

# Assurance Statement



## Managing Director – Vale Housing Association

### Purpose of this Statement

In December 2008 the Housing Corporation (HC) was succeeded by two new statutory bodies, the Tenant Services Authority (TSA), responsible for the regulation and standards of Registered Social Landlords (RSLs) and the Homes and Communities Agency (HCA), responsible for investment in social housing. Previous HC guidance on regulatory matters will in time be replaced by new TSA guidance but in the interim assurance is still based on HC circulars published in 2007 and 2008. The requirements of the HC are that the boards of RSLs should maintain a sound system of internal control which:

- focuses on the significant risks that threaten the organisation's ability to meet its objectives; and
- provides reasonable assurance of the safeguarding of assets.

To establish the effectiveness of the system of internal control the board should conduct an annual review. This report forms part of that annual review.

The Boards of Sovereign Housing Group Limited (SHG) and its subsidiaries have delegated authority for internal controls to the Group Audit & Risk Committee (GA&RC) and to assist in the review GA&RC have requested that the Group Chief Executive and Group Management Team (GMT) members individually present it with a report on the effectiveness of the system. This is the report of the Managing Director of Vale Housing Association Ltd. (VHA).

### Executive Opinion

There are, in the opinion of the Managing Director, sufficient, effective and efficient controls in place to manage all aspects of service delivery within Vale Housing Association. The controls are designed to support the achievement of the Association's business objectives. Furthermore, all members of staff have been made aware of the importance of controls and the monitoring processes in place.

### Control and Organisation Hierarchy

The Managing Director is responsible for two main functions:

Housing Operations  
Property Maintenance and Stock Investment

Support Services, i.e. Finance, IT and Human Resources, are managed on a Group basis although day to day priorities and management are set and undertaken by the Managing Director.

The Association is managed by the Vale Senior Management Team (SMT) comprising the Managing Director, Director of Housing Services, Director of Property Services (to April 09), Head of Property Services (From April 2009), Personnel Manager and Head of Finance. SMT meets weekly to review operational activities and to consider policy and strategic issues for recommendation to the Group Management Team (GMT) and Board. The Managing Director is a member of GMT and the Group Operations Forum (GOF) who co-ordinate operational activities across the Group. The Standing Orders and Financial Regulations are followed and recommendations are made to GMT on operational issues in accordance with these.

The other formal management groups in the Association include:

- Service Delivery Group – quarterly meeting of Senior Managers with the Management Team to communicate and implement Board decisions and receive and manage feedback from teams.
- Staff Liaison Committee – quarterly meeting of Staff Representatives with the Management Team for consultation on issues relating to staff.
- Health & Safety Advisory Group – quarterly meeting of Senior Managers across the organisation on health and safety matters
- Green Team – quarterly meeting of Senior Managers across the organisation on environmental issues

A range of other working groups and team meetings form part of the overall communication system within the Association.

## **Policies and Procedures**

Vale Housing Association has approved Policies and Procedures for all service areas. During 2008/09 the following Policies and Procedures were reviewed and developed and harmonised across the group where appropriate.

Complaints policy	Rent setting policy
Environmental policy	Market and sub-market rent policy
Continuous improvement strategy	Maternity rights policy
Staircasing and re-sales policy	Discipline and grievance policy
Rent arrears recovery procedures	Starter tenancy policy



During the year the Association also updated its Corporate Strategy and has contributed towards the development of the Group Strategy. Views of residents, staff, partners (eg local authority) and colleagues within the Group are incorporated within the plan. A clear set of targets have been identified and the financial implications allowed for in the associated Business Plan.

Residents have the opportunity to influence the Association's Policies and Procedures through participation in tenant forums and a range of working parties. Resident's views are actively sought through focus groups and surveys. The latest survey results have been reported to Board and published.

Policies and Procedures are accessible on the intranet, relevant staff handbooks and procedure manuals. Staff have been fully trained in the Policies and Procedures and development needs are identified on an ongoing basis and as a part of the appraisal process.

### **Reporting and Monitoring**

The Board receives assurance about the effectiveness of internal controls from a number of external and internal sources:-

- Internal audit is provided in accordance with recognised professional standards by a leading firm of accountants. Activities are considered according to a needs assessment plan agreed across the group and with internal auditors. An annual review of the plan takes place and priorities are assessed in line with the risk management process and members requests. Audit findings are reported to the Group Audit and Risk Committee and the Board and include a follow up on recommendations.
- Regular reports from Senior Managers on operational matters are submitted to the Board including quarterly performance monitoring reports comparing performance to the targets set. This includes financial and non-financial information.
- External auditors attend the Group Audit and Risk Committee to provide feedback about the external audit process and their opinion regarding the annual financial statements. They also issue a management letter highlighting any areas for consideration.
- Accreditation by external assessors of the Environmental Management System under ISO 14001. Re-accreditation was gained in May 2008 and led to a further 3 year award.
- Quality accreditation through the CharterMark award which was the subject of an accreditation visit in November 2007 and follow up in 2008. The award was confirmed for a further 3 years.

- Vale is a member of Quality Housing Service, an organisation which undertakes mystery shopping, telephone surveys and onsite inspections of service standards for over 50 RSL's. Services are reviewed every 6 months and compared with other RSLs.
- The Association holds Investors in People status achieving re-accreditation in 2008.
- Use of benchmarking information as comparative information about peer groups, in particular HouseMark information, reported to Board comparing the Associations performance against 60 RSLs.
- Satisfaction surveys annually test the quality of services and help prioritise activity. The last satisfaction survey was held in 2008.
- Annual credit approval from the funding syndicate.
- Reports from Group Directors to the Group Treasury Committee and funding advice from specialists regarding the Associations treasury activities.

A hierarchy of monitoring and reporting exists below Board level. Performance is monitored on a monthly basis; some activities are monitored more frequently. A range of reporting provides information to the Senior Management Team and other Managers to help manage performance.

## **Risk Management**

### **a) Business Risks and the Risk Map**

Risks, that might hinder the achievement of the Group's objectives and Business Plan, are identified and included in a 'Risk Map' for the Parent and subsidiaries. Risks are assessed annually and evaluated against the Business Plan, prior to being considered and approved by the Subsidiary and Parent Boards. A Risk Map is prepared detailing risks and mitigation. Within the Risk Map specific risks are categorised as reputational, (strategic), or financial and operational. Only financial and operational risks are formally quantified in terms of their impact on the Business Plan. The Assistant Director of Audit and Risk, who is responsible to the Group Finance Director for the operation of internal control and risk management, ensures that mitigation actions are embedded into the operational plans of the Group where appropriate. The Group Finance Director provides update reports quarterly to the GA&RC to whom responsibility for risk has been delegated by Group Boards.

All functions under the Managing Director have their risks assessed annually in conjunction with the Assistant Director of Audit and Risk and action against the keys risk areas is progressed throughout the year. Internal audit reports, which are presented to each GA&RC, review and report on the effectiveness of controls in place to mitigate these risks.



b) Internal Controls

Internal controls are designed to provide the assurance on the safeguarding of assets and to mitigate the effects of business risks. The implications of exposure to risk following proposed changes in working practices or in undertaking new ventures are also fully considered and advice is taken where appropriate.

The maintenance of robust internal controls throughout the Group is a key responsibility of the Group Finance Director including those to mitigate risks for which he is specifically responsible. The spectrum of internal controls and the efficiency and efficacy of individual controls is continually evaluated and enhanced through Internal Audit.

There have been no instances of fraud during the year though management has recognised that the current economic conditions are likely to increase the potential for fraud.

c) Internal Audit

The GMB exercises responsibility for internal audit through the GA&RC. Internal audit is outsourced to Mazars LLP. The audit programme is risk based and the frequency of audit is determined by the severity of the risk and the quality of controls. Mazars review both the quality and operation of internal controls and the identification, quantification and mitigation of business risk. The Group is able to compare its performance against other Mazars' clients in the sector. The Assistant Director of Audit and Risk coordinates activities between Mazars and the Group.

During the year 3 internal audits have been undertaken in areas for which the Managing Director is responsible as follows:

Gas Servicing

Stock Investment

Aids and Adaptations

The Stock Investment report provided Substantial assurance and the others Adequate assurance as to the adequacy of internal controls in each area.

Audits on services delivered through Inter-Group Agreements are covered in the reports of individual SHG Directors.

Having regard to the foregoing the Managing Director feels confident in providing the opinion in Section 2 of this Statement that sufficient, effective and efficient controls are in place to manage VHA.

**Steve Russell**  
**Managing Director**



**May 2009**