

# *Kilkenny County Council*

Internal Audit Report [REDACTED] **Review of Rent Strike Offs and Credit Adjustments**

**Date:** 10<sup>th</sup> September 2020

## **Report Distribution**

Tim Butler, *Director of Corporate Services*

Martin Prendiville, *Head of Finance*

Mary Mulholland, *Director of Housing*

Audit Committee Members

Local Government Auditor

## **Objectives**

The objective of the audit is to review the validity of rent strike offs/credit adjustments and ensure robust authorisation controls are in place. This audit focused on rent transactions carried out by Arrears Management Office (Finance Dept.). Most of the transactions examined are strike offs of irrecoverable rents.

## **Approach**

Internal Audit examined a sample of 23 rent transactions carried out in 2019. These transactions amounted to €23k.

## **Audit Risk**

- Financial Loss to the council
- Lack of audit trail
- Weak authorisation controls.

## **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.

## *General Findings*

1. 20 of the 23 transactions examined relate to the strike off of irrecoverable balances on properties where the tenant has vacated/abandoned the house.
2. One of the strike offs relate to a hardship case on mental health grounds. This strike off was for €4,500. The remaining two transactions related to adjustments on customers rent accounts due to rent being over charged/miscalculated.
3. A delegated officers order was raised for 18 of the transactions. The remaining transactions were approved by the Arrears Management Supervisor.

## *Recommendations*

1. The roles of the Housing Dept. and Arrears Management Dept. need to be clearly defined in relation to rent adjustments/strike offs. However, it is vital that there is effective communication between both departments to ensure a high collection rate. It is also important that each department is notified when an adjustment is carried out on a rent account.

I recommend the following:

- Only the strike off of arrears that are irrecoverable such as tenant vacating/abandoning house should be the responsibility of the Arrears Management Dept.

## *Management Comments*

The strike-off of arrears can only be processed by Finance Staff on the basis of information received from the Housing Team.

- Adjustments to a customer's rent account in relation to miscalculation of rent or a change in tenant income should be dealt with by the Housing Dept.

*Management Comments*

Agreed

- There is a hardship clause in the Differential Scheme. Any adjustments to a rent account due to hardship should be determined by the Housing Dept.

*Management Comments*

Finance Team may need to strike off all or a portion of arrears on any account on hardship grounds where it is deemed impossible to collect the arrears due to social issues.

2. As the performance of the Arrears Management Dept. is measured by the collection rate of the various income streams, there is a potential for a conflict of interest in relation to rent strike offs. Internal Audit recommends that all strike offs relating to irrecoverable rents should be authorised by the Head of Finance.

*Management Comments*

All strike-offs to be approved by Head of Finance

3. 3 of the transactions posted on Rent Accounts used the incorrect transaction type BA. One of these transactions related to a strike off (WO) and the other two were invoice adjustments (IR). This has an impact on the figures in Appendix 7 of the Annual Financial Statement. The amounts in these cases would not materially affect the overall figures.

### *Management Comments*

Each Rent Collector to check transaction types when processing adjustments.