



**housing
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The Governance Standard

**The Governance Standard and
Assessment Framework for
the Regulation of Approved
Housing Bodies in Ireland**



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Chapter 1

Introduction

1.1 About this Standard

The Governance Standard and Assessment Framework sets out six core principles of good governance. These principles build on those established in the Voluntary Regulatory Code (the Code) and Financial Standard and are supported by regulatory requirements and best practice recommendations.

The Standard makes use of the ‘comply or explain’ approach which means that, where an organisation does not meet a requirement, it may provide an explanation to the Regulation Office. Greater detail on ‘comply or explain’ is set out in section 1.3 below.

1.2 Proportionality

A “one size fits all” approach to regulation is not suitable due to the range and diversity of organisations within the sector. The assessment of organisations against the Standard will be both proportionate and risk-based. This means that the Regulation Office will take into account the size, scale and level of risk of the organisation in applying the Standard.

A three Tier system is used to categorise organisations for regulatory purposes: Tier 1 refers to smaller organisations, Tier 2 to medium sized organisations and Tier 3 refers to larger organisations. Larger and developing organisations will be subject to additional governance requirements.

AHB Tier Classification

| | |
|--------|--|
| Tier 1 | 0-50 units with no development plans or development plans that keep the total under 50 units. |
| Tier 2 | 50-300 units or development plans that keep the total under 300 units, or the use of loan finance for development. |
| Tier 3 | >300 units or sizeable development plans, including the use of loan finance for development. |

“ The Standard makes use of the ‘comply or explain’ approach which means that, where an organisation does not meet a requirement, it may provide an explanation to the Regulation Office.”



1.3 About ‘comply or explain’

The ‘comply or explain’ approach is widely used within regulation. The approach requires organisations either to comply with the regulatory standard or to explain what alternative arrangements are in place where they do not comply. It recognises and acknowledges that there may be good reasons for non-compliance, such as the local context and individual circumstances in which the organisation is working.

Therefore, a departure from a requirement does not necessarily constitute a breach of the Standard, if there is evidence that the organisation has given proper consideration to why it is necessary and how the requirement is observed through other means.

In order for ‘comply or explain’ to be effective, organisations must be open and transparent about their reasoning with regard to any areas where they do not comply. It will be for the Regulation Office to exercise reasonable judgment about the validity of such an explanation, and whether failure to comply with a particular provision (or set of provisions)

constitutes significant non-compliance with the Standard.

For clarification, there is a distinction in the Standard between the use of “must” and “should”. Where “must” is used, this represents a requirement of the Standard and is based on a legal, statutory or regulatory requirement. In such a case, the organisation is required to comply with the provision, unless there is a specific and substantive reason (e.g. legal or constitutional) why it would not apply to their organisation.

Where “should” is used, this represents recommended best practice. In the case of Tier 3 and developing Tier 2 AHBs, where the Standard uses “should”, there is a strong expectation that they will follow the principle set out, or demonstrate a bona fide reason why it is not practical for them to do so. In the case of non-developing Tier 2 and Tier 1 organisations, they are encouraged to comply with the provision, but they may explain why this is not possible for them (e.g. due to their size or the nature of their operations).

Chapter 2

Objectives

2.1 Governance background

Good governance is essential to the effective operation of organisations and the social housing sector. Effective Boards provide strong and effective leadership. They fully understand the nature and scale of the risks that they are willing to undertake to deliver their strategy and objectives. At the same time, they provide an open and transparent process for communicating with key stakeholders. A well governed organisation is committed to promoting and maintaining high ethical standards.

For each of these principles, a description of its rationale and the specific regulatory requirements is included below (*Section 3*).

This Governance Standard is to be read in conjunction with the Voluntary Regulatory Code, the Financial Standard, and the Guidance to the Governance Standard.

The Governance Standard has been developed with the following Six Principles in mind:

1. Ensuring that Boards provide effective leadership and direction to deliver good outcomes;
2. Providing clarity around roles and responsibilities in governance structures and arrangements;
3. Building and strengthening Board effectiveness;
4. Conducting affairs with honesty and integrity, and with a commitment to openness and accountability;
5. Ensuring effective financial and risk management;
6. Complying with legal and statutory requirements.



Chapter 3

The Governance Standard Requirements

What does the Governance Standard require?

Well governed organisations have identified goals and objectives with plans to achieve these objectives. The Board has the responsibility to ensure that the leadership of the organisation has the appropriate direction, oversight and control. It ensures best practices in transparency, reporting, communications, audit, and managing risks through robust control systems and effective performance management.

The appendices set out further detail of how the requirements of the Standard are to be met for each Tier.

3.1 Principle 1 Providing effective leadership and direction to deliver good outcomes

Rationale

The organisation's primary objective is the delivery of social housing for those who need it. The Board¹ has a responsibility to understand the environment in which the organisation is operating and to lead the organisation in fulfilling its objectives as effectively as possible within the resources available.

Organisations are expected to manage their resources effectively to ensure their viability is maintained, while ensuring that their tenants and the social housing assets are not put at undue risk. Governance arrangements should ensure that all organisations:

- n** Comply with their governing documents and all legal, compliance and regulatory requirements;
- n** Are financially viable;
- n** Have effective risk management and internal controls assurance frameworks²;
- n** Protect tenants and the social housing assets;
- n** Are accountable to tenants, key stakeholders, regulatory bodies and funders.

Ultimately, the quality of the Board's leadership and direction is vital if the organisation is to deliver its objectives.

The principle in detail

- i. The organisation must have a properly constituted and fully functioning Board, which should ensure effective governance arrangements are in place that deliver the organisation's aims, objectives and intended outcomes for current tenants and future tenants.
- ii. The Board is directly responsible for the vision, leadership, strategy and oversight of the organisation. The organisation should have a formally recorded mission statement and vision.
- iii. The Board should set the strategic direction of the organisation and monitor progress against an agreed set of goals and objectives. Larger and developing organisations must have in place a comprehensive strategic plan to give effect to the mission and vision.
- iv. The Board should ensure that the organisation is well governed to support its aims and objectives.

3.2 Principle 2 Providing clarity about roles and responsibilities

Rationale

Each organisation should ensure that its governance arrangements clearly set out the respective roles, responsibilities and accountabilities of Board members and staff (where applicable).

The principle in detail 3.2.1 Role of the Board

- i. The essential functions of the Board must be formally recorded. The Board should ensure that the organisation operates to its own constitution and the law. The Board should identify those functions which are specifically reserved for its decision(s) and which cannot be delegated.
- ii. The Board must hold a sufficient number of meetings, in order to perform its duties effectively. This includes meeting at least four times a year and holding an Annual General Meeting.
- iii. The Board must approve a formal set of policies and procedures. The Board should have a minimum set of governing policies, including Board Membership, Board Renewal, Code of Conduct, Conflict of Interest and have a register of interest in place.
- iv. The Board must be clear about its duties and responsibilities. These should be formally recorded and made available to all existing and potential Board members.
- v. Board meetings should be based on full agendas. The Board should ensure that they exercise skill and care in decision-making. Decisions should be informed by quality, accurate and timely information. Decisions made by the Board, must be recorded in the meeting minutes.
- vi. Urgent decisions which need to be taken between Board meetings, should be taken in accordance with formally recorded and delegated arrangements.

- vii. All members of the Board must have the same legal status, that is one member - one vote. All Board members have equal and collective responsibility for the decisions of the Board.
- viii. The role of the Board is to direct, control, and scrutinise an organisation's affairs. Where the organisation has staff, operational management of the organisation must be delegated to them, and the board must hold them to account.
- ix. The Board must appoint a Company Secretary (or a person with that function) with a clear accountability to the Board, to advise it on compliance with the organisation's constitution and all statutory or regulatory requirements.

3.2.2 Role of the Chair

- i. The Chair is responsible for leadership of the Board and ensuring its effectiveness. The Chair should set the Board agenda. They should ensure effective communication and timely discussion at Board meetings.
- ii. Where an organisation has employees, no employee may act as Chair of the Board. The division of responsibilities between the Chair and Chief Executive must be clearly established and agreed by the Board.

3.2.3 Sub-committees

- i. Sub-committees should be established where the Board determines that they will provide expertise and enable it to deliver the organisation's objectives.
- ii. Each committee should have formally recorded terms of reference approved by the Board. Sub-committees should report regularly to the Board.

3.2.4 Related Parties

- i. Where entities have related parties or sister entities, the relationship and arrangements between the parties must be formally recorded. The Board is expected to ensure that there are contractual agreements in place which defines all aspects of the relationships and how the relationship operates.

1. 'Board' means the management committee, governing body or Board of management of a social housing organisation.

2. Only applicable for larger and developing organisations.

- ii. Where there are support and services arrangements in place between entities, the Board should ensure that contractual arrangements are in place to govern such arrangements. Additionally, where organisations conduct financial transactions between independent legal entities, these transactions must be governed by contractual arrangements.
- iii. The Board must ensure it always acts independently and in the interests of the entity that it is representing. Where there are common directors between related parties, these directors must avoid conflicts of duty.
- iv. The Board should formally record the management structure and oversight of housing, where social housing forms a minor part of its operations. The Board should ensure it has full visibility in relation to the housing aspect of the business versus the whole of the business in its entirety.
- iii. The Board should ensure that it has the appropriate skills, expertise and diversity. Boards should consider areas of expertise including housing, law, finance, risk and service performance management. The Board should periodically assess any gaps in skills or competencies.
- iv. The Board should have a policy for its own renewal. The Board should ensure the appropriate succession planning, of its Board membership based on the agreed skills, qualifications and attributes required. Larger and developing organisations should conduct a skills audit at least every two years.
- v. Recruitment to Board vacancies should be open and transparent. All new Board members should receive induction training. All Board members should be provided with ongoing learning and development opportunities.
- vi. The Board should review its effectiveness on a regular basis. An appraisal process should be carried out at appropriate intervals for the whole Board.

3.3 Principle 3

Building and strengthening board effectiveness

Rationale

The Board should be comprised of members who demonstrate a diverse range of skills, experience and qualities appropriate to the work of the organisation. The Board should ensure that it has the capability to scrutinise, support and challenge the organisation to deliver on its goals and objectives.

The principle in detail

- i. The Board should determine the appropriate number of Board members. The Board must have a minimum of 5 Board members, with a recommendation of a maximum of 12 members.
- ii. The Board must set a maximum tenure for Board members, not exceeding 10 years' membership in total, composed of two or more consecutive terms of office.³

3.4 Principle 4

Conducting affairs with honesty and integrity, and with a commitment to openness and accountability

Rationale

The Board should ensure it meets the highest standards of conduct and probity, and promote and maintain high ethical standards. The Board should conduct their affairs with openness and transparency.

The principle in detail

- i. The Board must act in the best interests of the organisation and place its interests above any personal or professional interests.
- ii. The Board should operate in an open and transparent manner, with particular regard to tenants and other key stakeholders.
- iii. The Board must maintain the highest standards of probity and conduct. It should ensure it has the appropriate policies in place, setting out expectations of Board members' conduct, dealing with conflicts of interest and maintaining a Register of Interests.

- iv. No individual should be elected or appointed as a director or trustee of an organisation, or retain such a position, where he or she has any direct material interest of significance in relation to the income or any other benefit derived from any commercial contract or other arrangements for the construction of houses for the approved housing body, or in the supply of goods and services to the approved housing body.
- v. In conduct of its actions, the Board should safeguard and promote the organisation's reputation, and should by extension promote public confidence in the wider sector.
- vi. The Board should act on a fully informed and ethical basis, in good faith, with diligence and care.

3.5 Principle 5

Ensuring effective financial and risk management

Rationale

The Board is responsible and accountable for the oversight and monitoring of the organisation's financial viability and economic effectiveness. It should ensure proportionate and effective practice in transparency, reporting, communications, audit, and managing risks through control systems and financial management.

The principle in detail

3.5.1 Financial Governance

- i. The Board is responsible and accountable for the oversight and monitoring of the financial governance and viability of the organisation.
- ii. The Board must ensure that the organisation has adequate resources to meet both its current and long-term financial commitments.
- iii. The Board should ensure there are effective arrangements in place for management and audited accounts, including assets and liabilities, income and expenditure, cashflow statements and debt profiles.

- iv. The Board should establish a formal and transparent arrangement for considering how the organisation ensures financial viability, maintains a system of internal controls, manages risk and maintains an appropriate relationship with its auditors
- v. Larger and developing organisations should ensure that their strategic plans are reflected in their business and financial plans, alongside measurable objectives. The Board should ensure there is an effective system for monitoring performance against plans.
- vi. Where appropriate, the Board may appoint a Treasurer (or a person with that function) with a clear accountability to the Board. The Treasurer should bring appropriate expertise and support the Board in providing financial oversight.

3.5.2 Risk Management and Assurance

- i. The Board is responsible for identifying and managing the risks of the organisation. It should ensure that a proportionate risk management framework is in place to manage risk.
- ii. All organisations must have a risk register in place.
- iii. The Board should give consideration at each meeting to relevant risks that the organisation faces. It should ensure it has appropriate plans and strategies to mitigate and manage risk effectively.
- iv. Larger and developing organisations should ensure that there is a robust risk management framework in place. The framework should include a risk policy, key risk indicators, and it should be linked to the strategy, financial planning and debt capacity of the organisation.
- v. The Board should retain overall responsibility for risk management, and determine the organisation's tolerance of risk. The board may delegate the detailed scrutiny and evaluation of risk to the committee responsible for audit, or to another committee. The Board should ensure it has the appropriate expertise and skills to challenge and scrutinise the risk of the organisation.

1. Note that this applies to Board members from 15th July 2013. Service on the Board prior to this date will be disregarded for the purpose of this calculation

3.5.3 Audit and Internal Controls

- i. Larger and developing organisations should have an external audit function in place. The Board must ensure that the organisation's external auditors are independent and effective.
- ii. Larger and developing organisations should have access to internal audit services, alongside a plan for how and when these are to be utilised.
- iii. The Board is responsible for ensuring that there are proportionate and effective systems of internal control including financial, operational and compliance controls. The Board should review the effectiveness of these systems regularly.
- iv. The Board should have systems in place that give it assurance about organisational performance and data integrity.

3.5.4 The Audit and Risk Committee

- i. Larger and developing organisations must have a committee with responsibility for audit and risk.
- ii. The roles and responsibilities of the audit and risk committee should be set out in written terms of reference.
- iii. The committee responsible for audit and risk should bring independent scrutiny and challenge to provide the Board with assurance and exercise oversight of the internal and external audit functions. At least once a year, the Board, or where it exists the sub-committee, should meet the external auditors without executives or other paid staff being present.

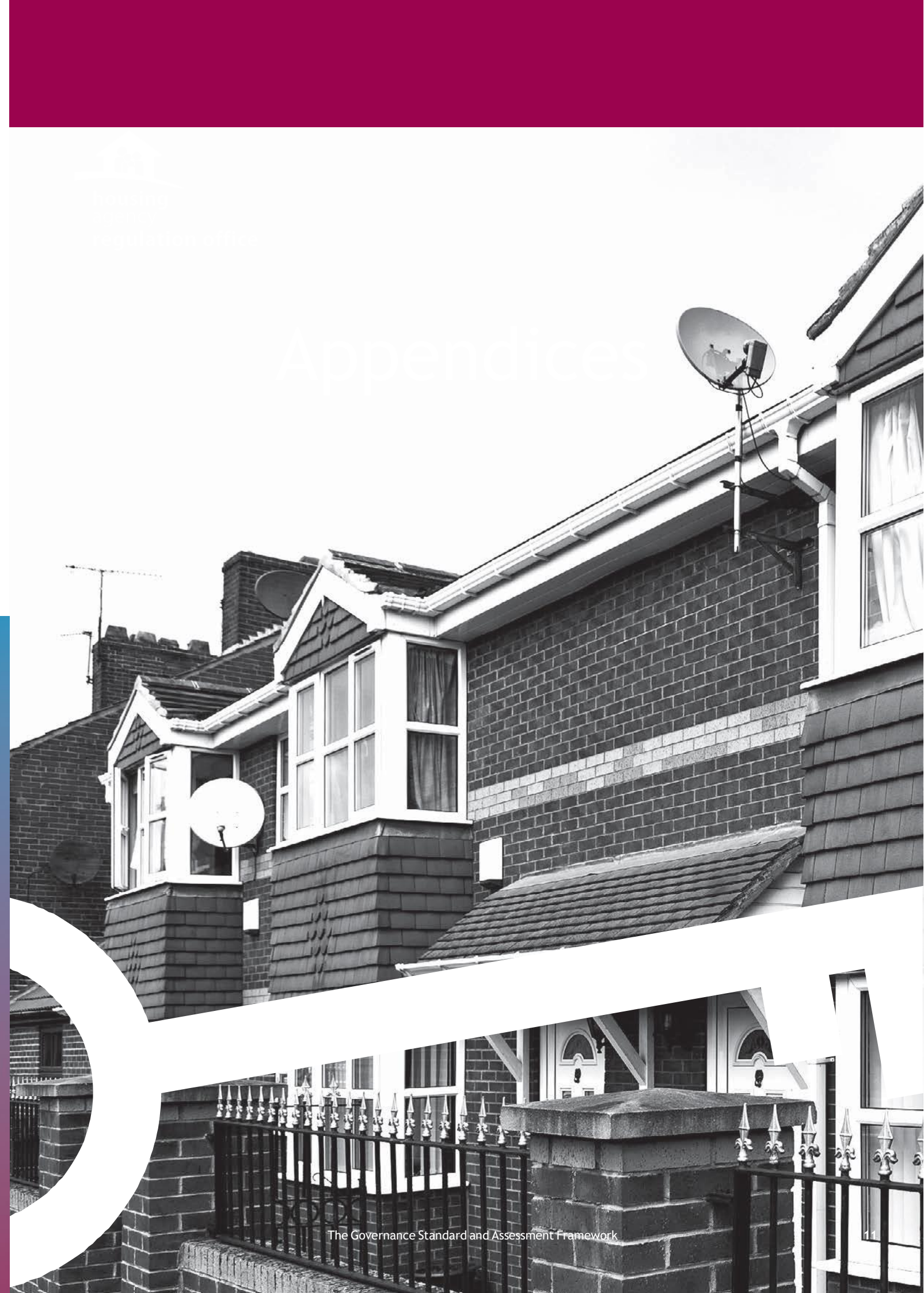
3.6 Principle 6 Complying with legal, regulatory and constitutional requirements

Rationale

The Board has a duty to ensure that the organisation is meeting its legal, statutory and regulatory requirements. It is responsible for ensuring that the organisation acts within its governing document.

The principle in detail

- i. The Board must ensure that the organisation complies with its governing documents and all legal, compliance, regulatory and grant/funding requirements.
- ii. The Board should ensure that suitable arrangements are in place to advise it of compliance with the organisation's constitution, and all legal, regulatory and compliance obligations, particularly as relating to their position as Board members and/or charity trustees as applicable.



Appendix 1

Compliance with the Governance Standard - Tier 1 Organisations

The following table summarises the requirements of the Governance Standard. Note that the clauses referred to in the second column relate to each principle as outlined in the main document.

| Tier 1 | Clause | What the Governance Standard expects (in summary) | Requirement (“must”) | Recommended best practice (“should”) |
|---|--------|---|----------------------|--------------------------------------|
| PRINCIPLE 1: Ensuring effective leadership and direction to deliver good outcomes | 3.1 | Properly constituted and fully functioning Board. | 3 | |
| | | Effective governance arrangements in place to deliver aims and objectives. | | 3 |
| | | Formally recorded mission statement and vision. | | 3 |
| | | Board to provide vision, leadership, strategy and oversight. | | 3 |
| | | Monitor progress against goals. | | 3 |
| | | | | |
| PRINCIPLE 2: Providing clarity about roles and responsibilities | 3.2.1 | List of the Board's functions. | 3 | |
| | | Board meets at least four times a year and holds an Annual General Meeting. | 3 | |
| | | Board must approve a formal set of policies and procedures | 3 | |
| | | Roles and responsibilities of Board recorded. | 3 | |
| | | All Board members have the same legal status: one member, one vote. | 3 | |
| | | Board must appoint a Company Secretary (or person with that function). | 3 | |
| | | Agenda for each meeting. | | 3 |
| | | Board decisions should be informed by quality, accurate and timely information. | | 3 |
| | | Board decisions must be recorded. | 3 | |
| | | | | |

| Tier 1 | Clause | What the Governance Standard expects (in summary) | Requirement (“must”) | Recommended best practice (“should”) |
|--|--------|--|----------------------|--------------------------------------|
| | 3.2.2 | The Chair leads the Board and ensures it works effectively. | | 3 |
| | | Chair of the Board cannot be an employee of the organisation. | 3 | |
| | 3.2.3 | Committees should have formal terms of reference. | | 3 |
| | | Committees should report regularly to the Board. | | 3 |
| | 3.2.4 | Contractual arrangements in place governing transactions between independent legal entities. | | 3 |
| | | Board must act independently and in the interests of the organisation. | 3 | |
| | | Board members must avoid conflicts of interests. | 3 | |
| | | Where social housing forms a minor part of the organisation’s activity, Board should have full visibility of the housing element versus the whole of the business. | | 3 |
| PRINCIPLE 3: Building and strengthening Board effectiveness | 3.3 | Board has at least five members. | 3 | |
| | | Maximum term for Board members is 10 years. | 3 | |
| | | Board should have appropriate skills, expertise and diversity. | | 3 |
| | | Board should have succession planning. | | 3 |
| | | Board members should receive induction and training. | | 3 |
| | | Assess Board skills, competencies and effectiveness at appropriate intervals. | | 3 |
| PRINCIPLE 4: Conducting affairs with honesty and integrity, with a commitment to openness and accountability | 3.4 | Board must act in the organisation’s best interests and place its interests above personal or professional interests. | 3 | |
| | | Board must maintain the highest standards of probity and conduct. | 3 | |
| | | Board should be open and transparent. | | 3 |
| | | An individual with direct material interest relating to the organisation should not be a Board member. | | 3 |
| | | Board should safeguard the organisation’s reputation. | | 3 |
| | | Board should be fully informed and behave ethically, with diligence and care. | | 3 |

| Tier 1 | Clause | What the Governance Standard expects (in summary) | Requirement (“must”) | Recommended best practice (“should”) |
|---|--------|--|----------------------|--------------------------------------|
| PRINCIPLE 5: Ensuring effective financial and risk management | 3.5.1 | Board must have oversight of the organisation’s financial governance and viability. | 3 | |
| | | Board must ensure adequate resources to meet current and long-term financial commitments. | 3 | |
| | | Effective arrangements for financial accounting and reporting. | | 3 |
| | | Board may appoint a Treasurer (or person with that function). | | 3 |
| | 3.5.2 | Board should identify and manage risk. | | 3 |
| | | Board must operate a risk register. | 3 | |
| | | Board should regularly consider the risks the organisation faces, and have plans to deal with these. | | 3 |
| | 3.5.3 | Board should ensure proportionate and effective internal control systems. | | 3 |
| | 3.5.4 | Board may consider establishing an Audit & Risk Committee. | | 3 |
| PRINCIPLE 6: Complying with legal, regulatory and constitutional requirements | 3.6 | Board must ensure the organisation complies with its governing documents and all legal, compliance, regulatory and grant/funding requirements. | 3 | |
| | | Arrangements to advise whether the organisation meets its constitutional, legal, regulatory and compliance obligations. | | 3 |
| | | | | |

Appendix 2

Compliance with the Governance Standard - Tier 2 Organisations

The following table summarises the requirements of the Governance Standard. Note that the clauses referred to in the second column relate to each principle as outlined in the main document.

| Tier 2 | Clause | What the Governance Standard expects (in summary) | Requirement (“must”) | Recommended best practice (“should”) |
|---|--------|---|----------------------|--------------------------------------|
| PRINCIPLE 1: Ensuring effective leadership and direction to deliver good outcomes | 3.1 | Properly constituted and fully functioning Board. | 3 | |
| | | Effective governance arrangements in place to deliver aims and objectives. | | 3 |
| | | Board to provide vision, leadership, strategy and oversight. | | 3 |
| | | Formally recorded mission statement and vision. | | 3 |
| | | Set strategic direction and monitor progress against goals and objectives. | | 3 |
| | | Developing organisations - strategic plan. | 3 | |
| PRINCIPLE 2: Providing clarity about roles and responsibilities | 3.2.1 | List of the Board's essential functions. | 3 | |
| | | List of Board functions that cannot be delegated. | | 3 |
| | | Board meets at least four times a year and holds an Annual General Meeting. | 3 | |
| | | Board policies and procedures. | 3 | |
| | | Roles and responsibilities of Board recorded. | 3 | |
| | | Full agendas for Board meetings. | | 3 |
| | | Board decisions should be informed by quality, accurate and timely information. | | 3 |
| | | Board decisions must be recorded. | 3 | |
| | | Formal arrangements for urgent decisions between Board meetings. | | 3 |

| Tier 2 | Clause | What the Governance Standard expects (in summary) | Requirement ("must") | Recommended best practice ("should") |
|--|--------|--|----------------------|--------------------------------------|
| | | All Board members have the same legal status: one member - one vote. | 3 | |
| | | Where the organisation employs staff, operational management is delegated to them. | 3 | |
| | | Board must appoint a Company Secretary (or person with that function). | 3 | |
| | 3.2.2 | The Chair leads the Board and ensures it works effectively. | | 3 |
| | | Chair of the Board cannot be an employee of the organisation. | 3 | |
| | | Where the organisation employs staff, division of responsibilities between Chair and Chief Executive (or equivalent) must be set out. | 3 | |
| | 3.2.3 | Committees should have formal terms of reference. | | 3 |
| | | Committees should report regularly to the Board. | | 3 |
| | 3.2.4 | Where the organisation has related parties, the relationships must be recorded. | 3 | |
| | | Contractual arrangements in place governing transactions between independent legal entities. | 3 | |
| | | Board must act independently and in the interests of the organisation | 3 | |
| | | Board members must avoid conflicts of interests. | 3 | |
| | | Where social housing forms a minor part of the organisation's activity, Board should have full visibility of the housing element versus the whole of the business. | | 3 |
| PRINCIPLE 3: Building and strengthening Board effectiveness | 3.3 | Board has at least five members. | 3 | |
| | | Recommended maximum of 12 Board members. | | 3 |
| | | Maximum term for Board members is 10 years. | 3 | |
| | | Board should have appropriate skills, expertise and diversity. | | 3 |
| | | Board should have succession planning. | | 3 |
| | | Developing organisations - skills audit at least every two years. | | 3 |
| | | Board recruitment should be open and transparent. | | 3 |
| | | Board members should receive induction and training. | | 3 |
| | | Assess Board skills, competencies and effectiveness at appropriate intervals. | | 3 |

| Tier 2 | Clause | What the Governance Standard expects (in summary) | Requirement ("must") | Recommended best practice ("should") |
|---|--------|--|----------------------|--------------------------------------|
| PRINCIPLE 4: Conducting affairs with honesty and integrity, with a commitment to openness and accountability | 3.4 | Board must act in the organisation's best interests and place its interests above personal or professional interests. | 3 | |
| | | Boards should be open, transparent and accountable. | | 3 |
| | | Board must maintain highest standards of probity and conduct. | 3 | |
| | | An individual with direct material interest relating to the organisation should not be a Board member. | | 3 |
| | | Board should safeguard the organisation's reputation. | | 3 |
| | | Board should be fully informed and behave ethically, with diligence and care. | | 3 |
| PRINCIPLE 5: Ensuring effective financial and risk management | 3.5.1 | Board must have oversight of the organisation's financial governance and viability. | 3 | |
| | | Board must ensure adequate resources to meet current and long-term financial commitments. | 3 | |
| | | Effective arrangements for financial accounting and reporting. | | 3 |
| | | Formal and transparent arrangements to ensure financial viability, effective internal controls, and risk management. | | 3 |
| | | Developing organisations - strategic plans in line with business and financial plans, alongside measurable objectives. | | 3 |
| | | Board may appoint a Treasurer (or person with that function). | | 3 |
| | 3.5.2 | Board is responsible for identifying and managing the organisation's risks. | 3 | |
| | | Board must operate a risk register. | 3 | |
| | | Board should consider relevant risks at each meeting, and have plans to deal with these. | | 3 |
| | | Developing organisations - should have robust risk management framework. | | 3 |
| | | Board should determine the organisation's tolerance of risk. | | 3 |
| | | Board should have the expertise to challenge and scrutinise risk effectively. | | 3 |

| Tier 2 | Clause | What the Governance Standard expects (in summary) | Requirement ("must") | Recommended best practice ("should") |
|---|--------|--|----------------------|--------------------------------------|
| | 3.5.3 | Developing organisations - should have access to internal audit services. | | 3 |
| | | Proportionate and effective systems of internal control. | | 3 |
| | | Systems to provide assurance on organisational performance and data integrity. | | 3 |
| | 3.5.4 | Board must have a committee responsible for audit and risk. | 3 | |
| | | Audit and risk committees should have written terms of reference. | | 3 |
| | | Audit and risk committee should bring independent scrutiny and challenge. | | 3 |
| PRINCIPLE 6: Complying with legal, regulatory and constitutional requirements | 3.6 | Board must ensure the organisation complies with its governing documents and all legal, compliance, regulatory and grant/funding requirements. | 3 | |
| | | Arrangements to advise whether the organisation meets its constitutional, legal, regulatory and compliance obligations. | | 3 |

Appendix 3

Compliance with the Governance Standard - Tier 3 Organisations

The following table summarises the requirements of the Governance Standard. Note that the clauses referred to in the second column relate to each principle as outlined in the main document.

| Tier 3 | Clause | What the Governance Standard expects (in summary) | Requirement ("must") | Recommended best practice ("should") |
|---|--------|---|----------------------|--------------------------------------|
| PRINCIPLE 1: Ensuring effective leadership and direction to deliver good outcomes | 3.1 | Properly constituted and fully functioning Board. | 3 | |
| | | Effective governance arrangements in place to deliver aims and objectives. | | 3 |
| | | Board to provide vision, leadership, strategy and oversight. | 3 | |
| | | Formally recorded mission statement and vision. | | 3 |
| | | Set strategic direction and monitor progress against goals and objectives. | | 3 |
| | | Strategic plan. | 3 | |
| PRINCIPLE 2: Providing clarity about roles and responsibilities | 3.2.1 | List of the Board's essential functions. | 3 | |
| | | List of Board functions that cannot be delegated. | | 3 |
| | | Board meets at least four times a year and holds an Annual General Meeting. | 3 | |
| | | Board policies and procedures. | 3 | |
| | | Roles and responsibilities of Board recorded. | 3 | |
| | | Full agendas for Board meetings. | | 3 |
| | | Board decisions should be informed by quality, accurate and timely information. | | 3 |
| | | Board decisions must be recorded. | 3 | |

| Tier 3 | Clause | What the Governance Standard expects (in summary) | Requirement ("must") | Recommended best practice ("should") |
|--|--------|--|----------------------|--------------------------------------|
| | | Formal arrangements for urgent decisions between Board meetings. | | 3 |
| | | All Board members have the same legal status: one member - one vote. | 3 | |
| | | Where the organisation employs staff, operational management is delegated to them. | 3 | |
| | | Board must appoint a Company Secretary (or person with that function). | 3 | |
| | 3.2.2 | The Chair leads the Board and ensures it works effectively. | | 3 |
| | | Chair of the Board cannot be an employee of the organisation. | 3 | |
| | | Where the organisation employs staff, division of responsibilities between Chair and Chief Executive (or equivalent) must be set out. | 3 | |
| | 3.2.3 | Committees should have formal terms of reference. | | 3 |
| | | Committees should report regularly to the Board. | | 3 |
| | 3.2.4 | Where the organisation has related parties, the relationships must be recorded. | 3 | |
| | | Contractual arrangements in place governing transactions between independent legal entities. | 3 | |
| | | Board must act independently and in the interests of the organisation | 3 | |
| | | Board members must avoid conflicts of interests. | 3 | |
| | | Where social housing forms a minor part of the organisation's activity, Board should have full visibility of the housing element of the business versus the whole of the business. | | 3 |
| PRINCIPLE 3: Building and strengthening Board effectiveness | 3.3 | Board has at least five members, with recommended maximum of 12 members. | 3 | |
| | | Maximum term for Board members is 10 years. | 3 | |
| | | Board should have appropriate skills, expertise and diversity. | | 3 |
| | | Board should have succession planning. | | 3 |
| | | Skills audit conducted at least every two years. | | 3 |
| | | Board recruitment should be open and transparent. | | 3 |
| | | Board members should receive appropriate induction and training. | | 3 |
| | | Assess Board skills, competencies and effectiveness at appropriate intervals | | 3 |

| Tier 3 | Clause | What the Governance Standard expects (in summary) | Requirement ("must") | Recommended best practice ("should") |
|---|--------|---|----------------------|--------------------------------------|
| PRINCIPLE 4: Conducting affairs with honesty and integrity, with a commitment to openness and accountability | 3.4 | Board must act in the organisation's best interests and place its interests above personal or professional interests. | 3 | |
| | | Boards should be open, transparent and accountable. | | 3 |
| | | Board must maintain highest standards of probity and conduct. | 3 | |
| | | An individual with direct material interest relating to the organisation should not be a Board member. | | 3 |
| | | Board should safeguard the organisation's reputation. | | 3 |
| | | Board should be fully informed and behave ethically, with diligence and care. | | 3 |
| PRINCIPLE 5: Ensuring effective financial and risk management | 3.5.1 | Board must have oversight of the organisation's financial governance and viability. | 3 | |
| | | Board must ensure adequate resources to meet current and long-term financial commitments. | 3 | |
| | | Effective arrangements for financial accounting and reporting. | | 3 |
| | | Formal and transparent arrangements to ensure financial viability, effective internal controls, and risk management. | | 3 |
| | | Strategic plans should align with business and financial plans, alongside measurable objectives. | | 3 |
| | | Board may appoint a Treasurer (or person with that function). | | 3 |
| | 3.5.2 | Board is responsible for identifying and managing the organisation's risks. | 3 | |
| | | Board must operate a risk register. | 3 | |
| | | Board should consider relevant risks at each meeting, and have plans to deal with these. | | 3 |
| | | Robust risk management framework in place. | | 3 |
| | | Board should determine the organisation's tolerance of risk. | | 3 |
| | | Board should have the expertise to challenge and scrutinise risk effectively. | | 3 |
| | 3.5.3 | Independent external audit function. | | 3 |
| | | Organisations should have access to internal audit services. | | 3 |
| | | Proportionate and effective systems of internal control. | | 3 |
| | | Systems to provide assurance on organisational performance and data integrity. | | 3 |

| Tier 3 | Clause | What the Governance Standard expects (in summary) | Requirement (“must”) | Recommended best practice (“should”) |
|---|--------|--|----------------------|--------------------------------------|
| | 3.5.4 | Committee responsible for audit and risk. | | 3 |
| | | Audit and risk committee should have written terms of reference. | | 3 |
| | | Audit and risk committee should bring independent scrutiny and challenge. | | 3 |
| PRINCIPLE 6: Complying with legal, regulatory and constitutional requirements | 3.6 | Board must ensure the organisation complies with its governing documents and all legal, compliance, regulatory and grant/funding requirements. | 3 | |
| | | Arrangements to advise whether the organisation meets its constitutional, legal, regulatory and compliance obligations. | | 3 |

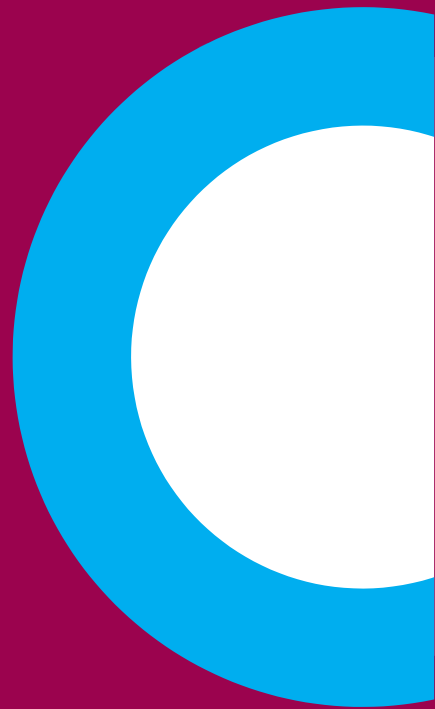
Appendix 4

Timeframe for implementation

| Applicable ⁴ | Tier Level | Assessment Framework |
|-------------------------|----------------------|----------------------|
| 2018 | Tier 3 Organisations | Pilot |
| 2019 | Tier 2 Organisations | Pilot |
| 2020 | Tier 1 Organisations | Pilot |

A guidance document to accompany the Governance Standard will be launched in January 2018. The Regulation Office will be working with organisations in 2018 to develop a pilot assessment framework. The Regulation Office will also be providing and facilitating training to organisations throughout 2018.

4. Anticipated organisations will be compliant with Standard



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