Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Dublin City 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 Dublin City Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Dublin City 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 8 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 SBASC Scheme

As part of the Government's 2021 COVID support package, the Small Business Assistance Scheme for COVID (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 scheme CRSS, Fáilte Ireland Business Continuity Scheme or the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media's Live Performance Support. The scheme 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 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 Local Authority 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 €2.48m in Dublin City 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.

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 Dublin City Council for the year ended 31 December 2021 was €100.44m of which €0.62m were reversals relating to the 2020 waiver schemes, leaving a net balance of €99.8m. 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.

3 Financial Standing

3.1 Statement of Financial Position

The Council recorded a surplus of €6.56m in 2021 (2020, €10.96m surplus), showing a reduction of €4.4m on last year's figure. This amount is after net transfers to reserves of €55.16m in 2021 giving a General Reserve of €41.3m as at year end 2021.

The main variances between the adopted budget and the AFS are reflected in Note 16 of the AFS. The variances were approved by the members at their meeting on the 12 April 2021 pursuant to S104 of the Local Government Act, 2001.

4 Income Collection

4.1 Summary of Income Collection

A summary of the revenue collections are as follows:

	Debtors			Yield		
Income	2021	2020	2019	2021	2020	2019
Rates	€38.1m	€34.1m	€23m	87%	84%	94%
Rents & Annuities	€35.0m	€34.3m	€31.5m	73%	73%	73%
Housing Loans	€6.1m	€6.7m	€7.2m	77%	75%	75%

4.2 Rates

In 2021, the Government amended the 2020 Rates Waiver Scheme twice. In the January to September 2021 scheme, industrial businesses and offices were excluded, while the final quarter saw a further targeted approach with the exclusion of the retail and health sectors. In total, the Rates Waiver Scheme was applied to 9,200 accounts. Dublin City Council waived rates totalling €100.44m in 2021 of which €0.62m were reversals relating to the 2020 waiver schemes, leaving a net balance of €99.8m noted in Appendix 7 for rates waivers in the Annual Financial Statements 2021.

Rates were levied on 20,068 accounts in 2021 totalling €362.9m of which 6,815 represents the total number of accounts in arrears totalling €38.1m as noted in the table below.

Debtors			Yield		
2021	2020	2019	2021	2020	2019
€38.1m	€34.1m	€23m	87%	84%	94%

The rates collection yield of 87% reflects an improvement of 3% in yield in 2021 when compared with the previous year's figures (2020: 84%). However, the debtors have increased by €4 million reflecting the financial impact of COVID-19 and the lower level of collection on the incoming arrears from prior years given that the majority of ratepayers were significantly impacted by business closures.

Rates Aged Analysis of Debtors					
2021	2020	2019	2018	2017	Pre 2017
€21.48m	€4.59m	€4.68m	€2.72m	€1.79m	€2.86m

In examining the arrears, the above table shows an aged analysis of the arrears as at year end 2021, which identifies arrears going as far back as pre-2017 giving overall total arrears of €38.1m. There are 735 rate accounts with amounts outstanding over €10k in arrears and these accounts are categorised according to collection status below.

Rates Collection Status for accounts >€10k	Arrears €m	No of Accounts
	2021	2021
Payment Plans	€6.92m	271
Liquidation/Legal Process	€8.05m	246
Being Pursued	€5.44m	218
Total	**€20.41m**	**735**

The rates collection unit continues to monitor arrears very closely.

Chief Executive's Response

The increase in the arrears of €4.1m primarily related to the office sector which accounts for €3.4m of the increase. It should be noted that the office sector did not qualify for the commercial rates waiver in 2021 and this had a negative impact on the collection performance whereby payment plans were facilitated to those businesses experiencing financial difficulties due to the Covid restrictions on their businesses. The increase in the debtor of €4.1m represents 1% of the annual charge. The performance on debt collection remains a priority for the rates office and this matter will be monitored during 2022 to ensure collection performance is maximised.

4.3 Rents & Annuities

The table below shows the arrears figures as at 3rd January 2022 on the live accounts net of credits at €36.8m. It must be noted that of the 26,456 rental accounts, 14,711 accounts are in arrears, with 7,272 accounts owing €1,000 or more in arrears, giving an overall total for that arrears category of €38.7m.

Rent & Annuities	2021		2020	
	€	No. of accounts	€	No. of accounts
>€10000	€14.6M	930	€12.5M	815
€5000 - 10000	€12.3M	1,773	€11.2M	1,596
€1000 - €5000	€11.8M	4,569	€11.6M	4,676
€500 - €1000	€1.2M	1,675	€1.3M	1,791
€100 - €500	€0.8M	3,156	€0.9M	3,455
<€100	€0.11M	2,608	€0.12M	2,957
Zero Balance	€0.0M	360	€0.0M	269
Accounts in Credit	-€4.0M	11,385	€-3.2M	10,176
Total	**€36.8M**	**26,456**	**€34.4M**	**25,735**

It is important to note that the above net figure of €36.8m of differential rents also include Traveller rent arrears of €910k, RAS rent arrears of €1.2m and Homeless arrears of €1.67m. In the case of Homeless arrears, tenants owing €1.36m are no longer in emergency accommodation, as noted in the register. A full review is required in this area along with updating the register to reflect the current tenants and arrears.

In addition to the above arrears, there are a further 5,314 closed accounts as noted in the table below. Included in this figure is 5,046 accounts with a total credit balance of circa €657k yet to be reviewed and refunded. This leaves a balance of 268 accounts with arrears totalling circa €449k yet to be followed up.

Rent & Annuities Closed Accounts	Balance	no of Accounts
>€10000	€81,856	4
€5000 - 10000	€110,537	18
€1000 - €5000	€216,070	83
€500 - €1000	€23,962	34
€100 - €500	€13,977	53
<€100	€2,379	76
Accounts in Credit	-€656,833	5,046
Grand Total	-€208,053	5,314

I noted at audit, that various strategies are being explored to address these arrears, some of which incorporate, engagement with MABS, a new rental system with an automatic income review calculation methodology, training in debt management and a request for additional resources to focus on early intervention and data analytics.

Chief Executive's Response

In the case of homeless arrears charges, the DRHE are working with Housing Rents to update the records referred to. This will involve removing and crediting accounts no longer in use and will also involve updating the clients who remain in homeless services. This work will be carried out in tandem with the reintroduction of charge cards to all homeless services, once the necessary staff are recruited.

Closed accounts with credit balances are kept under periodic review, however many are in legal limbo due to death of tenant or whereabouts of former tenants are unknown. There is limited scope to pursue these for the purpose of processing refunds.

In relation to closed accounts arrears an exercise has been conducted resulting in a bad debts write off in the sum of €257,532.50 and 240 files now closed. There are a number of closed tenancy accounts where payments are being made on arrears so these files will remain open.

All measures listed are all being implemented to pursue rent arrears. Efforts in this regard will continue unabated within available staff resources.

4.4 Loans

The collection yield of 77% for housing loans in 2021 represents an improvement of 2% on last year's figures (2020; 75%). The table below identifies the loan arrears under various categories of follow-up.

Debt Category	2021 No. of	2021 Arrears €000
Legal/Sales/Redeemed/Repossessed	None in 2021	-
Mortgage to Rent(MTR)	3	564
Mortgage Arrears Resolution Process	398	4973
Restructuring	18	208
Payment Plan	102	1697
Arrears <1k	167	84
Nil Balance/Credits	1,574.00	-1,430
Total	2,262.00	6,096

There are three hundred and ninety eight loan arrear accounts totalling €4.97m in the MARP process, with a further one hundred and two arrear accounts totalling €1.7m in payment plans.

This is reflective of the continued implementation of the MARP process and payment plan policy. There was a further eighteen loans restructured within the shared ownership loans restructure program, however, one hundred and ninety seven shared ownership loans of €16.5m still remain to be restructured.

It is noted that the housing loans section experienced difficulty in following up debt in 2021 due to staff changes, retirements and working remotely.

Chief Executive's Response

The one hundred and ninety seven shared ownership accounts referred to with the loan value of approximately €16.5m are being assessed on a case by case basis with a view to restructuring. Restructuring options may be limited depending on borrower's circumstances in each case.

4.5 Vacant Site Levies

A levy of 7% is payable in arrears in January of each year, on the market value of lands included on the Council's Vacant Site Register, pursuant to Section 15 (3) of the Act. The current arrears stand at €18.45m as at August 2022.

In accordance with Section 15(4) of the Urban Regeneration and Housing Act 2015 "a vacant site levy shall be payable on a demand being made by a planning authority in that behalf and if it is not paid within 2 months after the day on which it becomes payable, it shall be recoverable as a simple contract debt in any court of competent jurisdiction". Under the vacant site levy provisions, there is a cumulative effect associated with not activating a site for development purposes for each year that a site remains vacant or idle and in respect of which levy liability is not paid. As such, all levies due on an individual site will remain a charge on the land concerned until they are paid.

Proceedings have not issued for the collection of any vacant site levies however, the Vacant Site Unit issues quarterly reminders to owners of sites with levies due and owing to Dublin City Council, which include a provision whereby payments can be made by instalments.

Chief Executive's Response

The application of the Vacant Sites Levy has had limited success in encouraging development. The Council has however received €1.86m to date in levies.

Legal advice received states that the Law Society contract rules changed in 2019 and that it is now the position that all queries on title have to be dealt with pre-contract with the vendor now under an obligation to disclose any notices served or burdens affecting the property. Planning searches are now carried out pre-contract. While proceedings have not issued for the collection of vacant sites levies these charges are now appearing on pre-contract planning searches and purchasers are now on notice of these charges so there is no need to register them elsewhere.

Senior officials from Dublin City Council met with and made a submission to the Department of Housing, Local Government and Heritage outlining difficulties with the collection of Vacant Sites Levy. Having consulted with Local Authorities, Universities and other agencies, the Department published a report on Urban Regeneration which contained a series of recommendations to improve collection rates of vacant sites levies across the State. These included replacing the Vacant Sites Levy with a Residential Zoned Land Tax and moving responsibility for collection of the Residential Zoned Land Tax to the Revenue. The Residential Zoned Land Tax (RZLT) was subsequently introduced in the Finance Act 2021 to address this issue and is due to come into effect from 2024.

4.6 Bad Debt Provision

The bad debt provision in note 5 of the AFS totals €157.32m in 2021 (2020, €142.51) over 18 account codes. The main provisions included in this figure are government debtors of €11.31m (8% of the yearend balance), rates of €31.04m (81% of the yearend balance), loans of €6.8m (111% of yearend balance) and housing rents of €26.14m (75% of yearend balance). In addition, there is a €54.5m provision in place for development levies.

The provision for doubtful debts is satisfactory. However, it is recommended that several of the account codes would benefit from a more systematic process in determining an appropriate provision for doubtful debts each year. Consequently, management should prioritise the implementation of such a process as part of the AFS 2022 work programme.

Chief Executive's Response

A detailed review of our bad debt provision was carried out in 2021 both centrally and at local level. The budget process also looked at the budgetary requirement around correct provisioning. As part of the preparation of the AFS 2022, the account codes will be further reviewed and be given the required priority.

5 Debtors

5.1 Debtor Management System

There is currently no debtors' management system in place within Oracle to manage the follow-up of miscellaneous debtors in Dublin City Council. The system in place is in spreadsheet format, is unwieldy, and does not lend itself to proper administration and tracking measures in pursuing amounts outstanding. It is important that Oracle is used to capture detail of the miscellaneous debtors follow up by the individual department which should assist in establishing a common standard across DCC and improve visibility of progress made in collecting debtors which date back a significant length of time.

Chief Executive's Response

A review of Oracle functionality will be undertaken to establish best option to capture debtor collection history details. Individual departments in DCC will be asked to review their debtor collection process in line with the potential Oracle changes.

6 Fixed Assets

6.1 Fixed Asset Reconciliation

The Fixed Asset Register needs to be reconciled to the Property Interest Register to ensure completeness. In 2021, there were a number of instances where land and building transactions were not reflected correctly in the Asset Register. A full review of all lands needs to be undertaken to ensure that they are accurately reflected and described correctly in the Fixed Assets Register to facilitate future disposals of such lands and acreage. Fixed Assets in Note 1 identified revaluations totalling €7.6m of which €6.58m related to lands at Ayrfield, Malahide Road (Belmayne lands), with acreage of 5.36 which was already included in the Fixed Asset Register. This needs to be amended accordingly.

In addition, the Fixed Asset figure for 2.33 acres of lands at Ayrfield, Malahide Road also needs to be reduced to reflect the PPP social housing project completed in 2021 for which the Council received €6.3m as contribution to the cost of the lands.

Chief Executive's Response

Dublin City Council will reconcile the Fixed Asset Register to the Property Register and this work will be completed by the end of 2022. The Fixed Asset Register will be amended immediately to reflect the correct revaluations of lands at Belmayne and Ayrelfield, Malahide Road. The Council will prepare a new Procedures manual for both the Property Register Section and the Finance Section to deal with all acquisition and disposals which will ensure that all property transactions will be accurately reflected in both the Property Register and the Fixed Asset Register.

7 Loans Payable

7.1 Affordable Housing

There are three hundred and twenty-four housing units originally acquired for resale under the affordable housing scheme. The Council's Affordable housing interest only loans are recorded in Note 7 to the AFS at a figure of €73.8m (2020: €73.8m). These loans were due to mature in 2021, but have now been rolled over for a further two years to May 2024 with the agreement of Department of Housing, Local Government and Heritage (the Department).

Chief Executive's Response

The interest on the affordable housing scheme loans is currently being recovered from the Department of Housing, Local Government and Heritage. The loans are under review and the Council intend submitting a claim for the principal to the Department.

8 Capital Account

8.1 Capital Account Overview

The Council recorded a credit balance of €196.7m in the capital account in 2021 (2020: €166.3m). This represents a further increase of €30.4m on last year's figure. The capital expenditure was €408.4 in 2021 (2020: €347m) and income of €439m (2020: €391.6m) including net transfers of €37.9m.

The significant improvement in the closing balance in 2021 is mainly attributed to development contribution receipts, reserves and the East Link Toll.

8.2 Capital Account Debit Balances

There are 164 cost centres in the capital account with debit balances totalling €120.6m (2020: €135.1m). Of these, 17 cost centres have debit balances greater than €1m totalling €104.7m. The table below displays the larger outstanding debit balances by cost centre.

Jobs	Debit Balance €
LAND ACQUISITION LOAN REDEMPTIONS	23,102,192.85
DUBLIN WASTE TO ENERGY	12,838,518.43
DISTRICT HEATING PROJECT	10,925,023.93
INSURANCE RESERVE FUND	10,128,309.23
BALLYMUN CIVIC CENTRE	10,082,547.81
LOWER DOMINICK STREET	5,884,610.55
PRIORY HALL REMEDIATION	4,918,220.42
DOLPHIN HOUSE PHASE 1-CONSTRUCTION	4,352,495.00
REDEVELOPMENT OF BUTTERCUP PARK	3,921,972.00

In the case of the debit balance on the Insurance Reserve Fund, this is funded from the Revenue account while the debit balance on the Ballymun Civic Centre is funded from the property's rental income. In the case of Dominic Street and Priory Hall, these developments are still work in progress and funding is being sought from the Department. In the case of the other debit balances, it Is recommended that arrangements be put in place to fund balances that show no improvement year on year.

Chief Executive's Response

DCC continues to work to reduce debit balances and will source and allocate funds where possible, as a priority.

8.3 Land Acquisition Loan Redemption

The debit balance of €23.1m on this cost centre relates to the purchase of lands in 1999 in Ayrfield, Malahide Road. This represents HFA loan redemptions where no corresponding income existed in the capital account. The debit balance has remained unchanged in 2021. As the lands are developed/sold, the proceeds will be used to reduce the debit balance. The lands are included in the Council's fixed asset register.

Chief Executive's Response

Dublin City Council can confirm that the proceeds from future sale of the lands in Ayrfield, Belmayne, Malahide Road will be used to reduce the debit balance on this cost centre. The Asset Register will also be amended to reflect any such disposals

8.4 Dublin Waste to Energy

There is an historic debit balance of €12.8m on this project. The debit balance is associated with Dublin City Council's portion of funding associated with the pre-construction project costs of the Dublin Waste to Energy Facility. The debit balance will be funded via the revenue generated during the Dublin Waste to Energy Facility's operational phase.

There is also a related cost centre, used to manage the revenues, which accrue to the four Dublin Local Authorities associated with the operation of the Dublin Waste to Energy Facility, which has a credit balance of €5.4m at December 2021. The Council's intention is to transfer the surplus against the historic debit balance of €12.8m in the first instance, and then against the Dublin District Heating Scheme Phase 1 debit balance of €10.9m (see paragraph 8.5 below).

Chief Executive's Response

Dublin City Council have committed to prioritising clearing the debit balance associated with the Dublin Waste to Energy (DWtE) project utilising our share of the Project revenues during the operational phase of the Facility. The €5.4m credit balance is being utilised to clear the debit balance associated with the Dublin Waste to Energy project in the first instance and will subsequently be used to fund the debt balance associated with the Dublin District Heating Scheme Phase1.

8.5 Dublin District Heating

This project encompasses supplying space heating and hot water to homes and businesses within the Poolbeg West SDZ area, and then in the North Lotts and Grand Canal Docks SDZ area. The project team is also examining the feasibility of delivering space heating and hot water to the new National Maternity Hospital and the wider south - east area.

The capital accounts have an overall debit balance of €10.9m for phase 1, and €0.7m for phase 2. Phase 1 relates to the delivery of infrastructure within the Liffey Services Tunnel and North Lotts SDZ. It is intended that the debit balance on phase 1 will be funded via the revenue generated during the Dublin Waste to Energy Facility's operational phase (see paragraph 8.4 above).

Phase 2 is the current phase of the project and is currently at the preliminary stage. The procurement process to appoint the main contractor is expected to commence in Q3 of 2022. The project budget is €73m and will be funded by a loan of €43m, a Department of the Environment, Climate and Communications Climate Action Fund grant of €20m and private equity of €10m.

As the project value exceeds €20m, a cost benefit analysis as required by the Public Spending Code has been carried out. The project will be rolled out over a five-year period up to 2026.

Chief Executive's Response

Dublin City Council has appointed the National Development Finance Agency as Financial Advisors for the District Heating Project and are actively engaged with the Department of Public Expenditure and Reform to finalise the project's Cost Benefit Analysis and the associated Preliminary Business Case. Dublin City Council are looking forward to commencing the Tender Process, before the end of 2022 to appoint a Project delivery partner for this project which will deliver future social and economic benefits for the citizens of Dublin.

8.6 Dolphin House Phase 1-Construction

Phase 1 of Dolphin House was completed in 2019. The total cost of this project phase was €27.3m. The cost centre is currently showing a debit balance of €4.4m. The Department approved a budget of €25.84m. The budget has not fully been drawn down and consequently an amount of €2.9m remains to be claimed. A further budget application has been made to Department for the remaining debit balance of €1.5m. It must be noted that the contractor's tender price was €23.9m while his final account amounted to €24.9m incl. VAT, leaving a difference of €1m as result of change orders.

Chief Executive's Response

Follow-up to take place with the Department of Housing re revised budget application already made. Debit balance made up of €1m in additional main contract costs, as well as site investigations, consultants and employment of community development staff via Barnardos.

On receipt of response, claim to be made to recoup as much of the debit balance as possible. It should be noted that in 2016 it was agreed that DCC would contribute an amount of €690k towards the installation of two lifts and lift cores. This money is non-recoupable.

8.7 Redevelopment of Buttercup Park

This project was completed in 2018. The total cost of the project was €11.93m. The Department funding was approved for €8.5m. The project has a current debit balance of €3.9m, which reflects a number of change orders, a conciliation agreement, salaries, utilities, decanting of 28 houses, refurbishment of alternative accommodation and road reinstatement works. The construction contractor's tender price was €6.77m incl. VAT with final account agreed at €7.89m, however, it also went to conciliation with a further €795k incl. VAT being paid, resulting in €1.9m over original tender price. An increased budget application is currently being prepared.

Chief Executive's Response

A revised budget application will be made to the Department of Housing, in September 2022, with a view to recouping as much of the debit balance as possible.

While we will apply to recoup 100% of the project cost, it is possible that the Department will not fund the conciliation costs (€800k) or road reconstruction (€230k).

8.8 The Depot Consolidation Project

Construction commenced on the North City Operations Depot in May 2021. It is a 19 month construction programme with substantial completion expected in November 2022, and an estimated fit out period of a further three months. The new depot is expected to be operational in Q1 of 2023. The budget for the project is €74m. The project is being funded by a HFA loan of €34m with the balance of €40m to be funded by the disposal of vacated depot sites. As the project value exceeds €20m, a cost benefit analysis as required by the Public Spending Code has been carried out.

Chief Executive's Response

Construction of the North City Operations Depot (NCOD) commenced in May 2021. To date the main structures of the Administration & Welfare building, multi-storey car park and Central Stores and Workshops have been completed, and mechanical and electrical works are continuing. Construction of the salt barn and Civic Amenity site are well underway. External works and below ground services are nearing completion, with fencing elements and works at the access points ongoing.

The original programme date for substantial completion was mid-November 2022. Due to some delays to the project programme, and assuming no further delays, the scheduled completion of construction is currently early 2023. Following the fit-out period, it is still anticipated that the depot will start to become operational in Q1 of 2023.

Engagement is ongoing with staff and stakeholders on the relocation to the NCOD, and recruitment for the NCOD operational management team has commenced.

9 Development Contributions

9.1 Development Contributions Reconciliations

The full amount of development contributions owing to Dublin City Council needs to be recorded fully and accurately. This exercise commenced in 2020 and only two years of a number of years has been checked and amended to date, due to a lack of resources on the project team. This exercise is a large body of work (circa 35k records) that requires the full project team in place to progress the matter. As part of the process, all invoices APAS financials need to be reflected in the Oracle financial system and reconciled accordingly.

In addition to the foregoing important exercise, the Bonds Register also needs work, to identify bonds due to expire, extension of expiry date or bond drawdown in addition to reconciliation to cash bond deposits. It is also necessary to recruit inspectors to ensure that all developments commenced are stated accurately. Finally, the APAS and Oracle system need to be reconciled on a weekly basis and the reconciliations made available at audit.

In conjunction with this, it is also important that an integrated debtors file management system with Oracle is put in place to monitor and manage these significant debtors closely. I am informed that a prototype will be available mid-August with a going live date for September.

Chief Executive's Response

Dublin City Council is fully committed to the reconciliation of the APAS and Oracle financial systems. A working group is in place and progress reports issue to management on the levels of collection and the status of the review. Additional resources have been allocated and discussions are ongoing in relation to the recruitment of staff for site investigations. 2020 and 2021 APAS financials have been reconciled and completed and work is underway on 2019 which should be complete by mid-September 2022. Work will then commence on the 2018 records and so on.

With regards to the Bonds Register, work has commenced on amending the current records and the set-up of a new Register which will be going live in September 2022.

The integrated Debt Management system in Oracle is now live and procedures are being put in place to monitor all Debtors.

Close liaison between Contribution, Decisions, IT and Finance staff will continue to be maintained.

10 Road Opening Licences

A Road Opening Licence (ROL) is required if an individual/contractor wishes to open a footpath, road or street for any reason. On completion of the works, the licence holder is required to notify Road Maintenance Services, requesting a certificate of completion. The date of the certificate of completion request serves as the starting date of a 2 year maintenance period, after which the ROL licensee is required to submit a written request for the 'Closure of the ROL'. This is followed by an inspection of the ROL area by Dublin City Council and the return of the relevant ROL monies (minus a Long Term Impact charge if applicable) to the ROL licensee/payee after all snagging works (if any) have been completed.

I note that the Road Maintenance Services and the Environment and Transportation Finance Unit are consolidating the Road Opening Licence records held by both units, to establish a confirmed listing of bonds currently retained by Dublin City Council.

Road opening licence deposits amount to €13.6m. In view of the historic nature of some of these records, a comprehensive exercise is required to establish whether deposits held are refundable where works were undertaken by the client. This is a large body of work, which will need to be resourced. Resources need to be prioritised to address this Issue.

Chief Executive's Response

The Road Opening Licence Bond is only refundable after a two year maintenance period. The obligation is on the licence holder to request the refund of the bond. Road Maintenance Services and the Environment and Transportation Finance Unit are currently reviewing and consolidating the Road Opening Licence records held by both units, to establish a confirmed listing of bonds currently retained by Dublin City Council. In view of the historic nature of some of these records, this will take a significant amount of time and resources to reconcile. Road Maintenance Services prepared a business case, together with 'Critical Vacancy Request' forms for the purpose of securing an additional Senior Executive Engineer and an additional Executive Engineer to support the Division with this process. These positions were approved by the Assistant Chief Executive and the City Engineer. It envisaged that these positions will be filled following a recruitment process for these grades.

11 Dublin Docklands Development Authority

The Dublin Docklands Development Authority (DDDA) was dissolved in 2016, pursuant to the Docklands Development Authority (Dissolution) Act 2015. The net assets were brought into Dublin City Council's accounts in 2017. A number of provisions were put in place for certain legacy issues where work is ongoing in that respect. However, the liabilities including the pension liability far exceed the value of the assets transferred and consequently, this matter has been raised on a number of occasions by Dublin City Council, with the Department. The issue of DDDA pensions is still under review with a decision pending. As a result, these pensions are not included in the AFS.

Chief Executive's Response

The Docklands Office continues to work on bringing the remaining legacy issues of the DDDA to a satisfactory conclusion. However, many of these items involve complex legal issues that have taken longer than expected to resolve. It is anticipated that further progress will be made during 2022 and that any outstanding items at the end of 2022 will involve either on-going litigation or the pension issue. The future of the DDDA pensions has been raised with the Department of Housing, Local Government and Heritage. These discussions will continue until a satisfactory outcome is reached.

12 Local Authority Companies

12.1 Local Authority Companies' Overview

Appendix 8 to the AFS records the details of Dublin City Council's interest in eighteen companies and joint ventures. This table shows the percentage control exercised by the Council, the number of companies consolidated and brief financial details of each company. Ballymun Regeneration Limited and Hugh Lane Gallery Trust are the only two companies consolidated in the Council's AFS in accordance with the Accounting Code of Practice.

At the time of audit, only one of the eighteen companies′ financial statements were available for 2021, fourteen accounts were dated year end 2020 with remaining three accounts dated 2019. It is important that local authority controlled companies identified in Appendix 8 present financial statements for the year under audit to ensure that all risks are identified and mitigated where applicable.

Chief Executive's Response

Every effort is made to ensure that all accounts are received within the statutory deadline for filing of accounts with the Company's Office. It is difficult for our companies to have their accounts available for the Local Government Audit timeframe, which is earlier that the CRO filing date.

At the time of publishing audited AFS for 2021, eight of the eighteen companies' financial statements were available.

12.2 Temple Bar Cultural Trust Designated Activity Company (TBCTDAC)

Temple Bar Cultural Trust DAC acts as property and cultural managers of the Temple Bar district; it owns and manages buildings and public spaces for both commercial use and for the arts. The company also provides cultural services in Dublin for public and civic benefit. A decision was made to dissolve the company in 2013 and transfer it into Dublin City Council's ownership. The timing of this transfer is uncertain and is subject to the approval of the Planning and Development (No 2) Bill and a commencement order. Dublin City Council has pledged to support the company, if necessary, to meet its financial commitments for the foreseeable future.

At audit, Temple Bar Cultural Trust DAC accounts were not made available for years ended 2021 or 2020. Temple Bar Cultural Trust DAC is not consolidated in the Council′s annual financial statement in accordance with the Accounting Code of Practice.

Chief Executive's Response

Dublin City Council continues to manage this Company and all its legal responsibilities. The necessary national legislation to dissolve the Company and transfer it into Council ownership has not yet been enacted. It is unclear at present when this will happen.

Due to various changes with Accountancy Staff during 2021 and 2022 it was not possible to complete the Accounts for the company during the period. TBCTDAC has now appointed external Accountants, Tax Advisors and Auditors and draft Accounts are now complete for 2020 and 2021. However, we are awaiting final Tax Computations at present and once received it will enable the Accounts to be approved by the TBCTDAC Board during September.

13 Governance and Propriety

13.1 Overview

Corporate governance comprises the systems and procedures by which an entity is directed or controlled. It is the responsibility of the Chief Executive to ensure that a sound system of financial management and internal processes are in place.

13.2 Members Payments

The monthly expense allowance was miscalculated due to an erroneous interpretation of the circulars dating back to 2018 and has resulted in an overpayment of expenses to members estimated to be in the region of €146,000.

Chief Executive's Response

All Councillors and former Councillors affected were notified of the error on 22nd March and were given the following options to repay the monies owed :

A once off payment for the full amount

Monthly deductions from their expenses allowance over a period to be agreed (if still a Councillor) or instalment payments over a period to be agreed

A deduction from their Gratuity Payment which becomes payable once they turn 50.

They were also advised that if they wished to stand for re-election in 2024 that all outstanding debts with Dublin City Council must be settled in full prior to their nomination.

13.3 Staff Turnover Risk

In recent years, there has been a large turnover of experienced staff in Accounting, IT and Engineering areas. This has resulted in a loss of knowledge and continuity. I am informed that there are significant challenges in the labour market in attracting and retaining experienced employees. This level of staff turnover and retention is disruptive and has a negative impact on the pace of service delivery and project implementation, and needs to be addressed.

Chief Executive's Response

The average staff turnover across all grades in the City Council over the last 5 years is 5%. Turnover of Engineering staff is slightly higher with an average of 7% with Accountancy grades at 12%.

A recent Labour Market Analysis indicates that the private sector is experiencing the same challenges as the public sector in attracting and retaining staff, particularly for specialist posts.

The HR Department has responded to these challenges by increasing the number of recruitment campaigns with a total of 236 competitions completed over the last 3 years.

The number of DCC competitions for the specific areas identified over the last 3 years are as follows:

Grade	No. of Competitions
IT	10
Accountancy	9
Engineering	10

A Strategic Workforce Plan for the next three years is currently being developed. The purpose of the SWFP is to develop a continuous, agile and proactive response to the City Council's strategic challenges and identify opportunities for improvement. The plan will focus on a number of key pillars including HR Analytics, reviewing recruitment processes, improving engagement across the organisation, focussing on training and development to improve organisational capabilities.

In addition the HR Department is focusing on attraction and retention of talent through a strategy to improve our employer brand and the promotion of the City Council as an employer of choice.

13.4 Procurement

Dublin City Council operates a Central Procurement Unit (CPU) that provides support and advisory services to all departments across the organisation. Individual departments are responsible for scoping their project requirements, specifications and award criteria, seeking advice where necessary from the CPU. However, it is noted at audit that a significant number of contracts across all departments are not compliant with the Procurement Directive. Fundamental to the lack of compliance is the absence of knowledge, awareness and practical application, which requires training for each department. It is incumbent on senior management over each department to ensure that all staff attend this training to comply with best procurement practice and improve practical knowledge.

While there is a contracts database in place, it does not lend itself to an effective contract/framework management. I am informed that a tender process is underway for a new contracts register and management system, which will improve procurement compliance. In addition, it is critical that the Oracle Financial Management System controls are implemented as per the scoping document to ensure an integrated approach to procurement and purchasing.

Instances of non-compliance with the procurement directive was identified in the following departments: Transportation and Development.

13.5 The Broadstone Plaza Project

This project was completed and the final account agreed in September 2021. It was funded by the National Transport Authority (NTA) and is open to the public since August 2021. The final account for main contractor amounts to €3.8m excl. VAT (includes change orders of €1.3m excl. VAT) whereas the contract amount is €2.5m excl. VAT. This represents 52% above the contract amount.

Chief Executive's Response

This project was tendered off the €0.5m to €5m framework for civil engineering works in Dublin City Councils administrative area, Order of Director of Traffic Environment and Transportation Department ET/DOT/187/2016 dated 26/05/16.

The tender was issued on the 6th of November 2018. The closing date for tenders was the 11th of December 2018 with the contractor appointed on 30th of January 2019.

There were only four tenders returned from a framework of 8 contractors. The tendered figures were €2.5m/€3.2m/€3.3m/€4m approximately.

The original estimate submitted to the NTA in July 2018 to complete the Broadstone Lower Plaza was €3.9m. During the tender evaluation process aspects of the successful contractor's tender offer of €2.5m were considered to be abnormally low. However upon conclusion of the post tender clarification process the successful contractor's submission was deemed to be fully compliant. As a result the Most Economically Advantageous Tenderer (M.E.A.T.) deemed the current contractor successful.

This cost estimate was 56% above the tendered sum. The final account also came in below the original estimated cost.

This project came about as an addendum to the Luas Cross City Project. This was at the request of the NTA. Significant works had already been carried out by that projects main contractor to form the space for the plaza out of what was originally a hill adjacent to Constitution Hill. These works included a bridge and significant retaining structures. It also included major attenuation structures. Issues arose with the as-built survey information for both the bridge works and the subterranean attenuation structures. This resulted in change orders that were unavoidable as a result of these omissions.

However it should be noted that the other tendered sums were significantly above the lowest submitted tendered and the final outturn cost still represented a figure less that the original cost estimate.

13.6 Clontarf to Amiens Street Cycle Scheme

This project is at preliminary stage with an expected completion date of March 2024. The project is being funded by the NTA and Irish Water. There is a substantial overspend on the consultants where the tender price was €0.8m excl. VAT and the total cost was €2m excl. VAT which amounted to 150% of the original contract sum.

Chief Executive's Response

The Clontarf to City Centre Project was previously referred to as the Clontarf to Amiens Street Cycle Scheme and has since expanded considerably in scope and complexity. The project is now at construction stage. To comply with planning requirements and the additional need to renew water mains of over 100 years old, extensive redesign of the scheme was necessary and unavoidable after the appointment of the design consultants. It was considered overall more cost effective, resource and time efficient to continue with the appointed consultants. As a result of the unforeseen increased scope, scale and complexity of the scheme, the total projected budget increased to €63m and the design and construction supervision costs increased to €3m. This leaves the overall design costs at circa 5% of the total scheme budget, which is within the range of proportions of design costs for a project of this scale and complexity.

Increases in the design costs were arrived at as provided for in the Conditions of Engagement that formed part of both the tender documents and contract award documents. The subsequent adjustments to the contract sum were consistent with the provisions of S.I. No. 284/2016 - European Union (Award of Public Authority Contracts) Regulations 2016.

13.7 Royal Canal Premium Cycle Route Phase 2- Sheriff St to North Strand

This project was substantially completed on the 30th July 2020. The final account went to conciliation in January 2021. A conciliator’s report was issued in February 2021. There are substantial cost overruns outlined in the conciliator's report. The contract sum was €5.5m excl. VAT and the conciliators recommended an amount is €8.2m excl. VAT. This represents an increase of €2.7m excl. VAT (49% above the contract sum). There were additional ex-gratia payments of €167k (incl. VAT) made to the contractor.

Chief Executive's Response

Under the conditions of contract a Standing Conciliator was appointed to the project by agreement between DCC, NTA and the contractor. A total of 141 claims were submitted by the contractor during the construction phase of the project. As provided under the conditions of contract the contractor referred all claims to the Standing Conciliator for review. There were three recommendations issued by the conciliator during the project detailed below:

	Conciliator recommendation	**Contractor estimate for claims**
Conciliation No.1	€580,175	€971,570
Conciliation No.2	€1,373,132	€2,990,250
Conciliation No.3	€701,110	€1,319,909
Total	€2,654,417	€5,281,729

Each recommendation issued by the conciliator was not objected to by both parties as neither party issued a Notice of Dissatisfaction. The total figure of €2.65m recommended by the conciliator was 50% of the Contractor's estimated value of the claims.
The project was challenging due to the compact size of the site and the challenges of working close to a live railway line and a canal. The project was delivered in accordance with the Conditions of Contract PW-CF3. The additional costs incurred by the contractor were justified as recommended by the Standing Conciliator.
The ex-gratia payments were in accordance with the Office of Government Procurement (OGP) issued during the COVID-19 pandemic to cover additional costs incurred by the Contractor due to site closure during the period March – May 2020 and the implementation of Protocol Measures when the site reopened during the period May to August 2020.

13.8 Liffey Cycle Route

The project area between Parkgate Street and Matt Talbot Memorial Bridge is an interim route that introduced measures that will be in place until the permanent scheme (Liffey Cycle Route) is constructed. The project is funded by the NTA. Construction is expected to be complete for the permanent scheme in 2027. The procurement issue relates to a significant overrun in costs for the construction works at the intersection of St Johns Road West /Victoria Quay/Frank Sherwin Bridge. The tender amount was €199k excl. VAT whereas the final account was €627k excl VAT, representing 215% above original tender price.

Chief Executive's Response

Dublin City Council invited tenders on 12th November 2020 from the Framework Agreement for Carrying out Roadwork Contracts 2016-2020 (less than €500k) for the Liffey Cycle Route Interim Scheme St Johns Road West / Victoria Quay Junction Works. Four tenders were received before the closing date ranging from circa €199k to €401k.

The contract was awarded based on the lowest price. The contractors were on site on February 3rd, 2021 with a submitted programme of 30 days, substantial completion was achieved on July 9th which constitutes a programme extension of 132 days. This delay in the completion of the works was mainly attributed to contractor performance inefficiencies and unforeseen complexities relating to utilities.

A penultimate account submitted by the contractor in July 2020 amounted to €973k. The Quantity Surveyor in his analysis of the 60 compensation events submitted by the contractor awarded 66 delay days to the contractor and determined the final account to amount to €627k.

13.9 Parnell Square Cultural Quarter and City Library

The Council recently completed an assessment of the project regarding the delivery of the project on a phased basis. Phase 1 encompasses refurbishment works to 27 Parnell Square and the building of the City Library (budget of €80m). Phase 2 encompasses the refurbishment of the remaining Georgian buildings in Parnell Sq. West and public realm improvements (to be completed at a later date).

Costs to date on this project amount to €2.7m, have been funded in the main by the Council. URDF funding of €56.6m for the building works and €14.2m for the public realm has strategic business approval from the DHPLG. The Council will fund the balance of monies. This funding will be drawn down in stages following submission of the Preliminary Business Case as required by the Public Spending Code. This Business Case is currently being put together with KPMG. A Project Manager was appointed to the project in January 2021. A contractor for the construction works has not yet been appointed.

The incumbent contractor for manned security continues to be used when the Council took over the project from the OPW. However a public tender process was not processed to select this contractor and consequently does not comply with national and EU procurement regulations. The cumulative spend to Dec 2021 on this contractor for manned security amounts to €1.3m. This needs to be regularised. The Public Spending Code requires a Cost Benefit Analysis to be carried out for projects greater than €20m, however this has not been done to date.

Chief Executive's Response

The situation regarding manned security of the buildings was regularised in quarter 2 of 2022.

14 Internal Audit

Internal audit has an important role in providing the Chief Executive with assurance on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements. Consequently, their role as part of the Corporate Governance framework is very important. The Head of Internal Audit reports directly to the Head of Finance for administrative purposes and has independent access to the Chief Executive and Chair of the Audit Committee.

Twelve Internal Audit reports were completed in 2021. The 2021 Internal Audit work plan was approved by the Audit Committee and the Chief Executive.

15 Audit Committee

The Audit Committee is independent of management and the membership meets the guidance criteria from the Department and SI 244 of 2014. The Committee met on four different occasions, 11th March, 3rd June, 23rd September and 2nd December in 2021. I attended the meeting on the 23rd September 2021 to discuss the 2020 audit report, following which the Audit Committee submitted their report to Council members on the 10th January 2022 as required under Section 60 of the Local Government Reform Act 2014. In addition, the Committee's Annual Work Programme for 2022 and annual review of the Audit Committee Charter was adopted at the City Council meeting also held on that date. This is a requirement under Regulations 8 and 9 respectively of the Local Government (Audit Committee) Regulations 2014.

Acknowledgement

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

Ita Howe

Principal Auditor

25 August 2022

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