



Rialtas na hÉireann
Government of Ireland

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

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
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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 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 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 2021 Annual Financial Statement that was presented to the elected members in March 2022 had no audit adjustments applied.

2 COVID-19 – Impact on Local Authorities

2.1 Overview

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

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

As agreed by the General Accounts Working Group, the audited Annual Financial Statement for 2021 includes revised Notes 23 and 24 in relation to the rates waiver and SBASC respectively.

2.2 Small Business Assistance Scheme for COVID

As part of the Government's 2021 COVID support package, the 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 Council 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 €0.5m in the 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 the Council for the year-ended 31 December 2021 was €15m. 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.

2.4 Reimbursement for loss of goods and services income and COVID-19 related expenditure

As in 2020, the Department of Housing, Local Government & Heritage (the Department) again reimbursed the Council for the loss of goods and services income and additional expenditure incurred as a result of COVID-19. The total amount received by this Council for the year-ended 31 December 2021 was €1.9m (2020: €3.2m), split between €1.7m for the loss of goods and services income and €0.2m for additional COVID-19 related expenditure.

Chief Executive's Response

The assistance from the Government in 2021 in the form of the Small Business Assistance Grants, the Rates waivers and the reimbursement for the loss of goods and services income, together with the compensation for additional expenditure incurred is very much acknowledged in assisting both businesses and the Council through the pandemic.

3 Financial Standing

3.1 Statement of Comprehensive Income (Income and Expenditure Account)

The Council recorded a surplus of €0.12m (2020: €0.16m) for the year-ended 31 December 2021, reducing the accumulated revenue deficit to just €48k at that date.

Despite some significant divisional variations (see paragraph 3.2), the surplus recorded for 2021 confirms that the Council continues to adhere, in overall terms, to the strict budgetary requirements for the year.

3.2 Annual budget variances

The elected members, at the Council meeting held in March 2022, approved (by resolution in accordance with section 104(2) of the Local Government Act 2001) the expenditure incurred in 2021 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 due to the additional grants that were made available from Government for housing retrofit and maintenance (€3m), social housing leasing initiatives (€6m), local roads upkeep and maintenance (€3m), the SBASC (€0.5m - see paragraph 2.2), and the Rates Waiver Scheme (€15m - see paragraph 2.3).

Despite these variances, I remain satisfied that the Council's budgetary processes are adequate and continue to take into account the reasonably expected levels of grants assistance and income for the following year.

3.3 Local Property Tax

As provided for in legislation, the Council again passed a resolution to increase the basic rate of LPT for 2021 by 7.5%, resulting in a total allocation for the year of €19m, an increase on the pre-variation amount of €1.6m.

Due to the Council's surplus LPT position there remains a requirement to self-fund some services, which, for 2021, were delivered in the Housing divisional area.

In October 2020, the Department confirmed that the Council was required to self-fund housing services, encompassing both revenue and capital type expenditure, of €1.27m for 2021.

3.4 Statement of Financial Position (Balance Sheet)

The Council had net assets of €3.32bn at 31 December 2021 (2020: €3.15bn) with fixed assets being the main contributor to the year-on-year increase, recording a balance of €3bn at the 2021 year-end (2020: €2.95bn). Cash investments increased to €240m 31 December 2021 (2020: €205m).

The requirement to regularly review the need for holding such significant liquid funds was discussed with management. It is acknowledged that there are detailed proposals in place for which these funds are ring-fenced such as capital projects (as outlined in the recently issued capital programme 2022-24), refundable bonds and the RAS reserve. The 2021 year-end balance also includes an element of deferred income and LPT funds that were carried forward to the current year.

3.5 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 property interest register (PIR) had not been completed.

I acknowledge the progress made since the last audit with 4,453 separate records now listed in the PIR, all of which have been fully reconciled to the fixed assets register. A company, contracted by the Council, is currently developing a custom built property information system that will be expected, on completion, to provide a secure application programme interface and mapping capability to adequately capture, store and integrate the necessary individual asset details.

The completion of this important exercise should remain a priority matter for Council management.

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 recognises this as a priority for the organisation and we will continue with the process of migrating the data to the new improved system.

3.6 Work In Progress

At 31 December 2021, the accumulated expenditure on the work in progress and preliminary expenses account amounted to €100m.

The 2021 year-end balance included the accumulated expenditure on the M7 interchange upgrade and Sallins by-pass scheme. I reported at the previous audit that a Final Account Settlement Agreement (FASA) was entered into by both parties to the main contract of this scheme. I have been further advised, during the current audit, that the signed FASA was amended resulting in costs saving to the funding authorities of approximately €0.5m. I note that final defects certificates are currently scheduled for signing in April 2024.

The year-end balance on the account also included the costs of the three sites acquired in recent years. I have been advised that the Part 8 planning approval was granted in October 2022 for the development of the old Ambassador Hotel site in Kill, with a similar Part 8 process for the development of the Old

Greenfields site in Maynooth currently scheduled to commence before the end of 2022. The Oldtown Mill site in Celbridge was included in the Public Private Partnership (PPP) programme for social housing delivery. This scheme will be part of PPP bundle no. 5 in which Dublin City Council is the designated sponsoring agency and lead local authority. I have been further advised that the National Development Finance Agency (NDFA) is currently procuring a design team for the site with the Part 8 scheduled for the second quarter of 2023.

In addition to the above sites that are now being developed 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.

The final funding models for all relevant sites, both those currently being developed and those awaiting development proposals, will need to take account of the individual acquisition costs.

Chief Executive's Response

It is intended that the M7 interchange upgrade and Sallins by-pass scheme will be created as a fixed asset in the 2022 AFS, now that the FASA has been completed.

The Council is currently in discussions with the Department in regard to the developments of all of the above mentioned sites. The Council's Housing Delivery Action Plan 2022-26 for the delivery of social and affordable housing is aligned with Government's Housing for All and has been approved by the Department. The development of these relevant sites will be examined in the context of the overall housing plan.

3.7 Development Contributions

Included in trade debtors and prepayments at 31 December 2021 was €10.4m (2020: €12.7m) in respect of development contributions due to the Council (note 5 to the AFS refers). I acknowledge the year-on-year reduction in accounts in arrears. The relevant accounts need to be regularly reviewed to ensure that collection levels are maximised particularly given the negative impacts of the pandemic across various income streams.

While the bad debts provision in respect of the collectability of the 2021 year-end debtors was considered appropriate, it should be kept under regular review to ensure that it remains adequate.

3.8 Loans Payable

At 31 December 2021, the Council owed €93m (2020: €101m) in the form of short to long term loans (note 7 to the AFS refers).

The 2021 year-end balance again included six affordable housing loans (with a combined balance of €12m) that remain on an interest only repayment schedule. As reported at previous audits, 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 2021 was approximately €150k. In 2022, the Department approved and advanced funding to the Council for 19 of these properties to the total value of €2.9m. This funding was used to redeem a portion of the relevant HFA loans.

All of the properties have been temporarily transferred for occupancy as social housing accommodation under the social leasing scheme (see paragraph 10).

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.

4 Income Collection

4.1 Main revenue income collections

A summary of the collection performances showing the 31 December 2021 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	
	2021	2020	2021	2020
Rates	82	70	11.8	15.7
Rents & Annuities	93	92	1.2	1.1
Housing Loans	69	62	2.0	2.6

I acknowledge that the 2021 collection yield recorded in respect of rents & annuities of 93% was above the 2020 national average for local authorities (87%). However the returns for housing loans at 69%, while higher than the yield achieved for the previous year, was again below the national average (79%) for this category of income collection.

As stated at paragraph 2.3, a rates waiver scheme was again approved by Government for 2021. The Council’s waiver adjusted rates yield for 2021 was 86% (in 2020, the adjusted yield was 80%), appendix 7 to the AFS refers.

4.2 Rates

The status of the rates accounts that were in arrears at 31 December 2021 is summarised as follows:

	Amount owed €m	% of total arrears
Collectable and being pursued	5.0	43%
Legal proceedings commenced	4.3	37%
Customers in liquidation / receivership or administration	1.8	15%
Accounts in an agreed payment plan	0.7	5%

I note that accounts with total arrears of €4.3m (representing 37% of the total amounts due to the Council at the 2021 year-end) have been referred to the Council's law agent, which is indicative of management's continuing commitment to debt collection.

I acknowledge the year-on-year reduction, amounting to €3.9m, of accounts in arrears. The relevant accounts need to be carefully reviewed to ensure that collection levels are maximised particularly given the negative impacts of the pandemic across various income streams.

The current debt book was reviewed with management during the audit and I am satisfied that the level of bad debts 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

The last few years have been particularly challenging for businesses due to the ongoing impacts of the pandemic. The Council successfully reduced the amounts owed in the rates income category as at December 2021 and will continue to try and improve the annual collection percentage as well as seeking to reduce the arrears further.

4.3 Housing Rents and Annuities

Despite the marginal year-on-year increase in arrears to €1.23m at 31 December 2021 (2020: €1.16m), the collection yield increased marginally to 93% for 2021 (2020: 92%), a yield return higher than the previous year's national average. The cash collections in 2021 amounted to €15.4m (2020: €14.1m) and continues the improved performances recorded in recent years.

4.4 Housing Loans

The recent improved collections performance in the housing loans income category continued in 2021 with year-end arrears reducing to €2m (2020: €2.57m) and this annual improvement is acknowledged.

An internal review exercise identified errors in some customer accounts. The errors arose due to the incorrect applications of the rental percentage charge on the relevant shared ownership loan accounts. I have reviewed the Council's response to addressing the issues arising, and following receipt of Departmental and legal advices, I am satisfied that the Council has acted appropriately in contacting the relevant customers that were affected by the errors.

Chief Executive's Response

The auditor's comments in acknowledging the 7% increase in loans collection percentage in 2021 are welcomed. Internal procedures continue to be reviewed in this area with a view to further improving the processes and the collection yield.

5 Capital Account

5.1 Capital Account Overview

The capital account recorded a net credit balance of €235m at 31 December 2021, an increase on the previous year of €32m.

The latest iteration of the capital programme, covering the three year period 2022-24, anticipates a total capital investment by the Council of €712m. The report has identified that over 39% 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 47% 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 (budgeted to provide approximately 75% of the current capital programme funding) and the timely payment of development contributions.

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

- Greater Dublin Area Strategic Cycle Track Network (€45m);
- Athy Distributor Road (€39m);
- Maynooth Eastern Ring Road (€35m); and
- Kerdiffstown Landfill Remediation (€22m - see paragraph 5.2).

The amounts quoted above are the expected costs to be incurred during the 2022-24 period only.

5.2 Kerdiffstown Landfill Remediation

As reported at previous audits, 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 Environment, Community & Local Government (now the Department of the Environment, Climate & Communications (DECC)).

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 governance and oversight controls currently in place to mitigate the many risks associated with this complex development appear to be operating effectively. I have been advised that the new park is currently expected to be open to the public, ahead of schedule, during 2023.

In accordance with the provisions of the contract, the Council commenced discussions, without prejudice, with the main contractor to agree the valuation of instructions and claims made by the contractor. Early in 2022, with both parties failing to reach agreement, the matter was referred to the Standing Conciliator. A Final Account Settlement Agreement was accepted by all parties resulting in the main contract increasing by 30% over the tendered amount. All payments under the contract continue to be funded by the DECC. I note that the settlement agreement figure was within the estimated parameters calculated as part of a due diligence undertaken by the scheme's contracted consulting engineers.

Following request from the Environment Protection Agency (EPA), the Closure Restoration Aftercare Management Plan (CRAMP) was completed and I have been advised that the funding of this long term multi-annual plan is currently with the DECC for further discussion and considerations.

The legal registrations of title to the Council, of the relevant lands located at the site of the former landfill, remains an ongoing process but I am satisfied with management's efforts to complete the deeds of transfer.

Chief Executive's Response

As with many large capital projects, the agreement of this scheme's FASA was referred to a conciliator. While the final agreement resulted in a 30% increase over the tendered contract amount, it included the costs of the main contractor undertaking significant additional works. The DECC was kept updated at all times during this process and agreed to fully fund the increase in costs.

All outstanding conveyancing issues are currently being resolved with the Property Registration Authority.

5.3 Deficit balances

Notwithstanding the overall credit balance on the capital account at 31 December 2021, there remain a small number of schemes, mainly with the Housing Department, which continue to carry individual account deficits. However, I acknowledge the elimination of some account deficits during 2021.

The elimination of the remaining deficits should remain a priority for management.

Chief Executive's Response

The auditor's acknowledgement of the work done by the Council's Housing Department in relation to reducing the relevant deficit balances is welcomed. A review of all capital balances is conducted annually as part of the preparation of the AFS.

6 Planning

6.1 Vacant Sites 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 the 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 on the VSR from 1 January 2019.

I note that work commenced within the Council on establishing a VSR in 2020. However, as there were no sites on the Register at 1 January 2020, no charges were levied during 2021.

Following an appeals process, as provided for in legislation, seven sites were deemed to have qualified for inclusion on the Council's VSR and these were added to the register in December 2020. I have been advised that as these sites were not appealed to An Bord Pleanála, they were all referred for professional advice to obtain the necessary market valuations. Management has further advised that invoices were issued in 2022 on all sites, which are now due for collection.

Chief Executive's Response

The Vacant Sites Register had seven sites added to it in late 2020 and all relevant sites have now had invoices issued, which were applied in respect of 2021. The collection of these amounts will now form part of the work of the Council's vacant sites levy section.

7 Irish Water

7.1 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 (SLA). Expenditure incurred in respect of activities covered by the SLA are recoupable from IW. The agreement covers a twelve year period and is due to expire on 31 December 2025. I have been advised that the Council is currently involved in a dispute resolution mechanism, as provided for in the agreement, with the utility company in relation to the funding of the machinery yard's central management charges specific to water related activities. The accuracy of these charges were raised at previous audits and I note that updated charge rates were established in January 2022.

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.

Management has advised that there have been no further assets transferred to the utility company either during 2021 or to date in 2022. I also note that there are no staff currently assigned to progress this work.

I have been further advised that the remaining assets for transfer appear to be problematic in terms of identification, establishment of title, and in some cases require the completion of first registration.

I have again recommended that the resources currently assigned to this area needs to be reviewed to ensure that the remaining sites for transfer to IW are completed in a timelier manner.

Chief Executive's Response

Most of the remaining assets are complex in nature and so require a specialised technical resource. Arrangements are now being made to provide this additional resource to facilitate progress in transferring these assets to IW.

8 Non Pay Expenditure

8.1 Purchasing and the payments of invoices

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 2021. The average level of compliance (in respect of the timely raising of purchase orders) for the year was in excess of 90%.

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 minor improvements are still needed to ensure that adequate budgetary compliance is being implemented across all of the Council's administrative divisions.

8.2 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 2021 in the following areas of activity:

- Capital expenditure: Kerdiffstown Landfill Remediation scheme (see also paragraph 5.2)
- Revenue expenditure: Homeless services.

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.

9 Procurement

9.1 Compliance with national regulations and rules

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

A further review undertaken during the current audit, which comprised an examination of both revenue and capital type payments made during 2021, has confirmed that the overall high levels of compliance, noted at the previous audit, appear to have been sustained.

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 guidelines, regulations and directives.

I have been advised that the Council's procurement steering group has not met to date in 2022 and the reporting of the results of the divisional compliance checking has lapsed in recent months. While I note that the position of head of procurement has been vacant for over a year, I acknowledge the Council's efforts in seeking to have it filled. A competition was recently completed, which failed to identify a suitable candidate. The filling of this important post should remain a priority matter to ensure that the improved compliance levels are maintained.

In respect of the results of the current audit, the following was noted:

- Response maintenance housing contracts

While it was again noted that current framework agreements are in place for the main housing activity programme, there is still a need to establish procurement compliant contracts for the response maintenance works.

- Provision of dog wardens and dog pound services

The day to day operations relating to the Control of Dogs Act 1986 have been provided, under a service level agreement, by the one service provider since 1987. This matter was raised at the previous audit and I have been advised that discussions have commenced with a view to clarifying the legal position in relation to the current provision of services. This matter should be regularised as soon as is practicable.

- Property valuation and agronomy services

A formal framework agreement was established in August 2022.

Chief Executive's Response

The Council advertised for the filling of the head of procurement unit position in early 2022 but no suitable candidate was identified. It is expected that the position will be re-advertised in November 2022.

The auditor's comments regarding the response maintenance framework are noted and work on establishing such a framework is ongoing.

The Council has a service level agreement with the Irish Society for the Prevention of Cruelty to Animals (ISPCA), which has operated continuously since 1987. We are still awaiting legal advice as to whether or not this service should be put out to tender.

10 Provision of Social Housing by Approved Housing Bodies

At 31 December 2021, the Council had contractual arrangements with 39 approved housing bodies (AHBs) for the provision of social housing to tenants on the Council's housing waiting lists. At that date, 2,364 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)
- Capital Advanced Leasing Fund (CALF).

The Approved Housing Body Regulatory Authority (AHBRA) was formally established in February 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 interests and current responsibilities in this area, I note the following:

- 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 balance of the loan (€259k as at 31 December 2021) drawn down from the HFA, to fund the acquisition of these properties, remains outstanding. Management's efforts to resolve this protracted matter including seeking Departmental and legal advices, are acknowledged.

- Registration of Mortgages

The ongoing efforts by the Housing directorate staff to ensure that all of the relevant mortgages are appropriately registered is also 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.

Of the 39 AHBs that were contacted by the Council to submit an annual compliance statement for 2021, 27 had submitted completed returns, 8 were returned incomplete with 4 returns still outstanding.

I have requested Council management to follow up with the relevant company management to ensure that all organisations comply with the Council's requests.

- Affordable Housing units under lease to AHBs

As previously reported, the Council has contractually engaged with two AHBs to manage 67 Council owned properties that were acquired for resale under the former Affordable Housing Scheme. The properties are managed under lease agreements with the relevant AHBs. In December 2021, the Department informed the Council that funding of €2.9m would be provided for the redemption of 19 of these properties. This funding was used to redeem the relevant loans (see also paragraph 3.8) in early 2022.

Chief Executive's Comments

The auditor's comments regarding AHBs are noted. The Council's Housing Department staff will continue to resolve all outstanding issues within our control and will follow up with the relevant third party organisations, where warranted. The establishment of the AHBRA is welcomed.

11 Local Authority Companies

11.1 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 2021 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.

11.2 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 2021 recorded a profit for the year of €0.5m (2020 loss: €20k), thereby increasing the shareholders' funds at that date to approximately €2.6m. Turnover in 2021 was €2m, representing a 33% increase on the previous year. The directors' report stated that the company saw strong growth in its services across all locations and that there are plans in place to extend these services.

The company auditors have again included an Emphasis of Matter paragraph in the audit report to the 2021 AFS. The paragraph notes that discussions are ongoing between the Council and a third party to have the lease of the building assigned to 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 previously reported, this issue needs to be regularised as soon as is practicable.

Chief Executive's Comments

The Council has been working to resolve this matter throughout 2022 and will continue in our endeavours to put a lease in place as soon as possible.

11.3 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 2021 recorded a net profit for the year of approximately €92k (2020 net profit: €156k), thereby increasing the accumulated general unrestricted funds at that date to €376k. The total amount of grant assistance provided by the Council to the company in 2021 was €262k (2020: €262k).

11.4 County Kildare Community Network Company CLG

As outlined in the directors' report to the 2021 annual financial statement, 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 2021 recorded a surplus for the year of €5k (2020 surplus: €35k), thereby reducing the members' deficit at that date to just €22.

As reported at previous audits, the company has 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 now complete and is the centre for the Mid-East Regional Innovation Think Space (MERITS). It has been funded from grants received from the Council and the Department of Business, Enterprise and Innovation.

The Council has also committed to providing further 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 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.

12 Governance and Propriety

12.1 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.

12.2 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 staff changes made at senior management level.

12.3 Internal Audit

Despite the absence of the head of the internal audit unit for all of 2021 and the early months of 2022, important areas of review continued to be undertaken

under the direction of a member of the Council's management team. The head of the unit position is now filled, which is a welcome development.

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.

12.4 Audit Committee

The Council's audit committee met on four occasions during 2021 and has issued its annual report for that year. I commend the work of the committee, which continues to make significant contributions to the independent oversight of governance within the Council.

Chief Executive's Response

The work of the audit committee and its contribution to improved governance arrangements throughout the Council is acknowledged. We note that the auditor presented his 2020 audit opinion and audit report at the committee's meeting in November, 2021.

12.5 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 Council.

The returns made in respect of the period ended 28 February, 2022 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 and all of the 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 relevant staff are regularly contacted to submit their required annual returns on time.

Acknowledgement

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

A handwritten signature in black ink that reads "Eamonn Daly". The signature is written in a cursive style with a large initial 'E' and a long, sweeping tail on the 'y'.

Eamonn Daly

Local Government Auditor

28 October 2022

gov.ie/housing

