Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Fingal County Council for the Year Ended 31 December 2021

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
gov.ie/housing

Contents

Auditor's Report to the Members of Fingal County Council 3
1 Introduction 3
2 COVID-19 – Impact on Local Authorities 3
2.1 Overview 3
2.2 SBASC Scheme 4
2.3 Rates Waiver Scheme 5
3 Financial Standing 5
3.1 Statement of Comprehensive Income 5
3.2 Financial Position 6
4 Income Collection 7
4.1 Summary of Income Collection 7
4.2 Rates 8
4.3 Rents 9
4.4 Housing Loans 10
5 Fixed Asset Register/Property Interest Register 11
6 Capital Account 12
6.1 General 12
6.2 Unsold Affordable Properties - General 13
6.3 Unsold Affordable Apartments - Parnell Estate 13
6.4 Mixed Tenure Residential Development at Ballymastone 14
6.5 Dun Emer Pilot Affordable Housing Scheme 15
6.6 Swords Cultural Quarter Development 15
6.7 Design and Construction of Cycle Schemes 16
6.8 Snugborough Interchange Upgrade 16
6.9 Hole in the Wall Road/Mayne Road Junction Upgrade 17
6.10 Exchange of Lands - O'Dywers GAA Club 18
7 Development Contributions Financial Systems 19
8 Procurement 19
9 Governance and Propriety 20
9.1 Audit Committee 20
9.2 Internal Audit Function 20
9.3 Local Authority Companies 21
Acknowledgement 21

Auditor's Report to the Members of Fingal County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Fingal County Council for the year ended 31 December 2021, which comprises the Statement of Accounting Policies, Statement of Comprehensive Income, Statement of Financial Position, Funds Flow Statement and notes to and forming part of the accounts. The financial reporting framework that has been applied in its preparation is the Code of Practice and Accounting Regulations for Local Authorities, as prescribed by the Minister for Housing, Local Government and Heritage.

My main statutory responsibility, following completion of the audit work, is to express my independent audit opinion on the AFS of the Council, as to whether it presents fairly the financial position at 31 December 2021 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 4 of the AFS.

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

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

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

2 COVID-19 – Impact on Local Authorities

2.1 Overview

The COVID-19 outbreak and the emergency measures taken to mitigate it have continued to have a significant impact on the finances of local authorities during 2021. This has resulted in a reduction in income from some sources, an increased level of COVID-19 related expenditure and related government subvention for the local authority.

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

As agreed by the General Accounts Working Group, the audited Annual Financial Statements 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 €1.1m in Fingal County 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 Fingal County Council for the year ended 31 December 2021 was €63.5m. 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 Comprehensive Income

The Council broke even for the year with the cumulative revenue surplus remaining at €16m. At the Council's Annual Budget meeting held on 6 November 2021, the Council approved revised budget expenditure for 2021. On 6 May 2022, the Council further approved additional expenditure of €21.5m and transfers to the capital account of €8.3m in accordance with S.104 of the Local Government Act, 2001.

Chief Executive's Response

The additional expenditure primarily relates to the Quarter 4 2021 rates waiver and capital transfers agreed by the Members. The capital transfers are required to fund the planned social and economic infrastructural projects as outlined in Fingal County Council's Capital Programme 2022-2024.

3.2 Financial Position

The Statement of Financial Position recorded an increase of €54m, resulting in year-end net assets/total reserves of €3,255m (2020: €3,201m). The significant movements are included in the table below:

	31-Dec-21	31-Dec-20	Increase/ Decrease	Explanations for Increase or Decrease
Fixed Assets/WIP	€3,070m	€3,047m	€23m	Increase in WIP construction projects
Long-Term Debtors	€294m	€323m	(€29m)	Decrease in long term investments & recoupable loans
Current Assets	€464m	€377m	€87m	Increase in bank investments
Current Liabilities	(€149m)	(€115m)	(€34m)	Increase in accruals (see paragraph 4.2)
Long-Term Liabilities	(€424m)	(€431m)	€7m	Decrease in loans payable
	€3,255m	**€3,201m**	**€54m**	

The Statement of Funds Flow Statement on page 12 of the AFS shows an increase in cash & cash equivalents of €87.2m to €392.5m. The increase is a result of liquidating the insurance investment portfolio and an increase in development contributions and rates receipts. The monies held are mainly ring-fenced for specific purposes or created to fund specific capital projects.

Chief Executive's Response

The position outlined reflects the ongoing prudent management of the Council's finances and is required to fund significant infrastructural investment. The projects concerned are outlined in Fingal County Council's Capital Programme 2022-2024, the annual level of project funding required reflects the stage of project development which is generally categorised as follows:

- planning and design stage,
- procurement
- On site

The higher level of expenditure occurs at the Onsite stage and it is anticipated that Our Balbriggan, Swords Cultural Quarter, the Fingal Coastal Way among others will commence during the 2023/2024 period and will require significant funding/co-funding.

In addition, over the past number of years the Council has had to navigate through the significant economic disruption due to the COVID-19 pandemic while also maintaining and enhancing services as well as putting financial mitigations in place to deal with the very significant financial risks arising out of the commercial property revaluation, which became effective in 2020.

4 Income Collection

4.1 Summary of Income Collection

Sources of Income	Yield 2021	Yield 2020	Yield 2019	Debtors 31-Dec-21	Debtors 31-Dec-20	Debtors 31-Dec-19
Rates	93%	91%	98%	€7.2m	€6.9m	€4.8m
Rents	77%	80%	84%	€7.2m	€6.0m	€4.3m
Housing Loans	100%	97%	98%	€0.0m	€0.5m	€0.4m

Cash from rents and loans is automatically receipted through the Council's financial management system (Agresso). The rent and loan charges are accounted for in the rental system (OHMS) and loans system (Cygnus) respectively. These systems are not fully integrated with Agresso and consequently an adjusting journal is required at year-end to amend the cash receipts amount to the invoiced amount.

As previously reported, the continued use of both the OHMS and Cygnus systems as currently configured represents a risk to the Council. The Council is approaching the testing stage for a new rents system but there is no definite plan yet to replace the Cygnus system. There are immaterial differences between the amounts recorded in the AFS for rents and housing loans and the amounts recorded on the systems due to reconciliation issues.

Chief Executive's Response

Debt control management in relation to commercial rates, housing loans and rent continues to be a high priority of the Council. The COVID-19 pandemic has increased the challenges in this regard. Work is ongoing to replace the current rents system with NPS (Northgate Public Services) OHMS, which it is expected will go live in Q3, 2023. Work is also ongoing to provide a replacement system for Cygnus, the current loans management system, and it is expected that the replacement system will be put in place by end of 2023. A more robust reconciliation regime has been put in place over the past number of years in order to mitigate against the risk of having separate systems for rent and loans.

4.2 Rates

The collection yield during the year increased by 2% to 93% with arrears increasing by €300k to €7.2m. The table below shows the main cause of concern is that arrears greater than €10k increased by €1.2m, representing a 29% increase in this range. There is a rates bad debt provision of €5.1m in the balance sheet plus a capital reserve of €14m to cover potential losses due to the future impact on rates income due to COVID-19.

Closing debtor balance (range) Year	No. of accounts 2021	Total closing balance € 2021	No. of accounts 2020	Total closing balance € 2020	Variance € Year on Year
=> €10,000	173	5,416,305	161	4,203,719	1,212,586
<€10,000 and =>€1,000	562	2,052,009	643	2,437,127	(385,118)
<1,000 and =>€1	345	168,156	676	293,367	(125,211)
<€1, zero, or >(€1)	5,213	9	4,925	4	5
In credit <=(€1)	167	(481,513)	2	(60,523)	(420,990)
Total	**6,460**	**7,154,966**	**6,407**	**6,873,694**	**281,272**

Due to the 2020 revaluation of properties, 163 customers appealed their new valuation with a maximum potential loss of 23% of the Council's rate income. This potential loss will become clearer once appeals start being determined. The Council increased their revaluation reserve, recorded in accruals, by €16.5m to €49m to cover future liabilities, where receipts may have to be returned to those rate account customers arising from successful appeals.

In accordance with Note 23 in the AFS, the Council transferred customers credit balances of €3.8m into deferred income where customers continued to pay their rates, were entitled to, and received a rates waiver, and did not receive a refund by year-end.

Chief Executive's Response

The Council continues to take a robust approach to the collection of commercial rates arrears. We continue to proactively engage with all ratepayers and where necessary utilise available legal remedies in order to seek payment.

The rates capital reserve was put in place to ensure that the Council could cope with any rapid increase in rates debtors that may have occurred due to the COVID-19 pandemic and avoid any impact on service delivery. The financial challenges arising out of the valuation appeals due to the countywide commercial property revaluation, effective from January 2020, are significant. In recognition of this, the Council has and continues to make significant financial provision to mitigate possible losses in income arising from successful appeals.

4.3 Rents

The collection yield decreased by 3% in 2021 with arrears amounting to €7.2m, representing a 50% increase in arrears in the last 2 years. The table below shows 147 accounts with arrears over €10k each, however a more serious trend is the increase in the number of rent accounts from 1,466 to 1,648 with arrears between €1k to €10k. The main reason for the increase in arrears is the impact of COVID-19 and the Council's rent assessment that commenced in March 2021 and is still ongoing.

Closing debtor balance (range)* Year	No. of Accounts 2021	Total closing balance € 2021	No. of Accounts 2020	Total closing balance € 2020	Variance € Year on Year
=>€10,000	147	2,402,730	110	1,755,442	647,288
<€10,000 and =>€1,000	1648	5,497,714	1466	4,599,560	898,154
<€1,000 and =>€1	2250	678,376	2520	727,912	(49,536)
<€1, zero, or >(€1)	237	(6)	211	(7)	1
In credit <=(€1)	2893	(1,415,950)	2525	(1,104,854)	(311,096)
Total	**7175**	**7,162,864**	**6832**	**5,978,053**	**1,184,811**
*Note - Excludes the Parnell Estate apartments rented privately and have minimal arrears					

Due to the high level of rent arrears during the year, the Council reviewed their bad debt provision policy and increased the provision by 75% to €6.0m, which signifies the Council's level of concern.

Chief Executive's Response

As part of Fingal County Council's rent and tenancy policies, the Council encourages tenants that are in rent arrears to engage with the Council and to put in place payment plans. Where a rent payment is missed tenants are engaged with a view to bringing the position up to date. Where tenants refuse to engage and are unwilling to pay their rent, the Council takes a robust approach to ensure that arrears are recovered, up to, and including, legal action. Since late 2021, the rents team has redoubled their efforts in engaging with tenants who have significant arrears and who may have previously refused to engage with the team. For many of the tenancies in arrears constructive engagement is ongoing with payment plans in place and lump-sum payments been made.

In a small number of cases where tenants have still refused to engage, legal proceedings have issued and the Council will pursue these cases through the courts.

There have also been issues where delays have occurred following rent review requests from tenants and this has resulted in accounts going into arrears. In order to address this issue, a new process is being developed in which it is proposed every tenant will have their rent reviewed on a regular basis, at least once every two years. It is proposed to implement this change by Q1, 2023 and, after that change is put in place, rents would not be reviewed outside of this process unless the tenant has a significant loss of income that leaves them unable to pay the rent.

The Council is also looking to further digitise and automate appropriate parts of the rents management process, thus making it easier for Council tenants to submit relevant information and freeing up staff time to engage with the tenants more frequently. As part of enhanced digitisation actions and to help address the issue of tenants with lower levels of arrears, the Council will be implementing the debt collection module as part of a new NPS housing management system which is programmed to go live in Fingal in Q2, 2023.

4.4 Housing Loans

During the year the collection yield increased by 3% to 100% with arrears decreasing from €515k to €3k. The €3k arrears results from 945 accounts in credit amounting to €2m and 294 accounts with arrears of €2m. The main concern with loan arrears is the 61 mortgage accountholders with arrears over €10k each, amounting to €1.4m. The Council need to concentrate their resources with these customers to resolve the high level of arrears.

Closing debtor balance (range)	No. of accounts	Total closing balance €	No. of accounts	Total closing balance €	Variance €
Year	2021	2021	2020	2020	Year on Year
=>€10,000	61	1,436,438	54	1,161,425	275,013
<€10,000 and =>€1,000	116	492,393	129	487,154	5,239
<€1,000 and =>€1	117	43,510	144	49,468	(5,958)
<€1, zero, or >(€1)	582	(13)	536	(9)	(4)
In credit <=(€1)	945	(1,968,595)	985	(1,182,979)	(785,617)
Total	**1,821**	**3,733**	**1,848**	**515,059**	**(511,327)**

There is a bad debt provision in the capital account of €4.2m to cover potential revenue and capital losses for loans that would not qualify for funding under the mortgage arrears resolution process.

Chief Executive's Response

The loans team continue to closely monitor collection rates and proactively engage with borrowers where necessary.

The Council continues with actions to maximise collection on housing loan arrears which includes daily monitoring of account balances with graded level of escalation depending on the level of arrears involved up to the commencement of legal proceedings where appropriate.

5 Fixed Asset Register/Property Interest Register

Previous audits reported the Council's failure to address the issue of reconciling the Property Interest Register (PIR) to the Fixed Asset Register (FAR). I wish to acknowledge the Council's decision to assign a new graduate into the Property Services Division to resolve the issue of the absence of this basic internal control. Strong progress has been made to date in identifying whether properties included in the PIR (2,497 in total) are registered to the Council and, if they cost over €10k each that they are included in the FAR. The main issues that arose from this work is as follows:

- 592 Council properties are included in the PIR but are registered to other individuals or entities with the Property Registration Authority (PRA) including 62 properties that originally cost over €10k each
- 575 properties are separately identifiable in the PIR that cost over €10k each that currently cannot be matched to singular properties in the FAR. Further review is required to ascertain whether these assets are included in the FAR in a different format
- 225 properties included in the PIR are not registered at all with the PRA. Further review is required as to the exact interest the Council has on these properties.

It is essential the Council continue this work programme to ensure all Council assets are registered with the PRA and the full reconciliation is completed.

Chief Executive's Response

As acknowledged by the Auditor there has been a significant amount of work undertaken in relation to this project over the past year. The Council commenced the reconciliation process between the Fixed Assets Register and the Property Interest Register. Stage 1 of this process has been the identification of properties included on PIR but not on FAR, as outlined above by the Local Government Auditor.

The property section will set out an action plan for 2022/2023 to progress the work programme to address the issues, particularly around the regularisation of the registration of title.

6 Capital Account

6.1 General

In October 2021 the 2022-2024 capital programme was presented to the members in accordance with Section 135 of the Local Government Act 2001. The programme identifies 237 individual projects with an estimated spend of €784m over 3 years. The balance in the Capital Account amounts to €262m and this is mainly attributable to the following:

- Planning Development Contributions €179m (see paragraph 7)
- Housing Contingency Afford Housing €22m (see paragraph 6.2)
- Housing Asset Management Contingency €12m (general reserve)
- Water IW Contingency Fund €9m (specific reserve)
- Finance Rates COVID-19 Bad debt provision €14m (paragraph 4.2)
- Finance General Funding Reserve €9m (general reserve)
- Finance Insurance Fund €19m (specific reserve)
- Environ Landfill reserves €15m (specific reserve)

There is also unfunded expenditure on the purchase of industrial land acquisitions amounting to €58m from the years 2003 to 2008.

Chief Executive's Response

The capital reserves provide the financial underpinning for the delivery of the ambitious capital programme of the Council. With regards to the individual reserves identified above which are not dealt with elsewhere in the report the following should be noted:

(i) The Asset Management Contingency in Housing is a reserve for the upkeep and maintenance of Fingal County Council's social housing stock which numbers over 5500 units across the County.

(ii) The water contingency fund was created a number of years ago and was funded from water levies. It has been agreed with Irish Water that this fund will be used to finance specific water related projects in Fingal in the future.

(iii) The general funding reserve is in place to mitigate against significant debit balances elsewhere on the capital account as well as allowing the Council to mitigate against future costs including pension and retirement costs.

(iv) The insurance fund is in place to chiefly underwrite public liability claims that are made against the Council. The Council proactively manages claims, which has allowed us to mitigate against the trend of increased insurance costs in the market over the past number of years.

(v) The landfill reserve is in place in order to allow the Council to manage and maintain historic landfills into the future.

(vi) The Council has very significant debit balances, currently in excess of €70m, arising out of land acquisitions. The Council will continue to keep the level of debit balance under review.

6.2 Unsold Affordable Properties - General

The Council has 406 housing properties on their Fixed Asset Register that are being managed under the following basis:

- 244 unsold affordable units leased to the Approved Housing Bodies (AHB) under the Social Leasing Scheme to address social housing needs
- 162 unsold affordable units at the Parnell Estate are managed by a property company and an AHB on the Council's behalf.

Bridging loans of €54m remain outstanding on an interest only basis, in respect of the 406 unsold affordable housing units. The Council has a capital contingency fund and a capital leasing fund of €22m and €4.2m respectively.

The Council received a grant from the Department of Housing, Local Government and Heritage (the Department) of €7.2m in December 2021 to fund the purchase of 31 affordable units into social housing stock. In March 2022 the Council redeemed bridging loans to the value of this grant.

Chief Executive's Response

This Council continues to actively engage with the Department and the national working group established to consider a long-term solution for unsold affordable properties.

6.3 Unsold Affordable Apartments - Parnell Estate

As reported in previous audits, the 162 Council owned apartments in the Parnell Estate, Mulhuddart, were leased by a property company to private tenants. The Council continues to regularise this situation by allocating these apartments for social housing, when they become vacant, to an AHB under a caretaker agreement. These agreements are only temporary and a more permanent arrangement needs to be agreed between the different stakeholders. The funding of the capital costs of these vacated units must be an essential part of any agreement.

The Council's management agreement with the property company has been extended until 31 December 2022. While the provision of these services is not consistent with procurement procedures it provided continuity of services for the existing tenants. As recommended at last year's audit the Council has amended

the terms of this agreement with a reduced pricing structure to take account of reduction in the number of units leased to private tenants managed by the letting agent.

Chief Executive's Response

The Council is working with the AHB in question and the Department to regularise the situation. Properties continue to be allocated for social housing purposes as they become vacant. The terms of the management agreement with the property manager will be reviewed again at year-end.

6.4 Mixed Tenure Residential Development at Ballymastone

Fingal County Council is the contracting authority for the development of lands at Ballymastone, Donabate. The project, subject to planning permission, will provide 1,194 homes – 60% private (718), 20% private discounted units (238) and 20% social units (238). The procurement process commenced in October 2018 and was completed in December 2021 with the Development Agreement signed between the Council and the preferred tenderer. The main conditions of the agreement are as follows:

- Disposal of Council land (28.62 hectares) for €11m (Section 183 of the Local Government Act 2001 approved by members at the May 2021 council meeting)
- Council to purchase the social units (The Department issued an approval-in-principle for the proposed acquisition with funding provided on a phased basis as units delivered)
- The Council will nominate qualifying purchasers for the discounted properties. It is welcomed that in the event of an insufficient number of nominees, the Council are not committed to purchase these units.

The Council met the requirements of the Public Spending Code and also created the necessary governance structures in place with the Project Talamh Steering Group that was designed to ensure value for money is achieved.

Chief Executive's Response

The development of residential housing at Ballymastone will bring a significant boost to the supply of social and affordable housing in Fingal over the coming years.

6.5 Dun Emer Pilot Affordable Housing Scheme

The Council approved this pilot scheme in November 2020 to provide households that meet certain criteria, with an opportunity to purchase a discounted home. A procurement process selected the winning tender to assist the Council to provide infrastructure and 51 units, comprised of 39 affordable and 12 social properties. 5 of the social properties are Part V units with no cost to the Council. In exchange, the Council transferred the development site and will provide funding under the Department's Service Site Fund Initiative for infrastructure site works.

A development agreement was signed in February 2021 between the Council and the joint venture parties from the winning tender. On completion, the discounted units will transfer to the joint venture parties to be sold directly to the Council nominees. Each of 39 discounted units will have an equity charge for the discounted amount to be repaid by the purchasers to the Council within 30 years or earlier if the house is sold.

Chief Executive's Response

The development of the Dun Emer affordable housing scheme is an important part of Fingal County Council's overall housing delivery strategy in line with Government policy.

6.6 Swords Cultural Quarter Development

The current expenditure incurred on this project, for the purchasing of land and property interests, amounts to €3.3m with further properties yet to be acquired. During 2021, the Council awarded the design team contract through a public procurement process amounting to €3.8m. The Council has funded this project through the revenue budget and there is a year-end reserve balance of €5.9m. The Council commissioned an updated cost benefit analysis report and has to date met all the requirements of the Public Spending Code. The final business case and a budgetary plan must be completed before the award of the construction contract and this will reassess the ongoing validity of continuing with the project.

Chief Executive's Response

The development of the Swords Cultural Quarter remains a flagship project for Fingal County Council. A significant amount of progress has been made on this project to date. The business case continues to be kept under review as the project has evolved and it will be reviewed again prior to awarding of the construction contract. Provision has been made in the budget to ensure its funding is on a sustainable footing.

6.7 Design and Construction of Cycle Schemes

As part of the National Transport Authority's (NTA) 2020 Stimulus Programme, the Council was awarded funding for the construction of cycle lane schemes. The contractor was appointed by the Council without going to tender. I have outlined in the table below the original tender value and the current value of the contracts.

Changes to Contract	Hartstown & Huntsown €'000	Rathingle & Rivervalley €'000	Grange Road & Willie Nolan Rd €'000
Agreed Tender Value	789	733	1,746
Current Agreed Change Orders	1,764	1,714	404
Total committed amount	2,553	2,447	2,150

The Council from the outset recorded all income and expenditure through one capital account. The expenditure increased significantly over the course of the works and the Council created separate capital accounts for the different schemes. The Council need to reconcile the expenditure incurred into the new capital accounts to ensure that NTA grants can be allocated correctly.

Chief Executive's Response

The Active Travel Department has evolved quickly since it was set up just under two years ago. The initial funding for this department was as part of a Government stimulus package in 2020 which required the rapid delivery of active travel infrastructure. To date c.23 kms of protected cycleway has been delivered across Fingal. New capital codes have been set up for each job with the relevant expenditure allocated to the appropriate codes and a full reconciliation of the 3 schemes outlined above is underway.

6.8 Snugborough Interchange Upgrade

The cost of this project is budgeted at €21.7m. The NTA are funding 33% of the expenditure on this project. The Council is liable to pay from their own resources the balance of the cost of this project, which may also include additional costs due to change orders and contractor claims. This project is ongoing and is estimated to be completed in March 2023.

In 2020, the Council appointed engineering consultants for designer services and site supervision services for €499k and €746k exc. VAT, respectively. This appointment was made through a non-competitive tender process.

Chief Executive's Response

The negotiated procedure without prior publication process was used for this procurement. We note the auditor's comments with regards this and will review the process around this for future procurements. This approach was based on the justifications summarised below which were set out in the relevant Chief Executive Order.

Fingal County Council had previously appointed the incumbent scheme consultant to prepare the scope and pre-appraisal of the scheme, concept and feasibility stage, options selection, preliminary design, environmental evaluation, and Part 8 planning. Accordingly, said consultant has built up considerable knowledge and technical expertise on this project which will provide benefits to the Council in terms of progressing this project to completion without changing service provider at construction stage.

The design for the scheme is particularly complex and involves works over numerous utilities and telecoms infrastructure and a number of large structures over existing infrastructure such as the N3 national primary road and a trunk sewer, both of which have to be kept operational during works. Due to this high level of scheme complexity, there is a high potential for costly and disruptive construction claims arising. In order to minimise technical and commercial risk to the Council it was considered appropriate to retain the expertise already involved in this contract for the construction stage. The staff proposed by the consultant for the site supervision team have been previously involved in the design for the scheme including utility diversions.

The fees proposed have been evaluated and are considered value for money given the scale and complexity of the project and the resources required.

6.9 Hole in the Wall Road/Mayne Road Junction Upgrade

The Council agreed a final account with the Contractor for €8m compared to the original tender amount of €6.2m, representing a 29% increase. The Council has yet to purchase 13 plots of land as part of this project. The Council paid the consultant €1.1m exc. VAT for all stages of the project and as previously recorded only the preliminary design stage went through a competitive tender process. The Department has increased funding for this project to €6.6m with all remaining costs currently to be funded from the Council's own resources.

Chief Executive's Response

The tender sum did not include a number of Employer-instructed changes and contractor claims that came to light over the course of the construction stage. In addition, the project was curtailed by the shutting down of all sites during the COVID 19 pandemic, which had a significant impact on the scheme construction stage. The final agreed amount was determined by the appointed Conciliator. Taking all factors in to consideration the settlement reached was considered prudent.

We note the auditor's comments with regard to the appointment of the consultant and will review the process around this for future procurements. The Council is acquiring a total of 16 plots on the Hole in the Wall Road Project. Of this the acquisition of 5 plots have closed, 5 have heads of terms agreed with the remaining acquisitions in progress.

6.10 Exchange of Lands - O'Dywers GAA Club

The Council signed contracts with O'Dwyers GAA club to exchange lands to facilitate the development of Bremore Regional Park and a new sporting facility for O'Dwyers GAA club. The Council purchased land (3.02 hectares) from O'Dwyers GAA club at a cost of €3.5m. The valuation report provided to Audit for the purchase of this land was dated 2016 and valued the land at €3m. The Council sold their land interest (4.14 hectares) under a 250 year lease for €350k. No valuation report was sought prior to the disposal of this land interest. It is essential that the Council do not purchase or sell land without an independent valuation. I have been informed that the Council has introduced a new valuation programme in the Property Services Division and this will be reviewed at the next audit.

Chief Executive's Response

The Council approved the agreement for the exchange of lands at Bremore, Balbriggan in March 2020 in order to facilitate the development of Bremore Regional Park and the relocation of O'Dwyers GAA Club from residentially zoned lands to recreationally zoned lands in the area. The Agreement led to the acquisition by FCC of 3.02 hectares of residentially zoned land to facilitate development and road widening and the conditional lease of recreationally zoned land to O'Dwyers GAA to enhance sporting facilities and facilitate the development of Bremore Regional Park as envisaged in the associated masterplan.

An independent valuer was engaged by the Council to provide an initial valuation report in 2016 and to assist with the protracted negotiations with the Club's Valuer, ultimately final heads of terms were negotiated and agreed. The Auditor's comments are noted and the Council will ensure that valuation reports are available on completion of negotiations and retained on file.

7 Development Contributions Financial Systems

As reported in previous years, the planning management system (APAS) operated by the Council is not integrated with the Council's financial management system. Another separate system is used to generate invoices and control the financial element of the planning permissions. None of the systems operate a credit control function and this is performed manually. The continued use of these systems as currently configured represents a risk to the Council that has a fund of €179m of development contributions in the capital account. A course of action to address the risk of these systems needs to be agreed and implemented as a matter of urgency.

Chief Executive's Response

The Planning and Strategic Infrastructure Department are currently setting up a project team with staff from the Council's Information Technology Department and the Finance Department to engage with the existing CBS provider to consider what upgrades are required to the current system.

8 Procurement

The Council's centralised procurement unit has a Head of Procurement plus a team of 7 staff members. It is responsible for the strategic and operational procurement policy and compliance across the organisation to deliver on the Council's corporate procurement plan. This plan is currently out of date and the Council is currently completing a revised plan for approval by the Chief Executive. Audit testing showed a high level of procurement compliance however as highlighted in this report there are instances of non-compliance. The Council should ensure that it always follows its own procurement procedures and policies.

Chief Executive's Response

The Council's corporate procurement plan has now been updated and approved by the Chief Executive. We note the auditor's comments with regards the importance of the Council following its own procurement procedures and policies and we continue to endeavour to ensure that these are adhered to.

9 Governance and Propriety

9.1 Audit Committee

The Audit Committee met 7 times during 2021. At the February 2022 Council meeting, the 2021 annual report of the Audit Committee was presented. During the year there has been 4 new appointments to the Audit Committee to fill vacancies. The Audit Committee continues to deliver on its governance functions by monitoring the progress on the internal audit plan, reviewing the Council's risk registers and utilising the governance action reports with their engagement with the Council Executive.

Chief Executive's Response

The Chief Executive and Executive Management team will continue to support the work of the Audit Committee and regularly engage with them through presentations on risk registers and other areas of interest.

9.2 Internal Audit Function

The Internal Audit Unit completed 2 audit reports and carried out quality assurance work on the Public Spending Code during the year. During the first quarter 2021, the unit primarily focused on the Council's revised risk management assessment process involving staff engagement through workshops and presentations culminating in the completion of the Council's new risk management policy and the strategic and corporate risk registers.

In September 2021, the Council awarded a contract to an external provider to conduct the majority of internal audit work. The staff in the Internal Audit Unit will coordinate this work with the individual departments, track actions on the Governance Action Reports and continue to manage the risk management process.

Chief Executive's Response

The Internal Audit (IA) Unit will continue to work on the Public Spending Code and manage the external contract on delivering on the annual audit plan to the Audit Committee. The IA unit will continue to manage the risk management process and track actions on the governance tracker. The IA unit will also commence stock takes as part of their routine work.

9.3 Local Authority Companies

The Council listed the 2020 results for the Council's 26 associated companies in the Council's draft 2021 AFS. One company had only the 2018 audited AFS ready for inclusion. The Council need to inform company directors of the importance of ensuring the company's accounts are audited in a timely manner.

Chief Executive's Response

All accounts used in Appendix 8 were audited and sourced from the Company Registration Office (CRO). It is the responsibility of the directors of these companies to ensure that the accounts are completed and filed with the CRO in order that they meet statutory requirements. It has not proven possible for subsidiary companies to have year-end accounts completed, audited, and approved by the directors within the tight AFS deadline. The accounts of the company who last filled in 2018 have been brought up to date prior to the completion of the 2021 Audit.

The Council shall review its corporate governance arrangements with its associated companies and notify the company directors of the importance of the timely auditing of company accounts, by year end 2022.

Acknowledgement

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

Daragh Mc Mahon

Local Government Auditor

12 September 2022

gov.ie/housing

Department of Housing, Local Government and Heritage

Rialtas na hÉireann
Government of Ireland