

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

A report published today by Kieran Donnelly, the Comptroller and Auditor General, reveals that there was a breakdown in internal controls in the Northern Ireland Housing Executive (NIHE) relating to a number of land dealings in the period between 2004 and 2010.

Mr Donnelly concludes that weaknesses in NIHE's governance and an inadequate internal control environment prevented it from protecting its own interests and demonstrating value for money and probity in some of its land deals with private developers.

Mr Donnelly added that ***this report illustrates the risks that public bodies face if their systems of governance are ineffective; if conflicts of interest are not properly managed; when delegated authority limits are by passed; and the normal checks and balances essential for good decision-making are not in place. Governance regimes require a culture of compliance if they are to be effective and those entrusted with the leadership must give the lead on this.***

Since 2010 both the Department and NIHE have taken action to strengthen controls surrounding land and property. New systems of control and governance have been introduced.

Key Findings

Events in 2010 focused attention on governance in the Northern Ireland Housing Executive

In January 2010, alleged irregularities were raised in respect of NIHE's dealings with a privately owned site at Nelson Street in Belfast. Following an NIHE investigation, the case was formally referred to PSNI. PSNI passed a file to PPS in July 2011. PPS concluded in July 2013 that the test for prosecution had not been met.

In September 2010 the Northern Ireland Commissioner for Complaints issued a report which found maladministration in relation to the disposal of NIHE land at Hardcastle Street in Belfast.

In response to concerns arising from the Nelson Street and Hardcastle Street sites, NIHE launched the Land Disposals Review Project in January 2011. This project reviewed a number of land disposals and in 2012 referred four land disposals to the PSNI for further investigation. One of these cases was referred by PSNI to PPS. PPS concluded that the test for prosecution had not been met.

There was a breakdown in the controls surrounding land dealings and disposals

The review of land sales in NIHE found weaknesses across a number of disposals:

- a conflict of interest that was not properly handled;
- land had not been advertised on the open market;
- the use of an undocumented and unapproved policy known as enabling to justify dealings with developers;
- a failure to obtain valuations for land being disposed of prior to sale or instances whereby outdated valuations were used;
- breaches of delegated approval limits to justify disposal decisions;
- poor planning and contract management; and
- misleading or limited information being presented to the NIHE Board.

Opportunities to tackle governance and control weaknesses relating to land disposals were not fully exploited by NIHE and the Department

The Department for Social Development raised concerns about a NIHE land and property initiative and in 2001 commissioned the Local Government Auditor to undertake a review. The Department also commissioned an internal audit review of its monitoring arrangements in 2007. Despite this, and NIHE's own internal audit report into land disposal matters in 2007, governance weaknesses continued to occur in NIHE. In our opinion these various reviews represented opportunities to tackle governance and control weaknesses relating to land disposals which were not, at the time, fully exploited by NIHE and the Department. A full scale investigation into governance weaknesses was commissioned by the Department in 2010.

There have been improvements in land and property management and governance arrangements in NIHE

All land and property disposals are now supported by an economic appraisal. Independent valuations are obtained from Land and Property Services (LPS) prior to disposal, followed by a recommendation from LPS on acceptability in cases where the selling price is below this valuation. The approval papers presented to NIHE Committees and its Board are more detailed, allowing land disposal decisions to be based on more meaningful information.

The Departmental has enhanced its arrangements for oversight of NIHE and continues to review its level of monitoring and oversight to ensure that its oversight arrangements are pitched at the appropriate level.

Notes for Editors

**THIS STATEMENT IS ISSUED ON THE STRICT UNDERSTANDING THAT IT IS NOT FOR PUBLICATION OR BROADCAST
BEFORE 00.01 hrs on 7 JANUARY 2016**

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He, and the NIAO, are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. The Northern Ireland Housing Executive (NIHE) is an executive non departmental public body of the Department for Social Development (the Department), originally established in 1971 with responsibility for social housing in Northern Ireland. NIHE has significant land and property holdings and is one of Northern Ireland's largest landowners. During the early part of the period covered by this report (2004 to 2010), there was an extremely buoyant property market in Northern Ireland. This led to developers proactively seeking to acquire land owned by NIHE. The property market collapsed in 2007-08.
3. This report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on Thursday 7 January 2016.
4. Background briefing can be obtained from the Audit Office by contacting **Denver Lynn (028 9025 1063)** or **Roger McCance (028 9025 4312)**.