Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Kildare County Council for the Year Ended 31 December 2023

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
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Auditor's Report to the Members of Kildare County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Kildare County Council (the Council) for the year ended 31 December 2023, 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 2023 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 6 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.

Chief Executive's Response

The Council has once more received an unmodified audit opinion and the figures in the AFS for the year-ended 31 December 2023 that were presented to the Elected Members in April 2024 had no audit adjustments applied.

2 Financial Standing

2.1 Statement of Comprehensive Income (Income and Expenditure Account)

The Council recorded a surplus of €9,547 (2022 surplus: €52,172) for the year ended 31 December 2023 resulting in a general reserve of €13,712 at that date.

Despite some significant divisional variations (see paragraph 2.2), the surplus recorded for 2023 confirms that the Council continues to adhere, in overall terms, to the strict budgetary requirements for the year.

2.2 Annual Budget Variances

The Elected Members, at the Council meeting held in April 2024, approved (by resolution in accordance with section 104(2) of the Local Government Act 2001) the expenditure incurred in 2023 that was in excess of the adopted budget for the year.

The details of the divisional variances are outlined at note 16 to the AFS. While some of the variances are significant, they arose in the main because of additional grants that were made available from Government to fund the following additional services:

- Social housing leasing initiatives (2023 excess over budget: €11m)
- Housing adaptations (€2.5m)
- Leased properties (€1.8m)
- Regional roads maintenance and improvement programme (€3.9m)

2.3 Local Property Tax

In pursuance of the provisions of section 20 (2) of the Finance (Local Property Tax) Act, 2012 (as amended) the Council passed a resolution, at the monthly meeting in September 2022, to vary the basic rate of local property tax (LPT) upwards by 10%. The variation was fixed for the period 1 November 2022 to 31 October 2024.

This has resulted in a total allocation for 2023 of €25.5m, representing an increase on the pre-variation amount of €2.3m.

Because of the Council's surplus LPT position, there remains a requirement to self-fund some services, which for the year under review were delivered within the housing area.

In October 2022, the Department of Housing, Local Government and Heritage (the Department) confirmed that the Council was required to self-fund housing services as follows for the 2023 financial year:

- Housing revenue expenditure €5.0m
- Housing capital expenditure €1.2m

2.4 Statement of Financial Position (Balance Sheet)

The Council had net assets of €3.56bn at 31 December 2023 (2022: €3.44bn), a year-on-year increase of approximately €120m. The main movements in the year were as follows;

- Fixed Assets (see note 1 to the AFS)

The Council's housing stock increased in the year by a net total of approximately €70m, in the main due to the costs of acquisitions.

- Long Term Debtors (see note 3 to the AFS)

Amounts due to the Council in respect of housing related schemes increased to €115.4m at December 2023, a year-on-year increase of approximately €40m and referred to the following schemes:

- Capital Asset Leasing Facility (CALF) €114.1m (2022: €75.8m)
- Affordable Purchase Scheme € 1.3m (2022: Nil)

The investment in CALF has increased significantly in recently years and is indicative of the Council's reliance on the Voluntary Housing sector, specifically the Approved Housing Bodies (AHBs - see also paragraph 7) in delivering its housing requirements.

The amount recorded in respect of the affordable purchase scheme represents the Council's initial investment in this scheme and refers to 19 properties located in Kildare Town. Under the provisions of the scheme, the Council has acquired equity interests in the privately purchased properties. The Department funds the Council's equity in each property.

- Cash and bank investments

While cash balances decreased year-on-year by €14m, the Council continued to hold significant funds at the 2023 year-end of approximately €254m.

The requirement to regularly review the need for holding such significant liquid funds has again been discussed with management. While I acknowledge that there remains detailed proposals in place for which these funds will be used, it is important that the schemes outlined in the current iteration of the Council's three-year capital report (covering the period 2024 - 2026) are advanced in a timely manner, to mitigate, as much as is possible, the current impacts of

construction related inflation.

Some of the current cash balance is required to fund the following;

- Amounts ring-fenced for specific purposes in compliance with the underlying provisions of the relevant legislation for which they were originally collected (such as Part V planning receipts, Rental Accommodation Scheme, planning securities and refundable deposits etc.).
- Government grants on hand at the 2023 year-end to fund specific capital works.
- Other amounts that were designated in previous years as sinking funds against liabilities that have yet to materialise.

2.5 Fixed Assets - Property Interest Register

It was reported at previous audits that the required reconciliations between the amounts recorded in Agresso (the Council's financial management system) and those contained in the property interest register (PIR) had not been completed.

I acknowledge the improvements in this area that were again evidenced during the current audit and the continuing efforts to identify and review all assets in the beneficial ownership of the Council. At the time of audit review, there were a small number of assets that still required a PIR reference number. The relevant file reviews, particularly those relating specifically to housing units, should continue until complete to ensure the accurate and complete recording of all assets in both the Agresso and PIR systems.

The recommendations contained in the Local Government Audit Service's Value For Money report no. 30 “Corporate Estate Management and Maintenance in Local Authorities” should be implemented in full.

Chief Executive's Response

The auditor’s comments in acknowledging the work done in this area since the last audit report are welcomed.

The Council will continue to develop its property management team with a view to preparing and implementing a strategy for corporate estate management in line with the Local Government Audit Service’s Value For Money report no. 30.

2.6 Work In Progress and Preliminary Expenses Account

At 31 December 2023, the accumulated expenditure on the work in progress and preliminary expenses account amounted to €95.5m (2022: €52.6m).

The year-on-year increase is mainly attributable to the continuing costs incurred on the following main schemes:

- Athy Distributor Road (2023 expenditure: €15.3m) - the construction of this new road is now complete having been opened to the public in November 2023. I am advised that the total costs incurred on this scheme will now be transferred to the fixed assets register (FAR).
- Kildare Regional Salt Barn & Machinery Yard (2023: €11.9m) - this scheme was completed during 2024, the total costs of which will also now be transferred to FAR (see also paragraph 4.3).
- Old Town Mill, Celbridge (2023: €4m) - the expenditure incurred in 2023 represents the full repayment of the loan previously drawn down to fund the site acquisition. The proposed development consists of the construction of 60 social housing units under a public private partnership (PPP) arrangement.
- Old Greenfield, Maynooth (2023: €3.1m) - the expenditure incurred in 2023 represents the full repayment of the loan previously drawn down to fund the site acquisition. The developments consists of the construction of 65 social housing units, the construction of which commenced in 2024.

There remain other undeveloped sites located across the county that need to be kept under regular review to ensure that the Council's economic interests are protected.

Chief Executive's Response

The Council's Housing department continues to progress the delivery of social and affordable housing having regard to our Housing Delivery Action Plan 2022-26, which is aligned with the Government's "Housing For All – A New Housing Plan for Ireland", and has been approved by the Department.

2.7 Development Contributions

Included in trade debtors and prepayments at 31 December 2023 was €10.3m (2022: €10.4m) in respect of development contributions due to the Council (see note 5 to the AFS). An analysis of the arrears within this debt book has highlighted that €3.8m, equating to approximately 37% of the total amount due, was outstanding for two years or more at the 2023 year-end (2022 year-end: 34%). The long-standing arrears remain significant and appropriate resources need to continue to be assigned with a view to improving collections.

While the bad debts provision in respect of the collectability of the 2023 year-end debtors was considered appropriate, it should be kept under regular review to ensure that it remains adequate.

Total development contributions income in 2023 amounted to €10.4m (2022: €21.45m), a significant year-on-year reduction of approximately €11m.

The 2023 income of €10.4m was calculated as follows;

- Development contributions income charged to developers €9.1m
- Temporary development contributions waiver scheme (see note 24 to the AFS) €1.3m

The Government's new temporary waiver scheme applies to all permitted residential developments that commence on site between 25 April 2023 and 31 December 2024, and which are to be completed no later than 31 December 2026 (as extended per Department Circular Letter PL 02/2024).

The waiver covers the full cost of the development contribution due from the relevant developer under the development contribution scheme as operated by the local authority under Section 48 of the Planning and Development Act 2000 (as amended).

I have been advised that the significant year-on-year income variance is attributable to a number of factors including a noticeable reduction in development commencement activity levels and an increased number of restructures agreed by the Council in 2023.

Chief Executive's Response

The Council will continue to try and improve the collection percentage and seek to reduce the arrears further.

Management has committed resources to maximise the benefits to the Council of the temporary waiver scheme.

2.8 Loans Payable

The Council owed €78.8m at 31 December 2023 (2022: €90.8m) in the form of medium to long-term loans (see note 7 to the AFS), as follows:

Category	2023 €m	2022 €m
Mortgages / S.0. Rented Equity	39.93	39.32
Assets / Grants	7.64	9.86
Bridging Finance	7.54	16.09
Recoupable	23.67	25.53

- Mortgages / Shared Ownership Rented Equity

The Council drew down these loans from the Housing Finance Agency (HFA) to finance home loans and equity to individual borrowers. The difference between the amounts repayable by the Council (2023: €39.93m) and the amounts payable by the homeowners (2023: €48.38m) is shown at note 12 to the AFS. The gap in the funding position decreased further in the year to 31 December 2023.

- Bridging Finance

The Council secured grants totalling approximately €7m during the year from the Department that funded the redemptions of the loans originally drawn down to acquire the sites at Old Town Mill, Celbridge and Old Greenfield, Maynooth (see also paragraph 2.6).

- Recoupable

The 2023 year-end amount referred to the balance on the loans advanced to AHBs under the capital loan and subsidy scheme (CLSS), which are fully recouped from the Department. There is a matching debtor included at note 3 to the AFS.

Chief Executive's Response

The loan balances on the sites referenced above were cleared following funding and instructions received from the Department.

3 Income Collection

3.1 Main revenue income collections

The collection performances showing the 31 December 2023 arrears position in respect of the main income categories with comparative figures for the previous year is as follows:

	Yield %		Debtors €m	
Income Source	**2023**	**2022**	**2023**	**2022**
Rates	88	86	8.4	9.9
Rents & Annuities	93	92	1.3	1.3
Housing Loans	75	73	1.4	1.6

These income categories are summarised at appendix 7 to the AFS.

3.2 Rates

The increase in collections achieved during 2023 resulted in arrears reducing to €8.4m at the year-end, a further year-on-year reduction of approximately €1.5m.

The status of the rates accounts that were in arrears at 31 December 2023 can be summarised as follows:

	Amount owed €m	% of total arrears
Collectable and being pursued	4.0	48%
Legal proceedings commenced	1.8	21%
Customers in liquidation / receivership or administration	0.7	8%
Accounts in an agreed payment plan	1.9	23%

An analysis of the above arrears indicated that 33% of the 2023 year-end arrears (2022 year-end: 49%) were outstanding for two years or more, a significant reduction on the position reported at the previous audit.

The debt book was again discussed with management during the current audit and I remain satisfied that the bad debts provision is adequate.

The relevant individual accounts should continue to be regularly examined with a view to further increasing receipts and reducing arrears.

I noted that there were 173 properties awaiting valuation revisions at 31 December 2023. During the year, the Council developed a “GeoCollect” data analysis bespoke system to improve the capture of all of the rateable activities in the county, which is acknowledged.

Management should continue to engage with Tailte Éireann, the new state agency, with a view to completing the review of the properties that still require revaluation.

3.3 Housing Rents and Annuities

The 2023 annual collection yield for Housing Rents was 93%, a year-on-year increase of 1%, which had a negligible impact on arrears, remaining unchanged at 31 December 2023 at €1.3m.

Rents & Annuities – collections by year				
2023 €m	2022 €m	2021 €m	2020 €m	2019 €m
18.9	16.5	15.3	14.1	13.3

The table above illustrates the annual improved levels of collections achieved over the last five years, which is acknowledged. The 2023 yield of 93% was higher than the local government national average for 2022 of 87%.

An analysis of the 2023 year-end debt book highlighted that there were 32 tenants who owed in excess of €5k each on their rent accounts, the collective arrears on these accounts at that date was approximately €0.26m (2022 year-end: 41 tenants owed €0.4m). I also acknowledge the improvement on the arrears position on these accounts from that reported at the previous audit.

The relevant accounts should continue to be regularly examined to further improve collections.

3.4 Housing Loans

The recently improved collections performance in the housing loans income category continued in 2023 with year-end arrears, net of accounts with credit balances, reducing to €1.4m (2022: €1.6m) with a corresponding yield increase of 2% and this further year-on-year improvement is also acknowledged.

Housing Loans – annual yield returns				
2023 %	2022 %	2021 %	2020 %	2019 %
75	73	69	62	62

However, while the annual yields have improved every year since 2020, they still remain below the national average across the local government sector, which for 2022 was an average yield of 82%.

An analysis of the 2023 year-end debt book highlighted that there were 53 mortgage holders who owed in excess of €5k on their respective housing loan account, the collective arrears on these accounts at that date were approximately €1.5m (2022 year-end: 60 mortgage holders owed collectively €1.7m).

While the overall improved arrears position is acknowledged, the above referenced accounts, in particular, should continue to be regularly examined with a view to further improving collections.

Chief Executive's Response

The auditor's comments on the three main income areas are welcomed as the Council has had a particular focus on improving collection levels and reducing arrears.

For 2023, the collection rates in all three areas listed above have improved.

Particular focus is always given to the larger account arrears, but these take time to process through the legal system.

4 Capital Account

4.1 Capital Account Overview

The capital account recorded a net credit balance of €256m at 31 December 2023, a decrease on the previous year of approximately €8m. This year-on-year reduction is mainly attributable to the progression of some schemes, the funding for which was already in place.

Capital expenditure by year		
2023	**2022**	**2021**
€203m	**€152m**	**€112m**

The above table illustrates the extent of the expansion of the Council's capital investment over the past three years.

I note that there are further significant increases anticipated in the capital programme, the latest iteration of which, covering the three-year period 2024-26, outlines an expected capital investment by the Council of €843m.

In addition to a large diverse range of housing projects, the schemes currently being progressed include the following;

- Maynooth Eastern Ring Road (€38m)
- Celbridge Second bridge crossing (€31m)
- Active Travel Schemes (€30m)
- Public Lighting Infrastructure (€9m)

- Shackleton Museum, Athy (€7m)

The amounts quoted above are the expected costs to be incurred during the 2024-26 period only.

The report outlines a broad range of diverse and complex projects covering many of the Council's service deliverable areas. The Council's ability to deliver this capital programme is predicated on securing funding from a number of sources including Government grants (expected to fund 68% of the capital programme), additional loans (16%), and development contributions (14%).

The recent significant annual increases in the capital investment in the county bring an increased level of risk, as it requires the availability of a range of disciplines and additional resources to ensure the efficient and cost effective delivery of the various schemes and projects.

Construction related inflation is also currently a significant risk factor affecting the delivery of the projects within the capital programme. Consequently, I have discussed with the Council's senior management, the requirement to adequately resource all of the priority projects to achieve the scheduled completion dates thus mitigating, as much as is practicably possible, the current inflationary impacts on capital budgets.

I have also recommended to management to consider establishing a corporate capital projects governance board that would oversee the progression of the larger and more complex schemes and that would monitor the Council’s compliance with the Public Spending Code (PSC) requirements.

Chief Executive's Response

The Council has assigned additional resources to help with the delivery of the capital programme.

Construction inflation, as noted by the auditor, is one of the risks that impacts the delivery of the capital programme, along with ensuring that funding is secured.

The establishment of a corporate capital projects governance board will be explored.

4.2 Naas Town Library and Cultural Centre

The new Naas Library and Cultural Centre was completed in November 2023 and officially opened to the public in January 2024. This project formed part of the Naas Town Renewal Masterplan and was part funded (75% of the agreed budget plus materials inflation costs) by the Department under the Urban Regeneration Development Fund (URDF). The remainder of the costs were funded from a combination of development contributions and other internal resources.

I noted that the main contractor's accepted final costs, totalling approximately €8m, represented an increase of 55% over the contract sum. This increase included payments for additional unforeseen works undertaken by the contractor, costs relating to extensions of time to complete, COVID related payments and materials inflation. The main contractor was appointed following a formal public tender process.

A comprehensive works completion review has been undertaken, which has identified some project management improvements that could be applied to future similar conservation schemes. These findings should be disseminated to relevant sections.

As previously recommended, a formal protocol is needed, to clarify when modification reports (covering this and any other schemes where significant cost overruns occur) are required to be published in the Official Journal of the European Union (OJEU).

Chief Executive's Response

The auditor′s comments in relation to the completion review exercise that was carried out by the Council are welcomed. This library project was 75% funded by the Department.

The findings from the project completion review have been disseminated to relevant sections within the Council with a view to informing the effective project management of future capital projects.

The Council′s procurement unit has advised that for future schemes a formal protocol will be in place to ensure that when contracts are reaching their maximum spend, the relevant Council department will be notified and appropriate action will be taken. This will include whether a revised order needs to be prepared or published in the OJEU.

4.3 Kildare Regional Salt Barn and Machinery Yard

The Council's new location for the machinery yard and regional salt barn at New Hall, Naas was opened in 2024. The costs incurred in the construction of these new facilities, including a workshop and office buildings were 50% grant aided by the Department of Transport.

Following formal requests for tenders, the successful applicant was awarded both the enabling works and the main construction contracts. Reviews of the scheme over recent audits has highlighted a high level of project management by Council officials.

The final account has recently been agreed between both parties resulting in increases over the contract sums of €1.65m, representing an additional 10% over the tender price. Construction related inflation costs, accepted at €0.9m, was the main cause for the increase. I have been advised that the final retention amount is expected to be paid in April, 2025.

The Council originally published the request for tender to appoint the design consultants to the scheme in 2016. I noted that the total fees paid to the company that was awarded the contract were considerably higher than the tender submission. I have been advised that the additional fees referred to the subsequent change in scope of both the enabling and the main works, which included a significant alteration to the salt barn element of the project.

In accordance with the public sector's capital contracts governance requirements, the post project review should reference the improvements necessary to ensure similar weaknesses that occurred at the feasibility stage of this scheme, are rectified in the future.

Chief Executive's Response

The auditor's comments are welcomed and the amendments considered necessary will be incorporated into the post project review.

4.4 Deficit balances

Notwithstanding the overall credit balance on the capital account at 31 December 2023, there remain a small number of schemes, mainly within the housing and transportation departments, that continue to carry deficit balances. The relevant project files are still required to be reviewed to determine the level of Departmental funding that may still be available. Otherwise, the Council will be required to fund the relevant deficit amounts from its own internal resources.

5 Vacant Site Levy

The Urban Regeneration and Housing Act 2015 requires every Planning Authority to establish and maintain a vacant sites register (VSR).

The Act states that a levy was to be applied from January 2019 for all sites on the VSR at 1 January 2018. The levy was initially set at 3% of market valuation, which was increased to 7% from January 2020 for all sites placed on the register from 1 January 2019.

At the beginning of 2023 there were 11 sites on the Council's register. However, following a High Court ruling, one site was removed in the year, resulting in 10 remaining on the register at the year-end. I have been advised that, to date in 2024, another site has been removed from the register,

following an appeal to An Bord Pleanála.

Invoices have issued in respect of all of the relevant sites, with one payment being made to date. The total amount currently outstanding is approximately €1.2m.

Management should continue to seek payment of the outstanding levies.

Chief Executive's Response

The collection of these invoices form part of the workings of the vacant sites levy section, who will continue to seek their payment.

It is worth noting that the Residential Zoned Land Tax will potentially impact on the collection of the amounts outstanding on the Vacant Sites Levy.

6 Non Pay Expenditure

6.1 Public Spending Code

To comply with the requirements of the PSC, the Council's internal audit and corporate governance unit issued a report covering the financial transactions incurred in 2023 in the following areas of activity;

- Capital expenditure: Greenway Sallins / Aylmer Bridge
- Revenue expenditure: Rental Accommodation Scheme

The findings and recommendations contained in the PSC report were taken into account as part of this audit. The report found that both areas were substantially in compliance with the requirements of the PSC.

6.2 Procurement - compliance with national regulations and rules

The Council has a centralised procurement unit comprising of two staff currently. The unit is responsible for co-ordinating and overseeing strategic and operational procurement activities across the organisation.

A review of compliance with national procurement guidelines and regulations was completed during the current audit. In general, good results were noted and these have been discussed with management. The procurement unit's own compliance testing appears to be contributing to the improvements reported for 2023.

The current level of oversight should remain in place and improved upon, where considered appropriate.

Despite the reporting of good compliance, there remain some areas that still require management's focus and attention, which include the implementation of the procurement functionality on Agresso to improve the tracking of

procurement compliance.

As a public organisation, the Council is required to comply with both the national and where relevant, the EU procurement regulations and directives.

7 Provision of Social Housing by Approved Housing Bodies

At 31 December 2023, the Council had contractual arrangements with 39 AHBs for the provision of social housing to tenants on the Council's housing waiting lists.

The Approved Housing Body Regulatory Authority (AHBRA) was formally established in 2021 and is responsible for providing the regulation of AHBs for the purpose of protecting housing assets that are managed by such bodies.

In respect of the Council's direct responsibilities in this area, including the increased workload and the more complex financial environment, I am satisfied that management have, in the main, taken the actions necessary to ensure that its interests are adequately safeguarded.

At the 2023 year-end, there were 2,626 properties being managed by the AHBs contracted to the Council under the following national schemes;

- Capital Advanced Leasing Fund (CALF)
- Social housing leasing initiative (SLI)
- Capital assistance scheme (CAS)
- Capital loan and subsidy scheme (CLSS)

In recent years, the Council has, in accordance with Government policy, significantly increased its activity in this area, particularly in respect of the CALF and SLI schemes, as follows:

- CALF

CALF – accumulated loan balances at years ended 31 December				
2023 €m	**2022 €m**	**2021 €m**	**2020 €m**	**2019 €m**
114.1	75.8	61.8	44.3	33.2

This scheme provides for repayable loans, of up to 30% of qualifying expenditure, issued to AHBs by local authorities, the funding for which is advanced by the Department. The balance of such loans at 31 December 2023 was approximately €114m (see note 3 to the AFS). Of this amount, I

noted that approximately €74m (equating to 65% of the 2023 year-end balance) was advanced to just 2 AHBs.

The loans are structured to require repayment, including interest charges of 2% currently, at the end of the term period, normally 25 or 30 year terms.

- SLI

There are a number of different housing initiatives included under this heading, with payments in 2023 totalling €35m. Of this amount, €18.7m (equating to 53% of the total) was paid to just to 2 AHBs.

The following matters were also noted:

- Twelve properties at Ballymakealy, Celbridge

As outlined in previous audit reports, the properties located in Celbridge were previously owned and managed by an AHB that ceased trading some years ago. The relevant deeds of transfer and mortgage documentation were never formally executed and I have been advised that the land on which the properties were constructed remains in the beneficial ownership of the Council. Management's continuing efforts to resolve this protracted matter including obtaining Departmental and legal advices are acknowledged.

- Registration of Mortgages

The ongoing efforts by the Housing department to ensure that all of the relevant mortgages are appropriately registered is again acknowledged. However, there remain 16 identified cases that have not yet had their mortgages legally registered.

Management has been requested to again follow up with the relevant AHBs to ensure that their contractual obligations are fulfilled in all respects.

- Annual compliance statements

Annual compliance statements are requested from every AHB with which the Council is currently contracted and those failing to submit the requested documentation are regularly contacted by staff of the Housing department. I have been advised that all of the relevant AHBs have now submitted returns for 2023, and are substantially complete in respect of the requests made.

I have requested Council management to follow up with the relevant company management to ensure that the information and documentation that is still outstanding is provided to the Council.

Chief Executive's Response

The auditor's comments regarding the AHBs are noted.

The Council's Housing department will continue to work to resolve the outstanding issues within the Council's control and will follow up with the relevant third parties, where warranted.

8 Local Authority Companies

8.1 AFS Appendix 8 Disclosures

The Council has an interest in a number of connected companies, the details of which, together with the relevant 2023 trading results, are disclosed at appendix 8 to the AFS.

All of the companies, listed therein, are audited by private firms of auditors having been appointed by the respective board of directors to undertake the annual audits. The companies' board of directors, whose primary function under the Companies Act, 2014 is to manage the businesses on behalf of the shareholders, include representatives of the Council's senior management team and the Elected Members who act in ex-officio capacities.

The Council is the sole shareholder of Kildare Sports & Leisure Facilities Ltd.

8.2 Kildare Sports and Leisure Facilities Ltd.

This company oversees the day-to-day management of leisure facilities located at Naas, Newbridge and Athy. It is a limited liability company with issued shares of €100, all of which are in the beneficial ownership of the Council.

The company's audited accounts for the year-ended 31 December 2023 recorded a profit for the year of €1.1m (2022 profit: €0.8m), thereby increasing the shareholders' funds at that date to approximately €4.5m. Turnover in 2023 was €4.9m, representing a 16% increase on the previous year. The directors' report stated that the company has strong growth in its services across all locations and that there are plans in place to extend them.

The company auditors have again included an Emphasis of Matter paragraph in the audit report to the 2023 AFS. The auditors stated that discussions are ongoing between the Council and a third party to have the lease of the building re-assigned to include the company. I have again discussed this matter with the Council's representative on the board and I note that the new lease has not yet been signed. As it is ongoing for some period of time, I have again recommended to Council management that this matter needs to be regularised without further delay.

Chief Executive's Response

The Council has been working to resolve this matter in 2024 and will continue in so doing to put an amended lease in place as soon as possible.

8.3 Riverbank Arts Centre Company Limited by Guarantee

This company oversees the day-to-day management of the Riverbank Arts Centre, located in Newbridge. It is a company limited by guarantee and not having a share capital.

The company's audited accounts for the year-ended 31 December 2023 recorded a net loss for the year of approximately €73k (2022 net loss: €88k), thereby decreasing the accumulated general unrestricted funds at that date to €216k. The total amount of grant assistance provided by the Council to the company in 2023 was €296k (2022: €262k).

8.4 County Kildare Community Network Company Limited by Guarantee

As outlined in the directors' report to the 2023 AFS, the principle activities of the company is the development of regional sector focus hubs to act as centres of excellence in supporting innovative companies across the region and the provision of the Kildare.ie domain. It is a company limited by guarantee and not having a share capital.

The company's audited accounts for the year-ended 31 December 2023 recorded a surplus for the year of €52k (2022 deficit: €15k), thereby increasing the accumulated members' funds at that date to €37k.

In previous years the company entered into a 25 year lease for the use of Council owned land located adjacent to the civic offices in Naas.

The purpose built premises at this site is the centre for the Mid-East Regional Innovation Think Space (MERITS), which is operated by the company. It has been funded from grants received from the Council and the then Department of Business, Enterprise and Innovation.

The Council provided further grant aid (amounting to €259k) to the company during 2023. The Council continues to have a strong representation on the board of the company, which should be maintained to ensure its interests are safeguarded and its commitments are protected.

9 Governance and Propriety

9.1 Governance overview

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. The Chief Executive, her management team and the Council's Elected Members all have a role in ensuring there are sound systems of financial management and internal controls in place.

9.2 Statement of Internal Financial Control

An Advisory Group chaired by the Department, and comprising representatives of the main local government governance related stakeholders, was established to guide and advise on a Statement of Internal Financial Control (SIFC) for the local authority sector. This work is now complete and in accordance with Department Circular LG05-2024 local authorities are now required to prepare and publish an SIFC as part of their Annual Reports for 2023. The SIFC, which is signed by the Chief Executive, includes their summary of the financial standing of the local authority and the key internal financial controls.

I do not form an opinion on the statements made in the SIFC.

9.3 Risk Management

An effective risk management framework provides the Elected Members and the Council management with assurances that the major organisational risks are identified and appropriately managed.

There is currently a robust internal control mechanism in place that is being implemented across the various administrative divisions to ensure that the individual divisional registers are regularly reviewed and updated.

It is important that the current resources assigned to this area remain in place and is particularly relevant given the Council’s size and complexity, and the recent staff changes at senior management level.

9.4 Internal Audit and Corporate Governance unit

The Council's internal audit and corporate governance unit continues to make a positive contribution to improving the internal control environment across many areas of the Council's activities.

It is a critical element of good corporate governance that the internal audit function of an organisation the size and complexity of the Council is adequately resourced.

I acknowledge the additional staff resources recently assigned to this unit.

9.5 Audit Committee

The Council's audit committee met on five occasions during 2023 and has issued its annual report for that year. I commend the work of the committee, which continues to make contributions to the independent oversight of governance within the Council.

Chief Executive's Response

The work of the audit committee and its contributions to improved governance arrangements throughout the Council are acknowledged.

The Local Government Auditor presented his report for 2022 to the audit committee in November 2023.

9.6 Annual Declarations of Interest

Part 15 of the Local Government Act, 2001 (as amended) imposes obligations on all Elected Members and staff of a certain grade or assigned certain duties to make annual declarations to the designated Ethics Registrar of the Council.

The returns made in respect of the period ended 29 February 2024 were examined during the current audit and it was again noted that there is generally a high level of compliance from those required to make returns.

While all of the Elected Members and relevant staff have made a declaration, a small number were submitted after the deadline date.

All Elected Members and relevant staff grades should be reminded of their statutory obligations to furnish appropriate declarations by the annual deadlines date. The declarations, when made, should be completed in full.

Chief Executive's Response

All Elected Members and staff are contacted regularly to submit their annual declarations on time.

9.7 Revenue Commissioners - Level 1 compliance intervention

In October 2022, all local authorities were issued with a Level 1 Compliance Intervention letter in respect of Relevant Contract Tax (RCT) in accordance with the Revenue Commissioners' compliance intervention framework.

The Council is liaising with the Local Government Management Agency (LGMA) and appointed tax advisers to address the information requested. I have been advised that the review is ongoing.

To further strengthen taxation compliance across the organisation, the Council retained a private firm of advisors to review the controls, processes and procedures in place for three taxation areas (VAT, PSWT and RCT).

I noted that the subsequent report from the Council's retained taxation advisors, while making a number of recommendations across all three of the above taxation headings, did not identify any high risk rated non-compliance findings.

Chief Executive's Response

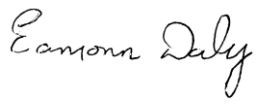
The Revenue Commissioners' intervention to the Local Authority sector refers to the taxation treatment on the acquisition of property units and the consequential application of RCT.

The LGMA is currently co-ordinating a sectoral review of this RCT intervention and is also engaging with the Revenue Commissioners, on behalf of the sector. This review is still ongoing.

Separate to the sectoral review by the LGMA, the Council retained their own taxation advisors to undertake a review of the adequacy of internal controls, processes and procedures across the three taxation areas outlined above, to further strengthen compliance.

Acknowledgement

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



Eamonn Daly

Local Government Auditor

17 October 2024

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