

Kilkenny County Council

Internal Audit Report on Approved Housing Bodies

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Report Distribution

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Introduction

Approved Housing Bodies (AHBs) are independent, not-for-profit organisations, whose purpose is the provision and management of housing for people who cannot afford private sector rents to purchase their own homes or those who have a special housing need such as the elderly, homeless or people with disabilities etc. AHBs have been significant partners in Social Housing delivery and have played a key role in increasing the level of new social housing in recent years. Under Housing for All, AHBs have a central role with a multi-annual focus as set out in new Local Authority Delivery Action Plans.

The Approved Housing Bodies Regulatory Authority (AHBRA) was established in February 2021 to oversee the effective governance, financial management and performance of all voluntary and co-operative housing bodies. The Housing (Regulation of Approved Housing Bodies) Act 2019 sets out the legal framework for AHBRA.

Kilkenny County Council has an oversight role over AHBs in the provision of Social Housing in its functional area. Funding is provided under various Department Social Housing schemes. This funding is provided to the AHBs through the Local Authority (LA). The LA determines that proposed housing projects are aligned with their housing needs, provide oversight of capital projects and inspection of standards of accommodation. The Council has an important role to develop strong and ongoing relationships with the AHB sector to bring Social Housing projects to fruition. The role also includes the nomination/allocation of housing units to tenants and ongoing monitoring of the terms of the funding schemes including conditions of mortgage agreements.

AHB Category Breakdown – Kilkenny County Council		
TIER 1 1 to 50 Properties	TIER 2 50 - 300 Properties	TOTAL
41	8	49 AHBs
549 Properties	966 Properties	1515 Properties

The Irish Council for Social Housing (ICSH) is the national representative federation for AHBs in Ireland. The ICSH Federation comprises a range of members with differing capacity, ambitions and expertise each playing their part in meeting housing need. In 2023 almost 12,000 social rented homes were delivered by Local Authorities and AHBs. This is the highest level of Social Housing output in almost 50 years. The AHB sector delivered 5,638 social rented homes in 2023. In addition, 286 cost rental homes were completed by AHBs in 2023 out of a total of 966.

In December 2015 the Local Government Audit Service (LGAS) issued a report on the oversight Role of Local Authorities in the provision of Social Housing by Approved Housing Bodies which contained a number of recommendations (Report No. 29). Progress Report No. 7 issued from the LGAS in 2019 on the implementation of the recommendations in Report No. 29. A Code of Practice for the AHB Allocation Process was issued by the County & City Management Association (CCMA) in May 2022. This Code of Practice aims to establish a collaborative approach to housing allocations between LA's and AHBs.

Objective

Review the Oversight Role of Kilkenny County Council in the provision of Social Housing by Approved Housing Bodies.

Approach

Internal Audit met with the Management and Staff in Housing and a walk through of the oversight role of Kilkenny County Council of Approved Housing Bodies was undertaken. 7 sample AHB files were reviewed. An assessment took place to ascertain the current status in Kilkenny County Council on the implementation of the recommendations in the LGAS Report No. 29, Progress Report No. 7 and the implementation of the CCMA Code of Practice for the AHB Allocation Process. Internal Audit also spoke with staff in the Finance Section to discuss the Central Credit Register (CCR) requirement for AHB Loans. The Kilkenny County Council AHB mortgage files were cross referenced with the AHB file obtained from the Housing Section in February 2024 to ascertain the number of AHBs under the remit of Kilkenny County Council.

Scope & Limitations of scope

The Scope of the Audit was limited to the review of the 7 sample files, assessment of the implementation by Kilkenny County Council of the recommendations contained in the LGAS Reports and the implementation of the CCMA Code of Practice. The content of the AHBRA register for Kilkenny and the implications for the CCR register were also considered.

Audit Risk

- No formal approved written Policy and Procedure
- No dedicated Staff Member with oversight and management of AHBs
- Incomplete Management Operating System - iHouse
- No established point of contact for all AHB members
- Inconsistent return of Statement of Occupancies to Kilkenny County Council
- No regular meetings with representatives of smaller AHBs
- Inappropriate storage of AHB Mortgage Deeds
- Non-adherence to CCR Legislative requirements

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. Internal Audit has also incorporated a review of progress on the recommendations set out in the LGAS reports. Based on this Audit of the oversight by Kilkenny County Council on Approved Housing Bodies the audit opinion is reasonable. There is 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/Finance Directorates and includes their Management Action Plan.

The report was approved by the Management Team on 19th November 2024.

The Audit Committee reviewed the Audit Report at their meeting of 2nd December 2024.

Brigid Webster, Internal Auditor

Findings, Recommendations, Management Comments & Action Plan

<i>Internal Audit Findings</i>	<i>Implications</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
1. Policy and Procedure There is no formal approved written Policy or Procedure in place for the management of AHBs within Kilkenny County Council's functional area.	In the absence of an approved Policy and Procedure Kilkenny County Council is not ensuring consistency and efficiency in the management of AHBs.	Internal Audit recommends that a written Policy and Procedure for the management of AHBs is approved and implemented immediately.	A written policy & procedure will be drafted in 2025 to coincide with proposed appointment of designated member of staff who will oversee AHB governance in accordance with LGAS reports, CCMA Allocation Code of Practice & IA Recommendations.
2. Lack of Clarity/Absence of a dedicated Staff Member There is a lack of clarity regarding the responsibility for the overall management and governance surrounding AHBs in the Council. There is no dedicated Staff Member with responsibility for the oversight of AHBs.	Inconsistent approach to the oversight and management of the AHBs by the Council.	Internal Audit recommends that a dedicated Staff Member is assigned to manage and oversee the AHBs within Kilkenny County Council.	Assignment of a dedicated staff member from existing pool of resources cannot be facilitated therefore a business case for an additional staff member will be made to HR and is subject to inclusion in WFP and budget.
3. Storage of AHB Mortgage Deeds AHB Mortgage Deeds are not stored in a secure fire proof location. They are stored in multiple locations in Johns Green House. Some in locked safes, filing cabinets and cardboard boxes on the floor.	Kilkenny County Council is not securing the AHB Mortgage Deeds in an appropriate secure manner. These are valuable documents and are difficult to replace if lost or misplaced.	Internal Audit recommends that Management arrange to secure it's AHB Mortgage Deeds in one secure, fire proof location. This location should be suitable for the storage of Mortgage Deeds. A review should take place to ensure the Mortgage Deeds register is up to date when all Mortgage Deeds have been relocated.	Quotations have been received for an additional 13 fire safety safes however JGH does not lend itself in terms of space to housing an additional 13 safes. An alternative location/company storing deeds will be investigated. In advance of providing an alternative solution a review will be undertaken by the assigned designated Staff Member to ensure all deeds are accounted for on the Mortgage Register.

<i>Internal Audit Findings</i>	<i>Implications</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
<p>4. Central Credit Register</p> <p>The CCR was established by the Central Bank of Ireland under the Credit Reporting Act 2013. Kilkenny County Council is required to report details on all AHB loans for inclusion on the CCR. When the CCR register was cross checked with Agresso it was noted that 4 of the Capital Advance Loan Facility (CALF) loans were not included on the CCR.</p>	<p>Kilkenny County Council is not fulfilling its requirements to include all Loans on the CCR.</p>	<p>Internal Audit recommends that Management ensure that all loans are updated to the CCR in a timely manner. Currently Housing informs Finance of the new loans to be added to the CCR and Finance run monthly reports to update the CCR.</p>	<p>All AHB loan draw-downs will be forwarded to the Finance Section on the first Tuesday of every month. Currently two staff independently send notifications to Finance depending on AHB loan type. Going forward all AHB loan draw downs will be sent collectively.</p>
<p>5. Nominations</p> <p>Kilkenny County Council have nomination rights as per the Mortgage Agreement with the AHBs. It was noted that in some of the smaller AHBs Kilkenny County Council was not informed of voids. This resulted in the Council being unable to exercise their nomination rights.</p>	<p>Tenants maybe assigned properties by the AHBs that have not been assessed for Social Housing and have not come off Kilkenny County Council's housing list.</p>	<p>Internal Audit recommends that the Housing Section engage with all AHB's and ensure that they exercise their nomination rights according to the Mortgage Agreement. Prospective tenants should be assessed for Social Housing by Kilkenny County Council.</p>	<p>The Housing Section undertakes an annual statement of occupancy. The cover letter for same will highlight KCC's nomination rights and explain that</p>

KCC Progress on Recommendations from LGAS Report No. 29

<i>Recommendations made in LGAS Report No. 29 & LGAS Progress Report No. 7</i>	<i>Internal Audit Findings</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
1. Local authorities should conduct a review to ensure that all mortgages have been properly registered, reconciled with the mortgage amount drawn down from the Housing Finance Agency (HFA) where applicable, and that the project approved amount agrees with their financial records.	A register of all mortgages is in place. The reconciliation has not taken place to date.	A reconciliation is required to ensure that the mortgage amount drawn down from the Housing Finance Agency (where applicable) is correct and that the project amount agrees with the financial records.	Noted. Will form part of duties assigned to proposed designated staff member.
2. Details of the mortgage, maturity date and folio documentation should be maintained on a comprehensive register, which will help to expedite discharge and release of mortgage deeds on maturity (Circular Housing 19/2014).	A register index is in place but it is not complete.	Internal Audit recommends that the index is reviewed and updated to ensure all data is captured.	Noted. Will form part of duties assigned to proposed designated staff member.

<i>Recommendations made in LGAS Report No. 29 & LGAS Progress Report No. 7</i>	<i>Internal Audit Findings</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
3. On the sale of a property by an AHB, prior approval should be given by the local authority who should also seek Departmental approval.	It is noted from a file checked that Kilkenny County Council did grant prior approval on the sale of property by an AHB. Departmental approval was also sought during this process.	Kilkenny County Council should continue to grant approval as applicable on the sale of properties by AHBs.	Current practice, noted and agreed.
4. For new projects, final payments should not be released by the Local Authority to the AHB until registration of the mortgage charge on the property has been finalised.	The registration of the mortgage charge on a property can take a considerable amount of time. The Council request a letter of guarantee from the AHBs to state that the mortgage charge will be registered. This is a standard form issued from the Department.	Internal Audit recommends that Kilkenny County Council ensure they have the 'Letters of Guarantee' on file and that they are followed up to ensure the mortgage charge has been registered.	Current practice, noted and agreed. Note the registration on Folios with Tailte Eireann can be protracted. May have to accept dealing numbers.

<i>Recommendations made in LGAS Report No. 29 & LGAS Progress Report No. 7</i>	<i>Internal Audit Findings</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
5. The local authority needs to operate a management information system which maintains details of all properties provided by the AHBs (whether purchased/built or leased units), and details should be agreed periodically with Department.	In February 2024 a project team was put in place in the Housing Section to update details of all AHB properties on the iHouse Management System. When reviewed in October 2024 it was noted that there were a small number of AHBs to be still added as they have not returned their Statement of Occupancies.	Internal Audit recommends that the iHouse Management System is completed with the details of the remaining AHBs to ensure a complete system is in place. AHB details on the iHouse system should be agreed periodically with the Department.	The 2024 SOO is currently underway and will be checked against current iHouse details provided. There are currently 10 outstanding SOO's who are being followed up with.
6. Details of the tenants of each property, nomination details, and rent scheme details should also be maintained.	Tenant details and rent schemes are maintained on iHouse. The nominations are currently tracked on a separate spreadsheet.	When iHouse is complete, Management should investigate if nominations can be tracked on iHouse. This would eliminate the need for spreadsheets which can be open to error and loss of data.	This will be subject to i-House reporting availability and will be investigated.
7. The system should also track details of voids, length of time for re-lets, details of property inspections etc.	The tracking of voids, re-let times and details of properties are currently tracked outside of iHouse. It appears it is difficult to extract accurate Management Reports on details of voids, re-let times and details of property inspections.	Internal Audit recommends that once iHouse is complete the Housing Section should progress the tracking of voids, re-let times and details of property inspections on iHouse. Kilkenny County Council needs to be able to produce accurate Management Reports for the required data on AHBs.	This will be subject to i-House reporting availability and will be investigated.

<i>Recommendations made in LGAS Report No. 29 & LGAS Progress Report No. 7</i>	<i>Internal Audit Findings</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
8. Annual statements of occupancy should be obtained from each AHB for all their properties funded by the local authorities.	Kilkenny County Council sent Statement of Occupancies (SOO) to all AHBs for completion in Oct 2023. At the time of Audit, 4 AHBs had not responded and 8 had made contact but the SOO had not been returned. Therefore, the data on iHouse is incomplete, leaving Kilkenny County Council with no oversight of voids and unable to exercise their nomination rights as per Mortgage Agreements.	Internal Audit recommends that Kilkenny County Council follow up on the SOO and ensure it has the required information from the AHBs. Annual SOO obtained from each AHB would ensure that tenant information is up to date and that properties are correctly occupied. Kilkenny County Council must ensure it is exercising its nomination rights under the Mortgage Agreements.	In practice, noted and agreed
9. Annual statements of occupancy obtained from each AHB, could be used by the local authority to verify their records, before making payments for any associated claims relating to the properties, and to ensure that correct rent schemes are in place, and inspect as appropriate.	Kilkenny County Council is withholding any associated claims relating to AHB properties until SOO are received and verified.	Before advancing any associated claims relating to the AHB properties, Kilkenny County Council must ensure that they continue to verify their records from the SOO. This will ensure that correct rent schemes/tenants are in place and if not, they should be inspected as appropriate.	We are currently contacting any AHBs who have yet to submit an SOO. If any of these AHBs are in receipt of CAS rent supplement payments we will advising them that these payments may have to be suspended pending return of their SOO.
10. At project development stage, details of proposed rents should be agreed in advance of Department project approval.	In place.	Continue Implementation.	Noted. Formal procedures to be put in place to deal with CAS & CALF projects which will be dealt with differently.

<i>Recommendations made in LGAS Report No. 29 & LGAS Progress Report No. 7</i>	<i>Internal Audit Findings</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
11. Final payments on projects withheld until nomination and rents have been agreed.	In place.	Continue Implementation.	Noted
12. A periodical inspection regime of properties funded under the schemes should be carried out under the local authorities' enforcement strategy and inspection arrangements for rented accommodation.	Kilkenny County Council engaged the services of an external company to undertake 308 inspections of AHB properties in 2023.	Continue implementation of annual inspections.	Noted and agreed. 333 AHB inspections carried out in 2024 to date (21/10/24). Inspections are undertaken in house and by a private company.
13. The local authority should have an established contact point with each AHB to ensure that they are operating under the terms and conditions of each scheme as intended.	Internal Audit notes that contact information for the AHBs was updated as part of the iHouse project in 2023. At the time of Audit 4 AHBs had not made contact.	Internal Audit recommends that the nominated contact in Kilkenny County Council should endeavor to establish a contact person for all AHBs. This will ensure that accurate information is available on AHBs.	Contact details have been sourced through previous SOO. This will be highlighted and requested on 2024 SOO. Established contact in terms of development with larger AHB's.
14. Regular formal meetings should be held with AHBs and these could be co-ordinated on a county or regional basis.	Internal Audit were informed that meetings had taken place between KCC and Tier 2 & 3 AHBs in November 2022. Internal Audit spoke to members of Tier 1 smaller 'Parish' based AHBs and it was found that some of them did not have a contact in the Council and that they were finding the new regulations surrounding AHB regulation etc., challenging.	Internal Audit recommends that formal meetings should take place with the Tier 1 smaller 'Parish' based AHBs as a matter of urgency. Regular formal meetings should also continue with the remaining AHBs. It is imperative that effective communication is in place between the Housing Section and all AHBs.	Subject to resources and assignment of dedicated staff member.

<i>Recommendations made in LGAS Report No. 29 & LGAS Progress Report No. 7</i>	<i>Internal Audit Findings</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
15. Where instances of poor governance or management cannot be resolved with the AHB, the local authority should facilitate the takeover of the units by another AHB.	Internal Audit notes that there are no examples of this in Kilkenny to date.	Internal Audit recommends that Kilkenny County Council monitor AHBs in its area for poor governance or mis- management and act accordingly if issues arise.	Noted. It is understood that such action would be instigated where poor governance or management practices are brought to the attention of KCC.
16. All loans outstanding, together with annual interest charges, should be recorded on the financial system and reconciled annually with statements from the HFA (where applicable).	Internal Audit noted that in February 2024 Agresso had not been updated/reconciled with the Calf Loan Register since April 2022. Two new loans were not added to the register in 2023.	Procedures must be put in place for the efficient updating of the CALF Loans on Agresso. Internal Audit recommends that an approved procedure for this updating is put in place between Housing and Finance Sections.	Housing formally informs the Financial Management Accountant who in turn must ensure that the CALF loans are on agresso and linked to the CCR.
17. Annual loan balance statements should be issued to the AHBs (the Department guidance, which issued in December 2014, for the accounting arrangements for CALF loan balances and annual interest within the local authorities will facilitate issuing annual loan balance statements to the AHBs).	Annual Loan CAS Statements are issued to AHBs on request. Annual Loan CALF Statements are issued by Finance.	Internal Audit recommends that Loan Statements are issued as per Department guidance.	CAS are issued on request. CALF issued by Finance on request. The annual issue of CALF statements would be subject to agreement of Finance Section and same will be requested.
18. The local authority should demonstrate, through a transparent process that the best value for money was obtained in the allocation of unsold affordable Social Housing units to the AHBs.	Internal Audit notes that no unsold affordable Social Housing units were allocated to AHBs.	Internal Audit recommends that in the event where unsold affordable Social Housing units are allocated to AHBs that the Council must be able to demonstrate that best value for money was obtained.	Preference for unsold affordable units under the current scheme would be to convert to Cost Rental Units with an AHB. Discussions are presently on-going re some schemes relating to this. A written policy needs to be developed in regard to management of tenure mix in housing estates and this would be part of it.

<i>Recommendations made in LGAS Report No. 29 & LGAS Progress Report No. 7</i>	<i>Internal Audit Findings</i>	<i>Internal Audit Recommendations</i>	<i>Management Action Plan & Timeframe</i>
19. A review of legacy AHB project files is required to ensure that final project accounts and post project reviews have been completed, and that balances are correctly shown in the local authority accounts.	Legacy AHB project files are reviewed regularly.	Internal Audit recommends that Housing continue to review all legacy AHB files as per current practice.	In practice, noted and agreed. Currently two legacy files in process.
20. The local authority should continue to review outstanding final project accounts, which may be in dispute or which require reconciliation with Department figures, in order to close-off these accounts and clear remaining balances	Internal Audit notes that Kilkenny County Council regularly reviews outstanding AHB final project accounts.	Internal Audit recommends that Kilkenny County Council continues to review final project files to ensure accounts are closed off and remaining balances are cleared.	In practice, noted and agreed.
21. It is recommended that for capital projects, certificates for payments are verified and inspected by local authority Staff who are suitably qualified to ensure that they are correctly quantified, valued and approved for payment.	Internal Audit notes that certificates for payments are verified and inspected by Kilkenny County Council staff.	Continue with implementation of process surrounding certificates for payments on capital projects.	In practice, noted and agreed. To note in checking invoices, we do not 'ensure they are correctly quantified' as there is no capacity to get into that level of detail.
22. Appropriate training should be given to relevant Staff to ensure that they are aware of capital appraisal and management guidelines, EU and national procurement requirements and the Public Spending Code (2013).	Training is ongoing in capital appraisal and management guidelines, EU and national procurement requirements and Public Spending Code.	Management must ensure that relevant staff receive all the necessary training required for efficient management and oversight of capital projects.	Noted. Engineering and Architectural staff have completed OGP Training on Capital Works Management Framework