

# *Kilkenny County Council*

## **Internal Audit Housing Capital Recoupments**

**Date: 1<sup>st</sup> November 2023**

### **Report Distribution**

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### **Introduction**

The Housing for All Programme launched in September 2021 sets out the Government's mission to tackle the housing crisis. A key element of this programme is to increase housing delivery nationally to an average of 33,000 new homes per year in the period 2022-2030. Housing for All includes a target to deliver an average of over 9,500 new build social homes per annum over the next five years with an annual target increasing year on year.

Kilkenny County Council in partnership with the Voluntary Housing Sector are required to deliver 803 Social and 76 Affordable Housing Units in Kilkenny in the period 2022 to 2026. Kilkenny County Council delivered 166 substantially completed new build units in 2022. In addition to these, 14 acquisitions and 3 Traveler Accommodation Units were also delivered giving an overall social housing delivery for Kilkenny for 2022 of 183.

The Department of Planning, Housing and Local Government supports Local Authorities to acquire social housing homes through a number of funding programmes. The Social Housing Investment Programme (SHIP) and Capital Assistance Scheme (CAS) allow Local Authorities to recoup 100% of acquisition costs. The Capital Advance Leasing Facility (CALF) funding is capital support provided to AHBs by Local Authorities to facilitate the funding of construction, acquisition or refurbishment of new social housing units. This loan facility can support up to 30% of the eligible capital cost of the housing project with the housing units provided to Local Authorities for social housing use under long term lease arrangements known as Payment and Availability. It is essential that Housing Capital recoupments are processed in a timely manner to ensure Kilkenny County Council's cash flow is maintained.

The Housing Section requires that a Housing Capital job code is opened for all projects. This ensures clear identification of expenditure for projects. The Finance Directorate holds monthly meetings with the Housing Capital Section to review all outstanding debit balances on projects.

### **Objectives**

The objective of the audit is to provide reasonable assurance that Housing Capital Recoupments are processed in a timely manner and that the necessary procedures and sufficient systems/controls are in place.

### **Approach**

- Internal Audit spoke with staff in the Housing Directorate with responsibility for Housing Capital Projects and recoupments to gain an overview of the process involved.
- The housing section procedure manual for SHIP was reviewed.
- Housing Capital Recoupments to the Department for 2022 were examined.
- The debit and credit balances on Housing Capital Codes in Agresso were examined. This check covered SHIP and CAS Codes.
- Internal Audit spoke with the Head of Finance to gain an overview of the oversight by the Finance Section on the expenditure and outstanding debit balance on Housing Capital Codes.

### **Scope & Limitations of scope**

Internal Audit reviewed the recoupment for Housing Capital expenditure for 2022. The outstanding debit balances and credit balances on Housing Capital Codes were also examined.

### **Audit Risk**

- Expenditure on some Housing Capital Job Codes not recouped in a timely manner.
- Delays in recoupment have negative implications on the Council's cash flow.
- Procedure Manual requires updating.

**Co-operation of Management and staff**

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

**Internal Audit Opinion**

Internal Audit's findings and recommendations are detailed below. Based on this audit on the recoupment of Housing Capital expenditure the audit opinion is reasonable assurance. There is a sufficient framework of key controls for objectives to be met. Risks are managed but could be stronger. Controls are generally applied but some lapses in the application of controls have been observed.

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

The report was approved by the Management Team on 28<sup>th</sup> November 2023.

The Audit Committee reviewed the Audit Report at their meeting of 4<sup>th</sup> December 2023.

*Brigid Webster, Internal Auditor*

## *Findings, Recommendations and Management Comments*

<i>Findings</i>	<i>Implications</i>	<i>Recommendations</i>	<i>Management Action Plan &amp; Timeframe</i>
<p><b>1.</b> The SHIP &amp; CAS recoupment files for 2022 were examined, please see details in Appendix 1. The timeframe for recoupment on the sample files for SHIP &amp; CAS was 1-3 months. This is comparable to the timeframe for recoupment in the previous Audit report in 2019.</p> <p>The files were in excellent order which aided the audit process.</p>	<p>Timely recoupment ensures that there is no negative implication on the Council's cash flow.</p>	<p>Internal Audit notes that the SHIP &amp; CAS files that were recouped in 2022 were recouped within a timeframe of 1-3 months. This is a timely manner and needs to continue to ensure there is no negative implication on the Council's cash flow.</p>	<p>Comments on files being in order and timely recoupment is noted.</p> <p>There was a deficit of staff in Housing Capital Admin for the past number of years. A Clerical Officer has now been appointed to assist the Staff Officer in processing claims, which should help with recoupment. Claims involving higher amounts of money are prioritised.</p> <p>KCC are dependent on receiving required documents from AHBs in relation to CAS claims.</p>
<p><b>2.</b> There were 100 Housing Capital Job Codes with debit balances totaling €3.1m at</p>	<p>Untimely recoupment on some Housing Capital Codes which has a negative</p>	<p>Internal Audit notes that some of the debit balances are dating back to 2017.</p>	<p>Long term debit balances relate to the more complex files.</p>

<p>25<sup>th</sup> April 2023. These debit balances were reviewed and a list was sent to the Housing Capital Section for their comment as to the reason why recoupment had not taken place. This list was reviewed again in September 2023 by Internal Audit and it was noted the job codes in Appendix 2 need to be progressed to recoupment or closed off where it has become evident that recoupment is not possible.</p>	<p>effect on the Council's cash flow.</p>	<p>Debit balances on Housing Capital Codes need to be progressed to recoupment. Where the expenditure cannot be recouped the Job Codes should be reviewed and a decision made as to the 'close off' of the debit balance.</p> <p>It is noted that the Housing Capital Section has actioned some of the debit balances during the course of the audit.</p> <p>Management should review the staff compliment in both administration and technical resources in the Housing Capital Section to ensure recoupments and relevant technical back up documentation are processed in a timely manner.</p>	<p>MTM / Head of Finance approval is required to close off one of the bigger balances as it is not a housing debt and will not be closed off using housing funds.</p> <p>We are in the process of cleaning up smaller debit balances relating to certain works on older projects that were not recoupable at the time. When it is evident that the balance cannot be recouped, the balances are zeroized using Internal Capital Receipts funds which are ringfenced for housing projects.</p> <p>Admin staff are now in place, and it is accepted by the auditor that recoupments are made in a timely manner (see finding 1) . Some technical staff vacancies (Senior Executive Architect and Executive Engineer) remain which</p>
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			<p>delays progress on some claims.</p> <p>Note: several of the outstanding final accounts listed have now been processed.</p>
<p><b>3.</b></p> <p>The Procedure Manual for SHIP was last reviewed in 2019.</p>	<p>Out of date Procedure Manual.</p>	<p>I recommend that the Procedure Manual in place for SHIP is reviewed and updated.</p>	<p>We are satisfied that SHIP claims are made in a timely and accurate manner. However, we accept that manual should be reviewed. This will be looked at in Q1 2024, and the procedure will be updated if needed.</p>

## Appendix 1

Housing Capital Recoupments 2022			
SHIP Recoupments	No of Claims	Sample Checked	Results
69	105	10	8 Job Codes fully recouped 2 Jobs ongoing with 2023 expenditure to be recouped Recoupment timeline 1-3 months
CAS Recoupments			
29	52	5	5 Job Codes fully recouped Recoupment timeline 1-3 months

## Appendix 2

Housing Capital Codes with Debit Balances			
SHIP Job Code	Debit Balance	IA Findings	Housing Response
116H020C	€ 433,905.73	Expenditure on code from 2015-2021	Not recoupable as KCC opted not to proceed with the project which was given Stage 1 approval by the Dept. Revised project may proceed. Some of the original surveys might be relevant to new project but this represents only a small element of expenditure.
116H021C	€ 103,807.03	Expenditure on code from 2016-2022. Considering the lack of available land for housing in Kilkenny City the engineering solution should be progressed as a matter of urgency.	Cost of land purchase, Part V compliance for this estate. Potential site for group home. Issues with flooding on the site, doesn't currently pass the justification test for development. Engineering solution to be investigated.

116H022C	€ 413,542.10	Expenditure on code from 2016-2023	Final account to be recouped. Delays due to lack of capacity in Housing Capital (admin and technical)
116H199C	€ 41,538.80	Expenditure on code from 2018	Cost of land purchase. Further project unlikely to proceed in the short term as will require rezoning of adjoining land to create a viable plot.
116H216C	€ 140,837.03	Expenditure on code from 2022	Project not completed yet, difficulties with getting contractor to do remedial works on houses purchased. Further monies due to be claimed.
116H248C	€ 14,733.96	Expenditure on code from 2020-2021	This to be claimed - noted & prioritised
116H272C	€ 312,462.46	Expenditure on code from 2020-2023	Land cost. To be developed as part of Regeneration Project. Proposal currently with Dept of Housing.
116H337C	€ 31,653.60	Purchase of demountable 2020 – 50% recouped	Can only claim 50% of costs relating to demountable - claimed. Balance outstanding approved for transfer from Internal Capital Receipts by SEO to zeroize job. Job code now zero.
116H303C	€ 58,763.41	Purchase of demountable 2019 – 50% recouped	TAU project. Only 50% of demountable costs can be claimed - done. Balance has been approved for transfer from Internal Capital Receipts by SEO as it is unclaimable. Job code since zeroized.
116H368C	€ 51,957.14	Purchase in 2021 no recoupment to date	Possible regeneration project. To be reviewed.
116H370C	€ 40,442.43	Purchase 10/2021. Recouped 11/2021. Outstanding works to be recouped	To be reviewed. Probable claim to be made.
116H369C	€ 20,723.92	Works began July 2021	Project on hold. Site likely to be sold to recoup expenditure.
116H156C	€ 1,937.25	Feasibility study 2017	Feasibility study only. Not proceeding at this time
116H155C	€ 8,958.80	Feasibility study 2017	Feasibility study only. Not proceeding at this time



116H154C	€ 1,814.25	Feasibility study 2017	Feasibility study only. Not proceeding at this time
116H159C	€ 2,398.50	Feasibility study 2017	Feasibility study only. Not proceeding at this time
116H158C	€ 2,583.00	Feasibility study 2017	Feasibility study only. Not proceeding at this time
116H180C	€ 2,398.50	Feasibility study 2017	Feasibility study only. Not proceeding at this time
<b>CAS JOB CODE</b>			
1212635C	€ 191,661.40	Expenditure on code from 2018-2021	Project delayed for various reasons. KCC awaiting retendering of project to determine status
1212785C	€ 301,143.45	Expenditure on file since 2020	AHB to submit revised proposal for the site
1212789C	€ 89,085.39	Expenditure on code from 2020	AHB to submit planning application for the site
1212823C	€ 8,872.00	Expenditure on code from 2020	Dept of Housing due to issue response on this project before fees can be claimed. Project not proceeding
<b>Debit Balance</b>	<b>€ 2,275,220.15</b>		