



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of South Dublin County Council for the Year Ended 31 December 2022

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 2022, 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 2022 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 Financial Standing

2.1 Statement of Comprehensive Income

The net surplus for the year amounted to €45k after transfers to reserves of €41.9m. 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 2022 are shown below.

2.2 Bank Balances

Cash at bank increased from €9.6m in 2021 to €18.7m in 2022; while bank investments increased from €412m to €465m in the year. This results in an overall improvement of approximately €62m in the cash position of the Council.

2.3 Creditors and Accruals

As shown in Note 6 in the AFS, total creditors and accruals decreased from €110m in 2021 to €99m in 2022. Included in the 2022 balances are creditors of €23.0m (€16.7m in 2021), accruals of €27.5m (€28.7m in 2021) and deferred income of €39.7m (€55.9m in 2021). A manual accrual of capital expenditure amounting to €13m has been provided, which is equal to the capital reserve for rates valuation appeals. This accounting treatment is in accordance with Circular Fin 03/2022 issued by the Department of Housing, Local Government and Heritage.

2.4 Other Balances

Other balances increased from €282m in 2021 to €359m in 2022, mainly due to increases in development contributions on hand (€33m) and reserves (€34m).

2.5 Fixed Assets and WIP

Total fixed assets increased from €3,408m in 2021 to €3,415 in 2022; while work in progress increased from €72.7m to €126m reflecting the increase in capital expenditure during 2022.

3 Income Collection

3.1 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	
	2022	2021	2022	2021
	%	%	€m	€m
Rates	91	87	16.6	18.2
Rents & Annuities	77	74	9.3	10.1
Housing Loans	77	83	1.3	1.0

The yield from Rates and also Rents & Annuities showed an improvement in 2022 while the housing loans yield decreased in 2022. The impact of the rates waiver scheme on the collection yield for Rates is referred to below (paragraph 3.2).

3.2 Rates

The percentage collected in 2022 (91%), as shown in Appendix 7 in the AFS, is not comparable with the yield in previous years. This is due to the 3 month rates waiver granted to eligible ratepayers in 2022 for which the Council received a grant of equal amount (€2.7m). If this grant income was treated as collected rather than waived the collection yield would be 91% and 90% in 2022 and 2021 respectively.

In accordance with Circular Fin 10/2022, there was no deferral of income in relation to ratepayers entitled to a waiver with credit balances on their accounts at the year-end.

Chief Executive's Response

The steady improvement in collection of commercial rates in recent years continued in 2022. Our policy to engage proactively with rates customers is maximising collection and further improvements in levels of collection are anticipated in 2023.

3.3 Rents and Annuities

The collection yield for housing rents, while showing an improvement, remains poor at 77%. Net arrears at the year-end decreased to €9.3m compared to €10.1m at the previous year-end. However when the large number of accounts in credit is excluded, the total balance on accounts in arrears amounted to almost €12m at the year-end. The level of arrears, including the

number of individual accounts with substantial arrears, is a cause for concern and should be addressed as soon as possible.

Chief Executive's Response

The Council's Debt Management Unit continues to refine its processes and procedures to help customers who are in rent arrears which has contributed to a reduction in arrears during 2022, as acknowledged by the Local Government Auditor. The Debt Management Unit will also continue to work constructively with Council tenants to reduce arrears outstanding. However, where tenants do not engage with the Council, legal proceedings will be brought for repossession of dwellings and twenty-two such cases are currently being processed by the courts.

3.4 Housing Loans

There was a decrease in the collection percentage for housing loans in 2022 when compared to 2021. The amount collected in 2022 decreased and the level of arrears increased at the year-end. Every effort should be made to improve collection in this area.

Chief Executive's Response

The new housing loans system will enhance debt management collection for housing loans. The new system will also provide additional facilities for customers to view online statements and make payments on a mobile platform which should assist with levels of collection and the Debt Management Unit will continue to work constructively with borrowers to address and reduce arrears outstanding.

3.5 Housing Loans System

The deficiencies in the system for recording and accounting for housing loans were again evident in 2022, 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 implemented the Agresso Loans Module during 2023 as a replacement for the system previously in use.

Chief Executive's Response

The previous loan management system has now been replaced by the Agresso Loans module which went live in June 2023. Housing Loans are now integrated into the financial management system providing additional capability to extract management information. Work is continuing between the Council's project team, the LGMA and consultants to address any issues and training requirements that arise while the new loan system embeds. A full reconciliation was carried out in advance of the introduction of the Agresso loans system.

3.6 Debtors and Debt Collection

Gross debtors, including those from the main income collections, are shown in Note 5 to the AFS and amounted €82.2m at the end of 2022; a small decrease from €84.3m in the previous year. An overall provision for doubtful debts is also shown and amounts to €34.4m in 2022.

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

Chief Executive's Response

Despite increasing levels of revenue and capital activity, the Council's level of debtors continues to reduce. Our Debt Management Unit monitors all outstanding income, liaises with relevant departments to maximise measures to collect any outstanding debt and also takes positive and practical steps to ensure that all monies are collected as soon as possible which minimises doubtful debts.

4 Capital Account

4.1 Capital Account Overview

Capital expenditure in 2022 increased and amounted to €151m (€103m in 2021) and total capital income, including transfers from revenue, amounted to €219m in 2022 (€138m in 2021). This resulted in improvement in the capital account balance of €68m and a closing credit balance of €393m. As in previous years, housing accounted for the largest proportion of expenditure excluding transfers (58%) and amounted to €86.1m in 2022 (€35.5m in 2021). Income from development contributions increased from €30.6m to €37.9m; while grants and LPT increased to €100.2m compared to €54.5m in the previous year.

4.2 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	
	2022 €m	Cumulative €m
Kilcarbery Mixed Tenure Project: Social	12.4	13.7
Kilcarbery Mixed Tenure Project: Private	9.2	10.0
Eircom Site (Social Building Programme)	7.8	10.0
St Marks Avenue, Clondalkin (Social Building Programme)	6.3	7.5
Riversdale, Watery Lane, Clondalkin (Social Building Programme)	5.1	7.9
Dodder Greenway Section 4	4.5	4.6
Innovation Centre URDF	4.2	5.0
Grange Castle West Acquisition of Land	3.7	22.4
Tallaght Stadium - Fourth Stand URDF	3.6	4.6
Lucan Swimming Pool	3.4	10.6
Celbridge Link Road LIHAF	3.2	7.1
Heatnet Project	3.0	5.7
Grange Road Walking & Cycling Scheme	2.9	4.7
Avonbeg Road Cycletrack Scheme	2.7	2.7
Airlie Park - Adamstown Park SDZ (LIHAF)	2.3	9.0
Dodder Greenway Section 3	2.3	4.7
N81 Eastbound/Westbound Pavement	2.3	2.3
Accelerated Maintenance Programme - Windows & Doors Replacement	2.0	2.2

In addition to the above projects, expenditure was incurred on various social housing and Part V acquisitions (€13.5m), Voluntary Housing - CALF (€4.7m) and CAS (€6.7m).

5 Voluntary Housing and Approved Housing Bodies

The Council maintains an Approved Housing Bodies (AHB) register which records details of Capital Assistance Scheme (CAS), Capital Loan Subsidy Scheme (CLSS) and Capital Advanced Leasing Facility (CALF) units. The Integrated Housing System contains property information on all housing stock, including some details of AHB owned properties.

The general ledger in Agresso records details of transactions to date relating to AHB properties, including capital funding, loan advances, interest charges as well as payment and availability expenditure.

While some progress has been made in the updating of the AHB Register, there are still variations and gaps in the data held in the AHB records referred to above and it is important that these records are updated and maintained on a regular basis to ensure that consistent and reliable information is available in respect of all AHB properties in the Council area.

Chief Executive's Response

A review is ongoing on current administrative processes for the Capital Assistance Scheme (CAS), the Capital Loan Subsidy Scheme (CLSS) and the Capital Advanced Leasing Facility (CALF) to ensure all new and existing AHB units are captured and maintained regularly on the AHB register and within our Integrated Housing System to provide consistent and reliable information in respect of all AHB properties in our administrative area.

6 Fixed Assets

6.1 Fixed Assets Overview

The net book value of fixed assets at the end of 2022 stood at €3,415m compared to €3,408m in 2021, with net increases during the year in housing (€17m), parks (€4.3m) and roads (€2.8m) categories. There were also significant decreases in the net book value in buildings (€8.9m) and water and sewerage (€7.7m). These related to disposals and depreciation of assets respectively.

6.2 Property Register

The need for a comprehensive property register for all Council property was raised at previous audits and some progress was made in the development of a geographic information system to map Council land acquisitions and disposals in previous years. I am informed that limited progress has been made in this regard in the last year due to lack of staff resources and a focus on other significant corporate responsibilities. It is important that the development of the property register is prioritised. The Internal Audit Unit's findings in this area should also be taken into account.

Chief Executive's Response

The Council has significantly progressed the establishment of a comprehensive and up-to-date property register. Following internal restructuring of the Asset Management section of the Economic, Enterprise and Tourism Development Directorate, resources have been assigned to complete the updating of all outstanding data records, whilst ensuring that the recommendations of the internal audit report are satisfactorily addressed. There is a firm commitment to ensure that all relevant South Dublin County Council property is recorded on the register and that all related audit recommendations are satisfactorily resolved.

7 Loans Payable

Loans payable by the Council at the end of 2022 amounted to €165m (€179m in 2021) and can be analysed as follows:

Loan Type	2022	2021
Recoupable	73m	78m
Mortgage Related	54m	55m
Bridging Finance	27m	34m
Assets	11m	12m
	165m	179m

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 was reduced from €34m to €27m during 2022, will require funding at some point in the future.

Chief Executive's Response

The Council monitors its loan position very carefully. The value of bridging finance has reduced from €34m to €27m in 2022 and has been further reduced to €23.4m in 2023. Bridging finance refers to loans drawn down with state approval and the state continues to service the payment of interest on these loans. As the state makes funding available the loans are redeemed.

8 Procurement

A combination of divisional management and the central procurement unit is responsible for ensuring compliance with the Council's procurement policy. It was noted that the Council's procurement officer position is currently vacant.

The Council maintains a comprehensive contracts database which is a valuable resource for the procurement function in the Council and assists in the preparation for upcoming procurement tender competitions. There were 66 tender competitions conducted in 2022 (2021: 71). I note the Council's procurement steering group met six times in 2022.

The central procurement unit carried out annual procurement compliance checks in Q4 2022. This showed that, with regard to quotations/tenders being sought in line with the Council's procedures, the Council has marginally improved on the high level of compliance achieved in 2020/21.

At audit, a sample of transactions were tested and it was noted that:

- A number of contracts were extended beyond the contract expiry dates
- The maximum contract value was exceeded for a number of contracts
- The trend of improved compliance with the Council's purchase to pay procedures has continued from 2020 to date.

Every effort should continue to be made to ensure compliance with the Council's procurement policies in all departments, including the appointment of a procurement officer.

Chief Executive's Response

Due to the level of specialist knowledge in the role, sanction was sought and received from the Department of Housing, Local Government and Heritage, for the appointment of a permanent, appropriately qualified Procurement Officer position. Recruitment for this post is being undertaken as a priority and an acting Procurement Officer has been appointed in the interim. The Procurement Unit continues to monitor and support all procurement in the organisation. As reflected in the report, the annual procurement compliance checks process has demonstrated an improvement on the level of compliance this year, which is particularly significant in the context of the scale of increases in revenue and capital expenditure in the same period. The improved compliance with Purchase to Pay procedures is also welcome. However, issues identified in our compliance checks process and those identified by the Auditor in his findings relating to compliance issues will continue to be highlighted across the organisation and targeted for improvement as part of an ongoing focus on continuous improvement and oversight in this area.

9 Local Authority Companies

9.1 Overview

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

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

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

9.2 South Dublin District Heating CLG

South Dublin District Heating Company Limited by Guarantee, a wholly owned subsidiary of the Council, was incorporated in 2019 to promote a low-carbon economy through the generation and supply of heat to customers inside the county using district heating networks. This project takes waste heat from a commercial data centre and redirects it to nearby buildings, including council and college buildings, and is partly funded by the EU Interreg programme and the Climate Action Fund.

During 2022 the Council paid €3m to the company, bringing the total paid to date to €5.4m. Funding was received from the Climate Action Fund (€1.2m from a total approved grant of €4.5m) and Interreg (€0.5m) in 2022. Further Climate Action Fund payments to follow in 2023.

10 Governance and Propriety

10.1 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.

10.2 Internal Audit and Audit Committee

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

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

The unit produced thirteen reports during the year, including four reviews related to the Council's obligations under The Public Spending Code and two reviews of SICAP for 2020 and 2021, 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 2021 at the October meeting, which the Auditor attended.

10.3 Risk Management

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

The Council's Risk Register includes corporate risks and departmental risks, which are divided into operational areas, and these are rated and reviewed by management on a regular basis. Relevant mitigating controls and actions are identified and recorded against each risk in the register.

10.4 Ethics Declarations

The Council maintains an ethics register for council members and staff. Part 15 of the Local Government Act, 2001 obliges council members and designated staff to submit an annual declaration of specified interests. Declarations were received for all council members and, apart from a small number of late returns, for all designated staff of the Council for 2022.

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 2023

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