



Rialtas na hÉireann
Government of Ireland

LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Kildare County Council

for the

Year Ended 31 December 2019

Department of Housing, Local Government and Heritage

housing.gov.ie

CONTENTS

| | |
|--|----|
| AUDITOR'S REPORT TO THE MEMBERS OF KILDARE COUNTY COUNCIL | 1 |
| 1 Introduction | 1 |
| 2 Non – adjusting post balance sheet event – COVID-19 | 1 |
| 3 Financial Standing | 2 |
| 3.1 Statement of Comprehensive Income (Income and Expenditure Account) | 2 |
| 3.2 Local Property Tax..... | 3 |
| 3.3 Statement of Financial Position (Balance Sheet) | 3 |
| 3.4 Fixed Assets..... | 3 |
| 3.5 Work In Progress..... | 4 |
| 3.6 Development Contributions..... | 4 |
| 3.7 Loans Payable..... | 4 |
| 4 Income Collection | 5 |
| 4.1 Main revenue income collections | 5 |
| 4.2 Rates..... | 6 |
| 4.3 Housing Rents and Annuities | 6 |
| 4.4 Housing Loans | 6 |
| 5 Capital Account | 7 |
| 5.1 Capital Account overview | 7 |
| 5.2 Kerdiffstown Landfill Remediation | 7 |
| 5.3 M7 Interchange upgrade and Sallins by-pass | 8 |
| 5.4 Deficit balances..... | 8 |
| 6 Irish Water | 9 |
| 6.1 Transfer of Water and Sewerage functions to Irish Water | 9 |
| 7 Non Pay Expenditure | 9 |
| 7.1 Purchasing and Invoice payments | 9 |
| 7.2 Public spending code | 10 |
| 8 Procurement | 10 |
| 8.1 Procurement non-compliance | 10 |
| 9 Housing | 11 |
| 9.1 Provision of Social Housing by Approved Housing Bodies..... | 11 |
| 10 Local Authority Companies | 13 |
| 10.1 Interest in companies associated with the Council | 13 |
| 10.2 Kildare Sports and Leisure Facilities Ltd..... | 13 |
| 10.3 Riverbank Arts Centre Company Limited by Guarantee | 13 |

| | | |
|------|---|----|
| 10.4 | County Kildare Community Network Company CLG..... | 14 |
| 11 | Governance and Propriety | 14 |
| 11.1 | Governance overview | 14 |
| 11.2 | Risk management..... | 15 |
| 11.3 | Internal Audit | 15 |
| 11.4 | Audit Committee..... | 15 |
| 11.5 | Annual Declarations of Interest | 15 |
| | Acknowledgement | 16 |

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 2019, 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 & 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 2019 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 7 of the AFS.

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

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

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

Chief Executive's Response

The Council has once more received an unmodified audit opinion and the figures in the 2019 Annual Financial Statement that were presented to the elected members in June 2020, has had no audit adjustments applied.

2 Non – adjusting post balance sheet event – COVID-19

In accordance with Circular Fin 05/2020, the Council has included a note in their Annual Financial Statements (see note 23) in relation to COVID-19. This note refers to the impact of COVID-19, a non-adjusting post balance sheet event, and describes the uncertainty faced by the Council as a result.

Whilst my opinion is not qualified as a result of the uncertainty, I have included an Emphasis of Matter paragraph.

The COVID-19 outbreak and the emergency measures taken to mitigate it have had a significant impact on the finances of Councils post year-end. This has resulted in a reduction in, and uncertainty of, various income sources, together with increased levels of spend. Reductions in income have also had a bearing on the cash flow of the Council and the ability to deliver services.

The Council has taken a number of steps to address these both at local and national level including the following:

- Implementing the nine month commercial rates waiver until December 2020 for qualified ratepayers that are adversely affected by the pandemic. The Exchequer is funding the costs of this initiative.
- Actively engaging in encouraging eligible businesses to apply for both of the Government's restart grant schemes.
- The ongoing monitoring of the impacts on the Council's income and attempting to reduce expenditure where feasible without adversely affecting the delivery of services.
- The preparation of a balanced 2021 budget while attempting to maintain services at previous levels.

Chief Executive's Response

The Council has dealt with the COVID-19 outbreak by adapting how services were delivered to ensure that no services were adversely affected in 2020.

The Council also paid out €26m in restart grants and €22m in waivers to businesses in 2020 to assist them during this pandemic.

3 Financial Standing

3.1 Statement of Comprehensive Income (Income and Expenditure Account)

The Council recorded a surplus of €0.17m (2018: €0.23m) for the year ended 31 December 2019. The achievement of this surplus reduced the accumulated deficit to €0.33m at that date.

The elected members, at the Council meeting held in June 2020, approved (by resolution in accordance with section 104(2) of the Local Government Act 2001) the expenditure incurred in 2018 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.

The surplus recorded for 2019 confirms that the Council continues to adhere, in overall terms, to the strict budgetary requirements for the year.

Chief Executive's Response

The Auditor's comments on the reduction on the deficit due to the strict budgetary controls that are in place in the Council are welcome. It is intended to continue the reduction of the revenue deficit under the adverse balance is cleared. The pace at which this is achieved will be dictated by budgetary and economic circumstances.

3.2 Local Property Tax

The current funding model for the distribution of the Local Property Tax (LPT) was first introduced in 2015.

As provided for in legislation, the Council again passed a resolution not to vary the basic rate of LPT for 2019, resulting in an allocation for the year of €17.3m.

Due to the Council's surplus LPT position there remains a requirement to self-fund some services which for 2019 were delivered in the Housing divisional area.

In October 2018, the Department of Housing, Local Government and Heritage (the Department) confirmed that €1.2m of self-funding was required towards the 2019 costs associated with housing revenue and capital projects.

3.3 Statement of Financial Position (Balance Sheet)

The Council's net assets increased from €2.91bn at 31 December 2018 to €3.04bn at 31 December 2019, a year-on-year increase of approximately €123m.

The main movements in the financial position of the Council at the 2019 year-end were as follows:

- Increase in fixed assets €91m
- Increase in cash balances €39m
- Increase in long term debtors €15m

3.4 Fixed Assets

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 land and property registers had not been completed.

I acknowledge the attempts made in the past couple of years to improve the control environment in this important area. However, while I remain satisfied that the housing units in the direct ownership and control of the Council are adequately recorded, there is still no adequate evidence that the information contained in the assets registers are either accurate or complete.

The completion of this work requires a further impetus from management. The property interest registers, when finalised, should adequately record all of the relevant details of land and properties leased to and by the Council to ensure adherence to the legal requirements.

Chief Executive's Response

The capturing of this information has proved problematic on a national level. In 2021, the Council will be implementing a new property interest register system and the areas highlighted during the audit will be reviewed as part of the new system.

3.5 Work In Progress

At 31 December 2019, the accumulated expenditure on the work in progress and preliminary expenses account amounted to €26.7m (2018: €24.0m). The year-on-year increase reflects the continuing increase in activity in both the housing construction and roads infrastructural development areas.

The 2019 year-end balance on the account continues to include the costs of sites acquired in recent years. I note that development has not yet commenced on the relevant sites and consequently the Council is not yet in a position to drawdown grants from the Department to fund their acquisition.

As the amounts involved are significant, the development of the land banks should be a priority matter for management.

Chief Executive's Response

The Council is currently in discussions with the Department with respect to the development of each site.

3.6 Development Contributions

Included in trade debtors and prepayments at 31 December 2019 was €12m (2018: €8m) in respect of development contributions due to the Council (note 5 to the AFS refers).

While the bad debts provision in respect of the collectability of the 2019 year-end debtors was considered appropriate, it should be kept under regular review to ensure that it remains adequate in respect of the aged debt profile of this category of debtors.

3.7 Loans Payable

At 31 December 2019, the Council owed €113m (2018: €104m) in the form of short to long term loans.

- Affordable Housing Loans

The 2019 year-end balance included six interest only loans (combined total of €12m). As reported at the previous audit, these loans refer to bridging facilities to fund the acquisition of 67 affordable housing units drawn down from the HFA over 10 years ago. The interest charged and paid on these loans in 2019 was approximately €150k.

All of the properties have been temporarily transferred for occupancy as social housing accommodation under the social leasing scheme (see paragraph 9).

Chief Executive's Response

The Council is awaiting advice from the Department to finalise a long term solution for these leased units and their associated loans.

- Land Acquisition Loans

The year-end balance also included €5.28m that was owed to the HFA on loans that were taken out some years ago to acquire sites for housing development that have never been progressed.

I received updates on the current plans for all of the relevant sites during the audit and I am satisfied that detailed proposals are now being formulated to progress some of the land banks to development.

As stated at previous audits, the development or alternative use of these sites should remain a priority matter for management as the value of the loans are significant.

Chief Executive's Response

Loans are only drawn down with the approval of the Department and by way of a resolution by the elected members. It is intended to explore every avenue to utilise these sites to the benefit of the Council and this matter is being kept under review.

4 Income Collection

4.1 Main revenue income collections

A summary of the collection performances showing the 31 December 2019 arrears position in respect of the main income categories with the comparative figures for the previous year were as follows:

| Income Source | Yield % | | Debtors €m | |
|----------------------|----------------|-------------|-------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Rates | 83 | 82 | 12.5 | 12.7 |
| Rents & Annuities | 92 | 89 | 1.2 | 1.5 |
| Housing Loans | 62 | 51 | 2.8 | 3.7 |

While the 2019 collection yield that was recorded in respect of rents & annuities of 92% was above the 2018 national average for local authorities (86%), the returns for both rates at 83% (2018 national average: 88%) and housing loans at 62% (2018 national average: 74%) remained below their respective 2018 national average returns.

However, I acknowledge the improved year on year returns achieved in respect of all of the three categories of income listed above.

The total amount collected in 2019 across all 3 of the above categories of income was approximately €70m and is similar to the total collections recorded for 2018.

Chief Executive's Response

The Auditor's comments regarding the increase on the collections of all three categories of income are welcome.

4.2 Rates

While the arrears at 31 December 2019 for this important category of income reduced year-on-year by a marginal €0.2m which is acknowledged, I note that the amount collected in the year declined by €1.3m when compared to 2018.

The status of the rates accounts that were in arrears at 31 December 2019 is summarised as follows:

| | Number of customers | Amount owed €m | % of total arrears |
|---|---------------------|----------------|--------------------|
| Collectable and being pursued | 1,862 | 6.1 | 48% |
| Legal proceedings commenced | 198 | 3.5 | 28% |
| Customers in liquidation / receivership or administration | 276 | 1.7 | 14% |
| Accounts in an agreed payment plan | 212 | 1.2 | 10% |

The portion of the debtors categorised as “*customers in liquidation/ receivership or administration*” amounted to €1.7m at 31 December 2019. The relevant accounts need to be carefully monitored particularly in respect of the continuing impacts of COVID-19.

The current debt book was reviewed with management during the audit and I am satisfied that the level of provision is currently adequate. However, it should be kept under regular review.

The level of arrears remain significant and the outstanding accounts should continue to be pursued.

Chief Executive’s Response

Work is ongoing, in a challenging environment, to improve the collection yield and continue the reduction in the level of arrears that was achieved in 2019.

4.3 Housing Rents and Annuities

The year-on-year arrears reduced to €1.2m at 31 December 2019 (2018: €1.5m). The cash collections in 2019 amounted to €13.3m (2018: €12.5m) and continues the improved performances recorded in recent years.

4.4 Housing Loans

While the returns achieved for 2019 recorded an 11% increase on the 2018 returns, this most recent annual performance was still below the 2018 national average returns for this category of income. However, I acknowledge the improved returns achieved for the past two years.

The current arrears remain significant and should continue to be pursued.

Chief Executive's Response

The improvement of 11% in the housing loan annual collection yield for 2019 is very encouraging. However, this income category continues to be a priority area for the Council's management. Every reasonable effort will continue to be made to improve the yield in this income category.

5 Capital Account

5.1 Capital Account overview

The capital account recorded a net credit balance of €186m at 31 December 2019, an increase on the previous year of approximately €32m.

The latest iteration of the capital programme, covering the three year period 2020-22, anticipates a total capital investment by the Council of €430m. The report has identified that 33% of the projects (across a wide range of activities including housing, parks and the environment) are climate related. This reflects the Council's commitment to this area and to its role as a centre for one of the four climate action regional offices for the Local Government sector. The housing division accounts for 46% of the total anticipated programme of activity.

The ability of the Council to deliver on this programme of activity is dependent on the expected availability of external sources of funding such as Government grants and the timely payments of development contributions. Given the current uncertain impacts of COVID-19, I have recommended to management that the continuing availability of individual project funding needs to be carefully considered, through regular reviews and updates, to ensure that the risks to the Council are adequately mitigated.

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

- Kerdiffstown Landfill Remediation (€27m - see paragraph 5.2)
- M7 Naas Newbridge by-pass, Osberstown Interchange and the Sallins by-pass (€9m - see paragraph 5.3)

The amounts quoted above are the expected costs to be incurred during the three year period 2020-22 only.

5.2 Kerdiffstown Landfill Remediation

The Council took responsibility for the management of the Kerdiffstown Landfill remediation project in 2015 under a Memorandum of Understanding (MoU) with the then Department of the Environment, Community & Local Government - now the Department of the Environment, Climate & Communications (DECC). Since signing the MoU, the Council has received Compulsory Purchase Order (CPO) and planning application approvals from An Bord Pleanála (issued in May 2018) and taken possession of all properties named in the CPO.

The main aspect of the scheme is the remediation of the former landfill site, comprising over 31 hectares, located at Kerdiffstown, Naas. It is intended to provide a multi-use public park to include all-weather sports pitches, a playground, and walking pathways. The total expenditure for the project is estimated at approximately €63m. The DECC is currently funding both the remediation works and the ongoing operational costs until remediation is

completed.

Council management has established a range of governance and oversight controls to mitigate the many risks associated with this complex development, including comprehensive pre and post tender reviews. The governance arrangements currently in place have identified quantifiable costs savings to date, which is acknowledged.

The main works contract was advertised in the Official Journal of the European Union in 2018. Following a shortlisting of the tenders submitted, a preferred bidder was identified with the contract being signed in October 2020.

I have been advised that the legal process for the registration of title to the Council, of the relevant lands located at the site of the former landfill, is ongoing. I have recommended to management that this exercise should be completed as soon as is practicable.

There are significant inherent risks associated with this complex development, including the identification and treatment of a large unknown quantity of waste as a result of the site not being adequately supervised for a considerable period of time prior to its transfer to the Council. Consequently, I have also recommended to management that the current governance arrangements should remain in place and be further strengthened where considered necessary and appropriate.

Chief Executive's Response

As highlighted by the Auditor above, the Kerdiffstown landfill remediation is a major capital project that will bring huge benefits to that area.

The registrations of the legal titles are being pursued by the Council.

5.3 M7 Interchange upgrade and Sallins by-pass

This major road scheme provides for the widening of the M7 motorway from two to three lanes both east and west bound for approximately 15km, the construction of a new interchange at Osberstown and the by-passing of Sallins village with the construction of new dual and single carriageways as well as a new link road from the by-pass to the village.

In addition to the availability of development contributions funding from the Council, the scheme also received Government grants from the Department of Transport, Tourism & Sport and Transport Infrastructure Ireland.

The main works contractor was procured using the restricted procedures as set out in European Communities (Award of Public Authorities Contracts) Regulations, 2006. The Council's Internal Audit Unit completed a comprehensive review of the scheme and found that all requests for tenders and subsequent contracts were procured in accordance with the relevant legislation and guidelines.

The scheme is currently nearing completion and I will review the outcome of the negotiations on the final account at the next audit.

5.4 Deficit balances

Notwithstanding the overall credit balance on the capital account at 31 December 2019, there remain a small number of schemes, mainly referring to housing developments, which continue to carry deficits.

The elimination of these deficits should remain a priority for management.

Chief Executive's Response

As highlighted by the Auditor above, a review of all capital balances was conducted as part of the preparation of the 2019 AFS and similar reviews have now been adopted as a regular internal control procedure.

6 Irish Water

6.1 Transfer of Water and Sewerage functions to Irish Water

The Council continues to deliver services on behalf of Irish Water (IW) under a service level agreement. A review carried out during the current audit of the internal procedures adopted in this area indicated that it is being effectively managed.

Section 12 of the Water Services (no.2) Act 2013 provided for the transfer to IW of all underground water services assets previously vested in the Council.

The statutory transfers of the above ground water related assets to IW are given legal effect by Ministerial Orders that are issued by the Department in consultation with the Council and IW.

While work to progress further transfers of assets to the utility company has been ongoing since the completion of the previous audit, I note that no statutory transfer orders have been completed in 2020. I have been advised that the remaining assets for transfer are problematic in terms of identification, establishment of title, and in some cases require the completion of first registration.

The resources currently assigned to this area should be reviewed to ensure that the remaining sites for transfer to IW are completed in a timely manner.

7 Non Pay Expenditure

7.1 Purchasing and Invoice payments

The timely raising and approving of purchase orders and the subsequent recording of the receipts of the related goods and services can greatly contribute to the accuracy and relevance of an organisation's budgetary and financial reporting.

The improvements in compliance with the Council's own internal procedures reported at previous audits have been sustained during 2019 and it is noted also for the early part of 2020. The average level of compliance (in respect of the timely raising of purchase orders) for 2019 was approximately 91%.

While the average compliance rate continues to be high, I have again recommended to management that reminders should issue to all staff with assigned purchasing responsibilities to highlight the requirements to comply with the Council's own purchasing policy. This is a critical internal control area where some improvements are still needed to ensure that adequate budgetary compliance is being implemented across all of the Council's administrative divisions.

7.2 Public spending code

To comply with the requirements of the Public Spending Code (PSC), the Council's internal audit unit (IAU) issued a report covering the financial transactions incurred in 2019 in the following areas of activity:

- Capital expenditure: Social Housing Acquisitions
- Revenue expenditure: Procurement & Management of the Pay Parking Enforcement contract

The findings and recommendations contained in the PSC reports were taken into account as part of this audit. The report stated that substantial compliance with the requirements of the PSC was noted in respect of both areas selected for review.

8 Procurement

8.1 Procurement non-compliance

Previous audit reports have highlighted instances of the Council's non-compliance with the national procurement regulations and guidelines.

Another review undertaken during the current audit, which involved the examination of revenue and capital type payments made in 2019, has highlighted the improved compliance across a number of divisions including transportation & roads, housing and IT.

- Transportation and Roads

I acknowledge the efforts made by management and staff of this directorate in addressing the non-compliant areas of expenditure that have been highlighted at previous audits. The results of the current audit review identified that compliant framework agreements have now been established in most of the relevant spend areas. The remaining areas that still require attention need to be examined without further delay.

- Housing

I note the Council's successful defence, in the Commercial High Court, of a challenge against the establishment of a multi-party framework agreement for planned building maintenance works. However, I have been advised that the decision of the court has been appealed to the Court of Appeal.

While further improvements are still required, particularly in respect of "response maintenance" works, I am satisfied with the level of improvement again noted in this directorate.

As a public organisation, the Council (including its subsidiary and related companies) is required to comply, in all respects, with both the national and EU procurement regulations and directives.

Chief Executive's Response

I welcome the Auditor's comments in acknowledging the work that has been done on procurement but this work is ongoing. Since 2019, the procurement officer has been working with the established procurement steering group (comprised of senior Council staff) to oversee the implementation of the three year procurement plan across all areas of the Council.

9 Housing

9.1 Provision of Social Housing by Approved Housing Bodies

At 31 December 2019, the Council had contractual arrangements with 35 approved housing bodies (AHBs) for the provision of social housing to tenants on the Council's housing waiting lists. At that date, 1,743 properties were managed by the AHBs under the following national schemes:

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

The Approved Housing Body Regulation Office, established in 2014 and currently part of the Housing Agency, is responsible for the day to day management of the sector's regulatory function. Its mission includes the protection of AHB assets and the safeguard of the interests of their current and future tenants.

The current positions, as confirmed by management, on the matters raised at previous audits, are as follows:

- Deficit balances

The capital account continued to record a deficit balance of €222k in respect of one of the CLSS schemes. I have been advised that further requests have been forwarded to the management of the AHB seeking clarifications on elements of the final account. The long outstanding matters specific to this account require a further impetus from Council management to enable decisions on how to eliminate the deficit balance being carried.

Chief Executive's Response

This claim is being pursued with the Department

- 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.

The resolution of this ongoing matter remains the subject of legal advice. The balance of the loan with the HFA of €348k, as at 31 December 2019, originally drawn down to fund the acquisition of these properties remains outstanding.

Chief Executive's Response

The Council's Solicitor has received advice from the Chief State Solicitor's Office and this matter is still being progressed.

- Registration of Mortgages

The ongoing efforts by the Housing directorate staff to ensure that all of the relevant mortgages are appropriately registered is acknowledged. However, there are still 13 schemes that do not yet have 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.

Chief Executive's Response

This matter is with the Council's Solicitors who are engaging with their counterparts in the relevant AHBs in order to finalise the mortgages.

- Annual Compliance statements

It is acknowledged that 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 directorate.

Of the 35 AHBs that were contacted by the Council to submit an annual compliance statement for 2019, I note that 30 have made submissions to date. 4 of the 5 AHBs that have returns outstanding are currently not in receipt of any new funding.

Of the submissions received to date, audited AFS' are still outstanding from some AHBs. I have requested Council management to follow up with the relevant company management to ensure that all organisations comply with the Council's requests.

Chief Executive's Response

The Council has again requested the outstanding information to be supplied and will continue to follow up on this.

- Affordable Housing units under lease by AHBs

The Council has also engaged with two AHBs to manage 67 Council owned properties that were acquired for resale under the former Affordable Housing Scheme. The 2019 year-end balance on loans drawn down to fund these properties amounted to €12m.

The properties are managed under lease agreements with the relevant AHBs. I note that one of these lease agreements has continued to be problematic and is currently being operated on a month-to-month basis. Management has advised me that contact has been made with the Department with a view to resolving this matter.

Chief Executive's Response

The Council is awaiting advice from the Department to finalise a long term solution for these leased units and their associated loans.

10 Local Authority Companies

10.1 Interest in companies associated with the Council

The Council has an interest in a number of connected companies, the details of which, together with the relevant 2019 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 functions under the Companies Act, 2014 is to manage the businesses on behalf of the shareholders - the Council is the sole shareholder of Kildare Sports and Leisure Facilities Ltd.) include representatives of the Council's senior management team and also the elected members who act in ex-officio capacities.

10.2 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 2019 recorded a surplus for the year of €555k (2018: €451k), thereby increasing the shareholders' funds at that date to €2.1m. Turnover in 2019 was approximately €3.6m, representing a year-on-year increase of €0.3m.

The company auditors have included an Emphasis of Matter paragraph in the audit report to the 2019 AFS. The paragraph notes that the company is currently engaged with a third party to have the lease of the company's building asset reassigned to the company. I discussed this issue with the Council's representative on the board and I note that the new lease has not yet been signed. As previously reported, this needs to be regularised as soon as is practicable.

Chief Executive's Response

The Council has been working to resolve this matter and will continue in its endeavours to put a lease in place as soon as possible.

10.3 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 2019 recorded a net loss for the year of approximately €9.9k (2018 net profit: €61.7k), thereby decreasing the unrestricted accumulated net funds at that date to €128k. The total amount of grant assistance provided by the Council to the company in 2019 was €267k (2018: €331k).

10.4 County Kildare Community Network Company CLG

As outlined in the directors' report to the annual financial statement, this company was established to manage the community network in the county by way of the provision of the kildare.ie website. The company also serves, through the development of regional sector hubs, emerging and growing entrepreneurs by connecting organisations and people. The directors' report further states that the company will act as a centre of excellence in supporting innovative companies across the region. It is a company limited by guarantee and not having a share capital.

The company's audited accounts for the year ended 31 December, 2019 recorded a net loss for the year of €218 (2018 net profit: €11k), thereby increasing the members' deficit at that date to approximately €40k.

The company auditors have included an Emphasis of Matter paragraph in the audit report to the AFS. The paragraph noted that the company incurred a loss for 2019 and at that financial year end, the company's liabilities exceeded its assets. The auditors stated that these conditions indicated a material uncertainty that cast significant doubt as to whether the company can continue as a going concern without the continuing support of its directors.

Since the end of the 2019 financial year, the company has signed a 25 year lease for the use of Council owned land located adjacent to the civic offices in Naas. I have been advised that the company has secured Regional Enterprise Development funding from Enterprise Ireland, in the amount of €1.9m, for the purpose of constructing a purpose built premises. When complete, it will be the centre for the Mid-East Regional Innovation Think Space (MERITS). I note the Council has also committed to providing grant aid to the company as well as a benefit-in-kind for the lease of the land and security for a bank loan and overdraft facilities.

The Council currently has a strong representation on the board of the company, which should be maintained to ensure its interests are safeguarded and its commitments are protected.

Chief Executive's Response

The MERITS building is expected to be completed by March, 2021. This hub will used as a Regional Innovation Centre and has a business model that will result in an income stream. However, it is expected that the Council will be providing some financial aid annually.

11 Governance and Propriety

11.1 Governance overview

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. The Chief Executive, his 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.

11.2 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 recent additional areas of responsibility taken on by the Council and the staff changes made at senior management level.

11.3 Internal Audit

The position of head of the internal audit is currently vacant, following the recent resignation of the previous office holder. The Council is currently progressing an open competition to fill the vacancy.

The work undertaken by the unit during 2019 included the annual detailed checking of cash receipting procedures at the various cash desks of the Council and the findings and results from this important internal control procedure were taken into account as part of this audit.

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

11.4 Audit Committee

The Council's audit committee met on 4 occasions during 2019 and issued its annual report for that year in April 2020.

I commend the work of the committee which continues to make significant contributions to the independent oversight of corporate governance within the Council.

11.5 Annual Declarations of Interest

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

The returns made in respect of the period ended 29 February 2020 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.

However, it was noted that while all elected members have made a declaration, some were received late. Also, a small number of staff returns are still outstanding. I have requested that the relevant staff be contacted to request again the outstanding returns.

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 declarations.

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

30 December 2020

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