

**Donegal County Council
Internal Audit Department**



FINAL REPORT

DONEGAL COUNTY COUNCIL

**IA24/2 - HOUSING LOANS INCOME
COLLECTION PROCESS**

July, 2024

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1. Executive Summary

Internal Audit has carried out an Audit on the procedures and controls in place for the operation of the Housing Loans income collection process within Donegal County Council (DCC). This audit was carried out as part of the 2024 Internal Audit Work programme.

Local Authority loans provide a means for first-time buyers and other individuals to own their own home and there are a number of different options available to applicants who fulfil the relevant criteria. The Income Collection Unit in DCC are responsible for ensuring the Mortgage Loan debtors make the correct monthly repayments to the Council as per the terms and conditions of their loan agreements.

Internal Audit's findings and recommendations for remedial action, where applicable, are set out hereunder.

Policy & Procedures

There are policies and procedures documents that detail the main tasks carried out by the Housing Loans Income Collection Unit, (HLICU) stored in soft copy on the housing loans shared drive. Some of these documents still retain references to Tax Relief at Source, (TRS) in respect of Mortgage Interest Relief which was removed by Revenue from 1 January 2021.

Internal Audit recommends that these policies and procedures documents are reviewed and updated to ensure they reflect the current processes followed in the HLICU.

There are no drafted procedures in DCC for dealing with uncollectable amounts, including authorisation procedures for the write-off of bad debts as required by Appendix VI of the Accounting Code of Practice for Local Authorities.

Internal Audit recommends that management draft a set of procedures to deal with uncollectable amounts which includes the necessary authorisation protocols for the write-off of bad debts.

Loan Redemptions

Each mortgage loan issued to a borrower has a corresponding matching loan drawn down by DCC Finance Team from the Housing Agency. At present, staff in the

HLICU do not inform Finance Team of early loan redemptions. This results in DCC incurring additional interest payments on the loan owed to the Housing Agency.

Internal Audit recommends that a process is implemented so Finance Team are informed of early redemptions so the corresponding loan with the Housing Agency can be repaid at the earliest opportunity.

Interest Rate Changes

DCC currently have 7 mortgage loan customers on a 5 year fixed interest rate. The record of these customers is maintained on a spreadsheet on the computer of the [REDACTED] of the HLICU and the process by which these rates are updated is reliant upon the individual being present and remembering to consult the spreadsheet.

Internal Audit recommends that an automated control is implemented using IntelAgent if possible, to ensure a reminder is issued to numerous individuals and/or a general mailbox in Finance Directorate prior to the 5 year fixed rate term ending.

Loan Restructures

Internal Audit found during the examination of a shared ownership loan, that there were a number of long delays in responses by HLICU staff to requests for information from the borrower. One of these delays was exacerbated by an out of office not being applied to a staff member's email account whilst they were unexpectedly absent for an extended period of time.

Internal Audit recommends that a reminder is issued to all managers in Income Collection, (IC) to request that Information Systems Team apply an out of office to the email account of any frontline IC staff member who goes on a period of unexpected leave.

Monthly Arrears Report

The monthly arrears report was not run and there was limited debtor management activity undertaken between July 2022 and July 2023. This coincided with a period when there was only 1 staff member in the HLICU and when DCC had the lowest loan collection rate across all Local Authorities in Ireland.

It is recommended that Management ensure that the HLICU is sufficiently resourced going forward, to ensure effective debtor management and maximise loan collection levels.

Mortgage Arrears Resolution Process (MARP) Toolkit - Arrears Training Obligations

The MARP toolkit requires all Local Authorities to ensure that appropriate training is provided to all frontline staff dealing with borrowers in arrears or pre-arrears. Internal Audit found that current staff in the HLICU have not received any formal arrears training other than desk training from former staff.

Internal Audit recommends that appropriate training is sourced and provided for all HLICU staff who deal with borrowers in arrears or pre arrears.

MARP Toolkit - Communication Obligations

The MARP toolkit requires all Local Authorities to write to all borrowers at least annually to encourage early contact if they fall into arrears or are in danger of going into arrears. DCC currently does not complete this task.

It is recommended that the HLICU write to all borrowers on an annual basis to encourage early contact with DCC in the event such a scenario arises.

MARP Toolkit - Website Obligations

The MARP toolkit contains a number of general obligations that all Local Authorities must follow when dealing with arrears cases. These include ensuring that certain information and links to certain external websites are included in a dedicated MARP section on the Local Authority's website, which must be easily accessible from the home page. DCC's website currently does not contain all these external links and information and the MARP section is not easily accessible from the home page, (further detail on these obligations is available in section 8.7.4 of this report)

Internal Audit recommends that the DCC website is updated with all the information and external website links required by section 3.3 of the MARP toolkit and so that the dedicated MARP section is easily accessible from the home page.

Loan Arrears Cases – Legal Process

There are a number of arrears cases that were referred to the council's previous provider of legal services several years ago on which little progress has been made to date. This includes 3 cases of voluntary surrender where DCC is waiting on the legal firm completing the formal repossession, before work can begin on

reallocating the houses in question. Internal Audit found in the cases examined that repeated requests for an update on progress have for the most part not been acknowledged or responded to by the legal firm in question.

Internal Audit recommends that Senior Management write to this legal firm requesting that all cases previously referred to them are progressed in a timely fashion. Internal Audit also recommends that the cases be referred to the council's new provider of legal services for appropriate action, if sufficient progress is not made following this communication.

Mortgage to Rent Process

Borrowers undergoing the Mortgage to Rent, (MTR) process are required to return a completed MTR application form and signed Letter of Offer within 28 days of receipt. Any extensions to this deadline are required to be communicated to the borrower in writing by DCC. Internal Audit found 1 instance where no alternate date was communicated in writing to the borrower and it was approximately 18 months before the completed application form was returned, which delayed the whole process.

Internal Audit recommends that all staff involved in the MTR process are reminded of the communication requirements defined in the MARP toolkit in respect of the MTR process.

Mortgage to Rent Arrears Cases – MICA

A number of loans in arrears that were undergoing the MTR process were placed on hold following the discovery of MICA in the respective structures. There is currently no government designed remediation scheme for damage caused by defective concrete blocks in Social Housing however Internal Audit note that current legislation allows for the government to devise such a scheme.

Internal Audit recommends that Management continue to follow up with the Department of Housing, Local Government and Heritage in respect of removing barriers to the Mortgage to Rent scheme for those whose properties are affected by Defective Concrete Blocks.

2. Assurance Rating

This Audit has been assigned an assurance rating of:

Level 2 – Adequate

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

On the basis of the work carried out in this audit, Internal Audit found that there is a generally adequate system of risk management, control and governance around the income collection process of Housing Loans issued by DCC.

For the most part, the systems currently in place are ensuring objectives are achieved. However, there are some weaknesses in the process, and some improvements have been suggested to enhance the effectiveness of the controls in place.

3. Introduction/ Background

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
- Local Authority Home Loan (LAHL)
- Rebuilding Ireland Home Loan, (RIHL)
- Reconstruction (RL)
- Shared Ownership (SO)
- Tenant Purchase (TP)

In January 2022, the Local Authority Home Loan, (LAHL) was launched as part of Housing for All for first time buyers and Fresh Start applicants. The scheme is for the purchase of new or second-hand residential properties and for self-builds. It also includes the purchase of homes through State schemes such as the Tenant Purchase Scheme and Affordable Housing Schemes, with the exception of the First Home Scheme and replaces the above loan options.

There were 313 active loans that had been issued by DCC at 31 December 2023. This figure does not include 34 shared ownership loan customers who had fully repaid the annuity balance owed but who were still making monthly repayments in respect of the rented equity portion of the loan, (Shared Ownership Loans were originally setup as 50% annuity and 50% rented equity in most cases).

DCC's Income Collection Unit currently have 3 full time personnel assigned to manage the collection of income from all Housing Loans including managing the process for any loans that have fallen into arrears.

4. Scope

The scope of this audit was to examine:

1. The process and controls around new loans setup on Agresso by the Income Collection Unit to ensure that information is correctly input and that repayments are accurate and have started in a timely fashion.
2. The process and controls around Loans ended/ redeemed during the year to ensure collections have stopped and accounts are closed.
3. The process and controls around the monthly loan accrual process to ensure amounts accrued are correct per the loan documentation and that the repayment matches the amount due.
4. The process and controls around the loans in arrears.
5. Comparison of the loan master balance on Agresso to the comparative figure on the General Ledger at the financial year end.
6. The process and controls around the change in the interest rate for the 5 year fixed rate mortgages granted by the council.

5. Objective & Methodology

The objective is to carry out an audit of the procedures and controls in place for the Housing Loan Income Collection process, including:

- The setup of new Loans on Agresso
- Loans ending/ redeemed during the year
- Loans amended during the year
- Loans in Arrears
- Monthly loan accrual process
- Central Credit Register reporting process

The audit was approached as follows:

- Meet with relevant staff
- Completion of audit questionnaire
- Review a sample of loans and repayments along with associated documentation in the Financial Year 2023 and 2024
- Recalculation of amounts owed/ paid and agree to supporting documentation.
- Examine loans in arrears and associated documentation to ensure action taken is appropriate and in line with the Mortgage Arrears Resolution Process, (MARP)

- Examine balances on Loan Master Module and General ledger at the financial year end to ensure they agree.

A draft report was issued to relevant staff on the 15th of July 2024 and responses received have been incorporated into the final report where appropriate.

6. Statistical Analysis

6.1 Active loans 2023

There were 313 Active Loans on the system with a capital value of €13,167,794.60 (as at December 2023). The table below sets out the breakdown of this total by the type of loan issued.

Type of Loan	No.	Value €
Affordable	58	2,902,341.16
Annuity	88	4,883,089.02
LAHL*	1	123,396.38
Reconstruction	1	18,832.96
Rebuilding Ireland Home Loan (RIHL)*	38	2,743,920.63
Shared Ownership	34	966,137.37
Tenant Purchase	93	1,530,077.08
Total	313	13,167,794.60

* Both RIHL and LAHL are types of Annuity Loans

6.2 Housing Loan Yields in Local Authorities

The following table is taken from the National Audit and Oversight Commission, (NOAC) report of performance indicators that is produced annually for all local authorities and shows the housing loan yield for Donegal. Internal Audit have included the figures for the other Local Authorities in the North and West region as well as the national average in the table below for comparative purposes.

Authority	Collection Level of Housing Loans from the Annual Financial Statement, (AFS) for 2019	Collection Level of Housing Loans from the Annual Financial Statement for 2020	Collection Level of Housing Loans from the Annual Financial Statement for 2021	Collection Level of Housing Loans from the Annual Financial Statement for 2022	Collection Level of Housing Loans from the Annual Financial Statement for 2023
Donegal	68	65	64	59	62
Mayo	76.6	79	81.4	83.1	83
Galway County	79	79	81	83	86
Sligo	64	68	66	69	68
Leitrim	65	70	75	81	84
Monaghan	78	83	80	83	84
Cavan	81	84	91	89	100
Average	78	79.8	81.6	82.9	85.5

Donegal's housing loan collection rate decreased steadily from 2019 to 2022 where it was the lowest across all local authorities at 59%. Internal Audit note that this period coincided with a period where there was only 1 staff member working on the housing loans income collection process. Additional staff joined the section during 2023 when the collection rate increased to 62%.

6.3 Housing Loans Total Arrears Balance, Total Mortgage Advances and Total Collections as per the AFS

The following table displays the Housing Loans total arrears balance along with the total long term mortgage advances, total collections and the arrears as a % of the total mortgage loans advanced to borrowers from 2019 to 2023.

	Balance Per AFS at 31/12/2019 €	Balance Per AFS at 31/12/2020 €	Balance Per AFS at 31/12/2021 €	Balance Per AFS at 31/12/2022 €	Balance Per AFS at 31/12/2023 €
Housing Loan Total Arrears (Donegal)	939,783	970,584	999,415	1,109,963	1,019,074
Total long term Mortgage advances (Donegal)	15,557,657	15,326,116	14,996,322	14,357,210	13,167,795

Total Amount Collected (Donegal)	1,969,731	1,783,632	1,790,518	1,626,644	1,656,997
Arrears as % of total long term mortgage advances	6.0%	6.3%	6.7%	7.7%	7.7%

Similar to the trend visible in table 6.2, the total arrears balance increased steadily from 2019 to 2022 at the same time as the total amount collected decreased. In 2023 the total arrears decreased by €90,889 or 8.2% when compared to 2022. This decrease was largely due to the transfer of 3 loans out of the arrears balance to a separate job code on Agresso. The 3 loans have been referred to a legal firm for repossession, (in these cases the keys for the houses were handed back to DCC and the properties have been secured by council staff however the loans were still accruing each month which was increasing the total arrears balance).

Internal audit note that the long-term arrears balance includes a total of approximately €250k, (as at 31 December 2023) in respect of 5 loans that were in the process of going through the Mortgage to Rent process when the engineer's report noted the presence of MICA in the structures. These cases have since been placed on hold however they are still accruing arrears each month as the borrowers are only repaying an agreed affordable amount which is less than the accrual in each case. More information on these loans is included below in section 8.7.7.

6.4 Number of Housing Loans Customers in Arrears per Agresso

The following table displays the total number of Housing Loans customers in arrears from 2019 to 2023.

	Number of Housing Loans Customer in arrears at 31/12/2019	Number of Housing Loans Customer in arrears at 31/12/2020	Number of Housing Loans Customer in arrears at 31/12/2021	Number of Housing Loans Customer in arrears at 31/12/2022	Number of Housing Loans Customer in arrears at 31/12/2023
Donegal	153	141	134	132	114

7. 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)
- Local Authority Housing Loan Mortgage General Conditions (Version 2012/1)

- Credit Reporting Act 2013
- Circular Fin 01 2013
- Housing Circular 37 of 2016
- Housing Loans Regulations 2021 (S.I. No. 701/2021)
- Housing Circular 32 of 2023
- Housing Circular 34 of 2023
- Dealing with Mortgage Arrears – A Guide for Local Authorities (June 2013)
- Mortgage Arrears Resolution Process Toolkit (Housing Agency)
- Shared Ownership Restructuring Guide (April 2016 Housing Agency)
- Guidance on the Central Credit Register For Credit information Providers (April 2024)
- Remediation of Dwellings Damaged by the Use of Defective Concrete Blocks Act 2022
- Local Authority Accounting In Ireland – Code of Practice and Accounting Regulations (January 2018)

8. Findings

8.1 Policies & Procedures

The Policies and Procedures currently used in the processing of Housing Loans Income Collection by DCC have been developed by the Finance Directorate as well as some external bodies such as the Housing Agency for example.

The Housing Loan Manual which was last updated in 2022 is a detailed document that sets out the main tasks and duties that are required to be completed by the [REDACTED] in the Housing Loans Income Collection unit.

There are also various detailed guidance notes that were previously prepared by staff in DCC in respect of the main tasks required to be completed as part of the monthly loan accrual processes, as well as guides produced by external bodies in respect of the Central Credit Register reporting process and Mortgage Arrears Resolution Process.

Some of these documents still retain references to Tax Relief at Source, (TRS) which related to the Mortgage Interest Relief. This relief was removed by Revenue from 1 January 2021, (Internal Audit confirmed that the account code previously used on Agresso in respect of TRS was fully reconciled and now had a balance of 0).

In addition, Accounting Control Systems Section h. of Appendix VI of the Accounting Code of Practice for Local Authorities stipulates that there must be procedures for dealing with uncollectable amounts including the authorisation procedures for the write-off of bad debts.

Internal Audit found that there are no formal procedures drafted in DCC in respect of dealing with uncollectable amounts including the authorisation of the write-off of bad debts.

8.2 Loan Setup Process on Agresso

All loans are set up by Debtor's Management/Finance Section, on foot of a written request from the relevant Municipal District Housing Section, together with a copy of the Chief Executive Order approving the loan and all details required for new loan set-ups. This includes the Direct Debit Instruction, Tax Clearance Certificates for each person named on the loan and the Mortgage Protection Insurance Declarations/ Stand Alone Policy details.

As part of this process a summary sheet is signed by the Housing Area and countersigned by Income Collection which contains all relevant details (e.g. interest rate & loan duration) and is retained on the customer's loan file.

The [REDACTED] in the Housing Loans Income Collection Unit, (HLICU) refers to a checklist to ensure all relevant information has been obtained in respect of the new loan and will then setup the loan debtor by entering the customer details and loan information such as the interest rate etc onto the Loan Master Module of the Agresso system and advise the applicants of repayment details. The file is then passed to the Finance Section to complete the loan drawdown from the Housing Agency.

The [REDACTED] in HLICU checks all details entered in respect of the new loan as part of their monthly accrual process checks to ensure the accuracy of the loan principal amount, loan term, repayments and other key information.

Internal audit examined the two new loans setup in 2023 by the HLICU and found that all relevant documentation was in place on the customer loan file, that all relevant information was entered correctly on Agresso in both the Accounts Receivable and Loan Management modules and that the repayments were accurate and had started.

8.3 Loan Accruals

The loan instalment accruals are run at the start of each month on Agresso by the [REDACTED] in the HLICU. As part of this process the following checks and processes are carried out:

- Ensure that An Post payments are uploaded before commencing the Accrual
- Check for any Special Capital Repayments on Agresso

- Redeem all loans paid off in the relevant period
- Ensure 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 that month.
- Close all active zero balance loans
- Update Payroll deductions
- Run the Accruals
- Complete Housing Statistics Update
- Complete the Mortgage Protection Monthly Report for Cornmarket –
- Ensure the Shared Ownership Rented Equity Balance (SO REB) Only loadsheet is sent and updated by finance
- Run the Loans Extract and submit to the Department of Housing, Local Government and Heritage
- Complete the RIHL Reporting
- Ensure the Redemption account (RED1) is zero.
- Close all runout loans post accrual – discuss with [REDACTED].
- Central Credit Register, (CCR) return is submitted.

Once all the above checks are completed the [REDACTED] in HLICU runs the 'Instalment Due Calculation' process under the Loan Management module of Agresso. The routine has to be run separately for each of the 7 loan types and a GL07 report is produced for each category. The [REDACTED] then performs a series of checks to ensure that the loan accrual routine has run correctly for each loan type. This includes checking the following:

- That the debits and credits balance to zero in the GL07 reports for each loan type
- One instalment is selected from each loan group and a check is completed to ensure that the accrual has posted correctly in the relevant customer accounts on Agresso
- A check is completed on Loan Master to ensure that the next due date for the loan is correct following the accrual process.
- All loan accrual amounts for each customer are copied from Agresso and posted into a spreadsheet along with the accrued amounts from the previous month. A Vlookup comparison is performed between the two months and any differences are investigated, (the [REDACTED] should already be aware of most of the differences that result by completing the pre accrual checks).

Internal Audit examined a sample of active loans for 2023 and ensured that the monthly accrual process was correctly applied to the relevant debtor accounts on Agresso, that Loan Master was correctly updated and that the repayments were received into DCC's bank account with the associated credit being applied to the customers' accounts. No issues were noted with this process.

8.3.1 Shared Ownership Rented Equity, (SORE) Load Sheet – Monthly Accrual Process

Once a Shared Ownership, (SO) Loan balance has run out or been redeemed, the rented equity element of the loan can no longer be input on Agresso and added to the instalment due as part of the monthly accrual process. To ensure these amounts are accrued, the HLICU retain a spreadsheet of all SORE only loans which includes the monthly rent due to DCC per customer. This spreadsheet is updated on a monthly basis by the HLICU team before it is sent to the Finance Section for uploading into Agresso so the amounts owed can be applied to the customer accounts, (note that the majority of changes to this spreadsheet occur in July of each year when Housing Directorate complete the mid-year review of all Shared Ownership Loans and the associated subsidies paid to these customers. Minor changes may occur at other times of the year such as if a SORE customer completes a partial redemption of the SORE balance owed to DCC).

Internal audit obtained the SORE load sheet from finance section that was uploaded as part of the May 2024 month end process and examined a sample of the rent amounts included to ensure they were applied to customer accounts correctly. Internal audit also obtained the master shared ownership rent and subsidy spreadsheet for 2023 from HLICU along with the information originally sent by Carndonagh and Lifford Housing sections to check that all new rent amounts for 2023 were correctly applied to customer accounts. No issues were noted with this testing.

8.3.2 Year end Reconciliation between Loan Master and General Ledger

A reconciliation is carried out between the Loan Master on Agresso and the General Ledger (account elements 21200-21245) at each year end by Finance Team as part of the process of preparing the Annual Financial Statement. Internal audit confirmed that this reconciliation was carried out correctly at 31 December 2023 and checked that the balance per the general ledger was accurate to that included in the reconciliation. No issues were noted with this process.

8.3.3 Central Credit Register Reporting Requirement

The Credit Reporting Act 2013 section 11 requires all Credit Information Providers, (CIPs) to provide specified information about any qualifying credit applications within timeframes specified by the Central Bank of Ireland, (Housing Loans issued by DCC are included within qualifying credit applications).

The 'Guidance on the Central Credit Register, (CCR) for Credit Information Providers' originally issued by the Central Bank of Ireland in January 2019 requires

all CIPs to provide the required data to the CCR within 5 working days of the last calendar date in the month.

Following the completion of the monthly accrual process the [REDACTED] in the HLICU generates the file to be sent to the CCR on Agresso. This data file is then sorted into columns and verification checks are completed on the underlying data before it is sent to the CCR, (this includes checks on run-outs and redemptions in the month etc).

Once the verification checks on the data are complete, the [REDACTED] uploads the data file to the CCR via a secure file transfer facility. The CCR will reply in due course with confirmation that the file was accepted and the data successfully uploaded. No updates can be completed on Agresso in respect of Housing Loans Income Collection until the CCR respond confirming that the data file was acceptable. If an error is identified the entire file must be deleted and the process started over.

Internal Audit checked a number of months across 2022 and 2023 to ensure that the CCR reporting requirements were completed to the required deadlines. On one occasion in June 2022, the data file for May 2022 was not sent to the CCR by the 5th working day of the next month. This was because DCC was waiting on the Local Government Management Agency to release a software update for Agresso that incorporated new CCR validation rules. This update affected all local authorities in Ireland. The [REDACTED] for Income Collection in DCC notified the relevant CCR staff as soon as they became aware that the reporting deadline would be missed as well as the reason for the delay. The data file in question was subsequently sent to the CCR following the software update.

The [REDACTED] in HLICU confirmed to Internal Audit that there were no other instances from 2022 to date when the CCR reporting deadline was missed.

8.3.4 Mortgage Protection Insurance, (MPI)

Mortgage Protection Insurance is currently provided by Cornmarket for all DCC Housing Loan customers. DCC normally pay Cornmarket the total annual amount of the MPI due for all Housing Loan customers at the beginning of the year. Staff in the HLICU send a spreadsheet which is broken down by month of all new and redeemed loans so Cornmarket can process a refund for the respective amounts. DCC then pay the net amount of premiums due less any refunds to Cornmarket. The [REDACTED] in the HLICU sends the breakdown of the annual amount due to Cornmarket to the Finance Director in DCC for approval before payment is processed.

Internal Audit agreed the annual amount paid for 2023 to Cornmarket in respect of MPI to the bank statement, Agresso and to the relevant supporting documentation including the receipt from Cornmarket. No issues were noted with this testing.

8.3.5 Special Capital Repayments

Special Capital Repayments, (SCR) occur when a borrower requests to pay off some of the mortgage loan capital balance owed to DCC. Whilst these can occur throughout the year, the majority are processed in October in respect of a number of loan customers who each month repay an amount in excess of their accrual instalment which results in a credit balance on their account.

The HLICU will confirm in writing with each borrower who is making a SCR whether they want to reduce the term of the loan or reduce the monthly repayment amounts. Once written confirmation is received from the borrower, HLICU staff input the new reduced loan balance into the SCR loan term calculator to work out the new repayment period. This will also be checked by running an accrual in Agresso in non-post mode to ensure the accrual instalment amount remains the same once the new repayment period is applied. The HLICU will write to the borrower advising them of the new repayment period, (or amount if the borrower opts to reduce the repayment amount). The HLICU then complete a journal that debits the customer's debtor account and credits the total loan debtor in Agresso, (this journal reflects the majority of cases where borrowers have been paying a monthly amount higher than the accrual instalment).

Internal Audit checked a sample of SCRs and confirmed in each case that the loan term was reduced on Agresso, that the correct journal was posted to the debtors account and that the written authorisation from the borrower was received and matched the action taken by HLICU staff. No issues were noted with this testing.

8.4 Loan Redemptions

8.4.1 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.

Internal audit examined a sample of loans that had run out in 2023 and confirmed that the loan capital balance had been reduced to 0, that the accounts were closed on Loan Master and the monthly direct debits from the customers had been cancelled accordingly.

8.4.2 Redemptions

Early loan redemptions also occur on an ad-hoc basis. If a customer enquires about making a redemption, staff in the HLICU can use the Agresso Financial System to calculate the final balance owed. Following the payment by the customer, 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 [REDACTED] and checked and signed by the [REDACTED], Income Collection.

According to the 2023 Annual Financial Statement there were 25 loans redeemed early in 2023 totalling €290,718.24. The capital amount for these loans must be repaid to the Housing Agency immediately in order to avoid recurring interest repayments.

The previous audit on Housing Loans in 2019 included a recommendation for the HLICU to notify finance section immediately in the event of an early redemption. Internal Audit have found that this process does not currently take place.

Internal Audit examined a number of loans redeemed early in 2023 and confirmed that the loan capital balance had been reduced to 0, that the accounts were closed on Loan Master and the monthly direct debits from the customers had been cancelled accordingly.

8.4.3 Refunds

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

8.5 Interest Rate Changes

8.5.1 Five Year Term Fixed Interest Rate Loans

There are currently 7 mortgage loan customers who have 5 year fixed interest rate loans. Agresso currently has no functionality to automatically flag or highlight these loans when the fixed interest rate term is about to end. A record of these loans is

maintained on a spreadsheet currently held on the computer of the [REDACTED] of the HLICU.

The process by which these rates are updated is reliant upon this individual being present and remembering to consult the spreadsheet. There is a risk of these rates not being updated due to the nature of the control, (staff in the HLICU reported to Internal Audit that in the event these fixed term loans weren't amended on Agresso that finance should notice in due course. This is because the original Housing Finance Agency, (HFA) loan is linked to the customer loan and the HFA would advise finance of the ending of the fixed rate period on the original loan who should send this information on to the HLICU team).

8.5.2 Standard Variable Rate, (SVR) Loans

The majority of the older active loans are SVR loans. A circular is sent out from the Housing Agency in advance of the effective date, advising of an upcoming change in the variable rates. When this circular is received, the HLICU staff run the update in Agresso test first to produce the change in instalment letters. These are sent out to all customers and the HLICU staff work to get amended direct debit mandates completed in advance of the rate change. The change is then implemented on Agresso live so the rate changes are applied to all debtor accounts.

The most recent circular amending the SVR was issued by The Department of Housing, Local Government and Heritage on 5 September 2023 with the rate changing from 3.8% to 4.0% from 1st October 2023. Internal Audit examined a number of SVR loan customers to confirm that the new interest rate was correctly applied to the debtor accounts and Loan Master in Agresso from October 2023 and that the direct debit amounts were correctly updated. No issues were noted with this testing.

8.6 Loan Restructures – Shared Ownership Loans

The SO scheme was originally designed to facilitate access to home ownership to those who were unable to buy a home outright with a conventional mortgage. The mortgages under this scheme were issued on a 50% annuity loan and 50% rented equity basis by the Local Authority, (in most cases). The borrower in this scenario paid a monthly capital and interest repayment and a monthly, 'rent' in respect of the rented equity portion to the Local Authority. The original loans were setup with an obligation on the borrower to purchase the rented equity element of the loan from the Local Authority at a future date.

In April 2016, the Housing Finance Agency published the Shared Ownership Restructuring Guide for all local authorities as the scheme's structure and operation often resulted in longer term difficulties for some borrowers in repaying and clearing their loans. This guide formalised a process whereby subject to certain conditions, the borrower could restructure the mixed loan and rented equity SO

mortgage into a single annuity loan thus simplifying the capacity of the borrower to achieve homeownership.

The option to restructure a SO loan is only available to borrowers who have both an annuity and shared ownership balance outstanding. Those customers who have only a rented equity balance outstanding are unable to seek a restructure at present. Staff in the HLICU have reported to Internal Audit that the Housing Agency are in the process of devising a new scheme that will be open to SO borrowers who only have a rented equity balance outstanding.

One of the sample of loans examined as part of the monthly accrual process was a SO loan that was restructured into an annuity loan in 2023. Internal Audit found that while DCC followed the steps laid down in the guide when completing the restructure, the entire restructure process took more than 8 years to complete from when the borrower first requested a restructure. Internal Audit note that part of the reason for the delay was due to the borrower moving abroad however there were a number of instances whereby there were long delays in responses by DCC staff to requests for information from the borrower. One of these delays appeared to be exacerbated when a staff member who was dealing with the case was unexpectedly absent for an extended period of time and no out of office was applied to their email account.

8.7 Arrears

Once the monthly accrual process has been completed, the [REDACTED] in HLICU runs the monthly arrears report on Agresso. Once the arrears report is run, the HLICU team perform a monthly check on all accounts to identify accounts for follow up/ further action. This includes analysing the missed Direct Debit, (DD) report sent by Finance Team. For anyone who has missed a repayment whether by DD or standing order etc, contact is made by the HLICU team at the first opportunity to try and encourage the debtor to make a repayment by bank transfer at the earliest opportunity. If contact cannot be made or the individual does acknowledge contact but consistently fails to repay the instalment owed, then the Mortgage Arrears Resolution Process, (MARP) is applied in an attempt to seek a resolution. The MARP toolkit was produced and distributed to all local authorities by the Housing Agency and sets out the process as to how Local Authorities should treat borrowers in or facing mortgage arrears.

As of 31 May 2024, there were 98 Housing Loan customers in arrears. This is broken down by loan group in the following table with the majority of arrears consisting of Shared Ownership Loans:

Loan Type	Number of Loans in arrears at 31/05/24	Total Amount of Loans in Arrears at 31/05/24
Shared Ownership	35	763,460.76
Annuity	25	222,685.47
Affordable	23	87,121.30
Tenant Purchase	15	43,915.66
Total	98	1,117,183.19

8.7.1 Monthly Arrears Report

Internal Audit note from conversations with the HLICU that the monthly arrears report was not run for a period of 12 months, (July 2022 to July 2023) and there was minimal follow up of any loans in arrears during this period. This period of inactivity in debtor management coincides with the trend identified in the statistical analysis in section 6 where the total amount of loans in arrears increased by €110,548 or 11% in the period between 31/12/21 and 31/12/22 compared to an increase in total arrears of only €28,831 or 3% in the period between 31/12/20 to 31/12/21.

As mentioned earlier in the report, Internal Audit note that there was only 1 member of staff in the HLICU during most of the period in question. The staff member in question reported to Internal Audit that they did not have the capacity to complete the monthly debtors' management work in addition to the normal monthly accrual tasks and other essential work required to be completed.

8.7.2 MARP Toolkit – Arrears Training

The MARP Toolkit Section 3.3 under General Obligations states that;

'Each Local Authority must have appropriate training for frontline staff dealing with borrowers in arrears or in pre arrears should be provided'

While the current members of the HLICU have received desk training on the process to follow when dealing with arrears from previous HLICU staff, there has been no other formal arrears training provided. Internal Audit note that the Housing Agency previously provided formal arrears training to former members of the HLICU in 2017.

8.7.3 MARP Toolkit – Obligation re Annual Arrears Written Communication

The MARP toolkit section 3.3 sets out General Obligations that,

'the Local Authority must comply with in order to deal with MARP and to ensure that the process is run in an efficient manner that is fair and transparent. Each Local Authority must pro-actively encourage borrowers to engage with it about financial difficulties which may prevent the borrower from meeting his/her mortgage repayments. This must include a written communication by the Local Authority to all borrowers on at least an annual basis to encourage early contact with the Local Authority if a borrower is in arrears or is concerned that he/she is in danger of going into arrears.'

Staff in the HLICU confirmed to Internal Audit that DCC does not currently complete this process on annual basis.

8.7.4 MARP Toolkit - Website

The MARP Toolkit Section 3.3 under Provision of Information includes the following obligations;

1. *"Each Local Authority must prepare and make available to borrowers, an information booklet providing details of its MARP. Each Local Authority must have a dedicated section on its website for borrowers in, or concerned about, financial difficulties which must include the information booklet required under this Chapter."*

Internal Audit have found that the DCC website's dedicated MARP section does not have this booklet available for borrowers.

2. *"Each Local Authority must have a dedicated section on its website for borrowers in, or concerned about, financial difficulties which must include a link to any website operated by the Insolvency Service of Ireland, e.g. www.isi.gov.ie, which provides information to borrowers on the processes under the Personal Insolvency Act 2012."*

Internal Audit have found that DCC's website does not contain the link to any website operated by the Insolvency Service of Ireland.

3. *"The dedicated section on the website must be easily accessible from a prominent link on the Local Authority's home page."*

Internal Audit have found that the link to the MARP section is not easily accessible through a prominent link on DCC's website. To find information on

MARP on the DCC website the user must enter, 'MARP' or 'arrears' into the search bar.

4. *"Each Local Authority must have a dedicated section on its website for borrowers in, or concerned about, financial difficulties which must include a downloadable version of the Standard Financial Statement and guide for its completion."*

Internal Audit have found that although the Standard Financial Statement is available for download from DCC's website, no guide to its completion is included therein.

8.7.5 Individual Customer Loans in Arrears Greater than €40k

As of 31 May 2024, 10 individual mortgage loan debtors each with an arrears balance of approximately €40k or higher comprised €563k of the total mortgage loan arrears balance of €1.17m. Internal audit examined the customer files of a number of these debtors including the largest individual debtor of circa €80k. Internal Audit found in the cases examined that the HLICU had in general correctly followed the steps laid down under the MARP toolkit.

In respect of the files examined the following points are of note:

- In one case a loan exited the MARP process in 2017 having exhausted all available options under the guidance to resolve the arrears. Although the case was originally referred to [REDACTED] solicitors in November 2019 to proceed with repossession of the property, to date this process is no further forward, despite three final demand letters being issued to the customers. Internal Audit also found that numerous reminders to [REDACTED] [REDACTED] for an update on the progress of the case have not been answered.
- In several arrears cases examined, Internal Audit note that there was no or very limited follow up by staff in the HLICU for some periods of time, in particular from early 2022 to 2023. Staff in HLICU have reported to Internal Audit that for most of this timeframe the team only contained 1 staff member and arrears follow up was limited due to resource constraints.
- One case examined during the audit was one of three individual loans that were in arrears where the customers voluntarily surrendered the properties to DCC due to an inability to meet their repayments. These 3 cases were referred to [REDACTED] solicitors in January 2019 and October 2020 to complete the formal repossession process. To date none

of these repossessions have been completed despite several unanswered requests to [REDACTED] for an update on progress from HLICU staff.

These 3 cases do not form part of the arrears balance at 31 May 2024. These amounts were journalled out of arrears to a separate job code on Agresso, (Account 90130 Housing Loan Capital Write-Off/ Repossession) in November 2023 due to long delays associated with the formal repossession process. Internal Audit found that the procedure followed by Finance Team in transferring these loans is consistent with Circular Fin 01 of 2013 – Accounting Treatment for Repossessed Dwellings. Internal Audit also note that Housing Circular 37 of 2016 details the mechanism by which DCC can apply to reclaim the total amount previously owed by the borrowers from the Department of Housing, Local Government and Heritage, once the formal repossession process has been completed.

8.7.6 Mortgage to Rent Process

Once a loan exits the MARP due to an inability of the borrower to meet the repayments and arrears, a number of options are presented to the borrower in respect of how to proceed with the mortgage loan including the Mortgage to Rent, (MTR) scheme, voluntary surrender or voluntary sale.

MTR involves the Local Authority taking ownership of the property in exchange for the market value less essential repairs to the property. This amount is then credited to the borrower's mortgage account and the borrower agrees to pay an income related rent for the property along with an agreed amount in respect of the residual debt or equity outstanding. The Local Authority becomes responsible for carrying out any essential repairs and the ongoing maintenance of the property. Subject to certain conditions, the Local Authority is eligible to reclaim the costs of the transferred market value, the essential repairs and the residual debt from the Department of Housing, Local Government and Heritage.

The MARP toolkit and Housing Circular 32 of 2023 sets out the conditions and steps to be followed by both the borrower and the Local Authority when proceeding with the MTR process. Internal Audit examined a number of cases one of which had completed the MTR process and others that were in the process of proceeding through MTR. Internal Audit found that HLICU staff had in general, correctly followed the steps as laid down in Housing Circular 32 and the MARP toolkit when dealing with these cases.

Internal Audit found one instance where the borrower failed to return the signed Letter of Offer and MTR application form within the maximum 28 day action period as defined in steps 5 to 8 of the Local Authority Mortgage to Rent process map contained within Housing Circular 32 of 2023. Internal Audit note that section 4.1.2 of the MARP toolkit, 'Local Authority Mortgage to Rent Process Steps' stipulates that if the borrower is cooperating but fails to respond within 28 days, the Local Authority has the discretion to extend the action time period as long as the

alternate date is communicated in writing. Internal Audit found that no alternate date was communicated in writing to the borrower at any stage and the signed Letter of Provisional Offer was only returned more than 18 months after it was issued.

8.7.7 Mortgage to Rent Arrears Cases – MICA

The MTR process requires an inspection of the property to be completed before the list of essential repairs can be submitted to the Department of Housing Local Government and Heritage for pre-approval. A number of the cases Internal Audit examined that were in the process of moving to MTR have been put on hold as the engineer has found MICA present in the houses in each case. The Housing Agency confirmed to staff in the HLICU that the cost of the repairs in the cases where MICA is present are not eligible for reimbursement under the MTR scheme and these have been put on hold with no resolution to date as the houses cannot be repossessed in their current condition. Staff in the HLICU reported to Internal Audit that the individual borrowers are either unwilling or unable to avail of the remediation scheme for homeowners whose dwellings have been damaged by defective concrete blocks.

Internal Audit note that Section 36 of the Remediation of Dwellings Damaged by the Use of Defective Concrete Blocks Act 2022 notes that,

'The Government may make a scheme for the purpose of enabling a designated local authority or an approved housing body to remedy damage caused to dwellings by the use of defective concrete blocks in their construction.'

The Housing Agency had indicated in an email to the [REDACTED] of Income Collection in DCC in 2023 that while such a scheme could be implemented by the Government, one was not currently under development.

9. 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**).

9.1 Policy & Procedures

Conclusion

Some of the Housing Loan Income Collection guidance/ procedures documents still retain references to Tax Relief at Source, (TRS) which related to the Mortgage Interest Relief. This relief was removed by Revenue from 1 January 2021.

Recommendation

It is recommended that the Housing Manual and other guidance notes such as those relating to the Monthly Accrual process are reviewed and updated where necessary to reflect the current process in each case.

Conclusion

There are no formal procedures documented in DCC for dealing with uncollectable amounts including the authorisation process for write-offs of bad debts.

Recommendation

It is recommended that Management draft a set of procedures for dealing with uncollectable amounts including authorisation procedures for the write-off of bad debts as required by Appendix VI of the Accounting Code of Practice for Local Authorities.

9.2 Loan Setup Process

Conclusion

Internal Audit examined a sample of Housing Loan files in respect of new loans setup and found that all relevant documentation was in place on the customer loan file and that all relevant information was entered correctly on Agresso.

No recommendation.

9.3 Loan Accruals Process

Conclusion

Internal Audit performed a number of tests around the monthly accrual process and found that the various amounts were accrued correctly and subsequently posted into the customer accounts and that the associated payments were received by DCC. Internal audit also confirmed that the CCR reporting requirements were met on a sample basis and checked a sample of special capital repayments and found these were processed correctly by the HLICU.

No recommendation

9.4 Loan Redemptions

Conclusion

Internal Audit found that the HLICU do not notify finance team in the event of an early loan redemption by a borrower. This results in DCC incurring additional interest payments on the corresponding loan with the Housing Agency which should be repaid at the same time as the borrower loan redemption.

Recommendation

It is recommended that a process is setup whereby the HLICU immediately inform Finance team in the event of an early redemption so the corresponding loan with the Housing Agency can be repaid at the earliest opportunity.

9.5 Interest Rate Changes

Conclusion

A record of the mortgage loan customers on a 5 year fixed interest rate is maintained on a spreadsheet currently held on the computer of the [REDACTED] of the HLICU and the process by which these rates are updated is reliant upon this individual being present and remembering to consult the spreadsheet.

Recommendation

It is recommended that an automated control is implemented, if possible, to ensure a reminder is issued to numerous individuals or general mailboxes in Income Collection Unit/ Finance Directorate in advance of the 5 year fixed interest rate term ending.

9.6 Loan Restructures

Conclusion

Internal Audit found that there were a number of long delays in responses by DCC staff to requests for information during the process of restructuring a shared ownership loan. One of these delays was exacerbated when a staff member who was dealing with the case was unexpectedly absent for an extended period of time and no out of office was applied to their email.

Recommendation

It is recommended that a reminder is issued to all managers in Income Collection Unit to contact Information Systems Team in the event of an unexpected staff absence so an appropriate out of office message can be applied to the relevant email account.

9.7.1 Monthly Arrears Report

Conclusion

It is noted that from July 2022 to July 2023 the monthly arrears report was not run and there was limited debtor management by the HLICU which only contained 1 staff member for most of the period in question. This coincided with a period where the total mortgage loan arrears increased by €110,548 or 11% from the previous year and where DCC had the lowest loan collection level of any Local Authority in Ireland.

Recommendation

It is recommended that Management ensure that the HLICU is sufficiently resourced going forward, to ensure effective ongoing debtor management and maximize loan collection levels.

9.7.2 MARP Toolkit – Obligation re Arrears Training

Conclusion

Local Authorities are required under Section 3.3 of the MARP Toolkit, General Obligations to ensure appropriate training is provided to staff dealing with Arrears. Internal Audit found that no formal arrears training, other than desk training from former staff members, has been provided to current members of the HLICU.

Recommendation

It is recommended that management ensure that appropriate training is provided to all frontline HLICU staff who deal with borrowers in arrears or pre-arrears.

9.7.3 MARP Toolkit – Obligation re Annual Arrears Written Communication

Conclusion

Local Authorities are required under Section 3.3 of the MARP Toolkit, General Obligations to write to all borrowers at least annually to encourage early contact if they fall into arrears or are in danger of going into arrears. DCC has not complied with this requirement to date.

Recommendation

It is recommended that the HLICU write to all mortgage loan customers on an annual basis encouraging them to make early contact with DCC if they are in arrears or are in danger of going into arrears.

9.7.4 MARP Toolkit – Obligations in relation to Local Authority’s website

Conclusion

Section 3.3. of the MARP Toolkit requires local authorities to ensure that their website has a dedicated MARP section and that it contains certain specified information and website links. This includes;

- an information booklet providing details of the Local Authority’s MARP,
- a link to any website operated by the Insolvency Service of Ireland which provides information to borrowers on the processes under the Personal Insolvency Act 2012,
- a downloadable version of the Standard Financial Statement and a guide for its completion
- that the dedicated MARP section is easily accessible from a prominent link on the Local Authority’s home page.

Internal Audit found that not all of the information specified above is contained in the DCC website’s MARP section. The MARP section is also not accessible from a prominent link on the DCC homepage.

Recommendation

It is recommended that the DCC website is updated to ensure that the missing information detailed above is included and that the MARP section is accessible from a prominent link on the home page.

9.7.5 Loans Arrears Cases – Legal Process

Conclusion

Internal Audit found in a number of loans examined that long delays and a lack of progress resulted when cases were referred to DCC’s previous preferred provider of legal services and requests for updates from HLICU staff were often not responded to. Internal Audit note that any new cases that require legal advice are being

referred to a new legal firm, however many historic cases remain with the original provider of legal services and are still unresolved at the current date.

Recommendation

It is recommended that Senior Management write to the previous provider of legal services requesting that all cases previously referred to them are progressed in a timely fashion. If significant progress is not made in a timely fashion, it is recommended that these cases be referred to the new provider of legal services for appropriate action.

9.7.6 Mortgage to Rent Process

Conclusion

Borrowers undergoing the Mortgage to Rent, (MTR) process are required to return a completed MTR application and signed Letter of Offer within 28 days of receipt of same, according to the guidance included in the MARP Toolkit. An extension is only permitted when the borrower is cooperating with the Local Authority's Arrears Support Team and the new alternate date must be communicated to the borrower in writing. Internal Audit found in one case that no alternate date was communicated in writing to the borrower at any stage and the completed application was not returned for 18 months.

Recommendation

It is recommended that management remind all staff involved with the MTR process of the communication requirements defined in the MARP toolkit and Housing Circular 32 of 2023.

9.7.7 Mortgage to Rent Arrears Cases – MICA

Conclusion

All arrears cases that were undergoing the MTR process where MICA was discovered in the properties have been placed on hold as the MTR scheme does not cover the cost of the necessary repairs and there is currently no government designed remediation scheme for Social Housing with defective concrete blocks. These cases cannot be repossessed in their current condition.

Recommendation

It is recommended that Management continue to follow up with the Department of Housing, Local Government and Heritage in respect of removing barriers to the Mortgage to Rent scheme for those whose properties are affected by Defective Concrete Blocks.

10. Acknowledgement

I wish to acknowledge the assistance and co-operation of Staff from the Finance Directorate and in particular the Income Collection Unit, during the course of this Audit.

GARETH PARK, ACA
INTERNAL AUDITOR

Appendix 1 – Circulation List

29/01/2024

Final Report sent to:

[Redacted]

Copied to:

[Redacted]

15/07/2024

Draft Report sent to:

[Redacted]

Copied to:

[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 – IA24/2 – Housing Loans - Summary Recommendations

	Material Issues Identified	Actions Undertaken or to be undertaken	Timeline	Responsible Director & Service
1	<p>It is recommended that the Housing Manual and other guidance notes such as those relating to the Monthly Accrual process are reviewed and updated where necessary to reflect the current process in each case.</p> <p>It is recommended that Management draft a set of procedures for dealing with uncollectable amounts including authorisation procedures for the write-off of bad debts as required by Appendix VI of the Accounting Code of Practice for Local Authorities.</p>	<p>Agreed. Finance will develop a general procedures document around the collection of any bad debts in DCC</p>	<p>December 2025</p>	<p>Director of Finance</p>
2	<p>It is recommended that a process is setup whereby the HLICU immediately inform Finance team in the event of an early redemption so the corresponding loan with the Housing Agency can be repaid at the earliest opportunity.</p>	<p>This process is now in place</p>	<p>Complete</p>	<p>Director of Finance</p>
3	<p>It is recommended that an automated control is implemented, if possible, to ensure a reminder is issued to numerous individuals or general mailboxes in Income Collection Unit/ Finance Directorate in advance of the 5 year fixed interest rate term ending.</p>	<p>As well as the records HLICU hold, Management Accounts staff would inform the HLICU team when the corresponding loan with the Housing Agency is due for renewal as the interest rates on both loans must match.</p>	<p>Ongoing</p>	<p>Director of Finance</p>
4	<p>It is recommended that a reminder is issued to all managers in Income Collection Unit to contact Information Systems Team in the event of an unexpected staff absence so an appropriate out of office message can be</p>	<p>This reminder has been issued to all staff</p>	<p>Complete</p>	<p>Director of Finance</p>

	applied to the relevant email account.			
5	It is recommended that Management ensure that the HLICU is sufficiently resourced going forward, to ensure effective ongoing debtor management and maximize loan collection levels.	HLICU team is currently fully staffed. Any future vacancies will be filled at the earliest opportunity.	Ongoing	Director of Finance
6	It is recommended that management ensure that appropriate training is provided to all frontline HLICU staff who deal with borrowers in arrears or pre-arrears.	Agreed. This training has been availed of in the past and is available through The Housing Agency. Further training will be arranged when required. Staff are also part of The Western Loans Network which is a very useful communication and information forum with other LA's and a key member of staff from The Housing Agency. Various scenarios and potential challenges and solutions are discussed at this forum.	Ongoing	Director of Finance
7	It is recommended that the HLICU write to all mortgage loan customers on an annual basis encouraging them to make early contact with DCC if they are in arrears or are in danger of going into arrears.	HLICU will arrange to issue a proforma letter with the run of annual statements from early 2025	Q2 2025	Director of Finance
8	It is recommended that the DCC website is updated to ensure that the missing information detailed above in section 8.7.4 is included and that the MARP section is accessible from a prominent link on the home page.	Agree with the comments regarding the website. The new DCC website is now in place and ICU will ensure that the current content will be reviewed and the required information will be easily accessible.	Q2 2025	Director of Finance
9	It is recommended that Senior Management write to the previous provider of legal services requesting that all cases previously referred to them are progressed in a timely fashion. If significant progress is not made in a timely fashion, it is recommended that	The Income Collection [REDACTED] contacted the previous provider of legal services advising cases would be transferred if lack of progress continued. 2 of the 3	Partly complete. Remainder due Q4 2025	Director of Finance

	these cases be referred to the new provider of legal services for appropriate action.	cases have now concluded in court with DCC gaining possession of the house. A claim for costs and residual debt will be made to DEHLG in due course. The third case is more complex but is currently receiving attention from the legal firm in question.		
10	It is recommended that management remind all staff involved with the MTR process of the communication requirements defined in the MARP toolkit and Housing Circular 32 of 2023.	The 28 day deadline is the standard deadline as outlined on the Letter of Offer template. MTR applicants will regularly disregard this deadline and can delay the process for a myriad of reasons including not submitting information on time and reconsidering their options. Staff from the Housing Loan office will always follow up on the file and endeavour to have the applicant complete their application as soon as possible.	Ongoing	Director of Finance
11	It is recommended that Management continue to follow up with the Department of Housing, Local Government and Heritage in respect of removing barriers to the Mortgage to Rent scheme for those whose properties are affected by Defective Concrete Blocks.	██████████ emailed DEHLG on this matter again in October 2024 but did not receive a positive response. ██████████ will liaise with Director of Housing, Corporate and Cultural Services to agree a letter to DEHLG in respect of the matter.	Q2 2025	Directors of Finance & Housing, Corporate and Cultural Services