



Rialtas na hÉireann  
Government of Ireland

# **Statutory Audit Report to the Members of South Dublin County Council for the Year Ended 31 December 2020**

## **Local Government Audit Service**

Prepared by the Department of Housing, Local Government and Heritage

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# Auditor's Report to the Members of South Dublin County Council

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of South Dublin County Council for the year ended 31 December 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 7 of the AFS.

The Council is by law, responsible for the maintenance of all accounting records including the preparation of the AFS. It is my responsibility, based on my audit, to form an independent opinion on the statement and to report my opinion. I conducted my audit in accordance with the Code of Audit Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the AFS. It also includes an assessment of the significant estimates and judgments made by the Council's management in the preparation of the AFS, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations, which I considered necessary to provide sufficient evidence to give reasonable assurance that the financial statement is free from material misstatement, whether caused by fraud or error.

This report is prepared in accordance with Section 120(1) (c) of the Local Government Act, 2001 and should be read in conjunction with the audited AFS.

## 2 COVID-19 – Impact on Local Authorities

### 2.1 Overview

The COVID-19 outbreak and the emergency measures taken to mitigate it have 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 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 €31m in South Dublin County 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.

## **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 South Dublin County Council for the year ended 31 December 2020 was €59m.

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.

## **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 South Dublin County Council for the year ended 31 December 2020 was €2,008,825, split between €437,637 for the loss of goods and services income and €1,571,188 for additional COVID-19 related expenditure.

# **3 Financial Standing**

## **3.1 Statement of Comprehensive Income**

The net surplus for the year amounted to €21k after transfers to reserves of €45.7m. The variances between the adopted budget and actual outturn are shown in Note 16 to the AFS. The approval of the members, as required by S.104 of the Local Government Act, 2001, was obtained.

Significant movements in the finances of the Council in 2020 are shown below.

## **3.2 Bank Balances**

Cash at bank increased from €1.2m in 2019 to €36.7m in 2020; while bank investments also increased from €284m to €335m in the year. The improved cash position reflects the increase in the surplus for the year and the impact of the rates waiver support referred to in paragraph 2.3 above.

### 3.3 Creditors and Accruals

Creditors and accruals increased from €48m in 2019 to €104m in 2020. The majority of the increase relates to deferred income which includes the impact of the deferral of rates income referred to in paragraph 2.3 above. Other deferred income increased by €29m and includes €25.7m in respect of disposals of land not completed by the year-end.

### 3.4 Other Balances

Other balances increased from €198m in 2019 to €239m in 2020, mainly due to increases in development contributions on hand (€21m) and reserves (€18m).

## 4 Income Collection

### 4.1 Summary of Income Collection

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

Income Source	Yield		Debtors	
	2020	2019	2020	2019
	%	%	€m	€m
Rates	82	88	17.8	19.6
Rents & Annuities	74	76	9.5	8.2
Housing Loans	80	79	1.1	1.2

The yield from Rents & Annuities decreased while Housing Loans improved slightly. The inconsistency in the collection yield for Rates is referred to below (paragraph 4.2)

### 4.2 Rates

The percentage collected in 2020 (82%), as shown in Appendix 7 in the AFS, is not comparable with the yield in the previous AFS (88%). This is due to the 9 month rates waiver granted to eligible ratepayers for which the Council received a grant of equal amount (€59m). If this grant income was treated as collected rather than waived the collection yield would be 89%.

In addition to the above a deferral of income (€18m) was made where ratepayers, who were entitled to a waiver, paid their rates and this resulted in a credit on their accounts. This had the effect of removing credit balances, which

arose as a result of the waiver, from the arrears at 31 December 2020.

### **Chief Executive's Response**

COVID-19 continued to have a significant impact on the commercial sector of our economy during 2020, however there have been several rates waiver schemes introduced by the government to help alleviate the impact of this pandemic. The accounting treatment of the rates waiver distorted the percentage collection recorded in the AFS, but as referred to by the Local Government Auditor the amended percentage collection rate for 2020 is 89%, which shows the steady and continued improvement in the rate collection and the reduction in outstanding arrears at year-end.

## **4.3 Rents and Annuities**

The collection yield for housing rents decreased in the current year and remains poor at 74%. Arrears at the year-end increased to €9.5m compared to €8.2m at the previous year-end. The increasing level of arrears, including an increase in the number of individual accounts with substantial arrears, is a cause for concern and should be addressed as soon as possible.

### **Chief Executive's Response**

One of the impacts of COVID-19 can be seen in the reduced collection rates for housing rents since the pandemic started. Council customers have seen significant changes to their working patterns, reduced income levels and considerable employment disruption. Social distancing did limit the ability for Council staff to meet face to face and consult with tenants. The Government direction not to permit termination of tenancies during periods of lock down was also a consideration. However, as restrictions are relaxed, and Council staff re-engage face to face with tenants, this will have a positive impact in resolving collection issues.

## **4.4 Housing Loans**

There was an increase in the collection percentage for housing loans in 2020 when compared to 2019. The amount collected in 2020 also increased and there was a corresponding reduction in arrears at the year-end.

### **Chief Executive's Response**

The collection of housing loans has remained positive and the continued reduction in arrears for 2021 is expected. COVID-19 has not had a major impact on the collection of housing loans to date and applications to defer mortgage repayments have not been significant.

## 4.5 Housing Loans System

Deficiencies in the system for recording and accounting for housing loans were evident in 2020, as set out in previous reports. The system is not integrated with the main financial management system and does not provide adequate management information on the various types of loan accounts. It does not account correctly for all loan types and requires a complex reconciliation procedure to provide information for the financial accounts. While the reconciliation procedure does ensure the consistency of transactions between the loans system and the financial management system, the use of this system for the recording of housing loans continues to represent a risk to the Council.

The Council has recently carried out a review of the functionality of the Agresso Loans Module with a view to considering the implementation of this software in place of the current system.

### Chief Executive's Response

Following a comprehensive review of the functionality of the Agresso Loans Module by the Council in conjunction with the LGMA, project planning has been undertaken to confirm the project scope, to develop a high-level project plan and to identify the resources required for implementation. A business case is being finalised to recommend the establishment of a project team to implement Agresso Loans in Sept/Oct 2021.

The Agresso Loans Module will provide:

- Full integration of loan with the Council's Financial Management System
- Enhanced debt management reporting
- Online payment options across multiple platforms (smart phones, tablets, internet) and online customer statements.

Notice has also been given to the current loans system provider in accordance with contractual arrangements of the Council's intention to terminate the contract for the current system no later than 31st March 2022.

## 4.6 Debtors and Debt Collection

Gross debtors, including those from the main income collections, are shown in Note 5 to the AFS and amounted €92.8m at the end of 2020; an increase of 14% on last year. An overall provision for doubtful debts is also shown and amounts to €33.1m in 2020.

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



## Chief Executive's Response

South Dublin County Council are very supportive of its customers and the considerable uncertainty that the pandemic has meant for individuals and businesses within the county. The Council is also mindful of the need for it to meet its obligations and the establishment of the Debt Management Unit will enable it to collaborate with its customers in a more targeted fashion and improve the collection of outstanding monies.

## 5 Capital Account

### 5.1 Capital Account Overview

Capital expenditure in 2020 decreased and amounted to €90m (€111m in 2019) and total capital income, including transfers from revenue, amounted to €127m in 2020 (€157m in 2019). This resulted in improvement in the capital account balance of €37m and a closing credit balance of €291m. As in previous years, housing accounted for the largest proportion of expenditure excluding transfers (47%) and amounted to €40.8m in 2020 (€76.7m in 2019). Income from Local Property Tax and grants decreased from €85m to €55m, while development contributions income remained constant at €25m in the current year.

### 5.2 Capital Projects

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

Capital Project	Expenditure	
	2020 €m	Cumulative €m
River Dodder Cycle & Pedestrian Route	6.5	7.3
St Aidans, Tallaght (Social Build Scheme)	3.1	21.2
Tandy's Lane Park - Adamstown SDZ	3.0	3.3
Lucan Swimming Pool	2.6	4.5
Belgard Road to Airton Link Road	2.5	2.5
North Clondalkin Library	2.1	6.2
Tallaght Hospital Access Road	1.6	1.8
Celbridge Link Road	1.5	1.8
Castletymon Library	1.4	2.3
Airlie Park - Adamstown Park SDZ	1.3	1.6
Monastery Road Walking Route	1.2	2.3

In addition to the above projects, expenditure was incurred on various social housing and Part V acquisitions (€17.2m), Voluntary Housing - CALF (€11.7m) and CAS (€3.5m).

## 6 Voluntary Housing and Approved Housing Bodies

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

I would also like to draw attention to the need to fund the cumulative debit balance of €1m relating to voluntary housing projects from previous years.

### **Chief Executive's Response**

An Approved Housing Bodies (AHB) register is maintained by the Housing Department to record all Capital Assistance Scheme (CAS), Capital Loan Subsidy Scheme (CLSS) and Capital Advanced Leasing Facility (CALF) funding drawdown to AHB's and this register now also includes Central Credit Register returns. In accordance with the Value for Money Audit recommendations, the recently introduced integrated housing system will centralise AHB property and loan details, recording all relevant AHB loans/grants and also tracking void periods on AHB units in conjunction with annual occupancy statements provided to the Council.

Together with the Council's law department and relevant AHBs, we are addressing the eleven historic Capital Loan Subsidy Scheme (CLSS) funded developments from the early 2000s where no mortgages were in place. The CLSS scheme was subsequently replaced by the Capital Assistance Scheme (CAS) and the governance structure in place for current CAS funded developments ensures that mortgages are put in place at time of drawdown of funding.

The deficit balance of €1.04m accrued from analysis, consolidation and amalgamation of historic voluntary housing job balances and proposals to fund this historic deficit through current and future revenue budget provisions will be considered during upcoming budget processes.

## 7 Fixed Assets

### 7.1 Fixed Assets Overview

Total fixed assets at the end of 2020 stood at €3,359m compared to €3,336m in 2019, with the largest increase during the year in the housing area, increasing by €29m to €1,777m in 2020. This increase relates mainly to social housing and Part V acquisitions added to the fixed asset register in the year.

### 7.2 Property Register

The need for a comprehensive property register for all Council property was raised at previous audits and the development of a geographic information system to map Council land acquisitions and disposals has continued, including the input of over 1500 property transactions. The Council's internal audit unit is currently reviewing progress in this area and their audit report, which will be available shortly, should be useful as a reference point in this regard.

#### Chief Executive's Response

The Council continues to develop a tailored geographic mapping database. A significant amount of acquisition and disposal data has been transferred onto the database and the system has created shape files to map the lands that have been acquired and disposed by the Council. The "FOR" (File On Register) references have been inserted on to Land Assets listed in Agresso to facilitate cross referencing between the systems. Progress will continue updating the new system from the details held on our disposal and acquisition files. A reconciliation of details in the new database with the information stored on the fixed asset register on Agresso will then follow.

## 8 Loans Payable

Loans payable by the Council at the end of 2020 amounted to €187m (€191m in 2019) and can be analysed as follows:

Loan Type	2020	2019
Recoupable	83m	88m
Mortgage Related	57m	54m
Bridging Finance	34m	34m
Assets	13m	15m
	<b>187m</b>	<b>191m</b>

Recoupable loans and mortgage related loans are matched by corresponding long-term debtors in Note 3 in the AFS. Bridging finance relates to loans, which were used to fund the cost of affordable housing units, and these loans are

currently being repaid on an interest only basis. The cost of repaying the principal on these loans, which remains constant at €34m, will require funding at some point in the future.

Differences between balances on Housing Finance Agency statement and council records were resolved in 2020 and a part redemption of the related loan was made.

### **Chief Executive's Response**

The Council monitors its loan position very carefully and ensures, where possible that the loan charges are recouped from the appropriate source. The reconciliation of the Council's balances with the Housing Finance Agency's statement brought a successful conclusion to this issue.

## **9 Procurement**

The Council has a centralised procurement unit comprising a Procurement Officer and a team of 4.5 staff. A combination of divisional management and the central procurement unit is responsible for ensuring compliance with the Council's procurement policy.

The role of the Procurement Unit includes:

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

The Council maintains a comprehensive Contracts Database which is a valuable resource for the procurement function in the Council and assists in the preparation for tender competitions. The Procurement Steering Group met six times in 2020.

Significant progress has been made in the procurement function in the Council since last year's audit:

- The Council's Procurement Procedures were updated and issued in March 2021.
- The Council Corporate Procurement Plan for 2021 - 2023 was prepared in consultation with the Procurement Steering Group and Senior Management and has been approved by the Chief Executive.
- As in previous years, the Council carried out procurement compliance checks. This showed that with regard to quotations/tenders being sought in line with the Council's procedures there was a significant improvement.
- Meetings were held with the Directors of Service for each Council

Department in early 2021 to run through the findings in the 2020 procurement compliance checks report and to reduce areas where suppliers are hired by the Council without a competitive procedure being held.

- Due to the coronavirus pandemic procurement processes were adapted so that all tenders are now received electronically through [www.etenders.gov.ie](http://www.etenders.gov.ie).
- Staff training videos have been prepared to reduce the need for on-site training while continuing upskilling staff in procurement procedures.

At audit, a sample of transactions were tested and while compliance levels showed an improvement a small number of instances of non-compliance or incomplete information were noted.

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

### **Chief Executive's Response**

The auditor's comments regarding the ongoing improvements in procurement compliance and the significant work of the Procurement Unit and Management in 2020 are noted, and this focus and oversight on procurement compliance across the organisation will continue.

## **10 Local Authority Companies**

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

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

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

South Dublin District Heating CLG was incorporated in October 2019 for the purpose of operating the Tallaght District Heating Scheme. The scheme will utilise waste heat from a local data centre to provide low carbon heat to public sector, residential and commercial customers and is partly funded by the EU Inter-Reg NWE programme (Heatnet).

## **11 Governance and Propriety**

### **11.1 Governance**

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

### **11.2 Internal Audit and Audit Committee**

The Local Government (Financial and Audit Procedures) Regulations 2014 require local authorities to maintain an adequate and effective system of internal audit of its accounting records and control systems. Internal Audit has an important role in providing the Chief Executive with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements.

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

The unit produced 10 reports during the year, including three reviews related to the Council's obligations under The Public Spending Code, and I have taken account of the findings in these reports, where appropriate, in the course of my audit.

The Council's audit committee held four meetings during the year and considered the auditor's report on the annual financial statements for the year-end 31 December 2019 at the December meeting, which the Auditor attended.

## **12 Risk Management**

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

The Council's Risk Register includes corporate risks and departmental risks,

which are divided into operational areas, and these are rated and reviewed by management on a regular basis. Relevant mitigating controls and actions are identified and recorded against each risk in the register.

## **13 Ethics Declarations**

The Council maintains an ethics register for council members and staff. Part 15 of the Local Government Act, 2001 obliges council members and designated staff to submit an annual declaration of specified interests. Declarations were received for all council members and designated staff of the Council for 2020.

## **Acknowledgement**

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



Richard Murphy

Principal Auditor

31 August 2021

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