

Donegal County Council Internal Audit Department



**Comhairle Contae
Dhún na nGall
Donegal County Council**

FINAL REPORT

**DONEGAL COUNTY COUNCIL
IA19/2 - HOUSING LOANS SCHEME**

August, 2019

Table of Contents

1.	Executive Summary	4
2.	Assurance Rating.....	4
3.	Introduction	4
4.	Scope.....	5
5.	Objective & Methodology	5
6.	Background	6
7.	Statistical Analysis.....	6
	<i>7.1 Active loans</i>	6
	<i>7.2 Rebuilding Ireland Home Loan (RIHL).....</i>	7
8.	Relevant Legislation and Guidance	8
9.	Findings.....	8
	<i>9.1 Policies & Procedures.....</i>	8
	<i>9.2 Application and Loan Approval Process</i>	9
	<i>9.2.1 Eligibility.....</i>	9
	<i>9.2.2 Application Form</i>	9
	<i>9.2.3 Credit Committee.....</i>	10
	<i>9.2.4 Insurances</i>	11
	<i>9.2.5 Approval Process.....</i>	11
	<i>9.3 Loan drawdown and set up</i>	13
	<i>9.4 Segregation of Duties</i>	13
	<i>9.5 Inspection of Loan files</i>	14
	<i>9.6 Loan Accruals.....</i>	15
	<i>9.7 Loan Redemptions.....</i>	16
	<i>9.7.1 Run out Loans</i>	16
	<i>9.7.2 Redemptions</i>	16
	<i>9.7.3 Refunds</i>	16
	<i>9.8 Data Protection.....</i>	17
	<i>9.8.1 Policies</i>	17
	<i>9.8.2 Redacting Information.....</i>	17
10.	Conclusions and Recommendations	18
	<i>10.1 Policy & Procedures</i>	18

Internal Audit: Final Report: IA19/2 Housing Loans

<i>10.2 Application and Loan Approval Process.....</i>	<i>18</i>
<i>10.3 Loan drawdown & setup</i>	<i>19</i>
<i>10.4 Segregation of duties.....</i>	<i>19</i>
<i>10.5 Inspection of files.....</i>	<i>20</i>
<i>10.6 Loan accruals</i>	<i>20</i>
<i>10.7 Loan redemptions.....</i>	<i>21</i>
<i>10.8 Data Protection</i>	<i>21</i>
11. Acknowledgement	22
<i>Appendix 1 – Circulation List</i>	<i>23</i>
<i>Appendix 2 – Audit Classification.....</i>	<i>24</i>
<i>Appendix 3 – IA19/2 – Housing Loans - Summary Recommendations</i>	<i>25</i>
<i>Appendix 4: Housing Loan Checklist for Applicants.....</i>	<i>27</i>

1. Executive Summary

Internal Audit has carried out an Audit on the procedures and controls in place for the operation of the Housing Loans system within Donegal County Council (DCC). This audit was carried out as part of the 2019 Internal Audit Work programme.

Local Authority loans provide a means for first-time buyers and other individuals to own their own home, there are a number of different options available to applicants who fulfil the relevant criteria.

The Housing Loans examined during the course of this audit were found to be in compliance with the guidelines issued.

The findings and recommendations of this audit are set out hereunder.

2. Assurance Rating

This Audit has been assigned an assurance rating of:

Level 2 – Adequate

See **Appendix 2** for Classification of Audit Assurance.

There are generally adequate procedures and controls in place to ensure that the objectives of the Housing loans system are achieved.

3. Introduction

Individuals who wish to purchase a house or to build a house but are unable to procure a loan from a private lending institution may be eligible for a housing loan from their Local Authority;

The following are the loan types that were historically provided by and continue to be maintained by Donegal County Council:

- Affordable (AH)
- Annuity
- Income Related
- Reconstruction (RL)
- Shared Ownership (SO)
- Tenant Purchase (TP)

In response to the recent housing crisis, the Department of Housing, Planning and Local Government introduced the Rebuilding Ireland Home Loan (RIHL) in 2018. This is a new Government backed mortgage for first time buyers and replaces the above loan options. The RIHL became available nationwide from all local authorities from 1st February 2018. First time buyers can apply for a RIHL to purchase a new or second-hand property or to build their own home.

The RIHL is a normal Capital and Interest-bearing mortgage which is repaid on a monthly basis. Applicants can borrow up to 90% of the market value of a property. The maximum market values of a property that can be purchased or built are:

- €320,000 in the counties of Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow
- €250,000 in the rest of the country

All RIHL's are subject to certain criteria which must be fulfilled by the applicant before being approved and the monies drawn down. The granting of housing loans has been delegated to the Area Managers in the Housing Directorate.

The RIHL scheme is operated under the auspices of the Department of Housing, Planning and Local Government.

4. Scope

Previous audits undertaken in this area focused on loan applications, loan repayments and the transfer of historical loans from the HVX system to the new Agresso Financial Management System.

The scope of this audit was to examine:

1. The RIHL application and approval process in all of the Donegal County Council (DCC) Municipal Districts (MD's) from the commencement of the scheme in February 2018 to date.
2. The process for setting up loans.
3. The process involved in the redemption and repayment of loans (including early redemptions).
4. The controls in place throughout the loans process.

5. Objective & Methodology

The objective of this audit was to identify the policies, procedures and controls in place for Housing Loans within DCC and in particular the new RIHL scheme.

The audit was approached as follows:

- Evaluation of the various systems, policies, procedures and controls in place
- Examination of the Housing Loans approved in 2018 in each MD
- Examination of the loan set ups and accrual procedures currently in place
- Examination of the loan redemption process
- Discussions were held with relevant staff
- Make recommendations for improvement if required

A draft report was issued to relevant staff on 5th July 2019 and responses received have been incorporated into the final report where appropriate.

6. Background

Historically, Donegal County Council (DCC) was responsible for the provision and management of a range of housing loans in County Donegal. Loans were offered at reduced interest rates and could be used to buy new and second-hand properties, to build a home or to complete repairs to an existing property.

In 2018 the Department of Housing, Planning & Local Government rolled out the Rebuilding Ireland Home Loan mortgage for first time buyers. This home loan is now available nationwide from all Local Authorities. The finance for these loans is provided through the Housing Agency (HA) and the types of loan currently available are:

- House Purchase
- House Construction
- Tenant Purchase (TP)

The implementation of this initiative forms part of a key Government priority to address the current shortage of affordable housing countrywide.

The historical range of loans provided by DCC continues to be managed in conjunction with the new RIHL initiative.

7. Statistical Analysis

7.1 Active loans

There are 456 Active Loans on the system with a capital value of €16,700,866.43 (as at June 2019).

Type of Loan	No.	Value €
Shared Ownership	102	3,537,479.49
Shared Ownership *(Rented Equity)	26	839,553.20
Affordable	65	4,519,257
Annuity	73	3,576,177.34
RIHL	10	652,487.53
Income Related	3	133,551.8
Reconstruction	3	39,487.18
Tenant Purchase	160	3,338,435.31
Tenant Purchase (old loans – pre 1995)	14	10,437.57
Total	456	16,700,866.43

* There are presently 26 Rented Equity only loans with a value of €893,553.20. These loans represent a restructuring of Shared Ownership loans which have not been offered by DCC since 2011. An existing Shared Ownership customer may seek an additional loan to either buy out the remaining rented equity of the property or seek a complete restructuring of the loan under the terms of Circular Letter 14 of 2016 (March 2016), which sets out a range of restructuring options for Shared Ownership loans.

7.2 Rebuilding Ireland Home Loan (RIHL)

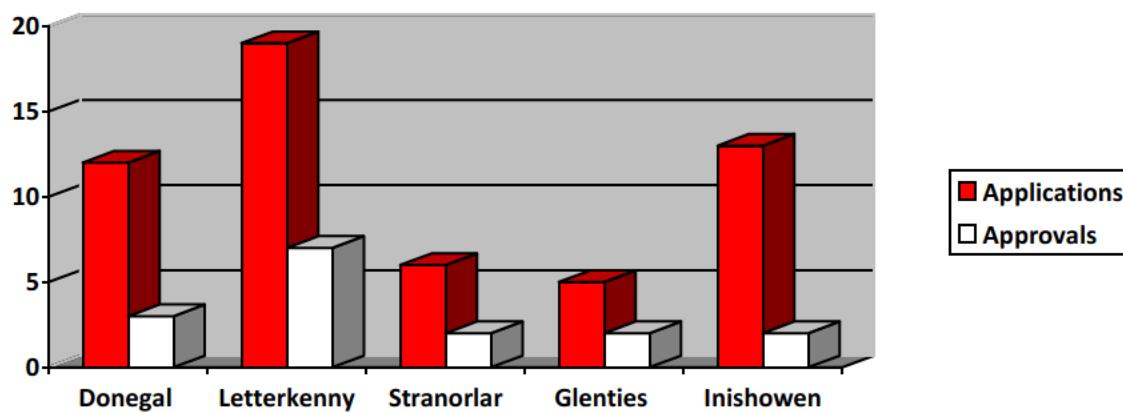
The Rebuilding Ireland Homeloan was rolled out on 1st February 2018 and applications were sought thereafter.

The following table gives a breakdown of the applications received and approved in 2018.

Total No. of Loan applications	Total No. of Loans approved	Amount approved	Amount drawdown
55	16	€1,534,460	*€336,336.45

*The figure of €336,336.45 includes only 3 of the 16 loans approved in 2018, totalling €216,525. The remainder is in respect of loans approved in 2017 and only drawn down in 2018.

Applications per MD in 2018



	Donegal MD	Letterkenny MD	Stranorlar MD	Glenities MD	Inishowen MD
Applications	12	19	6	5	13
Approvals	3	7	2	2	2

A full breakdown of these loans is provided under the “Approval Process” section later in this report.

8. Relevant Legislation and Guidance

- Housing Acts 1966 – 2014
- Housing (Miscellaneous Provisions) Acts, 1992 (Section 11) – 2009
- Consumer Credit Act 1995
- Housing (Local Authority Loans) Regulations 2009 (S.I. No. 145 of 2009)
- Housing (Rebuilding Ireland Home Loans) Regulations 2018 (S.I. No. 25 of 2018)
- includes Credit Policy Document 2018 & Loans Process Map
- Local Authority Housing Loan Mortgage General Conditions (Version 2012/1)
- Circular HFA191 of 24/03/06
- Circular Letter 14 of 2016 (March 2016)

9. Findings

9.1 Policies & Procedures

The Policies and Procedures currently used in the processing of Housing Loans by DCC have been provided by the Finance and Housing Directorates, in conjunction with and on behalf of the Department of Housing, Planning & Local Government.

A Credit Policy for Housing loans was developed by DCC in response to the following legislation:

- Housing (Miscellaneous Provisions) Act 1992
- Housing (Local Authority Loans) Regulations 2009 (S.I. No. 145 of 2009)
- Consumer Credit Act 1995

The Loans Process Map was devised by DCC in 2013 as a further response to the introduction of the Housing (Local Authority Loans) Regulations, 2009 and is used by all relevant Housing staff.

This document was last revised in June, 2018 to reflect the updated Credit Policy 2018 made under the Housing (Rebuilding Ireland Home Loans) Regulations 2018 (S.I. No. 25 of 2018).

Internal Audit has found that the above Policies and Procedures were communicated to relevant staff by the Area Managers and are also available on the Housing folder in Softco.

Grades of staff dealing with Housing Loans in the Municipal Districts

MD	Grade	No. applications received in 2018	No. applications granted in 2018
Donegal	[REDACTED]	12	3
Letterkenny	[REDACTED]	19	7
Stranorlar	[REDACTED]	6	2
Glenties	[REDACTED]	5	2
Inishowen	[REDACTED]	13	2
Totals		55	16

9.2 Application and Loan Approval Process

9.2.1 Eligibility

The application form for the RIHL is available for download from the RIHL website along with an instruction booklet; these can also be procured from the MD Housing Offices. Applicants must meet the eligibility criteria as outlined in the RIHL application form before an application can be considered.

9.2.2 Application Form

Applicants must submit the completed application form along with relevant documentation to their MD Housing Office. This is assessed at a meeting between the applicant(s) and assigned Housing staff.

The following information must be included with the application and checked thoroughly before being forwarded to the Housing Agency:

- Fully completed application form
- Letters from two Banks or Building Societies confirming refusal of finance
- HPL1 form from the Revenue Commissioners (this confirms applicant(s) have not received interest relief on a mortgage before)
- Photographic ID (Passport/Drivers licence)
- Proof of present address (current utility bill or bank statement)
- Original salary certificate
- Up-to-date computer generated P60
- 4 Recent payslips
- Signed Customer declarations
- Current Account bank statements (12 months)
- Original savings bank statements (12months)
- Credit Card statements (12 months)
- Credit Union statements (12 months)

For those renting the following additional information is required:

- Tenants in private rented accommodation must have a clear rent account for 6 months and be able to show a rent book or proof of payment.
- Local Authority tenants or applicants availing of the RAS scheme must submit a letter from the rent assessment section confirming that their rent assessment is up to date and the account is clear for 6 months prior to applying.

If one or more of the applicants are self employed the following information is required:

- Accountants Report with Audited Accounts (2 Years Required).
or
- Auditors report together with Current Tax Balancing Statement and Current Preliminary Revenue Tax Payment Receipt.

Applicants in receipt of Unemployment/Social Welfare benefits must provide:

- Appendix 2 completed by the Department of Employment Affairs and Social Protection.
- Statement of total benefits received in the preceding tax year.

After the application is assessed by the HA, a recommendation will issue to approve or decline the loan, subject to a number of appropriate credit checks. Following the HA recommendation, a report on the application is forwarded to DCC's Credit Committee by the Housing Area Manager.

9.2.3 Credit Committee

Local Authorities are obliged to set up Credit Committees under a statutory Credit Policy as directed by the Minister for Housing, Planning and Local Government. Under these Departmental guidelines, the Credit Committee should have at least three members, with a minimum of one member from both the Housing and Finance Directorates. Two members of the Committee must also be at Senior Executive Officer level or above. The minimum quorum is three members.

Donegal County Council's Credit Committee is made up as follows:



The Credit Committee assess and decide on applications and have the authority to overturn the decision of the Housing Agency. The decision of the Credit Committee is minuted and the Minutes forwarded to the relevant Housing Office.

When a loan is finally approved, an "Approval in Principle (AIP)" letter signed by the Area Manager stating the approved amount is issued to the applicant.

The applicant then submits details of the chosen property together with a Valuer's report. The Housing Engineer undertakes a visual inspection of the property. A Chief Executive Order is then prepared and signed by the Area Manager.

9.2.4 Insurances

Both Mortgage Protection Insurance (MPI) and Buildings Insurance must be in place before any loan application can be finally approved.

The Local Authority MPI scheme is a group scheme that is designed to provide an appropriate level of insurance cover to those who wish to avail of the Rebuilding Ireland Home Loan

It is a statutory requirement that mortgage protection insurance (MPI) is taken out in respect of all local authority housing loans. Marsh Ireland (the MPI provider) administers a National Scheme in respect of Mortgage Protection which is commonly referred to as the "Local Authority Mortgage Repayment Protection Plan". This group scheme is designed to provide an appropriate level of insurance cover to those who wish to avail of the Rebuilding Ireland Home Loan. The scheme must be availed of unless none of the mortgage parties can meet the eligibility criteria.

Building Insurance in the amount of the rebuilding cost specified on the Valuer's report must be in place prior to loan cheque issue. A letter of indemnity from the insurer containing the standard mortgagee's clause should be furnished as confirmation of same, prior to loan draw down.

9.2.5 Approval Process

A formal loan offer letter is issued at this stage, outlining all the terms and conditions of the loan and commits DCC to the subsequent issuing of monies subject to the conditions of the loan being met.

The customer has a 90 day timeframe to confirm that they are satisfied with the loan offer. They are required to bring the loan documentation to their Solicitors for signing/witnessing and return same to DCC along with any outstanding documentation, e.g. a copy of their Building Insurance and Direct Debit Instruction. It should be noted that the Council may withdraw the offer if the loan is not drawn down and the mortgage executed and delivered within 180 days from the date of issue of the Letter of Loan Offer.

All loans are set up by Debtor's Management/Finance Section, on foot of a written request from the Housing Section, together with a copy of the Chief Executive Order approving the loan and all details required as per the Checklist for new loan set-up – **see Appendix 4.**

When the Council's Solicitors confirm that it is in order to set up the loan, a Loan Set Up Form is completed and forwarded to the Income Collection Unit of the Finance Directorate with the Chief Executive Order, Direct Debit Instruction and Mortgage Protection Declarations/Stand Alone Policy.

The Income Collection Unit will set up the loan and advise the applicants of repayment details. A copy is forwarded to the relevant Housing Office for record purposes and the file is then passed to the Finance Section to complete the drawdown. In the case of a Construction loan, the loans can be drawn down in four instalments.

Each Housing Section provided IA with details of all Housing Loan applications received for the period 1st January to 31st December, 2018 and the status of same. It is noted that some applications have subsequently been either withdrawn or closed.

The following table gives a breakdown of the loan applications received during 2018 in all the Municipal Districts (MD's):

	No. of Applications (by MD)					
	Donegal	Stranorlar	Letterkenny	Inishowen	Glenties	Totals
Loan Type						
House Purchase	11	4	13	6	2	36
Tenant Purchase	1	2	5	7	3	18
House Construction	0	0	1	0	0	1
Totals	12	6	19	13	5	55
Breakdown by Loan Status (by MD)						
Approval in Principal	0	0	3	0	0	3
Refused/Ineligible	5	1	5	5	3	19
Withdrawn	1	0	0	1	0	2
No Contact	0	0	4	0	0	4
Closed	3	3	0	5	0	11
Approved	3	2	7	2	2	16
Value of loans (by MD)						
House Purchase	276,750	0	366,500	0	0	643,250
Tenant Purchase	40,000	94,250	182,035	80,425	75,000	471,710
Approval in Principal	0	0	419,500	0	0	419,500
Totals	316,750	94,250	968,035	80,425	75,000	€1,534,460

9.3 Loan drawdown and set up

A summary sheet that is signed by the Housing Area and countersigned by Income Collection containing all relevant details (e.g. interest rate & loan duration) is sent to the Finance section and a report is run on the Agresso system creating a payment to the customer.

The Administrative Officer in Housing is then given the loan details to facilitate the application for drawdown of monies from the HA, all details are recorded and returned to Finance. The Loan Creditor is then set up on Agresso (in the case of a TP loan, a journal transfer is created to move the loan from the existing Customer ID to the relevant loan job code).

The cheque is normally issued in the Loan Customer's name c/o DCC's Solicitor, with the customer's own solicitor as the pay recipient. In the case of TP Loans, the journal transfer completes the transaction from the TP Supplier No. [REDACTED] to the relevant job code [REDACTED], therefore no physical payment takes place.

The next step in the process is setting up the loan when the money is received from the HA. [REDACTED] in Housing notifies Finance when the money comes into the Bank and a new Loan Number is set up for the customer. Repayments are then made to the HA on a twice-yearly basis. Internal Audit checked the 2018 loans that have been set up to date and found same to be in order.

9.4 Segregation of Duties

Internal Audit examined a sample of files and found that adequate segregation of duties are in place for the processing, approval and management of Housing Loans, as follows:

Process	Responsible Officer	Section
Process and validate application	[REDACTED] [REDACTED]	Housing (MD)
Check and validate HA decision	Credit Committee	DCC
Issue Approval letter	[REDACTED]	Housing (MD)
Property check	[REDACTED]	Housing
Letter of Loan Offer and advise Solicitors	[REDACTED] [REDACTED]	Housing (MD)
Loan setup form	[REDACTED] [REDACTED]	Housing (MD) Income Collection
Set up Loan Creditor on Agresso	[REDACTED]	Finance
Loan drawdown	[REDACTED]	Housing
Loan repayment	[REDACTED]	Finance
Loan maintenance	All staff	Income Collection

During the examination of the various loan files, it was noted that the validation of loan applications in each MD is carried out by various Staff grades.

9.5 Inspection of Loan files

Internal Audit examined the 2018 RIHL applications which were approved.

Donegal Housing Office

3 of the 12 applications submitted in 2018 were granted.

IA examined 2 of the 3 loans granted and found as follows:

File 1: all the necessary documentation required for application was in place.

File 2: there were only 3 recent payslips instead of the required 4.

Letterkenny Housing Office

9 of the 19 applications submitted in 2018 were granted.

IA examined 4 of the 9 applications granted and found as follows:

Files 1, 2 & 3: all the necessary documentation required for application was in place.

File 4: There were some issues with the information provided by the applicants as follows:

- Residency: [REDACTED]
- Bank Statements: The application requires that 12 months Savings Account statements be provided. IA noted that there was a significant two week period within the 12 months for which no statements were provided.
- Savings: [REDACTED]
- Refusal and appeal: The HA refused the application in a letter dated 09/03/18 citing a failure to provide:

[REDACTED]
[REDACTED]
This information was included in a report to the CC where [REDACTED]
[REDACTED] clearly highlighted the above issues. The CC delayed a recommendation pending submission of further information to remedy these issues.

Following submission of a letter from the Irish Naturalisation and Immigration Service (INIS) dated 24/04/18 confirming permission for the applicants to remain in Ireland, the application was reviewed and approved by the CC despite the issue in relation to savings not being addressed.

Inishowen Housing Office

2 of the 13 applications submitted in 2018 were granted.

IA examined the 2 applications granted and found same to be in order.

Stranorlar Housing Office

2 of the 6 applications submitted in 2018 were granted.

IA examined the 2 applications granted and found as follows:

File 1: Only 7 months of the required 12 months original bank statements on file.

File 2: The bank statements on the file were copies and not originals as required. Also, it was noted that there were 2 valuations for this property, less than a year apart, [REDACTED] by the same Valuer.

Dungloe Housing Office

2 of the 5 applications submitted in 2018 were granted.

IA examined the 2 applications granted and found same to be in order.

9.6 Loan Accruals

The loan instalment accruals are run at the end of each month on Agresso by [REDACTED] in the Income Collection Unit. As part of this process the following checks are carried out:

- Ensures that An Post payments are uploaded before commencing the Accrual
- Checks for any Special Capital Repayments on Agresso
- Redeems all loans paid off in the relevant period
- Closes all active zero balance loans
- Updates Payroll deductions
- Runs the Accruals (Checking that Housing Accruals are up to date)
- Runs monthly reports for Tax Relief at Source (TRS)
- Completes TRS Claim Form
- Complete claim to TRS provider
- Completes Housing Statistics Update
- Irish Credit Bureau (ICB) return is completed
- Ensures that all relevant information (i.e. MPI, SO Rent) is updated on the Loan Master area of Agresso for any new loans that are to accrue the following month.
- Ensures that Redemption account for month is zero.

In a previous audit conducted on Housing Loans, it was suggested that a monthly reconciliation be carried out on the Loans Master and the General Ledger (account elements 21200-21245).

9.7 Loan Redemptions

9.7.1 Run out Loans

The Income Collection Unit currently run a report which gives details of Housing Loan accounts and the date/month of termination (run out) of the loan. Run out loans are checked each month as part of the Accrual process. These Loan accounts are closed and refunds paid where necessary.

9.7.2 Redemptions

Loan redemption figures are generated on a monthly basis and a report is run on Agresso outlining the loans due for redemption for the current month. The Agresso Financial System calculates the capital figure and the revenue amount is added on. If there are no arrears or arrears less than €25 on the loan account, a letter is issued to the customer stating that the loan was repaid in full. A letter is also issued to the relevant Housing Office in order for the property deeds to be released; a copy letter is also placed on the customer's file.

If there are arrears greater than €25 on the account, a letter is issued to the customer outlining the total amount of arrears and a redemption letter is not issued until the arrears are addressed in full. The relevant Housing Office is then advised accordingly. A similar process is carried out for loans that have run out during the course of the month.

Any arrears totalling less than €25 are transferred to the Income Code 91000 (Bad Debt write off) by way of Journal Transfer. The Journal Transfer is prepared by the Clerical Officer and checked and signed by the Staff Officer, Income Collection.

The list of redemptions can change on a daily basis as customers continue to redeem their loans throughout the month. This makes running the report at the end of the month imperative to the process.

Early loan redemptions is another area of the loans process that requires constant monitoring. According to the 2019 Annual Financial Statement there were 22 loans redeemed early in 2018 totalling €552,840.90. The capital amount for these loans must be repaid to the HA immediately in order to avoid recurring interest repayments. Internal Audit are awaiting further information on the early redemption interest figures for 2018.

9.7.3 Refunds

When a Housing loan has been terminated and there is a credit balance of €25 or greater on the account, the Clerical Officer in Income Collection Section carries out a refund to the Customer. Any credit balances less than €25 are not refunded.

Some Customers have credit on their Accounts and are written to on a yearly basis to seek their consent to carry out a special Capital repayment. This is a lump sum payment off their Capital Balance and will reduce the terms remaining on the loan.

9.8 Data Protection

9.8.1 Policies

Donegal County Council's "Privacy Statement" is published on the Council website and outlines the current policy in relation to the obtaining and sharing of information provided by the general public. The Statement also outlines how this information is retained under the guidance of the "National Records Retention Policy".

The collection and retention of data for Housing Loan purposes also falls under the remit of DCC's "Data Protection Policy (2013)", in particular the following extracts from Rules 2, 3 and 4 of the policy:

Rule 2:

"Donegal County Council will keep data for purposes that are specific, lawful and clearly stated and the data will only be processed in a manner compatible with these purposes".

Rule 3:

"Donegal County Council will only use and disclose personal data in ways that are necessary for the purpose(s) or compatible with the purpose(s) for which it collects and keeps the data. For the purposes outlined above, it may from time to time be necessary to disclose a data subject's personal data to third parties".

Rule 4:

"Donegal County Council will take appropriate security measures against unauthorised access to, or alteration, disclosure or destruction of the data and against their accidental loss or destruction. High standards of physical and technical security are essential to protect the confidentiality of personal data and are expected of all employees".

9.8.2 Redacting Information

The Loans Process Map states that PPS No's be redacted from the information sent to the HA by registered post. IA notes that a copy of all the information sent to the HA is retained in the Housing Office.

9.8.3 File Retention

IA notes that all Housing Loan files are being [REDACTED]

10. Conclusions and Recommendations

It is recommended that the findings in this report be considered and that appropriate remedial action be taken where necessary. (**See Appendix 3 for list of summary recommendations**).

10.1 Policy & Procedures

Conclusion

Relevant staff have been made aware of the current Policy and Procedures for the administration of Housing Loans within Donegal County Council and have access to same on Softco and internal folders.

No Recommendation.

10.2 Application and Loan Approval Process

Conclusion

9.2.3 Credit Committee

Internal Audit examined a sample of Housing Loan files and found that adequate segregation of duties is in place.

It is noted that a summary report of the contents of the loan application is submitted to the CC for consideration along with the recommendation of the Housing Agency. The summary report states: "I now submit the file to the Credit Committee for any comment /recommendation it wishes to make prior to making the final decision on the application".

IA understands that, despite this statement, the actual file is not sent to the CC with the summary report. This may result in the CC not having adequate information to make an informed decision on the recommendation.

Recommendation

It is recommended that the complete application file be submitted to the Credit Committee along with the summary report to enable the Committee to have access to all the relevant information before making a decision.

Response from

"Currently detailed reports with recommendations are submitted electronically by each Area Manager. These submissions are by and large sufficiently detailed and contain attachments as required by the Committee such as Loan Calculator, Bank Refusal letters, Housing Agency comments etc.

If and when deemed necessary, the Committee seeks further information from the relevant Area Manager.

The Committee therefore determined that submission of the complete application file is not required for Credit Committee meetings at this time, and that the current system is adequate".

10.3 Loan drawdown & setup

Conclusions

Internal Audit was made aware of the fact that a loan can be set up on the Agresso system and provided to the customer before the actual funding is drawn down from the HA.

One reason for this is the lack of a current loan resolution; this then requires approval at the next sitting of the County Council before the HA will release funds for the loan.

Recommendation

It is recommended that regular reports are carried out on Agresso by Housing and/or Finance staff to highlight loans which have been approved and granted without the actual funding in place from the HA.

Response from

"The Committee noted that there had been a delay in getting a Council resolution passed in order to formalise the loan funding sanction from the Department, but that same was now in place.

The Committee noted that substantial and adequate funding approval is now in place, and a system is in place to monitor approvals and drawdowns".

10.4 Segregation of duties

Conclusion

It was noted that the validation of loan applications in each MD is carried out by various Staff grades.

Recommendation

It is recommended that clarification be provided on the suggested staff grade for verification of files of this nature.

Response from [REDACTED]

"The Committee agreed that the responsible person with delegated authority within each MD is the Area Manager and that it was a matter for the Area Manager, based on local considerations to decide which staff member and grade administered the applications and prepared initial reports / recommendations".

10.5 Inspection of files

Conclusions

Almost all the loans checked in the MD offices met the requisite criteria for submission to the HA for approval. However, one loan required further information in relation to residency status and savings which were not adequately addressed prior to being approved by the CC.

Loan applications are being determined by the CC without access to the loan application file; this can lead to a lack of information being available in order to make an informed decision.

This issue has been discussed further in conclusion and recommendation 10.2.

Recommendation

Loan application files should be submitted to the CC along with the summary report in order for the CC to make an informed decision.

Response from [REDACTED]

"Currently detailed reports with recommendations are submitted electronically by each [REDACTED]. These submissions are by and large sufficiently detailed and contain attachments as required by the Committee such as Loan Calculator, Bank Refusal letters, Housing Agency comments etc. If and when deemed necessary, the Committee seeks further information from the relevant [REDACTED]"

The Committee therefore determined that submission of the complete application file is not required for Credit Committee meetings at this time and that the current system is adequate".

10.6 Loan accruals

Conclusion

Loan accruals are run on a monthly basis in Debtors Management and a process map is available for relevant staff.

Recommendation

No recommendation

10.7 Loan redemptions

Conclusion

It is noted per the 2018 AFS that a substantial amount of loans are redeemed early in their repayment schedule meaning that constant monitoring of loans that are due for run out is essential to avoid unnecessary interest repayments to the HA.

Recommendation

It is recommended that relevant staff in the Income Collection Unit run regular reports on early redemptions to avoid these repayments.

Response from [REDACTED] "Following discussions with Finance it is not considered that this would be something that Income Collection would do but what we have agreed [...] is that when a loan runs out or is redeemed and there are no arrears on the A/C, we write to the Customer and copy to Housing and we can [...] copy this letter to Finance so that they are aware immediately of any Run Outs/Redemptions".

Recommendation and response from Income Collection unit noted by Credit Committee.

10.8 Data Protection

Conclusion

Donegal County Council does not currently have a specific set of guidelines for the obtaining, sharing and storing of information in relation to Housing Loans. Given the sensitive information involved in applicants' and customers' files and the recent changes in GDPR legislation this matter should be addressed.

Recommendations

It is recommended that the current Housing Loans Process Map is updated to contain recommendations in relation to the obtaining and storing of information relating to Loan clients and applicants. This will ensure best practice in relation to sensitive information.

It is also recommended that DCC's guidelines in the Housing Loans Process Map on the redacting of certain information be reviewed and amended to include other sensitive information relating to the Loan applicant/customer. Unnecessary copies of information/files should be shredded and all physical files should be kept in a secure manner (e.g. locked filing cabinets) with access only given to relevant staff.

It is further recommended that DCC's Data Protection Policy be updated in line with the current Privacy Statement and the new GDPR regulations which were

implemented in 2018. Any specific data protection issues in relation to housing loans should be addressed using guidelines in the Department of Housing, Planning and Local Government Data Protection Policy and Privacy Statement.

Response from [REDACTED]

"Recommendation noted. The Committee agreed that this should be referred to the Data Protection Officer for follow up and advice".

11. Acknowledgement

I wish to acknowledge the assistance and co-operation of Staff from the Housing & Corporate and Finance Directorates during the course of this Audit.

Sean Canning

**Sean Canning
A/INTERNAL AUDITOR**

Appendix 1 – Circulation List

30/08/2019 Final Report sent to:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Copied to:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

05/07/2019 Draft Report sent to:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Copied to:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Appendix 2 – Audit Classification

Level	Definition
1. Substantial	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> -There is a robust system of risk management, control and governance - The systems in place should ensure that objectives are fully achieved - The control processes tested are being applied consistently
2. Adequate	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is a generally adequate system of risk management, control and governance - The systems in place should ensure that essential objectives are fully achieved - The control processes tested are, in general, being applied consistently - However, there are some weaknesses in control that are placing some objectives at risk. There is a risk that some objectives may not be fully achieved - Some improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance
3. Limited	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is a weak system of risk management, control and governance - There is considerable risk that objectives will not be achieved - The control processes that exist are not being applied consistently - There are some significant weaknesses in control in a number of areas - Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance
4. Unsatisfactory	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is an inadequate system of risk management, control and governance -The system has failed or there is a real and substantial risk that the system will fail to meet its objectives - Systems/processes are open to significant error or abuse - Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance
5. No Assurance	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - Internal Audit has been unable to form an opinion on the system of risk management, control and governance - Internal Audit has been unable to access or has been prevented from accessing essential information required to form an opinion - Internal Audit has not received the cooperation of staff/management

Appendix 3 – IA19/2 – Housing Loans - Summary Recommendations

	<i>Material Issues Identified</i>	<i>Actions Undertaken or to be undertaken</i>	<i>Timeline</i>	<i>Responsible Director & Service</i>
1	<u>10.2 Application and Loan Approval Process</u> It is recommended that the complete application file be submitted to the Credit Committee along with the summary report to enable the Committee to have access to all the relevant information before making a decision.	DCC Credit Committee determined that submission of the complete application file is not required for Credit Committee meetings at this time, and that the current system is adequate.	N/A	[REDACTED]
2	<u>10.3 Loan Drawdown and Setup</u> It is recommended that regular reports are carried out on Agresso by Housing and/or Finance staff to highlight loans which have been approved and granted without the actual funding in place from the HA.	The Credit Committee noted that there had been a delay in getting a Council resolution passed in order to formalise the loan funding sanction from the Department, but that same was now in place. The Committee noted that substantial and adequate funding approval is now in place, and a system is in place to monitor approvals and drawdowns	N/A	[REDACTED]
3	<u>10.4 Segregation of duties</u> It is recommended that clarification should be provided on the suggested staff grade for verification of files of this nature.	The Credit Committee agreed that the responsible person with delegated authority within each MD is the Area Manager and that it was a matter for them based on local considerations, to decide which staff member and grade administered the applications and prepared initial reports /recommendations.	N/A	[REDACTED]

4	<p><u>10.5 Inspection of files</u></p> <p>A decision on loans is currently being made by the CC without the benefit of having the physical loan application file to view; this can lead to issues in relation to the amount of information available in order to make an informed decision.</p> <p>This issue has been discussed further in conclusion and recommendation 10.2.</p>	<p>DCC Credit Committee determined that submission of the complete application file is not required for Credit Committee meetings at this time, and that the current system is adequate.</p>	N/A 
5	<p><u>10.7 Loan redemptions</u></p> <p>It is recommended that relevant staff in the Income Collection Unit run regular reports on early redemptions to avoid unnecessary Interest repayments.</p>	<p>Income Collection Unit to write to relevant customers informing them of loan run-out and copy of letter also to be sent to Finance.</p>	Implemented July 2019 
6	<p><u>10.8 Data Protection</u></p> <p>It is recommended that the current Housing Loans Process Map is updated to contain recommendations in relation to the obtaining and storing of information relating to Loan clients and applicants.</p> <p>It is also recommended that DCC's guidelines in the Housing Loans Process Map on the redacting of certain information be reviewed and amended to include other sensitive information relating to the Loan applicant/customer. Unnecessary copies of information/files should be shredded and all physical files should be kept in a secure manner (e.g. locked filing cabinets) with access only given to relevant staff.</p> <p>It is further recommended that DCC's Data Protection Policy be updated in line with the current Privacy Statement and the new GDPR regulations which were implemented in 2018. Any specific data protection issues in relation to housing loans should be addressed using guidelines in the Department of Housing, Planning and Local Government Data Protection Policy and Privacy Statement.</p>	<p>Recommendations noted by DCC Credit Committee.</p> <p>These matters will be referred to the Data Protection Officer for follow up and further advice.</p>	July 2019 

Appendix 4: Housing Loan Checklist for Applicants

- Fully Completed Application Form
- Letters from two Banks or Building Societies confirming insufficient offers of finance
- HPL1 Form to be stamped by Revenue Commissioner (Appendix 1A)
- Photographic Identification (Current Passport or Drivers Licence)
- Proof of Present Address (Current Utility Bill or Bank Statement)
- Original Salary Certificate (Appendix 1)
- Up-to-date, computer generated P60 (Please note if the P60 is not for 52 weeks, a P21 is required)
- 4 recent Payslips
- Signed Customer Declarations
- Original Current Account Statements (12 Months)
- Original Savings Statements (12 Months)
- Original Loan Statements (12 Months)
- Original Credit Card Statements (12 months)
- Original Credit Union Statements (12 months)

FOR THOSE RENTING

- Tenants in private rented accommodation must have a clear rent account for 6 months prior to applying, and be able to show a rent book or proof of payment
- Tenants of a local authority or tenants under the RAS Scheme must submit a letter from the Rent Assessment Section confirming that their rent assessment is up to date and the account is clear for 6 months prior to applying

SELF EMPLOYED

- Accountants Report/Audited Accounts (2 Years Required)
- Current Tax Balancing Statement
- Current Preliminary Revenue Tax Payment Receipt

APPLICANTS IN RECEIPT OF UNEMPLOYMENT/SOCIAL WELFARE BENEFITS

- Appendix 2 completed by the Department of Employment Affairs and Social Protection
- Statement of total benefit received in the preceding tax year

FOR OFFICE USE ONLY

LOCAL AUTHORITY

LOCAL AUTHORITY REFERENCE