

Section 47 Inspectors' report

**Peter McVerry Trust Company Limited by
Guarantee**

(AHB Register Number 03066)

Final Report

October 2024

Inspectors' Report

Peter McVerry Trust ("the AHB")

We have, in accordance with the provisions of Section 46 of the Housing (Regulation of Approved Housing Bodies) Act 2019 ("the Act") carried out an investigation into the affairs of the Peter McVerry Trust ("the AHB").

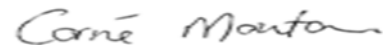
We hereby submit our report to the Approved Housing Bodies Regulatory Authority (AHBRA) in accordance with Section 47 of the Act.

Signed:



Ken Jackson
Inspector
AHBRA

Dated: 22 October 2024



Cornè Mouton
Inspector
Forvis Mazars

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1 Introduction

1.1 Background to the report

- 1.1.1 In September 2023 the Chief Executive Officer of the Approved Housing Bodies Regulatory Authority (“AHBRA”) appointed inspectors as provided for in Section 45 and 46 of the Housing (Regulation of Approved Housing Bodies) Act 2019 (“the Act”) to investigate the affairs of the Peter McVerry Trust (“the AHB”) and to prepare and submit an investigation report to AHBRA thereon. This action was taken after AHBRA became aware of a number of financial and governance issues with the Peter McVerry Trust following receipt of a Notifiable Event from the AHB in July 2023.
- 1.1.2 Peter McVerry Trust, originally known as the Arrupe Society Limited, was established in 1983 by Fr Peter McVerry. In December 1983, the Arrupe Society Limited became a registered charity, providing housing and support for young people experiencing homelessness. In 2007 the charity changed its name to Peter McVerry Trust Limited. Peter McVerry Trust Limited subsequently changed its name to Peter McVerry Trust Company Limited by Guarantee in 2016. The AHB is now a national housing and homeless charity committed to reducing homelessness and the harm caused by substance misuse and social disadvantage. The AHB provides low-threshold entry services, primarily to younger people and vulnerable adults with complex needs, and offers pathways out of homelessness based on the principles of the Housing First model.
- 1.1.3 Peter McVerry Trust’s national headquarters are located in Dublin. The AHB has a mid-west regional office in Limerick city, a north-east regional office in Drogheda, Co Louth, a mid-east regional office in Johnstown, Naas, Co Kildare and a southern regional office in Cork city. In December 2022, Peter McVerry Trust opened a new western regional office in Tuam, Co. Galway. In 2022, the AHB reported supporting over 19,000 people and was active in 28 local authorities across Ireland. For the financial year ended 31 December 2022, the Restated Statutory Financial Statements recorded assets of €187,162,287 and revenue of €61,744,741.
- 1.1.4 As per the Constitution of Peter McVerry Trust, the main object for which the Company is established is:-
- “to reduce homelessness, to reduce the harm caused by substance misuse and social disadvantage through the provision of low threshold entry services, primarily to young people and vulnerable adults with complex needs”.*
- 1.1.5 Peter McVerry Trust is a company limited by guarantee with no share capital. It is a deemed Approved Housing Body on the Approved Housing Bodies Register (AHB Register Number 03066). It is also a registered charity with the Charities Regulatory Authority on the Register of Charities (CRA Number 20015282) and holds a charitable tax exemption from the Revenue Commissioners (CHY Number 7256).

- 1.1.6 The AHB submitted a Notifiable Event to AHBRA on 14 July 2023, alerting it to issues regarding cashflow and creditor liabilities. AHBRA subsequently sought additional information from the AHB, following which two separate meetings were held with senior representatives of the AHB. The first meeting, with senior management of the AHB, took place on 1 August 2023. The second, with the Chair of the Board and the Chair of the Finance, Audit and Governance Committee, took place on 8 August 2023. AHBRA sought additional information from the AHB on foot of these meetings. As indicated above, the information received raised a number of financial and governance concerns within the AHB.
- 1.1.7 On 25 September 2023 AHBRA, pursuant to the provisions of sections 45 and 46 of the Act, appointed Cornè Mouton and Ken Jackson as joint inspectors to investigate the affairs of the AHB and to report to AHBRA under section 47 of the Act.
- 1.1.8 On 26 September 2023, the AHB was advised of the appointment of the Inspectors and the initial focus of the investigation.
- 1.1.9 On 6 October 2023 a formal request was issued to the AHB under section 48 of the Act to provide specified detailed information.

1.2 Basis of the report

- 1.2.1 This report is based on investigation work undertaken in the period commencing 1 October 2023 to 30 May 2024 and on information gathered by AHBRA in relation to the AHB prior to that date. This report includes investigation findings in respect of issues and matters arising during the period 1 January 2022 to 31 August 2023.

The factual findings have been made in the context of this period only and have not been adjusted to take account of any matters arising in subsequent periods.

- 1.2.2 The investigation giving rise to this report included:
- (a) Establishing relevant facts in respect of all matters relating to the appropriate use of AHB assets, with particular focus on the process and procedures employed by the AHB for the recording and reporting of land and freehold premises in the fixed asset register, and the subsequent accuracy of recording of such assets in the Balance sheet and financial statements;
 - (b) Establishing relevant facts in respect of all matters relating to the appropriate management of capital and creditor liabilities relating to land and premises with particular focus on the process and procedures used by the AHB for the recording and reporting of such expenditures, including the application of the organisation's capitalisation policy, and the accurate recording of liabilities in the Balance Sheet and financial statements;

Assessing and determining whether, in the view of the Inspectors:

- (c) There were appropriate management, procurement, governance and oversight arrangements in place for capital acquisition and expenditure by the AHB and that the Board evaluated the impact of such expenditure on its cashflows;
- (d) There were appropriate and robust financial controls in place including delegation of authority, segregation of duties relating to the commissioning and approval of expenditure items and approval of invoices for settlement and any involvement of the Board, management and/or staff;
- (e) The reporting to the Board and/or sub-committees of capital expenditure was accurate and complete;
- (f) There was appropriate use of the sinking fund;
- (g) There were appropriate financial policy and procedures, financial management and reporting in place, including cashflows and financial viability.

1.3 Standards for AHBs

1.3.1 On 15th February 2022, the Minister for Housing, Local Government and Heritage of Ireland approved the Standards for AHBs. There are four Standards relating to governance, financial management and financial reporting, property and asset management, and tenancy management.

1.3.2 Section 37(8) of the Act requires all AHBs to comply with the Standards.

Governance Standard

1.3.3 The Governance Standard establishes a set of outcomes that AHBs are required to achieve in relation to the governance and management of their organisations.

1.3.4 It includes requirements in relation to control and oversight, risk management, conflicts of interest, code of conduct, accountability, roles and responsibilities, procedures for decision-making, and honesty and integrity.

Financial Standard

1.3.5 The Financial Standard establishes a set of outcomes that AHBs are required to achieve in relation to financial management and financial reporting.

1.3.6 It includes requirements for financial and risk control, financial viability, financial management, financial reporting, financial governance, strategic planning, and the monitoring of financial performance.

Property and Asset Management Standard

1.3.7 The Property and Asset Management Standard establishes a set of outcomes that AHBs are required to achieve in their management and delivery of housing, ensuring the provision of safe, suitable, and sustainable housing for tenants and service-users.

- 1.3.8 It includes requirements in relation to the management of dwellings, statutory, legal and compliance obligations, asset management programmes and the effective and efficient management of AHBs' housing stock.

Tenancy Management by AHBs

- 1.3.9 The Tenancy Management Standard establishes a set of outcomes that AHBs are required to achieve in their management of tenancies, and in their communication with tenants. Its aim is to ensure that AHBs have effective policies and procedures for the delivery of tenant services.
- 1.3.10 The Standard includes requirements in relation to the statutory, legal and compliance obligations associated with tenancy management, allocations, nominations, communication with tenants, and tenant satisfaction.

1.4 Investigation process

- 1.4.1 The investigation process, which this report reflects, was commenced in October 2023. This followed on from a letter the Inspectors issued to the Board of the AHB on 28 September 2023 requesting the nomination of an official, 'nominated liaison(s)', to act as a point of contact for the Inspectors. The Inspectors then issued a description of the purpose of the investigation and an information request list to produce documentation pursuant to section 48 of the Act on 6 October 2023.

- 1.4.2 The investigation process included (but was not limited to) the following:

- Requesting detailed information and documentation from the AHB relating to the matters outlined in section 1.2 for the period under review.
- Obtaining and examining detailed documents and information necessary for the purpose of the investigation, which included (but was not limited to) contracts, correspondence, memoranda, minutes, internal and external reports, e-mails, records, external data (CRO, google etc.) and notes.
- Performing searches of securely obtained electronic data and information, principally finance system records, which were made available to the Inspectors.
- Detailed review of transaction flows, authorisations and approvals.
- Interviews with a total of twenty-five (25) individuals who were identified as either present or past AHB employees, members of the Board of Directors or auditors during the period under review, all of whom agreed to co-operate and attend for interview. Such individuals were identified by the Inspectors as being of potential assistance to the investigation. Past Directors who the Inspectors considered may be able to assist with the investigation were asked to attend for interview. Those who attended for individual interview are listed in the table below, including roles and the titles used within the body of the report:

No.	Role	Title used in the body of this report
1.	Board member 28 September 2020 to date Board Chair 29 September 2022 to date Finance, Audit & Governance member September 2020 to date	Chair
2.	Board member 25 May 2017 to date	Board Member 1
3.	Board member 1 January 2020 to date Finance, Audit & Governance member 2019 to date Chair Housing Development Committee 2021 to date	Board Member 2
4.	Board member & Company Secretary 23 December 1983 to date	Board Member 3
5.	Board member 26 May 2022 to date Housing Development Committee member 2020 to date	Board Member 4
6.	Board member 1 January 2023 to date	Board Member 5
7.	Board member 23 June 2016 to date	Board Member 6
8.	Board member 18 July 2005 to 29 November 2012 Board member 23 June 2016 to date	Board Member 7
9.	Board member 8 May 2019 to date	Board Member 8
10.	Board member 26 May 2022 to 14 November 2022 Finance, Audit & Governance member January 2020 - October 2022 Finance, Audit & Governance Chair 23 September 2022 meeting only	Former Board Member 1

11.	Board member 25 May 2017 to 11 May 2023	Former Board Member 2
12.	Board member 29 November 2012 to 26 May 2022 Finance, Audit & Governance Chair 2012 to 26 May 2022 and 16 December 2022 to date Finance, Audit & Governance Acting Chair 18 November 2022	Former Board Member 3
13.	Board member 30 November 2012 to 26 May 2022 Board Chair 2016 to 26 May 2022 Finance, Audit & Governance member 2012 to date Housing Development Committee member 2020 to 6 May 2022	Former Board Member 4
14.	CEO 2005 to 31 May 2023	Former CEO 1
15.	Fundraising & Communications Officer September 2012 to January 2014 Communications Officer January 2014 to February 2015 Communications & Advocacy Manager February 2015 to May 2016 Head of Communications May 2016 to December 2019 Deputy Director of Housing Development and Communications December 2019 to December 2020 Director of Services with Responsibility for Housing Development and Communications December 2020 to June 2023 CEO 1 June 2023 to 13 October 2023	Former CEO 2
16.	Consultant to CEO Office 14 October 2023 to 9 April 2024	Consultant CEO

17.	Head of Services 2008 National Director of Services 2015 Deputy CEO 2019 to 29 May 2023	Former Deputy CEO
18.	Frontline Project Worker 2006 Director of Services February 2021 to 31 May 2023 Acting Deputy CEO 1 June 2023 to 16 October 2023 Deputy CEO 17 October 2023 to 14 June 2024	Former Deputy CEO 2
19.	Head of Finance November 2019 to 31 July 2022	Former Head of Finance 1
20.	Head of Finance 23 May 2022 to 31 January 2023	Former Head of Finance 2
21.	Acting Head of Finance 1 February 2023 to 9 April 2023 Head of Finance 10 April 2023 to November 2023	Head of Finance
22.	Director of Finance 18 April 2023 to 31 January 2024	Director of Finance
23.	Director of Assets & Facilities 28 August 2023 to date	Director of Assets
24.	External Auditor 2006 to May 2022	Former External Auditor
25.	External Auditor June 2022 to 8 February 2024	External Auditor

- Interviews were recorded by way of a Dictaphone at each interview meeting. The recordings were then sent by secure means to confidential typists who transcribed the interview and transmitted same to the Inspectors by secure means. A copy of each interview transcript was circulated to those attending for interview and an opportunity was provided to those individuals for further comment based upon the transcript of the meeting. Following each interview, interviewees were requested to provide documentation mentioned during the course of their interview if relevant.
- At all times, the investigation was performed with regard to relevant legal principles and the requirements of fair procedures, including due process and natural justice.

- All parties to the investigation, who were either interviewed or provided information as part of the investigation fully co-operated with the Inspectors throughout the performance of the investigation.
- At all times, the Inspectors retained sole control of the procedures and process of the investigation and were the final decision-makers on all matters of procedure relating to the investigation.
- Preliminary reporting in line with fair procedures included circulation of draft findings to all persons in respect of whom there was a possibility of any adverse findings for the opportunity to make comment and for the purpose of factual accuracy verification.
- The Inspectors considered and weighed all information and submissions provided in an independent and objective manner.

1.5 This report

- 1.5.1 This report is confidential and has been prepared solely for AHBRA pursuant to section 47 of the Act. We acknowledge that AHBRA has a discretion under section 47(3)(c) of the Act to publish this report in such manner as it considers appropriate and to, on request, furnish a copy of the report, if it considers it appropriate, to those listed in section 47(3) of the Act. The Inspectors reserve the right to amend the layout, observations and conclusions set out in this report, prior to any submission in any potential legal proceedings.
- 1.5.2 This report is based on work carried out and information provided to us to date. As new information may be made available in the future, we reserve the right to review and update our review observations and conclusions as necessary prior to the issuing of the final report.

2 Summary of Factual Findings

In summary, the Inspectors found for the period under review from 1st January 2022 to 31 August 2023, that:

- An adequate fixed asset register was not maintained by the AHB, and the Inspectors found no one within the AHB acknowledged responsibility for maintaining the fixed asset register.
- The recording of land and freehold premises in the fixed asset register was not accurate and could not be relied upon to provide a fully comprehensive record of the fixed assets to be recorded in the Balance sheet and financial statements of the AHB.
- There was limited management of capital and creditor liabilities relating to land and premises and no evidence of a liabilities register.
- The organisation did not have a documented capitalisation policy the absence of which, it appears, contributed to inappropriate entries noted on the fixed asset register.
- The Board did not have appropriate oversight of the procurement and governance of capital acquisition and expenditure by the AHB and did not evaluate the impact of such expenditure on its cashflows.
- The documented financial controls for expenditure in excess of €50,000 were not implemented.
- A list of “Established Partners” (preferred suppliers) utilised by the AHB was not tendered for, but should have been, in the context of significant expenditures being incurred with each.
- The Board was not provided with adequate detail in respect of expenditure incurred by the AHB.
- There were potential conflicts of interest in respect of some suppliers and advisers utilised by the AHB which were not declared by those potentially conflicted to the Board at Board or sub-committee level.
- The reporting to the Board and/or sub-committees of capital expenditure was neither accurate nor complete.
- The use of the sinking fund was not appropriate and restrictions imposed on its use by the Board were not adhered to.
- The appropriate financial policies and procedures and financial management and reporting were not in place, which resulted in many of the above noted inadequate controls and procedures within the AHB.

3 Detail of Factual Findings

3.1 Processes & Procedures Regarding the Recording of AHB assets

3.1.1 The Inspectors examined the following matters relating to the appropriate recording of AHB assets:

- the process and procedures employed by the AHB for the recording and reporting of land and freehold premises in the fixed asset register.
- whether such assets were recorded accurately in the Balance sheet and financial statements.

Process & Procedures

3.1.2 The Inspectors were provided with the Peter McVerry Trust's Financial Policy Manual approved by the Finance, Audit & Governance Committee on 3 December 2021. Section 2.5 of this document lists as one of the responsibilities of the Head of Finance:

"2.5.9 Ensuring maintenance of Supplier and Asset Registers".

3.1.3 Section 14 of this document states the following in relation to property/buildings:

"14.1.1 Full record of all title to buildings and purchase documentation must be filed at the company's registered office.

14.1.2 A property register is maintained by the Deputy CEO and is updated with all changes.

14.1.3 The CEO and External Auditor must carry out a review of the property values every two years with the assistance of a professional valuer. This review must also be done annually on an informal basis prior to the preparation of the annual accounts for review by the Audit & Finance Committee."

3.1.4 Section 15 of the Peter McVerry Trust's Financial Policy Manual states the following in relation to Leases/Property:

"15.1.1 The CEO will be responsible for all short-term property leases (less than or equal to four years and nine months).

15.1.2 The CEO along with the Company Secretary will be responsible and sign off on all long-term leases (greater than four years and nine months), clearly delineating terms and conditions.

15.1.3 The CEO will keep a copy of each lease on file.

15.1.4 A leased property register is maintained by the CEO Office and must be kept updated with all changes.

15.1.5 The External Auditor will be notified of each lease and lease specifications, and will make proper general journal entries for same."

- 3.1.5 At interview, when asked who was responsible for the recording and reporting of land and freehold premises in the fixed asset register, Former Deputy CEO stated that they were never involved in the fixed asset register and that they presumed it was done by the person holding the position of CEO at the time, with the finance team and the External Auditor at the time. Former CEO 2 stated that when they were asked for the fixed asset register by AHBRA they could not find one internally and had to request it from the Former External Auditor. The Head of Finance stated that they did not have sight of the fixed asset register but believed the Former External Auditor managed or was involved in its maintenance. Former Head of Finance 2 stated that they were not involved in the fixed asset register and that the Former External Auditor maintained it. Former CEO 1 when asked about the fixed asset register stated: *“The property asset register... just recorded the price we paid for the property and purchase... I would have had a role in that in previous years because it was a simple Excel document... I don’t remember having any major sight of the asset register before I left”*. Former Head of Finance 1 stated that the Housing Department in the AHB was responsible for inputting the purchase of a property and the property price into the fixed asset register, and additional associated costs which would end up in fixed assets, such as associated legal fees, would come from Finance.
- 3.1.6 At interview, the Former External Auditor stated that they believed the recording of items on the fixed asset register was a multi-departmental process involving the Housing and Finance Departments in the AHB. The Inspectors note that the Former External Auditor states that they did not maintain the Fixed Asset Register. The External Auditor said when they were engaged in 2022 they asked for the fixed asset register and were presented with an excel spreadsheet with approximately 3,800 lines. They asked for a more detailed version but were advised that the Excel spreadsheet was the only document available.
- 3.1.7 At interview, the consensus of Board members was that the Executive would have been responsible for the maintenance of the fixed asset register and that they presumed if there was an issue that the External Auditors in position at the time would have alerted them to same. The Board members stated that the fixed asset register was not brought to Board meetings and that they did not ask for same. The Inspectors found no evidence in the minutes of the Finance, Audit and Governance Committee that the fixed asset register was discussed or reviewed or brought to their attention by management. The only mention of fixed assets was at the Finance, Audit and Governance Committee meeting on 10 March 2023 when the External Auditor presented the Draft Audit for 2022 to the committee and stated that fixed assets stood at €180,260,481. The Inspectors note from those minutes that the Chair advised that *“The Trust do not intend to sell any of the properties unless a CPO is enforced and for this reason we do not revalue on a yearly basis”*.
- 3.1.8 The Inspectors note that the Audited Financial Statements for the financial year ended 31 December 2021, audited by Former External Auditor and the Audited Financial Statements for the financial year ended 31 December 2022, audited by External Auditor both have unqualified audit opinions.

- 3.1.9 Based on documents provided by the AHB and interviews with current and former staff, External Auditors and Board members, the Inspectors found that whilst the Financial Policy Manual stated that a property register is maintained by the Deputy CEO, a leased property register is maintained by the CEO office and the Head of Finance is responsible for ensuring maintenance of Supplier and Asset Registers, at interview the Inspectors found no one within the AHB acknowledged responsibility for maintaining the fixed asset register.

Accurate Recording

- 3.1.10 The Inspectors requested the Fixed Asset Register (“FAR”) as at 31 December 2022 and 31 August 2023. In November 2023, the AHB provided the fixed asset register as at 31 December 2022, however they noted that they were carrying out a substantial review of the fixed assets register at that time and that the document submitted represented the FAR that was in place as at 1 June 2023. In December 2023 the AHB subsequently provided a draft FAR up to 31 August 2023. In January 2024 an updated FAR as at 31 December 2022 and 31 August 2023 was provided to reflect changes made to the statutory Financial Statements, which were restated for the financial year ended 31 December 2022, reducing the Freehold property in the fixed assets on the Balance Sheet as per the statutory Financial Statements, by €3,230,176.
- 3.1.11 The note in the restated Statutory Financial Statements at 31 December 2022 related to the reduction in the value of Freehold property is as follows: *“Freehold property has been restated downwards in 2022 and prior years by a total of €3,230,176 from the original figure of €165,560,063. €1,145,387 of the adjustment relates to a reduction in freehold property costs and CAS funding (included under provisions for liabilities) and has nil effect on Net Assets or Reserves. Of the €1,145,387, €415,387 relates to comparative year and €730,000 relates to the year ended 31st December 2022. The remaining €2,084,789 relates to professional fees from 2022 and before which were originally capitalised to fixed assets.(€559,403 in 2022)”*.
- 3.1.12 The Capital Assistance Scheme (CAS) provides capital funding of up to 100% of project costs to be advanced by local authorities to AHBs to provide housing for specific categories of housing need, including for age friendly housing, for individuals or families who are homeless and for persons with a disability. This capital assistance is in the form of a loan provided via the local authority to the AHB with a registered mortgage charge on the property, and repayments are waived on the basis that the AHB complies with the terms of the scheme.
- 3.1.13 In December 2023, the Inspectors were provided with a memo from the Chair on behalf of the Board, in which they stated that the External Auditor had advised the AHB in Spring of 2023 that the AHB did not have a detailed asset register. They stated that a review was conducted by an external consultant firm for the Dublin Region Homeless Executive (DRHE) and Department of Housing, Local Government and Heritage which *“found serious deficiencies including double counting of some properties, omission of other properties and capitalising of certain costs such as professional fees which did not add to the capital value of the property.”*

The Chair stated that certain amendments were made to the previous values included in the financial statements for the year ended 31 December 2022 to reflect the issues identified. However due to pressures to finalise and file accounts for 2022, “*these were the only adjustments which could be made at that time.*” The Inspectors note the Restated Statutory Financial Statements were filed with the CRO on 30 September 2023.

- 3.1.14 In their memo the Chair advised that the external consultant firm had then been commissioned by the AHB to undertake detailed investigations of the records with a view to assisting the AHB in an exercise to reconstitute a fixed asset register with verified property valuations, in an appropriate accounting software system.
- 3.1.15 The Inspectors found on review of the revised fixed asset register as at 31 December 2022 and 31 August 2023 that they were unable to identify which previously listed assets had been removed. Although the excel workbook contained a column for asset identification number there were no entries in this column. Many of the new entries were listed as “*Adjustments – Capital Renovations*” but were not linked to any particular asset. Of the 83 credit entries in the land and freehold premises excel sheet of the FAR, 27 entries totalling €2,068,060 were listed as “*Updated FFE Posting – Capital Renovations*”, without any link to a particular previous entry. The Inspectors noted multiple entries in the land and freehold premises excel sheet which did not appear to be appropriate, such as, professional fees and payments for maintenance work. The Inspectors noted many potential duplicate entries, however due to the lack of asset identification numbers and incomplete or vague property descriptions it was difficult to confirm these.
- 3.1.16 The Inspectors were provided with a Fixed Asset Register Update draft report from the external consultant firm to the AHB dated November 2023 in which they note the following:
- The FAR appears not to have been held on any accountancy system but held on an excel file which has been compiled over a number of years from multiple different sources.
 - They have not been able to confirm who held ultimate responsibility for the FAR and its composition.
 - They identified, at that point, 37 properties as potential duplicate entries on the FAR.
 - This overstated both fixed assets and liabilities and that this would reduce the net assets of the AHB by an amount of €12.6m-€14.4m, however further work was needed to determine the final impact on the balance sheet.
 - 33 properties were identified as potentially omitted from the FAR.
 - CAS provisions appear to have been calculated by a different methodology across multiple years; therefore they have low confidence in the accuracy of the provision amount in the balance sheet.
 - They also identified issues with the verification of credit balances.

- They identified 3,801 entries on the FAR - 2,077 (55%) of which related to individual values of less than €5k, with a combined total of €3.5m.
- They noted capital work entries recorded on the FAR which they were unable to allocate to a specific property.
- They also noted a valuation of the property portfolio is necessary from a property valuer and that it may be necessary to rebuild the FAR from scratch.
- They identified significant inconsistencies and anomalies in each data source as well as poor record keeping and narratives of transactions. They considered each data source at the time of the report represents an incomplete dataset and due to differences in naming conventions and lack of a unique property identifier it is not possible to reconcile all data sources. Due to the poor quality of information and the noted inconsistencies in the data sources further investigation work is needed to understand the full impact of the issues identified in this update.

3.1.17 Based on the material reviewed the Inspectors found the recording of land and freehold premises in the fixed asset register was not accurate and could not be relied upon to provide a fully comprehensive record of the fixed assets to be recorded in the Balance sheet and financial statements of the AHB.

3.2 Appropriate management of capital & creditor liabilities relating to land & premises

3.2.1 The Inspectors examined the following matters relating to the appropriate management of capital and creditor liabilities relating to land and freehold premises:

- the process and procedures used by the AHB for the recording and reporting of expenditure on capital and creditor liabilities relating to land and freehold premises.
- the application of the organisation's capitalisation policy.
- whether liabilities were recorded accurately in the Balance Sheet and financial statements.

Process & Procedures

3.2.2 As noted above in Section 3.1, Section 14 and 15 of the Peter McVerry Trust's Financial Policy Manual approved by the Finance, Audit & Governance Committee on 3 December 2021 provided documented guidance on the treatment of property and buildings of the AHB. The Inspectors found no guidance in this document on capital and creditor liabilities relating to land and premises. Section 17 of the document notes the treatment of grants and contracts as follows:

"17.1 The CEO will carefully review each award and contract to ensure compliance with all financial and programmatic provisions. The CEO will maintain originals of all grants and contracts in a file."

17.2 The CEO will ensure that the board is kept informed of all significant grants and contracts awarded to the Trust.

17.3 The CEO has responsibility for drawing down all finances from funding agents.

17.4 The PMVT Head of Finance will prepare financial reports to funding agencies as required.

17.5 The CEO will review and approve all reports to funding agencies.

17.6 It will be the responsibility of the CEO to ensure that all financial reports are submitted to the relevant funding agencies.”

- 3.2.3 In April 2024 the Inspectors were provided by the AHB with the following information on the accounting treatment for CAS funding provisions on the balance sheet for the period under review. *“The provision of housing for people with specific categories of need or sheltered housing is funded for the most part under the Capital Assistance Scheme (CAS). Under this scheme funding of up to 100% of the approved cost of a project can be obtained under the terms of the scheme in cases where all prospective tenancies are taken from the local authority housing waiting list. Funding for projects is provided by way of a grant from the Department of the Environment, Community & Local Government to the local authority who provide the funding to the relevant approved housing body in the form of a 20 or 30 year mortgage. The loan charges are waived provided the terms of the scheme are complied with.”*
- 3.2.4 At interview the consensus of Board members was that they were provided with limited information on property acquisitions, *“limited to an address and an amount”* and that the approval stage of property acquisition was a very minor part as it would be presented to the board as a *“done deal”* on properties already chosen by the CEO, Housing Development Committee and the Finance, Audit & Governance Committee. Several Board members stated that the Board would not consider each property individually but rather that a list of all the properties would be put in front of the Board to be approved. There was no discussion of liabilities or cashflow impact as it was the Board’s understanding that all property acquisitions utilising CAS funding, which to their knowledge was the vast majority of acquisitions, were 100% funded by CAS, so no liability existed for the AHB.
- 3.2.5 The Inspectors note from the minutes of Board meetings during the period under review that property acquisition was mentioned at all meetings in 2022 and at two in 2023. The November 2022 Board meeting was the first at which the Proposed CAS Property Acquisition List for Approval was presented, however it is not minuted that it was approved by the Board. The Property Acquisition List was next presented at the March and May 2023 Board meetings and the Board recorded its approval for the acquisitions in those minutes. These are the only minuted approvals of property acquisition by the Board.
- 3.2.6 At interview, Former Deputy CEO 2, Director of Finance and Former Head of Finance 1, in response to queries on capital and creditor liabilities relating to land and premises stated that

the AHB has three mortgages on three properties and considered that to be the extent of the AHB's property related liabilities. The Head of Finance stated they did not know what the policy was for recording property liabilities. The Former Head of Finance 2 stated that they never saw a policy on anything related to capital, and that the Former External Auditor made all journal entries. Former CEO 1 stated that *"the vast majority of our assets were CAS and they had a 30 year mortgage on them and those mortgages were listed and we would have had a complete list of those mortgages in the accounts"*. They also stated *"in the life of the Trust, we only had three loans"*.

- 3.2.7 At interview neither the External Auditor nor Former External Auditor confirmed that they had seen a liabilities register for the AHB and both noted that the Balance Sheet balanced for assets and liabilities.
- 3.2.8 On initial request to the nominated liaison of the AHB for their liabilities register, the Inspectors were required to provide the nominated liaison of the AHB with an explanation of what a liabilities register was. The nominated liaison of the AHB confirmed that they did not have such a document. On this basis, the Inspectors found that there was limited management of capital and creditor liabilities relating to land and premises.

Capitalisation Policy

- 3.2.9 The Inspectors found no evidence of a documented capitalisation policy.
- 3.2.10 At interview the External Auditor stated that the policy appeared to be capitalising all of the acquisition costs as evidenced by the fixed asset register. The Former External Auditor stated that anything that Relevant Contracts Tax (RCT) applied to would get capitalised.
- 3.2.11 At interview, all staff agreed there was no documented capitalisation policy. The Former Head of Finance 2 understood that initial costs until the property went into use were capitalised. Former Head of Finance 1 stated that staff would have known what to capitalise.
- 3.2.12 As stated at 3.1.12, the Inspectors noted multiple entries in the land and freehold premises excel sheet which did not appear to be consistent with capitalised asset values, such as professional fees and payments for maintenance work.
- 3.2.13 The review conducted by an external consultant firm for the Dublin Region Homeless Executive (DRHE) and Department of Housing, Local Government and Heritage found certain costs, such as professional fees, were capitalised, which did not add to the capital value of the property.

3.2.14 On this basis, the Inspectors found that the organisation did not have a documented capitalisation policy which it appears contributed to the inappropriate entries noted on the fixed asset register.

Accurate Recording

3.2.15 As noted above in Section 3.1, the Inspectors found the recording of land and freehold premises in the fixed asset register was not accurate and could not be relied upon to provide a fully comprehensive record of the fixed assets to be recorded in the Balance sheet and financial statements of the AHB. This lack of reliable information on the fixed assets of the AHB impacts on the reliability of liabilities and provisions in the Balance Sheet and financial statements. In addition, as a result of the absence of a liabilities register, the AHB did not have an accurate picture of property investment liabilities and material obligations for the period of this investigation.

3.2.16 Based on the material reviewed the Inspectors found that, as the accuracy of the fixed asset register is still under review, the Inspectors consider that there may be a need for a further revision of the liabilities and provisions in the Balance Sheet and financial statements at 31 December 2022 and at 31 August 2023.

3.3 Capital Acquisition Oversight

3.3.1 The Inspectors examined the following matters relating to capital acquisition oversight:

- Whether there were appropriate management, procurement, governance and oversight arrangements in place for capital acquisition and expenditure by the AHB.
- Whether the Board evaluated the impact of such expenditure on its cashflows.

Oversight Arrangements for Capital Acquisition & Expenditure

3.3.2 As noted above, Sections 14 and 15 of the Peter McVerry Trust's Financial Policy Manual, approved by the Finance, Audit & Governance Committee on 3 December 2021 contains documented guidance on the treatment of property and buildings. In addition, the Inspectors were provided with the AHB's Housing Development Policies & Procedures dated July 2022 and their Housing Development Manual (undated). The Housing Development policies state that "*No properties can be pursued without the express consent of the CEO or Director of Housing Development.*" It further states that "*All CAS applications must be signed by the CEO and Deputy CEO or the founder, Fr Peter McVerry.*" The Housing Development Manual also states that approval for a Cost Plan for Capital Projects is required by the CEO and Finance Director.

3.3.3 The Inspectors note from the Terms of Reference of the AHB's Housing Development Committee that they are required to meet a minimum of four times a year. However, only three meetings took place in 2022. The Housing Development Committee's remit is to:

- Make recommendations from the committee to the Board.
 - Review the actions relating to housing development within the AHB Annual Business Plan.
 - Review the AHB's housing development pipeline.
 - Review regulation requirements in relation to stock condition survey, asset management strategy and sinking fund provision.
 - Review key housing development opportunities brought to the AHB which are outside the current operational parameters of the organisation.
- 3.3.4 The Inspectors note from the minutes of the five meetings which took place from March 2022 to May 2023 that the Committee was updated on service and housing developments by the CEO, Director of Housing and the Chair of the Committee.
- 3.3.5 For the first meeting in March 2022 the committee discussed specific issues with certain properties and housing targets. Property acquisitions and related prices were not mentioned.
- 3.3.6 For the second meeting in May 2022 the AHBs Asset Management Strategy was presented to the Committee by the Former Deputy CEO. This indicated that property maintenance costs would be covered by the rental payments received for same. There was an update on housing and service developments which focused on the stage of each development and when it was expected to be available for use. Property acquisitions and related prices were not discussed.
- 3.3.7 At the third meeting in November 2022 the Property Acquisition Approval List was presented by Former CEO 1. It was noted that it will become a new standing agenda item at the Finance, Audit and Governance Committee meetings as some local authorities require Committee approval for properties which are currently being purchased under the State's Capital Assistance Scheme (CAS) which is 100% fully funded. Former CEO 1 advised that the Finance, Audit and Governance Committee reviewed the list and discussed some individual properties and approved all listed properties.
- 3.3.8 At the March 2023 meeting Former CEO 1 presented the Property Acquisition Approval List and advised that all the proposed acquisitions are 100% fully funded by CAS. The Committee approved the acquisitions listed and this was minuted.
- 3.3.9 At the March 2023 meeting Former CEO 1 also presented a draft Internal Audit report on Capital Procurement. They stated that "*the main recommendation was to continue working on identifying any outstanding, unclaimed expenditure and a procedure implemented that recoupment claims are submitted to Local Authorities at the earliest opportunity.*" Former CEO 1 advised that "*€9.6m unclaimed expenditure has been submitted to the Local*

Authorities and to date €6.3m has been reimbursed with payment dates on most of the other outstanding claims and if not, it is being actively chased.” They noted that “a procedure has been implemented to submit recoupment claims as soon as possible and is working well.” Former CEO 1 also noted “the proposed a (sic) change to use of the PMVT Sinking Fund to support capital development with a view to assist PMVT not using operations funds to front load these expenditures going forward.”

3.3.10 At the May 2023 meeting Former CEO 1 presented the Property Acquisition Approval List advising that the report records proposed CAS fully funded acquisitions of over €12m and that the AHB’s Finance, Audit & Governance Committee approved these acquisitions at an earlier meeting. The Housing Development Committee approved the list.

3.3.11 The Inspectors note the following from the Terms of Reference of the AHB’s Finance Audit & Governance Committee in relation to capital acquisition and expenditure:

- Monitor finances and ensure good financial practice at all levels.
- Formulate guidelines concerning the use and protection of the assets of the Peter McVerry Trust.
- Examine the accounts of the AHB and ensure they are presented in sufficient detail and in a standardised format.
- Approve summary figure reports for presentation to the main board of directors.

3.3.12 The Inspectors note from a review of the minutes of the Finance Audit & Governance Committee from January 2022 to March 2023 the following:

- In January and March 2022, the CEO advised the Committee of the addresses of CAS properties which were being secured. This related to one property in January 2022 and one property in March 2022. The Committee approved the purchase, however, no associated costs are noted.
- For the six meetings from May 2022 to March 2023 the CEO advised the Committee of the address and purchase price of CAS properties which were being secured and the Committee approved the purchases. Properties being secured were as follows: in May 2022 eight properties, in September 2022 32 properties, in November 2022 129 properties, in December 2022 24 properties, in January 2023 four properties, and in March 2023 a further 55 properties. It is noted that no detail was presented to the Committee in respect of refurbishment costs, future maintenance costs or cashflow impact as a result of these acquisitions.
- The minutes from May 2022 to January 2023 report on excess of income over expenditure however there is no cashflow mentioned until March 2023 when a discussion is held on using the Sinking Fund to alleviate cashflow pressures.

- 3.3.13 From minutes of the September 2022 meeting of the Finance, Audit & Governance Committee, the Inspectors noted “*The CEO advised that as the Committee was aware some local authorities require Committee approval for property acquisitions under the State’s Capital Assistance Scheme and notification of the properties requiring approval was only received this morning. He advised that this will become a standard item for each meeting going forward. He proposed the acquisition of the following properties which the Committee approved*”. The minutes then note a list of property addresses and the amounts.
- 3.3.14 At interview, the consensus of Board members was that they were provided with limited information on property acquisitions, “limited to an address and an amount” (purchase price) and that the “approval” stage of property acquisitions was a very minor part as it would be presented to the Board as a “done deal” on properties already chosen by the CEO and committees.
- 3.3.15 As noted at 3.2.4 it was the Board’s understanding that all property acquisitions utilising CAS funding were 100% funded by CAS. The consensus of the Board was that they considered CAS transactions to be cost neutral, and that ongoing maintenance costs would be covered by rental income. However the Inspectors note that these understandings were not challenged.
- 3.3.16 The Inspectors note from the minutes of Board meetings during the period under review (five in 2022 and six in 2023), that property acquisition was mentioned at all (five) meetings in 2022 and at two in 2023. However, the November 2022 Board meeting was the first at which the Proposed CAS Property Acquisition List for Approval was presented. It is noted that the Chair of the Housing Development Committee (Board Member 2) informed the Board that all the properties were fully funded by CAS. The only financial information provided to the Board was the acquisition price of the properties. No other costs were noted, such as design and refurbishment costs, legal fees or maintenance associated with property acquisition and development. No associated cashflow impact or projections were provided to, or requested by the Board for approval purposes.
- 3.3.17 At interview, the consensus of staff was that the Housing Development Department, Former CEO 2 and Former CEO 1 were responsible for identifying properties to be purchased. As noted above at 3.3.2, the Housing Development Policies and Procedures state that “*All CAS applications must be signed by the CEO and Deputy CEO or the founder, Fr Peter McVerry.*” Former Deputy CEO stated that although they were one of the two signatures on the final CAS acquisition document, that the discussion with the Local Authorities in relation to securing the properties would have been between Former CEO 1 and the Director of Housing.

Board Evaluation of Impact on Cashflow

- 3.3.18 The Inspectors were provided with minutes of Board Meetings and Sub-committee Meetings for the period under review. The Inspectors note in the Board Meeting minutes from 24 November 2022 that an Internal Audit Report on Capital Procurement was presented to the Board where it was noted that *“The recommendation regarding the Recoupment of Expenditure on CAS Projects is the highest rating”*. The Internal Audit Report noted that there had *“been delays in submitting claims for the recoupment of ancillary expenditure on CAS projects to Local Authorities.”* And *“Given the scale of the building programme, together with regulatory and future maintenance demands, this needs to be kept under regular review. It is essential that the capital building programme does not cause cash flow difficulties that could have knock on consequences for core PMVT operations.”* However the Inspectors found no further evidence of consideration by the Board or Sub-committees of the possible impact of property acquisitions on cashflow until March 2023, when there was a discussion on using the sinking fund to alleviate cashflow pressures. The Inspectors note in the Board pack for the 24 August 2023 Board meeting the first appearance of an excel workbook with projected cashflow to end September 2024.
- 3.3.19 At interview, all Board members confirmed that they did not receive regular cashflow updates on the performance of the AHB. All Board members stated that they were unaware that there were delays in drawing down payments for CAS funded properties which had to be front-loaded with AHB funds.
- 3.3.20 With respect to consideration by the Board of the associated maintenance and refurbishment costs of the properties purchased and their possible impact on the resources and cashflow of the AHB, the Board members who responded to this query stated that they were not made aware of the full maintenance requirements of the entire housing stock, the costs associated with such maintenance and its current and future impact on the overall cashflow.
- 3.3.21 The Inspectors note from the minutes of the Housing Development Committee in May 2022 the AHBs Asset Management Strategy as presented to the Committee indicated that property maintenance costs would be covered by the rental payments received for same.
- 3.3.22 At interview, staff members who were queried on the existence of a cashflow document, confirmed that no cashflow report was prepared for the Board during the period under review. However as noted at 3.3.18 the Inspectors noted in the Board pack for the 24 August 2023 Board meeting the first appearance of an excel workbook with projected cashflow to end September 2024.
- 3.3.23 Based on the material reviewed, the Inspectors found the Board did not have appropriate oversight of the procurement and governance of capital acquisition and expenditure by the AHB, and did not evaluate the impact of such expenditure on its cashflows.

3.4 Financial Controls on Expenditure

3.4.1 The Inspectors examined the following matters relating to the appropriate financial controls on expenditure:

- Documented delegation of authority.
- Segregation of duties relating to the commissioning and approval of expenditure items, and approval of invoices for settlement.
- Any involvement of the Board, management and/or staff.

Delegation of Authority

3.4.2 The Inspectors were provided with two B46s filed with the Companies Registration Office (CRO) which authorised Former CEO 1 and Former CEO 2 as persons entitled to bind the company. The Inspectors also note in the minutes of the Finance, Audit and Governance Committee meeting of 23 September 2022, the Chair of that Committee (Former Board Member 1) gave consent to the Company Secretary “to sign on behalf of the AHB”. This may have been in relation to property acquisition as it is noted at the end of a section discussing same however it is unclear.

3.4.3 Section 5.3.3 of the AHBs Financial Policy Manual states “*a legal agreement in relation to an approved loan must be signed by the Company Secretary and one other Company Director*”.

3.4.4 At interview, all Board members confirmed that the person in the position of CEO had the authority to sign and enter into contracts on behalf of the AHB. A number of Board members also noted that the Company Secretary along with the CEO signed any legal documents.

Segregation of Duties & Board, Management and Staff

3.4.5 The Inspectors reviewed the AHB’s Financial Policy Manual, Housing Development Policies & Procedures and their Housing Development Manual.

3.4.6 The Financial Policy Manual Section 5.4.6 states “*preapproval of Vendor Payments is required by the CEO*”. Section 5.1.3 of the same manual states “*the bank signatories are the Company Secretary, the CEO, the Deputy CEO and the Director of Services. All cheques need two signatures and for amounts in excess of €15,000 one must be the Company Secretary*”.

3.4.7 Section 8.2.1 of the Financial Policy Manual details the authorisation of payments process as follows:

“8.2.1.1 All invoices will be immediately forwarded to the PMVT Finance Department who will review all invoices for mathematical accuracy, validity, conformity to the budget and compliance with tender requirements. They will then code the invoice with an appropriate expense or other chart of accounts line item number and service number (where applicable).

8.2.1.2 The PMVT Finance Department will also ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received against delivery dockets (where applicable).

8.2.1.3 The PMVT Finance Department is responsible for timely follow-up on discrepancies and payment.

8.2.1.4 Prior to payment, all invoices will be approved (indicated by initialling) by the CEO.

8.2.1.5 By approving an invoice, the CEO indicates that it has been reviewed and authorises a payment requisition.

8.2.1.6 The PMVT Head of Finance will prepare payment requisitions on a fortnightly basis unless in an emergency basis as decided by the CEO”.

3.4.8 Section 8.1.2. relates to Capital Purchases and states the following:

“8.1.2.1 All non-property purchases over €50,000 – 3 quotes must be obtained.

8.1.2.2 All non-property purchases in excess of €50,000 not budgeted for or requiring borrowing to finance must be brought to the Finance, Audit & Governance Committee prior to commitment.

8.1.2.3 Amounts equal to or over €221,000 – EU Procurement Directives will apply. The CEO or Deputy CEO is responsible.”

3.4.9 The AHB’s Housing Development Policies and Procedures list the following “Established Partners”

- Supplier 1
- Supplier 2
- Supplier 3
- Supplier 4

The policy states that *“For works below €50,000 where (the AHB) is not obligated to go through a public procurement process we currently rely on a number of established providers. The relationships are based on the availability, quality and cost of the works provided by these contractors.”* It further states *“If the eligible funds that are recoverable from Government are below €50,000 or where it is a Repair and Leasing project we are not obligated to go through a public procurement process.”*

3.4.10 The Inspectors conducted a review of payments to the four companies on the Established Providers listing for the period under review and established that the following figures were the total payments made to these companies in those periods:

Total spending:	2022	2023
Supplier 1	2,286,533.02	409,946.64
Supplier 2	2,064,243.90	386,011.36
Supplier 3	2,408,617.73	1,177,231.63
Supplier 4	3,093,039.34	1,308,740.12
Total	9,852,433.99	3,281,929.75

3.4.11 The Inspectors further established that of the total spend listed above, the following is a summary of those payments where the individual amounts paid on each occasion exceeded €50,000:

Individual spending over €50K	2022	2023
Supplier 1	1,602,766.55	212,171.42
Supplier 2	298,101.66	97,235.24
Supplier 3	462,554.84	-
Supplier 4	1,538,896.78	644,528.60
Grand Total	3,902,319.83	953,935.26

3.4.12 The Inspectors consider that, given the level of expenditures involved, and that public funding is utilised for such expenditures in relation to these parties, adequate competitive tendering should have taken place for these suppliers.

3.4.13 At interview the majority of staff members stated that Former CEO 1 approved payments to suppliers. Many staff members elaborated to say that those on the preferred suppliers (Established Partners) list were to be paid first, in preference to other suppliers who may have outstanding balances for longer periods.

3.4.14 At interview Former CEO 1 stated that he had made payments to Supplier 4 in December 2022 of around €1,000,000 which were frontloading money to do work in the future.

3.4.15 At interview none of the Finance, Audit & Governance Committee members recalled any approval request coming to them for purchases made over €50,000. Three Board members were not aware of any preferred supplier policy nor approval requirement for spend over €50,000.

- 3.4.16 The Inspectors found no evidence of three quotes being obtained for purchases over €50,000.
- 3.4.17 The Inspectors reviewed the minutes of the Finance, Audit & Governance Committee for the period under review and found no evidence of any proposed expenditures over €50,000 being brought to that committee for approval. The Inspectors note total expenditures in excess of €50,000 to suppliers for 2022 was €14,950,447 and for 2023 to end August was €7,789,560. In addition as noted above for the period under review a total of €4,856,255 expenditures in excess of €50,000 to the four companies on the Established Providers list occurred.
- 3.4.18 The Inspectors reviewed the minutes of the eight Board meetings which took place from January 2022 to May 2023 and note that for each of these meetings a Financial Report containing high level Actual versus Budget Income & Expenditure Accounts, the Budget for that year and the Fundraising Targets and Income to date were presented. However, underlying detail on expenditure was not adequate to facilitate detailed interrogation by the Board. In the actual versus budget expenditure report the detail was limited to three categories - Personnel Costs, Total Gen. Admin, Operations & Prog and Sinking Fund.
- 3.4.19 Based on the material reviewed the Inspectors found that the documented financial controls for expenditure in excess of €50,000 were not implemented. A list of “Established Partners” (preferred suppliers) utilised by the AHB was not tendered for, but should have been in the context of significant expenditures being incurred with each. The Board was not provided with adequate detail in respect of expenditure incurred by the AHB.

Management of Potential Conflicts of Interest

- 3.4.20 The Inspectors were provided with the Peter McVerry Trust’s Corporate Governance Manual 2020. The manual states that it provides the directors of the board of the AHB “*with the necessary information to understand their role and responsibilities in regards to the overall governance and management of the organisation*”. The manual states in relation to conflicts of interest “*By reading this document and agreeing to participate at board level, all directors agree to...avoid any conflicts of interest...act with integrity, and avoid or declare personal conflicts of interest.*”
- 3.4.21 The Inspectors reviewed the minutes of all Board meetings, all Finance, Audit & Governance Committee meetings and all Housing Development Committee meetings for the period under review. The Inspectors noted that under agenda item 2 for all of these meetings was the following declaration “*Should anyone here present have any conflict of interest in relation to any agenda item, they should let that be known for the minutes.*” No-one present had any conflict of interest with respect to the agenda items.”

- 3.4.22 The Inspectors conducted a review of the ownership of the “Established Providers” companies and established that one of the Directors of Supplier 4 is the brother of the Former External Auditor and that the Former Head of Finance 1 had been the Company Secretary of that company from 16 September 2015 to 3 April 2017. The Inspectors note no record of a declaration of conflict of interest to the Board from those potentially conflicted in relation to the AHB’s dealings with this company in the period under review.
- 3.4.23 At interview all Board members stated that they were not aware of any conflicts of interests and two Board members highlighted that opportunities to disclose conflicts were given at the beginning of every board meeting but none were raised in respect of Supplier 4.
- 3.4.24 The Inspectors noted from the Housing Development Policies & Procedures that a named Solicitors firm is listed as the solicitors for all legal requirements with regard to property purchase, leasing etc. At interview, the Inspectors queried whether there was any connection between that firm and Board member 7, as they had the same last name. It was confirmed by Board member 3 that “everybody knew” they were brothers but that it was not seen as a conflict of interest. Board Member 3 stated that they were aware of a connection between the legal firm representing the Trust and Board member 7 but this never stood out to them as a potential issue. Board member 3 stated that when Former CEO 1 commenced employment with the AHB in 2005, Former CEO 1 requested permission to bring both the named Solicitors firm and Former External Auditor on board with them. Board member 3 stated they were “quite happy” to let Former CEO 1 “look after all that”. When the Board member concerned was queried about a possible conflict of interest with their brother conducting business with the AHB they responded that “I have taken advice on it and there is no conflict of interest from my role”. The Inspectors note total payments to the named Solicitors firm in 2022 amounted to €1,424,542 and for the period under review in 2023 amounted to €247,994. The Inspectors found no evidence of a potential conflict of interest declaration or potential conflict discussion at Board or sub-committee level in this regard.
- 3.4.25 The Inspectors note the following from the Terms of Reference of the AHB’s Finance Audit & Governance Committee Summary of Responsibilities:
- The Finance and Audit committee will meet the auditor at least once a year
 - They will recommend the appointment of the auditor to the board for the incoming year.

It is the expectation of the Inspectors that any potential conflicts of interest of the Former External Auditor would be declared to the Finance Audit & Governance Committee at least at their annual meeting. The Former External Auditor under IAASA’s Ethical Standard for Auditors (Ireland) is expected to act with Objectivity and Independence, defined as “freedom from conditions and relationships which, in the context of an engagement, would compromise the integrity or objectivity of the auditor”. The Inspectors found no evidence that the Former External Auditor had declared this possible conflict of interest.

3.4.26 Based on the material reviewed the Inspectors found that there were potential conflicts of interest in respect of the suppliers and advisers noted above and utilised by the AHB. The Inspectors found no evidence that these potential conflicts of interest were declared at Board or sub-committee level during the period under review.

3.5 Reporting on Capital Expenditure

3.5.1 The Inspectors examined whether the reporting to the Board and/or sub-committees of capital expenditure was accurate and complete.

3.5.2 As noted above, the Inspectors examined the minutes of meetings for the Board, Finance Audit & Governance Committee and Housing Development Committee.

3.5.3 The Inspectors reviewed the minutes of the eight Board meetings which took place from January 2022 to May 2023 and note that for each meeting a Financial Report containing Actual versus Budget Income & Expenditure Accounts, the Budget for that year and the Fundraising Targets and Income to date were presented. However, cashflow was not reported on at these meetings. The Inspectors also note that the budget line "Capital Expenses/ Sinking Fund" lists the cost for 2022 in this area as €25,000. The Inspectors have been advised that the €25,000 refers to the Sinking Fund alone. Therefore in the Financial Reporting to the Board there was no budget line for Capital Expenses. The Financial Statements at 31 December 2022 list the additions to Freehold Property alone as €50,455,922. This would indicate that the reporting of capital expenditure was neither accurate nor complete. It is noted that the final three meetings in the period under review - one in July and two in August 2023 - did have discussions on the financial position of the AHB but did not have the standard Financial Reports as noted above presented to them. The Inspectors were advised that these were crisis meetings which therefore did not follow the standard agenda.

3.5.4 The Inspectors were provided with the AHB's Strategic Plan 2021-2025 in which the AHB plans to "*Develop and deliver a sustainable, high-quality pipeline of social housing at 20% annual growth, adding a further 1,200 homes by the end of 2025*". The Inspectors reviewed the maintenance budgets for 2022 and 2023 and noted that the budgets in this area for 2021 to 2022 increased by 2.4% and for 2022 to 2023 less than 1% of an increase was budgeted. The Inspectors queried at interview why the projected growth in housing stock did not have a corresponding increase in budget for its maintenance. As noted above the Board members who responded to this query stated that they were not made fully aware of the maintenance requirements of the entire housing stock, the costs associated with such maintenance and its impact on the overall cashflow.

3.5.5 As detailed above in Section 3.3 the Inspectors note from the minutes of the five meetings of the Housing Development Committee which took place from March 2022 to May 2023, that

capital expenditure was not noted until November 2022 when the acquisition cost of property was provided in the Property Acquisition Approval List.

3.5.6 The Inspectors note from a review of the minutes of the Finance Audit & Governance Committee from January 2022 to March 2023 that expenditure on capital acquisition was reported by the CEO to the six meetings from May 2022 to March 2023. However, only acquisition costs were noted and there was no discussion of ongoing maintenance costs or any potential cashflow issue in relation to these purchases until March 2023. As noted elsewhere in this report the consensus of the Board was that they considered CAS transactions to be cost neutral, and that ongoing maintenance costs would be covered by rental income.

3.5.7 Based on the material reviewed, the Inspectors found that the reporting to the Board and/or sub-committees of capital expenditure was neither accurate nor complete.

3.6 Use of the Sinking Fund

3.6.1 The Inspectors examined whether the sinking fund was used appropriately by the AHB.

3.6.2 The Inspectors were provided with the AHB's Sinking Fund Policy 2020. Section 2.1 states *"The purpose of the Sinking Fund is to make provision over the long-term to fund future capital expense. It should allow for refurbishment/replacement of specific property attributes based on their expected life cycle over the lifetime of the property and cover maintenance of large expense items of a non-recurring nature."*

3.6.3 The minutes of the Finance, Audit & Governance Committee meeting on 10 March 2023 note a proposal to utilise the Sinking Fund to reduce pressure on operational cashflow. The committee agreed to the proposal. The proposal was brought to the Board meeting on 30 March 2023. The Board was advised that since October 2022, the AHB had frontloaded capital projects to the amount of €9.27m, with €5.87m already reclaimed from the Department of Housing, Local Government and Heritage and €3.4m currently outstanding that was placing short term pressures on operational cashflow. The Board agreed to the use of the sinking fund to alleviate these pressures under the following conditions:

- The maximum cumulative net drawdown would be capped at no more than 75% (€1.5m of the fund) to ensure that the fund will not at any time go below €0.5m.
- Full funding approval from the Department of Housing, Local Government and Heritage must be obtained in advance of proposing a specific capital project for use of the Sinking Fund.
- The frontloaded capital project must have an agreed payment date from the Department of Housing, Local Government and Heritage of no more than 3-6 months.

- Should any delays with the above timeframe arise, funding from another project can be used to replenish the Sinking Fund, along with a reason as to the cause of the delay of the State funding reimbursement be provided.
- The Sinking Fund will be prioritised for replenishment of funding by the Department of Housing, Local Government and Heritage.
- The Sinking Fund must be fully reinstated to €2m by 15 November 2023.
- A tracking report of the funding status of the capital projects that use this Sinking Fund will become a standing item on the Finance, Audit & Governance Committee agenda.
- A full review will be completed by the AHB's Finance, Audit & Governance Committee in March 2024 and should it at any time in the future be decided to repeat the use of the Sinking Fund in this manner, it must be ratified by the AHB's Finance, Audit & Governance Committee and approved by the Board of the AHB.

3.6.4 The Inspectors reviewed the record of the Sinking Fund transactions and found that at the beginning of March 2023 the balance in the Sinking Fund was €2,000,000. However two transactions occurred out of the sinking fund in March 2023 (prior to Board approval on 30 March 2023 of a change of use) of €160,000 and €1,114,381.20 to the AHB current account which were then reimbursed on 27 March 2023. On 31 March 2023 €1,500,000 was withdrawn from the Sinking Fund and on 30 May 2023 a further €500,000 was withdrawn. With bank interest earned, the balance in the Sinking Fund at 30 May 2023 was €124.85.

3.6.5 At interview the Board members stated that permission was granted to use the sinking fund to frontload the payment for properties before the CAS funding came through fully and that it was agreed that it could be used up to 75% with €500,000 remaining. The Board members were unaware that it had been used prior to them giving their permission. The Board also stated that the person in the position of CEO had no permission to reduce the balance below €500,000 and that the Board only became aware that this had occurred in August 2023.

3.6.6 The Inspectors note from the Board Meeting Pack of 11 July 2023 and the Board minutes of that date, Former CEO 2, Former Deputy CEO 2 and Director of Finance reported to the Board that *“Peter McVerry Trust’s Sinking Fund balance is €125 (One hundred and twenty-five euro) and this has been the case since the 30th May 2023. It is the position adopted by the Board of Directors that this to be replenished to €2m by November 2023”*.

3.6.7 At interview Former CEO 1 stated that they had withdrawn the €1,500,000 from the Sinking Fund, as approved by the Board, but that they had been on leave when the further €500,000 was withdrawn - they believed by the Former Deputy CEO. The Inspectors note from evidence provided that Former Deputy CEO’s final working day was 29 May 2023 and that Former Deputy CEO had no further involvement in the AHB after that date. As noted above the €500,000 was withdrawn on 30 May 2023. Former CEO 1 went on further to state that they met Former CEO 2 in a car in June 2023 when they were discussing cashflow, and

Former CEO 1 suggested that the remaining €500,000 in the Sinking Fund could be used to resolve the cashflow issue. Former CEO 2 said it was not there as it had been used for payroll in May by the Former Deputy CEO.

- 3.6.8 The Former Deputy CEO stated at interview that they operated on instruction from Former CEO 1, that their memory was of a phone call from Former CEO 1 or a direction from them to use the Sinking Fund to meet the cashflow.
- 3.6.9 At interview Former CEO 2 stated that the Former Deputy CEO topped up the Sinking fund to €2,000,000 just before the Board agreed to the use of the Sinking Fund and by 1 June, there was €125 left in the sinking fund because in May, the Finance Department in the AHB had to make use of that in order to make either payroll or the Revenue payment in May. Former CEO 2 stated that they were never involved in any funds being transferred from the Sinking Fund.
- 3.6.10 Based on the material reviewed, the Inspectors found that the use of the Sinking Fund was not appropriate and that restrictions imposed on its use by the Board were not adhered to.

3.7 Financial Policy & Procedures

- 3.7.1 The Inspectors examined whether there were appropriate financial policy and procedures and financial management and reporting in place, including consideration of cashflows and financial viability.
- 3.7.2 The Inspectors found as detailed in Section 3.4 that the financial policy relating to capital purchases was not adhered to. There was no evidence of three quotes being obtained for non-property purchases over €50,000. In addition, the Inspectors consider that, given the expenditures involved with suppliers referred to as “Established Partners”, and that public funding is utilised, adequate competitive tendering should have taken place for these suppliers.
- 3.7.3 As noted above at Section 3.2 the Inspectors found no evidence of a documented capitalisation policy which it appears may have contributed to the inappropriate entries noted on the fixed asset register.
- 3.7.4 The Inspectors found the interpretation by the AHB of public procurement process was incorrect. The policy states “*If the eligible funds that are recoverable from Government are below €50,000 or where it is a Repair and Leasing project we are not obligated to go through a public procurement process.*” However this policy does not recognise that this is a cumulative threshold for that supplier.

- 3.7.5 As noted above in Section 3.3 the Inspectors found no evidence of cashflow reporting in the period under review until the excel workbook with projected cashflow in the Board Pack for the 24 August 2023 Board meeting.
- 3.7.6 The AHB's Financial Policy Manual at Section 2.5 states the Head of Finance is responsible for ensuring maintenance of Supplier and Asset Registers, and at Section 14.1.2 states "A property register is maintained by the Deputy CEO and is updated with all changes." Section 15.1.4 states " A leased property register is maintained by the CEO Office and must be kept updated with all changes." The Inspectors found that these registers were not adequately maintained by the AHB.
- 3.7.7 The Inspectors found no mention in the Financial Policy Manual of the liabilities register. The Inspectors also found no guidance in the Financial Policy Manual on what the fixed asset register should contain.
- 3.7.8 As detailed in Section 3.3 the Inspectors found the Board did not have appropriate oversight of the procurement and governance of capital acquisition and expenditure by the AHB and did not evaluate the impact of such expenditure on its cashflows. As noted elsewhere in this report the consensus of the Board was that they considered CAS transactions to be cost neutral, and that ongoing maintenance costs would be covered by rental income.
- 3.7.9 As detailed above in Section 3.5 the Inspectors found that the reporting to the Board and/or sub-committees of capital expenditure was neither accurate nor complete.
- 3.7.10 Based on the material reviewed, the Inspectors have identified a number of areas where appropriate financial policy and procedures and financial management and reporting were not in place, which resulted in many of the above noted inadequate controls and procedures within the AHB.

4. Conclusions

Section 37 of the Housing (Regulation of Approved Housing Bodies) Act 2019 provides for the drafting of standards for AHBs. As indicated in 1.3.1 of this report, the Minister for Housing, Local Government and Heritage of Ireland approved the Standards for AHBs on 15 February 2022. These Standards were published on the AHBRA website. As also previously indicated, Section 37(8) of the Act requires all AHBs to comply with the Standards.

- 4.1.1 AHBs are required to demonstrate that they have an effective Board that has accurate, quality, and timely information ensuring they make informed decisions. AHBs must also demonstrate that accurate and up-to-date records of its assets and liabilities are held and maintained, particularly those liabilities relating to social housing assets. The Inspectors found the recording of land and freehold premises in the fixed asset register was not accurate and could not be relied upon to provide a fully comprehensive record of the fixed assets to be recorded in the Balance sheet and financial statements of the AHB. The organisation did not have a documented capitalisation policy which it appears contributed to the inappropriate entries noted on the fixed asset register. The reporting to the Board and/or sub-committees of capital expenditure was neither accurate nor complete. The Inspectors found no one within the AHB acknowledged responsibility for maintaining the fixed asset register .
- 4.1.2 AHBs should identify and critically assess the impact(s) that entering into new liabilities or funding arrangements may have on the organisation's financial viability, particularly on liquidity levels. The Inspectors found there was limited management of capital and creditor liabilities relating to land and premises.
- 4.1.3 AHBs are required to demonstrate that they have an effective Board that has appropriate oversight and controls in place and oversees any capital expenditure and investment decisions. The Inspectors found the Board did not have appropriate oversight of the procurement and governance of capital acquisition and expenditure by the AHB and did not evaluate the impact of such expenditure on its cashflows.
- 4.1.4 All AHBs should ensure a system of internal control is in place that is proportionate to their organisation and is aligned to the management of identified risks. The Inspectors found that the documented financial controls for expenditure in excess of €50,000 were not implemented. A list of "Established Partners" (preferred suppliers) utilised by the AHB were not tendered for but should have been, in the context of significant expenditures being incurred with each. The Board was not provided with adequate detail in respect of expenditure incurred by the AHB.
- 4.1.5 The Board should be able to demonstrate that the decisions they make are based on sound evidence, free from undue pressure or influence of third parties, free from any conflicts of interest (real or potential) and founded on collective agreement. Decisions should always be

made in the best interests of the AHB and should not place the organisation at undue risk. Conflicts of interest should be appropriately managed, and a register of interests should be in place. There were potential conflicts of interest in respect of some suppliers and advisers utilised by the AHB which were not declared by those potentially conflicted to the Board at Board or sub-committee level.

- 4.1.6 AHBs are required to demonstrate that they have an effective Board that has appropriate oversight and controls in place and oversees any capital expenditure and investment decisions. The Inspectors found the Board did not have appropriate oversight of the procurement and governance of capital acquisition and expenditure by the AHB and did not evaluate the impact of such expenditure on its cashflows. This resulted in the inappropriate use of the Sinking Fund to alleviate cashflow issues.
- 4.1.7 AHBs should identify and critically assess the impact(s) that entering into new liabilities or funding arrangements may have on the organisation's financial viability, particularly on liquidity levels. The Inspectors found the use of the Sinking Fund was not appropriate, the restrictions imposed on its use by the Board were not adhered to and that it demonstrated a lack of assessment by the AHB of the impact of entering into new liabilities.
- 4.1.8 AHBs are required to demonstrate that they have an effective Board that has appropriate oversight and controls in place and oversees any capital expenditure and investment decisions. The Inspectors found the appropriate financial policies and procedures and financial management and reporting were not in place, which resulted in many of the above noted inadequate controls and procedures within the AHB.