

Kilkenny County Council

Recommendation Tracker Report Internal Audit Report Housing Compliance Check Loan Applications

Date: 31st May 2022

Report Distribution

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Management Team

Audit Committee Members

Local Government Auditor

Objectives

The objective of the Recommendation Tracker Report is to track progress on the implementation of the recommendations in the Audit Report on Housing Compliance Check Loan Applications which was completed in November 2021.

Approach

The Recommendation Tracker was sent to the Housing Loan Section for completion regarding the current status of the recommendations in the Audit Report on Housing Compliance Check Loan Applications.

Internal Audit took 4 sample files of Housing Loan Applications that had gone through the Housing Loan Application Process in Q1 2022. The check relates to the process from application by the applicant to assessment by the Housing Agency and final approval by Kilkenny County Council's Internal Credit Committee.

The files were also checked for compliance with the expanded Local Authority Home Loan Scheme, which came into effect on 4th January 2022.

Scope

Scope of check was limited to a sample of 4 Applications. The check relates to the process from Loan Application to Loan Approval only.

Co-operation of Management and Staff

Internal Audit received full co-operation from Council Management and Staff throughout the course of this review and would like to thank them for their assistance.

Internal Audit Opinion

The recommendation tracker is below at Appendix A. It is noted that all recommendations from the Audit Report on Housing Compliance Check Loan Applications are implemented by the Housing Loan Section.

An additional Internal Audit finding and recommendation is detailed hereunder.

Based on this review the audit opinion for Housing Loan Application Compliance Checks is reasonable assurance. There is a sufficient framework of key controls for objectives to be met. Controls are generally applied but one further lapse in the application of controls has been observed.

This report was distributed to the Housing Directorate and includes their Management Action Plan.

The Management Team approved the Audit Report at their meeting of 8th June 2022.

The Audit Committee reviewed the Audit Report at their meeting of 13th June 2022.

Brigid Webster, Internal Auditor.

<i>Findings</i>	<i>Implication</i>	<i>Recommendations</i>	<i>Management Action Plan</i>
<p>On one Loan Application it was noted the application is a single person application only. However, on the Loan Application Form the applicant indicated on the ‘marital status’ question that they were ‘Cohabitant’.</p> <p>Under the Housing Loan Regulations 2021 (SI No. 701 of 2021) it states that; “5. (1) An application for a housing loan shall be made in such manner and form as the housing authority may require.</p> <p>(2) Where a person who wishes to apply for a housing loan is —</p> <p>(a) married,</p> <p>(b) in a civil partnership, or</p> <p>(c) in an intimate and committed relationship with a partner with whom he or she intends to reside in the dwelling he or she wishes to purchase, he or she may not apply to a housing authority for a housing loan on his or her own but shall make any such application together with his or her spouse, civil partner or partner, as the case may be”.</p> <p>It is noted that this file was submitted to the Housing Agency for underwriting under the new regulations and their decision was to proceed to issue approval for the Loan. Kilkenny County Council</p>	<p>Not adhering to Loan Application Criteria as detailed in the Housing Loan Regulations 2021, specifically regarding a ‘Cohabitant’ status.</p> <p>It appears that the second individual to the ‘Cohabitant’ status in this application is contributing a monthly amount of €250 to the current monthly rent payment of the Housing Loan Applicant. Also a deposit of €5,015 from the second individual was made to the Loan Applicant to clear an outstanding amount on a Lease Agreement prior to the Loan Application being submitted. There is a risk that in the future issues could arise with the repayment of the Loan should the ‘Cohabitant’ status end.</p>	<p>In cases where Kilkenny County Council receives Loan Applications and it is indicated that they are of a ‘Cohabitant’ marital status, these applications should be accessed jointly and not individually to ensure compliance with the current regulations.</p>	<p>Implemented.</p> <p>The policy guidance defines cohabitating as being in ‘an intimate and committed relationship’. This is very difficult to verify. The following policy has been implemented by the Loans Department:</p> <ul style="list-style-type: none"> - Applicant is clearly made aware at time of validation that application should be deemed as a ‘joint application’ but should they wish to proceed as a single applicant, application will be sent to the Housing Agency for Underwriting according to the Credit Policy. - Should the Housing Agency approve this application as a single applicant it will be returned to them highlighting the matter of applicant being a ‘Cohabitant’ seeking their comments in ‘writing’ before final decision of the Credit Committee

<i>Findings</i>	<i>Implication</i>	<i>Recommendations</i>	<i>Management Action Plan</i>
<p>requested further clarification due to the 'Marital Status' of the application and the Housing Agency gave verbal confirmation that they were happy to proceed with their decision to approve the Loan. Final approval for the Loan was granted by Kilkenny County Council's Credit Committee.</p>			

Appendix A – Recommendation Tracker

Tracker No.	Audit	Date	Finding	Recommendation	Action Owner	Agreed Management Actions	Internal Audit review 2022 of agreed Management Actions comments	Update on Management Actions- Implemented/ ongoing/ no longer applicable	Status
1	Internal Audit Report Housing Loan Applications Compliance Check	Nov 2021	One of the Loan Application's (RBL29) was approved without the file being sent to the Housing Agency for approval. This does not comply with the Loan Approval Policy. The application was approved by the Internal Credit Committee	The Council must be consistent and fair in its process for approving all Loan Applications. All Loan Applications should be sent to Housing Agency for approval.	Mary J. Mulholland	This was a Tenant Purchase Loan Application. This application should have been referred to Housing Agency. It was approved by Internal Credit Committee as they were satisfied that the applicant could support the Loan repayments based on rent history. Previously the Credit Committee only reviewed applications declined by the Housing Agency. All applications are now referred to Housing Agency for a decision and all decisions are reviewed by the Credit Committee.	Four Loan Applications were reviewed. These Applications were at Approved in Principle stage by Kilkenny County Council's Credit Committee. All four applications were referred to the Housing Agency as per recommendation.	Implemented	Closed
2	Internal Audit Report Housing Loan Applications Compliance Check	Nov 2021	12 RBL Applications were referred to the Housing Agency. 8 of these Applications were declined by the Housing Agency. The reasons included unsatisfactory savings record and	The Housing Agency is an independent and external body. This is a key control in the Loan approval procedure to ensure only valid applications are	Mary J. Mulholland	The Housing Agency does not consider certain types of income when assessing applications. The Credit Committee review decisions based on the applicant's ability to support the	One Tenant Purchase Application was reviewed. This Application was at Approval in Principle stage. The Housing Agency had approved the application as per recommendation.	Implemented	Closed

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			repayment capacity not being demonstrated. These decisions were all overturned by the Credit Committee	approved. Decisions of the Housing Agency should only be overturned by the Internal Credit Committee in exceptional cases.		Loan Repayments. This is especially the case when deciding on Tenant Purchase Applications where the Credit Committee consider previous rent payment history. In 4 of the cases that were overturned, the Loan repayment amount was less than the Differential Rent payment			
3	Internal Audit Report Housing Loan Applications Compliance Check	Nov 2021	14 files were referred to the Credit Committee. There are 5 members of the Credit Committee. Credit Policy states that at least 3 members of the Credit Committee must be in attendance to approve a Loan. In only one case were all 5 signatures on the approval letter. In another case, only 2 signatures were on the approval letter (RBL█). The remaining 11 cases had 3/4 signatures.	Credit Committee should meet in person or remotely to discuss and decide on Loan Applications. A key control in this process is that a quorum of 3 members must be present at Credit Committee meetings to ensure that undue influence cannot be exerted. If a quorum of 3 members is not present, no decision on an Application should be made.	Mary J. Mulholland	The previous Policy was for the members of the Credit Committee to view files individually. The Credit Committee now meet and discuss each application together. The Committee will not meet if a quorum of 3 members are not present.	The four applications reviewed had a minimum of four members of the Credit Committee in attendance.	Implemented	Closed

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4	Internal Audit Report Housing Loan Applications Compliance Check	Nov 2021	Council mortgages are limited to first time buyers only. One of the approved applicants had owned a house previously and the application was deemed invalid on these grounds (HPL [REDACTED]). The decision was overturned and the application was sent to the Housing Agency who recommended refusal based on: 1. Unsatisfactory Savings Record. 2. Net income ration outside policy. 3. The Loan is available to first time purchasers only. Based on this recommendation, the Loan was refused. The applicants appealed the decision and the Loan was approved by the Internal Credit Committee.	There is specific documentation required for all Loan Applications. This is to ensure that sufficient information is available to assess if an application meets the criteria. If all documentation is not received, the application should be ruled invalid.	Mary J. Mulholland	This Application was approved as an exceptional hardship case. The applicants could not sustain a Bank Loan so original house was sold and they moved into private rented accommodation. The applicant subsequently changed jobs resulting in a higher income. They provided proof of rent payments which were higher than Loan repayments so Credit Committee was satisfied to approve Loan.	Not applicable for the Loan Applications reviewed.	Implemented	Closed

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				Caravan Loans which tend to be smaller Loans (max loan €6,350) do not go to the Housing Agency or the Credit Committee for approval. These Loans should at least go to the Credit Committee for approval to ensure transparency and consistency.		All caravan loan applications are now reviewed by the Credit Committee.			
5	Internal Audit Report Housing Loan Applications Compliance Check	Nov 2021	Loan Applicants must have been refused a mortgage with two other lending institutions and are required to submit evidence of same. Two applications had no evidence of Loan Refusals.	Back up documentation should be evident on all files	Mary J. Mulholland	Both of these were Tenant Purchase Applications so Loan Refusals from Banks is not required.	One Loan Application had two mortgage refusals submitted but the amount applied for was not listed on the BOFI refusal. This is an accepted practice and is in line with recommendation.	Implemented. Housing Agency have confirmed in writing that 'they are aware that some financial institutions do not insert an amount on the refusal letters'	Closed

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6	Internal Audit Report Housing Loan Applications Compliance Check	Nov 2021	Loan Applicants must submit a form from Revenue (HPL1 form) which certifies if applicants have previously claimed income relief on interest paid in relation to any previous borrowings to purchase a property. Two applications had not provided this form	Back up documentation should be evident on all files.	Mary J. Mulholland	One of the Applications, the HPL1 form was submitted but not stamped by Revenue. No form was received for the second Application. The checklist for backup documentation has been modified and improved. It is now checked by two staff members before being sent to Housing Agency for decision.	HPL1 forms have been replaced by LPT Checks. LPT checks available for all four applications as per recommendation. Checklist has been updated and checked by two staff members as per recommendation.	Implemented	Closed