Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Dún Laoghaire–Rathdown County Council for the Year Ended 31 December 2020

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage

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 2020, 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 2020 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 COVID-19 – Impact on Local Authorities

2.1 Overview

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities during 2020. 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, the Government introduced a number of schemes including the restart grant schemes and rates waiver scheme to support businesses, as noted in paragraphs 2.2 and 2.3 below. In addition, local authorities were reimbursed by the Department for the loss of income from goods and services and for additional COVID-19 expenditure incurred by them (see paragraph 2.4).

In June 2021, it was agreed by the General Accounts Working Group to amend Note 23 and include an additional Note 24 in relation to Restart Grants / Plus in the audited Annual Financial Statements 2020.

2.2 Restart Grants Scheme

During 2020, the Government decided to support commercial micro, small and medium businesses, through the Restart Grant Scheme and later the Restart Grant Plus Scheme. The qualifying businesses were required to have a rateable premises and experienced a loss of turnover due to the COVID-19 restrictions. The scheme provided for assistance with the costs of reconnecting with the marketplace, reopening their business and re-employing staff. Qualifying businesses who met the specified eligibility criteria could apply to the local authority for grants under these schemes.

Under the service level agreement (SLA) between Enterprise Ireland, Department of Enterprise, Trade and Employment, the Department and each local authority, the Council had responsibility to manage within its functional area the processing of applications and payments, in accordance with the criteria specified, and to make reports to the above Government departments to enable oversight and review of the scheme. Each business was responsible to self-certify in completing its application that it met these criteria.

The Council only verified the application against a rate account, where one existed, and confirmed that the applicant had fully completed the application including the declaration. The Council did not have to verify any other information included in the application. Where rates were not assessed in 2019 or 2020, estimates of liability were made by the local authority. This was necessary to determine the support available to the relevant business.

Accordingly the audit of expenditure under these schemes, which amounted to €26.1m in this Council for the year ended 31 December 2020, 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.

Chief Executive's Response

The Restart Grants Schemes were operated in accordance with the SLA with Enterprise Ireland and grants were processed in accordance with the parameters of the scheme. A total of 3,217 grants were paid with a cumulative value of €26.1m, which was recouped in full.

2.3 Rates Waiver Scheme

In order to support both the local government sector and commercial ratepayers, a funding package of €900m was allocated by the Government to fund the cost of a waiver of commercial rates for nine months from 27 March 2020 to 27 December 2020.

The waiver was available to businesses, which were forced to close, and those, which experienced significant negative economic disruption due to public health restrictions, imposed in response to COVID-19.

The total amount received by this Council for the year ended 31 December 2020 was €44.6m.

The accounting treatment for this is set out in Note 23 in the AFS and further disclosure is included in Appendix 7.

The methodology and manner for calculating rates income collection differs in 2020 compared to prior years.

Chief Executive's Response

Waivers were applied to eligible accounts in accordance with the parameter of the scheme and accounted for in accordance with the prescribed accounting treatment.

2.4 Reimbursement for loss of goods and services income and COVID-19 related expenditure

The Department reimbursed the Council for the loss of goods and services income and additional expenditure incurred by them as a result of COVID-19. The total amount received by this Council for the year ended 31 December 2020 was €6.5m, split between €4.4m for the loss of goods and services income and €2.1m for additional COVID-19 related expenditure.

Chief Executive's Response

Notification was received in March 2021 that compensation was to be paid in relation to loss of income from goods and services and the additional expenditure incurred in 2020. The income was accounted for in 2020 as required.

3 Financial Standing

3.1 Statement of Comprehensive Income

The Council recorded a surplus of €5,572 (2019: deficit €1.05m) for the year ended 31 December 2020 thereby increasing the accumulated surplus to €8.74m at that date. The surplus was achieved after taking into account transfers to the capital account (nett of transfers from reserves) that were approved by the elected members and which amounted to €15.6m for the full year.

The elected members, at the monthly meeting of the Council held in May 2021, also approved (by resolution in accordance with section 104(2) of the Local Government Act, 2001) the expenditure incurred in 2020 that was in excess of the adopted budget for that year.

3.2 Annual budget variances

Note 16 to the AFS summarises the divisional expenditure variances between the actual outturn and the adopted budget for the year, the more material of which were in the development management division (€28.6m) and miscellaneous services (€49.3m). These significant increases refer, in the main, to the additional supports that were provided by the Council (funded from central government) to offset the impacts of COVID-19 to relevant local businesses in the form of the Restart Scheme (€26.1m - see paragraph 2.2) and the Rates Waiver Scheme (€44.6m - see paragraph 2.3).

3.3 Local Property Tax

As provided for in legislation, the Council again passed a resolution to vary the basic rate of Local Property Tax downwards by 15% for 2020, thereby reducing the provisional allocation for the year to approximately €33.8m. The impact of this was to reduce the original 2020 allocation by €7.8m.

Because of the Council's LPT surplus (calculated having regard to the year's expected receipts compared to the baseline figure), there is a requirement, similar to other large local authorities, to self-fund some services provided by the Housing and Roads directorates during 2020.

In October 2019, the Department confirmed the allocations, which the Council was required to apply in 2020, were as follows:

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

3.4 Statement of Financial Position

The Council had net assets of €3.56bn at 31 December 2020 (2019: €3.51bn) with bank investments being the main contributor to the year-on-year increase, recording a balance of €269m at the 2020 year-end (2019: €224m). The requirement to regularly review the need for holding such significant liquid funds has been discussed with management but it is acknowledged that there are currently detailed proposals in place for which these funds will be used.

As outlined in the Council's capital programme report (recently issued in respect of the period 2021 - 2023), the current 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 2020 year-end to fund specific capital works.

- 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.

While the process of reconciling the Council's land and property portfolios to the relevant registers is still not complete, I acknowledge that the Corporate Estates Management unit continues to contribute to improved internal controls in this area, which was evidenced during the audit.

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.

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

The recommendations made in this area at previous audits should be implemented without further delay.

Chief Executive's Response

The maintenance of our asset registers is of paramount importance and while considerable progress has been made in the reconciliation of the fixed asset register and the central property register, through closer consultation between the Property and Finance departments, a central database solution is still being sought that will integrate the financial and estates management systems together and a national property management forum has been established to explore the options.

The corporate estates unit continues to establish itself as an integral part of the Council's property management structure. The corporate estates forum provides a valuable platform for cross departmental discussion on property related matters and this year has reviewed and revised processes for letters of consent for development of Council owned lands and property acquisition and disposal and is currently working on a revised policy for derelict sites.

It is the intention of the corporate estates forum to progress 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). The centralisation of the property and facilities management sections continues and approval has been granted for a Clerk of Works and Facilities Manager. The addition of these roles will allow the department to focus resources on the improvement of the accuracy of records of Council owned land and properties that are currently under lease or rental agreements with third parties. Lease and licence agreements are also currently under review with a view towards establishing more robust agreements that are legally compliant and ensuring regular lease reviews are carried out. This is especially a priority for properties that have been added through the integration of the Harbour portfolio and for properties that the Council has leased to various sports organisations.

3.6 Work In Progress

Accumulated expenditure on the work in progress (WIP) and preliminary expenses account amounted to €40.9m at 31 December 2020 (2019: €34.3m).

The 2020 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 2020 €m
Cherrywood infrastructural costs including the N11 Junction & Druids Glen Road	15.3
Glenamuck distributor Road / Kilternan by-pass	7.9
Broadford Rise housing scheme	5.8

As reported at the previous audit, 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. The majority of the work is expected to be completed by the end of 2023.

The need to maintain this prudent approach, to ensure that the risks associated with the funding model for this significant development are mitigated, has been discussed with management. The adopted approach should be regularly reviewed.

Chief Executive's Response

The funding strategy for the capital programme is kept under regular on-going review having regard to expenditure and funding assumptions included in the funding strategy for the various categories of projects.

3.7 Development Contributions

Included in trade debtors and prepayments at 31 December 2020 was €20.4m (2019: €17.9m) in respect of development contributions owed to the Council (see note 5 to the AFS).

A provision for bad debts of €5.1m (representing approximately 25% of the development contributions debt book) has been made and is included in the overall 2020 year-end bad debts provision of €26.6m. Following an internal review of this category of debt book, the provision has been increased, year-on-year, by 5%. I am satisfied that this increased provision fairly represents the collection status of the accounts currently in arrears.

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 €148m at 31 December 2020 (2019: €152m) in the form of medium to long-term loans.

The balance at the end of 2020 included approximately €36.8m 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 2020 €m
Old Connaught Avenue	20.2
Ballyman Road	10.5
Lehaunstown, Cherrywood	6.1

The above land aggregation loans were restructured during 2020 to facilitate the commencement of principal repayments.

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.

Chief Executive's Response

The management and potential development 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 2020 amounted to approximately €43m (2019: €37m) 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. I acknowledge the work since the last audit in identifying the amounts obtained on all of the individual planning files, many of which relate to approvals issued some time ago.

Some files still need to be reviewed to ensure that the amounts previously collected remain appropriate to be held by the Council.

It is imperative that the full review of all files is completed prior to the preparation of the 2021 AFS.

Chief Executive's Response

The Council has completed a review of all refundable bonds on hand categorising them by the planning condition attached and their status.

This review has identified the need for a more in-depth on-site process of providing supporting information on individual bonds to ensure that the amounts previously collected remain appropriate to continue to be held.

To improve processes and reduce the number of refundable bonds into the future, a methodology for tracking and information gathering is being established for current and live applications. In time, this will facilitate an evidence-based assessment of the refundable bonds on a case by case basis which will feed into timelines for the future refunds and resolution processes for refundable bonds.

4 Income Collection

4.1 Main revenue income collections

A summary of the collection performances showing the 31 December 2020 arrears position in respect of the main income categories with comparative figures for the previous year are as follows:

Income Source	Yield %		Debtors €m	
	2020	2019	2020	2019
Rates	73	89	19.1	14.5
Rents & Annuities	79	79	4.4	4.3
Housing Loans	61	61	0.7	0.7

The annual yield on commercial rates, the most significant of the 3 major revenue collection accounts, decreased to 73% in 2020 (2019: 89%) resulting in a year-on-year increase in arrears of approximately €4.6m. The annual yields on both housing rents & annuities (79%) and housing loans (61%) remained unchanged in 2020 when compared to the previous year's returns.

The total amount collected (across the three collection accounts) decreased significantly to €57m during 2020 (2019: €97m) and reflected the direct impact that the pandemic had on the Council's ability to collect outstanding accounts and in respect of the rates income category in particular.

4.2 Rates

As stated above, the Council's ability to collect the outstanding accounts in this income category was significantly impacted by the pandemic. Appendix 7 to the AFS records a collection return for 2020 of 73% but when adjusted for the rates waiver scheme, the percentage collection for the year was 85%, a year-on-year reduction of 4%.

Arrears increased to €19.1m at 31 December 2020 (2019: €14.5m) and can be categorised as follows:

Category	Amount owed €m	% of total arrears
Accounts that are actively being pursued	8.2	43%
Legal proceedings initiated	4.0	21%
Vacant property applications awaited	3.7	20%
Currently in payment plans	1.6	8%
Customers in liquidations, receivership and / or administration	0.8	4%
Other (including bankruptcy, occupier vacated property and whereabouts unknown)	0.8	4%

It is noteworthy that accounts with collective arrears of €4m (representing 21% of the total amounts owed to the Council at the 2020 year-end) have been referred to the Council's legal department which is indicative of management's continuing commitment to debt collection.

Chief Executive's Response

Businesses experienced a significant impact due to COVID-19. This resulted in the increase in the end of year arrears figure. The Council continued to work with businesses who had difficulty paying their rates. Payment plans were entered into which were mutually acceptable to the businesses and the Council.

4.3 Housing Rents and Annuities

The annual collection yield for the income category has again remained static at 79%. I note that the balances on accounts in arrears increased marginally to €4.4m at 31 December 2020.

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

Chief Executive's Response

The annual collection yield has been impacted by COVID-19, with many tenants availing of the Pandemic Unemployment Payment. While every effort continues to be made to pursue arrears and increase the annual collection yield, some administrative challenges were brought about by the pandemic. Various measures have been taken to alleviate these challenges, such as a dedicated phone project, which was developed in order to assist tenants experiencing difficulties with payments and arrears etc. All tenants (approximately 4,700 households) were written to in relation to the annual rent assessment with reassessments taking place where necessary. Tenants were also provided with a recently developed information booklet covering frequently asked questions in relation to various rental queries.

4.4 Housing Loans

The percentage collection yield in this category of income also remained static in 2020 at 61%. The total due to the Council at 31 December 2020 amounted to €0.73m.

The current resources assigned to this area should be reviewed with a view to facilitating a return to improving the annual yield performance.

Chief Executive's Response

The Housing Loans annual collection yield has also been impacted by the pandemic, with some borrowers availing of mortgage payment breaks. Administrative challenges, such as access to Cygnus (the loans system) during the period of remote working have now been rectified with the return of more staff to the office. Resources assigned to this area continue to be reviewed on an ongoing basis.

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.

A further review carried out during the current audit has confirmed that significant improvements have been achieved in this important area. As reported at previous audits, I am 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.

The overtime charges continue to be significant with total costs in 2020 amounting to €1m.

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

- Significant improvements were generally noted with regard to the adherence to the new internal procedures implemented in the final quarter of 2020 and which govern the controls of both the requirements for undertaking overtime hours and the subsequent requests for additional payroll payments.

- There remains one section in which it was again noted 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 by staff assigned to this group despite new standardised forms being recently implemented by management.

I have again advised the Chief Executive that payments for overtime should only be made on receipt of claim forms that comply in full with the Council′s internal procedures and protocols. In respect of the one remaining work area, the resolution of the serious internal control weaknesses identified at this and previous audits is long overdue.

Chief Executive's Response

Internal controls across all sections have been strengthened and payments for overtime are now only made on receipt of claim forms that fully comply with the Council′s internal procedures and protocols.

5.2 Acting up allowances

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

However, management's attempts to obtain formal approvals to permit permanent appointments is again acknowledged. Notwithstanding these efforts, there remain some 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

Efforts continue on an ongoing basis to regularise ′acting up′ appointments. However, some remain necessary for the effective management of the organisation. These appointments exist in order to manage workload challenges resulting from a combination of vacancies and consequential actings, maternity leave and shorter working year arrangements.

Acting arrangements in relation to outdoor based staff are controlled by the relevant operational department.

5.3 Superannuation scheme for the former employees of the Dún Laoghaire Harbour company

As reported at the previous audit, the Council was required to take over responsibility for the management of the superannuation scheme of the former employees of the now dissolved Dún Laoghaire Harbour company. While this superannuation's scheme rules were established under irrevocable trusts in 1997, I was advised that it was never formally regularised. The review of the status of the scheme that was recommended at the previous audit should be completed as soon as is practicable.

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.

Chief Executive's Response

As required, an actuarial valuation of the Dún Laoghaire Harbour Company Superannuation Scheme will be carried out. A working group has been established to engage with the fund managers and the trustees of the scheme in this regard.

5.4 Pay and conditions of the former employees of the Dún Laoghaire Harbour company

It is also again noted that, while the pay and conditions of the indoor-based employees 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 employees. This matter also needs to be resolved and regularised as soon as is practicable.

Chief Executive's Response

The HR section are currently engaging with the outdoor harbour employees with a view to regularising their pay and conditions as soon as is practicable.

6 Capital Account

6.1 Capital account overview

The capital account recorded a net credit balance of approximately €183m at 31 December 2020 (2019: €147m), a year-on-year increase of approximately €36m. The annual increase is mainly attributable to the net additional development contributions received during the year of approximately €22m.

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 2021-23, anticipates expenditure amounting to €549m. I note that some projects have yet to have their funding status confirmed.

The schemes currently being progressed include the following:

- Shanganagh housing development – total budgeted scheme expenditure €119m (see paragraph 6.3); and the

- Glenamuck Distributor Road - expenditure of €66m anticipated over the three years of the current capital programme (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 remain an area of committed focus and high priority. Resources are in place, and will be strengthened where necessary, to ensure the controls and systems are in place to support the delivery of all capital works.

6.2 Cherrywood Strategic Development Zone

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, the current costs of which continue to be estimated at approximately €200m.

While funding is expected to be derived from separate Cherrywood development contributions (this being the section 48 Cherrywood Development Contribution Scheme 2017-20), I note that funds, totalling approximately €39m, have also been made available from the LPT, the Local Infrastructure Housing Activation Fund (LIHAF) and from the Urban Regeneration and Development Fund (URDF) with a further €40m approved in principle under URDF 2.

The development of common infrastructure is required to unlock and support the sites under construction and other sites yet to be advanced. Management has again advised me that the latest estimates indicate that funding of approximately €105m has still to be confirmed. I have been further advised that, in accordance with the provisions of the Cherrywood Planning Scheme, it is the collective responsibility of the relevant landowners to provide this common infrastructure.

Of the total funding still to be confirmed, the relevant landowners are responsible for providing approximately €97m, with the remainder of approximately €8m having currently no funding mechanism in place. While the Council continues to engage with the landowners to secure a common infrastructure agreement, no such agreement has been possible to date.

Furthermore, a dispute arose between the Council and one of the landowners in relation to the entitlement to offset development contributions against the provision of some of the common infrastructure provided. This matter is currently subject to legal proceedings in the Commercial High Court.

The continuing inability to reach agreement on the common infrastructural element of this strategically important development increases the Council's risks significantly with possible negative impacts on scheme costs and funding. It is essential that all of the relevant stakeholders work proactively together to deliver this infrastructure and to bridge the current significant funding gap.

Chief Executive's Response

The programme of delivery of the government funded LIHAF and URDF call 1 project is progressing.

In May 2020, the Development Agency Project Team (DAPT) submitted an application in response to a further call by government as part of URDF call 2. The application entailed 6 projects. In March 2021, further notification was received from the Department, confirming funding approval for 5 out of the 6 projects. Engagement with the Department has opened in relation to the final particulars on the terms and conditions of the grant. The funding approval for URDF 2 is in the order of approximately €40m. It is anticipated that the degree of the funding gap will reduce and the outcome of this assessment is being prepared by the DAPT.

As detailed in the report indicating the programme of capital projects proposed 2020 – 2022, noting the current gap in the 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.

A dispute has arisen between the Council and one of the landowners in relation to the entitlement to offset development contributions in respect of common infrastructure provided. The claim also includes other related reliefs. Legal proceedings transferred into the Commercial Division of the High Court in early January 2021.

6.3 Deficit balances

Notwithstanding the overall credit balance on the capital account at 31 December 2020, 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 at 31 December 2020 €m
Site at Shanganagh Castle	13.1
Ballyogan Depot	8.1
Glenamuck TAU	2.5

The deficit of €13.1m 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 and planning related costs.

In 2020, An Bord Pleanála approved planning permission for the site that provides for the construction of 597 housing units comprising 306 cost rental, 200 social and 91 affordable purchase homes.

The Council is in partnership with the Land Development Agency (LDA) to deliver the homes. Under the current funding model the LDA will be responsible for financing and managing the cost rental elements of the development. This portion of the site was formally approved for disposal by the elected members in November 2020. I have been advised that while the LDA will manage the construction phase for the entire site, senior Council staff will be actively engaged with the agency in ensuring the timely and cost effective delivery of the social units, which will pass to the Council on completion.

The latest iteration of the three year capital report, covering the period 2021-2023, estimates that the Council's element of the site will cost €119m to be funded primarily from Departmental grants for the social units and anticipated proceeds from sales of the affordable units. The new national affordable housing scheme will provide clarity in relation to how the affordable units will be delivered in the Shanganagh development.

Notwithstanding the payment yet to be obtained from the LDA in respect of the disposal of the cost rental housing element of the site, a grant to be drawn down from the Department covering the social housing element of the site and the current and future construction costs which will be apportioned between the Council (to be recouped from the Department) and the LDA, there will remain a significant legacy deficit of approximately €3.5m. Management have advised me that they are currently in discussions with both the LDA and the Department in relation to funding the deficit.

While I acknowledge the elimination of some of the deficits on schemes highlighted in the previous audit reports, the remaining balances referenced above are substantial and an action plan for funding is still required.

Chief Executive's Response

Focus will be maintained on progressing plans to identify funding for all remaining deficit balances with legacy balances.

7 Non Pay Expenditure

7.1 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 2020. 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 2020, 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

Controls around the acquisition of goods and services will continue to be reviewed and strengthened where necessary. Reminders will continue to be issued to staff in relation to compliance with the Council's purchasing procedures.

7.2 Results of procurement compliance checks

The Council has a centralised procurement unit comprising three staff. The unit is responsible for co-ordinating and overseeing strategic and operational procurement activities across the organisation. The most recent iteration of the corporate procurement plan covers the period 2018-20. I have been advised that an updated plan is currently being prepared.

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 2020, were as follows:

- It was noted that several contracts, relating to business activities across many directorates and which resulted in significant payments being made by the Council during 2020, were entered into without recourse to compliant procurement protocols and guidelines.

- No compliance checks were undertaken by the unit during 2020.

I have recommended to management that a review of the role of the procurement unit should be undertaken to ensure that the maximum benefit is derived from the resources assigned to it.

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 procurement unit is examining the introduction of a procurement tracker and contract management system.

The system will allow for full oversight of all procured contracts by the procurement unit and also allow staff involved in purchasing to review existing arrangements prior to proceeding with a procurement contract. It is also envisaged that the system will be linked to the procurement reference within the Agresso, FMS, further ensuring that spend can be monitored cross-departmentally rather than in isolation, resulting in increased compliance and also financial savings.

While COVID-19 has restricted compliance checking, these checks have now recommenced. In addition, a review of the procurement unit will be undertaken to ensure the efficient use of resources. This will include a greater focus on engagement with all directorates regarding compliance with national procurement guidelines and regulations.

7.3 Public Spending Code

In compliance with the requirements of the PSC, the internal audit unit recently completed a report on its review of the 2020 financial transactions incurred in the following areas of the Council's activities:

- Capital Account — Fernhill Park & Gardens
- Revenue Account — Local Enterprise Office Grants

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

8 Local Authority Companies

8.1 AFS Appendix 8 disclosures

The Council has an interest in a number of connected companies, the details of which, including the relevant 2020 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' boards of directors, whose primary function under the Companies Act, 2014 is to manage the businesses on behalf of the shareholders, include representatives of the elected members and the Council's senior management who act in ex-officio capacities. The Council is the sole shareholder of DLR Properties Ltd.

8.2 DLR Properties Limited

As outlined in the DLR Properties Limited (DLRP) Directors' report to the 2020 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 2020 recorded a surplus for the year of €2.6m (2019: €2.9m surplus). The 2020 annual surplus was achieved following a further uplift in the market valuation of the company's property portfolio.

The Council's interest in the company was valued, on 31 December 2020, at €10.7m (2019: €8.1m), the calculation of which was based on the company's net assets valuation at the balance sheet date.

Following the annual professional valuation organised by the company, the total property portfolio (comprising both investment and development properties) was valued at €75.7m at 31 December 2020. Per the Financial Statements, the market value of the properties is 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 2020 on a portion of the total loan book. Total interest paid to the Council in respect of 2020 was €0.73m.

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 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 audited by the same firm as DLRP. The principal activities of the two management companies, as outlined in their respective directors' reports to the 2020 AFS', is the management (on a fee income basis) of the buildings owned by DLRP.

The 2020 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.

Council management has advised me that because of the impacts of a protracted planning process and COVID-19, the original construction completion date of February 2023 is, subject to agreement, to be extended to the second half of 2024. The company intends to use the property, when fully complete, 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.

8.3 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 2020 recorded a loss for the year of €411k (2019: surplus of €323k) thereby decreasing the shareholders' funds at that date to approximately €3m. 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, for long periods during 2020 and also during 2021.

8.4 The Pavilion Theatre 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 2020 recorded a deficit of €19k (2019: surplus €400k) thereby decreasing total funds at that date to approximately €0.95m.

As disclosed in the company′s directors′ report, the COVID-19 pandemic has also significantly affected the company, with the theatre being closed from 12 March 2020 to the end of the year apart from two live performances and a cinema programme in December. The theatre was only operating on a 15% capacity for these performances.

9 Governance and Propriety

9.1 Governance Overview

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. The Chief Executive, his 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.

9.2 Anti-fraud and corruption policy

During the course of the audit, I reviewed the processes and procedures that were applied to an internal investigation conducted during 2020. On completion of the review, I informed the relevant directorate management that the current procedures, which were applied to the investigation, are not adequate.

I have advised the Chief Executive that a full review of the current corporate policy is needed and that this be given priority to ensure that the improvements to protocols and procedures recommended during the audit are adopted without delay. The new policy should take account of the relevant provisions of the Criminal Justice (Corruption Offences) Act 2018.

Chief Executive's Response

The Internal Audit Unit, along with the relevant department, have carried out a full review of the procedures in place that applied to this investigation. As a result, new robust procedures have been put in place.

Work has commenced on an updated Anti-Fraud and Corruption Policy, which will have regard to the Criminal Justice (Corruption Offences) Act 2018.

9.3 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.

I acknowledge the good progress that has been made this year in implementing improved procedures to ensure that the departmental registers are adequately reviewed on a regular basis.

Because of the increasingly diverse and expanding nature of the Council′s responsibilities, the registers need to be continually reviewed and updated, where necessary, to ensure that all risks are adequately identified, controlled and mitigated, where possible.

Chief Executive's Response

Quarterly reviews are undertaken by risk owners and approvers to determine if the risk measurements remain appropriate. The review is also to identify, assess and include any new risks not already included.

9.4 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 reviews 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

An additional staff member was assigned to the unit in 2021 and now comprises an Administrative Officer, Senior Staff Officer and Staff Officer. As a result, the work programme for the unit will be developed to provide for more audits to be undertaken internally.

Five reports were procured and presented to the Audit Committee during 2020. Since June 2020, the Internal Audit Unit carried out three audits internally. In-depth checks were also carried out on two selected projects and included in the Council's Quality Assurance Report 2020 submitted to the National Oversight and Audit Commission (NOAC) in May 2021.

9.5 Audit Committee

The Council's Audit Committee met on five occasions during 2020 and issued its annual report for that year in March 2021. The work of the committee, which is continuing to make significant contributions to the independent oversight of corporate governance within the Council, is acknowledged.

9.6 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.

A review of the returns submitted in respect of the period ended 28 February 2021 was undertaken during the current audit, which identified that some elected members and a small number of staff had not made any submissions by the date of the audit completion (July 2021).

It was further noted that several returns were submitted after the deadline date of 28 February. I have requested management to again contact the relevant elected members and staff to request submission of the outstanding returns.

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

There continues to be an improvement in compliance and efforts will continue to be made in 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.

9 September 2021

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