



Department for Social Development

Committee for Social Development - Inquiry

Phase 2 - Memorandum

28 February 2014

Contents

	Page number
1. Background	3
2. Context	3 - 4
3. Governance Structures, Roles and Responsibilities, Department for Social Development and the Northern Ireland Housing Executive	5 - 21
4. DSD Governance Oversight Processes – Overview	22 - 27
5. DSD Housing Division Oversight Arrangements with NIHE	28 - 33
6. Actions by the Minister for Social Development and the Department to secure improvements	34 - 61
7. Current position and future actions	62 - 64

Annexes

A. Terms of reference and list of key documents	65 - 70
B. DSD Governance Framework	71
C. DSD Organisation Chart to Director level	72
D. DSD Housing Division Organisation Chart	73
E. DSD Oversight Structure	74
F. Governance Accountability Cycle	75 - 77
G. NIHE Accounting Officer responsibilities	78 - 87
H. NIHE Governance Structure	88
I. List of formal meetings between the Department and NIHE	89 - 91
J. Terms of Reference - Oversight Implementation Group	92 - 94
K. Timeline of events	95-100
L. Abbreviations	101

1. Background

a) The Social Development Committee (SDC) Terms of Reference for the Inquiry are:

- i. Decision making relating to the award, modification and cancellation of NIHE maintenance contracts to establish any impropriety or irregularity and, in particular, whether the actions of Ministers were appropriate.*
- ii. Allegations that the Committee was misled by the Minister for Social Development over his decision to seek a review of the specification for the supply and fitting of double glazing.*
- iii. The adequacy of actions proposed by the Minister, DSD and the NIHE to address previous, well documented failings in relation to procurement and contract management.*

Should the Committee identify any evidence of corruption in relation to the operation of NIHE maintenance contracts and/or any actions indicating possible breaches of relevant codes of conduct, these will be reported directly to the appropriate authorities.

b) Phase 2 of the Inquiry will consider:

“The adequacy of actions proposed by the Minister, DSD and the NIHE to address previous, well documented failings in relation to procurement and contract management.”

2. Context

a) It was agreed that the Department for Social Development (DSD) would develop and prepare a memorandum, in line with Phase 2 of the Committee's terms of reference, which sets out the key governance and oversight structures and processes in place between the Department for Social Development and the Northern Ireland Housing Executive. This is to enable

the Social Development Committee to interpret the key documents and information that will also be provided.

- b) The memorandum will set out the governance and oversight structures and processes that are in place and will identify the key actions taken since the Review of Governance in the Northern Ireland Housing Executive in December 2010. This will incorporate details relating to the Department's role in identifying areas of concern, for example relating to financial management, contract management and governance, and the actions taken thereafter to secure improvements. This will be supported by the provision of the appropriate documents to the Committee.
- c) Terms of reference for the memorandum are attached at **Annex A**.

3. Governance Structures, Roles and Responsibilities – Department for Social Development (DSD) and the Northern Ireland Housing Executive (NIHE)

Founding legislation; status

1. The Northern Ireland Housing Executive (NIHE) was originally established under the Housing Executive Act (Northern Ireland) 1971, now repealed. It currently operates under a number of Housing (Northern Ireland) Orders from 1981-2003, the Housing (Amendment) (NI) Order 2006 and the Housing (Amendment) Acts (NI) 2010 and 2011, subject to the provisions of the Northern Ireland Act 1998. Within this legislative framework, it is subject to the overall direction and control of the Minister for Social Development.

Classification

2. For policy/administrative purposes NIHE is classified as an executive non-departmental public body (NDPB). For national accounts purposes NIHE has been traditionally classified to the public corporations sector, although, following examination by the Office of National Statistics, this has been changed from 1 April 2014. From that date its landlord function is classified as a public corporation and its regional activities as an NDPB.

The functions, duties and powers of NIHE

3. The various Housing (Northern Ireland) Orders from 1981-2003; The Housing (Amendment) (NI) Order 2006; The Housing (Amendment) Acts (NI) 2010 and 2011; The Social Security Administration (Northern Ireland) Act 1992; the Domestic Energy Efficiency Grants Regulations (NI) 2009; and The Housing Support Services (NI) Order 2002, require NIHE to carry out a number of Statutory functions and powers including the following:-

Functions:

- The regular examination of housing conditions and housing requirements;
- Drawing up wide ranging programmes to meet housing needs;
- Establishing housing information and advisory services;
- Consulting with District Councils and the Northern Ireland Housing Council.

Powers:

- Effecting the closure, demolition and clearance of unfit houses;
- The possession of unoccupied houses;
- Carrying out improvements or repairs by agreement;
- Entry to land for the purpose of survey, valuation or examination;
- Acquisition and disposal of land;
- Administering Housing Benefit to the public and private rented sectors;
- Undertaking the role of the Home Energy Conservation Authority for Northern Ireland; and
- Administering the “Supporting People” initiative.

In addition NIHE carries out a number of duties including the following:-

- Effecting the improvement of the condition of the housing stock;
- Identifying the need for the provision of new social houses;
- Managing its housing stock in Northern Ireland;
- Keeping a register of rents; and
- Ensuring that accommodation becomes available for applicants who meet the statutory criteria for homelessness assistance.

The Minister may also from time to time indicate non-specific policy priorities and spending priorities that he wishes NIHE to pursue in particular key areas of its business.

Responsibilities and Accountability

Minister

4. The Minister is accountable to the Assembly for the activities and performance of NIHE. His responsibilities include:
 - approving NIHE's strategic objectives and the policy and performance framework within which NIHE will operate (as set out in a *Management Statement* and *Financial Memorandum* and associated documents);
 - keeping the Assembly informed about NIHE's performance;
 - approving the amount of grant to be paid to NIHE, and securing Assembly approval;
 - carrying out responsibilities specified in legislation, including appointments to NIHE Board, and laying of the annual report and accounts before the Assembly;
 - approving NIHE's annual budget; and
 - setting rents.

Overall Aim

5. The Minister has approved the overall aim for NIHE to be the single regional strategic housing authority in Northern Ireland responsible for carrying out functions such as those listed:
 - The regular examination of housing conditions and housing requirements;
 - Drawing up wide ranging programmes to meet housing needs;
 - Establishing housing information and advisory services; and
 - Consulting with District Councils and the Northern Ireland Housing Council.
6. DSD determines NIHE's performance framework in the light of DSD's wider strategic aims and current PFG objectives and targets. The Minister approves the NIHE's Corporate Plan and Business Plan which reflects NIHE's statutory duties and, within those duties, the priorities set from time to

time by the Minister. In particular, the Plan must demonstrate how NIHE intends to contribute to the achievement of the Department's strategic aims and PFG objectives and targets. Furthermore the Plan must comply with any funding conditions and with any general or specific directions which the Department has given to the Executive.

The Accounting Officer (DSD)

7. The Permanent Secretary, as DSD principal Accounting Officer (the 'Departmental Accounting Officer'), is responsible for the overall organisation, management and staffing of the sponsor Department and for ensuring that there is a high standard of financial management in the Department as a whole. The Departmental Accounting Officer is accountable to the Assembly for the issue of any grant-in-aid to NIHE. The Departmental Accounting Officer designates the Chief Executive of NIHE as NIHE's Accounting Officer (see **Annex G**), and may withdraw the Accounting Officer designation if he/she believes that the incumbent is no longer suitable for the role.
8. In particular, the Departmental Accounting Officer of DSD shall ensure that:
 - NIHE's strategic aim(s) and objectives support the sponsor Department's wider strategic aims and current PFG objectives and targets;
 - the financial and other management controls applied by DSD to NIHE are appropriate and sufficient to safeguard public funds and for ensuring that NIHE's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to NIHE by the Assembly but also any other funds falling within the stewardship of NIHE);
 - the internal controls applied by NIHE conform to the requirements of regularity, propriety and good financial management; and
 - any grant-in-aid to NIHE is within the ambit and the amount of the Request for Resources and that Assembly authority has been sought and given.

Sponsoring Branch in DSD

9. Within DSD, Housing Division is known as the sponsoring Branch for NIHE. The Branch, in consultation as necessary with the relevant departmental Accounting Officer, is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of NIHE, and the primary point of contact for NIHE in dealing with DSD. Housing Division carries out its duties under the management of a senior officer, who has primary responsibility within the team for monitoring the activities of NIHE. Further information on the Sponsor Branch role can be found in Section 4.
10. Housing Division shall advise the Minister on:
- an appropriate framework of objectives and targets for NIHE in the light of DSD's wider strategic aims and current Programme for Government (PFG) objectives and targets;
 - an appropriate budget for NIHE in the light of DSD's overall public expenditure priorities and how it performs against that budget; and
 - how well NIHE is achieving its strategic objectives and whether it is delivering value for money.
11. In support of the Departmental Accounting Officer, Housing Division:

on performance and risk management –

- monitors NIHE's activities on a continuing basis through an adequate and timely flow of certified information from NIHE on performance, budgeting, control, and risk management, including early sight of NIHE's Governance Statement;
- address in a timely manner any significant problems arising in NIHE, whether financial or otherwise, and require explanations and assurances from the Board that appropriate action has been taken;
- periodically carry out a risk assessment of NIHE's activities to inform DSD's oversight of NIHE; strengthen these arrangements if necessary; and amend the *Management Statement* and *Financial Memorandum*

accordingly. The risk assessment takes into account the nature of NIHE's activities; the public monies at stake; NIHE's corporate governance arrangements; its financial performance; internal and external auditors' reports; the openness of communications between NIHE and DSD; and any other relevant matters;

on communication with NIHE –

- inform NIHE of relevant government policy in a timely manner; if necessary, advise on the interpretation of that policy; and issue specific guidance to NIHE as necessary;
- bring concerns about the activities of NIHE to the attention of the full Board, and require explanations and assurances from the Board that appropriate action has been taken.

NIHE Board

12. NIHE's Board consists of ten persons (including Chair and Vice-Chair) appointed by DSD, with four members selected from the membership of the Housing Council. Appointments are made in line with the Commissioner for Public Appointments NI - Code of Practice for Ministerial Public Appointments in Northern Ireland.
13. The Board has corporate responsibility for ensuring that NIHE fulfils the aims and objectives agreed in the Corporate and Business Plans approved by the Minister, and for promoting the efficient, economic and effective use of staff and other resources by NIHE. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:
 - establish the overall strategic direction of NIHE within the policy and resources framework determined by the Minister and DSD;
 - constructively challenge NIHE's executive team in their planning, target setting and delivery of performance;

- ensure that DSD is kept informed of any changes which are likely to impact on the strategic direction of NIHE or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with DSD, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account all relevant guidance issued by DFP and DSD;
- ensure that it receives and reviews regular financial information concerning the management of NIHE; is informed in a timely manner about any concerns about the activities of NIHE; and provides positive and timely assurance to DSD that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including using the independent audit committee to help the Board to address the key financial and other risks facing NIHE; and
- appoint, with DSD's approval, a Chief Executive to NIHE and, in consultation with DSD, set performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use of public monies.

14. Individual Board Members shall act in accordance with their wider responsibilities as Members of the Board – namely to:

- comply at all times with the Code of Practice that is adopted by NIHE and with the rules and guidance relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and to declare publicly and to the Board any private interests that may be perceived to conflict with their public duties;

- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of NIHE.

Chairman

15. The Chairman is appointed by DSD, with the approval of the Minister for Social Development, for a term of office not exceeding five years and restricted to two terms. The maximum period in office must not exceed 10 years on the same Board. Appointments are made in line with the Commissioner for Public Appointments NI - Code of Practice for Ministerial Public Appointments in NI.
16. The Chairman is responsible to the Minister and will ensure that the Minister is provided with regular reports on the Housing Executive's performance. The Chairman shall ensure that the Housing Executive's policies and actions take due account of the wider strategic priorities of the Minister and that they are compatible with any conditions of funding, and with any general or specific direction, which the Department has issued to the Housing Executive. The Chairman shares with the other Board Members the corporate responsibilities and, in particular, responsibility for ensuring that the Housing Executive achieves the overall aims, objectives and targets which have been agreed as part of the Housing Executive's corporate plan and business plan.
17. The Chairman has a particular leadership responsibility on the following matters:

- formulating the Board's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Minister or DSD;
- promoting the efficient, economic and effective use of staff and other resources;
- encouraging and delivering high standards of regularity and propriety;
- representing the views of the Board to the general public; and
- ensuring that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual Board Members.

18. The Chairman shall also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise DSD of the needs of NIHE when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise; and
- assess the performance of individual Board Members. Board Members are subject to ongoing performance appraisal, with a formal assessment being completed by the Chair of the Board at the end of each year [and prior to any re-appointment of individual Members taking place]. Members will be made aware that they are being appraised, the standards against which they will be appraised, and will have an opportunity to contribute to and view their report. The Chair of the Board will also be appraised on an annual basis by the Departmental Accounting Officer or an official acting on his or her behalf.

19. The Chairman shall also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office's *Code of Practice for Board Members*

of Public Bodies, (FD (DFP) 03/06 refers). The Code shall commit the Chairman and other Board Members to the Nolan “seven principles of public life”, and shall include a requirement for a comprehensive and publicly available register of Board Members’ interests.

20. Communications between the Board, the Minister and the Department shall normally be through the Chairman. The Chairman shall ensure that the other Board Members are kept informed of such communications on a timely basis.

The Chief Executive’s Role as Accounting Officer

21. The Chief Executive of NIHE is designated as NIHE’s Accounting Officer by the Departmental Accounting Officer of DSD. The NIHE’s Accounting Officer responsibilities are detailed at **Annex G**.
22. The Accounting Officer of NIHE is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of NIHE.
23. As Accounting Officer, the Chief Executive shall exercise the following responsibilities in particular:

on planning and monitoring –

- establish, in agreement with the Board, NIHE’s corporate and business plans in support of DSD’s wider strategic aims and current PFG objectives and targets;
- inform DSD of NIHE’s progress in helping to achieve the Department’s policy objectives and in demonstrating how resources are being used to achieve those objectives;

- ensure that timely forecasts and monitoring information on performance and finance are provided to DSD; that DSD is notified promptly if overspends or underspends are likely and that corrective action is taken;
- ensure that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to DSD in a timely fashion. This includes circumstances such as would be highly likely to attract media reaction (i.e. cases where there is a reputational risk to the Organisation).

on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time by DFP or DSD;
- advise the Board on NIHE's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed appropriately;
- take action if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness;

on managing risk and resources -

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure compliance with the Northern Ireland Public Procurement Policy;

- ensure that all public funds made available to NIHE [including any income or other receipts] are used for the purpose intended by the Assembly, and that such monies, together with NIHE's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by NIHE, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities that are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective personnel management policies are maintained;

on accounting for NIHE's activities –

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Minister, DSD or DFP;
- sign a Statement of Accounting Officer's responsibilities for inclusion in the annual report and accounts;
- sign a Governance Statement regarding NIHE's system of internal control, for inclusion in the annual report and accounts;
- ensure that a robust level of budgetary control is maintained;
- ensure that effective procedures for handling complaints about NIHE are established and made widely known within NIHE and to NIHE customers;
- act in accordance with the terms of the MS/FM document and with the instructions and relevant guidance in *MPMNI* and other instructions and guidance issued from time to time by DSD, DFP and OFMDFM ;
- give evidence, normally with the Accounting Officer of DSD if summoned before the Public Accounts Committee on the use and stewardship of public funds by NIHE;
- ensure that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission and OFMDFM;
- ensure that Lifetime Opportunities is taken into account; and

- ensure that the requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000 are complied with.

NIHE Audit Committee

24. Each Arm's Length Body with responsibility for administering public funds is required to have an Audit Committee. The Audit Committee is a Sub-Committee of the NIHE Board, and its purpose is to advise the Board and the Body's Accounting Officer on the risk management, control and governance arrangements within the Body. In doing so this helps inform the Body's Accounting Officer in his/her completion of the Statement on Internal Control.
25. While the role of the Body's Audit Committee is primarily to provide assurance to the Arm's Length Body Accounting Officer and Board, an effective Arm's Length Body Audit Committee will also assist the Department meet its oversight and sponsorship responsibilities. If an Arm's Length Body has an effective, challenging Audit Committee in place the Department should be able to place reliance on and take assurance from the work it undertakes.
26. One of the main Audit Committee principles is that it should be independent of executive management, in most cases this means that the Audit Committee in an Arm's Length Body will be made up of the Body's Non-Executive Board Members with one of these Members acting as Audit Committee Chair. Arm's Length Bodies should also further strengthen the independence of the Audit Committee by appointing independent external Members who are not Board Members.
27. It is now common place for a representative from the Department to attend Arm's Length Body Audit Committee meetings. The Departmental Management Board has directed that a member of the Sponsor Branch should attend all Audit Committee meetings in an observer capacity, not as an Audit Committee Member. Through such attendance the Department is able

to assess how effectively the Audit Committee is discharging its challenge function and to gain a good insight into the governance arrangements within the body. It also helps to gain a greater understanding of the Body's business and the key risks and issues facing the organisation. Any identified issues must be brought to the attention of the Sponsor Branch management.

28. As an attendee the Departmental representative will normally receive full Audit Committee papers and minutes. If not attending every Audit Committee meeting then the Sponsor Branch should determine appropriate arrangements for receiving and reviewing papers and minutes. The Sponsor Branch should review the minutes of all meetings attended to ensure they are an accurate reflection of the meeting.
29. To further strengthen links between the Department and the Arm's Length Bodies an Audit Committee Chairs' Forum has been established. The Forum, chaired by the Chair of DSD's Audit and Risk Assurance Committee, meets at least bi-annually, its aim being to:
 - facilitate cooperation between the Departmental Audit and Risk Assurance Committee and the Arm's Length Body Audit Committees;
 - identify common issues and challenges;
 - act as a vehicle to develop best practice;
 - promote mutual support;
 - inform the development of good governance and risk management; and
 - share points of view and learning.

NIHE Internal Audit

30. Arm's Length Bodies¹ are required to have an Internal Audit function which complies with Government Internal Audit Standards (GIAS). The role of Internal Audit within an Arm's Length Body is to provide the Body's Accounting Officer with an opinion on the overall adequacy and effectiveness

¹ Descriptions of different kinds of ALBs - Agencies, Non-ministerial departments, Non Departmental Public Bodies

of the organisation's framework of governance, risk management and control. If adequate and effective Internal Audit arrangements are in place within Arm's Length Bodies then Sponsor Departments should be able to place reliance on the work undertaken by the Body's Auditors. It is a role of the Arm's Length Body's Audit Committee to provide an opinion on the effectiveness of the Body's Internal Audit function.

31. The Northern Ireland Housing Executive has its own Internal Audit service, which operates to Government Internal Audit Standards. Sponsor Branches should ensure that they receive any Internal Audit reports that are presented to the Body's Audit Committee.

DSD/NIHE Management Statement: Financial Memorandum.

32. Departments need arrangements to monitor and understand their Arms Length Bodies (ALB) strategy, performance and delivery, usually built around a management statement and financial memorandum (MS/FM) that sets out a clear framework of strategic control for the NDPB. The framework covers the operations, financing, accountability and control of the ALB and the conditions under which any government funds are provided to the body. All MS/FMs require DFP approval as do any subsequent significant revisions.
33. These documents set out the controls to be exercised over the different areas of the NIHE's activities by the Department directly or by the NIHE itself. The prime purpose of the documents is to assist the Permanent Secretary of DSD in discharging his responsibilities in relation to the NIHE's systems and to provide the NIHE with a formal statement by DSD of the standards it requires the NIHE to achieve in relation to the probity of activities.
34. The documents accordingly seek to set down the broad policies and related procedures of the NIHE, which are agreed by DSD and for which the Permanent Secretary, as Accounting Officer, is responsible and would answer accordingly to the Public Accounts Committee. Actions and decisions taken

within policies and procedures set out in the documents are the responsibility of the NIHE's Board.

35. DSD's approval of the NIHE's budgets and the payment by DSD of Housing Grant to the NIHE is conditional upon the NIHE's compliance with the terms of the documents.
36. In addition, DSD may also under Article 10 (1) of the 1981 Order, give directions of a general or specific nature to the NIHE regarding the discharge of its functions. The 1981 Order requires the NIHE to act in accordance with such directions.
37. Certain controls set out in the documents lend themselves particularly to audit review to establish whether they are being followed and whether the procedures described are adequate. This is the responsibility of the NI Audit Office and the NIHE's Internal Audit Section.
38. The format of the documents is as follows:-

Management Statement - sets down the general framework governing the NIHE's operations and its relationship with DSD.

Financial Memorandum - sets out the financial controls governing the NIHE's operations.

Individual Control Documents - either specifying procedures for obtaining DSD/DFP approval, or prescribing varying levels of delegated authority within policies and guidelines laid down or agreed by DSD/DFP.

39. A senior officer in both DSD and the NIHE has been delegated responsibility for maintaining these documents. In DSD this responsibility rests with the Head of Housing Governance and Inspection and in NIHE with the Director of Finance.

40. Further information can be found in Section 5.

4. DSD Governance Oversight Processes - Overview

1. The principal Accounting Officer has a duty, amongst other things, to satisfy himself that all of the Department's Arm's Length Bodies (ALBs) have adequate financial systems and procedures in place to promote the efficient and economical conduct of their business and to safeguard financial propriety and regularity.
2. He relies on the Sponsor Branch within the Department and other core disciplines such as Finance, Human Resources, Corporate Planning and Governance Unit and Internal Audit, which make up the wider Sponsor Team, to contribute sound arrangements for sponsor control. He needs assurance that those arrangements and relationships are operating effectively and to the highest standards.
3. A Sponsorship Manual has been developed to bring an essential measure of consistency of approach to sponsorship across the Department's Bodies. This Sponsorship Manual is for the use of management and staff within the Department who have responsibility for sponsoring the Department's Arm's Length Bodies. The purpose of the manual is to set out the Department's approach to sponsorship of its Arm's Length Bodies to ensure as far as possible that there is consistency and proportionality of application.

General Approach to Sponsorship in DSD

4. A team approach has been adopted within the Department to sponsorship whereby other core disciplines such as Finance, Human Resources, Corporate Planning and Governance and Internal Audit for example may meet with Sponsor Branch Staff to consider matters relating to the Arm's Length Body, its relationships with the Department and the accountability arrangements that must properly exist.
5. Key to these arrangements working effectively is recognition by Sponsor Branches, in the context of the wider Sponsor Team, that a partnership

approach minimises the likelihood of something going wrong. At the heart of the arrangements are the fundamental principles of governance and accountability, principles which should be embedded at all levels within the Department's culture and ethos and which should be clearly evident at all times. Whilst it is acknowledged that most day-to-day liaison with Arm's Length Bodies will be handled by the Sponsor Branch, the need for ongoing and constructive communication between Sponsor Branches and members of the wider Sponsor Team is particularly key to the success of these arrangements as it brings together a broader range of knowledge and experience.

6. DSD Corporate Planning and Governance Unit has responsibility for ensuring that the Accounting Officer and Board is kept informed of governance issues as they arise. This will be achieved, for example, through the provision of regular quarterly updates on performance against targets and risk management in Arm's Length Bodies and through the internal Certificate of Assurance process which will enable Senior Sponsors to highlight issues of importance directly to the Accounting Officer. Corporate Planning and Governance Unit is also responsible for sharing good practice and providing advice and disseminating guidance as required.
7. Risk management is established management practice within the public sector. The process is key to assisting management in ensuring that organisations are successful in managing risks to meeting organisational objectives. All the Department's Arm's Length Bodies are required to have in place a risk management process which identifies; assesses; reviews; and reports on key risks relevant to the Arm's Length Body.
8. Sponsor Branches ensure that:
 - there is a process for risk management within individual Arm's Length Bodies and that this is consistent with Departmental policy and guidance;

- there is broad consistency in the format of risk registers and that the Body's risk registers are provided to the Departmental Board at least quarterly;
 - these are reviewed to determine if all key risks have been included and where appropriate action is being taken to mitigate risks identified; and
 - where appropriate, risks are included on Departmental, Divisional or Branch registers and considered jointly with the Body.
9. Sponsor Branches review Arm's Length Body risk registers bearing in mind other supporting information that the Department has available on the Body's business e.g. evidence obtained from accountability meetings, Stewardship Statements from the Body's Accounting Officer, review of the Annual Report and Accounts and internal/external audit reports etc.
10. Corporate Planning and Governance Unit, via the Sponsor Branch, request copies of the Arm's Length Bodies' risk register for presentation to the Departmental Management Board. The request will be in line with the quarterly stewardship statement.

Stewardship/Assurance Reporting

11. Assurance Reporting is a process whereby individuals account for their management (i.e. stewardship) of the resources for which they have been allocated responsibility. The process can itself emphasise and reinforce the principle of accountability in relation to the management of public funds and specifically the Chief Executive's role as Accounting Officer for a Body's funds and performance.
12. Corporate Planning and Governance Unit, via the Sponsor Branch commission stewardship statements and risk registers relating to Arm's Length Bodies on a quarterly basis. These returns are then provided to the Departmental Management Board and the Department's Audit and Risk Assurance Committee. Accountability meetings allow for issues to be

identified and escalated to Departmental Board level between updates if necessary.

13. Sponsor Branches:-

- ensure that the stewardship statements issued quarterly by Corporate Planning and Governance Unit are promptly completed by the Arm's Length Body's Accounting Officer;
- critically review and evaluate returns to determine if the information provided is in line with the Department's knowledge of the Arm's Length Body and any particular risks or issues facing the organisation:
- consider any "exception" information provided by the Arm's Length Body Accounting Officer which indicates that there are issues emerging which the Department was perhaps previously unaware, or which the Department needs to consider further; and
- ensure that key issues are discussed with the Arm's Length Body; the actions necessary to address these are agreed; and that these issues are brought to the attention of the senior Departmental Sponsors.

14. The information contained within Assurance /Stewardship Statements are also used by the Sponsor Branch in reviewing the Arm's Length Body's Accounting Officer's end-of-year Governance Statement.

15. Sponsor Branches also review the Governance Statement. Significant issues within Stewardship reports or Governance Statements are discussed with the Body and, if required, tracked to ensure that issues are monitored and ultimately addressed. Additionally consideration is given as to the importance of the issues raised by Arm's Length Body Accounting Officers' statements and consideration given as to the need to reflect these in the Departmental Accounting Officer's Governance Statement.

16. Sponsor Branches are responsible for ensuring that relevant information relating to Arm's Length Bodies is highlighted in the quarterly Certificates of

Assurance completed by their Branch internally. This information is used to inform completion of the Department's Governance Statement.

Performance Review meeting with Minister

17. As part of the Governance/Accountability Cycle, the Sponsor Branch is responsible for coordinating a meeting between the Chair of each Arm's Length Body and the Minister. These meetings should happen at least on an annual basis. Generally these meetings are also attended by the Senior Sponsor and the Deputy Secretary/Permanent Secretary etc. The Sponsor Branch should decide, in consultation with the Minister and Arm's Length Body Chair, whether the Chief Executive should attend this meeting.
18. The purpose of this meeting is for the Minister to outline to the Chair etc. the priorities for the incoming year and to emphasise the importance of the Arm's Length Body's contribution to Government priorities and to provide strategic direction to the Body. It will also be an opportunity for the Minister to review the Body's, and indeed its Board's, performance over the previous year and to discuss any significant issues which have arisen or are foreseen. A record of the meeting with the Minister should be made summarising the discussions held.

Accountability meetings

19. Regular Accountability Meetings are key to how the Department formally monitors an Arm's Length Body's performance and its compliance with governance and financial management requirements.
20. The key areas to be covered at Accountability Meetings are in relation to the review of:-
 - Arm's Length Body financial management/expenditure;
 - Other accountability or governance issues; and

- Arms Length Body performance.

21. A formal record of discussions at Accountability Meetings, including action points, should be maintained by the Sponsor Branch. This should be circulated to the Arm's Length Body. It is also good practice for the Chief Executive (and/or Chair if attending) of the Arm's Length Body to provide the full Board of the Arm's Length Body with an update on the matters discussed at such review meetings.

22. Sponsor Branches need to:-

- determine and agree in line with the Governance/Accountability Cycle a formal programme of Accountability Meetings with their Arm's Length Bodies; and
- ensure that such meetings are formal and well structured covering the key issues.

5. DSD Housing Division Oversight Arrangements with NIHE

1. Departments need arrangements to monitor and understand their Arms Length Bodies (ALB) strategy, performance and delivery, usually built around a management statement and financial memorandum (MS/FM) that sets out a clear framework of strategic control for the NDPB. The framework covers the operations, financing, accountability and control of the ALB and the conditions under which any government funds are provided to the body. All MS/FMs require DFP approval as do any subsequent significant revisions. See Section 3 for further details.
2. These documents set out the controls to be exercised over the different areas of the Northern Ireland Housing Executive's (NIHE) activities by the Department for Social Development (DSD) directly or by the NIHE itself. The prime purpose of the documents is to assist the Permanent Secretary of DSD in discharging his responsibilities in relation to the NIHE's systems and as such it represents a formal statement by DSD of the standards it requires the NIHE to achieve in relation to the probity of its activities.
3. The documents seek to set down the broad policies and related procedures of the NIHE, which are agreed by DSD and for which the Permanent Secretary, as Accounting Officer, is responsible and would answer accordingly to the Public Accounts Committee. Actions and decisions taken in line with policies and procedures set out in the documents are the responsibility of the NIHE's Board.

Performance Review Meeting

4. The controls to be exercised by the Department over the different areas of the Northern Ireland Housing Executive are set out in the Dossier of Controls (the Dossier). One such control is a bi-annual performance review meeting between the Minister and the Chairman of the Board of the Northern Ireland Housing Executive. These meetings are normally held in June and December.

5. The meeting, which usually takes the form of a discussion, is an opportunity to have an open forum and an exchange of views. The main purpose is to examine the Northern Ireland Housing Executive's performance to date against plan, budgets and targets, as well as procurement issues.
6. Minister chairs the meeting and departmental attendees are usually the Permanent Secretary, Deputy Secretary and Director of Housing. The Housing Executive representatives are usually the Chairman, Chief Executive and Director of Housing and Regeneration.

Minister's regular meeting with Chairman and Vice Chairman

7. When the Chairman was appointed in November 2013, the Minister decided to hold a regular meeting with the Chairman and the Vice-Chairman which is held every 6 weeks. This is to discuss matters of mutual concern.

Accountability meetings

8. As a result of the Minister's concerns in relation to the governance and oversight of the NIHE, he introduced Special Accountability Measures in July 2012. These included an increase in the accountability meetings held from quarterly to monthly. Monthly meetings were then held between the Permanent Secretary and the NIHE Chief Executive, as Accounting Officers. However, following a review of oversight arrangements in June 2013, it was agreed that from October 2013 the Permanent Secretary would now hold a quarterly accountability meeting with the Chairman and the Chief Executive. Attendees from DSD include the Deputy Secretary and Director of Housing.
9. Discussions at the Accountability meetings include:
 - Financial management,
 - Contract management issues,
 - Reform of Social Housing.

Monthly Progress Meeting

10. Following a review of oversight arrangements in June 2013, it was agreed that Permanent Secretary would hold a monthly progress meeting with the NIHE Chief Executive, Director of Finance and Director of Housing and Regeneration. Attendees from DSD include the Deputy Secretary and Director of Housing.
11. Reporting at the monthly meeting includes:
 - special measures workplan actions,
 - contract management issues,
 - updates on the actions taken to implement the NI Audit Office priority 1 recommendations from the Report to those Charged with Governance.

Operational Meetings

12. There are a number of formal meetings held at operational level between departmental and NIHE officials, for example:
 - Monthly Finance meeting;
 - Joint Social Housing Development Programme meeting;
 - Warm Homes Monitoring meeting;
 - Supporting People Monitoring meeting;
 - Directors Housing Benefit meeting.

13. A list of meetings held is at **Annex I**.

Issues Log

14. Any significant issues identified through implementation of the oversight arrangements, which cannot be resolved, are logged and presented monthly

to the Senior Management Team in Housing Division for consideration and possible escalation to the Permanent Secretary, if not resolved.

Other actions

15. The following are also actions taken by the departmental Sponsor Branch (Housing Division) in relation to the oversight role:

- **NIHE Audit Committee Minutes**

These are forwarded to the Department quarterly. An observer from Housing Division also attends the Audit Committee meetings. The minutes are checked and distributed to the Housing Division Senior Management Team (SMT) to review. Any issues identified can be recorded for follow up and escalation, if required, through the Issues Log process.

- **NIHE Board Minutes**

The Board minutes are forwarded to the Department monthly. The minutes are checked and distributed to the Housing Division Senior Management Team to review. Any issues identified can be recorded for follow up and escalation, if required, through the Issues Log process.

- **NIHE Internal Audit Inspection Reports**

These reports are submitted to the Department on an ad hoc basis as and when they are completed. The Reports are reviewed by the Head of Governance and Inspection and the relevant work area. Any issues identified can be recorded for follow up and escalation, if required, through the Issues Log process.

- **Fraud/Whistle Blowing/Anonymous Letters**

Notifications are actioned immediately and updated fraud register is received from NIHE quarterly. Case Position and Issues are reported to the Housing Division Senior Management Team quarterly.

- **NIAO/DSD Internal Audit Reports**

These reports are submitted to the Department on an ad hoc basis as and when they are completed. The Reports are reviewed by the Director of Housing, Head of Governance and Inspection and any relevant work area. Any issues identified can be recorded for follow up and escalation, if required, through the Issues Log process. There is a formal system for monitoring the implementation of PAC and Internal Audit recommendations.

- Annual Governance Statement

This is submitted annually. The Statement is reviewed by the Grade 7 in the relevant business areas.

- Directors Meetings in relation to Housing Benefit Performance

This is a Housing Benefit Performance monitoring meeting held quarterly.

- System of delegations

Appendix 1 of the revised MS/FM sets out the delegations in line with circular DAO (DFP) 06/12. These have been agreed with DFP, DSD and NIHE.

- Approval of Terms of Reference for the NIHE Board

These are reviewed as and when required by the Department. There are no set arrangements in the MS/FM outlining the Department's role in carrying out a review of the terms of reference. However, NIHE drew up new guidance (Board Operating Framework) in line with the new Corporate Governance in Central Government Departments : code of good practice NI. This now states that the Board should review its terms of reference every two years.

- Approval of Terms of Reference for NIHE Audit Committee

These are reviewed as and when required by the Department. As per the MS/FM para 4.10.3, the sponsor Department is required to review the terms of reference though there is no specific timeframe. However, NIHE drew up new guidance (Board Operating Framework) in line with the new Corporate Governance in Central Government Departments : code of good practice NI.

The new operating framework now specifies that the NIHE Board is required to review and approve the terms of reference annually.

- Approval of Business Cases

Business cases are approved by the Department as appropriate.

Business cases are prepared by the NIHE. On receipt they are examined by the relevant branch in Housing Division and then reviewed by the Departmental Economist. Following approval of the economist they are then forwarded to DFP for approval (in line with the delegations limits).

- Approval of pay remits for NIHE staff and Directors

The pay remits are reviewed annually by the departmental Finance and forwarded on to DFP for approval.

6. Actions by the Minister for Social Development and the Department to secure improvements

Review of Governance in the NIHE and Gateway Review 2010

1. From the Spring of 2010 there was a growing number of concerns in relation to the Northern Ireland Housing Executive's governance and contract management regime that culminated in the then Minister, Alex Attwood, commissioning in October 2010 a review of Governance in the Housing Executive. This followed a series of internal and external investigations into the Housing Executive which raised concerns that its governance systems were not sufficiently robust.
2. Therefore, the Permanent Secretary, in October 2010, asked the Department's Senior Internal Auditor to lead a team to examine and report on whether:
 - the information and structure was available to the Board to ensure that it did and could: effectively identify and manage risk; prevent and detect fraud and error; hold senior managers to account; and ensured that the organisation operated and would operate at the highest standards of Corporate Governance;
 - there were adequate controls used to manage risk, the prevention and detection of fraud and error, performance, procurement and asset disposal, including in relation to land and property, the procurement of repairs, maintenance, miscellaneous works and adaptations;
 - the organisation had, or had access to, appropriately skilled and trained staff to allow it to operate in its current form while preparing for and implementing both organisational and cultural change;

- the seven principles of public life – selflessness, integrity, objectivity, accountability, openness, honesty and leadership – were being effectively implemented throughout the organisation.
3. A major part of the Review was carried out by a team of NI Civil Service specialists, headed by the Department's Senior Internal Auditor.
 4. In addition, external specialist assistance was secured through the Central Procurement Directorate, Department of Finance and Personnel, for a Gateway Review (also known as a Healthcheck) of procedures for letting and managing EGAN contracts, including controls over the prevention and detection of fraud and error. The Gateway Review was carried out by independent experts in this field and the scope of the Gateway Review was:

Establishment of Contracts

- to review the procurement strategy for maintenance, repairs and support works;
- to review the method for letting of contracts including consistency of approach and best practice application;
- to assess if types of contracts used were appropriate for the services being delivered; and
- to determine if the contract terms provided adequate protection from poor performance.

Management of Contracts

- to review the framework under which contracts were managed to consider if management of contracts was in line with best practice;
- to consider whether or not a consistent method of contract management was applied to different types of procurement i.e. response maintenance versus adaptations or scheme works (e.g. kitchen replacement);

- to identify the key controls in place to manage contracts to ensure that quality of works undertaken was monitored and price variations were identified, valued and approved;
 - to consider whether or not current management information on the delivery of contracts was adequate to support robust contract management and the degree to which this was used to inform management decision making processes and systems;
 - to establish what information was received by the Board and/or audit committee and if it was fit for purpose;
 - to assess whether staff have the required knowledge and skills and were supported by appropriate training processes in order to effectively manage contracts;
 - to make any recommendations on further actions to improve outcomes; and
 - to recommend further reviews considered necessary and the timescale.
5. An oversight panel chaired by the Permanent Secretary, which also included independent membership, was reported to by the audit review team on an ongoing basis. The purpose of this work was to provide a quick, robust, searching assessment of where the Housing Executive was on contracts and governance and, critically, where it needed to be.
6. The Review of Governance in the Housing Executive was completed in December 2010 and both it and the Gateway Review were published in January 2011. The then Minister, Alex Attwood, on 25 January 2011, made an oral statement in the NI Assembly in relation to the findings.
7. There were 75 recommendations in the Governance Review of which 16 related to critical control issues and 59 related to developing existing policies and procedures to embrace latest best practice. The report acknowledged “much evidence of good practice”, that “management are being challenged and held to account” and had “appropriate structures to effectively detail and manage risk”.

8. However, the Review Team identified a range of critical control issues which weakened the Governance structures and their effective operation. Recommendations in relation to this included: formal Terms of Reference to be developed for the Board and all Management Committees; a comprehensive review of the Board's Standing Orders and Scheme of Delegations; and a review of Risk Management arrangements.
9. In relation to land and property, the procurement of repairs, maintenance, miscellaneous works and adaptations, there were also a number of recommendations. For example, whilst the control framework established by the Housing Executive provided adequate controls over performance of maintenance works and the prevention and detection of fraud and error, there were a number of areas where controls could be strengthened. These included recommendations in relation to the level of information provided to both the Executive's Board and Chief Executive Business Committee; greater use of the work of the Repairs Inspection Unit; and a review of the Key Performance Indicators used to measure the performance of Contractors.
10. In relation to Human Resources, the review found that the Housing Executive had a number of effective Human Resources systems and processes in place, but there was imbalance in the workforce, particularly in relation to the ageing profile of the organisation which, if not addressed, created a risk that the organisation would lose significant knowledge, skills and experience.
11. In relation to the Gateway Review, the Specialist Team concluded that, whilst enthusiastically embracing the 'partnership' principles of Egan contracts, the Housing Executive did not give attention to the clear objectives set out in the Egan report or the nature of some of the maintenance contracts. The failure to deliver fully Egan objectives was also partly a consequence of the nature of contracts which were drafted to implement the change which meant that significant reliance was placed on mutual trust and cooperation between contractors and client.

12. A major change in management style was effected with the move to Egan contracts and the Team found that the day to day contract management of suppliers had been, and was, conducted in an appropriately non – adversarial manner, consistent with good practice. It appeared that contract management, over the ensuing years, had been localised to the point of service delivery and became reliant on the effectiveness of relationships with contractors, rather than having an underpinning contractually supported and enabled performance regime.
13. The Team concluded that the culture of non-adversarial management, as the primary technique for managing contractor behaviour, had created a weakness in the system which needed to be addressed. Fourteen recommendations were made which included:
- that the Housing Executive produced and adopted a new corporate procurement vision and strategy;
 - that all future contracts were drafted on the basis of the detail set out in the procurement strategies and that there was a report produced to confirm that they met the need and, insofar as can be determined, they would be enforceable;
 - that the contract manager ensured that processes were put in place to recognise and collect the evidence that may be needed to enforce any provision of the contract.
14. In line with the Minister’s statement on 25 January 2011, a number of oversight arrangements were then put in place to ensure the recommendations in both reviews were appropriately implemented. These were:
- Oversight Implementation Group, chaired by the Permanent Secretary;
 - Accountability Group, chaired by the Permanent Secretary; and

- Performance Review Meetings, chaired by the Minister.
15. Following receipt of the Review of Governance in the Housing Executive and the Gateway Review Reports, the Housing Executive was tasked with the preparation of an Implementation Plan and with putting in place an oversight framework to ensure the recommendations were implemented.

Housing Executive Framework

16. The Housing Executive oversight arrangements included the Housing Executive Oversight Board to approve and oversee the implementation plans and to address any cross cutting issues that may arise. The Board met fortnightly, chaired by the Chief Executive and members included Housing Executive Directors, and Board members. The Board also reported on progress to the Department's Oversight Implementation Group. (see para 23)
17. The Housing Executive also appointed a full time Programme Manager to oversee the implementation and three Housing Executive Project Boards were established on;
- Procurement and Contract Management;
 - Good Governance; and
 - Personnel Strategies:

Housing Executive Implementation Plan

18. The Permanent Secretary, in February 2011, then asked a Gateway Review team member to conduct a short review of the Housing Executive's draft Implementation Plan. His report advised that the Plan did capture all of the recommendations made in the reviews with very high level target milestone dates for resolution. He was reasonably satisfied that there was an overall framework being put in place to deliver the recommendations and that the

overarching Governance Structures for the change programme and its individual projects appeared fit for purpose, with significant management engagement and Senior Responsible Officers (SROs) identified for each individual project. However, more detailed planning work was to be completed, for example, the development of the Project Implementation Documents (PIDs) which was to be achieved within the following three - four weeks.

19. The Housing Executive Board, at its meeting on 23 February 2011, approved the Implementation Plan which indicated that the overall framework was in place along with the appropriate oversight arrangements to ensure the recommendations from the Review of Governance and the Gateway Review were implemented appropriately.
20. The Implementation Plan was forwarded to the Department and the Permanent Secretary then submitted this to the then Minister, Alex Attwood, and also met with the Minister to discuss this.

DSD Oversight Arrangements

21. An Oversight Implementation Group was set up and chaired by the Permanent Secretary and included cross departmental and independent membership. The remit of the Oversight Implementation Group was to:
 - assess the realism of the implementation plan being put forward by the Housing Executive;
 - provide monthly examination of the implementation of the recommendations;
 - consider in-depth the Housing Executive's developing thinking in relation to key strategic issues,
 - confirm that the recommendations in relation to procurement and contract management were appropriately implemented; and
 - provide broad strategic advice and guidance.

Terms of reference, including membership are at **Annex J**

22. The Oversight Implementation Group first met on the 18 February 2011 and considered in detail the draft Implementation Plan provided by the Housing Executive. The Housing Executive was then advised of the views of the Group including:
- The Housing Executive need to have a more strategic approach to procurement. The focus rather, than on 'Egan,' should be on Procurement and Contract Management.
 - The draft implementation plan should set out in more detail the reporting arrangements both in the Housing Executive and to the Department.
 - The Housing Executive should consider external input in relation to the review of Risk Management arrangements and how it aligns with the HM Treasury Orange Book: Management of Risk – Principles and Concepts.
 - The Housing Executive should consider how risk is dealt with and how the quality of data presented to the Board is interrogated.
 - The Procurement and Contract Management Board would benefit from external expertise and the Oversight Group will consider suitable nominees.
 - Recognition that the implementation of the Gateway Review is a major change exercise affecting a wide range of areas in the Housing Executive.
 - Monitoring and evaluation processes should be built in to the Plan to ensure recommendations are implemented and new processes are embedded
23. The Housing Executive was also advised that the reporting arrangements should include the provision of a monthly situation report to the Oversight

Implementation Group and attendance at meetings, when required, to update on issues/progress.

24. It was also agreed that the DSD Director of Housing Division would become a member of the Housing Executive's Oversight Board and the Head of DSD Housing Director's Office would liaise regularly with the Housing Executive's Programme Manager.
25. The DSD Oversight Group met regularly and the Housing Executive's then Acting Chief Executive attended the meetings to provide reports and an update on the implementation of the recommendations. Whilst acknowledging that the Housing Executive had set aside the resources to take this forward, the Oversight Group reinforced to the Housing Executive the need to take forward the recommendations proficiently and within the necessary timescales, particularly in relation to procurement and contract management.
26. The Permanent Secretary also held an Accountability meeting with the Chairman, Vice Chairman and Chief Executive in April 2011 to discuss a number of key strategic issues, which included the Gateway Review. The then Minister, Alex Attwood, also held performance review meetings with the Chairman and Chief Executive on 23 February 2011 and 3 May 2011.
27. A Gateway Review 3 was then carried out in October 2011 which made seven recommendations and confirmed that the project had made considerable progress and, subject to the recommendations from the review, it was considered that this would proceed to a successful conclusion.
28. At its meeting in November 2011, taking account of the progress made, the Oversight Group agreed it was time to take stock in relation to the continued need for their oversight role and that the Housing Executive would take this forward, with monitoring of the implementation of the outstanding recommendations through the Accountability meetings.

Response Maintenance concerns

29. During this period, on taking up post in May 2011, Minister McCausland then expressed his concerns about the issue of contract management, both on foot of briefing on the governance review findings and implementation, and on the issues leading to the termination of the Red Sky contract in July 2011. In light of his continuing concerns that the issues which led to the termination of the Red Sky contract by the Housing Executive may be present in other contracts which had not been the subject of any full investigation, he asked that a forensic investigation was carried out of a sample of Housing Executive maintenance contracts to provide him with assurances in relation to the other contracts, the quality of services to tenants and the proper use of public funds. (The subsequent findings and the evidence in the ASM report demonstrated that there were considerable issues and shortcomings in relation to the Housing Executive's management of response maintenance contracts.)
30. The Permanent Secretary, who had chaired the Oversight Group, still had concerns in relation to the effective implementation of the recommendations made in the 2010 Governance Review in relation to the management of maintenance contracts. In particular, he had concerns that the Housing Executive was not making full use of its internal assurance regime to improve contract management. As part of its monitoring regime, the Department had received assurances from the NIHE Chief Executive that the recommendations were being implemented effectively.
31. The Permanent Secretary wrote to the Chief Executive, in January 2012, about contract management arrangements and wrote again in April 2012 to advise of his serious concerns in relation to the implementation of the governance arrangements in place, particularly in relation to contract management. He increased the Accountability meetings from twice yearly to quarterly and advised that the meetings should now be between Accounting Officers, instead of with the Chairman.

32. The Permanent Secretary also wrote to the Chief Executive on 8 May 2012 following a discussion he had with the NI Audit Office that morning where they provided him with a copy of a letter from the Audit Office to the NIHE Chief Executive on 26 April 2012. The letter was in relation to further information required on a number of areas relating to work in progress by the NIHE Corporate Assurance Unit and NIHE Internal Audit. The Audit Office in the letter advised that if this information was not available by the 1 June 2012 there was an increased risk that they would qualify or disclaim the audit opinion for 2011-12. The Permanent Secretary asked the Chief Executive for all draft internal audit and draft inspection reports and a list of those outstanding by 10 May 2012.
33. The Permanent Secretary then wrote again on 14 May 2012 in relation to the reports on the inspection of kitchen schemes which identified a range of findings relating to work not being done to contract specifications and that the reports did not quantify the levels of overcharging. The Permanent Secretary also requested sight of the report on the kitchen replacement scheme in Ballynahinch.
34. The Permanent Secretary then wrote on 17 May 2012 to the then Chairman seeking a meeting to discuss his concerns. The Permanent Secretary subsequently met separately with both the Chief Executive and the Chairman to discuss his concerns in detail.
35. The Permanent Secretary then wrote again to the Chief Executive on 29 May 2012 in relation to his concerns about the information provided in the Stewardship Statements by the Chief Executive to the Department.
36. Therefore, the evidence gave the Department cause for concern about the effectiveness of the implementation especially with reference to maintenance contract management. As a result of these concerns, the Permanent

Secretary instructed the Department's Senior Internal Auditor to conduct an independent review of the actions taken by NIHE to implement those particular recommendations relating to the operating of the independent inspection function. The review commenced on Wednesday 30 May 2012.

37. The Permanent Secretary also suggested, on 7 June 2012, that the Minister's scheduled performance review meeting with the then Chairman and the Chief Executive should be brought forward to 26 June 2012 where these issues were discussed in detail and the Minister asked the then Chairman to consider a number of issues. The then Chairman wrote to the Minister on 29 June 2012 in relation to the issues raised at the Performance Review meeting.
38. The Chairman submitted his resignation to the Minister on 29 June 2012. (the then Vice-Chairman was appointed by the Minister as Acting Chairman from 9 July 2012 to 4 November 2012).
39. The Minister then made an oral statement in the NI Assembly on 3 July 2012 in relation to the Housing Executive management of contracts, the outcome of the review by the DSD Internal Auditor and the introduction of his special accountability measures.

DSD Internal Audit independent review of the actions taken by NIHE to implement those particular recommendations relating to the operating of the independent inspection function

40. This review was completed in July 2012 and the scope of the investigation included the following:
 - Repairs Inspection Unit Reports;
 - Scheme Inspection Unit Reports; and
 - Implementation of related recommendations made in the 2010 Government Review.

41. The aim of the review was to establish the facts in relation to the following objectives:

1. To consider the work undertaken by the Repairs Inspection Unit / Scheme Inspection Unit, their findings and the extent to which management had taken action to deal with issues identified in their reports;
2. To identify what information the Board had received in relation to the work of the Repairs Inspection Unit/ Scheme Inspection Unit;
3. To determine why Repairs Inspection Unit reports dating back to November 2011 had not been finalised;
4. To identify if the Board was aware of any problems with clearance of Repairs Inspection Unit reports;
5. As appropriate, to identify what action the Board had taken to deal with this issue;
6. To determine the current methodology under which the Repairs Inspection Unit operated and reported and to clarify the nature of the issue identified by NIHE management with the methodology of the unit and what steps had been taken to resolve this issue in a timely manner;
7. To determine if the current methodology for the agreement and finalisation of reports was fit for purpose; and
8. With specific regard to the current draft NIAO report and the issue relating to the scheme inspection report for Ballynahinch, to determine what, if any, changes were made from draft to final report and how the revised figure for contractor error was arrived at.

42. In the opinion of the Review Team, Senior Management within the Northern Ireland Housing Executive had not acted quickly enough to resolve the issue of the agreement of the draft reports from the Repairs Inspection Unit. In expending so much effort in debating the methodology used in producing the reports NIHE had failed to focus on the significant findings in the reports. Time that could have been better spent addressing the issues identified had instead been lost in internal debate.
43. The Review Team welcomed an action plan which had been proposed by the then Chairman in a letter to the Permanent Secretary on 21 June 2012. However, the Review Team consider that it was only in response to the Permanent Secretary's letter of 8 May 2012, that the Chairman and the Chief Executive became aware of the scale of delay in agreeing reports and that a significant number of those draft reports contained a negative classification. In all, eleven of the twelve reports issued in the 8th round of inspections contained a negative rating and of these 10 remained in draft at the end of June 2012.
44. The Housing Executive advised that the creation of an Intervention Team would ensure that the findings of these reports were addressed within the Districts; however, the Review Team considered that the simplest action to take to send a message to staff on the importance of the independent Corporate Assurance Unit was to issue the reports, as agreed reports.
45. The Review Team was asked to consider the actions taken by the Northern Ireland Housing Executive to implement those recommendations in the 2010 Governance Review which related particularly to the operation of the independent inspection function. The key critical recommendation in the Governance Report relating to the Corporate Assurance Unit was;

“The Housing Executive should ensure that the work and results of the Repairs Inspection Unit are utilised to the best effect, both as a source of management information for Housing and Regeneration Division but

also allow the Chief Executive and the Board to challenge the effectiveness of the management of response maintenance”.

The recommendation went on to state that;

“The Board will also wish to ensure, in establishing the Corporate Compliance Unit (Corporate Assurance Unit) that best use possible is made of the information generated by this unit to challenge management, identify areas of concern and direct the work of other review bodies such as internal audit”.

46. Given the lack of concrete action taken to either ensure agreement of these reports or act on the findings of the reports, prior to May 2012, the Review Team advised that it was hard to avoid reaching the conclusion that the “best use possible” had not been made of this unit or of the information it provided.
47. Finally, with specific regard to objective 8, the Review Team noted that NIHE had yet to reach agreement on the quantum of the overpayment in relation to the Ballynahinch scheme. The Review Team had significant concerns over how this matter had been dealt with by NIHE and recommended that the Department sought confirmation from NIHE as to the total amount of overpayments and the total amount to be written off.
48. The review team considered that the financial implications would be significant if the issues in the Ballynahinch scheme were extrapolated over the potential population of 245 schemes. It was recommended that the Department ensured that NIHE expeditiously concluded its investigation into how this information had been brought to the attention of the Board.
49. The Report was forwarded to the Vice- Chairman on 5 July 2012 to consider any actions to take in line with the Minister’s special accountability measures workplan.

Special accountability measures

50. Following his oral statement in the NI Assembly on 3 July 2012, the Minister also introduced special accountability measures to bring about improvements efficiently and effectively. These measures took account of the recommendations in the DSD Internal Audit Review and were to enhance significantly the oversight arrangements between the Department and the Housing Executive. For example, in view of the fact that there were significant delays in the implementation of the recommendations in Internal Audit and Repairs Inspection Unit reports, the Department now has sight of all draft Internal Audit reports and Repairs Inspection Unit reports as soon as these are produced, along with a timetable to ensure that the reports and the recommendations are agreed and implemented immediately. There was also an increase in the accountability meetings from quarterly to monthly between the Department and the Housing Executive. The Housing Executive was also required to prepare a workplan for the implementation of the special accountability measures and to submit fortnightly reports to the Department.
51. The Permanent Secretary then met again with the Chief Executive in July 2012 to discuss the issues and the Chief Executive advised that a workplan was being prepared for the Board to take forward the recommendations.
52. The workplan was then submitted to the Minister by the then Acting Chairman on 27 July 2012. The Permanent Secretary discussed the workplan at an Accountability meeting on 1 August 2012 and the Minister then approved the workplan on 7 August 2012 on the basis that this would be monitored by the provision of fortnightly reports to the Permanent Secretary and discussion at the monthly accountability meetings.

NIAO Report and PAC

53. During this period, the Northern Ireland Audit Office, following significant concerns raised by whistleblowers, MLAs and the media, had also decided to

examine the Housing Executive's management of response maintenance contracts, in view of the seriousness of the problems identified in the management of specific contracts and the potential for important lessons to be learned across the public sector.

54. The Audit Office report was published in September 2012 and focussed on;
 - management of response maintenance contracts and termination of the Red Sky contracts;
 - inspection of repairs and maintenance work;
 - whistleblowing and complaints; and
 - contract management and governance in NIHE.
55. This was then the subject of a PAC hearing on 5 September 2012 and the Committee's report was published on 20 March 2013 and the memorandum of reply was laid in the Assembly on 24 May 2013.
56. The Committee, in their report, stated that the management and oversight of the response maintenance service had been abjectly poor. Despite serious problems with the management of response maintenance contracts being evident to NIHE's senior management for many years, nothing was done to address them. The PAC felt that oversight by the Board of NIHE and DSD was also inadequate and significant failings within the organisation were not identified and left unchallenged. The Committee was also very concerned that the weaknesses and failings in the management of response maintenance contracts extend into other areas of NIHE activity, such as planned maintenance and land deals.
57. PAC made 10 recommendations and the implementation of the recommendations is monitored regularly by the Department.

NIHE - Reports to those charged with Governance – NIAO

58. During this period issues in relation to contract management in the Housing Executive have been identified by the NI Audit Office in their annual Report to those charged with Governance.
59. In 2010/11 the Report records that the audit was completed and resulted in a qualified audit opinion which included weaknesses in the control of expenditure on response maintenance. A number of significant weaknesses in relation to planned maintenance were also identified.
60. In 2011/12 the Report records that the Comptroller and Auditor General (C&AG) certified the 2011-12 financial statements with a clear financial audit opinion and a qualified regularity audit opinion. The latter included significant issues relating to contract management of response and planned maintenance.
61. In 2012/13, the Report records that the C & AG certified the 2012-13 financial statements with a clear financial audit opinion and a qualified regularity audit opinion. The latter included significant issues relating to contract management of response and planned maintenance.
62. Monitoring of the Housing Executive's implementation of the priority 1 recommendations from the Report to those charged with Governance is currently a standing agenda item on the monthly progress meeting between the Permanent Secretary and the NIHE Chief Executive.

PEDU

63. Minister McCausland also wrote to his Executive Colleagues in November 2012 setting out his concerns in relation to the Housing Executive management of contracts. He advised that the Department would be carrying out a further follow up review in relation to the implementation of the recommendations in the Governance Review 2010 and he sought support in

asking the DFP's Performance and Efficiency Delivery Unit (PEDU) to assist the Governance Team.

64. However, when this was raised with DFP, as work to be considered by PEDU, the Department was advised that, as the DSD Internal Audit Unit was assessing the implementation of the recommendations from the previous governance review and DFP Central Procurement Directorate (CPD) was to review best practice in managing property and maintenance contracts with a view to formulating new policy, we should wait until these reviews were completed and their findings considered and then we would be better informed in deciding whether additional analysis was required and if PEDU was in the best position to provide that.
65. A Procurement Guidance Note (PGN) – Best Practice in the Management of Property Maintenance Contracts has now been developed as a result of work undertaken by a Task and Finish Group, led by Central Procurement Directorate (CPD), with representatives from key departments. The work of the Task and Finish Group was overseen by a Steering Group which was chaired by the Director of CPD. Membership of the Steering Group included the Head of Properties Division and the Deputy Director of Housing within the Department.
66. These Procurement Guidance Notes are the administrative means by which the Northern Ireland Public Sector is advised of procurement policy and best practice developments. These Notes are developed by Central Procurement Directorate (CPD), in consultation with the Centres of Procurement Expertise (CoPEs), and are subject to the approval of the Procurement Board.
67. Once endorsed by the Procurement Board, these Notes are issued to Departments for implementation. They are also copied to CoPEs to enable them to develop, if necessary, procedures supporting the implementation of this guidance in their particular sector. It is anticipated that the PGN will issue shortly.

68. Minister McCausland also wrote to the new Chairman (appointed 5 November 2012) on his appointment in November 2012 setting out his concerns in relation to contract management; the background to all the issues; and about the request for the work by PEDU.

Planned Maintenance

69. Issues around the potential overpayments in planned maintenance were identified as far back as early 2010 when the NIHE Scheme Inspection Unit inspected five kitchen replacement schemes. As part of the inspection a review of the Price Product Lists (“PPLs”) was conducted on four of the schemes. This review identified a combined potential overcharging by the contractors of £196,422.
70. During July and August 2010 more work was conducted on potential overcharging. Five further schemes were considered and potential overcharging of £513,200 was identified. The Ballynahinch scheme was one of the schemes inspected during this time and the inspector identified potential overcharging amounting to £79,160.
71. On 7 December 2011 the NIHE Head of Internal Audit presented a paper to the NIHE Audit Committee. “Review of possible overcharging in Planned Scheme Contracts – Kitchen Scheme Replacement” and also on 7 March 2012 the Head of Internal Audit reported to the Audit Committee that he *“has used the Ballynahinch scheme as a worked example to gain an understanding of the process, the controls in place and to determine the likelihood of overpayment.”* Internal Audit recommended that an Independent Quantity Surveyor performed site visits to kitchens in the Ballynahinch scheme.
72. The Department became aware of this issue on receipt of copies of the relevant minutes of the NIHE Audit Committee.

73. On 24 May 2012 the Department received a draft copy of an NIHE Contract Claims Manager report which determined that the contractor had overcharged by approximately £27,000. However, at that time, the NIHE Scheme Inspection Unit disputed this finding and a final figure was not agreed. NIHE Internal Audit reviewed this again and the figure was identified in December 2012 as £61,124.
74. NIHE then appointed an external resource to carry out a further sampling review, which informed the current estimated £18m potential overpayment figure.
75. These issues were reported on and discussed regularly at the monthly Accountability meetings held by the Permanent Secretary with the NIHE Chief Executive. The new Chairman of NIHE also advised the Department that he had requested a report for the Board on the overpayments, and the Department had sought that the Board addresses the issues.
76. Following a Board meeting in May 2013, the Chairman of the Housing Executive advised the Minister that an internal report to the Board had indicated a potential £18m had been overpaid to planned maintenance contractors. Minister then made an oral statement in the Assembly on 10 June in relation to this matter and his concerns about the Housing Executive's management of maintenance contracts.
77. In June 2013 the Board of the Housing Executive then commissioned an external independent review into how the organisation had been dealing with planned maintenance contracts over the last five years following this evidence of substantial over claiming by contractors. The Housing Executive commissioned Campbell Tickell to;
- review the information received by the Board;
 - confirm whether or not the information was accurate and complete;

- consider the reliability of the Housing Executive's information on overcharging;
- consider the suitability of actions taken to recover the overpayments;
- consider whether management weaknesses led to this situation; and make recommendation to deal with actions or identified weakness

78. At its Board meeting on 29 October 2013 the Board was advised that the Campbell Tickell report concluded that;

- shortcomings in management and governance within the Housing Executive have led to a situation where there have been substantial overpayments to contractors on planned maintenance contracts;
- a lack of understanding and implementation of a new form of partnering contracts was the root causes of the failings;
- the current situation appears to have improved but is not yet fully satisfactory;
- they found no evidence of fraud or corruption;
- the sum of over claiming was estimated to be within a range of £9m to £13m; and
- in order to remedy the situation a wide-ranging programme of change and transformation is required.

79. The Chairman of the Board briefed the Minister on 13 November in relation to the findings and then briefed the Social Development Committee on 21 November and also published the report. The Board asked that a new business area is established to focus solely on maintenance contracts and that a separate task force is set up to deal with the overpayments.

80. At this time negotiations in relation to the potential overpayments to contractors are ongoing between the NIHE and the contractors.

Oversight arrangements review

81. In May 2013 the Department carried out a further review of its oversight arrangements. A number of additional actions were agreed which included;

- a) A central issues log should be developed;
- b) The NIHE Corporate Plan should be submitted by the Board of the Housing Executive to the Department for the Minister's approval;
- c) Accountability meetings should be from September on a quarterly basis and the Chairman will attend;
- d) Monthly progress meetings will be held between the Permanent Secretary and the Chief Executive to follow up improvement in processes; and
- e) Officials should consider developing a formal process of reviewing landlord processes, in a manner similar to that facing Housing Associations

In relation to a) to d), these actions have been implemented. In relation to e) Housing Division has determined that additional posts will be required to meet the inspection obligations and this is being taken forward

NIHE Structural Reform to Improve Contract Management

82. In addition to the Department's review of oversight arrangements, the Board of the Housing Executive has taken a number of actions to improve its oversight arrangements of contract management. This has included;

- the implementation of new contracts for response maintenance;
- a internal restructuring to bring maintenance contract management within a new asset division; and
- a transformation programme and a new transformation director appointed.

Review of Governance in NIHE - Follow-up Report

83. In September 2013 Permanent Secretary instigated a further governance review by the Department's Head of Internal Audit to assess the outcome of the implementation of the recommendations of the Housing Executive governance review in 2010, the special accountability measures and the ASM Report recommendations. It also looked at the lessons learned by the Housing Executive in respect of the management of response maintenance and the extent to which they have been applied to the management of planned maintenance contracts.
84. The objectives of the Follow-up Report were to establish the progress made in implementing the 75 recommendations in the 2010 report on the Review of Governance in the NIHE and the recommended actions in the Work Plan agreed with the NIHE Chief Executive in 2012. In addition, Internal Audit was asked to consider the extent to which lessons learned by NIHE in respect of Response Maintenance, had been applied to the management of Planned Maintenance Contracts.
85. The Report provides an overall summary and conclusion for each of the three objectives. The report also provides a one page summary for each recommendation and items in the Work Plan. These summaries state the original recommendation, the progress NIHE has made and the opinion of the Head of Internal Audit on whether or not sufficient progress has been made to consider the recommendation implemented. The conclusions are:

Conclusion on Objective 1 – Recommendations in 2010 Report

A total of 75 recommendations were made in the 2010 Review; of these 16 recommendations were considered as "Critical Control" recommendations and the remaining 59 were deemed "Good Practice" recommendations.

In the Follow-up report, the Head of Internal Audit concluded that "the Housing Executive has made progress in implementing the recommendations of the 2010 review. In particular, the NIHE has made progress in addressing

issues relating to Governance, with training having been provided to the majority of staff and key actions relating to Standing Orders, Scheme of Delegations, Committee Structures and Assurance reporting having been completed.”

However, he considered that one Critical Control Recommendation and 5 Good Practice Recommendations had not been implemented. He also considered that three Critical Control and 16 Good Practice Recommendations were only partially implemented. Overall, two thirds of the 75 recommendations had been implemented but work remains on fully implementing the final third.

Conclusion on Objective 2 – Implementation of Work Plan

The Work Plan comprised 19 actions agreed with NIHE in response to the Minister’s letter dated 4 July 2012. In the report, the Head of Internal Audit concluded that “Housing Executive has made good progress in implementing the actions in the Ministerial Work Plan. However, the three actions not yet fully implemented are important and need to be finalised. In particular the work on actions 7 and 12 are necessary for an understanding of the quantum of overpayments on Planned Maintenance schemes”. Action 7 related to closure of contractors accounts and Action 12 related to NIHE determining the total amount of overpayments and the total amount to be written off.

The Review Team had noted in 2010 that there were 469 schemes in the ECM/Revenue Replacement Programme where accounts needed to be reviewed and closed. NIHE established a dedicated team of Quantity Surveyors and created the Central Cost Group (CCG) to close out accounts. At the time of the Follow-up Review 96 accounts had been closed and 373 remained to be closed. The following extract from the report summarises the position at the time of the review:

“The Review Team understands that the Housing Executive has instructed Campbell Tickell to *“identify how substantial overpayments to NIHE planned*

maintenance contractors occurred” and that the report, due at the end of September 2013, may inform future actions by the Housing Executive. The Review Team also notes that the implementation dates of both actions have been revised from March 2013 to March 2014.”

“As final accounts are still awaiting closure for the majority of the schemes, and as Campbell Tickell has still to formally report, the Review Team considers that both actions are still works in progress and therefore these two actions are partially implemented.”

The other partially implemented recommendation related to the need for the NIHE’s Corporate Assurance Unit to formally report its performance, in particular the clearance of reports against agreed timescales. Internal Audit found that a process had been developed but not yet implemented.

Conclusion on Objective 3 – Had NIHE learned lessons from Response Maintenance and applied these to Planned Maintenance Contract?

Following the Gateway Healthcheck undertaken as part of the 2010 Review of Governance, NIHE set out to apply the lessons on contract management that had been identified in regard to Response Maintenance and build these into a Corporate Procurement Strategy. In this context NIHE can be said to have learnt proactively lessons from their experience with Response Maintenance and applied these to Planned Maintenance.

However, some of the more cultural issues, that could be seen in Response Maintenance, such as over reliance on contractors, skills and knowledge of staff, culture and structures are ones to which NIHE have taken time to understand. Having now come to an understanding of some of the underlying issues, the challenge to NIHE is seeing through the changes needed.

The Chief Executive, in a paper to the Board dated 29 May 2013, identified four generic issues which have contributed to the problems experienced by NIHE. These are:

- **Culture** – “It is recognised that for some time the prevailing culture of the Housing Executive was one where the desire to hit targets and spend budgets too often came at the expense of proper governance and compliance with rules”;
- **Contracts** – “We got the management of contracts wrong. From the outset there was a flawed understanding of AEC (Achieving Excellence in Construction – often referred to as EGAN) contracts”;
- **Skills and Knowledge** – “There is evidence that some staff working in Response and Planned Maintenance were insufficiently trained to perform their roles and did not fully understand what was required of them”; and
- **Structures** – “The External Gateway Review pointed to the lack of clarity over who was responsible for managing the maintenance contracts. Another issue was the master-servant relationship that existed between Housing and Regeneration and Design and Property Services.”

Overall Conclusion

In conclusion, there is still a considerable amount of work ahead for NIHE if they are to see through the necessary structural and cultural changes to ensure that the lessons learned from Response Maintenance are applied.

One third of the recommendations in the 2010 Governance Review are either partially implemented or not implemented three years after the original review. Some of these recommendations may no longer be as critical to NIHE as they were when first proposed in 2010, for example Recommendation 56, asking NIHE to develop a formal succession plan for all key posts.

Good progress has been made by NIHE in implementing the actions from the 2012 Work Plan. However, it is critical that the remaining recommendations

are completed, and the Head of Internal Audit noted that the revised timescale for actions 7 and 12 is March 2014.

Next steps

86. The report has been issued to the Chairman and NIHE are to complete the following actions and report by 7 March 2014 on:
- Review the findings and conclusions in the Report;
 - Confirm revised timescales for the completion of all “partially implemented” or “not implemented” recommendations in the 2010 Governance Review and for the three partially completed actions in the 2012 Work Plan;
 - Provide details of any recommendations that they no longer deem relevant and provide the Board and the Department with a reasoned case for no further action; and
 - NIHE’s Internal Audit Unit should validate the completion of all outstanding recommendations / actions and this should be subject to Quality Assurance by the Department’s Internal Audit Unit.

7. Current position and future actions

There are a number of future actions and events including;

1. Gateway 5

In relation to the PAC report - Northern Ireland Housing Executive:

Management of Response Maintenance Contracts, *PAC Recommendation 1 stated:*

The Housing Executive let new contracts for response maintenance in August 2012. In the Committee's opinion it is vitally important that both the Department and Housing Executive use the bedding-in period for these new contracts to critically evaluate how they are working in practice. The Committee recommends that emerging lessons are shared with the Housing Executive's Board and the wider public sector through the Central Procurement Directorate within the Department of Finance and Personnel and the Northern Ireland Procurement Board.

The response to this recommendation in the Memorandum of Reply was that the new contracts will be critically evaluated through an Office of Government Commerce Gateway Review 5, operations review and benefits realisation, which is scheduled for August 2013, one year after the new contracts have been in operation. Any lessons learned will be reported to the NIHE Board, shared with Department of Finance and Personnel's (DFP's) Central Procurement Directorate (CPD) and incorporated in the next round of procurements.

The position is that NIHE is carrying out a Post Project Evaluation (PPE) on the new contracts, the outcomes of this will help inform the Gateway 5 Review. Rather than run the two in parallel the Gateway 5 Review has been moved back to accommodate the PPE. The Housing Executive has advised that the independent Gateway Review is scheduled to take place on 1- 3 April

2014 and any recommendations from the review will be available two or three weeks thereafter.

2. Inspection Team – Landlord

The Inspection Team, which is part of Housing Division's Governance and Inspection Unit, currently carries out Regulation and Inspections of Housing Associations within Northern Ireland. As the regulator, Housing Division is required, under Article 4(1c) of the Housing (NI) Order 1992 (Housing Order) to exercise supervision and control over registered housing associations. The Team is a dedicated Inspection body which works independently of the Housing Executive who are responsible for approving payment of grant to Registered Associations.

Recent NIAO and PAC reports on the workings of the Housing Executive have highlighted a number of significant and serious issues within the organisation, particularly around their governance arrangements. This has resulted in Minister making a number of high profile statements to the NI Assembly, the Permanent Secretary instigating several external reviews and DSD Senior Managers carrying out extensive monitoring of Housing Executive activities.

In response to the serious nature of all these findings, and concerns about the robustness of the current governance and assurance arrangements, the Permanent Secretary has asked the Inspection Team within the Governance and Inspection Unit to develop and implement an inspection regime for the Landlord Function within the Housing Executive, which would subject that organisation to the same degree of scrutiny as Housing Associations. The Team will provide an independent and objective opinion on risk management, control and governance, financial viability and property management by measuring and evaluating their effectiveness in achieving the Housing Executive's agreed objectives.

The Inspection Team will be supported in its role in carrying out inspections of the Housing Executive Landlord Function by other Inspection staff within Housing Division, namely Accountants, who will conduct the financial management area of the inspection as well as Technical colleagues from Housing Advisory Unit who carry out the property management area of the inspection.

It is expected that staff should be in post in early April. Terms of reference will also be developed which will establish the scope, objectives and modus operandi of the NIHE Inspection Team and establish the reporting lines.

3. Review of structures

The Department is currently reviewing the oversight arrangements in place between the Department and the Housing Executive with a view to ensuring that the appropriate oversight arrangements are in place from 1 April 2014.

TERMS OF REFERENCE – SOCIAL DEVELOPMENT COMMITTEE INQUIRY – PHASE 2 MEMORANDUM FRAMEWORK

1. Background

The Committee for Social Development Terms of Reference for the Inquiry are:

- iv. *Decision making relating to the award, modification and cancellation of NIHE maintenance contracts to establish any impropriety or irregularity and, in particular, whether the actions of Ministers were appropriate.*
- v. *Allegations that the Committee was misled by the Minister for Social Development over his decision to seek a review of the specification for the supply and fitting of double glazing.*
- vi. *The adequacy of actions proposed by the Minister, DSD and the NIHE to address previous, well documented failings in relation to procurement and contract management.*

Should the Committee identify any evidence of corruption in relation to the operation of NIHE maintenance contracts and/or any actions indicating possible breaches of relevant codes of conduct, these will be reported directly to the appropriate authorities.

Phase 2 of the Inquiry will consider:

“The adequacy of actions proposed by the Minister, DSD and the NIHE to address previous, well documented failings in relation to procurement and contract management.”

2. Purpose

To develop and prepare a memorandum, in line with Phase 2 of the Committee’s terms of reference, which sets out the key governance and oversight structures and processes in place between the Department for Social Development and the

Northern Ireland Housing Executive. This is to enable the Social Development Committee to interpret the key documents and information that will also be provided.

3. Scope

The memorandum will set out the governance and oversight structures and processes that are in place and will identify the key actions taken since the Review of Governance in the Northern Ireland Housing Executive in December 2010. This will incorporate details relating to the Department's role in identifying areas of concern, for example relating to financial management, contract management and governance, and the actions taken thereafter to secure improvements. This will be supported by the provision of the appropriate documents to the Committee.

4. Objectives

In line with Phase 2 of the Committee's terms of reference:

- To provide a contextual overview to the Committee by way of a memorandum setting out the governance and oversight structures and processes in place between the Department and the Housing Executive, including actions taken to secure improvements.
- To provide the Committee with the relevant documents associated with the memorandum.
- To assist the Committee to interpret the context of the key documents and information provided.
- To assist the Committee to identify any other key documents or information they require to be made available.
- To ensure the Committee have access to all appropriate information and documentation to enable Phase 2 of the Inquiry to be completed.

5. Methodology

- i. Agree the terms of reference.

- ii. Prepare the memorandum in line with the agreed terms of reference.
- iii. Provide a timeline of key events.
- iv. Provide a list of and thereafter copies of key documents prepared during the period December 2010 to date.
- v. Assist the Committee to identify any additional key information and documentation required to complete Phase 2.

6. Timescales

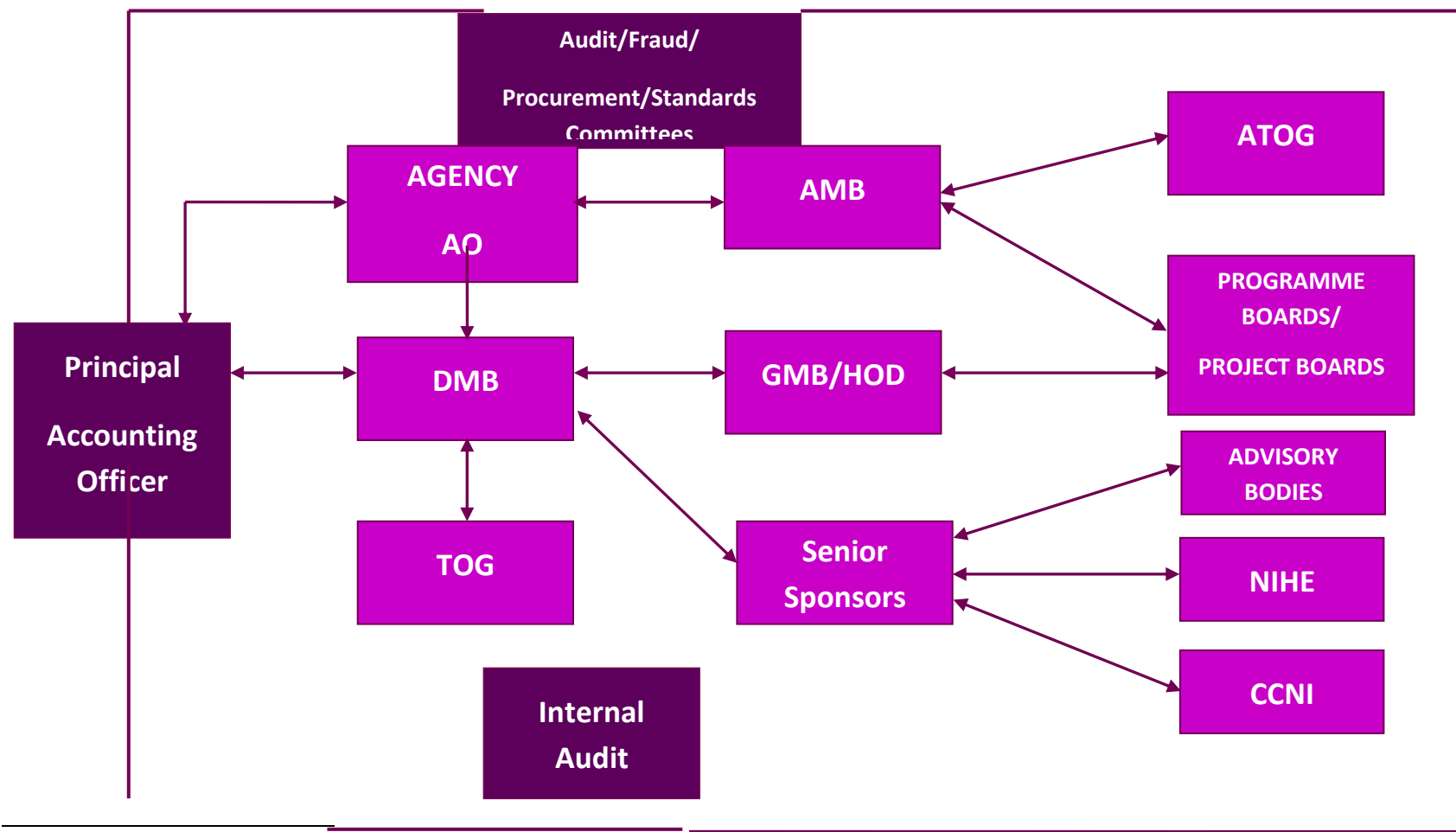
To be completed by 28 February 2014

Phase 2 SDC Inquiry - List of key documents

Title	Author	Date
Managing Public Money Northern Ireland	DFP	
Management statement – Financial memorandum – Dossier of Controls with the Northern Ireland Housing Executive	DSD/NIHE	
DSD Arms Length Bodies - Sponsorship Manual	DSD	Revised August 2013
A review of the process of sponsorship of the NIHE	DSD	2009
Review of Governance in the Northern Ireland Housing Executive	DSD	8 Dec 2010
Healthcheck Gateway Review of Egan Contracts 2010	Independent Review	10 Dec 2010
Gateway Review 3 - Response Maintenance Contracts	Independent Review	29 Sept 2011
DSD Corporate Governance Framework	DSD	March 2012
DSD Internal Audit Review of Arrangements for the operation of Independent Maintenance Inspection Function in NIHE	DSD	July 2012

NIHE Special Accountability Measures	DSD	July 2012
NIAO Report – NIHE management of response maintenance contracts	NIAO	September 2012
NIHE Corporate Procurement Strategy	NIHE	Revised March 2013
Public Accounts Committee- NIHE management of response maintenance contracts	Public Accounts Committee	March 2013
ASM Report	DSD	April 2013
DFP Memorandum of reply - NIHE management of response maintenance contracts	DFP	May 2013
NIHE Corporate Governance Manual	NIHE	November 2013
Review of Governance in the Northern Ireland Housing Executive - follow up report	DSD Internal Audit	December 2013
DSD - Report to those charged with Governance 2010; 2011;	NIAO	2010- 2013

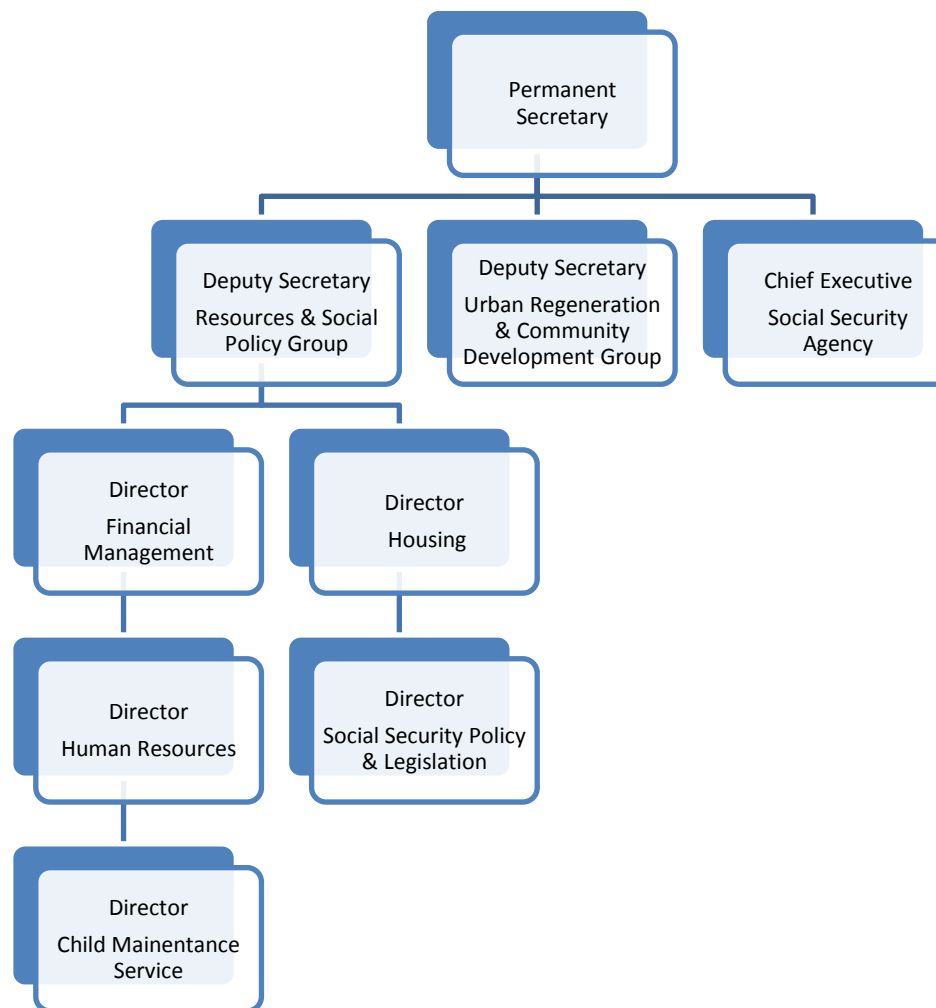
2012 & 2013		
NIHE - Report to those charged with Governance 2010; 2011; 2012 & 2013	NIAO	2010 - 2013
Procurement Strategy for the Social Housing Development Programme	DSD	
NIHE Planned Maintenance Contracts	NIHE/Campbell Tickell	October 2013
NIHE Planned Maintenance	NIHE/Moore McDonald	
NIHE Annual reports – 2010 -2013	NIHE	2010 - 2013
DSD Resource Account Reports March 2010 – March 2013	DSD	March 2010 – March 2013
Stewardship statement guidance	DSD	June 2012
Departmental policy on Risk Management	DSD	Revised March 2013

DSD GOVERNANCE FRAMEWORK²

² DMB - Departmental Management Board/TOG - Top of the Group/ATOOG - Agency Top of the Group/AMB - Agency Management Board/GMB - Group Management Board/HOD - Head of Division/NIHE - Northern Ireland Housing Executive/CCNI Charities Commission NI

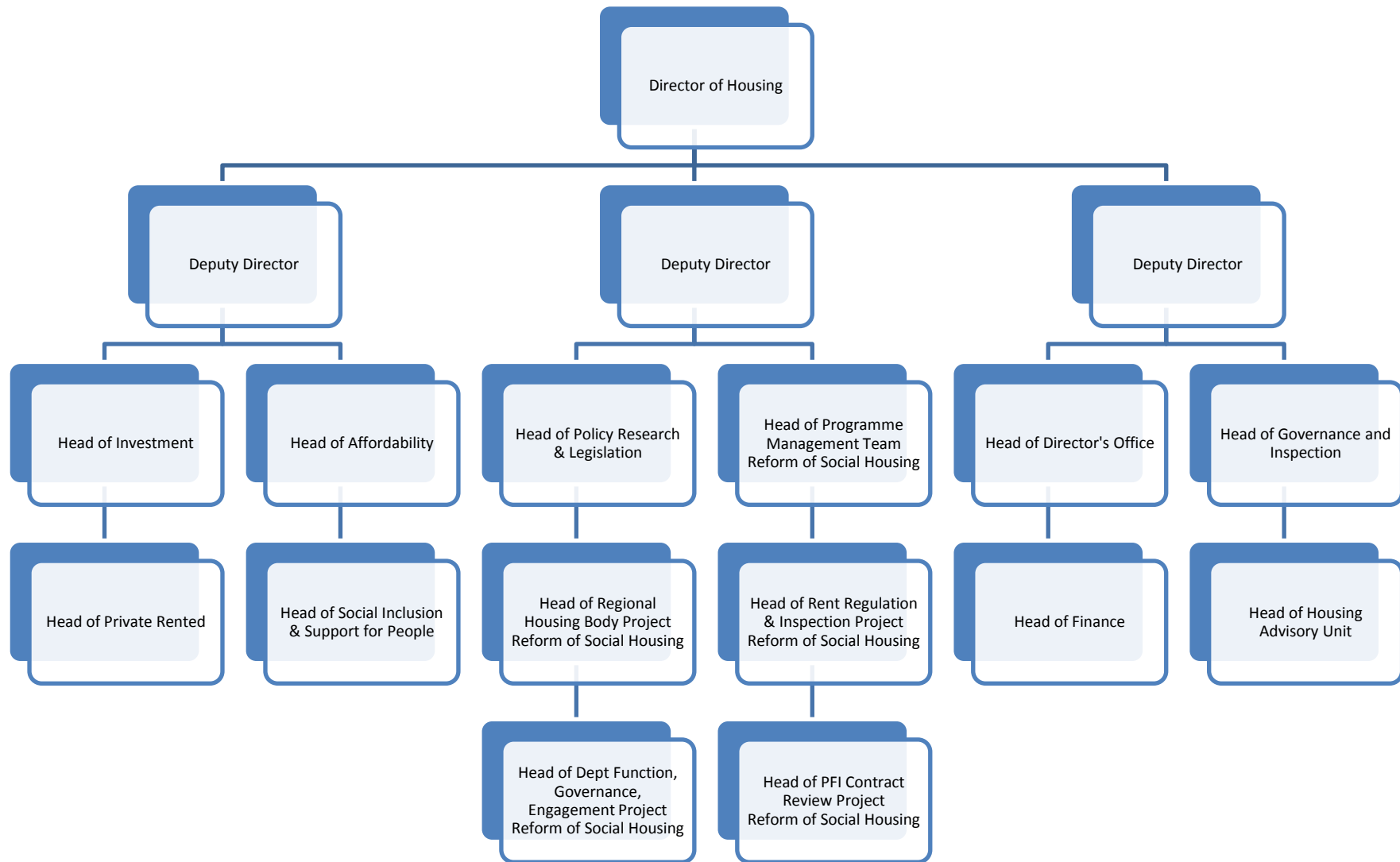
DSD Organisational Chart to Director level

Annex C

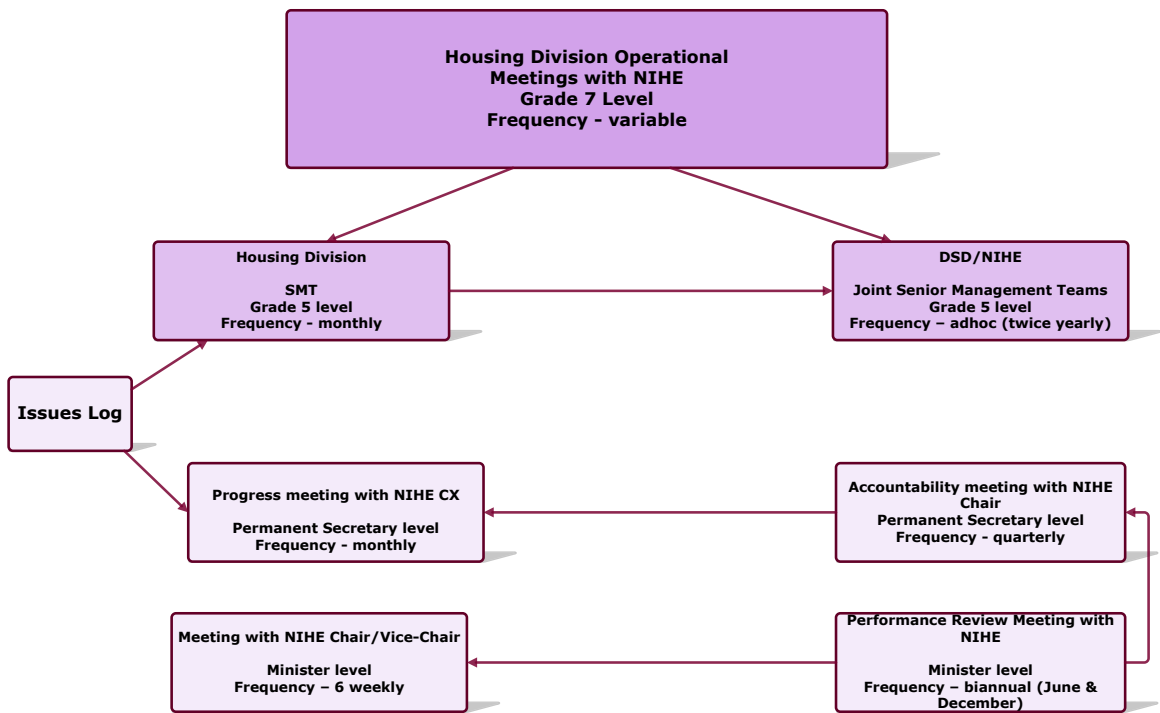


DSD Housing Division Organisation Chart

Annex D



Current Oversight Arrangements



Governance Accountability Cycle

Annex F

KEY ACTIVITIES	TIMELINE	ATTENDED BY/RESPONSIBILITY
Receive and Review Board Minutes	Depending on regularity of Board Meetings	Sponsor Branch
Performance/Liaison/Accountability Meeting	Monthly	Grade 5 – Grade 7
Progress Meeting	Monthly	Secretary and Chief Executive Housing Executive
Accountability Meeting	Quarterly	Secretary and Board Chair of Housing Executive
Monitoring Round Returns	Quarterly	Sponsor Branch
Risk Management and Performance Reports to Departmental Management Board	Quarterly	Co-ordinated by Corporate Planning and Governance Unit
Attendance at Audit and Risk Committee and review of minutes	Quarterly	Usually by Sponsor Branch Deputy Principal/Grade 7
Review Stewardship Statements/Risk Registers, Prepare Key Issues paper for Departmental Audit and Risk Committee	Quarterly	Sponsor Branch / Corporate Planning and Governance Unit.
Consultancy expenditure Returns	Quarterly	Sponsor Branch
Review of Information Assets Register	Quarterly	Sponsor Branch for Charity Commission Sponsor Branch to ensure that NIHE Internal Audit complies with Departmental requirements

Meeting between Sponsor Branches/ The Sponsor Team to share best practice	Biannually	Facilitated by Corporate Planning and Governance Unit
Review of Hospitality and Conflicts of Interest Registers	Biannually	Sponsor Branch for Charity Commission Sponsor Branch to ensure NIHE Internal Audit complies with Departmental requirements
Review of NI Audit Office Interim and Final Reports to those Charged with Governance	Biannually	Grade 5/Sponsor Branch
Review of Annual Resource Accounts including Statement on Internal Control	Annually in advance of Departmental Audit Committee in June	Grade 5/Sponsor Branch
Submission of Annual Report and Accounts to Minister and Assembly	Annually	Grade 5
Completion of Sponsor Branch Checklist	Annually (on a rotation basis)	Audit Office
Agree Business Plans and submission of Plans to Minister	Annually	Grade 5
Consultancy forecast	Annually	Sponsor Branch
Procurement Expenditure	Annually	Sponsor Branch
Board Member and Chair Appraisals	Annually	Grade 3/5 / Chair of Board
Meeting between Departmental Accounting Officer, Chief Executive and Chair of Board	At least Annually or more often with larger Bodies.	Accounting Officer/Grade3/5
Performance Review Meeting	Annually/Biannually	Minister
Review of Management Statement and Financial Memorandum	Annually	Sponsor Branch

Submission of budget approval	Annually	Grade 5-Grade 7
-------------------------------	----------	-----------------

Notes

Grade 3 is also known as Deputy Secretary

Grade 5 is also known as Director or as Head of Division

Grade 7 is also known as Head of Branch or as Principal Officer

NIHE Accounting Officer responsibilities

Annex G

From: The Permanent Secretary
Mr Will Haire

Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB

Telephone: 028 90 829002
Facsimile: 028 90 829560
E-mail: perm.sec@dndni.gov.uk

Dr John McPeake
Chief Executive
Northern Ireland Housing Executive
The Housing Centre
2 Adelaide Street
BELFAST
BT2 8PB

15 September 2011

1. Your current role of Chief Executive carries with it the responsibility of Accounting Officer of the NI Housing Executive. I am therefore writing to formally designate you as Accounting Officer, for the funds (including grant-in-aid) of that body, with effect from 1 September 2011 and to define the relationship between your responsibilities in that capacity and mine as Principal Accounting Officer for the Department for Social Development.
2. Chapter 3 of Managing Public Money Northern Ireland sets out the responsibilities of Accounting Officers and can be accessed using the link: www.afmdni.gov.uk/Accounting_Officer_Memorandum. For ease of reference I have attached the relevant extract as an Annex. This sets out your duties as Accounting Officer in which capacity you will be responsible for safeguarding public funds in your charge and ensuring that they are applied only to the purposes for which they were voted and, more generally, for efficient and economical administration.
3. In order to carry out your responsibilities as Accounting Officer, it is important that you have a thorough understanding of propriety and accountability issues – these are set out in the HM Treasury Handbook: “*Regularity and Propriety*” which can be obtained by accessing the link: http://www.hm-treasury.gov.uk/d/Reg_Prop_and_VfM-November04.pdf.
3. I should explain that your designation as Accounting Officer may be withdrawn if I conclude that you are no longer a fit person to carry out the responsibilities of an Accounting Officer or that it is otherwise in the public interest that your designation be withdrawn. I would not take such a decision without full and careful examination of the facts which you would have a suitable opportunity to contribute to and to add your viewpoint. Nor would I

take such a decision without giving your Board a full account of my reasons as well as a chance to make representations. Withdrawal of Accounting Officer status would obviously bring into question your fitness for the position of Chief Executive generally.

5. As Principal Accounting Officer I have a duty to satisfy myself that the Housing Executive has adequate financial systems and procedures in place to promote the efficient and economical conduct of its business and to safeguard financial propriety and regularity. In addition, I am responsible among other things for advising my Minister on the allocation of Departmental resources, and, after consultation with you, the setting of appropriate financial and non-financial performance targets for the Northern Ireland Housing Executive.
6. As Accounting Officer for the Northern Ireland Housing Executive you are responsible to the Board and accountable to the Assembly for the Housing Executive's use of resources in carrying out its functions as set out in the Management Statement and Financial Memorandum. Subject to my responsibilities as described in paragraph 5 above, you are responsible for all the matters in the Memorandum in respect of the Housing Executive.
7. In relation to your role, there are several areas, in particular, where the Assembly expects Accounting Officers to take personal responsibility:
 - *regularity and propriety*, including seeking DFP approval for any expenditure outside the normal delegations or outside the subheads of Estimates, and carried through with appropriate disclosures in the resource accounts;
 - selection and *appraisal* of programmes and projects: using the *Green Book* (supported by additional DFP guidance) to evaluate alternatives, and good quality project and programme management techniques, such as Office of Government Commerce (OGC) Gateways™, to track and where necessary adjust progress;
 - *value for money*: ensuring that the organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer's organisation;
 - management of *opportunity and risk* to achieve the right balance commensurate with the institution's business and risk appetite;
 - *learning from experience*, both using internal feedback, and from right across the public sector; and
 - accounting accurately for the organisation's *financial position and transactions*: to ensure that the Government published financial information is transparent and up to date, and that the organisation's efficiency in the use of resources is tracked and recorded.

8. Your judgement as Accounting Officer on matters for which you are responsible may only be overridden by the Board, in which case I should be informed as soon as possible. Advice to the Board is covered in the Accounting Officer Memorandum but in general terms you are responsible, inter alia, for advising the Board on matters of financial propriety, regularity or of prudent and economical administration, efficiency and effectiveness. You are also responsible for taking formal action if the Board is contemplating a course that would infringe these requirements.
9. You are liable to be summoned to appear before the Public Accounts Committee (PAC) to give evidence on the discharge of your responsibilities as Accounting Officer for the Housing Executive. In such circumstances the Public Accounts Committee would probably wish to take evidence from both the Principal Accounting Officer and yourself. It will be for me to answer on those matters affecting the Housing Executive, which fall within my responsibility as Principal Accounting Officer. In giving evidence to the Committee you should be guided as appropriate by the Accounting Officer Memorandum.
10. I am sending copies of this letter to the Head of the Northern Ireland Civil Service, the Comptroller and Auditor General, the Clerk to the Northern Ireland Public Accounts Committee, the Treasury Officer of Accounts, the Chief Executive's Forum and to Bruce Vickers in DFP Supply.
11. I would be grateful if you would acknowledge receipt of this letter and its enclosures.

WILL HAIRE

This chapter sets out the personal responsibilities of all Accounting Officers, both in government departments and in other parts of central government. Essentially Accounting Officers must be able to assure the Assembly and the public of high standards of probity in the management of public funds. This chapter is drawn to the attention of all Accounting Officers when they are appointed.

3.1 Role of the Accounting Officer

3.1.1 Each organisation in central government - department, agency, trading fund, HSC body, NDPB or significant arm's length body - must have an Accounting Officer. This person is usually the senior official in the organisation. In line with the *Code of Good Practice on Corporate Governance in Central Government Departments*, it is now usual for the Accounting Officer to be supported by a board whose structure should be agreed with the responsible minister(s) where it is not set in statute. Arrangements for leadership and accountability may be slightly different in other parts of the public sector.

3.1.2 Formally the Accounting Officer is someone who may be called to account in the Assembly for the stewardship of the resources within the organisation's control. The standards the Accounting Officer is expected to deliver in the organisation are summarised in box 3.1. The senior business managers of other public sector organisations are expected to deliver similar standards.

3.2 Appointment of Accounting Officers

3.2.1 DFP appoints the permanent head of each central government department to be its Accounting Officer. Where there are several Accounting Officers in a department, the permanent head is the Principal Accounting Officer.

3.2.2 Within departments, DFP also appoints the chief executive of each trading fund as its Accounting Officer; and may also appoint Additional Accounting Officers with responsibility for certain Requests for Resources.

3.2.3 In turn the Accounting Officer of each department normally appoints the permanent heads:

- of its executive agencies, as Agency Accounting Officers for their agencies; and
- of all its NDPBs³, and of most other significant arm's length bodies, as Accounting Officers for these bodies.

³ In certain NDPBs with small budgets, an Accounting Officer in the sponsor department may assume the role of the Accounting Officer for the NDPB, with the costs of the NDPB charged directly to the sponsor department's Estimate. This is the usual arrangement for advisory bodies and Royal Commissions.

box 3.1: standards expected of the Accounting Officer's organisation

Acting within the authority of the minister(s) to whom he or she is responsible, the Accounting Officer should ensure that the organisation, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity. The organisation should:

governance

- have a governance structure which transmits, delegates, implements and enforces decisions
- have trustworthy internal controls to safeguard, channel and record resources as intended
- operate with propriety and regularity in all its transactions
- treat its customers and business counterparties fairly and honestly
- offer redress for failure to meet agreed customer standards where appropriate
- give timely, transparent and realistic accounts of its business, underpinning public confidence;

decision-making

- support its ministers with clear, well reasoned, timely and impartial advice
- make all its decisions in line with the strategy, aims and objectives of the organisation set by ministers and/or in legislation
- meet DFP's requirements about limits on use of public resources
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity having regard to Section 75 of the Northern Ireland Act
- communicate its decisions openly and transparently;

financial management

- use its resources efficiently, economically and effectively, avoiding waste and extravagance
- carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole
- use management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments
- avoid overdefining detail and imposing undue compliance costs, either on its own staff or on its customers and stakeholders
- have practical documented arrangements for working in partnership with other organisations
- use internal and external audit to improve its internal controls and performance.

3.3 Special responsibilities of Accounting Officers

3.3.1 It is important that each Accounting Officer takes personal responsibility for ensuring that the organisation he or she manages delivers the standards in box 1.1. In particular, the Accounting Officer must personally sign:

- the organisation's accounts;
- the annual report;
- the statement on internal control (SIC);

and, having been satisfied that they have been properly prepared to reflect the business of the organisation, must personally approve any Request(s) for Resources.

3.3.2 In the case of Accounting Officers of corporate arm's length bodies, the Accounting Officer should also arrange for a board member to sign the accounts as well, if (unusually) he or she is not a member of the board.

3.3.3 There are several other areas where the Assembly expects Accounting Officers to take personal responsibility:

- *regularity and propriety* (see box 2.4), including seeking DFP approval for any expenditure outside the normal delegations or outside the subheads of Estimates, and carried through with appropriate disclosures in the resource accounts;
- selection and *appraisal* of programmes and projects: using the *Green Book* (supported by additional DFP Guidance) to evaluate alternatives, and good quality project and programme management techniques, such as Office of Government Commerce (OGC) Gateways™, to track and where necessary adjust progress;
- *value for money*: ensuring that the organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer's organisation;
- management of *opportunity and risk* to achieve the right balance commensurate with the institution's business and risk appetite;
- *learning from experience*, both using internal feedback, and from right across the public sector; and
- accounting accurately for the organisation's *financial position* and *transactions*: to ensure that the government published financial information is transparent and up to date and that the organisation's efficiency in the use of resources is tracked and recorded.

3.4 Advice to Ministers

3.4.1 Each departmental Accounting Officer should take care to bring to the attention of the Minister to whom he or she is responsible any conflict between the Minister's instructions and his or her duties as set out in this chapter. Examples of concerns where this procedure is appropriate are in box 3.2 but the ultimate judgement must lie with the Accounting Officer personally.

3.4.2 There is no set form for doing this, though the Accounting Officer should be specific about the nature of his or her objections and where possible set these out in writing. Before doing so it is good practice for an Accounting Officer to discuss the matter with DFP if time permits. It may also be necessary to discuss the issue with officials from the Office of First Minister and Deputy First Minister to determine if the matter needs to be brought to the Executive Committee under the terms of the Ministerial Code.

3.4.3 If, despite the Accounting Officer's advice, the Minister decides to continue with a course the Accounting Officer has advised against, the Accounting Officer should ask for a formal Ministerial Direction to proceed. This can be oral but, if so, should be confirmed in writing as soon as possible. Directions of this kind are rare but the acid test is whether the Accounting Officer could justify the proposed activity if asked to defend it.

3.4.4 Such a direction is likely to mean that the associated expenditure is novel or contentious and therefore outside of the departmental delegated expenditure. Having received a Direction from the Departmental Minister, in these circumstances, the Accounting Officer should seek DFP approval.

3.4.5 A Minister may decide, in these circumstances, that the issue should be discussed by the Executive. If this happens and a decision reached at the Executive is to agree to the course of action proposed by the Departmental Minister it will be recorded in the minutes which can be treated as formal approval. The DFP Minister, as part of the Executive, is bound by this decision and in these circumstances it is not envisaged that it will be necessary for the Accounting Officer to seek a formal written approval from DFP. If the Executive decides not to proceed the Accounting Officer should abide by the Executive's decision and not undertake any course of action which could be seen as contrary to the decision.

3.4.6 When a Ministerial Direction is confirmed by the DFP Minister or Executive Committee as appropriate, the Accounting Officer should:

- write to the C&AG with the relevant details of the issue. This correspondence should be copied to DFP. The C&AG will normally draw the matter to the attention of the PAC, who will attach no blame to the Accounting Officer;
- follow the direction without further ado; and
- if asked, explain the Ministers/Executive's course of action. This respects Ministers' rights to frank advice, while protecting the quality of internal debate.

box 3.2: examples when Accounting Officers should seek a direction reflecting previous cases

- **Irregularity:** if a proposal is outside the legal powers, Assembly consents, or DFP delegations.
- **Impropriety:** if a proposal would breach Assembly control procedures.
- **Poor value for money:** if an alternative proposal, or doing nothing, would deliver better value, e.g. a cheaper or higher quality outcome.

3.5 Public Accounts Committee

3.5.1 The PAC may hold public hearings on the accounts of central government organisations laid in the Assembly (see section 1.6). In practice most PAC hearings focus on NIAO value for money studies. The PAC expects that NIAO will agree the texts of these reports with the Accounting Officer(s) of the organisation(s) concerned so there is a clear evidence base for their scrutiny to proceed.

3.5.2 When a hearing is scheduled, the PAC normally invites the Accounting Officer(s) of the relevant institution(s) to attend as witness(es). An Accounting Officer may be accompanied by appropriate officials. Where it is appropriate, and the PAC agrees, the Accounting Officer may send a substitute. In answering questions, the Accounting Officer should take responsibility for the organisation's business, even if it was delegated or if the events in question happened before he or she was appointed Accounting Officer.

3.5.3 The PAC expects witnesses to give clear, accurate and complete evidence. If evidence is sensitive, witnesses may ask to give it in private. It is also acceptable to offer supplementary notes if a witness does not have the detail to hand at the hearing. Where such notes are offered, they should be provided within two weeks and with attention to the PAC's concerns in asking for the information. If the evidence might take longer to prepare, witnesses may seek an extension. They should do so without delay.

3.5.4 The Treasury Officer of Accounts (TOA) (a DFP official who answers questions on behalf of DFP as the central department concerned with financial matters) or his/her nominee attends all PAC hearings. This allows scope for the PAC to explore any issues of more general application arising out of the subject of the hearing. Other responsibilities of the TOA are listed in Box 3.3.

3.6 When the Accounting Officer is not available

3.6.1 Each organisation must have an Accounting Officer available for advice or decision as necessary at short notice.

3.6.2 When the Accounting Officer is absent and cannot readily be contacted, another senior official should deputise. If a significant absence of more than 4 weeks is planned, the Accounting Officer, should invite DFP (or the sponsor department, as the case may be) to appoint a temporary acting Accounting Officer.

box 3.3: Specific responsibilities of the TOA

To supply advice on:

- the principles underlying the resource accounting system;
- the responsibilities and appointment of Accounting Officers;
- the responsibilities of Finance Directors;
- policy on internal audit and the prevention of fraud;
- propriety, in terms consistent with the Assembly's requirements for the conduct of financial

business and whether, and in what form, specific authority for expenditure is required;

- financial provisions in Assembly Bills affecting public funds, accounting and audit arrangements, and acceptance of contingent liabilities;
- contingent liabilities generally and on the use of commercial insurance;
- fees and charges issues; and
- the departmental use of banks

In addition the TOA is also Head of Finance Profession for the Northern Ireland Civil Service.

3.7 Conflicts of interest

3.7.1 If an Accounting Officer faces an actual or potential conflict of interest, it is essential to find a way of eliminating it. There must be no doubt that the Accounting Officer meets the standards described in box 3.1 without divided loyalties. Possible ways of managing this issue include:

- for a significant but temporary conflict, inviting DFP (or sponsor department, as the case may be) to appoint an interim Accounting Officer for the period of the conflict of interest;
- for a minor conflict, arranging for someone other than the Accounting Officer to make the key decisions on the issue(s) in question; or
- for serious and lasting conflicts, resignation.

3.8 Arm's length bodies

3.8.1 The responsibilities of Accounting Officers in departments and in arm's length bodies (ALBs) are essentially very similar. But Accounting Officers in ALBs must also take account of their special responsibilities and powers. In particular, they must respect the legislation (or equivalent) establishing the organisation and the terms of the Management Statement/Financial Memorandum (MS/FM) agreed with the sponsor department. The relationship between sponsor departments and their ALBs is discussed further in chapter 7.

3.8.2 The Accounting Officer of a department which sponsors an ALB should, in addition, make arrangements to satisfy himself or herself that the Accounting Officer of the ALB is carrying out his or her responsibilities. Similarly, the Accounting Officer of an ALB with a subsidiary should have some meaningful oversight of the subsidiary. This means taking steps to gain assurance that public resources in the ALB, or its subsidiary, are being managed to appropriate standards (see box 3.1). It is not acceptable to establish ALBs, or subsidiaries to ALBs, in order to avoid or weaken Assembly scrutiny.

3.8.3 The MS/FM agreed between an ALB and its sponsor always envisages the sponsor department exercising meaningful oversight of the ALB's strategy and performance, pay arrangements and/or major financial transactions, e.g. by monthly returns, standard delegations, exception reporting or other techniques. ALBs should refer to their sponsor departments any activities which appear novel, contentious or repercussive; in turn the sponsor department may need to seek DFP consent.

3.8.4 There are some sensitivities about the role of the Accounting Officer in an ALB which is governed by an independent board, e.g. a charity or a company. The Accounting Officer, who will normally be a member of the board, must take care that his or her personal responsibilities do not conflict with his or her duties as board member. In particular, the Accounting Officer should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

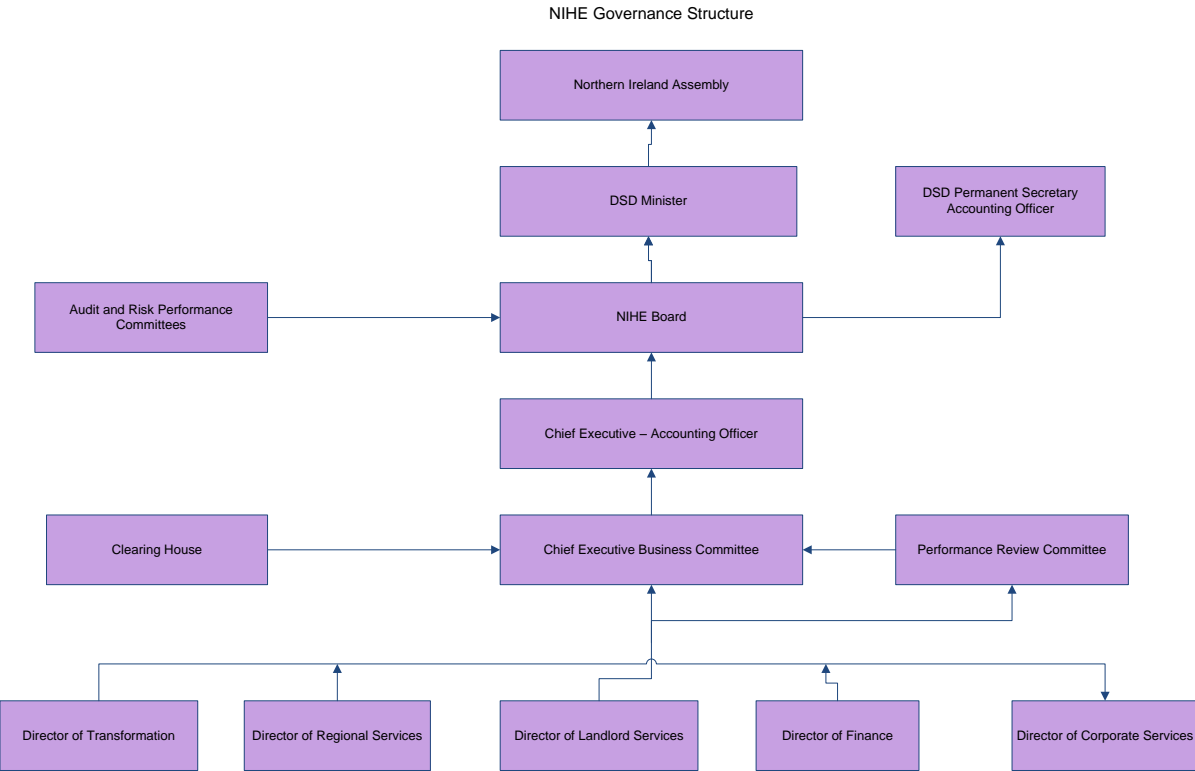
3.8.5 Moreover, if the chair or board of such an ALB is minded to instruct the Accounting Officer to carry out some course which appears inconsistent with the standards in box 3.1, then the Accounting Officer should make his or her reservations clear, preferably in writing. If the board is minded nevertheless to proceed, the Accounting Officer should then:

- inform the Accounting Officer of the sponsor department without undue delay who will need to consider intervening to resolve the difference of view, preferably in writing;
- if the board's decision stands, seek its written direction to carry it out, asking the sponsor department to inform DFP;
- proceed to implement without delay; and
- inform the C&AG of what has happened.

3.8.6 This process is similar to what happens in departments (section 3.4), allowing for the special position of the organisation's board, which will often have been appointed under statute.

3.9 In the round

3.9.1 It is not realistic to set firm rules for every aspect of the business with which an Accounting Officer may deal. Sometimes the Accounting Officer may need to take a principled decision on the facts in circumstances where precedents are of limited value. Should that happen, the Accounting Officer should be guided by the standards in box 3.1, adapted if need be to suit the issue. Where time permits, DFP stands ready to help Accounting Officers think through and decide upon an appropriate course of action.



List of formal meetings between the Department and NIHE

Annex I

Title of meeting	Lead Party for meeting	Purpose	Frequency of meeting
Performance Review Meeting (between the Department and the Housing Executive)	Minister	Minister holding the Housing Executive accountable for their performance against their key targets	Twice a year (June and December)
Ministerial Monthly meeting with Chair and Vice Chair NIHE	Minister	To provide the Minister with updates on issues	Monthly until January 2014 and thereafter every six weeks
Accountability Meeting	Permanent Secretary	To focus on a number of strategic and significant issues on-going within the Housing Executive as a link in the chain of accountability.	Quarterly
Monthly Progress meeting	Permanent Secretary	To provide a monthly update on key oversight and governance issues	Monthly

Monthly Performance Meeting (formerly Joint Pes Working Group)	Deputy Director	To discuss the Executive's physical and financial performance in the previous month	Monthly
Monthly Finance Meeting	Grade 7	To discuss the Housing Executive's financial performance against budget.	Monthly
Performance Standards Meetings – Housing Benefit	Grade 7	To report on and monitor Performance Standards	Quarterly
Joint Social Housing Development Programme Meeting	Deputy Director	To improve interface working in matters relating to the delivery of social housing	Bi-monthly
Warm Homes	Grade 7	Discuss Scheme progress	Every 2 Months

Monitoring Meeting + Boiler Replacement Pilot		– Finance & Quality Receive updates on pilot scheme.	
Supporting people monitoring meeting	Deputy Director	To discuss supporting people performance/issues inspection performance of Housing Associations	Quarterly
Private Housing Sector Grants/Loans Working Group	Deputy Principal	To steer policy and legislative change to statutory assistance schemes.	Monthly

Director Contributions Project Steering Board Meeting	Deputy Secretary	Progress Developer Contributions for social and affordable housing	Monthly
Developer Contributions Project Working Group	Grade 7	Progress Developer Contributions for social and affordable housing	Every 2 months
Private Rented Sector Research Steering Committee	Staff Officer	To steer the NI part of the DWP private rented sector welfare reform impacts	At milestones
Joint Senior Management Team (SMT) Housing Division/Housing Executive	Director/Chief Executive	General discussion on key business planning issues	Twice yearly

Title of meeting	Lead Party for meeting	Purpose	Frequency of meeting
NIHE Research Committee	NIHE	Oversee Housing Executive research programme	Quarterly

Traveller Consultative forum	NIHE	To provide a mechanism for consultation on issues related to the provision of accommodation for members of the Traveller community	Quarterly
Older People Advisory Group	NIHE	To consider housing issues relating to older people	Quarterly
Stock Transfer Working Group	NIHE	To progress the Stock Transfer Programme	Monthly

Context

1. In October 2010, the Minister requested that the Permanent Secretary should ask his Internal Auditor to carry out a governance audit of the Northern Ireland Housing Executive. On completion of this, the Minister made an Oral Statement to the Assembly on 25 January in relation to the findings and recommendations of the Review of Governance in the Housing Executive and the Gateway (Health Check) Review. The Governance report contains 75 recommendations, 16 of which relate to critical control issues, with 59 relating to developing existing policies and practices. There are 14 recommendations in the Gateway Review in relation to procurement and contract management.
2. In line with the Minister's statement on 25 January 2011, a number of oversight arrangements have been put in place to ensure the recommendations in both reviews are appropriately implemented. These are:
 - Oversight Implementation Group;
 - Accountability Group; and
 - Performance Review Meetings

Remit

3. The remit of the Oversight Implementation Group is to:
 - assess the realism of the implementation plan being put forward by the Housing Executive;
 - provide monthly examination of the implementation of the recommendations;
 - consider in-depth the Housing Executive's developing thinking in relation to key strategic issues,

- confirm that the recommendations in relation to procurement and contract management are appropriately implemented; and
- provide broad strategic advice and guidance.

Membership

4. The members of the Oversight Implementation Group are:
 - Will Haire (Chair)
 - Colin Lewis DETI
 - Des Armstrong CPD
 - Oliver Forde
 - Heather Cousins
 - Jim Wilkinson
- Susan McCarty (Secretary)

Attendance of others

5. Members of the Housing Executive Oversight Board and the Programme Manager may be asked to attend meetings, where appropriate.

External relationships

6. Heather Cousins will represent the Oversight Implementation Group on the Housing Executive Oversight Board. Susan McCarty will liaise with the Housing Executive's Programme Manager. This department's officials also attend the Accountability Group and the Performance Review meetings.

Frequency of Meetings

7. Monthly initially, subject to regular review

Reporting arrangements

8. Minutes are circulated to members and regular updates will be provided to Minister. The Housing Executive Oversight Board will provide monthly updates and may attend meetings when required. The Housing Executive Programme Manager will ensure the updates provided reflect the status of the recommendations and associated risks.

Timeline of events**Annex K**

Date	Action
7 October 2010	Review of Governance in the NIHE announced by the then Minister, Alex Attwood.
25 January 2011	Review of Governance in the NIHE Report and Gateway Review published by the then Minister, Alex Attwood.
18 February 2011	First meeting of the DSD Oversight Implementation Group, chaired by Permanent Secretary, set up in relation to the implementation of the recommendations in the Review of Governance and the Gateway Review.
23 February 2011	Minister's Performance Review meeting with NIHE.
23 March 2011	The then Minister, Alex Attwood, made an Oral Statement to the Assembly on Fundamental Review of NIHE and other matters.
31 March 2011	Meeting of Governance Oversight Implementation Group chaired by Permanent Secretary.
1 April 2011	Permanent Secretary bi-annual accountability meeting with Chairman NIHE.
3 May 2011	Minister's Performance Review meeting with NIHE.
16 May 2011	Minister McCausland appointed.
23 May 2011	Meeting of Governance Oversight Implementation Group chaired by Permanent Secretary.
24 June 2011	Meeting of Governance Oversight Implementation Group chaired by Permanent Secretary.
1 July 2011	Press Release: Minister McCausland advises of concerns about Maintenance Contracts
4 August 2011	Meeting of Governance Oversight Implementation Group chaired by Permanent Secretary
30 August 2011	Minister's Performance Review meeting with NIHE
27 September 2011	Meeting of Governance Oversight Implementation Group chaired by Permanent Secretary
29 September 2011	Gateway Review 3 – Response Maintenance Contracts

5 October 2011	Permanent Secretary biannual accountability meeting with Chairman NIHE
17 October 2011	ASM appointed by DSD to conduct forensic investigation into NIHE maintenance contracts
16 November 2011	Meeting of Governance Oversight Implementation Group chaired by Permanent Secretary
8 December 2011	Minister's Performance Review meeting with NIHE
26 January 2012	Permanent Secretary wrote to NIHE Chief Executive about contract managements arrangements
13 April 2012	Permanent Secretary wrote to NIHE Chief Executive about his concerns in relation to the implementation of the governance arrangements in place
27 April 2012	Permanent Secretary quarterly accountability meeting with Chief Executive NIHE
8 May 2012	Permanent Secretary wrote to NIHE Chief Executive in relation to the work by the NIHE Corporate Assurance Unit and Internal Audit.
14 May 2012	Permanent Secretary wrote to NIHE Chief Executive in relation to the reports on the inspection of kitchen schemes
17 May 2012	Permanent Secretary wrote to NIHE Chairman to seek a meeting
17 May 2012	Permanent Secretary met NIHE Chief Executive to discuss his concerns
25 May 2012	Permanent Secretary met NIHE Chairman to discuss his concerns
29 May 2012	Permanent Secretary wrote to NIHE Chief Executive in relation to the information in the Stewardship statements
30 May 2012	Review starts by DSD Internal Auditor of the actions taken by NIHE to implement those particular recommendations relating to the operating of the independent inspection function.
26 June 2012	Minister's Performance Review meeting with NIHE brought forward to this date.
29 June 2012	Previous Chairman, Brian Rowntree, resigns

3 July 2012	Minister McCausland makes Oral Statement to the Assembly on NIHE Management of Response Maintenance Contracts and outlines his Special Accountability Measures
4 July 2012	Minister writes to Vice Chairman, Anne Henderson, with the Special Accountability Measures
5 July 2012	DSD Internal Audit Review of Arrangements for the operation of the Independent Maintenance Inspection Function in NIHE forwarded to the Vice Chairman
5 July 2012	Draft ASM report forwarded to Vice Chairman for NIHE comment
9 July 2012	Vice Chairman appointed as Acting Chairman of NIHE Board
24 July 2012	Permanent Secretary met with NIHE Chief Executive to discuss issues.
1 August 2012	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
7 August 2012	Minister approves the NIHE special accountability measures workplan.
4 September 2012	NIAO report published on NIHE Management of Response Maintenance Contracts
5 September 2012	PAC Hearing on NIHE Management of Response Maintenance Contracts
6 September 2012	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
16 October 2012	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
5 November 2012	Donald Hoodless appointed as NIHE Chairman
14 November 2012	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
17 December 2012	Minister's Performance Review meeting with NIHE
20 December 2012	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
22 January 2013	Permanent Secretary monthly accountability meeting with NIHE Chief Executive

30 January 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
26 February 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
20 February 2013	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
19 March 2013	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
20 March 2013	PAC report published on the NIHE Management of Response maintenance contracts.
17 April 2013	NIHE accept the findings in the ASM report
18 April 2013	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
30 April 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
20 May 2013	DFP Memorandum of Reply laid before Assembly re PAC report on NIHE Management of Response Maintenance Contracts
23 May 2013	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
24 May 2013	Laying of the Memorandum of Reply
29 May 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
14 June 2013	Redacted ASM report deposited in Assembly Library.
10 June 2013	NIHE Board release statement and announce appointment of consultants
10 June 2013	Minister McCausland makes Oral Statement to the Assembly on Housing Executive Maintenance Contracts
20 June 2013	Minister's Performance Review meeting with NIHE
2 July 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE

3 July 2013	Spotlight Programme
4 July 2013	Minister attends meeting of the Social Development Committee
5 July 2013	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
30 July 2013	Permanent Secretary monthly accountability meeting with NIHE Chief Executive
27 August 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
25 September 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
2 October 2013	Permanent Secretary monthly progress meeting with NIHE Chief Executive
2 October 2013	Permanent Secretary quarterly accountability meeting with NIHE Chairman
24 October 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
5 November 2013	Permanent Secretary monthly progress meeting with NIHE Chief Executive
21 November 2013	NIHE publish the Campbell Tickell report
26 November 2013	Minister's monthly meeting with Chairman and Vice Chairman NIHE
11 December 2013	Minister's performance review meeting with NIHE
13 December 2013	Permanent Secretary monthly progress meeting with NIHE Chief Executive
17 December 2013	Permanent Secretary quarterly accountability meeting with NIHE Chairman
24 January 2014	Permanent Secretary monthly progress meeting with NIHE Chief Executive
29 January 2014	Minister's meeting with Chairman and Vice Chairman NIHE (now to be every 6 weeks)
10 February 2014	Review of Governance in NIHE – follow up report forwarded to

	NIHE Chairman for comments on next steps by 7 March 2014
--	--

Abbreviations

Annex L

ALBs	Arms Length Bodies
ATOG	Agency Top of the Group
CCNI	Charities Commission Northern Ireland
CPD	Central Procurement Directorate
DFP	Department of Finance and Personnel
DMB	Departmental Management Board
DSD	Department for Social Development
GIAS	Government Internal Audit Standards
GMB	Group Management Board
HOD	Head of Division (aka Director)
MPNI	Managing Public Money Northern Ireland
MS/FN	Management Statement: Financial Memorandum
NDPB	Non Departmental Public Body
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NIHE	Northern Ireland Housing Executive
OFMdFM	Office of the First Minister and deputy First Minister
PAC	Public Accounts Committee
PFG	Programme for Government
PIDs	Project Initiation Documents
PPE	Post Project Evaluation
PPLs	Price Product Lists
PSA	Public Service Agreement
SDC	Social Development Committee (Committee for Social Development)
SMT	Senior Management Team
SRO	Senior Responsible Owner
TOA	Treasury Officer of Accounts
TOG	Top of the Group