



**Rialtas na hÉireann**  
Government of Ireland

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

## **Local Government Audit Service**

Prepared by the Department of Housing, Local Government and Heritage

## Contents

Auditor's Report to the Members of Dublin City Council.....	1
1 Introduction.....	1
2 COVID-19 – Impact on Local Authorities.....	1
2.1 Overview.....	1
2.2 Restart Grants Scheme .....	2
2.3 Rates Waiver Scheme .....	2
2.4 Reimbursement for loss of goods and services income and COVID-19 related expenditure.....	3
3 Financial Standing.....	3
3.1 Statement of Financial Position.....	3
4 Income Collection.....	3
4.1 Summary of Income Collection .....	3
4.2 Rates .....	4
4.3 Rents & Annuities .....	5
4.4 Loans.....	6
4.5 Bad Debt Provision .....	7
5 Fixed Assets.....	7
5.1 Drainage Assets and Accumulated Depreciation.....	7
6 Loans Payable.....	8
6.1 Affordable Housing .....	8
7 Capital Account .....	8
7.1 Capital Account Overview.....	8
7.2 Capital Account Debit Balances.....	8
7.3 Land Acquisition Loan Redemption .....	9
7.4 Dublin District Heating .....	9
8 Development Contributions .....	10
8.1 Development Contributions Reconciliations.....	10
9 Homeless Services.....	11
9.1 Homeless Service Level Agreements .....	11
10 Priory Hall Remedial Works .....	12
11 Dublin Fire Brigade Time & Attendance .....	14
12 Road Opening Licences.....	14
13 Dublin Docklands Development Authority .....	15
14 Local Authority Companies .....	16
14.1 Local Authority Companies Overview .....	16

14.2 Temple Bar Cultural Trust Designated Activity Company( TBCTDAC).....	16
15 Governance and Propriety .....	17
15.1 Overview .....	17
15.2 Procurement .....	17
15.3 Transportation Procurement .....	18
15.4 Legal Services Procurement.....	21
15.5 Development Procurement .....	21
15.6 Directly Engaged Homeless Service Providers Procurement .....	22
15.7 Internal Audit.....	24
Acknowledgement.....	25

# 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 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 9 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 €98m in Dublin City 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 Dublin City Council for the year ended 31 December 2020 was €159.5m.

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 Dublin City Council for the year ended 31 December 2020 was €34.1m, split between €23.6m for the loss of goods and services income and €10.5m for additional COVID-19 related expenditure.

## **3 Financial Standing**

### **3.1 Statement of Financial Position**

The Council recorded a surplus of €10.96m in 2020 (2019, €2.14m surplus), showing an improvement of €8.82m in last year's figure. This amount is after net transfers to reserves of €63.23m in 2020 (2019: €49.4m) an increase of €13.83m on last year's figures.

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:

Income	Yield			Debtors		
	2020	2019	2018	2020	2019	2018
	%	%	%	€m	€m	€m
Rates	84	94	92	34.1	23	27.7
Rents & Annuities	73	73	76	34.3	31.5	27.8
Housing Loans	75	75	69	6.7	7.2	9.1

## 4.2 Rates

The rates collection yield of 84% reflects a reduction of 10% in yield in 2020 when compared with the previous year's figures (2019: 94%). This percentage is reflected in the movement in arrears from €23m in 2019 to €34.1m in 2020, showing an increase of €11.1m year on year, reflecting the financial impact of COVID-19 on ratepayers and the lower level of performance during 2020.

Debtors				Yield			
2020	2019	2018	2017	2020	2019	2018	2017
€34.1m	€23m	€27.8m	€32.4m	84%	94%	92%	91%

The 2020 10% reduction in collection primarily results from the accounting treatment of the commercial rates waiver being netted from the total warrant for collection. This has the effect of reducing the percentage collected. As noted above in paragraph 2.3, the Council received a rates waiver grant equal to the commercial rates waived. For prior year comparison purposes if the income was included in the amount collected column rather than the waived/credits column the percentage collected would have been 91%.

The following table shows an aged analysis of the arrears as at year end 2020;

2020	2019	2018	2017	2016	Pre 2016
€17.9m	€6.7m	€3.5m	€2.2m	€1.5m	€2.3m

In 2020, the Department of Housing, Local Government and Heritage (DHLG&H) applied a 'global' valuation apportionment approach to Irish Water properties, using population as a basis of apportionment. Resulting from this, the Irish Water related rates income for Dublin City Council has reduced by €8.4m in 2020.

In May 2021, a review of the arrears outstanding at 31 December 2020 was undertaken to ascertain the level of debt, which had been collected since the year-end, and showed that €24.3m remained outstanding.

A bad debt provision of €30.7m representing 90% of year-end net debtors has been provided for in the accounts.

## Chief Executive's Response

The City Council has been very dependent on government support in respect of the waiver for those businesses significantly impacted by COVID. The performance on rate collection is critical to the financing of City services and the performance on collection is monitored daily and weekly. The City Council will continue to engage with ratepayers to discharge liabilities.

### 4.3 Rents & Annuities

The collection rate has remained at 73%, with an increase in the accrual figure of circa €3.6m year on year. The arrears figures have increased from €31.6m in 2019 to €34.1m representing an increase in arrears of circa 7.9% on previous year's figures. The arrears figures continue to increase year on year, further compounded by COVID presenting further challenges for this important revenue area. The Revenue Collectors were unable to call to houses to follow up on the arrears, which has impacted on the collection results. The table below sets out the arrears over the various thresholds and is reflective of the status as at the 4th January 2021.

Rent & Annuities Arrears	2020	No. of accounts	2019	No. of accounts	2018	No. of accounts
>€10,000	€12.5m	815	€9.76m	646	€7.1m	482
€5,000 - €10,000	€11.2m	1596	€10.2m	1453	€9.1m	1303
€1,000 - €5,000	€11.6m	4676	€11.3m	4594	€10.7m	4368
€500 - €1000	€1.3m	1791	€1.3m	1834	€1.2m	1674
€100 - €500	€0.9m	3455	€0.93m	3709	€0.87m	3442
<€100	€0.12m	2957	€0.16m	3682	€0.13m	3061
Zero Balance	0	269	0	207	0	279
Accounts in Credit	(€3.2m)	10176	(€2.6m)	9604	(€2.7m)	10797
<b>Total</b>	<b>€34.4m</b>	<b>25735</b>	<b>€31.0m</b>	<b>25729</b>	<b>€26.4m</b>	<b>25406</b>

This area requires a significant amount of work, strategy and focus to address these arrears, which are increasing year on year.

The new Local Authority Verification Application (LAVA) only provides details of gross income and therefore requires staff to estimate tax etc. This has not added to the efficiency in recording income details as promised. Income details are still sought from the tenants to ensure the correct charge is applied and this requires further resources.

## Chief Executive's Response

Despite the challenging environment of 2020, a total of €90.9m in rent payments was collected in 2020 compared to €86.1m in 2019. District Court hearings for rent arrears were adjourned from March 2020 until June 2021 due to the ban on

evictions - this limited the action that could be taken against non-paying tenants. Although no house calls were possible, Executive Housing Officers continued to endeavour to maximise rent collection and arrears recovery via telephone calls, e-mails and correspondence.

An additional 9 Executive Housing Officers were engaged in June 2020 in order that each rent arrears patch be resourced on a full time basis. From 2020, all new and transferring tenants must now sign up to either Household Budget or Direct Debit and pay two weeks rent in advance. This creates good payment habits from the commencement of tenancies.

Applications for transfers from tenants in arrears are cancelled and those already on the transfer list will not be made an offer until the arrears are cleared in full. Only emergency maintenance is carried out on tenancies in arrears. A data analytics exercise is planned for 2021 in order to inform the development of new strategies for the prevention and recovery of arrears.

A new housing IT system is being rolled out which will have the facility to send automated texts/e-mails when payments are missed – this will be a key early intervention action. Housing IT is currently engaging with the LGMA on the integration of LAVA with the new IT system.

As LAVA is based on the DEASP information, it provides access to gross income only. Net income is calculated using a spreadsheet and the rent charge is based on this figure. While the rent charge calculated using this method will not be as accurate as it would be using Employment Details Summary/pay-slips, it will be more accurate than the previous option which was to apply an assumed income. It is expected that LAVA will result in a reduction in retrospective debits being applied due to non-declaration of income. The complexities of the taxation system means that we will always need income details from tenants/occupants in employment to arrive at a completely accurate rent charge.

#### **4.4 Loans**

The collection yield for housing loans has remained constant at 75% in 2020 when compared to 2019. This is reflective of the continued implementation of the MARP process, Mortgage to Rent policy and Shared Ownership loans restructure program. Thirty-six Shared Ownership loans were restructured and one hundred and ninety one Rebuilding Ireland loans were advanced in 2020.

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

The Loans Section continues to engage with borrowers who are experiencing difficulty with repayments of their mortgage. Under the MARP process, there are several repayment options available e.g., Mortgage to Rent, extending the term of the mortgage and interest only repayments for a limited period. The collection rate has remained constant in 2020 and the arrears figure continued to reduce during 2020 despite the COVID restrictions.

## 4.5 Bad Debt Provision

The bad debt provision for trade debtors comprises 18 account codes, which total €142.51m in 2020 (2019: €114.2m). Included in this figure are account code provisions for government debtors of €16.4m (10% of debtor balance), rates of €30.75m (90% of the debtor balance), loans of €6.9m (100% of debtor balance), vacant site levy of €6.5m (100% of the debtor balance) and housing rents of €24.5m (71% of debtor balance).

From the review carried out at audit, 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 2021 work programme.

### Chief Executive's Response

A detailed review of our bad debt provision was carried out in 2020 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 2021, the account codes will be further reviewed and be given the required priority.

## 5 Fixed Assets

### 5.1 Drainage Assets and Accumulated Depreciation

The accounting policy for drainage assets requires all drainage assets be depreciated on a 50 year rather than mainly a 200 year useful economic life basis. Consequently, an adjustment has been applied to the AFS for 2020 and prior year comparative figure. This results in these assets being adjusted by €205m as at the year-end.

The accumulated depreciation balance for drainage assets, as at the year-end is now circa €589m calculated on assets of circa €819m, after taking account of the foregoing.

### Chief Executive's Response

The AFS for 2020 was adjusted to correct the application of the depreciation rate for the Council's Water Drainage Schemes. The value of the adjustment is €205m and covers the years 2004 to 2020. An appropriate footnote is

included in Note 1 of the Audited Annual Financial Statements for the year ended 31st December 2020.

## **6 Loans Payable**

### **6.1 Affordable Housing**

There are three hundred and thirty-four housing units originally acquired for resale under the affordable housing scheme. The Council's Affordable housing loans are recorded in Note 7 to the AFS at a figure of €73.8m (2019: €73.8m). These loans were due to mature in 2018, but have now been rolled over for a further three years to June 2021 with the agreement of the Department.

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

These Affordable Loans have now been rolled over to June 2022 by agreement with the Department.

## **7 Capital Account**

### **7.1 Capital Account Overview**

The Council recorded a credit balance of €166.3m in the capital account, in 2020 compared with a credit balance of €121.7m in 2019. This represents a further increase of €44.6m on last year's figure. This increase is mainly comprised of capital expenditure of €347m and income of €391.6m including net transfers of €48.1m.

The significant improvement in the closing balance in 2020 is mainly attributed to:

- Development contribution receipts
- Housing receipts for house purchases
- Waste to Energy receipts
- Parking & Tolls
- Reserves

### **7.2 Capital Account Debit Balances**

There are 179 job codes in the capital account with debit balances totalling €135.1m (2019, €160.3m). Of these, there are 10 job codes with debit balances

totalling €101.2m. The following table displays the larger outstanding debit balances by job.

<b>Jobs</b>	<b>Debit Balance</b>
LAND ACQUISITION LOAN REDEMPTIONS	€23.1m
BALLYMUN CIVIC CENTRE	€13.1m
THERMAL TREATMENT PLANT AT POOLBEG	€12.8m
INSURANCE RESERVE FUND	€12.5m
DISTRICT HEATING PROJECT	€11.4m
EAST URBAN REGENERATION SITES	€6.3m
TWO INTO ONES - FLAT CONVERSIONS	€6.1m
BANNOW ROAD HOUSING DEV	€5.6m
PRIORY HALL REMEDIATION	€5.7m
ST TERESA'S GARDENS REDEVELOPMENT	€4.6m

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

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

## **7.3 Land Acquisition Loan Redemption**

The Land Acquisition Loan Redemption debit balance has been reduced by €6.2m to €23.1m (2019, €29.3m). This was due to a government grant to fund a portion of land used by the housing department in 2020. This represents HFA loan redemptions where no corresponding income existed in the capital account. This figure forms part of the 10 jobs totalling €101.2m as set out above.

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

The debit balance of €23.1m relates to the purchase of land. Part of the land was included in a bundle of PPP's and in 2020 €6.3m was received from the Department of Housing, Local Government and Heritage as a contribution to the cost of the land used. This has reduced the debit balance on the cost centre from €29.3m to €23.1m. As the remaining land is developed / sold, the proceeds will be used to reduce the debit balance.

## **7.4 Dublin District Heating**

This project relates to the delivery of the Dublin District Heating Scheme. The project will concentrate on 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 €0.6m for phase 2. Phase 1 relates to the delivery of infrastructure within the Liffey Services Tunnel and North Lotts SDZ and phase 2 is the current phase of the project. The Project is currently at the Preliminary Expenses stage. It is expected to be completed by the end of 2026. 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 is currently being finalised. The tender process for the project is expected to be launched in quarter 3 2021. 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 2021 to appoint a project delivery partner for this project which will deliver future social and economic benefits for the citizens of Dublin.

## **8 Development Contributions**

### **8.1 Development Contributions Reconciliations**

The full amount of development contributions owing to Dublin City Council needs an in depth reconciliation. The APAS system requires a significant amount of work to ensure that the data is complete, accurate and has integrity. In conjunction with this, it is also important that a debtor's file management system is put in place to monitor and manage these significant debtors closely.

There are circa 40k, records which need to be reviewed, and commencement established. This will require a number of staff checking details on applications against the figures raised in the Oracle financial system. As part of the process, all invoices need to be reflected in the Oracle financial system and reconciled accordingly.

It is noted that a working group has now been established with a view to undertaking this work. This is a large body of work and requires significant resources to ensure that the working group is fully supported in providing

certainty of monies owing in this very important area.

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

Dublin City Council is fully committed to the reconciliation of the APAS and Oracle financial systems. A working group has identified the steps necessary in order to ensure systems in place for debtors' management are robust.

Work has commenced on reviewing the status of 8,000 records.

Commencements will continue to be checked both through BCMS and visual inspections.

In addition to the working group a formal request for additional resources is being compiled.

The close liaison between Decisions, IT and Finance staff will be maintained. Monthly progress reports will issue to management on the levels of collection and the status of the review of circa 40k records.

## **9 Homeless Services**

### **9.1 Homeless Service Level Agreements**

The DRHE is a unit provided by Dublin City Council representative of all four Dublin local authorities. It is responsible for the provision of funding for the delivery of homeless services pursuant to Section 10 of the Housing Act 1988. In administering this funding, the DRHE through its Service Level Agreements (SLAs) with voluntary bodies and suppliers of emergency accommodation detail the nature, quality, and scope of the service to be delivered.

Total expenditure of €199.6m was incurred by the Dublin Regional Homeless Executive (DRHE) in the delivery of homeless services for the 2020 period. A total of €156.7m (79% of 2020 expenditure) was incurred by voluntary bodies and private providers of emergency accommodation.

In the course of the audit, procedures were performed to identify the current status of SLAs in place for voluntary bodies and private providers of emergency accommodation who deliver homeless services. Audit procedures indicated that 10% of voluntary bodies' expenditure of €70m were not supported by SLAs. The remaining emergency private providers with expenditure of €86.7m had either a contract, lease, chief executive order and/or rolling agreement in place but no SLAs. I am informed that SLAs are currently being put in place for all service providers.

## **Chief Executive's Response**

The Quality Standards Framework (QSF) and related service level agreements processes for services provided by approved housing bodies (NGOs) began in 2014. The QSF was extended in February 2019, for all services, provided by approved housing bodies nationally and is now referred to as the National Quality Standards Framework.

In April 2021, the DRHE management team, began working with a consultant to re-frame the existing NQSF and SLA processes to cater for private operators of emergency accommodation (PEAs). In the case of private operators there is a division between facility standards and case management (support/care) standards with support/care services provided on an in-reach basis by the relevant state and other NGOs. In the case of approved housing bodies this support/care service is in the main provided on an in-house basis.

Draft standards and SLAs for private operators are currently being formulated and will be presented to the DRHE'S stakeholders (Strategic Management Group, DHLG&H and Consultative Forum) in September 2021.

These service level agreements will be put in place with immediate effect for all private operators of emergency accommodation. The process of ensuring that all SLAs are in place and reviewed as necessary will be strengthened by the DRHE management team.

## **10 Priory Hall Remedial Works**

In 2011, the High Court ordered the evacuation of the Priory Hall apartment complex due to fire risks. The Council acquired the complex that comprised of 192 units including 188 residential apartments and 4 retail/commercial units.

At 30 June 2021 the status of the development was as follows;

- 88 units had been sold
- 29 units retained by the Council
- 33 units were sale agreed
- 25 Buy-To-Lets units were returned to original owners
- 7 units are owned by St. Michael's House
- 3 unsold units are available for sale on the open market.

- 3 unsold units due to title issues and once resolved; 2 will be transferred to the Council to be sold and 1 to be returned to the original bank lender
- The Council is currently seeking tenants for all 4 commercial/retail units

The total income received by the Council at 30 June 2021 was €54.23m comprising of the following:

Income Source	€
Government Grants	34.5m
Receipts from Sale of Units	19.66m
Other Miscellaneous Income	0.07m

The total costs of the scheme to date was €61.9m which included the following main items of expenditure:

Main Cost Items	€
Remediation Works	41.9m
Mortgage Redemption	7.4m
Consultant Fees	4.72m
Legal and Estate Agent Fees	2.27m
Security	3.78m
Service Charges & Utilities	1.3m
Relocation of Tenants	0.53m

The final blocks of the development, 19 and 20, were handed over to the Council in December 2020. The final account for the remediation works has not yet been completed.

The current deficit on the project is €7.67m and a submission for funding this is being prepared by the Council for the DHLG&H.

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

The final deficit on this account will not be fully clear until the sale of all the remaining apartments are completed later this year with the proceeds of same distributed as agreed. A submission for funding of the current deficit from the DHLG&H will be made.

## 11 Dublin Fire Brigade Time & Attendance

Dublin Fire Brigade's time and attendance system lacks clarity and is not effective in the control of this area. A number of spreadsheets, databases and stand-alone software systems exist which do not interface with each other and are subject to extensive manual intervention and human error. They do not provide a clear picture of the hours worked, leave entitlement and rotas among other important requirements. This system is resource intensive and does not lend itself to analysis easily. I have been informed that Dublin Fire Brigade has gone out to tender for a new system. This area continues to represent a control issue for the Council until it is resolved.

### Chief Executive's Response

A tender was prepared for a new system and a notice was published on [etenders.gov.ie](http://etenders.gov.ie) on April 15th 2021 (tender ID 188023) with a closing date of May 21st 2021. There were an initial 40 "expressions of interest" with an eventual submission of 3 tenders at the closing date. There were no late tender submissions.

A tender review board was established who met over 9 dates to review and award marks to the tenders. A tender report was drafted which made a recommendation to the board of a preferred bidder. Acceptance and rejection letters are currently being sent through e-tenders. Once the prescribed period of 2 weeks has elapsed, contract negotiations with the successful bidder will commence. Having regard to the above, it is hoped that the system will be in place by Q2 2022.

## 12 Road Opening Licences

A Road Opening Licence (ROL) allows the holder to excavate a section of public road i.e. carriageway/footway and associated grass verge. A licence 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 submits a written request for the 'Closure of the ROL'. This is followed by an inspection of the ROL area by DCC and the return of the relevant ROL refund (minus a Long Term Impact charge if applicable) to the ROL licensee/payee after all snagging works (if any) have been completed.

Road opening licence deposits date back a number of years and amount to €13.5m. An exercise is required to establish whether these deposits are refundable where works were undertaken by the client. This is a large body of work which will need to be resourced. I am assured that an exercise will be undertaken to establish monies owing to clients (where applicable) in 2021 and the status of such monies.

### **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.

## **13 Dublin Docklands Development Authority**

In 2016, the Dublin Docklands Development Authority (DDDA) was dissolved, 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 that remain outstanding. However, the liabilities including the pension liability far exceed the value of the assets transferred. The matter has been raised on a number of occasions with the Department.

The issue of DDDA pensions is still under review with a decision pending. Consequently, 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 2021 and that any outstanding items at the end of 2021 will involve either on-going litigation or the pensions' 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.

## **14 Local Authority Companies**

### **14.1 Local Authority Companies Overview**

The local authority's interest in eighteen companies and joint ventures is recorded in Appendix 8 to the AFS. 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.

At the time of audit, only one of the eighteen companies' financial statements for year ended 2020 were available for review, the remaining seventeen accounts are 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 than the CRO filing date.

### **14.2 Temple Bar Cultural Trust Designated Activity Company (TBCTDAC)**

Temple Bar Cultural Trust DAC made a loss of circa €670k in 2019 (2018, profit €79k). The investment properties were revalued by the Dublin City Council chief valuer as at 31 December 2018. The valuations have been calculated on the basis of capitalised rental income and resulted in a decrease in the carrying value of investment properties in the 2019 accounts of €405k (2018: €285k). Net assets are stated at €19.4m in the 2019 annual financial statements (2018: €20.5m). In 2019, the company entered into agreements with third party buyers to sell the investment properties for a combined consideration of €385k. Temple Bar Cultural Trust DAC is not consolidated in the Council's annual financial statement. The 2020 accounts were not available and consequently, I am unable to ascertain the financial circumstances pertaining thereto in that year.

The company 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.

### **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.

## **15 Governance and Propriety**

### **15.1 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 the sound system of financial management and internal processes are in place.

### **15.2 Procurement**

Public procurement is governed by EU and national rules. The National Public Procurement Policy Framework sets out the overarching policy framework for public procurement in Ireland. The Office of Government procurement (OGP) issued the National Public Procurement Guidelines for Goods and Services (Version 1 and 2 published in July 2017 & January 2019 respectively). The guidelines state that the vast majority of public contracts above the EU thresholds are subject to the provisions of the 2016 Regulations.

Dublin City Council operates a Central Procurement Unit (CPU), where individual departments are responsible for sourcing requirements and operating best procurement practices, however, it is noted 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 accountable procurement personnel within each department, ensuring that all contracts are compliant within their area and linking in with the CPU. This represents poor governance and lack of accountability.

This is further compounded by a lack of an effective contracts database with corresponding procurement controls within the Oracle Financial Management System. Furthermore, a risk regarding framework agreements being used for a number of contracts and consequently the possibility of being exceeded, where the contract manager is not monitoring the framework and overall expenditure,

may be an issue. It is essential that all frameworks have a contract manager to ensure that the framework is run within procurement guidelines and controls are built into the Oracle System to manage this. A framework should identify the threshold of the contract and this should be kept in view when ascertaining whether that framework has been fully utilised.

Instances of non-compliance with the procurement directive were identified in the following departments and in this regard, it is recommended that a procurement specialist hub is particularly established in each of the following departments: Transportation, Development and Housing.

### **15.3 Transportation Procurement**

#### **S2S Cycleway And Footway Interim Works Bull Island To Causeway**

There is a material overspend on the main contract, the final account dated October 2020 amounted to €8.99m ex VAT. This represents a 109% overspend on the original contract amount of €4.3m ex VAT.

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

This was a complex project involving Irish Water and the OPW, as a new water-main was laid as part of this project; and also flood defences were improved as part of the scheme. In addition extensive traffic management measures, restrictions on working times in the lagoon due to bird nesting, and also the requirements to reduce the height of the flood defence wall resulted in delay and disruption claims from the contractor; all contributed to an increase in costs on the project. All these were clearly documented and approved.

It should be noted however, that the contractor on this scheme submitted a final account of €18.4m, which DCC did not accept and the process went to conciliation. The final contract sum is 50% less than the contractors submitted final account and was deemed acceptable by DCC, NTA, and Irish Water.

#### **Balbutcher Lane Junction Reconfiguration Consultant costs**

There is a significant overrun in the consultant's costs due to a change in the project design and site supervision carried out. The tender amount was €58k whereas the final cost is expected to be €277k amounting to 377% of an increase above the tender amount.

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

After the consulting engineers were awarded the contract, the above includes two major changes to the scope of their works which amounted to mainly a fees increase of circa €152k. A breakdown of the major increases is detailed below:

Dublin City Council decided to use this project as a trial to provide a cycle protected junction layout to minimise risks for cyclists at left turning movements. This additional design work cost approximately €58k.

Due to the introduction of the cycle protected junction, Dublin City Council required the consulting engineers to provide a full time Resident Engineer on site. The provision of a full time Resident Engineer increased the cost by €70k for the original contract duration and by €24k for the extension of the construction period due to COVID-19 restrictions. The total increase due to site supervision costs were circa €94k.

It was considered that the necessary design and construction services could not be technically or economically separated from the original service provider contract without major inconvenience to the contracting authorities, resulting in further increased costs.

### **Royal Canal Premium Cycle Route Phase 2 Sheriff St To Nth Strand**

There are substantial project consultant cost overruns. The original contract sum of €545k ex VAT was increased to €1.1m ex VAT. This represents 102% of an increase on the original contract sum.

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

There are a number of reasons for the increase in consultants fees which could not have been foreseen at the contract stage namely:-

- Revised design to comply with Part VIII requirements.
- Interaction with Irish Rail and requirement to meet the NoBo requirements in accordance with the Railway Act 2005.
- Extension of scheme to Seville place junction in light of cyclist fatality at this location.
- Prolongation of the contract due to COVID-19 and the extension of the main contract length due to contractor shut down and also when site reopened, the reduced efficiencies due to compliance with COVID-19 protocols.

It was considered that the necessary technical services could not be technically or economically separated from the original service provider contract without major inconvenience to the contracting authorities, resulting in further increased costs, substantially delays resulting increased contractor claims.

## **Clontarf To Amiens Street Cycle Scheme**

There is a substantial overspend on the consultants employed on this scheme, the costs as at January 2021 of €1.5m ex VAT amounts to 88% of an increase on the original contract sum of €0.8m ex VAT.

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

There are a number of reasons for the increase in consultants fees which could not have been foreseen at the contract stage namely:-

- Revised design to comply with Part VIII elected members requirements namely:-
- Design of protected junctions and bus stop by passes
- Complexities in relation to water main diversion and potential renewal of same and Irish Water additional requirements.
- Prolongation of the consultant's contract due to COVID.
- Additional landscaping and public realm design requirements from the public realm group.
- Additional traffic modelling work and requirements from NTA.

It was considered that the necessary technical services could not be technically or economically separated from the original service provider contract without major inconvenience to the contracting authority, resulting in further increased costs and delays.

## **Dublin District Heating System Phase 2.**

The consultants employed on this contract had an overrun of 122% on the original contract price. This was as a result of additional works which were not tendered.

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

Dublin City Council appointed a technical consultant for the Dublin District Heating (DH) System Phase 2 at an initial contract sum of €229k in 2018 and has extended the consultants sum by an additional €280K. Dublin City Council was required to extend the consultants brief in order to ensure we could provide a completed design for the DH network within the Poolbeg West Strategic Development Zone (SDZ) in line with the developers programme. The Poolbeg West SDZ is viewed as a critical demand for the overall DH Network.

It was considered that the necessary technical services could not be technically or economically separated from the original service provider contract without major inconvenience to the contracting authorities, resulting in further increased costs.

It is further noted that Dublin City Council has already commenced a tender competition and will appoint a Technical Advisor for future works associated with this project in Q4 2021.

### **Balbutcher Lane Junction Reconfiguration CCTV Infrastructure**

The supplier of Traffic CCTV infrastructure maintenance has expired since April 2020. Since the expiry of the contract, €750k has been paid to this supplier as at May 2021. This constitutes a breach of the procurement regulations.

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

The CCTV maintenance contract was due for renewal in April 2020, due to COVID-19 it was not possible to renew at this stage. Following consultation from our procurement unit the contract was extended by manager's order.

It should be noted that the full procurement process has now been undertaken with a tender issued in June 2021 and the evaluation of responses underway at present

## **15.4 Legal Services Procurement**

All external non specialist legal services need to be tendered to ensure compliance with the procurement directive.

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

The OGP is in the process of completing an extensive legal framework which will be available to the Law Department for the draw-down of legal services. The Housing Agency has a legal frame work which is available to DCC for projects between DCC and the Housing Agency for long term leasing of property for social housing.

## **15.5 Development Procurement**

### **Merrion Square Conservation Plan**

The main contractor was invited to quote but no tender process was put in place for the spend of €114k in 2019/2020. These works should have been advertised on e-tenders.

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

There was a weakness in procurement procedures for this plan. Governance has been strengthened in CRES Department with the appointment of an acting procurement officer; the post will be filled on a permanent basis following a competition. A multi-party framework agreement for Landscape/Minor Civil Engineering Contractors was set up in July 2019 for a period of three years. The framework agreement was activated under CRES manager's order 128/2019. Where works are sought, a mini competition is held with the five listed contractors on the framework. This procedure has been in place since mid-2019.

### **Parnell Square Cultural Quarter And City Library**

The security services on this project in 2020, which involved a spend of €286k, was not tendered.

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

Ownership of Colaiste Mhuire transferred from OPW to DCC in January 2017, including the security requirements for the buildings. The existing security was provided by ELSA and a decision was made at the time to retain the incumbent in the interest of local knowledge and continuity. A security contract for the DCC corporate estate was since tendered but has run into legal difficulties. The matters remain unresolved to date, however it is our intention that the successful tenderer would be appointed to Parnell Square to provide security services.

## **15.6 Directly Engaged Homeless Service Providers Procurement**

As noted in paragraph 9 above, of a total expenditure of €199.6m incurred by the Dublin Regional Homeless Executive (DRHE) in the delivery of homeless services for the 2020 period, a total of €86.7m (43%) was incurred by private service providers engaged directly in the delivery of homeless services on behalf of the DRHE.

In the course of the audit, a review of directly engaged private service providers was performed to identify the level of compliance to Public Procurement Regulations. Audit procedures identified that the selection and subsequent appointment of all sampled direct service providers was not subject to any competitive procurement procedures and consequently were not in compliance with the Procurement Directive. I am informed that Dublin City Council has engaged KPMG to address procurement in this area.

## Chief Executive's Response

Since 2018, the DRHE has used a formal Expressions of Interest process, to secure emergency accommodation and to ensure the availability of sufficient family and single person's accommodation. This process assisted the DRHE with the supply of emergency accommodation, in a property and hospitality sector that was buoyant and at full capacity in the greater Dublin area and hence the availability of emergency accommodation was limited or non-existent. This lease/refurbishment/managed process enabled the DRHE to source additional capacity and address fundamental market and supply issues in sourcing emergency accommodation and increasing capacity.

The extent of the lack of emergency accommodation in 2018, was evidenced when the DRHE had emergency accommodation for up to 740 families who self-sourced accommodation in hotels, paid for at full commercial nightly rates, across the greater Dublin area. In some extreme cases large families slept in Garda stations at this time. An additional 30/40 single persons were unable to obtain any emergency accommodation nightly and this was substantiated with the nightly distribution of between 30/40 sleeping bags to rough sleepers.

The onset of COVID-19 exacerbated the need for supply of emergency accommodation and raised several additional challenges in relation to social distancing in existing, congregated settings. The DRHE management team developed a COVID-19 emergency response strategy with our other stakeholders. We moved swiftly to source additional emergency accommodation, specifically the sourcing of hotel rooms for single persons for shielding purposes, additional hostel capacity to decant from existing, congregated settings and apartments for families and single adults to self-isolate.

The COVID-19 emergency response strategy was swift (it had to be,) and successful with a low infection rate and small number of deaths (3). This swift action and sourcing of emergency accommodation by the DRHE, together with our colleagues in the HSE helped avoid the potential consequences of the spread of the COVID-19 virus and high death rate, as evidenced in other congregated settings.

In March 2021, the DRHE engaged KPMG to conduct a market sounding exercise with current and potential providers of emergency accommodation services and to outline to the DRHE the options available to it for securing emergency accommodation while adhering fully with Public Procurement guidelines.

The KPMG report identifies the pros/cons of three options the DRHE could use to source emergency accommodation, specifically;

- Enhancing the current Expressions of Interest system
- Single Supplier Framework to replace the current system and ensure a more formal process is in place in line with National and EU Procurement rules.

- Multi supplier framework to replace the current system and ensure a more formal process is in place in line with National and EU Procurement rules.

The market sounding exercise indicated the challenges and refers to a formal procurement strategy by another statutory agency, in a comparable area to create a multi-party framework which was not very successful. Notwithstanding the KPMG findings, the DRHE has decided in the interest of full compliance to employ Grenville Consultants in June 2021, to assist us in:

- Developing a new procurement strategy.
- Preparing the substantial documentation necessary to formally tender for the provision of emergency accommodation.
- Procuring of a Management Service for DCC Owned or Leased Properties.

A number of properties owned or leased by DCC were opened in the past, often in extreme emergency situations because emergency accommodation was either scarce or beyond capacity for homeless singles and or families. Arrangements were put in place with private management companies, in an immediate emergency situation, to manage these properties which were either leased or in some cases owned by DCC.

The DRHE has reviewed this practice and we sought guidance from Grenville Procurement Consultants on formulating a new strategy that will address current weaknesses in working with private management companies and give us a framework to draw from in the future, and importantly allow us to act in urgent situations to prevent deaths on the streets.

The procurement strategy is currently in draft form and it is intended to begin this new strategy/process in September 2021.

## 15.7 Internal Audit

The Local Government (Financial and Audit Procedures) Regulations 2014 requires a local authority 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 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.

Six Internal Audit reports were completed in 2020. This is lower than usual, due to the initial uncertainty associated with the COVID-19 pandemic, the temporary redeployment of some internal audit staff to assist with the needs of the organisation due to the pandemic and the retirement of the Head of Internal

Audit. The resources of the unit have been replenished and to date good progress has been made on the 2021 Internal Audit Plan. A new Head of Internal Audit at Senior Executive Officer level has been appointed.

## Acknowledgement

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

A handwritten signature in black ink, appearing to read 'Ita Howe'. The signature is written in a cursive style with a large initial 'I'.

Ita Howe

Principal Auditor

2<sup>nd</sup> September 2021

housing.gov.ie

