



Inspection of Helm Housing Association

Round 2

Final Report

January 2012

Acknowledgement

The Team wishes to express their thanks and appreciation for the assistance and co-operation shown by the Board, Management and Staff of Helm Housing in completing this Inspection.

EXECUTIVE SUMMARY

The previous inspection of Helm Housing, previously known as BIH, was carried out during August 2006 when Helm was one of three pilot Round 1 Inspections carried out under the new inspection process against the Department's new Regulatory Framework. The aim of the Round 2 inspection was to ascertain how well the Association met the regulatory requirements of the Housing Association Guide, legislative and professional requirements, the needs of the service users and continuous improvement.

The Round 2 inspection of Helm commenced in October 2010 and incorporated four key areas, Finance, Property Development, Property Management and Corporate Governance & Housing Management.

In summary the Inspection highlighted a high number of significant failures across all areas indicating significant and substantial failings by the Senior Management Team of the Association and a failure by the Board to offer an adequate challenge function to the decision-making process within the Association. This statement is qualified by the Team's awareness that, on occasions, the Board had either not been fully briefed by the Senior Management Team or had been misinformed. The activities that raised major concerns for the Team were in regard to Financial Management, Property Development and Property Management. Having taken into account the evidence in this report the overall assurance rating under the new grading system (Appendix 1) is **No Assurance**.

With regard to Financial Management the Team, having considered the findings of this report, is of the opinion that **Limited Assurance** is an appropriate grading in this case. This is primarily due to the lack of relevant management information being provided to the Board for planning and decision making purposes. From the evidence provided the Board failed to request appropriate information to assist its future business planning and the Team found areas where improvements could be made to enhance the Association's financial reporting and control environment.

With regard to Property Development the Team found a range of significant issues which ranged from breaches of Departmental requirements and procedures, false certifications to obtain project approval to a lack of financial control and exposure to unnecessary risk. All these issues give serious cause for concern about the Association's ability to effectively manage the development process. In addition there is concern about how Helm Developments (the private wing of the Association) actually operated. Based on a sample of the schemes reviewed, it was not clear if management were acting as the Association or as the private wing. Such confusion is worrying and could expose the Association to considerable financial risk. As a result of these significant findings the Association's performance for Property Development is graded as **No Assurance**.

As a result of these concerns, the Team elected to significantly increase the number of schemes examined to determine if there had been any impact on the payment of Housing Association Grant (HAG) to the Association. The period of testing was from April 2007 to December 2010. The Team selected 48 schemes from a total of 67 which equated with 72% of the Associations schemes for that period. In terms of monetary value the sample represented £88 million HAG from a total of £125 million HAG (70%) paid to the Association. Although significant control issues and non-compliance were identified in 36 of the schemes examined (see Appendix 2) only 30 of these schemes attracted HAG.

The Team was able to confirm that with the exception of four schemes, grant was used for the purpose it was intended, namely to provide social housing and the amount of grant paid was appropriate for the nature and type of the scheme. With regard to the four exceptions, in one case the development could not progress because the Association failed to carry out appropriate and timely community consultation resulting in a recovery of the initial payment of £142K HAG. In the other three cases the Team felt that the Association had not been able to furnish appropriate evidence to support the grant claim for the type of scheme presented and therefore it was determined that as a penalty the schemes would be recalculated at the lower rate of Grant, resulting in a total of £527K HAG to be recovered. (Details of these schemes can be found at paragraph 3.26).

Having assessed the Association's performance in the area of Property Management against the recommendations from the previous inspection in 2006, it is clear that Helm Housing has regressed and no longer provides a satisfactory assurance that maintenance activities accord with the Departments requirements. There are concerns around the lack of a detailed long term maintenance plan and there was evidence of failure to follow procurement guidance around the appointment of consultants. Therefore, as a result of these findings, the Association's performance in Property Management is graded as **Limited Assurance**.

The main assessment of Corporate Governance & Housing Management is primarily based on the findings from the other three main areas of inspection. Those findings paint a picture of widespread failure to apply proper controls to the activities undertaken within the Association. In many of these instances, if the Board or relevant Sub-committee had acted appropriately on the information presented to them, many of the issues identified in this report should have been challenged and addressed. The failure to provide a positive challenge function unfortunately rests completely with the Board. The role, responsibilities, skills, expertise and knowledge of the current Board needs to be reviewed as matter of urgency. A grading of **No Assurance** is therefore deemed appropriate for this area.

Finally, the Team would like to make specific reference to the help and co-operation received from the Helm Board throughout the Inspection and in particular from the Chair and Vice-chair. The Team recognise that this was an

extremely difficult and arduous experience for the Association; however the openness of the Board to accept the findings and deal with the issues in a forthright manner has been a major contributing factor to the successful conclusion of the Inspection. The Board, in its responses to the individual recommendations has been both positive and candid. The Board has demonstrated a commitment to driving forward improvements and indeed has already taken a number of difficult decisions in this direction, for which it should be commended.



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1. INTRODUCTION

BACKGROUND

1.1 The Governance and Inspection Team, hereinafter referred to as the Team, is a dedicated Inspection body situated in Housing Division within the Department for Social Development. As the regulator, Housing Division is required to exercise supervision and control over Registered Housing Associations (Article 4 (1) (c) of the Housing (N.I.) Order, 1992).

1.2 The Team is responsible for providing the Department with an assurance on the probity, regularity and integrity of expenditure in the operation and administration of Registered Housing Associations, hereinafter referred to as Associations. The Team reports on how well Associations are meeting the regulatory requirements of the Housing Association Guide, legislative and professional requirements and the needs of service users.

CONTEXT

1.3 Helm Housing is dedicated to the provision of affordable housing and associated support services. Its key role is to develop and manage rented accommodation for single people, families, the elderly and various models of supported housing for people with special needs. It currently manages and maintain approximately 5000 properties located throughout Northern Ireland. Helm Developments, its subsidiary company, was established to complement activities by providing housing for sale as a source of income to assist in funding the provision of social housing.

1.4 At the year ending 31st March 2010 Helm Housing had an annual turnover of £16,523,311 and a surplus before transfers to reserves of £3,787,134. With net current assets of £15,440,689 and total assets less current liabilities of £100,994,948, the Association achieved a return on capital employed of 22.9%.

PREVIOUS INSPECTION & GRADINGS

1.5 Helm Housing, previously known as BIH, was one of three pilot inspections carried out by the Department in December 2005 and a final report was issued in July 2006 with an overall grading of "Good" being awarded.

SCOPE OF THE INSPECTION

1.6 This was a Round 2 Inspection and enabled the Team to determine whether the Association is a viable organisation, operating a framework that effectively identifies and manages risks and is striving for continuous improvement in the services it provides to its customers.

INSPECTION OBJECTIVES

- 1.7 The following objectives of the inspection are to evaluate and provide an opinion on the internal workings and control procedures within the Association.

Financial Management

To ensure that the Association operates a viable business with adequate recourse to financial resources in order to meet its current and future business commitments in accordance with the Housing Association Guide.

Property Development

To examine the approach taken by an Association in relation to delivery of the social housing development programme and assessing the controls used to manage risk, its performance in meeting key targets, the procedures adopted in relation to procurement and the development process including the use of the disposal proceeds fund.

Property Management

To examine the approach taken by the Association in relation to the procurement of repairs, maintenance, miscellaneous works and adaptations, ensuring that its strategy is to maximise planned and cyclical maintenance in order to reduce response maintenance while improving the services to meet tenant's needs.

Corporate Governance & Housing Management

To ensure that the Association is governed by an effective Board that is operating a framework which effectively identifies and manages risk, operates according to statute, regulation and constitutions. To examine the approach taken by the Association into the services it provides to its tenants and to ensure that it seeks to be responsive to the needs and views of its tenants

FINDINGS

- 1.8 Sections 2, 3, 4 & 5 of this report contain details of the Teams findings and opinions about systems in place and provide recommendations where the Team believe opportunities exist for further improvement. Each recommendation has been allocated a paragraph reference and title. A space has also been provided below each recommendation showing the Board Response to each recommendation.

Section 2

Financial Management

2. Financial Management

OBJECTIVE

- 2.1 To ensure that the Association operates a viable business with adequate recourse to financial resources in order to meet its current and future business commitments in accordance with the Housing Association Guide.

OPINION

- 2.2 The scope of the finance work encompassed a review of the following areas:
- Financial viability
 - Control environment

The Association has been in existence since 1975. The last Inspection took place in 2006 when the Association was awarded a grading of 'Good' for Financial Management. During the current inspection process weaknesses were found within the financial control environment and financial reporting systems. The Team therefore considers that **Limited Assurance** is appropriate in this case. During the Inspection a number of low level issues were also identified, details of which have been left with management. In the following paragraphs the high level findings are discussed in more detail.

FINDINGS

Financial Viability

Financial Performance

- 2.3 The Team reviewed the Associations financial performance shown in the Annual Accounts for the year to 31 March 2010. The Income and Expenditure statement indicated that the Association is performing in such a way that it would be able to meet current commitments. At the time of the inspection, the Balance sheet at the 31 March 2010 provided a relatively healthy picture of the state of the Association with a ratio of lending to nett fixed assets of 75%.

Related Party

- 2.4 It was noted in the annual accounts that Helm Housing Ltd (Ireland) is not disclosed as a related party. Related party transactions are not disclosed as such.

Annual & Management Accounts

- 2.5 The annual and management accounts are prepared by the Finance Department within the Association. The Team reviewed the preparation files for both. Although the information provided in the annual accounts preparation file was comprehensive, it was sometimes

difficult to tie the lead schedules to the figures disclosed in the accounts.

Accruals

- 2.6 When reviewing the preparation of the management accounts, the Team became concerned about several areas. The Team was told that the Association prepared its prepayment and certain accruals journals at the start of the year and these were not varied. This meant that on a monthly basis, accounts could be over or understated. Accruals are prepared monthly for work in progress but as the work orders are not always being entered with all relevant cost information by Housing Management, this accrual was only an estimate.

There were significant differences in the management accounts at year end and the annual accounts. The operating surplus reduced from £3.989m to £3.787m. This included an increase in depreciation of approximately £179k. The balance sheet varied by approx £7m due to the misclassification of loan repayments as due over one year in the management accounts when they should have been shown as due within one year. Housing land and buildings fixed assets at cost increased from £357.7m to £363.1m in the annual accounts and Housing Association Grant (HAG) also increased by £5.4m. The fixed asset schedule demonstrated that additions and HAG were both valued at over £17m. There needs to be more attention to detail in the preparation of management and annual accounts.

Annual Budget

- 2.7 Annual budget preparation starts well in advance of the year to which it relates. A four year budget to 31 March 2014 was included in the preparation file. The Team was told that the Finance Department view budget preparation as a collation exercise. The narrative that accompanied the budget figures provided to the Finance Committee and Board for the 2010-2011 budgets did not refer to the Association's Business Plan or reflect the strategic direction of the Association. It also did not give appropriate detail on major areas of expenditure such as maintenance or salaries or the strategic basis for allocation of costs.

When reviewing the budget and comparing it to the figures being reported against in the management accounts, it became obvious that the budget approved by the Board was not the final budget as it did not include costs relating to Service Charges or Supporting People. The amended budget was not presented to the Finance Committee or the Board for approval but was used in the management accounts for the following year. This meant that the Board was not given any opportunity to question or challenge the budget in advance of the year to which it relates.

The budgets were prepared on an annual basis but were not broken down monthly or quarterly. In the monthly management accounts the

year to date position was shown and this was amended to reflect when costs were likely to occur. The costs in the accounts were also shown as they occur rather than being spread over the period to which they related. This meant that the accounts and budget were mixing accruals and cash accounting techniques.

Cash Flow

- 2.8 The Association's cash flow was prepared over a 30 year period and was presented on a monthly basis; however, there was limited detail in the main body of the cash flow. Seven income and eight cost lines were detailed and it was immediately evident that some lines, for example, payroll, were not adequate for the gross annual payroll bill of the Association. It was reconciled monthly to bank statements with past receipts and spending replacing forecasts in prior months. This process highlighted some additional problems relating to the sequencing of items.

The Association told the Team that the main purpose of the cash flow was to monitor cash requirements for Development. It was apparent that Development cash flows were sequenced as they were expected to occur and detail was provided on a scheme basis for general needs and supported housing. However, the sequencing of other costs and income bore little resemblance to actual patterns. Items such as cyclical maintenance had been spread across twelve months evenly where this did not reflect the actual spend pattern.

The Team **recommends** that the Association carries out a fundamental review of its Finance function to ensure that all financial records/reports are properly and fully maintained (Paragraphs 2.4 -2.8 refer).

Board Response

Recommendation accepted. We are reviewing our business plan and our cash flow forecasting to take into account the impact of the schemes where land has been purchased but where development is delayed or impossible on the scale originally proposed, or where grant is unlikely to be forthcoming. This fundamental review of our financial position is the key piece of work at present. The Finance Director has left the Association and we will shortly begin the search for a replacement. At the moment an experienced regulator and financial officer is the interim head of function. The initial appraisal of the function is that many of the vast majority of junior and middle ranking staff are highly competent and this is reflected in the quality of most of our financial records and reports. We will nonetheless be looking at this in detail in both our external and internal audits in the next year. We accept the comments made on paragraphs 2.6 and 2.7 concerning accruals and annual budget and our acceptance will be reflected in the budget for 2012/13. The reporting of monthly management accounts to the board will be reviewed to avoid the mix of accrual and cash

accounting techniques and to provide the board with a current detailed analysis of the financial health of the organisation.

Arrears

- 2.9 The level of arrears in Helm Housing was high and considerably outside the targets set by the Department. The reporting of information going to the Housing Management Committee and copied to the Board was limited and provided only as percentage points which may have been masking the size of the problem. Week 28 figures showed total arrears of approx £1.6m of which £0.74m was non-technical. Staff were concentrating on current arrears and had little time to look at former tenant arrears and prepayments. There was no evidence that the issue was being taken seriously by Senior Management, Committee or Board members, or that any consideration was being given to how to address the problem.

The Team **recommends** that the Association should:-

- a) improve reporting to the Housing Management Committee and the Board. Reports should provide sufficient relevant information such as aged debts, technical/non-technical debt; write-offs etc to enable performance to be evaluated.
- b) consider if the level of resource currently dedicated to arrears is sufficient to improve the level of arrears and allow staff to comply with all policies and procedures.

Board Response

Recommendation accepted. We are reviewing the organisation and structure of the housing management section to provide more senior staff time to improve the collection of arrears. We are also looking at the Key Performance Indicator's (KPI's) to ensure they are comprehensive and provide sufficient detailed information to the Board.

Payments

- 2.10 The Team saw evidence of numerous delays in payments being made, particularly to maintenance contractors. Many of these delays related to clearing of invoices for payment by the Housing Management Team. The Team was told that when issuing works orders, exact job details were not always being entered on to the system which would populate the order with detailed costs. Instead a nominal figure of £1 was entered. If information was entered correctly, this would speed up the authorisation process.

The Team **recommends** that:-

- a) the Chief Executive, Finance Director and Housing Management Director establish a new directive to reduce payment delays; and
- b) work orders should be entered on the system using the correct details.

Board Response

Recommendation accepted. Processing repayments is reported to the Board through the KPI's and training has been given to staff on the correct use of the system. We will continue to look at ways to improve responsibility for all repayments and in particular maintenance payments. We intend to have a comprehensive review of all maintenance ordering, processing and invoice payments completed early in 2012/13.

Control Environment

Finance Committee Minutes

- 2.11 The Team reviewed Finance Committee minutes from November 2008 and Board minutes from April 2009. It was noted in the Finance Committee minutes that the management accounts discussed were at times quite out of date and on one occasion were not discussed at all. The Team could see evidence that items which needed to be ratified by the Board were discussed and passed by the Board; however the Board minutes provided no evidence of any regular discussion relating to the financial position of the Association other than in relation to annual accounts. When the Team looked at the Board minute files, Sub-committee minutes were not generally filed with these papers despite them being detailed as attachments.

Information to Sub-committee

- 2.12 The information provided to the Finance Committee was comprehensive. Management accounts contained a balance sheet, summary income and expenditure account, individual income and expenditure accounts for property revenue, development, finance etc. These were compared to budget. A narrative was also provided highlighting key points along with details of additions to schemes or HAG received over £50k. However, the Team had concerns about the narrative and information provided. The narrative simply highlighted where variance existed but did not provide an analysis of the underlying causes of any variances. Items in paragraphs 2.5-2.7 above refer to concerns held by the Team over the preparation of accounts and budgets.

There were significant amendments made to the management accounts at 31 March 2010 and amendments were also made to the budget figures for 2010-2011. There was no evidence that these amendments were highlighted and explained to the Finance Committee or Board. As detailed at paragraphs 2.6 and 2.7, the Team was concerned that the management accounts did not give a clear picture of the financial position of the Association during the year to enable informed decision making. It was also concerning that the Finance Committee and Board were not given the opportunity to challenge the final budget figures as they were included as a fait accompli.

The Team **recommends** that the Board should complete a fundamental review of the format and timing of reports being presented to the Board by Management to ensure that they provide sufficient information, in an accessible format to facilitate the Board's review, decision making and challenge function (Paragraphs 2.11-2.12 refer).

Board Response

Recommendation accepted. We have introduced a new format for Board and Committee reports. Revised responsibilities for ensuring records are properly retained and when reporting to the Board will give reasons and analyses for underlying causes of variances. The budgeting process and preparation of management accounts is under review by the interim manager. We intend to complete the fundamental review by March 2012

Bond

- 2.13 With regard to The Housing Finance Corporation Bond for £10m, from a review of the minutes the Team was satisfied that interest rates were discussed in advance of the Association's use of standing orders and that the financial detail of the Bond (interest rates, caps, fees etc) was discussed by the Finance Committee and Board after the bond was secured. It was also noted that the monies could be spent on financing and sustaining the current development programme; however the Team did not see any evidence detailing the business rationale behind the Association's decision to take out the bond. There was also no evidence that the Association's lending covenants were being regularly monitored other than where a formal return to the bank was required.

The Team **recommends** that the Association should:-

- a) prepare a business rationale for all lending. This should be based on investment projections and long term cash flows etc. This should then be approved by the Board in advance of committing the Association to any additional lending; and
- b) ensure that all covenants are tracked on a regular basis.

Board Response

We accept this report. The first task is to prepare a revised business plan and to talk to lenders and DSD concerning the financial position the Association now faces as a result of the sites purchased which have now proved difficult to develop for one reason or another. This will lead to a review of all our lending requirements and ultimately to refinancing for the Association. We are looking at covenants in detail to ensure there are no breaches.

Section 3

Property Development

Property Development

OBJECTIVE

- 3.1 To examine the approach taken by Housing Associations in relation to the delivery of the Social Housing Development Programme (SHDP) and assessing the controls used to manage risk, their performance in meeting key targets, the procedures adopted in relation to procurement and the development process including the use of disposal proceeds funds.

OPINION

- 3.2 At the outset of the Inspection, the Team had reviewed three schemes which had attracted an element of public interest, namely West Street, Newtownards; McAuley Street Belfast and a land deal at Cliftonville Road, Belfast. However, of more significant concern was that the initial sample of scheme files selected for examination as part of the formal Inspection, revealed substantial issues of non-compliance with the Housing Association Guide. Of particular concern was the identification of the Association going onsite without planning permission and lack of appropriate community consultation, issues which had been at the heart of the problems associated with the McAuley Street and West Street schemes respectively. The most significant factor with both these issues was that it would have been virtually impossible for either of them to occur without the knowledge, and therefore acceptance, of Senior Managers of the Development Team. Another significant issue was the Association using a bespoke procurement route to progress schemes in a way that would not comply with the Housing Association Guide requirements for grant.
- 3.3 In view of these initial findings it was decided to extend testing to determine the extent and impact of the non-compliance issues. It was decided to obtain details of all the Housing Association Grant paid to Helm Housing from April 2007 to December 2010. There were a total of 67 schemes over this period which attracted just over £125m Housing Association Grant (HAG). From this population the Team examined 48 schemes (70%) which attracted £88m HAG (72%). Although significant control issues and non compliance were identified in thirty six of these schemes examined, only thirty schemes had actually received HAG. A synopsis of the findings of the thirty-six schemes is shown at Appendix 2.
- 3.4 The role of Senior Management within Helm raised serious concerns in this inspection. All the issues raised in this report are high materiality issues and represent an almost total breakdown of control by Senior Management. It is the responsibility of Management to provide the Board and the Development Committee with complete, accurate and timely information on all aspects of development schemes. The Management Team totally failed to do this on a regular basis. There is also a responsibility on the Development Committee and the Board to

ensure that they are provided with adequate and accurate information on which to base their decisions as well as offering a strong challenge function. Despite the Development Committee being made up of adequately skilled members there was a lack of challenge function and an acceptance of what was presented to it without sufficient scrutiny or question. It is for these reasons that the grading for Property Development is **No Assurance**. In the following paragraphs the findings are discussed in more detail.

FINDINGS

Strategic Issues

Role of Senior Management

- 3.5 The issues identified during the examination of the Development Scheme files represented failures in virtually all of the key elements of the development process. In the opinion of the Team it is unlikely that any of these could have occurred without at least the knowledge of the senior managers and as such the findings represented serious breaches of control at a Senior Management level within the Association.

In discussions with members of the Management Team, it was clear that there was a lack of awareness of the requirements of the Housing Association Guide. In addition, there was a sense that Management were fixated with development and seemed to be driven to the extent that the end goal was all important, almost regardless of how that goal was achieved.

In responding to the initial queries raised by the Team, the explanations were on occasions almost dismissive with comments such as “*The Inspector will have to draw his own conclusions*”. Later responses did improve, however it was apparent that there was no real acceptance of the seriousness of the issues being raised and the high level of non-compliance identified.

The Team **recommends** that the Board needs to critically examine the organisational structure, processes and skills of the existing Senior Management Team and the Development Team and assess if they are “Fit for Purpose”.

Board Response

Recommendation accepted. The Board does not believe that the Senior Management Team as constituted at the time of the inspection was fit for purpose. The Board was surprised and extremely disappointed to learn, for instance, of the number of times in which its own procedures had been flouted. There have already been initial changes of Senior Management personnel. It is envisaged that there will be changes to areas of responsibilities and competencies in the future. Discussions are now underway with a number of staff concerning their future roles.

The Board is pained to learn of the dismissive response by some of its staff to the inspectors. The Board welcomes the findings of the inspection as a useful and invigorating professional challenge and is disappointed that this was not the attitude of its senior staff. Familiarity with the Housing Association Guide is required by all senior staff.

Role of the Board / Development Committee

- 3.6 It was often the case that the Board was provided with either erroneous information or conversely, relevant information was not provided at all. Given the reputation and experience of the Senior Managers within Helm it is easy to see how the Board could have misplaced a high degree of trust in these staff. Also, much of the corroborating evidence provided to the Sub-committee in support of schemes would have been in checklist format, which would have indicated that certain activities had been completed / achieved. Certainly the provision of actual documentary evidence, rather than a checklist format, would have enabled the Board to more accurately identify and challenge the veracity of the information being provided.

It must however be said that the role of a Board is to offer a challenge function to the Senior Management Team and there appears to be little evidence that this was done by either the Board or the Sub-Committee. The Team was informed by some Board members that when they did challenge in the past they were told that *“they were putting too much pressure on the Senior Management Team”* so they eased off. This should have been an indication that perhaps the Senior Management Team was either being dismissive of its role or was determined to *“do things their way”* with little or no interference from the Board.

The Team **recommends** that the Board should:

- a) determine what documentary evidence it requires in order to be able to consider any future funding decisions, and,
- b) consider if the current Board has an appropriate balance of skills and expertise to provide effective leadership to the Association.

Board Response

Recommendation accepted. Until the inspection the Board was unaware of the occasions on which it had been given incorrect information or where relevant information was withheld from it. It welcomes the recognition in the report that given the seniority of the staff and experience of the senior staff it is easy to see how it could have placed a high degree of trust in these colleagues and how surprising it is that this is proved to be so comprehensively misplaced. Accordingly it has revised their requirements regarding documentation and information to be submitted to the Board and it has reviewed and is continuing to review its own level of competence and experience.

Role of Private Wing

- 3.7 The role of Helm Developments (Helm's Private Wing) is confusing. From the financial records, it appeared that it was funded entirely by loans from Helm Housing. The Association provided all the management, staff and systems for its activities. The Board was made up of a number of Helm Board members, the Association's Chief Executive and the Director of Finance. However, it was not always clear what role was being played by the private wing. For example, in relation to the purchase of four properties at Bellevue Park, the Team was first advised that this was a purchase by the private wing, and then subsequently that it was a joint venture between the Association and the private wing as part of an intended social/private development scheme.

An examination of the purchase contract confirmed that the contract was signed by the Chief Executive on behalf of Helm Housing, and all monies were paid by the Association. The scheme, however, was not submitted to the Association's Development Committee for approval. In the absence of clarity of roles and agreed protocols there was a risk that the Association was inadvertently exposed to financial risk. It should be noted that this scheme has not progressed and no grant was ever been claimed or paid in respect of it.

The Team **recommends** that the Board should urgently review the arrangements currently in place for Helm Developments, including examining the:-

- a) role of the executive membership on its Board;
- b) protocols in place for all group transactions; and
- c) arrangements for exchange of information on all activities, especially any joint ventures.

Board Response

Recommendation accepted. The Board is taking legal advice on the continuation of the private wing. Subject to legal advice approving the course of action it is planned to bring all the holdings of Helm Developments back into the Association and leave the company as a dormant company

Operational Issues

Use of Middle Men / Site Finders (Eight instances)

- 3.8 There were eight schemes where the purchase of the site involved the participation of a "middleman" or "site finder". Apart from one instance involving a land purchase at Cliftonville Road, it was unclear why these third parties were involved in the deals and why the Development Department did not deal directly with the site owners. There was no explanation on any of the files, nor was there any acknowledgement of the financial impact of such involvement. The Team found no evidence that the Sub-committee was made aware of these situations.

One example of concern was the purchase of a site at Great George's Street, Belfast. There were three parties involved in the transaction, the Owner of the site, the Vendor and the Association as the Purchaser. The Vendor had arranged to purchase the site from the Owner and sell it on to the Association with both deals being transacted on the same day – this is known as a flipped sale. Under the terms of the contract with the Vendor, the Association purchased the site for £9.75 million, paying £6.5 million to the Owner and the balance of £3.25 million to the Vendor.

The site had been valued at just over £10 million however, from the documentary evidence available, the Team has determined that this valuation was based on a development potential of 200+ units. This development potential was based on development plans supplied by the Vendor. The Association was unable to provide any evidence that it had sought any independent verification of the development potential of the site (see paragraph 3.11 for further comments on the issue of valuations). Enquiries are continuing on this scheme and the Department is working with the Association to bring this work to a conclusion.

The Association has no guidance in place to cover the involvement with site finders/middlemen. The involvement of third parties has the potential to lead to lack of clarity around the real costs of acquisitions and as such should be closely controlled.

The Team **recommends** that the Board should, as a matter of urgency provide clear and explicit guidelines covering the use of third parties in all acquisitions.

- a) The guidance should include:-
 - an explanation of the risks associated with third parties;
 - specific criteria governing the use of third parties; and
 - stipulate that the involvement of third parties must receive the express approval of the Board prior to their engagement.
- b) Where third parties are used, the guidance should require that the following details should be provided to the Board in each case:-
 - a full explanation of their role;
 - an explanation of what service they provide that the Association's Development Team can not provide;
 - a breakdown of full costs associated with their involvement;
 - a description of what value, if any, that their involvement brings to the scheme; and
 - details of any other business that they have transacted with the Association.

Board Response

Recommendation accepted. As a rule of course we will not in future use middle men to acquire sites. Where, very exceptionally, we do use middle men it will only be with the prior approval of the Board and taking into

account the specific comments raised in the report at paragraph 3.8 a and b.

Off The Shelf Schemes (Seven instances)

- 3.9 An Off the Shelf acquisition is where an Association enters into discussion with a Developer to purchase a fully completed housing development. To facilitate the acquisition and in line with EU Procurement Provisions the Department (since April 2009) permitted Associations to open negotiations with a developer, providing the scheme had reached at least 50% completion which should include infrastructure as well as kitchens, fittings, services and floor coverings but excluded land and on-costs. However, Associations were not permitted to influence the design or enter into a contractual relationship for the build. To do either would be akin to a Design and Build relationship – a form of acquisition which was not approved by Public Procurement. The contract for this type of purchase should be a straight forward conveyance contract. As a site is being purchased fully completed there should be no contractual relationship in respect of the building works.

In the seven instances identified during the testing, there was evidence that the Association had breached these guidelines. For example, the scheme at West Street, Newtownards was claimed to be an Off the Shelf scheme yet the Association was obviously in discussions with the developer a full year prior to the scheme being at 50% construction. It subsequently signed a building contract with the developer which would not be required if the scheme was a genuine Off the Shelf scheme.

The Team **recommends** that when applying for Housing Association Grant the Association must comply with the requirements defined in the Housing Association Guide and Public Procurement.

Board Response

Recommendation accepted concerning the requirements defined in the Housing Association Guide and Public Procurement

Development Committee Mis-informed (Sixteen instances)

- 3.10 In sixteen of the schemes examined there was evidence that the Development Committee had not been given the full information relating to the schemes or had been misinformed. The following five sections provide a breakdown of the key areas where this occurred. Given that these elements were all fundamental aspects of scheme development it is the opinion of the Team that the Senior Managers must have been aware of the inaccuracy of the information.

From some of the discussions the Team has had with Management it would appear that there was a lack of understanding or knowledge of the contents and requirements of the Housing Association Guide. As for the Sub committee, it would equally appear that it viewed its Management team as

being well versed in development matters and may well have accepted much that was presented to it at face value. There is a real difficulty for any Board/Committee to determine the completeness and accuracy of information presented to it by its Management Team, especially if the Management Team is the source of the problem. However, if more supporting formal third party evidence had of been required in support of Scheme Design Reports, the Sub-committee may have been better able to challenge a number of the management decisions.

The Team **recommends** that the Helm Board:-

- a) fully review the nature and type of evidence which is provided in support of any submission to the Board or one of its Committees; and
- b) in particular, ensures that any assumptions being made by the Management Team must be clearly documented and original third party evidence (such as Planning Approval, Consultants reports) should be provided with the submission.

Board Response

Recommendation accepted. One of the several benefits of the report has been to bring to the Boards attention the 16 instances of which it was misinformed either because information had not been provided or because misleading information was provided. Accordingly we have reviewed the nature and time of evidence will be required for future approvals or any progress requiring Board approval in the development process. We will need to see original documentation and will need to see a completed list of actions against the Housing Association Guide; in effect a checklist tied back to the guide and to the documents and such approvals as planning permission. We regret that in view of this catalogue of misinformation we must ask for direct original evidence. We have looked at the scheme at Bellevue Park in detail. The Board was misinformed in relation to the site assembly and there was no evidence of independent planning appraisal. This is a scheme where it has proved impossible to build to anything like the density which was put before the Board at the time the site was purchased. Indeed the density suggested at that time is over 400% greater than that which we now know we could achieve. In view of the fact that the scheme details were incorrect and incomplete when submitted to the Board we accept the recommendations at paragraph 3.12.

No Valuation / No independent valuation (Sixteen instances)

- 3.11 In sixteen of the schemes examined, the Team could find no evidence on file of a valuation prior to purchase. Up until 2008 the Association used a firm, Claremont Valuation Services, to provide valuations of sites. However, Claremont Valuation Services was part of the Helm Group, and staff were directly managed by Helm's Director of Finance. The Team would not consider this to be a satisfactory arrangement as it calls into question the independence of the valuation service for Helm.

A scheme at Bellevue Park, Belfast was purchased for £2.8 million, however there was no evidence of any valuation on file. The value of any site is dependant on the development opportunities afforded by the site. In this particular case the site was valued on the basis of a potential development providing 34 units. The planning difficulties encountered by the Association since the purchase would indicate that the potential of the site will fall significantly below the proposed 34 units. Current valuation is closer to £500K.

The Team **recommends** that the Association should ensure that:

- a) all valuations are carried out by a fully independent valuer; and
- b) in addition, any planning assumptions underpinning a valuation should be identified and supported by an evaluation of those assumptions.

Board Response

Recommendation accepted. All valuations will be carried out by a full independent Valuer who identifies the planning assumptions underpinning the valuation. No scheme will be forwarded to the Development Committee or the Board without a valuation.

No Evidence of Independent Planning Appraisal (One instance)

- 3.12 There was no evidence to support that a feasibility study had been carried out to support the development potential for the prospective site at Bellevue Park. The only evidence provided to support the projection of the 34 unit development was provided by the Vendor, who also had an architectural practice. However, the plans he provided to Helm were never submitted to Planning Service and there was no evidence that the Association had made any contact with Planning Service prior to purchase to determine the likely success of a 34 unit development in the area.

The Team **recommends** that before any commitment is made to acquire a site, that the Association should:-

- a) discuss with the Planners the potential scope for development,
- b) identify likely problems; and
- c) ascertain, as best as they can the likelihood of a successful planning application.

It is accepted that this preparatory work can not guarantee success on all occasions; however, it should identify those schemes which are unlikely to be successful and hence enable the Association to more effectively limit their exposure.

Board Response

Recommendation accepted. The Bellevue Park scheme should not have been taken to the Board and was clearly based on grossly unrealistic assumptions about the density of any potential development.

On site Without Planning Permission (Five instances)

- 3.13 The most notable of the five instances was a scheme at McAuley Street Belfast which attracted a considerable amount of coverage in the media. The Association progressed with the building of a block of 14 apartments on contaminated land whilst the planning application was still under consideration. Building was completed in November 2009, but because planning permission was not forthcoming, the units remained unoccupied until the Autumn of 2011 when planning approval was finally given. However, the Association, having incurred all the construction and remedial costs, had to forego the rental income from November 2009 to August 2011, the date of occupation some 22 months later. The issue of most concern was that the Board was not made aware of these difficulties until the story was covered by the local media in 2010.

The Department permits Associations to use what is termed as a “Letter of Comfort” from Planning Service where planning permission had actually been through Council and had been approved but it would take up to two weeks to complete the administration process of actually issuing the formal approval notification (Green Form). This was not the case in these five instances as planning permission had not been granted at the time the Association went on site. It should be noted that the scheme application forms did certify that planning approval was on the basis of a “Letter of Comfort” and this was accepted, without challenge in all instances by the Development Programme Group (DPG) in the Northern Ireland Housing Executive and/ Department for Social Development. The issue of the Letter of Comfort has been brought to the attention of DPG and the Department.

The Team **recommends** that the Association should not go on site until planning permission has been granted.

Board Response

Recommendation Accepted. We will not in future go on site without the required planning permission which will have been approved by the Development Committee.

Inappropriate Community Consultation (Five instances)

- 3.14 There were a number of instances where the Association failed to carry out an appropriate level of Community Consultation. The most notable example of this was a scheme, at West Street, Newtownards, which attracted considerable attention in the local media. This housing development was built and sold as a private gated development; however the developer encountered financial difficulties and in a falling housing market, he offered the remaining half of the development to Helm Housing. In the submission to the Development Sub-Committee in February 2010, it was claimed that Community Consultation had been completed and Board approval was given; however, it later transpired that Community Consultation was by way of a leaflet drop and did not take place until 16th April 2010. As should have been

anticipated, the existing owners of the first half of the private development were concerned at the prospects of the remainder of the development being allocated to social tenants. This led to considerable confrontation and opposition to the scheme by the residents group. The situation was subsequently resolved when the Department rescinded its approval for the scheme. The Association is currently looking to let these properties to private tenants.

The Association, in failing to take all appropriate action at the proper time, is likely to incur a significant financial loss as it will be unable to submit this scheme to the Development Programme Group (NIHE) and hence will have to forego anticipated Grant for this development.

The Team **recommends** that the Association should ensure that all appropriate Community Consultation is completed prior to the submission of the Scheme Design Report to the Development Committee. The Scheme Design Report should contain a brief on the nature, extent and timing of such consultation.

Board Response

Recommendation accepted. We now recognise the crucial importance of consultation and talking to all relevant stakeholders and neighbours. Unless a scheme has been subject to best practice consultation it will not be taken forward to Committee for approval.

No / Inaccurate Economic Appraisal (Six instances)

- 3.15 Economic Appraisals are used to assist the decision making process by providing an evaluation of a series of options involving financial investment. It is therefore vital that the information is as accurate and up to date as possible. In a scheme at Victoria Street Carrickfergus, the economic appraisal was completed on 26th July 2006 based on estimated costs of £446K. However, when the tenders were received in February 2007, the lowest tender came in at just over £558K, 25% over the original estimated costs. The Association did not consider reviewing the Economic Appraisal to determine if the decision to go ahead was still the best option. The other instances included general inaccurate financial details or no evidence of an appraisal at all.

The Team **recommends** that an Economic Appraisal is completed in all instances and where there are significant differences between costs projected in an Economic Appraisal and actual costs, the Association should recalculate the Economic Appraisal taking into account the actual figures.

Board Response

Recommendation accepted. Economic appraisal for each scheme will be completed by Finance and Development departments when a scheme is brought forward and unless a scheme provides satisfactory returns it will not be taken forward.

Acting without Development Committee Approval (Four instances)

- 3.16 The development process within Helm required schemes to be submitted to the Development Sub-Committee by way of a Scheme Design Report for approval. The Team found evidence that Scheme Design Reports were not completed, were completed inaccurately or contained fabricated information.

In the Bellevue Park scheme where the site was purchased for £2.8million, there was no evidence that the Development Committee approved the scheme prior to its purchase. Management has advised us that the Sub-Committee was aware that purchase of the site was being negotiated, however, being aware of negotiations is not the same as giving approval to purchase and there was no evidence that this scheme received formal approval to proceed by either the Development Sub-Committee or the Board.

In a scheme at Crawfordsburn Road Bangor the site was purchased for £1.8million in July 2007 and the Scheme Design Report was submitted to the Development Sub-Committee in September 2007 for retrospective approval. Management maintain that the Development Sub-Committee was aware that the site was being negotiated in the months prior to the purchase and that as the Sub-Committee was in recess over the summer months they had no alternative but to proceed and seek the approval retrospectively.

The actions in these and the other cases could be viewed as a Management Team which is not fully conversant with the concepts of authority and delegation. The Board, operating through its Sub-Committees, should be solely responsible for the authorisation of all significant expenditure commitments. It is also unacceptable that alternative arrangements are not in place to cover for holiday periods.

The Team **recommends** that the Association should:-

- a) ensure that management and staff of the Association are fully aware of the extent and limits of their authority;
- b) establish and formalise the nature and extent of any delegations; and
- c) ensure that all significant expenditure is approved by the Board in advance of commitment.

Board Response

Recommendation accepted. A Compliance Officer has been appointed to ensure that members of staff are aware of their levels of responsibility and delegated powers and that each paper presented to the Board or Committee complies with our own internal regulations. This issue goes to the heart of the relationship between Senior Staff and non-executive Directors. The Board expects all Senior Staff always to comply with the Association's standing orders and to seek the approval of the Development Committee or Board at the appropriate time and in advance of action being

taken. Senior Staff have been informed of the Boards disappointment that this important principle has been ignored in the past.

Inappropriate form of Contract (Thirteen instances)

- 3.17 The Team saw evidence where the Association, in purchasing schemes, used an inappropriate form of contract. This occurred most frequently around contracts awarded in Off the Shelf schemes where the Association entered into Building Contracts with the developer; the Team would have expected a conveyance contract to be the standard approach. In addition it also appointed an Employer's Agent to oversee the work. Not only was this the wrong form of appointment for an Off the Shelf scheme, but it was also significantly more expensive. Normally, with an Off the Shelf scheme, a Building Surveyor would be appointed to inspect the buildings; however, because the scheme was new build, the Surveyor has only to inspect one of each type of property in the scheme. The difference in cost could be significant. For example in Lagmore Grove (which was presented as an Off the Shelf scheme) the consultant was paid approximately £30K. For an Off the Shelf scheme a fee of around £5K would have been deemed more realistic.

The Team **recommends** that as a matter of urgency the Association needs to review all existing contracts and appointments of consultants to ensure that the services being acquired are actually needed and appropriate to the type of scheme and that they comply with the conditions to receive Housing Association Grant.

Board Response

Recommendation accepted. We are reviewing all existing contracts

Same Consultant Used (Seventeen instances)

- 3.18 The Team found evidence where the Association, despite having a select list of consultants, used one consultant in seventeen of the forty-eight schemes examined. This was significantly more than any other consultant. From discussions with Helm management it was not clear what the criteria was used for the selection of consultants. It should be noted that although the Team considered the fees charged were excessive for Off the Shelf schemes, it was the responsibility of Management to set the brief and monitor the performance.

The Team **recommends** that the Association:-

- a) reviews its procedures for the appointment of consultants;
- b) ensures that work is distributed in a fair and transparent manner; and
- c) benchmarks consultants fees to ensure consistency in charging, standards of performance and value for money.

Board Response

Recommendation accepted. Only consultants on the Abacus Consultants Framework have been appointed from 1 April 2011. This will also be the case for any future development projects.

No Building Warranty / Incomplete Evidence (Ten instances)

- 3.19 The Team saw evidence where the Association had claimed that schemes were Off the Shelf purchases, yet on completion they either did not receive a Building Warranty or it did not ask for one. In two of the initial responses received from Management (in respect of Peggy's Loaning, Banbridge and West Street, Newtownards) they have indicated that they obtained an Architect's Certificate. There would appear to be a complete misunderstanding of the function of the Builders Warranty which is to protect the Association from losses connected with building issues which arise over the first 10 years. An Architect's certificate does not provide this sort of cover.

The Team **recommends** that when the Association purchases new build properties, it should ensure that the contract stipulates the provision of a warranty and that the warranty is obtained on completion of the build.

Board Response

Recommendation accepted. We are reviewing our work instructions to ensure that we have the complete evidence on any project and where appropriate a building warranty which will be obtained on completion of the build. For those projects we did not hold a building warranty at the time of the report we are now seeking to procure such warranties.

Failure to follow Procurement guidance (Two instances)

- 3.20 The Team saw evidence where in progressing schemes to approval stage there was a failure to follow procurement guidance. The most significant example of this was a scheme at Belfast Rd/Inglewood Bangor where examination of the files revealed that Belfast Road and Inglewood Bangor, started off as two separate and distinct schemes. Although in the same general area just outside Bangor, they are over a mile apart and are on separate sites.

Both sites were tendered separately, however, the Association decided to combine the two schemes as one. The contractor who won the tender for Bangor Road was also offered the smaller Inglewood site and agreed to do it for the same price as the successful Inglewood tender. The Association claims it had sought the advice of its Quantity Surveyor and that they had negotiated a better price. However, the successful contractor had not bid for the Inglewood site and by taking it on at the price he did, the Association cannot demonstrate that it achieved any further economies.

Also the decision to amalgamate the two schemes was not referred to the Development Sub-Committee. Management claim that there was no

appreciable difference as a result of the amalgamation. Added to this was the fact that the Development Committee was not scheduled to meet until April and the decision was required in the final two weeks of March. The Team considers that this would be regarded as a failure to follow public procurement guidance. This could have led to significant challenges and therefore in such circumstances it should be the decision of the Board, or it's appointed Sub- Committee to assess the risk and take the decision whether or not to proceed along those lines.

The Team **recommends** that the Association ensures that:-

- a) it complies with Public Procurement at all times. As an organisation drawing down public monies for its development work, it is also a fundamental requirement that it should also demonstrate openness and fairness in its business transactions;
- b) the Board should establish clear guidelines detailing what level of delegated authority Management has, and equally importantly, the type of decisions which must be referred to the Board/Committee; and
- c) the Board should establish contingency procedures to cover situations where Board/Committee guidance or decisions are required outside the normal cycle of formal meetings.

Board Response

Recommendation accepted. A compliance officer has been appointed and will ensure all procurement follows the appropriate code. Standing orders for the Board are being reviewed and will cover contingencies for the summary period.

Payments do not match Tranche Claims (Two instances)

- 3.21 There were two instances where the Tranche Claims submitted to the Development Programme Group did not agree with the amounts shown at project approval stage. (Tranche Claims are grant claims made at specific stages of a scheme e.g. Acquisition, On Site, and Practical Completion). Changes between the amounts stated at Approval Stage and at Tranche Claims are not uncommon, however in these two instances there was no explanation provided to account for the differing values.

The Team **recommends** that the Association should be able to demonstrate effective contract management. It is also essential that where changes occur between amounts stated at Approval Stage and the Tranche Claim, these are fully stated and explained.

Board Response

Recommendation accepted. We accept the need to be able to demonstrate effective contract management. As stated above we are currently reviewing the delegated authority of officers. Any changes to approved costs in excess of those when a scheme received project approval will be reported to the Development Committee as part of our cost control discipline.

Invalid Certification / Claim for tranche (Eleven instances)

- 3.22 The degree of non-compliance with the Housing Association Guide which has been detailed in the preceding paragraphs has resulted in a number of false certifications being made to the Department and Development Programme Group. For instance, at Scheme Approval stage, the Association claimed that it had carried out Community Consultation, when in fact it wasn't actually carried out until after the scheme was approved or it was an inappropriate level of Community Consultation for the type and size of scheme. West St, Newtownards is an example of this.

This raises a serious issue regarding the very nature of submission of claims for Grant. Up until now, it has been accepted that Housing Associations could use a process of self certification as support for their applications for grant. This is where the Association would "certify" that it has achieved all the necessary approvals etc and that it has fully complied with the conditions for grant as outlined in the Housing Association Guide. In a scenario such as with Helm where Management are either not aware of the provisions of the Housing Association Guide or deem that they have the knowledge and experience to allow them to be "flexible" in their interpretation of the Guide then the whole "self certification" process is severely and dangerously undermined. It should be noted that Development Programme Group has since implemented additional controls for progressing grant claims from suspended or poor performing associations.

The Team **recommends** that the Association ensures that it makes itself fully aware of the provisions of the Housing Association Guide to ensure compliance with the self certification process.

Board Response

Recommendation accepted. We accept that a large number of schemes were progressed outside the requirements of the guide and that officers need to be reminded of their levels of delegation and the need to comply at all times with the current procedures. To this end we have arranged a series of training sessions to ensure that everyone is aware of their level of authority and we will include this issue in the internal audit programme in 2012/13.

Breach of Construction (Design and Management) Regulations (One instance)

- 3.23 The Team found evidence of a breach of Construction, Design & Management (CDM) Regulations that could have potential health and safety risks for the Association. In the Crawfordsburn Road scheme, the contractor was on site prior to the approval of the Construction Design and Management (CDM) Co-ordinator. On these occasions, the Association could not be assured that all health and safety risks were fully considered and addressed.

The Team **recommends** that the Association ensures that all contractors are fully compliant with CDM Regulations and that these are adhered to.

Board Response

Recommendation accepted. All contractors will in the future be required to demonstrate that they meet CDM regulations and this will be reported to the Development Committee at each stage of the project approval process

Incomplete On-Site Documentation (Five instances)

- 3.24 The Team found evidence that all appropriate on-site documentation was not held by the Association. The main issues in this finding concerned the delay in obtaining Structural Defects Insurance until after on-site and two instances where the completion date extended beyond the contracted date, yet there was no evidence of an approval of the extension of time.

The Team **recommends** that the Association should ensure that both the Association and the contractor comply with all elements of the contract and if the completion date for the works is going to slip, there should be prior formal approval given by the Association.

Board Response

Recommendation accepted. As the Association now appoints consultants from the Abacus Framework consultants are required as a matter of course to follow contract procedures and have complete site documentation. Helm will hold copies of the appropriate documents.

Housing Association Funds at risk (Five instances)

- 3.25 The Team found evidence that the Association had purchased schemes which cannot be progressed and therefore the Association's funds have been put at risk. The five schemes identified in the testing have significant elements which make it unlikely that the Association will be able to proceed with its original development plans. For example:
- the Association paid £2.8 million for a planned development of 34 units at Bellevue Park, Belfast. It would appear from the planning objectives that if the development progresses at all it will be on the basis of a considerably reduced number of units.
 - West Street, Newtownards cost in excess of £2.6 million, however the Association is unable to use the accommodation for social tenants, therefore removing access to Housing Association Grant to purchase the scheme.

The total purchase cost of these five sites is in the region of £9.1 million. If they can not be developed for social tenants or, if the proposed development plans have to be reduced, the Association is likely to incur a significant financial loss.

It is accepted that the development process is by nature a risky enterprise, however, the role of Management and the Development Committee is to mitigate these risks as much as possible. The level of potential failure within Helm, (five out of the forty-eight schemes examined) would indicate that collectively the Management and Committee have failed to exercise sufficient control over the process.

The Team **recommends** that the Helm Board of Management should immediately seek to establish the:-

- a) prospects for each of the five schemes identified;
- b) financial impact of revised development plans; and,
- c) factors which contributed to the current situation.

Board Response

Recommendation accepted. This work is in hand. We are considering the development prospects of all the sites which we hold, some of which are suitable for social housing and some of which appear to have limited prospects. The Board is informed of the work underway on these sites. We will feed the results of this work into the association's new business plan. We will also review the information available in support of decisions taken on these schemes to ensure that any lessons are learned for future development.

3.26 Impact of Control Failures on the Payment of Grant

The Team was particularly concerned that the failures of control within the Development Department may have led to incorrect payments of Housing Association Grant. In examining each of the schemes where Grant was paid, the Team considered the nature of the scheme, the number of units proposed, the number of units delivered, the rate of ¹Total Cost Indicator (TCI) the scheme attracted and the actual amount of Grant received. With the exception of four of the schemes examined, the Team is satisfied that despite the significant lapses in control within the Development Department, the correct amount of Grant has been paid for the number of units delivered.

The four exceptions are:-

a) West Street, Newtownards

The scheme involved the purchase of 24 units using Disposal Proceeds Funds from a Private Developer whose private housing development had stalled as the result in the downturn in the property market. However, due to resistance from the residents who had already purchased properties in the development, the

¹ TCI's form the basis of the Department's capital funding approach and are based on a combination of information on land and property costs supplied by Land & Property Services which are used to determine the maximum level of grant payable. TCI's are used to achieve value for money in the provision of social housing.

Association has been unable to proceed with its planned development of social housing units. An initial grant payment of £142k has subsequently been recovered.

b) Beechmount Avenue

Based on the documentation in the file the Team is of the view that there was insufficient evidence to support the payment of Housing Association Grant at the Off the Shelf rate.

In view of this the Team **recommends** that the grant rate is recalculated at the lower rate of TCI for an Existing Satisfactory Purchase which will result in a penalty of £36k to be repaid by the Association. The Department is liaising with the Association to make the appropriate arrangements with the Department to pay this penalty.

Board Response

The Association has reviewed its procedures to ensure that these errors are not repeated and accepts the penalty.

c) Cavehill Road

This scheme involved the purchase of an Existing Satisfactory Purchase comprising of six self contained apartments, however the Team found evidence that the scheme was more akin to an Off the Shelf purchase. The Association failed to provide the Team with evidence to support an Existing Satisfactory Purchase therefore the Team **recommends** that the payment of grant should be restricted to the lower rate of Total Cost Indicator (TCI) which will result in a penalty of £303k to be repaid by the Association. The Department is liaising with the Association to make the appropriate arrangements with the Department to pay this penalty.

Board Response

The Association accepts this penalty and has amended its procedures accordingly.

d) Chequerhill Phase 1

This scheme involved the purchase of 33 general needs units as an Off the Shelf scheme; however the procurement route used by the Association did not accord with the requirements of the Housing Association Guide. The Association used a combination of procurement methods normally used for Off the Shelf and Design & Build schemes. The Association failed to provide the Team with evidence to support an Off the Shelf purchase therefore the Team **recommends** that the payment of grant be restricted to the lower rate of Total Cost Indicator (TCI) which will result in a penalty of £188k to be repaid by the Association. The Department is liaising

with the Association to make the appropriate arrangements with the Department to pay this penalty.

Board Response

The Association accepts this penalty and has amended its procedures accordingly.

3.27 Great George's Street

As already mentioned at Paragraph 3.8 the Association purchased the site at Great George's Street for £9.75 million in April 2007 and applied for grant by way of an Advanced Land Purchase (ALP) as the initial stage for a 200+ unit development. The Department, when considering the approval of this purchase, elected to treat the scheme as a tariff funded scheme. Under tariff funding the grant is calculated on the number of proposed units and not the cost of the land. In the case of this ALP, the amount of grant paid was 55% of the total grant which equated to £8.1m. The initial cost of the site therefore had no impact on the level of grant paid, however that does not diminish the Teams concerns over the Association's internal processes within the Association in acquiring this site. Enquiries are continuing around the purchase of the site and the Department is working with the Association to bring this work to a conclusion.

Since acquisition, the Association has been unable to gain planning permission for the proposed development and it now appears unlikely that such permission will be forthcoming. Discussions are currently underway involving a possible exchange of sites which could allow the development of social housing in this area which would see the potential for the off-set of Housing Association Grant. Any consideration of a possible recovery of grant has been deferred until this situation is resolved.

The Team **recommends** that the Association continues to liaise with the Department to consider alternative development opportunities in the area and to bring the enquiries on the purchase of this site to a conclusion.

Board Response

The Association will continue to liaise closely with the Department to find suitable alternative development opportunities in the area.

Section 4

Property Management

4 Property Management

OBJECTIVE

- 4.1 To examine the approach taken by an Association in relation to the procurement of repairs, maintenance, miscellaneous works and adaptations, ensuring that its strategy is to maximise planned and cyclical maintenance in order to reduce response maintenance while improving the services to meet tenant's needs.

OPINION

- 4.2 Having assessed the Association's performance against the targets of this inspection and previous recommendations from the 2006 inspection, it is clear that Helm Housing has regressed and no longer provides an assurance that maintenance activities accord with DSD requirements.

It is disappointing that since the last inspection of 2006 the Association, rather than continuing to improve, has taken a step back. The Stock Condition Survey that should inform the planned maintenance programme for the next fifteen years is incomplete; there is only a limited, short term programme of works other than the one (yearly) contract; there appears to be no long term planning of maintenance and no assurance that all dwellings meet the Decent Homes Standard.

In too many instances the Association has failed to assess the potential cost of various works or whether consultants' fees for services are in line with EU procurement. Of the works assessed at this inspection consultants' services either breached the EU procurement limits or were very close to doing so due to the continual awarding of new phases of work. The Association appears to have become complacent in how, and who, it appoints. The Board must urgently review this situation.

The Board must now conduct a full assessment of the Housing Management Department with the view to assessing the knowledge of staff and training requirements; understanding of the Housing Association Guide and Department's requirements; and working practices including appointments of consultants, tender procedures, EU procurement and site supervision. Additionally, a review of the adaptations process must be conducted to ensure only those Occupational Therapist (OT) requests that are eligible are carried out.

The Board of Management must also convey to the Housing Sub-Committee the information and detail that is expected, and the Housing Sub-Committee the same to the Director of Housing and staff. In the following paragraphs the findings are discussed in more detail. It is for these reasons that this area can only be graded as "**Limited Assurance**".

FINDINGS

Stock Investment Strategy

- 4.3 At the time of the inspection the Association did not have a Stock Investment Strategy. The Association had not formally established the basis on which to identify current and future maintenance requirements, the financial expenditure required and how that financial commitment would be provided for in the future, i.e. its Reserves policy.

The Team **recommends** that the Association formulates a strategy that covers the range of activities that ensure the Housing Association's stock meets the needs and standards required now and in the future and that the strategy details how a survey will be undertaken as per the Housing Association Guide.

Board Response

Recommendation accepted. Although there is no specific reference to a 'stock investment strategy' in DSD Guidelines we do not dispute the rationale for having such a strategy and will develop one accordingly.

There is no specific reference to a stock investment strategy in the DSD Guide, but we recognised the need for such a strategy to be developed and implemented.

Stock Condition Survey

- 4.4 In February 2007 the Association appointed a consultant (from its Consultants Select List) to conduct a Stock Condition Survey consisting of 2050 pre-1997 properties (from a total of 3910); the survey covered all housing types, with the Association's own Building Surveyors surveying the remaining 1860. The Team found the following issues with the survey.

The brief provided to the consultant:-

- was inadequate and did not detail the services required;
- gave poor direction as to which components / systems / legislation should be assessed;
- had no reference as to whether the dwelling would meet the 2010 Decent Homes Standard (including energy efficiency) or Designing Out Crime as required by the Department. (This has been a requirement of the Department since 2006); and
- the compilation of results was incomplete and did not indicate all the necessary works, budgets or timescales involve.

The Team also found that the information had not been integrated into the existing Housing Management software and therefore it was not readily available in the Association's planning process. At the time of the Inspection the Team found that the Association's Maintenance Programme was formulated primarily from the knowledge of the Director of Housing and his staff, but only on a year to year basis and that it did not utilise the information from the Stock Condition Survey.

Given this lack of information it is the opinion of the Team that the Housing Sub-Committee cannot be assured that the Association has all the necessary and relevant information to make informed decisions regarding a programme of works or financial requirements. (The Team is aware that the Association intends to re-survey its stock in 2012.)

The Team **recommends** that:-

- a) the survey is brought forward and a full brief provided, detailing the services required,
- b) the Association receives properly compiled results with a projected programme of work and budget costs; and
- c) on receipt of the survey results, the Maintenance Department establish short, medium and long term maintenance projections along with indicative costing. This will enable the Housing Committee to make informed decisions about future needs and budgetary requirements.

Board Response

Both recommendations are accepted. We would point out that we have been involved with the Cosy Homes scheme since 2004 and the Loft Insulation scheme since 2009. Also we have a programme of works in place for external door and window replacement. All replacements meet the Secure by Design standards.

The next Stock Condition Survey is currently being procured and commissioned in accordance with all the requirements of the DSD Guide.

Contracts

Stock Condition Survey

- 4.5 In February 2007 the Association appointed a consultant (from its Consultants Select List) to conduct a Stock Condition Survey. This survey was not properly procured since the Association only completed a selection matrix that was deemed to be subjective and did not include any competitive tendering for services. In addition the consultant chosen was appointed before any fees were agreed, or with any regard to potential breach of EU procurement limits.

The Team **recommends** that the Association ensure that proper procurement procedures are followed at all times.

Board Response

Recommendation accepted. The next Stock Condition Survey is currently being procured and commissioned in accordance with all the requirements of the DSD Guide.

External Cyclical & Planned Maintenance

- 4.6 The Association currently tenders and approves one large External Cyclical & Planned Maintenance contract each year that provides specific maintenance to a defined geographical area. The contract

includes repairs, decoration, electrical testing, and window, kitchen, community flooring & sanitary ware replacement. The contract value for the 2008/09 contract was initially £1,769k. The Team found on testing this contract that as works progressed, the Association identified other works that were required, namely External Cyclical works to four other housing schemes, numerous contract variations and works to the Association's offices as well as a retaining wall elsewhere. The Team also found that due to financial constraints the Association included the 2009/10 External Cyclical Maintenance contract (excluding external painting). This resulted in a contract that rose in value from £1,769,000 to £2,559,438, and a contract period that increased from 14 months to 24 months.

The Team concluded that the continual addition of major elements of works was not deemed to be an acceptable contract procurement as this was not indicated at the time of the advertisement and that it substantially changed the contract value and re-defined the nature of the works.

The Team **recommends** that:-

- a) the Housing Sub-Committee must in future scrutinise the processes and provide better governance of any maintenance contracts to ensure sound financial control and value for money;
- b) only those works in respect of external, cyclical or planned maintenance of the housing stock should be included in the contract.

Board Response

Recommendation accepted. We would want to point out that while we accept that the contract value and period should not have increased, a Quantity Surveyor did carry out a value for money exercise during the contract and found that the rates were favourable.

We accept that the contract value and period should not have increased. However, a value for money exercise on the value of the work undertaken was by a Quantity Surveyor at the time.

Cyclical Boiler Servicing

- 4.7 The Team found that in May 2010, the Association entered into contracts for cyclical boiler servicing, consisting of 2000 gas fired boilers, 700 oil fired boilers, and 50 commercial gas fired boilers. As there were three distinct types of systems, three contracts were tendered. One contractor was successful in the award of both the domestic oil fired and the gas fired boilers, and another contractor the commercial gas fired boilers. However, one combined contract was signed for the two domestic tenders. This is deemed to be inappropriate as these were tendered separately, are two distinct types of work, and should the contractor fail in one then the Association would have to terminate all domestic gas and oil boiler servicing or accept the consequences.

Additionally, the three year contract and tender costs would put the total cost over the EU procurement limits for services, and as the Association has amalgamated both contracts this has compounded the issue. Any two year extension will only make matters worse.

The Team **recommends** that the Housing Sub-Committee:-

- a) take responsibility for ensuring these procurement breaches are addressed; and
- b) provide training and guidance to staff on contract administration and EU procurement.

Board Response

Recommendation accepted. Helm accepts that it should not have entered into one contract for two separate tenders. Guidance and training will be provided to staff in respect of contract administration and EU procurement.

Cosy Homes Conversions, Phase 7

- 4.8 The Association is currently engaged on Phase 7 of the conversion of solid fuel heating to oil or gas fired systems. The current consultant was re-appointed after the negotiation of fees (£310 x 100units = £31,000). The re-appointment includes a statement “.....inclusive of omissions / additions to contract”. The meaning, as explained by the Association, is that should other work be included there will be no additional consultancy fees. However, this also means that if the number of conversions reduces then these same fees still apply. (Past experience of the Team would suggest that the works would reduce rather than increase) Also one consultant had been re-appointed to six of the seven phases of the same work and the Association was in danger of exceeding the EU limit on award of services.

The Team **recommends** that the Association should:-

- a) re-consider the above clause as it would also be deemed to be an unfair condition of contract; and
- b) review its arrangements for the appointment of the consultant.

Board Response

Recommendations accepted.

- a) *We accept that the contract was not appropriately worded. However, no fewer than 100 units have been performed under this contract. In the event that a tenant no longer wished to receive the conversion, there was a stand-by list of other tenants, which could be drawn upon thus ensuring full value extracted. This has been the case in previous phases too.*
- b) *Helm accepts that consultants were not appointed using a competitive tendering process.*

Measured Term Contract

- 4.9 Whilst the Association does have a Measured Term Contract this has gone beyond the valid contract period. However, the Association is

currently evaluating expressions of interest from contractors interested in tendering. This was advertised through the Official Journal, EU (OJEU) and appears to be in order.

The Team **recommends** that contracts should not be extended beyond the period stipulated in the terms of the contract

Board Response

Recommendation accepted. The contract, which was tendered for a three year period, was extended by two years (original contract provided for a two year extension) and subsequently by a further two years to allow other Abacus members to join. Seven year maintenance contracts are not uncommon in the industry. A new contract has since been procured in accordance with public procurement requirements.

Appointment of Consultants

Planned / Cyclical / Response Maintenance

- 4.10 Maintenance works are generally conducted by the staff of Helm under the supervision of the Maintenance Manager, and ultimately the Director of Housing. The Maintenance Department consists of qualified Building Surveyors, Technical Officers, Clerks of Works and Admin Support. For larger, more complex works the Association employs consultants. These consultants are usually selected from the current Select List and appointments made without any further fee competition. The selection process of consultants was also a criticism of the 2006 Inspection Report. This method of consultant procurement has led to a situation whereby the same consultants are employed continually, with others being ignored.

Since January 2007 only five consultants have been employed on maintenance projects as set out below (names withheld):

Consultant	Fees Paid	% of work
1	£ 3,561	0.91%
2	£ 4,165	1.06%
3	£ 14,120	3.58%
4	£137,361	34.94%
5	£234,027	59.51%
Total	£393,234	

The Team **recommends** that as a matter of urgency, the Housing Committee should consider the risks and implications of this situation, including dependency, potential accusations of favouritism, and value for money.

Board Response

Recommendation accepted. We accept that consultants were not appointed using a competitive tendering process.

Property Management Policies & Procedures

- 4.11 The Association has policies and procedures that are current, however, upon inspection these were found to be limited in content and detail. The Association must immediately review these again and ensure all aspects of the Housing Association Guide, the Departments' requirements, contractual obligations, procurement best practice, and domestic and EU law are complied with. They should also be compatible with the Association's own Development policies and procedures. The Association needs to also include in the review issues such as descriptions of Planned / Cyclical / Response Maintenance to coincide with that detailed in the Housing Association Guide.

The Team **recommends** that the Association updates its policies and procedures.

Board Response

Recommendation accepted. We accept that policies and procedures should include descriptions of planned/cyclical/response maintenance to coincide with that detailed in the DSD Guidelines and these are being developed.

Adaptations

Scope of works

- 4.12 An examination of the Association's scheme files on adaptations revealed:-
- little evidence of specifications of work / documentation for tender action or of formal contracts;
 - claims that are deemed to be legacy design issues;
 - the Association's total acceptance of Occupational Therapist (OT) recommendations with no challenge function; and
 - an apparent culture of claiming for all works regardless of whether it is eligible or cost effective.

These wide ranging issues would bring into question whether the Association's staff have a working knowledge of the Housing Association Guide. Examples of these issues include:-

- the provision of a shower curtain and rail over a bath;
- the inclusion of smoke alarms and loft insulation that are not eligible for grant; and
- works that relate to "structural features",

The Association must be satisfied that the works are appropriate to the needs of the individual, and that any non-qualifying / ineligible items are met from the Association's own resources.

The Team **recommends** that the Association:-

- a) reviews its arrangements for the consideration of what is required to address Occupational Therapist recommendations; and
- b) provides detailed responses on the individual queries raised on the adaptations.

Board Response

Recommendation accepted. We accept that it has been the practise in the past to accept the qualified opinion of Occupational Therapists as confirmation of an individual's needs. We accept that where ineligible items have been erroneously claimed that Grant will be re-paid. However, it is noted that such claims had previously been scrutinised by the Development Programme Group (NIHE) before being paid to the Association. The Association believes that all queries were responded to during the inspection and is not aware of any outstanding queries raised on adaptations.

Procurement of works

4.13 At the time of the inspection, the Association does not use a Measured Term Contract for adaptations but instead procures works using a quotation / tender system on each individual works request. As the Association has its own maintenance design and procurement team it progresses its own minor works. This ad-hoc method of procurement would not be deemed to be efficient. This procurement process in many instances has been shown to be flawed:-

- with no specification or estimate of the works required – only the OT report supported by a basic pre-inspection survey / sketch (a criticism of the 2005 inspection report);
- single quotations being accepted when no others have been returned;
- quotation returned by e-mail;
- quotation requests and returns on different dates (which questions the legitimacy of the process);
- acceptance of tenders after the closing date;
- inadequate tender / quotation reports;
- discussions with tenderers on site during the tender period; and
- no form of contract as specified in the HA Guide.

At The Meadows, Newtownards, the Association is now addressing an external step adaptation that was inadequately specified and constructed; the tenant has to step onto the grass to get around the handrail. Upon a site inspection it was discovered that the Association is awaiting an additional OT report (requesting this be modified and made good) with the intention of later claiming grant. The Association must still however address this safety issue.

The Team **recommends** that the Association:-

- a) reviews its processes and re-assess what constitutes an adaptation, and implement the use of an appropriate form of

- contract such as the JCT JAC/90 and/or Minor Works forms of contract, or the NEC3 suite of contracts; and
- b) ensures that the above adaptation is addressed immediately as this is a Health & Safety issue.

Board Response

Recommendation accepted. The Association does have a Measured Term Contract in place for Adaptation for showers, baths and ramps, which constitute a large percentage of all adaptations. The adaptation at The Meadows, Newtownards has been made good and no further grant has been claimed. The Association is now using NEC3 contracts following training from CENI (Constructing Excellence).

Empty Homes Strategy

- 4.14 Currently the Association has a number of properties (as of September 2010) that have been void for over six months, some of which have been void for 3-4 years and all in one specific area. Whilst the Association is aware of the problems and causes there are no plans in place to address this.

The Team **recommends** that the Association:

- a) assesses the needs of the tenants and community;
- b) formulates an action plan that will address the issue of long term voids; and
- c) ensures that the plan should also include all the financial information necessary for the Board to make informed decisions on the long term future of these dwellings.

Board Response

Recommendation accepted. The Association has a documented Empty Homes Strategy. Information on voids is reported to the Housing Committee on a bi-monthly basis. The percentage of properties occupied is a Key Performance Indicator which is currently reported to the Board at their monthly meetings. The percentage of properties occupied in quarter 1 and quarter 2 of 2010/11 were 94% and 95% respectively, against a target of 96%.

The specific area referred to is Mount Vernon in North Belfast. In order to address the problem the Association has taken the following steps:

- *erected 'to let' signs;*
- *advertised in local newspapers and supermarket;*
- *held an open day;*
- *distributed advertising flyers to local churches, community houses, day centres and well-being centres;*
- *distributed advertising flyers to home helps, care workers and district nurses;*
- *is currently engaged with Beacon Services to introduce supported accommodation to people with mental health problems.*

There is no simple solution to the problem and it is an area of housing which has been difficult to let by other social housing providers for a number of years.

Section 5

Corporate Governance And Housing Management

5. Corporate Governance & Housing Management

OBJECTIVES

To ensure that the Association is governed by an effective Board that is operating a framework which effectively identifies and manages risk, operates according to the Housing Association Guide, regulations and constitutions and seeks to be responsive to the needs and views of its residents. The Association must also have management arrangements, skills and systems which are appropriate to its circumstances, scale and scope of operation.

OPINION

In testing the Corporate Governance and Housing Management element of the Association business and having considered the overarching serious failures within Property Development, Property Management and Financial Management, the Team is of the opinion that a grading of **No Assurance** is appropriate. During the Inspection the Team were appreciative of the acceptance of the Board to the findings especially in regards to the serious issues that were being found in the area of Development, however the Team is concerned with the lack of evidence that the Board and Sub-committees are fully aware of their roles and responsibilities and their challenge function in running a multi million pound organisation. In the following paragraphs the findings are discussed in more detail.

FINDINGS

Role of Board/Sub-Committees

Roles and responsibilities

- 5.1 There is a lack of clarity between the roles and responsibilities of the Board / Sub Committees and the Senior Management Team. This has resulted in a deviation from following proper procedures and processes. This is evidenced by:-
- significant failures by the Senior Management Team to comply with guidance and due process;
 - a lack of knowledge of proper process and requirements of the Housing Association Guide;
 - failure to apply their own guidance and procedures;
 - making false certifications or manipulating the procedures;
 - a distinct lack of knowledge of proper procurement process and methods; and
 - inappropriate levels of delegated authority for the Chief Executive

Challenge Function

- 5.2 When assessing the roles and delegated authority of the Board and Sub-committees the Team found common failures in both. The Board and Sub-committees need to establish a balance between the trust that an organisation has to put in its management and the need for effective challenge to that Management Team. However, from the evidence of

this inspection, the Team considered that the Board and Sub-Committees had not attained this balance.

It is clear, particularly from our findings in Property Development that there were a significant number of occasions when appropriate information was not provided to the Sub-Committee, or indeed, wholly incorrect information was provided. That said, it is equally true that there have also been a number of occasions where the Sub-Committee failed to offer either effective leadership or challenge. This was most in evidence within Property Management where the Sub-Committee failed to identify that there was no overarching maintenance or Stock Investment Strategy.

The Sub-Committee/Board is dependent on the completeness and accuracy of the information provided in the submissions by the Management Team. It is accepted that Board members cannot and indeed should not, become operationally involved, however, to enhance their assurance on the reliability of the information they receive, they should consider ways of quality assuring the accuracy of information being provided to them.

The Team **recommends** that the Sub-Committee/Board should:

- a) study the findings of this inspection in great detail and consider how best to enhance the challenge function;
- b) ensure that the Internal Audit service is well briefed and has the expertise to carry out internal audits on all areas of the Association's business; and
- c) commission its Internal Audit service to evaluate the quality of information provided to the Committees/Board.

Board Response

Recommendation accepted. We have studied the inspection in great detail. We have suspended Committee meetings until April. Instead we have monthly Board meetings. We are looking to add to the Boards skills by bringing in several new members and three members have stood down already. We will re-establish a correct relationship between non-executive Directors on the Board and Senior Staff. We will do this through a series of training sessions, a review of all our internal Governance procedures, the work of a Compliance Officer and tighter controls and analysis of figures put to the Board.

We have increased the funding for internal audit and reviewed the internal audit programme for the next two years. The internal auditor will now report directly to the Chairman and regular reports against the audit plan will be presented to the Board and/or Committees. In addition we will be reviewing our risk mapping and risk register. The internal auditors (PWC) have been tasked with reviewing the quality of the material to the Board.

Skills of Board

- 5.3 The Board appears to be made up of very skilled and knowledgeable members; however evidence would indicate that these skills were not put to use in offering a challenge function to the activities of the Senior Management Team. Whilst the Board appeared not to have been given sufficient information to assist future decision making on occasions, good governance would dictate that an effective Board would have unearthed the serious issues raised in this report, and taken steps to address them. The Inspection Team noted that a number of the Board members have been in post for a considerable period of time and it may well be that the familiarity with the organisation and its Management Team has led to an element of complacency.

The Team **recommends** that:

- a) the Board completes an urgent review of the skills and expertise of the existing Board Members taking into account the findings from this inspection in order to identify appropriate skills/expertise which will be needed to address the very serious organisational problems facing the Association; and
- b) new personnel are recruited to the Board to help refresh the challenge function and bring a new perspective.

Board Response

Recommendation accepted. New personnel are being invited to join the Board for its January 2012 meeting and these will include some Housing Association experts brought over on a temporary basis from England while we build up the skills level on our new appointees from the Province.

Delegated Authority

- 5.4 The Team requested the approved delegated authority for the Senior Management Team and found that the Chief Executive was authorised to sign cheques of £20k and above, with no upper limit imposed. It also found that this had not been approved by the Board.

The Team **recommends** that the Board should establish a clear upper limit to the delegated authority of the Chief Executive.

Board Response

Recommendation accepted. Revised set of delegations and authority levels will be presented to the Board in January.

Role of Senior Management

- 5.5 The majority of the Senior Management Team Members in Helm have been in post for a number of years and would have been widely considered as an experienced team with expertise in their fields of work. However, it is clear from the inspection findings detailed within Finance (Section 2) Property Development (Section 3) and Property Management (Section 4) that the confidence in the Senior Management Team had been misplaced. It is difficult to understand

fully why this situation has occurred. Certainly there would appear to have been an overly zealous approach to development which may have removed the focus on other important aspects of the Association's business.

It is also clear that there was a worrying lack of knowledge of the Housing Association Guide. This, unfortunately, was accompanied by a "Management knows best" mentality that created an unrealistic and dangerous attitude to risk taking. This was most clearly brought to light within Property Development, for example, where there were a number of instances where the Association bought sites, at top market value, for development potential that was never going to be realised. In many of these cases, even the most simple of actions would probably have raised serious concerns about the viability of these potential schemes. The attitude to risk and exposure demonstrated by the Senior Management Team can only be described as reckless.

The Team **recommends** that as a matter of urgency the Board should:-

- a) review the performance of its Management Team in the light of the inspection findings; and
- b) determine what the financial impact is likely to be on those schemes/site which have not progressed as originally envisaged.

Board Response

Recommendation accepted. Three changes have already been made to the Senior Executive Team. In other cases we are currently following the competency and disciplinary routes of our own procedures. The Department will be kept fully informed of this.

Culture and Ethics

- 5.6 The culture within the Association was clearly a strong desire from the top down to be "the biggest and best Housing Association" within the Housing Movement with a particular emphasis to excel in the area of Property Development. These are excellent goals for any organisation to have, providing there is an appropriate organisational structure, clearly defined processes and control mechanisms in place to support the delivery of such goals. Unfortunately these elements were not in place in Helm Housing.

The drive to "be the best" undoubtedly put the Senior Management Team under huge pressure to meet and/or exceed targets particularly at a time when the property market was very fluid. The Team found that the most significant errors in practices and excesses were perpetrated around the time when property prices were going through the roof and it was very much a developers market with developers playing one Association off against another to ensure they achieved premium land prices on all deals. Unfortunately the Helm Development Team fell foul of these practices and developed an ethos where the Association was determined to get development land at any price.

At that time there was also an increased activity around the use of Site Finders to identify potential development sites for the Association. Undoubtedly the environment at that time was flooded with a number of land speculators who were purchasing land and then selling it within a short period of time, making huge profits from the sale. The Team, however, is concerned about the number of sites that were pursued by the Association through Site Finders, particularly when the Association had two Directors of Development, each having a dedicated Development Team. The Team could see no evidence of any value brought about as the result of using these Site Finders.

The Team has concluded that the Development Team lacked the skills and leadership to deal with this kind of situation and it is the opinion of the Team that the Association attempted to be part of a bigger game but found itself out of its depth. As the seven principles of public life are “Selflessness, Openness, Integrity, Objectivity, Accountability, Honesty and Leadership” it is the Team’s opinion that there is a distinct lack of these attributes being present in the Association. This is evidenced by:-

- lack of appropriate information going to the Board and Sub-Committees;
- large amounts of money paid for sites/land deals without proper valuation, feasibility studies and proper challenge by the Board;
- inappropriate procurement routes used;
- inappropriate scope of works commissioned and higher levels of fees paid to consultants;
- Scheme Design Reports being passed to the Board with incorrect or incomplete information;
- excessive use of Site Finders with no obvious added value; and
- failure to apply the correct delegated levels of approval particularly around purchases of land.

The Team **recommends** that the serious issues raised in this report are corrected and the recommendations implemented as a matter of urgency.

Board Response

Recommendation accepted. Action is already underway. There are close discussions with DSD. The Development Team did lack the skills and leadership. We reluctantly accept that there has been inattention to the seven principles of public life because it is central to the Boards view of the Association that it should always meet those principles.

Housing management

Job Appraisal

- 5.7 The Team spoke with members of the Senior Management Team and saw the Job Appraisal for the Director of Housing. The Team was concerned that this document was very limited in detail and that it was hard to ascertain from it what the job holder’s objectives were or if they

had been achieved.

The Team **recommends** that all job appraisals are detailed to show objectives and those objectives that have or have not been achieved.

Board Response

Recommendation accepted.

Customer Satisfaction Surveys

- 5.8 The Association specially recruits temporary staff to carry out in-depth Customer Satisfaction Surveys. These staff are usually students and the work is carried out during the summer months. The Team saw the results but when the Association was asked what “Quality Assurance” of the data it did, it responded “none”. The Association is of the opinion that the processes it has in place are robust.

The Team **recommends** that the Association puts in place a “Quality Assurance” process to ensure that it can place reliance on the data collected.

Board Response

Recommendation accepted

6. NEXT STEPS

- 6.1 The Inspection has identified recommendations within Section 2,3,4 and 5 of this Report and the Association has provided a response to these which is shown under the title “Board Response”.
- 6.2 An Action Plan has also been included at [Appendix 2](#) which shows implementation dates for the recommendations contained in this report.
- 6.3 As the Association has received an overall grading of “**No Assurance**” in this report, the Department will continue to closely monitor the progress against the action plan.
- 6.4 The Final Report which will be published in full on the Department for Social Development’s website. Copies of the report will also be copied to the NI Audit Office and the Northern Ireland Housing Executive.

APPENDIX 1

Inspection Grading System

Each area of Inspection is awarded one of four assurance ratings depending on the assessment of the materiality of the inspection findings. The four assurance ratings, together with their respective definitions are as follows:

Substantial Assurance

To be given to Housing Associations where there is a robust system of risk management, control and governance which ensure that objectives are fully achieved. Housing Associations in this category serve as an example of best practice. These Housing Associations will have a well run system of internal control and a risk management programme resulting in all identified risks being addressed and mitigated.

Satisfactory Assurance

To be given to Housing Associations who have shown they have an effective system of control which will ensure the achievement of objectives. There may be some weaknesses but these would not be regarded as impacting significantly on the overall performance of the Association.

Limited Assurance

To be given to Housing Associations where there is a considerable risk that the Association will fail to meet its objectives or where an Association has previously received an "Unacceptable" or "No Assurance" rating and they have shown progress in addressing previous shortcomings. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.

No Assurance

To be given to Housing Associations where internal systems have failed or there is a real and substantial risk of the Association failing to meet its objectives and where they are also failing to provide any of the following: sound corporate and financial governance, quality housing; value for money. Such housing Associations are considered a high risk to themselves and the public funds which they might receive.

APPENDIX 2

Details of examination of scheme files

Issues Arising	TOTALS	Beechmount Avenue	Belfast Rd/Inglewood	Bellevue Manor	Bellevue Pk (Private) *	Bennan Pk	Canberra Gardens	Candahar Street	Cavehill Road *	Chequer Hill Phase 1	Chequer Hill Phase 2	Cliftonville Road (Land) *	Cliftonville Road	Crawfordsburn Road	Croft Rd (Private) *	Cromwell Close	Crossan Court	Doagh Road	Gleneagles Gardens (T)	Glenside, Ligonell
Use of Middle Men/Failure to identify vendors	8				x				x			x			x					
OTS - Assoc Involved before 100% (or 50% post April 2009)	7	x								x	x		x							
Development Committee Mis-informed/Fabricated SDR	16		x	x	x	x		x			x	x	x							
No valuation/No Independent Valuation	16			x	x				x	x		x	x	x		x				x
No evidence of independent Planning Appraisal	1				x															
On site without Planning Permission	5	x	x																	
Inappropriate Community Consultation	5			x						x										x
No/Inaccurate Economic Appraisal	6				x							x	x							
Acting without Development Committee Approval	4				x							x		x						
Inappropriate form of Contract	13	x	x	x						x	x		x				x			
Same Consultant used	17	x		x	x		x		x	x	x		x				x			
No Building Warranty/Incomplete Evidence	10	x				x														x
Failure to follow procurement guidance	2		x									x								
Payments do not match tranche claims	2																			
Invalid Certification/Claim for tranche	11	x								x										x
Breach of CDM Regulations	1													x						
Incomplete On-site Documentation	5	x				x		x												
Housing Association funds at risk	5				x										x					
Housing Association Grant at risk	5	x							x	x										

* No Housing Association Grant paid on these schemes

Issues Arising	TOTALS	Great Georges St	Hollywood Road (ALP)	Hollywood Road	Lagmore Grove	Main St Crumlin	Mc Auley Street	Peggy's Loaning	Regent Street	Shore Road	Talbot Street	Thorndale Avenue	Toronto Street	Upper Crescent	Upper N'ards Road (Private) *	Victoria Street	West Street *	Windmill Gardens
Use of Middle Men/Failure to identify vendors	8	x						x							x			
OTS - Assoc Involved before 100% (or 50% post April 2009)	7				x			x									x	
Development Committee Mis-informed/Inaccurate SDR	16	x		x		x	x			x					x	x	x	
No valuation/No Independent Valuation	16			x		x			x	x		x			x	x		
No evidence of independent Planning Appraisal	1																	
On site without Planning Permission	5						x			x								x
Inappropriate Community Consultation	5				x												x	
No/Inaccurate Economic Appraisal	6					x				x						x		
Acting without Development Committee Approval	4			x														
Inappropriate form of Contract	13			x	x			x				x		x			x	
Same Consultant used	17		x	x		x	x	x		x			x				x	
No Building Warranty/Incomplete Evidence	10				x			x			x	x	x				x	x
Failure to follow procurement guidance	2																	
Payments do not match tranche claims	2															x		x
Invalid Certification/Claim for tranche	11				x	x		x				x	x			x	x	x
Breach of CDM Regulations	1																	
Incomplete On-site Documentation	5									x								x
Housing Association funds at risk	5					x									x		x	
Housing Association Grant at risk	5							x									x	

* No Housing Association Grant paid on these schemes

AGREED ACTION PLAN

APPENDIX 3

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
FINANCE				
2.8	<p>Cash Flow The Team recommends that the Association carries out a fundamental review of its Finance function to ensure that all financial records/reports are properly and fully maintained (Paragraphs 2.4 -2.8 refer).</p>	H	Accepted	December 2011 / January 2012
2.9	<p>Arrears The Team recommends that the Association:- a) improves reporting to the Housing Management Committee and the Board . Reports should provide the Board with sufficient relevant information such as aged debts, technical/non-technical debt; write-offs etc to enable performance to be evaluated. b) consider if the level of resource currently dedicated to arrears is sufficient to improve the level of arrears and allow staff to comply with all policies and procedures.</p>	H	Accepted	February 2012
2.10	<p>Payments The Team recommends that:- a) the Chief Executive, Finance Director and Housing Management Director establish a new directive to reduce payment delays; and b) work orders should be entered on the system using the correct details.</p>	H	Accepted	February 2012 Although a revision of authority levels to reduce bottlenecks to payments has been introduced from 1 st January 2012.

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
2.12	<p>Information to Sub-Committee</p> <p>The Team recommends that the Board should complete a fundamental review of the format and timing of reports from management to ensure that they provide sufficient information in an accessible format to facilitate the Board's review, decision making and challenge. (Paragraphs 2.11-2.12)</p>	H	Accepted	February 2012
2.13	<p>Bond</p> <p>The Team recommends that the Association should:-</p> <p>a) prepare a business rationale for all lending. This could be based on investment projections and long term cash flows etc. This should then be approved by the Board in advance of committing the Association to any additional lending; and</p> <p>b) ensure that all covenants are tracked on a regular basis.</p>	H	Accepted	February 2012
PROPERTY DEVELOPMENT				
3.5	<p>Role of Senior Management</p> <p>The Team recommends that the Board of Management needs to critically examine the organisational structure, processes and skills of the existing Senior Management Team and the Development Team and assess if they are "Fit for Purpose".</p>	H	Accepted	March 2012
3.6	<p>Role of the Board / Development Committee</p> <p>The Team recommends that the Board of Management should:-</p> <p>a) determine what documentary evidence it requires in order to be able to consider a future funding decisions: and</p> <p>b) consider if the current Board has an appropriate balance of skills and expertise to provide effective leadership to the Association.</p>	H	Accepted	June 2012

HELM HOUSING INSPECTION ACTION PLAN

Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
3.7	<p>Role of the private wing The Team recommends that the Board should urgently review the arrangements currently in place for Helm Developments, including examining the:-</p> <ul style="list-style-type: none"> a) role of the executive membership on its Board; b) protocols in place for all group transactions; c) arrangements for exchange of information on all activities, especially any joint ventures. 	H	Accepted	May 2012
3.8	<p>Use of Middle Men The Team recommends that the Association should, as a matter of urgency:-</p> <ul style="list-style-type: none"> a) provide clear and explicit guidelines covering the use of third parties in all acquisitions. The guidance should include:- <ul style="list-style-type: none"> • an explanation of the risks associated with third parties; • specific criteria governing the use of third parties; and • stipulate that involvement of third parties must receive the express approval of the Board prior to their engagement. b) Where third parties are used, the guidance should require that the following details should be provided to the Board in each case:- <ul style="list-style-type: none"> • a full explanation of their role; • an explanation of what service they provide; • a breakdown of full costs associated with their involvement brings to the scheme; and • details of any other business that they have transacted with the Association. 	H	Accepted	December 2011
3.9	<p>Off the Shelf Schemes The Team recommends that when applying for Housing Association Grant the Association must comply with the requirements defined in the Housing Association Guide and Public Procurement.</p>	H	Accepted	December 2011

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
3.10	<p>Development Committee Mis-informed</p> <p>The Team recommends that the Association's Board:-</p> <p>a) fully review the nature and type of evidence which is provided in support of any submission to the Board or one of its Committees; and</p> <p>b) in particular, any assumptions being made by the management team must be clearly documented and original third party evidence (such as Planning Approval, Consultants reports) should be provided with the submission.</p>	H	Accepted	December 2011
3.11	<p>No valuation / No independent valuation</p> <p>The Team recommends that the Association ensure that -</p> <p>a) all valuations are carried out by a fully independent valuer; and</p> <p>b) in addition, any planning assumptions underpinning a valuation should be identified and supported by an evaluation of those assumptions.</p>	H	Accepted	December 2011
3.12	<p>No evidence of Independent Planning Appraisal</p> <p>The Team recommends that before any commitment is made to acquire a site, the Association should:-</p> <p>a) discuss with the Planners the potential scope for development,</p> <p>b) identify likely problems; and</p> <p>c) ascertain as best they can the likelihood of a successful planning application.</p>	H	Accepted	December 2011
3.13	<p>On site without planning permission</p> <p>The Team recommends that the Association should not go on site until planning permission has been granted.</p>	H	Accepted	December 2011
3.14	<p>Inappropriate Community Consultation</p> <p>The Team recommends that the Association should ensure that all appropriate Community Consultation is completed prior to the submission of the Scheme Design Report to the Development Committee. The Scheme Design Report should contain a brief on the nature, extent and timing of such consultation.</p>	H	Accepted	January 2012

HELM HOUSING INSPECTION ACTION PLAN

Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
3.15	<p>No / Inaccurate Economic Appraisal The Team recommends that an Economic Appraisal is completed in all instances and where there are significant differences between costs projected in an economic appraisal and actual costs, the Association should recalculate the economic appraisal taking into account the actual figures.</p>	H	Accepted	January 2012
3.16	<p>Acting without Development Committee Approval The Team recommends that the Association should :- a) ensure that management and staff of the Association are fully aware of the extent and limits of their authority; b) establish and formalise the nature and extent of any delegations; and c) ensure that all significant expenditure be approved by the Board in advance of commitment.</p>	H	Accepted	January 2012
3.17	<p>Inappropriate form of Contract The Team recommends that as a matter of urgency that the Association needs to review all existing contracts and appointments of consultants to ensure that the services being acquired are actually needed and appropriate to the type of scheme and that they comply with the conditions to receive Housing Association Guide.</p>	H	Accepted	December 2011
3.18	<p>Same Consultant used The Team recommends that the Association:- a) reviews its procedures for the appointment of consultants; b) ensures that work is distributed in a fair and transparent manner; and c) benchmarks Consultants fees to ensure consistency in charging, standards of performance and value for money.</p>	H	Accepted	December 2011

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
3.19	<p>No Building Warranty / Incomplete evidence</p> <p>The Team recommends that when the Association purchases new build properties, it should ensure that the contract stipulates the provision of a warranty and that the warranty is obtained on completion of the build.</p>	H	Accepted	May 2012
3.20	<p>Failure to follow procurement guidance</p> <p>The Team recommends that the Association ensures that:-</p> <p>a) it complies with Public Procurement at all times. As an organisation drawing down public monies for its development work, it is also a fundamental requirement that it should demonstrate openness and fairness in its business transactions;</p> <p>b) the Board should establish clear guidelines detailing what level of delegated authority Management has, and equally important, the type of decisions which must be referred to the Board / Committee; and</p> <p>c) the Board should establish contingency procedures to cover situations where Board / Committee guidance or decisions are required outside the normal cycle of formal meetings.</p>	H	Accepted	December 2011
3.21	<p>Payments do not match Tranche Claims</p> <p>The Team recommends that the Association are able to demonstrate effective contract management, it is also essential that where changes occur between amounts stated at Approval Stage and the Tranche Claim, that these are full stated and explained.</p>	H	Accepted	January 2011
3.22	<p>Invalid Certification / Claim for tranche</p> <p>The Team recommends that the Association ensures that it makes itself fully aware of the provisions of the Housing Association Guide to ensure compliance with the self certification process.</p>	H	Accepted	April 2012

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
3.23	Breach of Construction (Design and Management) Regulations The Team recommends that the Association should ensure that all contractors are fully compliant with CDM Regulation and that these are adhered to.	H	Accepted	December 2011
3.24	Incomplete On-site Documentation The Team recommends that the Association should ensure that both the Association and the contractor comply with all elements of the contract and if the completion date for the works is going to slip, there should be prior formal approval give by the Association.	H	Accepted	December 2011
3.25	Housing Association Funds at risk The Team recommends that the Helm Board of Management should immediately seek to establish the:- a) prospects for each of the five schemes identified; b) financial impact of revised development plans; and, c) factors which contributed to the current situation.	H	Accepted	December 2011
3.26	Impact of Control Failures on the Payment of Grant			
3.26 b)	Beechmount Avenue In view of this the Team recommends that the grant rate is recalculated at the lower rate of TCI for an Existing Satisfactory Purchase which will result in a penalty of £36k to be repaid by the Association. The Department is liaising with the Association to make the appropriate arrangements with the Department to pay this penalty.	H	Accepted	Date to be agreed with DSD

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
3.26 c)	<p>Cavehill Road</p> <p>The Association failed to provide the Team with evidence to support an Existing Satisfactory Purchase therefore the Team recommends that the payment of grant should be restricted to the lower rate of Total Cost Indicator (TCI) which will result in a penalty of £303k to be repaid by the Association. The Department is liaising with the Association to make the appropriate arrangements with the Department to pay this penalty.</p>	H	Accepted	Date to be agreed with DSD
3.26 d)	<p>Chequerhill Phase 1</p> <p>The Association failed to provide the team with evidence to support an Off the Shelf purchase therefore the Team recommends that the payment of grant be restricted to the lower rate of Total Cost Indicator (TCI) which will result in a penalty of £188k to be repaid by the Association. The Department is liaising with the Association to make the appropriate arrangements with the Department to pay this penalty.</p>	H	Accepted	Date to be agreed with DSD
3.27	<p>Great Georges Street</p> <p>The Team recommends that the Association continues to liaise with the Department to consider alternative development opportunities in the area and to bring the enquiries on the purchase of this site to a conclusion.</p>	H	Accepted	Date to be agreed with DSD
PROPERTY MANAGEMENT				
4.3	<p>Stock Investment Strategy</p> <p>The Team recommends that the Association formulates a strategy that covers the range of activities that ensure the Housing Association's stock meets the needs and standards required now and in the future and that the strategy details how a survey will be undertaken as per the Housing Association Guide.</p>	H	Accepted	November 2011

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Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
4.4	The Team recommends that a) the survey be brought forward and a full brief provided, detailing the services required, and that Association receives properly compiled results with a projected programme of work and budget costs. b) on receipt of the survey results, that the Maintenance Department establish short, medium and long term maintenance projections along with indicative costing. This will enable the Housing Committee to make informed decisions about future needs and budgetary requirements.	H	Accepted	December 2011
4.5	Contracts Stock Condition Survey The Team recommends that the Association ensure that proper procurement procedures are followed at all times.	H	Accepted	December 2011
4.6	Contracts External Cyclical & Planned Maintenance The Team recommends that a) the Housing Committee must in future scrutinise the processes and provide better governance of any maintenance contracts to ensure sound financial control and value for money. b) only those works in respect of external, cyclical or planned maintenance of the housing stock should be included in the contract.	H H	Accepted Accepted	December 2011 December 2011
4.7	Contracts Cyclical Boiler Servicing The Team recommends that the Housing Sub-Committee a) takes responsibility for ensuring that these procurement breaches are addressed and b) provides training and guidance to staff on contract administration and EU procurement.	H H	Accepted Accepted	December 2011 December 2011

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
4.8	Contracts Cosy homes conversion The Team recommends that the Association should:- a) re-consider of above clause as it would also be deemed to be an unfair condition of contract b) review its arrangements for the appointment of the consultant.	H	Accepted	December 2011
		H	Accepted	December 2011
4.9	Contracts Measured Term Contract The Team recommends that contracts should not be extended beyond the period stipulated in the terms of the contract	H	Accepted	July 2012
4.10	Appointment of Consultants Planned / Cyclical / Response Maintenance The Team recommends that as a matter of urgency that the Housing Committee should consider the risks and implications of this situation, including dependency, potential accusations of favouritism, and value for money.	H	Accepted	December 2011
4.11	Property Management Policies & Procedures The Team recommends that the Association updates it policies and procedures.	H	Accepted	May 2012
4.12	Adaptations Scope of works The Team recommends that the Association a) review its arrangements for the consideration of what is required to address OT recommendations b) provides detailed responses on the individual queries raised on the adaptations.	H	Accepted	March 2012
		H	Accepted	March 2012

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
4.13	Policies & Procedures The Team recommends that the Association a) reviews its processes and re-assess what constitutes an adaptation, and implement the use of an appropriate form of contract such as the JCT JAC/90 and/or Minor Works forms of contract, or the NEC3 suite of contracts. b) ensures that the above adaptation is addressed immediately as this is a Health & Safety issue.	H	Accepted	December 2011
		H	Accepted	December 2011
4.14	Empty Homes Strategy The Team recommends that the Association a) assesses the needs of the tenants and community and b) formulates an action plan that will address the issue of long term voids, c) ensures that the plan should also include all the financial information necessary for the Board of Management to make informed decisions on the long term future of these dwellings.	H	Accepted	December 2011
CORPORATE GOVERNANCE & HOUSING MANAGEMENT				
5.2	Challenge Function The Team recommends that the Committee/Board should:- a) study the findings of this inspection in great detail and consider how best to enhance the challenge function; b) ensure that the Internal Audit service is well briefed and has the expertise to carry out internal audits on all areas of the Association's business; and c) commission its Internal Audit service to evaluate the quality of information provided to the Committees/Board.	H	Accepted	December 2011

HELM HOUSING INSPECTION ACTION PLAN				
Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
5.3	<p>Skills of Board The Team recommends that:-</p> <p>a) the Board complete an urgent review of the skills and expertise of the existing Board Members taking into account the findings from this inspection in order to identify appropriate skills/expertise which will be needed to address the very serious organisational problems facing the Association; and</p> <p>b) new personnel are recruited to the Board to help refresh the challenge function and bring a new perspective.</p>	H	Accepted	June 2012
5.4	<p>Delegated Authority The Team recommends that the Board should establish a clear upper limit to the delegated authority of the Chief Executive.</p>	H	Accepted	March 2012 as part of the comprehensive review referred to above.
5.5	<p>Role of Senior Management The Team recommends that as a matter of urgency the Board should:-</p> <p>a) review the performance of its Management Team in the light of the inspection findings; and</p> <p>b) determine what the financial impact is likely to be on those schemes/site which have not progressed as originally envisaged.</p>	H	Accepted	January 2012
5.6	<p>Culture and Ethics The Team recommends that the serious issues raised in this report are corrected and the recommendations implemented as a matter of urgency.</p>	H	Accepted	December 2011 continuing into 2012
5.7	<p>Job Appraisal The Team recommends that all job appraisals are detailed to show objectives and those objectives that have or have not been achieved.</p>	H	Accepted	July 2012

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Report Reference	Recommendation	Priority	Accepted/ Rejected	Implementation Date
5.8	<p>Customer Satisfaction Surveys The Team recommends that the Association puts in place a “Quality Assurance” process to ensure that it can place reliance on the data collected.</p>	H	Accepted	December 2012

HELM INSPECTION - LOW LEVEL ISSUES

Financial Viability

1. Debtors - The Association actively chases most debtors but smaller balances e.g. for ground rent from former tenants who have purchased their properties can be left outstanding for extended periods.

The Team **recommends** that the Association should put in place procedures to ensure that all debtors are chased and payments are received within agreed timescales.

Controls

1. External Audit – The letter reporting to management on system weaknesses and internal controls evaluation for the last two years has comprised a short note which does not highlight any issues.

The Team **recommends** that the Association should ensure that they are provided with a full report on system weaknesses and Internal Control Evaluation from their external auditors

2. Procedures and processes – The Team **recommends** that the Association should continue to review and improve procedures where necessary
3. Fixed Assets - The Association is working hard to prepare for the requirement to change to component accounting.

The Team **recommends** that they continue in their efforts towards preparing component accounts.

The Team further **recommends** that the Association should ensure that all fixed asset registers match the accounts.