

**Department of Finance
Memorandum on the Thirty Sixth
Report from the
Public Accounts Committee
Mandate 2011-2016**

**The Governance of Land and Property in the Northern
Ireland Housing Executive**

**Presented to the Northern Ireland Assembly
by the Minister of Finance**

16 June 2016



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Glossary of Abbreviations

ALBs	Arm's Length Bodies
DfC	Department for Communities
DFP	Department of Finance and Personnel
DoF	Department of Finance
HMRC	Her Majesty's Revenue and Customs
MPMNI	Managing Public Money Northern Ireland
MSFM	Management Statement Financial Memorandum
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NIHE	Northern Ireland Housing Executive
PAC	Public Accounts Committee
TEO	The Executive Office

Thirty Sixth Report

Department for Communities (Previously Department for Social Development)

The Governance of Land and Property in the Northern Ireland Housing Executive

Since the Public Accounts Committee (PAC) published their report on “The Governance of Land and Property in the Northern Ireland Housing Executive” (NIHE), restructuring of Northern Ireland (NI) departments has occurred. The functions exercised by the Department for Social Development, the Department of Finance and Personnel (DFP) and Office of the First Minister and deputy First Minister are now undertaken by the Department for Communities (DfC), the Department of Finance (DoF) and The Executive Office (TEO) respectively.

PAC Recommendation 1

The Committee recommends that all public bodies give consideration to making available the declarations recorded by individual Board members and senior officials in the register of interests. In the Committee’s view, bodies should be guided by the principle of maximum transparency.

DoF accepts this recommendation.

DoF agrees that all public bodies should give consideration to making the register of interest declarations available and will incorporate this consideration into new guidance which DoF will develop in this area.

PAC Recommendation 2

The Committee recommends that DFP issue a reminder to all public bodies to ensure that each organisation has effective and robust procedures for dealing with Assembly Questions and that the protocols for correcting inaccuracies in answers to Assembly Questions are clear.

DoF accepts this recommendation.

DoF will draw this recommendation to the attention of departmental Accounting Officers and ask them to ensure that they have effective and robust procedures in place for dealing with Assembly Questions. DoF will also ask Accounting Officers to draw it to the attention of their Arm’s Length Bodies (ALBs).

DoF acknowledges it is of paramount importance that accurate information is provided to the Assembly and that any inadvertent errors should be corrected at the earliest opportunity. TEO has provided clear guidance/protocols to departments for handling inadvertent errors made in responses provided to Assembly Questions. This advises that when an inadvertent error has been identified, the matter can be rectified by the relevant Minister writing to the Member at the earliest opportunity. This correspondence should set out the error and correct it. Copies should also be provided to the Speaker and to the Assembly Library.

PAC Recommendation 3

The Committee recommends that at the most basic level, all Boards should have a system in place which allows the Board to track issues and monitor the implementation of any required action.

DoF accepts this recommendation.

DoF will draw this to the attention of departmental Accounting Officers and ask them in turn to draw it to the attention of their ALBs.

In addition DoF is aware that the Northern Ireland Audit Office (NIAO) is currently developing a good practice on board effectiveness. DoF will liaise with NIAO with a view to incorporating this issue into the guidance being developed.

PAC Recommendation 4

The Committee recommends that if a public body wishes to deviate from expert advice, it should fully consider the implications of this action and ensure that their reasons to deviate are fully documented.

DoF accepts this recommendation.

Managing Public Money Northern Ireland (MPMNI) already states that “each public sector organisation should have robust and effective systems for decision making”. DoF will bring the Committee’s recommendation to the attention of departmental Accounting Officers to remind them of this requirement and ask them in turn to draw it to the attention of their ALBs.

PAC Recommendation 5

The Committee recommends that public bodies do not become involved in tax planning arrangements that have the primary objective of reducing or avoiding tax. DFP should consider if additional guidance is needed to emphasise this point.

DoF accepts this recommendation.

Existing guidance contained in MPMNI already advises that “Generally, public sector organisations should avoid using tax advisers or tax avoidance schemes as any apparent savings can only be made at the expense of other taxpayers or other parts of the public sector”. However, it is recognised there may be instances whereby it is appropriate and legitimate for NI public bodies to consider tax planning options in order to ensure value for money from a NI perspective. In such circumstances public bodies should engage with Her Majesty’s Revenue and Customs (HMRC) at an early stage to ensure the appropriateness of proposed arrangements.

Regarding the Committee’s particular concerns where organisations are selling assets to a third party, the onus is on the individual/company to ensure that their tax arrangements are legal and comply with HMRC requirements. DoF will however bring the Committee’s views to the attention of departments and ask them to ensure that this aspect is given sufficient consideration when third parties are being dealt with in such transactions.

PAC Recommendation 6

The Committee recommends that NIHE’s system of delegation is clarified to identify when staff can use their delegated authority. Whilst it should be clear who is responsible for approving the sale of land, it is essential that staff are not permitted to amend multi-million pound contracts without reverting to the NIHE Board.

DfC accepts this recommendation

NIHE’s current Standing Orders and Scheme of Delegations, which have been approved by the NIHE Board, explicitly set out the levels of delegation for various categories of transactions. For all land disposals above a value of £500k, NIHE Board approval must be obtained prior to sale/transfer. Approval of land disposals below £500k is delegated to a relevant officer, depending on value.

To ensure changes to contracts or disposals are reverted to the NIHE Board where appropriate, NIHE’s Standing Orders will be amended to require further NIHE Board approval if a significant amendment to contracts/disposals and any associated terms and conditions previously approved by the Board is proposed.

DoF will also bring this recommendation to the attention of departmental Accounting Officers and ask them in turn to draw it to the attention of their ALBs.

PAC Recommendation 7

The Committee recommends that NIHE should ensure that the findings, recommendations and lessons learned arising from audit work are read across to all operational areas within NIHE.

DfC accepts this recommendation.

NIHE Internal Audit and Assurance work is already reported to the NIHE Audit and Risk Assurance Committee and all Directors receive a copy of these papers. Recommendations are formally recorded in a register which is subject to regular review, both by management and the Audit and Risk Assurance Committee. NIHE will put in place further measures to ensure there is full awareness across all operational areas of NIHE of the findings, recommendations and lessons arising from audit work. This will include senior managers being required to review the findings, recommendations and lessons learned arising from audit reports and consider if there are any implications, in a wider sense, for their particular areas of responsibility.

DfC will also ensure that NIHE is aware of any relevant recommendations from elsewhere in the public sector. With regard to external reports (primarily those produced by NIAO and PAC) NIHE will also consider any findings, recommendations and lessons learned which may have relevance across all areas within NIHE. This work will be co-ordinated by the Risk Manager who reports to the Director of Finance, Risk and Assurance under NIHE's recently revised management structure. The Risk Manager will be responsible for disseminating relevant information internally. This will include advising the NIHE Audit and Risk Assurance Committee of new reports.

In addition, NIHE's Audit and Assurance Department will take account of external audit reports when developing and delivering its annual programme of work.

The new arrangements will be implemented by June 2016.

PAC Recommendation 8

The Committee recommends that NIHE and its sponsor department continue to strive to foster an effective, honest and open working relationship based on a full understanding of each other's responsibilities. This will ensure that there is a good two way flow of information with risks, threats and indeed opportunities dealt with appropriately.

DfC accepts this recommendation.

NIHE and DfC have an agreed Management Statement Financial Memorandum (MSFM) in place which details clearly the respective roles and responsibilities of both organisations. The MSFM was last revised in 2013 and includes sections on reporting arrangements, delegations, risk management and asset disposal.

DfC has established a dedicated sponsor team which supports NIHE in their delivery of Executive and Ministerial objectives. The sponsor team works collaboratively with NIHE to ensure that targets are met; opportunities are identified and fully utilised; propriety and regularity is maintained with regard to its processes and decision making; and that NIHE is constructively challenged on performance on behalf of the Minister and the Assembly.

Sponsorship arrangements and structures are regularly reviewed by DfC to ensure that they are fit for purpose and to provide assurance on the management of risk and application of controls. The most recent review was carried out in 2015 and resulted in a revised oversight framework which has been implemented.

Arrangements are also currently in place to improve the flow of information between NIHE and DfC to ensure the early identification of areas of concern, that plans of action are agreed to resolve areas of concern and that appropriate escalation action is taken where progress is not achieved.

Copies available from:

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Accountability and Financial Management Division,
Rathgael House, Balloo Road, Bangor BT19 7NA

Published and printed by DFP, Central Print Unit,
Craigantlet Buildings, Stoney Road, Belfast BT4 3SX
Tel: 028 9016 3397

978-1-908820-75-4



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