I have been advised that written sanction was not received prior to the payment being made. It has been recommended to management that internal controls should be reviewed to ensure that any future similar payments adhere, in full, to the requirements of the relevant Department circulars.

- The draft 2019 AFS, circulated to the elected members at the July 2020 monthly meeting, did not include any reference to the redundancy payment. The audited AFS now includes a disclosure note on page 2.

Section 33 of the Act stipulates that the final accounts of the dissolved company are required to be prepared within 6 months of the dissolution date. As reported at the previous audit, the former company's final statement of affairs was not available within the statutory required timeline. Consequently, the Council requested and received approval from the Department to exclude (from the Council's 2018 AFS) the balances relating to the harbour company's assets and liabilities that were in existence at the dissolution date. A comprehensive internal review exercise of these additional assets and liabilities was undertaken prior to the related financial balances being uploaded to the Council's Agresso financial management system (FMS) to ensure compliance with its own accounting structures. All of the former company's final assets and liabilities have now been incorporated in the Council's 2019 AFS. The financial transactions specific to harbour activities occurring between 3 October 2018 to 31 December 2018 that were excluded from the Council's 2018 AFS have also now been incorporated in the 2019 AFS.

Amongst the additional assets taken on from the former company, is a substantial rental property included at note 3 to the AFS valued at €12.5m (based on a professional valuation issued in October 2018). Management has advised me that it is currently intended to maintain this asset for rental income.

Chief Executive's Response

The transfer of the Dun Laoghaire Harbour in 2018 had a negative impact on the Council's finances and as a result of costs associated with the transfer, the Council recorded a deficit for the first time since 2006. All relevant transactions and balances relating to the Harbour are now included in the 2019 Annual Financial Statements. The accounting treatment applied to the take-on of balances etc. accords with the treatment prescribed in the Local Government Accounting Code of Practice.

The Council was also legally obliged to take responsibility for the superannuation scheme of the transferred staff. It is intended to engage with the appropriate stakeholders in relation to examining options in relation to the operation of the scheme going forward and as part of this exercise the status of the scheme and its rules will be undertaken.

Following the dissolution of Dun Laoghaire Harbour Company (DHLC) and its transfer to the Council one redundancy payment was made to a former employee of DLHC. The calculation of the redundancy payment was in accordance with the requirements of Circular LG (P) 4/2018. Controls will be put in place to ensure compliance with the requirements of the Circular in relation to obtaining written sanction and disclosure of redundancy payment should the issue arise in future.

3.3 Local Property Tax

The current funding model for the distribution of the Local Property Tax (LPT) was first introduced in 2015.

As provided for in legislation, the Council again passed a resolution to vary the basic rate of LPT downwards by 15% for 2019, thereby reducing the provisional allocation for the year to €33.7m. The impact of this was to reduce the original 2019 allocation by €7.8m.

Due to the Council's LPT surplus there is a requirement, similar to other large local authorities, to self-fund some services provided during 2019 by the Housing and Roads directorates.

In October 2018, the Department confirmed the allocations that the Council was required to apply in 2019, were as follows:

Housing - revenue and capital	€19.4m
Roads - revenue	€ 3.5m.

3.4 Statement of Financial Position (Balance Sheet)

The Council had net assets of €3.51bn at 31 December 2019 (2018: €3.47bn) with fixed assets being the main contributor to the year-on-year increase, recording a book valuation of €3.38bn at the 2019 year-end (2018: €3.34bn).

The net cash position improved again during 2019, increasing to approximately €224m at 31 December 2019, a year-on-year increase of €26m.

As outlined in the Council's capital programme report (recently issued in respect of the period 2020 - 2022), this significant cash balance is required to fund the following:

- Amounts ring-fenced for specific purposes in compliance with the underlying provisions of the relevant legislation for which they were originally collected (such as Part V planning receipts, Rental Accommodation Scheme, planning securities and refundable deposits etc.).

- Cash derived from the advance drawdown of a loan secured to meet the costs associated with the Glenamuck distributor road / Kilternan by-pass scheme (see paragraph 3.6).

- Government grants on hand at the 2019 year-end to fund specific capital works and;

- Other amounts that were designated in previous years as sinking funds against liabilities that have yet to materialise.

3.5 Fixed Assets - Land and Property Registers

It has been reported at previous audits that reconciliations between the amounts recorded in the FMS and those contained in the land and property registers had not been completed. It is acknowledged that the housing stock register, following amendments requested during the current audit, is now fully reconciled to the fixed assets register.

While the process of reconciling the Council's land and property portfolios to the relevant registers is still not complete, the Corporate Estates Management unit that was established in 2019 is contributing to improved internal controls in this area. This was evidenced during the audit. The recent additional staff resources assigned to the unit is welcome. The current work programme, including the tracking and evaluation of the extensive assets taken on from the former Dún Laoghaire Harbour company, is both comprehensive and time consuming. The completion of the asset evaluation reviews should be completed without further delay to ensure that all of the Council's assets are adequately insured and safeguarded.

As noted at previous audits, the recommendations contained in the Local Government Audit Service Value For Money report no. 30 Corporate Estate Management and Maintenance in Local Authorities (January 2017) should be implemented in full.

It was noted during the audit that improvements are still required in respect of the accuracy of the records on Council owned land and properties that are currently under lease or rental agreements with third parties.

However, I remain satisfied that the recommendations that have been made in this area at previous audits are currently being addressed.

It is a requirement of the Accounting Code of Practice for local authorities that assets registers should be maintained.

Chief Executive's Response

Work is underway in conjunction with the expanded Corporate Estates team and the Insurance section to improve controls and to provide similar assurances for land & property. Reconciliations will be carried out between the fixed asset register and the central property asset register. The procurement of a new property management database should help facilitate this. Efforts will be directed at concluding this without delay.

3.6 Work in Progress

Accumulated expenditure on the work in progress (WIP) and preliminary expenses account amounted to €34.3m at 31 December 2019 (2018: €32.4m).

The 2019 year-end balance included the accumulated expenditure on the following main schemes that are currently being progressed:

Work in Progress	Cumulative Spend at 31 December 2019 €m
Cherrywood N11 Junction & Druids Glen Road	13.4
Glenamuck distributor Road / Kilternan by-pass	7.6
Broadford Rise housing scheme	5.1

A loan of €30m was drawn down in December 2019, secured from the Housing Finance Agency (HFA), to fund the upfront infrastructural costs associated with the Glenamuck distributor road / Kilternan by-pass scheme. The amended Glenamuck Distributor Roads Development Contribution Scheme was adopted by the Council in 2018 in accordance with section 49 of the Planning and Development Act 2000-10 (as amended). While the projected total costs for this scheme are currently budgeted at approximately €75m, the loan facility drawn down to date is proportionate to management's reasonable certainty regarding the future availability of development contributions. I have discussed with management the need to maintain this prudent approach to ensure that the risks associated with the funding model for this significant development are mitigated. This adopted approach should be regularly reviewed.

The Fitzgerald's Park Lower housing scheme was completed during 2019 with the final costs of €11.4m being transferred to the fixed assets register and included in the schedule of fixed assets in the 2019 balance sheet.

Chief Executive's Response

The future availability of development contributions will be monitored closely in order to mitigate against the risk of adverse variations in projections and to support ongoing inspection of the suitability of the funding model regarding Glenamuck Distributor Road Development Contribution Scheme.

3.7 Development Contributions

Included in trade debtors and prepayments at 31 December 2019 was €17.9m (2018: €14.2m) in respect of development contributions owed to the Council (see note 5 to the AFS).

A provision for bad debts of €2.8m (representing approximately 20% of the development contributions debt book) has been made and is included in the overall 2019 year-end bad debts provision of €20.6m. While consistent with previous years, this provision should be kept under regular review to ensure that it remains adequate having regard to the aged debt status of the debtor balances that continue to be carried.

Chief Executive's Response

The Council will continue to closely monitor development contributions debtor balances and related provisions to ensure adequacy.

3.8 Loans Payable

The Council owed €152m at 31 December 2019 (2018: €124m) in the form of medium to long term loans. The €30m new loan facility drawn down to fund the initial infrastructural costs of the Glenamuck distributor road /Kilternan by-pass is the reason for the increase in the Council's indebtedness.

The balance at the end of 2019 also included approximately €37m that was owed to the HFA on loans that were taken out more than ten years ago to acquire land for housing development that has not yet commenced, the details of which were as follows:

Sites acquired for development	Balance of Loan at 31 December 2019 €m
Old Connaught Avenue	20.2
Ballyman Road	10.5
Lehaunstown	6.1

The total interest incurred and paid in 2019 on the above loans amounted to approximately €0.5m. Management has again advised me that there remains no expectation of any developments commencing on these sites in the near future. The development or possible other alternative use of these sites should remain a priority matter for management as the values of the loans remain substantial.

As the Council is not currently repaying the principal element on any of the above loans, management will need to identify sources of funding to reduce and eventually remove the liabilities from the balance sheet.

Chief Executive's Response

The extended period of interest only loan repayments for our three land loans has expired and these loans have now converted to 25 year principal and interest repayments. The management of these sites will continue to be kept under review.

3.9 Refundable Deposits

The amounts held by the Council as refundable deposits at 31 December 2019 amounted to approximately €37m (2018: €34m) and are outlined at note 8 to the AFS.

Previous audit reports have highlighted the inadequacy of the supporting documentation being held for refundable deposits. It has again not been possible to adequately verify the full amount that was recorded as deposits at the 2019 year-end.

While it is acknowledged that current transactions continue to be accurately recorded, the available documentation to confirm the amounts collected in previous years, remains inadequate. As the unsubstantiated amounts remain significant, recommendations have again been made to senior management that additional resources should be assigned to this area to resolve this matter.

It is imperative that the necessary and long overdue review should be completed prior to the preparation of the 2020 AFS.

Chief Executive's Response

Work is ongoing to ensure that all supporting information is available ahead of the 2020 AFS and that the year-end balance can be verified as accurate and reliable.

4 Income Collection

4.1 Main revenue income collections

A summary of the collection performances showing the 31 December 2019 arrears position in respect of the main income categories with comparative figures for the previous year are as follows:

Income Source	Yield %		Debtors €m	
	2019	2018	2019	2018
Rates	89	88	14.5	15.0
Rents & Annuities	79	79	4.3	4.1
Housing Loans	61	63	0.7	0.7

The annual yield on commercial rates, the most significant of the 3 major revenue collection accounts, improved to 89% in 2019 (2018: 88%) resulting in a year-on-year reduction in arrears of approximately €0.5m. The annual yield on housing loans decreased to 61% in 2019 (2018: 63%) while housing rents and annuities remained static at 79%.

The total amount collected (across the three collection accounts) increased to €97.2m during 2019 (2018: €96.3m) a year-on-year improvement of €0.9m.

4.2 Rates

As stated above, this income category recorded an improved collection performance in 2019. The collection yield for the year was again higher than the 2018 local authority sector national average, notwithstanding the significant level of arrears that is still owed to the Council.

The status of the accounts in arrears at 31 December 2019 can be summarised as follows:

Category	Amount owed €m	% of total arrears
Legal proceedings commenced	4.4	30%
Accounts in an agreed payment plan	3.7	26%
Vacant property applications awaited	3.7	26%
Accounts that are actively being pursued	2.0	14%
Customers in liquidations, receivership and / or administration	0.5	3%
Other (including bankruptcy, occupier vacated property and whereabouts unknown)	0.2	1%

It is noteworthy that accounts with collective arrears of €4.4m (representing 30% of the total amounts owed to the Council at the 2019 year-end) have been referred to the Council's legal department which is indicative of management's continuing commitment to debt collection.

4.3 Housing Rents and Annuities

While the annual collection yield has remained static at 79%, the balances on accounts in arrears increased to €4.3m at 31 December 2019, a year-on-year increase of €0.24m.

The amounts due to the Council remain significant and should continue to be pursued.

4.4 Housing Loans

The percentage collection yield in this category of income decreased by 2% when compared to 2018. The total due to the Council at 31 December 2019 amounted to €0.74m.

The current resources assigned to this area should remain in place to facilitate a return to improving the annual yield performance.

Chief Executive's Response

The Council will assign the necessary resources in order to facilitate maximum income collection whilst endeavouring to reduce outstanding arrears.

5 Payroll and Pensions

5.1 Payments of staff overtime

Previous audit reports have highlighted some significant weaknesses in the administration of staff overtime payments and the related internal control procedures.

Another review carried out during the current audit has again identified similar weaknesses to those that were reported at the previous audit. I remain satisfied that the core elements of the Council's salary and wages costs are generally well controlled with the majority of payments being made in an accurate and efficient manner. However, the main areas of concern continue to relate to the weak internal control environment that is currently being adopted with regard to the administration of overtime payments.

The overtime charges continue to be significant with total costs in 2019 amounting to €1.4m (2018: €1.5m).

The specific matters raised with management during the current audit are outlined below:

- The internal controls being applied to the processing of overtime claims, particularly for outdoor based workers, remain weak and in some areas the standards of checking and approvals are unacceptable.

- A review, undertaken during the current audit, of a sample of the 2019 overtime claims approved for payment, have again identified a high level of errors. The absence of adequate internal controls makes it difficult to verify the quantity of overtime hours worked.

- The current procedures do not facilitate an efficient claims processing system.

- It was again noted, specifically in respect of the overtime claims processed for outdoor based staff, that the general level of information provided to support the need and purpose of the overtime work was not adequate. Different types of claim forms continue to be accepted for overtime hours undertaken despite the acceptance by management for the need to introduce a standardised form. The current forms do not provide the level of information needed to adequately support the claims being processed and subsequently paid.

- In a small number of cases, significant delays were noted (up to 7 months) between the dates that the relevant overtime was undertaken and the subsequent claim for the additional payment. Delays of this duration should no longer be accepted.

The establishment of an internal working group, comprising senior staff, to review the matters raised at audit, is acknowledged and welcome. This group is tasked with devising and obtaining agreement on the implementation of improved and robust internal procedures sufficient to enable the timely and accurate processing of overtime claims. The completion of this important work needs a further impetus from senior management to ensure that the high rate of errors noted in this and previous audits are eliminated.

It remains my opinion that the internal controls being applied to the administration of the overtime system are not satisfactory. The implementation of improved internal controls are required without further delay.

Chief Executive's Response

The overtime claims processes were reviewed by an internal working group consisting of senior managers to ensure that the recommendations made in last year's report were implemented.

Senior managers are now being provided with reports following each payroll period in order to monitor overtime claims within their departments and ensure their accuracy.

A draft wages timesheet policy and procedure document is nearing completion. The document will incorporate FAQ's and guidance for line managers / inputters.

5.2 Acting up allowances

The Council continues to pay unsanctioned acting up allowances to some staff.

Management's attempts to obtain formal approvals to permit permanent appointments is acknowledged. However, there still remain a small number of staff that continue to receive acting up pay allowances for periods in excess of 6 months.

In accordance with national protocols, acting up pay allowances for periods in excess of 6 months require Departmental approval to permit their continuing payment. This matter needs further attention from the relevant divisional management to ensure that the Council complies with national protocols.

Chief Executive's Response

Whilst efforts continue to regularise acting up appointments they remain necessary for the effective management of the organisation. As at December 2019 there were thirty acting appointments, however sixteen of these actings have now ceased. Eleven of the sixteen were for a period in excess of six months. Sanction was sought and approved for one of these posts.

These ongoing appointments exist in order to manage workload challenges resulting from a combination of vacancies and consequential actings, maternity leave, illness and shorter working year arrangements.

Acting arrangements in relation to outdoor based staff are on a week to week basis to cover absences for annual leave / sick leave etc.

6 Capital Account

6.1 Capital Account overview

The Capital account recorded a net credit balance of approximately €147m at 31 December 2019, an increase on the previous year of €17m. The year-on-year increase is mainly attributable to the net additional development contributions received during the year amounting to €13m.

The oversight of capital projects continues to be well managed by the Capital Project Governance Board whose main tasks include the initial evaluation of proposals for new capital schemes and the subsequent on-going monitoring of approved project expenditure against agreed budgets.

The latest iteration of the capital programme, for the three year period 2020-22, anticipates expenditure amounting to €473m. I note that some projects have yet to have their funding status confirmed.

The schemes currently being progressed include the following:

- Shanganagh housing development - expenditure of €72m anticipated over the three years (see paragraph 6.3); and

- Glenamuck Distributor Road - expenditure of €66m anticipated over the three years (see paragraph 3.6).

It is important, given the current breadth of projects being progressed and the quantum and diverse range of funding required, that the current level of resources assigned to the oversight of capital works is both maintained and strengthened further where considered necessary to ensure their timely and cost effective delivery.

Chief Executive's Response

The Capital Programme and Capital Account remains an area of committed focus and high priority. Resources will be allocated and strengthened where necessary.

6.2 Cherrywood Strategic Development Zone (SDZ)

Statutory Instrument no. 535 of 2010 designated Cherrywood, Co. Dublin as a Strategic Development Zone (SDZ) with the Council being the specified Development Agency as provided for under section 165 of the Planning and Development Act, 2000.

In recognition of the size and complexity of the scheme, Council management established a dedicated development agency project team, comprising staff with a multi-disciplinary range of experience and expertise. In addition, a steering group has also been established that is chaired by the Chief Executive and comprises members of the senior management team. The continuing level of governance and oversight on this complex development is commendable.

The most recent iteration of the capital programme report outlines the background and funding mechanism being put in place to construct the "common infrastructure" element of the wider Cherrywood development. While funding is expected to be derived from separate Cherrywood development contributions (this being the section 48 Cherrywood Development Contribution Scheme 2017-20), financing is also to be made available from the LPT, the Local Infrastructure Housing Activation Fund (LIHAF) and from the Urban Regeneration and Development Fund (URDF).

The costs of delivering the common infrastructure are currently estimated at approximately €200m. In accordance with the Cherrywood planning scheme, common infrastructure is required to unlock and support the development lands. Management has advised me that the latest estimates indicate that funding of approximately €105m has yet to be confirmed and that it is not the Council's responsibility to bridge this gap.

It is essential that all of the relevant stakeholders work proactively together to deliver this infrastructure and to bridge the current significant funding gap. Delays in progressing the common infrastructural works should be avoided where possible.

Chief Executive's Response

The programme for delivery of the government funded LIHAF and URDF call 1 project is progressing. In May 2020, the Development Agency Project Team submitted an application in response to a further call by government as part of the URDF call 2.

As detailed in the Programme of Capital Projects proposed 2020 – 2022, noting the current gap in delivery of the common infrastructure, one option that is being advanced is to review the Cherrywood element of the 2017 – 2020 Development Contribution Scheme.

In the delivery of the common Infrastructure of the Cherrywood SDZ, the Council continues to work with all stakeholders to bring forward key projects and funding resources in order to facilitate timely and successful implementation in support of the Planning Scheme.

6.3 Deficit balances

Notwithstanding the overall credit balance on the capital account at 31 December 2019 and the improved position derived from the completion of the recent internal review, there still remained some large deficits on individual schemes that require a funding source, the more material of which are outlined below:

Sites acquired for development	Balance of Loan at 31 December 2019 €m
Site at Shanganagh Castle	11.4
Ballyogan Depot	8.1
Unit 3 B Corrib Road, Sandyford Ind Estate	5.2
Glenamuck TAU	2.7

The deficit of €11.4m on the site at Shanganagh Castle is due to a combination of legacy site costs (the Council acquired the site in 2004) and current consultancy costs. Due to the proposed scale of the development, the Council, in compliance with the Public Spending Code (PSC) requirements, engaged with the National Development Finance Agency to determine the most appropriate funding model to adopt. The scheme has recently received approval from An Bord Pleanála, which provides for the construction of a mixed development of 597 residential units. The Council is also currently in discussions with the Department and the Land Development Agency to determine the most appropriate delivery mechanism and funding stream. The funding model that is yet to be confirmed for this large housing scheme will need to take into account the significant deficit currently being carried by the Council.

The elimination of some of the deficits on schemes highlighted in the previous audit report is acknowledged. However, the other balances referenced above remain substantial and an action plan for funding is still required.

Chief Executive's Response

Review work is ongoing with relevant council departments to identify funding streams to eliminate historic debit balances.

6.4 DLR Properties Limited

As outlined at previous audits, the capital account records the financial transactions in respect of the loans that were advanced in previous years to DLR Properties Ltd. (the Council's wholly owned subsidiary company - see paragraph 10.2).

The manner of accounting for the relevant transactions through the capital account was the subject of discussions, at the time of the original loan advances, with the Department's General Accounts Working Group.

7 Irish Water

7.1 Transfer of water and sewerage functions to Irish Water

The Council continues to deliver services on behalf of Irish Water (IW) under a service level agreement. Section 12 of the Water Services (no.2) Act 2013 provided for the transfer to IW of all underground water services previously vested in the Council. The statutory transfers of the above ground water related assets to IW are given legal effect by Ministerial Order that are issued by the Department in consultation with the Council and IW.

To date there remain just two transfers of assets (providing for the transfers of eight individual assets) made by Ministerial Order. I have been advised that a further 29 assets have been identified that will need to transfer to the utility company. The remaining assets are not yet ready to be processed for legal transfer as there remain matters, relating to title and registration, yet to be clarified.

Additional staff resources are required to be assigned to this area to enable a more efficient transfer to the utility company. I acknowledge that a request for additional staff has been submitted to the Department for approval and I have been advised that a response is currently awaited.

Chief Executive's Response

A response to the request for additional staff will be pursued with the Department.

8 Non Pay Expenditure

8.1 Purchasing and Invoice payments

The timely raising of purchase orders to record and register, on the FMS, the Council's commitment to acquire goods and services is one of the corner stones of an organisation's budgetary and internal control systems.

The system compliance improvements noted at previous audits have been sustained during 2019. A review of the purchasing and payments procedures carried out during the current audit has again indicated that the important internal control of raising purchase orders at the appropriate time (to formally register the commitment to acquire the relevant goods and services) are generally being applied by all sections of the Council.

Compliance levels in excess of 90% have again been recorded for 2019, which is acknowledged. All relevant staff should be reminded of their obligations to comply, in all circumstances, with the Council's purchasing procedures.

Chief Executive's Response

Regular reminders will continue to issue to staff regarding the requirement to comply with the Council's purchasing procedures.

9 Procurement

9.1 Results of compliance checks

Non-compliance with national procurement guidelines and regulations were noted at previous audits. Despite the progress that continues to be made by some sections, there remains a number of areas where a review of work practices is still required.

The main areas of concern noted during the current audit and which specifically referred to the revenue account in respect of payments made in 2019, were as follows:

- Payments on a number of housing directorate contracts were not tendered in accordance with the national protocols and guidelines. It is acknowledged that good progress towards improving compliance levels appears to have been made during 2020. The current resources assigned to this important area should remain in place until all relevant spend areas are fully reviewed and optimum compliance levels achieved.

- The contract for the provision of legal services in respect of parking enforcement matters continues to be awarded to a firm on a "roll-over" basis, a situation that has been in place since 2010. This area requires management's immediate attention to ensure that the awarding of the contract complies with national procurement regulations. This issue was highlighted at the previous audit.

As a public organisation, the Council (including its subsidiary and related companies) is required to comply, in all respects, with both the national and where relevant the EU procurement regulations and directives.

Chief Executive's Response

The Housing Department has set up several frameworks to cover the majority of the works required to maintain the housing stock. Resources will remain in place to continue to develop new frameworks to ensure housing services comply with national guidelines.

Legal services were included in the procurement/tender process for a new pay parking enforcement contract which has now been awarded. The procurement was conducted using the Office of Government Procurement (OGP) framework.

9.2 Public Spending Code

In compliance with the requirements of the PSC, the internal audit unit recently completed a report on its review of the 2019 financial transactions incurred in the following areas of the Council's activities:

• Capital Account	Corbawn Lane Beach Access Improvements & Coastal works
• Revenue Account	Library Service Operations.

The findings and recommendations contained in the PSC report were taken into account as part of this audit.

10 Local Authority Companies

10.1 AFS Appendix 8 disclosures

The Council has an interest in a number of connected companies, the details of which, including the relevant 2019 trading results, are disclosed at appendix 8 to the AFS.

All of the companies, listed therein, are audited by private firms of auditors having been appointed by the respective board of directors to undertake the annual audits. The companies' board of directors (whose primary function under the Companies Act, 2014 is to manage the businesses on behalf of the shareholders - the Council is the sole shareholder of DLR Properties Ltd.) include representatives of the elected membership and the Council's senior management who act in ex-officio capacities.

10.2 DLR Properties Limited

As outlined in the DLR Properties Limited (DLRP) Directors' report to the 2019 audited AFS, this company is involved in acquiring, developing, holding, managing, leasing and disposing of land and buildings of all kinds located at Cherrywood, Co. Dublin.

All of the company's issued shares remain in the beneficial ownership of the Council. During the course of the audit, I again obtained an overview of the current trading performances and future plans for the company.

The company's audited accounts for the year ended 31 December 2019 recorded a surplus for the year of €2.9m (2018: €3m surplus). The 2019 annual surplus was achieved following a further uplift in the market valuation of the company's property portfolio. Following board approval, one of the properties previously held as stock was designated as an investment property because the company has no current plans to dispose of the building. Accordingly, the company's 2019 balance sheet recorded the investment properties at a value of €37.8m with inventory properties being valued at €35.6m at the same date. All of the relevant properties are located at Cherrywood, Co Dublin.

The Council's interest in the company was valued on 31 December 2019 at €8.1m (2018: €5.2m), the calculation of which was based on the company's net assets valuation at the balance sheet date.

Following the annual professional valuation undertaken by the company, the total property portfolio (now comprising both investment and development properties) was valued at approximately €73m at 31 December 2019. This most recent valuation maintains the market value of the properties in excess of the cash value of the loans (€69m) that were advanced by the Council to the company. As outlined in previous audit reports, the loans comprise of term loan facilities that are subject to a 13 month repayment notice period and were issued to fund the company's acquisition of its rights, interests and entitlements over the land and properties at Cherrywood.

In accordance with the loan agreements, interest was charged in 2019 on a portion of the total loan book. Total interest paid to the Council in respect of 2019 was €0.67m. The total interest paid to date, following approval from the elected members, has been transferred to the Council's capital account to fund the reductions on some of the substantial debit balances arising.

Council management has again advised me that it is not anticipated that the company will be required to commence repaying the principal element of the loans (currently €69.1m) in the near future.

There are also two management companies, incorporated as Artoka CLG and Glenleah CLG that are related to DLRP. These two companies share common directors and secretary with DLRP and are currently audited by the same firm that undertakes the annual audit of DLRP. The principal activities of the two management companies, as outlined in their respective directors' reports to the 2019 AFS', is the management (on a fee income basis) of the buildings owned by DLRP.

The 2019 audit reports for the three companies together with the related audit letter did not contain any significant matters of concern following the completion of the annual audit process.

As reported at the previous audit, DLRP is currently contracted with another property development company to dispose of the 13.9 acre site known as TC3. Under the terms of the agreement, the company will exchange the site for a yet to be constructed 145,000 sq. ft. Grade A commercial building.

It is noted that the building is required to be delivered by the property development company to DLRP by February 2023. I have also been advised that the company intends to use this building, when completed, as part of its expanded rental property portfolio.

As the current plans will significantly increase the company's commercial property portfolio, a recommendation has been made to Council management to maintain a prudent approach in respect of its long-term strategy to ensure that the significant public funds invested in the company continue to be safeguarded.

10.3 Dún Laoghaire Rathdown Leisure Services CLG

This company oversees the day-to-day management of the municipal golf course located at Stepaside and the four leisure centres located at Meadowbrook, Monkstown, Loughlinstown and Ballyogan and other ancillary activities. It is a company limited by guarantee and not having a share capital. Its board of directors include representatives of senior officials of the Council and the elected members.

The Company's audited AFS for the year ended 31 December 2019 recorded a surplus for the year of €323k (2018: €133k) thereby increasing the shareholders' funds at that date to €3.4m approximately. As outlined in the previous audit report, the company continues to carry significant cash reserves.

Company management were met during the course of the audit to obtain an update on activities and developments. The COVID-19 pandemic has had a significant impact on the company operations with all of its public facilities closing, in compliance with Government instructions, on the 13th March 2020. Company management has advised me that all of the leisure centres re-opened on the 13th July under very strict usage capacity in accordance with guidelines issued from both Sports Ireland and Ireland Active. The Meadowbrook pool facility has remained closed for refurbishment.

10.4 The Pavilion Theatre Management Company CLG

This company oversees the day-to-day management of the Pavilion Theatre. It is a company limited by guarantee and not having a share capital. Its board of directors include representatives of the Council's senior management team and the elected members.

The company's audited AFS for the year ended 31 December 2019 recorded a surplus for the year of €54k (2018: surplus €77k) thereby increasing the shareholders' funds at that date to approximately €0.7m.

11 Governance and Propriety

11.1 Governance overview

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. The Chief Executive, her management team and the Council's elected members all have a role in ensuring there are sound systems of financial management and internal controls in place.

11.2 Risk Management

An effective risk management framework provides the executive management and the elected members with assurances that the major organisational risks are identified, appropriately managed and mitigated where possible.

While it is acknowledged that the majority of the Council's divisional risk registers continue to be reviewed and updated on a regular basis in compliance with the formally adopted internal controls, I did note that some of the registers were not reviewed either in 2019 or to date in 2020.

It has again been recommended that the relevant divisional management teams should be reminded of their responsibilities to ensure the respective registers are both reviewed and updated without further delay.

Chief Executive's Response

Online workshops were facilitated for all departments during 2020 to bring the risk registers in line with the Corporate Plan and work regarding the review of the corporate and departmental risk registers is well advanced.

An Open Help Desk day, along with remote training and information sessions, were also provided to assist users with the risk management system. Ongoing reminders of the importance of reviewing the risk registers will continue to issue to risk owners and a report of those not updated to the relevant director.

11.3 Internal Audit

A significant portion of the work output from this unit continues to be contracted to private auditing firms that are selected from a framework agreement for the supply of accounting and auditing services established by the Department of Justice and Equality.

As recommended at the previous audit, it would be preferable to increase the staff compliment working within the unit, thereby reducing the reliance that is currently placed on outsourcing elements of the annual audit work plan. Some of the studies undertaken by internal audit require a knowledge of the regulatory framework, systems and procedures that are specific to the local government sector and consequently some reviews may not be suitable for outsourcing.

It is a critical element of good corporate governance that the internal audit function of an organisation the size and complexity of the Council is adequately resourced with professionally trained staff.

Chief Executive's Response

A Senior Staff Officer has been assigned to the internal audit unit and a business case is being made to the Department for a staff officer. Required training will be provided. A number of audits are being carried out by internal audit staff during 2020.

11.4 Audit Committee

The Council's audit committee met on three occasions during 2019 and issued its annual report for that year in April 2020. The delay in establishing the current committee following the 2019 local elections, impacted on the ability to convene more frequently in that year.

The work of the committee, which is continuing to make significant contributions to the independent oversight of corporate governance within the Council, is acknowledged.

11.5 Annual Declarations of Interest

Part 15 of the Local Government Act, 2001 (as amended) imposes obligations, on all Council members and staff of a certain grade or assigned certain duties, to make annual declarations to the Council's designated Ethics Registrar.

At the previous audit instances of non-compliance, by both the elected members and certain grades of staff, were highlighted. A review of the returns submitted in respect of the period ended 28 February 2020 was undertaken during the current audit, which resulted in improved levels of compliance again being noted.

However, there remained some returns that were not submitted by the prescribed deadline date and others that were not complete.

All elected members and relevant staff grades should be reminded of their statutory obligations in respect of the necessity to furnish appropriate declarations by the annual deadline date. The forms, when submitted, should be completed in full.

Chief Executive's Response

While there was an improvement in compliance, there will be continued concentration on this area to ensure staff and elected members are fully aware of their obligations.

Acknowledgement

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

Eamonn Daly

Eamonn Daly

Local Government Auditor

10 November 2020

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Department of Housing, Local Government and Heritage

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