Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Dún Laoghaire–Rathdown County Council for the Year Ended 31 December 2021

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
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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 2021, which comprises the Statement of Accounting Policies, Statement of Comprehensive Income, Statement of Financial Position, Funds Flow Statement and notes to and forming part of the accounts. The financial reporting framework that has been applied in its preparation is the Code of Practice and Accounting Regulations for Local Authorities, as prescribed by the Minister for Housing, Local Government and Heritage.

My main statutory responsibility, following completion of the audit work, is to express my independent audit opinion on the AFS of the Council, as to whether it presents fairly the financial position at 31 December 2021 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 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 continued to have a significant impact on the finances of local authorities during 2021. This has resulted in a reduction in income from some sources, an increased level of COVID-19 related expenditure and related Government subvention for the local authority.

At a national level in 2021, the Government introduced the Small Business Assistance Scheme for COVID (SBASC) and extended the Rates Waiver Scheme to support businesses, as noted in paragraphs 2.2 and 2.3 below.

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

2.2 Small Business Assistance Scheme for COVID-19

As part of the Government's 2021 COVID-19 support package, the SBASC was introduced as a direct aid to companies, self-employed, sole traders or partnerships with a minimum turnover of €50,000 who were not eligible for the Revenue's CRSS scheme, Fáilte Ireland's Business Continuity Scheme or the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media's Live Performance Support. The SBASC was funded by the Department of Enterprise, Trade and Employment but was administered on its behalf by the Local Authorities.

The SBASC II Scheme was introduced in the second quarter in 2021 and included businesses which were not operating from rateable premises. A €1,000 grant was also introduced for businesses with a pre COVID-19 turnover between €20,000 and €49,999.

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

Accordingly the audit of expenditure under these schemes, which amounted to €0.7m for the Council for the year ended 31 December 2021, was limited to the specific responsibilities of local authorities, as set out above, and did not include the verification of other eligibility criteria declared by the applicants.

The accounting treatment for this is set out in Note 24 in the AFS.

Chief Executive's Response

Similar to last year the SBASC Schemes were operated in accordance with the SLA with Enterprise Ireland and 196 grants were processed in accordance with the parameters of the scheme.

2.3 Rates Waiver Scheme

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

The total amount received by the Council for the year ended 31 December 2021 was approximately €30m. The accounting treatment for this is set out in Note 23 in the AFS and further disclosure is included in Appendix 7.

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

Chief Executive's Response

The waiver scheme that operated in 2021 differed from the prior waiver scheme with a lesser number of categories of ratepayers being eligible. Waivers were applied to eligible accounts in accordance with the terms of the scheme

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

As in 2020, the Department of Housing, Local Government & Heritage (the Department) again 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 2021 was €3.1m (2020: €6.3m), split between €2.8m for the loss of goods and services income and €0.3m for additional COVID-19 related expenditure.

Chief Executive's Response

Notification was received in January 2022 that compensation would be paid in relation to loss of income from goods and services and a contribution towards additional expenditure incurred in 2021. The income was accounted for in 2021 as required.

3 Financial Standing

3.1 Statement of Comprehensive Income

The Council recorded a surplus of €69,274 (2020: €5,572) for the year ended 31 December 2021 thereby increasing the accumulated surplus to €8.8m 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 €13.5m for the year.

The elected members, at the monthly meeting of the Council held in April, 2022, also approved (by resolution in accordance with section 104(2) of the Local Government Act, 2001) the expenditure incurred in 2021 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 miscellaneous services division where actual expenditure exceeded the budget amount by €33.2m. Similar to 2020, this significant increase refers, in the main, to the additional supports that were provided by the Council to offset the impacts of the COVID-19 pandemic to relevant local businesses in the form of the Rates Waiver Scheme. The Council paid out approximately €30m, under this scheme, during 2021, all of which was funded from Government (see paragraph 2.3).

3.3 Statement of Financial Position

The Council had net assets of €3.64bn at 31 December 2021 (2020: €3.56bn) with bank investments being the main contributor to the year-on-year increase, recording a balance of €318m at the 2021 year-end (2020: €278m). The requirement to regularly review the need for holding such significant liquid funds has again been discussed with senior management but it is acknowledged that there remain 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 2022 - 2024), 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 3.5).
- Government grants on hand at the 2021 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.

3.4 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. I also noted the Council's active participation in the recently established local authorities' national working group and the efforts being made within the local government sector to resolve this matter.

As stated 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. The resources assigned to the Council's Corporate Estates Management Unit should be reviewed to determine the level of staff required to adequately implement the improvements required.

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

Chief Executive’s Response

The national working group of local authorities has been actively engaging with companies regarding the provision of a replacement management system. The possibility of trialling a system is currently being discussed with one of the providers.

The centralisation of the property and facilities management sections continues. A clerk of works position has now been filled and approval has been granted for a Facilities Manager position, which is due to be re-advertised shortly.

3.5 Work In Progress

Accumulated expenditure on the work in progress and preliminary expenses account amounted to €39.6m at 31 December 2021 (2020: €40.9m).

The 2021 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 2021 €m
Glenamuck distributor road / Kilternan by-pass	17.2
Shanganagh housing development	6.1
Cherrywood N11 Junction & Druids Glen Road	4.7
Ballyogan Court housing development	4.1

As reported at previous audits, a loan of €30m was drawn down in December 2019, secured from the Housing Finance Agency (HFA), to fund expenditure associated with the Glenamuck distributor road. The amended Glenamuck

Distributor Roads Development Contribution Scheme (GDR DCS) was adopted by the Council in 2018 in accordance with section 49 of the Planning and Development Act, 2000 (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. Repayments of the initial €30m loan facility commenced in 2021 and a partial release of this loan (€7.8m) was made to fund the acquisitions of land and also the payments of consultancy and minor contracts works that were incurred during the year.

There continues to be considerable risks associated with the funding mechanism for this substantial scheme. The total anticipated costs are to be funded from contributions to be derived from the GDR DCS. As the Council is availing of loan facilities to fund the upfront infrastructural works, in advance of any developments that will attract DCS revenues, any slowdown in development activity may result in the loan repayments being funded from the Council's revenue budget with a consequential adverse impact on the delivery of Council services.

However, I remain satisfied that management are aware of these risks and that a prudent approach continues to be adopted and implemented to both mitigate the known risks as well as only drawing down additional loan facilities when required. This prudent approach should continue to be reviewed to ensure that the risks to the Council are minimised.

The Broadford Rise housing scheme was completed during 2021 with the total accumulated costs of construction (€6m) being transferred to the fixed assets register.

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.

3.6 Development Contributions

Included in trade debtors and prepayments at 31 December 2021 was €27.6m (2020: €20.4m) in respect of development contributions owed to the Council (see note 5 to the AFS).

A provision for bad debts of €6.9m (representing approximately 25% of the development contributions debt book) has been made and is included in the overall 2021 year-end bad debts provision of €32m. I am satisfied that this 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.

3.7 Loans Payable

The Council owed €141m at 31 December 2021 (2020: €148m) in the form of medium to long-term loans.

The balance at the end of 2021 included approximately €35.7m that was owed to the HFA on loans that were drawn down more than ten years ago to acquire land for housing development that has not yet commenced, the details of which are as follows:

Sites acquired for development	Balance of Loan at 31 December 2021 €m
Old Connaught Avenue	19.8
Ballyman Road	10.1
Lehaunstown, Cherrywood	5.8

As reported last year, the above land loans were restructured in 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, due to major infrastructural deficits and the requirement for Local Area Plans (LAP). 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

Due to infrastructural deficits and the requirement for LAPs, these lands cannot progress for housing or other capital developments in the near future. It is intended that part of Old Connaught Avenue will be used for a temporary halting site. Lands at Ballyman Road and Lehaunstown are currently subject to grazing agreements pending the ability to progress the required infrastructure.

3.8 Refundable Deposits

The amounts held by the Council as refundable deposits at 31 December 2021 amounted to approximately €43m (2020: €43m) 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 that the required improvements are now substantially implemented.

I have advised management that the extent and quality of records currently available, and particularly in respect of legacy files, should be maintained to ensure that appropriate decisions on prospective refunds can be made, when required in the future.

Chief Executive's Response

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

These records will be maintained, and the return of bonds will be progressed in line with the processes put in place.

This will require further investigation including site inspection and case management to assess any issues that are preventing the return of the bond.

4 Income Collection

4.1 Main revenue income collections

A summary of the collection performances showing the 31 December 2021 arrears position in respect of the main income categories with comparative figures for the previous year are as follows:

Income Source	Yield %		Debtors €m	
	2021	2020	2021	2020
Rates	76	73	21.4	19.1
Rents & Annuities	77	79	5.0	4.4
Housing Loans	60	61	0.8	0.7

The total amount collected (across the 3 main collection accounts) increased significantly to €77m during 2021 (2020: €57m) and reflected the reduced impact, compared to 2020, that the pandemic had on the Council's ability to collect outstanding accounts and particularly in respect of rates income. However, the ability to collect outstanding accounts remains challenging and is particularly evident when considering that the Council was able to achieve a total collection of €97m in 2019.

4.2 Rates

The Council's ability to collect the outstanding accounts in this significant income category continues to be adversely impacted by the pandemic. Appendix 7 to the AFS records a collection return for 2021 of 76% but when adjusted for the rates waiver scheme, the percentage collection for the year was 83%.

Arrears increased to €21.4m at 31 December 2021 (2020: €19.1m) and can be categorised as follows:

Category	Amount owed €m	% of total arrears
Accounts that are actively being pursued (nett of credit balances)	11.8	55%
Legal proceedings initiated	3.6	17%
Vacant property applications awaited	2.1	10%
Currently in payments plans	1.6	7%
Other (customers in liquidations, receivership, occupier vacated property)	2.3	11%

While I remain satisfied with the resources currently assigned to the collection of arrears in this income category, the relevant individual accounts should continue to be regularly examined with a view to increasing receipts to return to pre-pandemic collection levels, at a minimum.

Chief Executive’s Response

Additional resources have been assigned in an effort to reduce the outstanding arrears and this continues to be a priority for the Council.

4.3 Housing Rents and Annuities

The annual collection yield for this income category was 77% for 2021, a year-on-year reduction of 2%. I note that the balances on accounts in arrears increased marginally to €5m at 31 December 2021.

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

Chief Executive's Response

The annual collection yield was again impacted in 2021 due to the COVID-19 pandemic.

Every effort is being made to pursue arrears and increase the annual collection yield. The Council has started to reconnect with tenants in arrears as challenges relating to the COVID-19 pandemic have eased. All tenants with arrears in excess of €10k have been contacted with a view to encouraging the tenants to engage with the rent arrears team.

4.4 Housing Loans

The 2021 percentage collection yield in this category of income also recorded a marginal reduction of 1% to 60% for the year. The total due to the Council at 31 December 2021 increased to €0.8m.

The current resources assigned to this area should be reviewed with a view to facilitating an improvement in the annual yield performance.

Chief Executive's Response

The uptake by borrowers availing of payment break options contributed to the decline in the collection rate in 2021. The Council continues to monitor the relevant accounts and provide the necessary supports to affected borrowers.

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. At the conclusion to the 2020 statutory audit, I reported that there was just one remaining work area that was still in need of improvements.

A further review carried out during the current audit, covering the 2021 financial year, has identified levels of non-compliance significantly higher than the results recorded for 2020. The overtime claims examined during this audit referred to payments made to outdoor based staff during quarter 4 of 2021. This targeted sample of claims involved the review of 98 separate overtime claims submitted for payment by 17 outdoor based staff, all of whom received significant levels of overtime payments during the year. The results of the review, which were discussed with the relevant management during the audit, included the finding that there were weaknesses and errors noted in one or more claims from all of the 17 staff selected for examination.

The specific issues noted were as follows:

- Four claim forms, processed for payment, could not be located and consequently the additional payments that were made to the relevant employees could not be confirmed to the original documentation.
- Errors in the calculations of some claims.
- Incomplete claims including the absence of start and finish times, number of hours worked, and the purpose of the overtime.
- Some forms were processed for payment without having the necessary signatories of either the claimant or the supervisor. It was noted that some claim forms did not contain any signatories.
- Some claimants approved their own claim for overtime.
- The submission and acceptance for payment of a small number of claims that were completed on non-standard claim forms.

The levels of errors and weaknesses noted during this audit were similar to the findings outlined in the recent Council′s internal audit unit report, a review that I requested to be undertaken, following the completion of the previous statutory audit, with a focus on examining overtime payments processed during quarters 2 and 3 of 2021.

The results from both the current statutory audit and the internal audit review are again very unsatisfactory, particularly when taking into account the improved control environment noted at the previous statutory audit. I have again advised the relevant members of the management team that the certification systems in some work locations are not being adequately implemented and are not in compliance with the Council's own procedures and policies.

Despite identifying and highlighting significant weaknesses in the administration of staff overtime payments in the 4 previous statutory annual audits, adverse findings are again being reported following the examinations carried out during the current audit.

The necessary corrective actions to improve the system of internal controls, in this important area, are long overdue. I have again stated to the Council's management that overtime payments should only be made following the receipt and approval of fully compliant claim forms.

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 4 months.

In accordance with national protocols, acting up pay allowances for periods in excess of 4 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 Departmental requirements.

Chief Executive's Response

Efforts continue to regularise 'acting up' appointments. However, acting appointments do remain necessary for the effective management of the organisation.

These acting appointments exist in order to manage workload challenges resulting from a combination of vacancies and consequential actings, maternity leave and short working year arrangements. The current high volume of staff movement has resulted in increased challenges in these areas.

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

5.3 Superannuation scheme for the former Dún Laoghaire Harbour company employees

As reported at previous audits, 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

The Council has requested that an actuarial valuation of the Dún Laoghaire Harbour Company Superannuation Scheme be carried out.

A working group is in place to engage with the fund managers and trustees of the scheme in this regard.

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

It is also again 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 some of the outdoor-based staff.

This matter should be resolved and regularised as soon as is practicable.

Chief Executive's Response

The Council's Human Resource section continues to engage with the outdoor harbour staff 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 €227m at 31 December 2021 (2020: €183m), a year-on-year increase of approximately €44m. The annual increase is mainly attributable to the net additional development contributions recorded for the year of €33m.

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 2022-24, anticipates expenditure of €595m. I note that some projects do not yet have their funding status confirmed.

The schemes currently being progressed include the following:

- Shanganagh housing development – budgeted scheme expenditure of €119m (see paragraph 6.3);
- Cherrywood SDZ Common Infrastructure - budgeted scheme (DLR element only) expenditure of €110m (see paragraph 6.2);
- Glenamuck Distributor Road - budgeted scheme expenditure of €75m (see paragraph 3.5).

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 areas of committed focus and high priority. Resources are in place to support the necessary controls and processes for 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 current iteration of the capital programme report outlines the background and funding mechanism put in place to construct the "common infrastructure" element of the wider Cherrywood development, the total costs of which are estimated at approximately €222m. It is currently anticipated that the Cherrywood specific development contributions (the Cherrywood Planning Scheme DCS 2017-20 refers), as provided for under section 48 of the Planning and Development Act, 2000 (as amended) will secure development contributions of approximately €64m.

To date, the Council has been successful in securing approximately €80m of Government grants to part fund some of the common infrastructural developments that is being progressed. I have been advised that there remains a deficit of approximately €8m in respect of those projects that are being delivered by the Council and for which there is currently no funding mechanism currently identified.

Management has further advised that there is also a funding deficit, currently estimated at approximately €68m, in respect of the projects that are the responsibility of the Cherrywood landowners to deliver.

The previous audit report outlined that one of the Cherrywood landowners commenced legal proceedings in the Commercial High Court against the Council regarding, inter alia, the landowner's entitlements to offset costs against development contributions due on foot of planning permissions. I have been advised that in 2022, the Council, acting on Senior Counsel advice and recommendations, accepted the terms of the settlement agreement that provided for the matter to be settled and the case to be struck out.

The construction of the common infrastructure is required to unlock and support the sites currently under construction as well as other developments that have yet to be advanced. While the Council continues to engage with the relevant landowners to secure agreement on this common infrastructure aspect within the overall Cherrywood developments, I have been further advised that no such agreements have been possible to date.

The continuing inability to reach agreement on the common infrastructural element of this strategically important development significantly increases the Council's risks with the possible negative impacts on scheme costs, funding, and the timely delivery of the large number of new homes planned for Cherrywood. Failure in securing the expected level of development contributions will also adversely impact on the already significant funding deficits.

Chief Executive’s Response

The Cherrywood common infrastructure programme of the Government funded Cherrywood LIHAF, URDF call 1 and URDF Call 2 projects are progressing. Funding from the National Transport Authority in the order of approximately €1.6m has also been secured.

As detailed in the current iteration of the capital programme report indicating the programme of capital projects proposed for the period 2022 – 2024, 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 Cherrywood Planning Scheme Development Contribution Scheme.

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

The dispute that arose between the Council and one of the landowners, in relation to the entitlement to offset development contributions in respect of the common infrastructure provided, concluded in March 2022 by way of a settlement agreement being entered into by the parties.

6.3 Deficit balances

Notwithstanding the overall credit balance on the capital account at 31 December 2021, 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 2021 €m
Shanganagh housing development	12.2
Cherrywood Planning Scheme	2.9
Ballyogan Depot	2.6

The deficit of €12.2m on the site at Shanganagh is due to a combination of legacy site costs (the Council acquired the site in 2004) and current consultancy and planning related costs. A further €2m of consultancy costs were incurred during 2021 and I noted that the Council was successful in securing a grant of €2.9m as a partial offset against the site 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 2020. The LDA is managing the construction phase for the entire site.

The current iteration of the capital programme report estimates that the Council′s element of the site will cost €119m which will be funded primarily from Department grants for the social units and proceeds from the sales of the affordable units.

To date, land costs funding in the sum of €4.2m has been received from the LDA (in respect of the rental units only) and €2.9m has been recouped from the Department in respect of the social units. I have been advised that the development costs, such as the design team costs and the planning application fees, are to be split on a pro-rata basis with the LDA and the Department.

The scheme′s funding model currently anticipates a deficit of approximately €2.5m. Management have advised me that they are currently in discussions with the Department in relation to securing addition funding with a view to eliminating this 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 2021. 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 2021, which is acknowledged. All relevant staff should continue to be reminded of their obligations to comply, in all circumstances, with the Council's purchasing procedures.

Chief Executive's Response

Controls regarding the acquisition of goods and services will continue to be reviewed and strengthened where required. 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 of just two staff currently. The unit is responsible for co-ordinating and overseeing strategic and operational procurement activities across the organisation.

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 2021, were as follows:

- It was again noted that several contracts, relating to a wide range of business activities and which resulted in significant payments being made by the Council during 2021, were entered into without recourse to compliant procurement protocols and guidelines.

- A further review of the unit is required to ensure that it is adequately resourced given the extent of its current role and remit.

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 Council has engaged a consultant to review the work of the procurement unit and the processes in relation to the procurement of goods and services. The resulting report is expected towards the end of 2022. This report will be used to assess the ongoing resourcing of the procurement unit and to amend procurement practices throughout the Council, where required.

7.3 Public Spending Code

In compliance with the requirements of the Public Spending Code (PSC), the Council's internal audit unit recently completed a report on its review of the activity and the 2021 financial transactions incurred in the following areas of the Council's activities:

- Capital Account — Glenamuck District Road Scheme
- Revenue Account — Operation & Maintenance of the Dún Laoghaire harbour

The findings and recommendations contained in the PSC report were taken into account as part of this audit. No significant adverse findings were identified in either review.

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 2021 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 2021 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.

The company's audited accounts for the year ended 31 December 2021 recorded a surplus for the year of €3.6m (2020: €2.6m surplus). The 2021 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 2021, at €14.3m (2020: €10.7m). This calculation 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 €78m at 31 December 2021. The market value of the properties remains 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 2021 on a portion of the total loan book. Total interest paid to the Council in respect of 2021 was €0.87m.

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 and 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 2021 AFS', is the management (on a fee income basis) of the buildings owned by DLRP.

I noted that the 2021 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 audits process.

As reported at the previous audit, DLRP is currently contracted with another property development company to dispose of a 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 the COVID-19 pandemic, 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, it has been recommended 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 2021 recorded a profit for the year of €463k (2020: loss of €411k) thereby increasing total funds at that date to approximately €3.5m. 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 periods 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 2021 recorded a deficit of €14k (2020: deficit €19k) thereby decreasing total funds at that date to approximately €0.94m.

As disclosed in the company′s directors′ report, the pandemic has significantly affected the company, with the theatre being closed in 2021 for eight months until the end of August, and re-opening with only partial capacity for the remainder of the year.

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

The requested review of the corporate policy for conducting internal investigations is now complete. The new anti-fraud and corruption policy, once adopted, should be fully implemented for any future relevant internal reviews and investigations.

Chief Executive's Response

The draft anti-fraud and corruption policy will be reviewed by the Audit Committee and adopted by the Council in 2022.

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

The corporate risk register is reviewed regularly to ensure new and emerging risks are incorporated. Any such risks are then incorporated into the departmental risk registers.

Quarterly reviews are undertaken by risk owners and approvers to determine if the risk assessments remain appropriate. The review also identifies and assesses any new risks.

9.4 Internal Audit

The Council's internal audit unit continues to make good contributions to improving the internal control environment across many areas of the Council's activities. I acknowledge the additional staff resource recently assigned to this unit.

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.

9.5 Audit Committee

The Council's Audit Committee met on five occasions during 2021 and issued its annual report for that year in March 2022. 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 year ended 28 February 2022 was undertaken during the current audit, which identified that 6 elected members and a significant proportion of staff had not made any submissions by the date of the current audit review (July 2022).

It was further noted that several completed 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.

The level of compliance with this statutory requirement is disappointing. 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

The Council plans to introduce a digital system to manage this process in 2023 with the view to improving awareness and enforcing compliance with these requirements.

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

20 September 2022.

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Department of Housing, Local Government and Heritage

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