



Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Kilkenny 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 Kilkenny County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Kilkenny 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.

2 Financial Standing

2.1 Statement of Comprehensive Income

The Council recorded a surplus of €19,152 for the year, increasing the accumulated surplus to €127,922 at 31 December 2023. This was after transfers of €7.4m (2022: €6.98m) to reserves to fund projects.

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

2.2 Statement of Financial Position

The Council's net assets had improved by €47.5m at 31 December 2023. This was mainly due to:

- An increase in fixed assets of €27m primarily due to housing acquisitions.
- An increase in expenditure on work in progress and preliminary expenses of €17m, mainly on housing projects and on the new Mayfair library.
- Decrease in long term loans payable of €2m to €52m.

Chief Executive's Response

The expenditure for the year was in line with the income available resulting in a small surplus of €19k.

3 Income Collection

3.1 Summary of Income Collection

Revenue income of €113.7m was recorded in 2023, representing an increase of €9.5m on the previous year. Locally generated income such as commercial rates, rents, loans, local property tax and other services contributed 56% (€63.2m) to the Council's total revenue income. The remainder mainly consists of grant income (€50.5m).

A summary of income collection performances showing the 31 December 2023 arrears position in respect of the main income categories with the comparative figures for 2022 were as follows:

Income Source	Yield		Debtors	
	2023	2022	2023	2022
	%	%	€m	€m
Rates	87	95	3.3	1.5
Rents & Annuities	96	96	0.5	0.4
Housing Loans	90	90	0.4	0.3

The collection yield for rates decreased by 8% in the year, resulting in an increase of arrears of €1.8m to €3.3m. This is a concern as it reversed some of the improved performances in recent years. The Council did not have a full complement of resources available in this area in 2023. The Council needs to ensure that this matter is addressed in 2024. Bad debts provision for rates has been increased to €3.1m.

The collection yields for rents and annuities, and housing loans remained unchanged.

Overall arrears in these three income categories increased by €2.0m to €4.2m at year end, due mainly to the arrears increase on rates.

Chief Executive's Response

Management acknowledges that there were staffing changes in this team during the year which did have some impact on collection performance. A number of larger commercial rate accounts amounting to approximately €1m did not pay their accounts until early 2024. This was the single biggest factor impacting the reduction in the collection rate.

Management are confident that the collection performance will be back in line by the end of 2024.

3.2 Debtors and Debt Collection

Gross debtors, including those from the main income collections, are recorded in Note 5 to the AFS and amounted €21.3m at the end of 2023 (2022 €16.3m). An overall provision for doubtful debts is also shown and amounts to €11.9m in 2023, an increase of €1.1m on the previous year.

Chief Executive's Response

All outstanding monies are pursued for collection irrespective of the level of provisioning applied.

4 Capital Account

4.1 Capital Account Overview

The Council's capital expenditure (incl transfers to revenue account) increased by €30m to €94m in the year with the Housing and Roads Directorates accounting for 52% (€49m) and 32% (€30m) respectively of the total capital expenditure. Total capital income including net transfers from revenue, amounted to €101m.

Chief Executive's Response

The level of capital expenditure reflects the ongoing investment in the county funded by both national and local funding.

4.2 Capital Account Unfunded Balances

The balance on the capital account recorded an improvement of €6.8m to close with a net favourable balance of €35.2m. However, within this are deficit balances amounting to €9.6m in respect of historical and more recent schemes that overran their initial funding allocations. To date, the Council also has capital funding borrowings of €13.4m, which will require future funding from revenue. Major debit balances are outlined below:

- Refurbishment of the Kilkenny City Parade €1.9m
- LIHAF Western Environs €1.5m
- Kilkenny Central Access Scheme €1.5m

It was noted that the Council has an ambitious three year capital programme. Management should therefore ensure that funding for all jobs in the capital account is identified and secured before they proceed. Otherwise deficits will continue to arise and thus put further pressure on the Council's finances. Funding from the revenue account will have to be maintained or increased in order to address all the deficits, unless alternative funding sources can be identified.

Chief Executive's Response

A funding plan is in place for all existing deficits on the capital account and for the repayment of existing capital loans. Additional new funding sources will be required to fund the ambitious capital programme being undertaken by the Council. This issue will form part of the discussions with elected members during the preparation of the 2025 budget.

4.3 Public Lighting Energy Efficiency Project (PLEEP)

Local authorities are in the process of converting their public lighting to LED luminaires in order to improve energy efficiency, cut costs and reduce CO2 emissions. The Council is acting as the lead authority for the Eastern region, which consists of the Council and eight other local authorities as well as Transport Infrastructure Ireland (TII). The project is being funded through a combination of borrowings and own funds for each local authority. The estimated cost of the overall project was €56.5m with the Council's portion being €3.7m. Total aggregate expenditure of €8.6m was recorded up to the end of 2023.

The original expected completion date for the project was March 2025 although management has advised of some delays during the project, which will significantly impact the actual completion date.

Chief Executive's Response

The Council in partnership with its agents continue to administer the Public Lighting Energy Efficiency Project with the joint venture contractor. Every effort will be made to ensure that the project delivers on the energy efficiency, reduction in CO2 emissions and establishes an inventory of public lighting infrastructure for future efficient management and maintenance.

4.4 Voluntary Housing and Approved Housing Bodies

Payments to Approved Housing Bodies (AHBs) amounted to €13.6m in 2023, an increase of €8.4m on the previous year. As these substantial funds were awarded to external bodies, it is essential that management exercise sufficient oversight and obtains adequate assurance to demonstrate that the application of this funding, by these bodies, complies with all relevant regulatory frameworks. The Council should also make every effort to continue to implement fully the recommendations made in the Local Government Audit Service Value for Money Report No.29 - The Oversight Role of the Local Authorities in the Provision of Social Housing by Approved Housing Bodies'.

Chief Executive's Response

All housing delivery capital projects provided by AHBs are subject to the Council's technical assessment and to the Department of Housing four stage approval process. This includes a programme approval under the Public Spending Code. Restrictions on unit ceiling costs are applied to all projects with an additional approval process required where costs exceed the recommended unit ceiling cost. The Council works very closely with AHBs operating in the county to ensure that all regulatory requirements are in place in line with the Voluntary Regulatory Code (VRC).

All projects are overseen and monitored in relation to technical and financial requirements as they proceed through approval, tender and construction and are subject to inspection under Residential Tenancies Board Inspection requirements on completion.

In particular the financial requirements under recommendations 1 and 9 of the Local Government Audit Service Value for Money Report 29, dealing with the maintenance of registers of mortgages and outstanding CALF loan balances have been met in full by the Council with both the housing and finance sections maintaining registers of mortgages, maturity dates, folios, interest accruals and loan balances as required.

5 Fixed Assets

5.1 Fixed Assets Overview

Total fixed assets at the end of 2023 stood at €2,842m compared to €2,815m in the previous year. There were significant additions of €25m to housing assets in 2023.

5.2 Land and Property Registers

The Council's fixed assets are recorded in the fixed asset register, which is part of the financial management system (Agresso).

The Council is continuing its work on a land and property register but this has not been completed to date. It is a requirement of the Accounting Code of Practice that land and property registers are accurately maintained.

Management should ensure that adequate resources are devoted to this project. It is essential that management ensure that all land and property is accurately recorded to ensure that the beneficial public ownership of all assets is safeguarded and sufficiently insured.

Chief Executive's Response

The land and property register is now in place. Further work is required to substantiate the accuracy of the records in the register.

6 Loans Payable

6.1 Loans Payable

Loans payable by the Council at the end of 2023 amounted to €51.7m, a decrease of €2.0m on the previous year and are analysed as follows:

Loan Type	2023	2022
	€	€
Mortgage Related	33.3m	33.9m
Non Mortgage Loans	13.4m	14.2m
Recoupable	2.5m	2.9m
Shared Ownership - Rented Equity	2.5m	2.7m
	51.7m	53.7m

Repayments on mortgage related loans are matched by corresponding income. Note 12 of the AFS detailed a mortgage loan surplus of €2.1m at the end of 2023.

The non-mortgage loans of €13.4m, related to borrowings by the Council in respect of the funding of projects that are currently not recoupable from any external funding source. The cost to the Council of servicing these loans in 2023 was €1.1m.

Recoupable loans are matched by corresponding long-term debtors in Note 3 in the AFS.

Chief Executive's Response

The annual repayments on the non-mortgage related loans are fully provided for each year in the income & expenditure account. A strong focus is maintained in the collection of mortgage debt from borrowers.

7 Development Contributions

7.1 Development Contributions

Development contributions income for the year amounted to €5.1m. Furthermore, year end development contribution debtors increased by over €0.9m to €8.13m. This debtor balance was offset by a doubtful debt provision of €6m (representing 73.8% of the value at that date).

Chief Executive's Response

All outstanding balances owing on development contributions are pursued irrespective of the accounting provision made in the AFS.

8 Local Authority Companies

8.1 Local Authority Companies

The Council has an interest in a number of entities, the details of which are disclosed at Appendix 8 of the AFS. Management's accounting treatment of its investments in these entities was not consistent (see para 8.2 and 8.3 for more details) and the AFS has been amended to address this.

8.2 Kilkenny Abbey Quarter Development Partnership and Kilkenny Abbey Quarter Development Limited

Kilkenny Abbey Quarter Development Partnership (the Partnership) is a joint venture between the Council and the National Treasury Management Agency (NTMA). The purpose of the Partnership is to develop the Abbey Quarter which mainly comprises the site of the old brewery in Kilkenny City and to own, develop and lease properties to facilitate a mixed use development of the site including enterprise, education and research activities on the site. The Partnership has limited partners and a general partner. The Council and the NTMA are both limited partners in the Partnership with an agreed investment and limited liability of €2.5m each.

Kilkenny Abbey Quarter Development Limited (the Company) is the general partner in the Partnership and is owned in equal shares by the Council and the NTMA. The Company acts for and on behalf of the Partnership as well as managing and administering the business of the Partnership. This includes managing all aspects of the development, ownership and operation of the partnership property known as the Abbey Quarter in Kilkenny City.

The audited financial statements for the Company and the Partnership for the year ended 31 December 2023 were not presented to me until late in the audit. The Council has a responsibility to ensure good governance and should ensure that the audit of these financial statements are completed in a more timely manner to allow proper disclosures within the Council's AFS.

Financial statements of the partnership for 2023 show a loss for the year of €4.2m, and resulting accumulated losses of €5.96m at year end. The loss for the year was due to a loss of €4.49m on revaluation of investment property. The Council's investment of €2.5m in the Partnership had fallen to value of €30k at year end, and the AFS has been adjusted to reflect this loss.

Chief Executive's Response

The draft accounts for both the Partnership and the Company (general partner) were prepared before the end of quarter one 2024. However, there was a delay in completing the final accounts due to work required in the valuation of the assets. The 2024 audited accounts will be available before the end of April 2025.

The accounting standards require a valuation to be carried out on investment properties at the end of each financial year. The valuation was carried out by an external valuer for the Partnership and will be reviewed again at the end of 2024. The valuation is based on the market conditions prevailing at the time of the valuation.

8.3 Kilkenny Local Authorities Leisure Complex Limited

This company operates the Watershed Leisure Centre and is wholly owned by the Council.

Financial statements of the company for the year ended 31 December 2023 recorded a loss of €247k (2022 loss of €455k) and accumulated losses of €9.2m at year end. The Council's investment of €14.2m in the company had fallen to value of €5.0m at year end, and the AFS has been adjusted to reflect these losses.

The company's independent auditors included a paragraph in their audit opinion in respect of a material uncertainty relating to going concern. Their opinion is not modified in respect of this matter. However, the auditors drew attention to Note 4 in the company's financial statements which stated that the company reported a net loss for the financial year and that current liabilities exceeded current assets by €759k as at 31 December 2023. It also states that the company is heavily reliant on all available public funding from various Government Capital Grant support schemes, and that the company was also reliant on capital grant funding from the Council to meet the cost of replacing capital assets.

The Council had borrowings of €1.7m at 31 December 2023 in respect of funding investment in the company. The cost to the Council of servicing these borrowings in 2023 was €141k.

Chief Executive's Response

The Council is satisfied with the performance of the Watershed during 2023 and also with the service provided by the Watershed to the people of Kilkenny City and County.

8.4 The Watergate Theatre Company

This company oversees the day-to-day management of the Watergate Theatre. 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 €11k thereby eliminating the accumulated losses from previous years and returning a surplus at that date of €3k. Members' funds at the balance sheet date were €36k.

Chief Executive's Response

The Council are satisfied with the continuing progress made by the Watergate Theatre Company and is working closely with the board on a number of capital projects that will enhance the offering of the Theatre.

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, the management team and the elected members all have a role in ensuring that there are systems to achieve effective financial management and internal control.

9.2 Statement of Internal Financial Control (SIFC)

An Advisory Group, chaired by the Department of Housing, Local Government and Heritage and comprising of representatives of the main local government governance related stakeholders, was established to guide and advise on a SIFC for the local authority sector. This work is now complete and in accordance with circular LG05-2024, local authorities are now required to prepare and publish a 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.

9.3 Risk Management

The risk management framework provides the executive management and the Council members with assurances that major organisational risks are identified and appropriately managed. An up to date risk register is maintained by the Council. In accordance with best practice, risk management is a standing agenda item at all management team meetings.

9.4 Procurement

As a public organisation, the Council (including all of its subsidiary companies) is required to observe compliance with all public procurement regulations. In the course of the audit, it was noted that further progress in compliance with these regulations was achieved. Every effort should continue to be made by management to ensure compliance with the public procurement policies in all aspects of Council activities.

Chief Executive's Response

Comments are noted.

9.5 Internal Audit

The internal audit unit in the Council is an integral part of the governance structures of the Council. The internal audit unit has produced a number of reports to date, and the recommendations in these reports should be implemented as soon as practicable.

9.6 Audit Committee

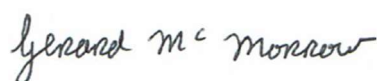
The Audit Committee met on four occasions in 2023, one of which I attended to discuss my audit report in respect of the 2022 AFS. The Audit Committee issued its annual report for 2023 to the members, who approved it at their meeting in March 2024. The minutes and report of the committee were made available to me at audit. I commend the work undertaken by the Committee, which continues to contribute to the independent oversight of corporate governance within the Council.

Chief Executive's Response

Comments are noted.

Acknowledgement

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



Gerard Mc Morrow

Local Government Auditor

03 September 2024

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