

IRISH COUNCIL FOR SOCIAL HOUSING TIER 1 SEMINAR - GOVERNANCE

September 2016





OVERVIEW

- Introduction
- Just a little about Mazars
- Overview of Regulation for Approved Housing Bodies (AHBs)
- Tier 1 Code Requirements
- Financial Standard issued by the Housing Agency Regulation Office
- Challenges
- Governance leadership and culture
- Governance practices
- Q&A

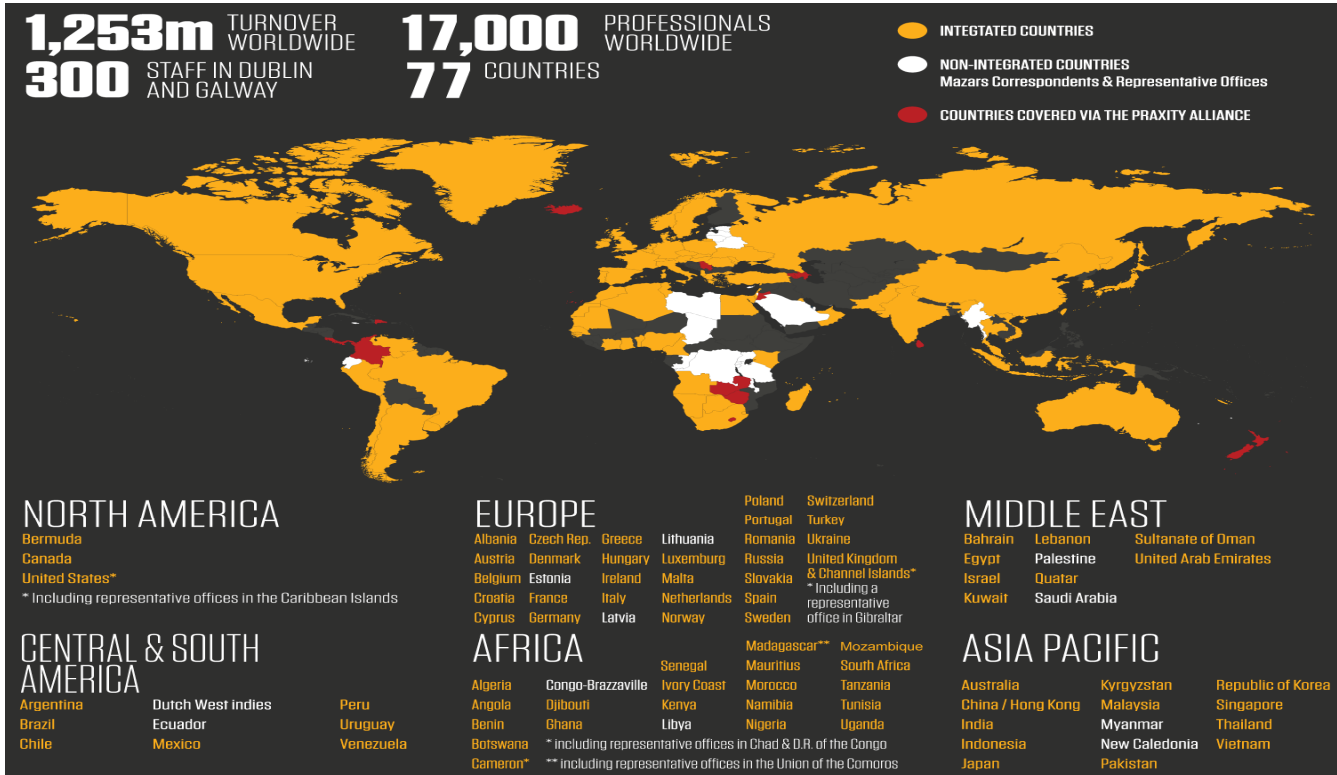
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ABOUT THE MAZARS GROUP

In Ireland, Mazars is one of the largest audit, tax and consulting firms serving the market. We have been providing high quality services to domestic and international clients for more than 30 years.

Based in Dublin and Galway, we have 21 partners and over 300 staff.





ABOUT MAZARS

Not for profit focus

- Act on behalf of a wide range of not for profits
- Specialist led solutions
- Governance
- Risk
- Internal Audit
- Regulated entity support
- Financial Reporting (SORP)
- Data security
- Indirect taxes
- Value for money
- Proven track record

Housing sector strategy group

- Over 90 Housing associations in the UK (incl. group structures >30,000 units)
- Dedicated Housing Strategy Group (incl. Birmingham, London, Manchester, Edinburgh & Dublin)
- Housing sector team comprises over 100 professional staff
- Sector specific surveys and thought leadership

About Mazars

- Integrated partnership which allows for access to wider market experience
- 300 staff in Ireland (Dublin and Galway)
- Depth of services: incl. Audit, Tax, Consulting
- Clients include GAA, Irish Red Cross, Central Bank, Government Departments, Bank of Ireland, Vhi.....

ABOUT MAZARS



An Roinn Leanaí
agus Gnóthaí Óige
Department of
Children and Youth Affairs



Trócaire



Samaritan's Purse
INTERNATIONAL RELIEF





VOLUNTARY REGULATION CODE

- **Development** informed by Code of Practice for the Governance of State Bodies and the “Governance Code”
- **Stepping stone** to a legally binding statutory regulatory framework and it is intended that it will be reviewed during its lifetime

Note: Revised Code of Practice has been issued in August 2016. Also, new Companies Acts 2014 introduced in 2015/16.

- Commitment to adhere to the Code's provisions in relation to **governance, financial and business management, performance management and tenant service best practice**
- The Code operates on a **"comply or explain"** principle.... Or is it “obey or else”!
 - careful thinking as to what is the most appropriate control framework for their specific circumstance
 - meaningful explanation of any departures



VOLUNTARY REGULATION CODE

- The **Financial Standard (2015)** is now part of the Code, and as such is applicable to all AHBs who sign up to the Code.
- Financial Standard is **implemented on a phased basis and will not apply to Tier 1 until 2018.**
- AHBs are welcome to fulfil the requirements of the Code, including the Financial Standard **in advance** of the official compulsory compliance dates.



CODE REQUIREMENTS

TIER 1: Smaller Approved Housing Bodies (AHBs) of **0-50 units** with no development plans or development plans that keep the total under 50 units.

Principles:

1. GOVERNANCE
2. PERFORMANCE MANAGEMENT
3. FINANCIAL MANAGEMENT PLANNING / FINANCIAL PLANNING
4. TENANT SERVICE BEST PRACTICE FOR HOUSING MANAGEMENT

NOTE: All AHBs signing up to the VRC will be required to sign and return a **Charter of Commitments** to the Department on an annual basis.



CODE REQUIREMENTS

TIER 1: CHARTER OF COMMITMENTS

- Have in place a **properly functioning Board** with:
 - clear roles and responsibilities
 - at least 5 members, none serving more than 2 consecutive 5 year terms
 - a general meeting at least once per year
 - no employee acting as Chairperson
- Comply with existing **companies law, charities requirements, conditions of approved status**
- Have a **tax clearance certificate and a sinking fund**
- Have an agreed set of **performance management indicators**
- Submit an **Annual Report & Accounts**, and a copy of filing to the CRO or to the Registrar of Friendly Societies, to the Department
- **Submit data on Tenant Services**



1. GOVERNANCE

1. AHBs should ensure that the **organisation is well governed** to support its aims and objectives, in terms of the following:
 - Governing Board / Management Committee
 - Clear roles and responsibilities
 - Collective Responsibility
 - Diverse range of skills, experience and quality
 - At least 5 members, none serving more than 2 consecutive 5 year terms
 - At least four Board / Management Committee meetings per year
 - Chairperson and Secretary who are resident in Ireland
 - No material interest
2. The Board / Management Committee **must ensure** that the organisation is in **compliance with legal / statutory requirements and relevant government policies.**
3. All AHBs should have a **clear strategic direction** which is reflected in the mission and vision of the organisation.



2. PERFORMANCE MANAGEMENT

It is considered reasonable that **all** AHBs should be able to provide basic data each year on its performance under a number of headings such as:

- Rent payment / arrears
- Voids
- Repairs / management costs per unit

WHY USE PERFORMANCE INDICATORS

- An agreed set of performance indicators should be in place to ensure that AHBs deliver a quality service and seek continuous improvement.
- Used to ***measure how well the organisation is performing against targets or expectations.***
- Used to identify trends to demonstrate that improvements are being made over time.
- Used to compare results against standards or other similar organisations.



3. TENANT SERVICE BEST PRACTICE FOR HOUSING MANAGEMENT

Objective: AHBs are focused on the delivery of good quality housing (and related services) for those who are unable to provide housing from their own resources.

Expectations

- Void Management: AHBs should liaise with local authorities to let properties quickly and efficiently.
- Information: AHBs should make information available to tenants on rents and service charges as well as rent arrears policy and procedure.
- Repairs & Maintenance: AHBs should maintain homes in a good condition and ensure that planned, cyclical and responsive maintenance repairs are carried out effectively.
- **Managing & Addressing Complaints:** *AHBs should make information readily available to tenants and other third parties on how to manage complaints.*
- **Landlord / tenant regulations:** *AHBs should regularly communicate with tenants and monitor feedback from tenants.*



4. FINANCIAL MANAGEMENT BUSINESS / FINANCIAL PLANNING

Objective: AHBs must be financially viable and have adequate resources to meet both current and future business and financial commitments.

Directors duty: “exercise due care, skill and diligence”

Expectations

All AHBs should be able to demonstrate appropriately managed and audited annual accounts, i.e.

- Balance sheet extract
- Income and expenditure
- Loan summary if applicable

Sinking Fund: AHBs should set aside a percentage of the annual rental income on a regular basis for the longer term replacement / repair of major items.

Annual report: Annual report outlining key activities along with audited accounts.



FINANCIAL STANDARD

- The Financial Standard is part of the regulation code and details the **standard required of each AHB in relation to financial viability.**
- The Standard requires that AHBs **manage their resources and risks effectively** to ensure their viability is maintained at all times, and that social homes are protected in the interests of their tenants and are not put at undue risk.
- Financial viability is about being able to **generate sufficient income to meet operating payments and debt commitments as they fall due, while maintaining service levels.**
- The standards required for Tier 1 AHBs are less onerous than the standards required for Tier 3 AHBs.



INFORMATION REQUIREMENTS OF THE FINANCIAL STANDARD

Includes:

Financial Statements: Submit Audited Financial Statements signed by the Board within 9 months of their year-end.

Audit Management Letter: Submit Audit Management Letter with management responses within 9 months of their year-end.

Notification of Issues Arising: All AHBs should notify the regulator immediately of issues arising which in its opinion give 'cause for concern' and represents 'a potential impact on viability'.

Audit and Risk Committee: While it is not a regulatory requirement for Tier 1 AHBs, the establishment of an audit and risk committee for Tier 1 AHBs is a matter for the governing body to consider, depending on the scope and needs of the organisation.



WHY IS GOVERNANCE IMPORTANT?.....

Failures in corporate governance impact both the “corporate” but also wider society

Far greater than a set of rules or a “tickbox” exercise

“The law is man’s feeble attempt to set down the principles of decency... decency is not a deal. It isn’t an angle, or a contract, or a hustle!

Decency... is what your grandmother taught you. It’s in your bones! Go home and be decent people.”

Tom Wolfe, Bonfire of the Vanities



DEFINING CORPORATE GOVERNANCE

“Governance is concerned with how entities are directed, controlled and held to account; it is concerned with who controls the entity, how and for whose benefit”.

“It is about having the right rules, controls, checks and balances in place”.

“.... accountability, fairness and transparency”

“More importantly, good corporate governance is only as good as the people who work within the entity.”

“It’s a mix of hard rules such as company law and others which are principles. There is a moral code to follow. Where it falls down is where this is not followed.”

Reference source:

CPA Ireland, Reaping the Rewards: How Ireland can benefit from a culture of good corporate governance



DEFINING CORPORATE GOVERNANCE

Develop your view: “The nature of our motivation determines the character of our work.”

Establish the right conduct: “I see so many companies with strong principles they fail to apply.”

Focus on Happiness: “We tend to forget that despite the superficial differences between us, people are equal in their basic wish for peace and happiness.”

“A happy company is a successful company. You are more invested in success when you care about where it comes from.”

Become interconnected: “The interconnected leader sees himself or herself as the generator of impulses into an interconnected system to realise the purpose of the organisation.”

Stay positive: “Appreciate how rare and full of potential your situation is in this world, then take joy in it, and use it to your best advantage.”

DALIA LAMA: ‘THE LEADERS WAY’



DEFINING CORPORATE GOVERNANCE

“It is better to lead from behind and to put others in front especially when you celebrate victory when nice things occur. You take the front line when there is danger. Then people will appreciate your leadership.”

Nelson Mandela



WHAT ABOUT “CULTURE”?

Board culture is now more important than ever. The **impact** a Board can have on the future of the organisation **is highly dependent on the board culture.**

According to a recent study completed by Mazars, there are four types of board culture:

- 1. Cosy:** Reluctant to change with difficult issues and/or to challenge the executive which is likely to lead to problems building up before they are tackled.
- 2. Engaged:** A healthy board culture which is both constructive and challenging.
- 3. Semi-detached:** Fail to provide sufficient support or challenge is on autopilot with the corresponding lack of checks and missed opportunities to help them develop the business successfully.
- 4. Us and them:** Provides a low level of support and is likely to result in a blame culture emerging and defensive behaviour by the executive team that limits board involvement on important issues.



CULTURE: AN “ENGAGED” BOARD

1. Board members are wholeheartedly united behind a common purpose and shared values.
2. Recognition that setting the tone from the top starts in the boardroom.
3. Formal structure and processes that facilitate effective boardroom dialogue.
4. A strong emphasis on the value of informal connections outside of board meetings.
5. A focus on having a balanced board with high quality recruitment and succession planning.

A **positive, forward-thinking, highly interactive, and generative board** can bring change to an organisation and provide the expertise needed to **help solve the tough problems** that organisations are increasingly facing today and will continue to face in the future.



RECOGNISING THE CHALLENGES

- “Volunteer ethos”
- Attracting and renewing Board skills
- More “work” but fewer people
- Striking the balance between Board duties and “operations”
- Increasing cost to meet compliance requirements
- Board meeting operation (for example, length of time!)



“GOOD” GOVERNANCE PRACTICES

Board Composition

- At least 5 members, none serving more than 2 consecutive 5 year terms.
- Diverse range of skills, experience and quality.
 - link to the needs of the strategic plan

Role of the Board

- Defining and re-evaluating long term strategy.
- Monitoring and management of risks.
- Overall responsibility for the organisation.
- Approving budgets, financial plans, financial statements, etc.
- Ensuring compliance with applicable laws, regulations, policies and ethical standards.

Organising and maintaining agenda's

- Tailor the scope of issues to be discussed at meetings depending on the organisation's particular circumstances.
- Include actions and review points from previous meeting minutes.
- Circulate the agenda to attendees in advance of the meeting.



“GOOD” GOVERNANCE PRACTICES

Minutes

- Include details of all items discussed, as per the meeting agenda
- Include all attendee names
- Clearly document action points, timelines and person responsible

Board Effectiveness

- Collective Responsibility
- Teamwork
- Communication Skills
- Leadership
- **Role of the Chairperson**

Managing conflicts of interest

- No material interest
- Annual confirmation of independence
- Conflicts of Interest Policy
- **Conflicts of Interest Register**



“GOOD” GOVERNANCE PRACTICES

Succession Planning

- Achievable and realistic
- Balanced in terms of skills, knowledge and experience
- Clear, visible and communicated plan

Strategy

- Understand the internal (SWOT Analysis) and external environment (competitors, customers) - Use hindsight if possible
- Identify strategic options (Examine opportunities & threats) - Be realistic!!
- Evaluate and select strategic options (Risk & Impact Analysis)
- **Vision, Mission, Values, Objectives, Strategies and Goals**

Risk Management

- Risk Management Strategy
- **Risk Management Cycle: Identification, Assessment, Mitigation, Monitoring, Reporting**
- Risk Register



QUESTIONS



Mazars is present in 5 continents.

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