

## **SPORT NORTHERN IRELAND**

### **DISCUSSION ON THE TIMEFRAME FOR THE ACHIEVEMENT OF PE14.**

#### **1. PURPOSE OF PAPER**

1.1 The purpose of this paper is:

- to update members on progress that is being made in achieving Strategy target PE14 – ***By 2011 to ensure that all Sport Northern Ireland funded governing bodies and sporting organisations are “fit for purpose” organisations***; and
- to consider if the target requires revision in light of current progress.

#### **2. BACKGROUND**

2.1 Sound governance and management of sporting organisations is critical to the development of sport across all levels in Northern Ireland. Sport Matters: The Strategy for Sport and Physical Recreation (2009-19), identifies the development of “fit for purpose” governing bodies and sporting organisations as one of the its 26 high level targets, with the following two related actions being identified as “steps for success”:

- 1. “improving the planning, management and delivery capacity of governing bodies and sporting organisations” ; and***
- 2. embedding a high performance culture within modernised governing bodies and other organisations”.***

2.2 The baseline for PE14 was set using data from management audits on governing bodies carried out in 2007-2008, and indicated that 24% of Sport NI funded governing bodies of sport were “fit for purpose”.

2.3 Sport NI’s method of reporting progress on the achievement of PE14 continues to focus on the results of an annual governance and management audit that Sport NI undertakes of governing bodies and sporting organisations in receipt of investment through the Investing in Governing Body Plans Programme (2008-2009) and the Investing in Performance Sport Programme (2009 – 2013). On average, 34 organisations are audited by Sport NI each year, with over 30 of these being governing bodies of sport.

2.4 The main purpose of these audits is to provide an assurance to Sport NI that funded organisations (primarily governing bodies of sport) are “fit for purpose” to receive and account for public money. Sport NI recognises an organisation to be “fit for purpose” if it is operating constitutionally, is financially viable and where appropriate, can demonstrate the implementation of transparent policies and practices.

2.5 The framework of the audit has evolved over the last six years and its core emphasis is on assessing the corporate governance of organisations against best

practice principles. In addition, the operations of the organisation are also assessed under financial management, HR management and compliance with other business areas.

2.6 In undertaking the audits Sport NI utilises the principles outlined in "The Code of Good Governance" which consider the following areas:

- management committee/board leadership;
- the management committee/board's responsibilities, legal requirements and obligations;
- the effective management committee/board;
- performing, reviewing and renewing the management committee/board;
- management committee/board delegation;
- management committee/board integrity;
- management committee/board openness.

2.7 There are five stages to the audit process:

1) Pre-audit Questionnaire - requests information and evidence under each of the following key areas: Corporate Governance, Financial Management, Human Resource Management and other Business areas.

2) Sport NI Review of Pre-Audit Questionnaire - identifies key audit issues/weaknesses. This process informs the questions to be asked at the audit visit.

3) Audit Visit - enables Sport NI to conduct substantive testing and discuss any issues identified through the pre-audit questionnaire with key personnel.

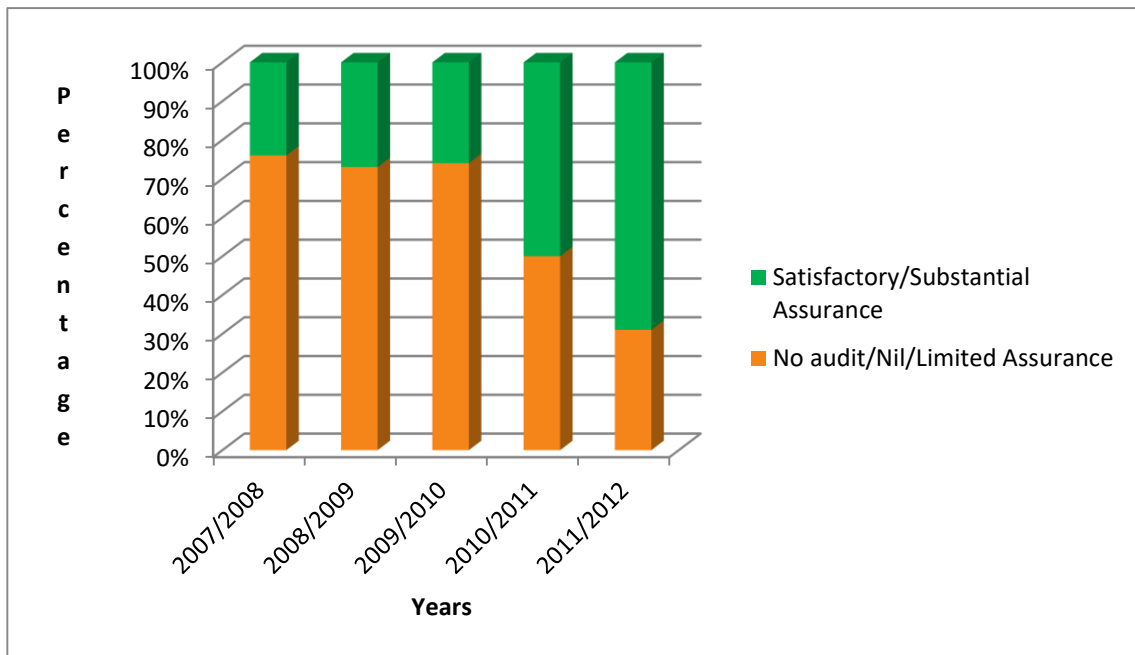
4) Review of Draft Audit Report - this is done through a peer review and by asking the organisation to provide a management response to the draft report.

5) Production of the Final Audit Report - based on the reviews the audit report is finalised and a level of assurance given to the organisation (Nil, Limited, Satisfactory, Substantial).

2.8 The assurance rating is used by Sport NI to determine how organisations can draw down public investment. In terms of reporting against PE14, and in line with the baseline, Sport NI considers that an assurance rating of "Satisfactory" or "Substantial" is an indicator that an organisation is "fit for purpose".

2.9 Following the audit process Sport NI also provides support and guidance to assist organisations in addressing the recommendations received in the audit reports.

2.10 Figure 1. outlines the assurance levels achieved each year by governing bodies/sporting organisations since the Sports Matters baseline was set in 2007/2008. The audit for 2012/2013 has just commenced and is not due to be finalised until May/June 2013.



**Figure 1. Sport NI Audit assurance ratings 2007 – 2012.**

2.11 As can be seen from Figure 1, currently 69% (24 bodies) of the organisations within the Investing in Performance Sport Programme have a satisfactory/substantial assurance rating, with 31% (11 bodies) having a limited assurance rating (8), or with no audit completed (3). The reason for audits not being undertaken on 3 bodies is due to 2 of the bodies currently re-constituting into federated structures and one new organisation has recently become funded under the Investing in Performance Sport Programme to deliver the Wheelchair Basketball programme that had been originally been delivered by Basketball NI.

2.12 From Figure 1, it is evident that PE14 has not been achieved within the timescale identified within Sport Matters, although significant progress has been made by the audited organisations in improving their governance and management systems, in particular since 2010.

### **3. ISSUES REGARDING PROGRESS AGAINST PE14**

3.1 The review of the current position regarding the achievement of PE14 raises a number of issues and questions relating to:

- the non-achievement of the target;
- the method of measuring the achievement of the target, and
- the target itself.

3.2 a) The achievement of a satisfactory/substantial assurance rating takes time as through the audit process governing bodies are required to evidence the implementation of new policies/procedures/structures and not solely confirm that they are in place. Speed in addressing the audit recommendations is influenced by the capacity within the governing bodies, the nature of the audit recommendations and the extent of other issues that the body has to address at a given time. Whilst a governing body may evidence progress between audits, the extent of progress may not be sufficient to alter the assurance rating – in particular at the levels of satisfactory and substantial assurance ratings. To that end, it could be argued that the timescale set for

PE14 was, in hindsight, unrealistic and perhaps a revised timescale for achievement should be set, if reporting against the target is to continue.

- 3.3 b) The organisations involved directly within the Investing in Performance Sport Programme have altered over the 2009 – 2012 period with 2 organisations withdrawing from the Programme, two awards being split across two organisations to ensure effective delivery, and in some cases accountability for investment moving from a branch to the National Governing Body. This has led to a degree of fluidity in the organisations being audited and has influenced the length of time organisations have been involved in the audit process. There will be further change when Performance Focus (2013 – 2017) commences in April 2013, as a few new, and to date unaudited, organisations are due to receive investment. This variability is adding to the time required to achieve PE14 and will also have implications for maintaining the target once achieved.
- 3.4 c) The annual governance and management audits have only included those bodies that are funded within the Investing in Performance Sport Programme (2009 – 2013). Sport NI intends to continue to annually audit the 35 organisations that are due to receive investment through Performance Focus (2013 – 2017).

Financial health checks are also used by Sport NI to assess “fitness for purpose” to receive and account for investment through other Sport NI programmes. The decision to do a financial health check is usually informed by the scale and nature of the proposed/confirmed investment and Sport NI being made aware of any issues that may pose a risk to a particular investment or project. A health check will normally only be undertaken once rather than on an annual basis.

It is therefore extremely unlikely that Sport NI will ever be in a position to report on the “fitness for purpose” of **all** of its funded organisations, as currently required within PE14. The cost to Sport NI of auditing all the organisations it funds would also be prohibitive and would not be considered value for money, given the size and one off nature of many investments.

- 3.5 d) It could also be questioned whether the definition of “fit for purpose” used by Sport NI in its audit process is the same as that intended when the term was used within Sport Matters. The wording of the “key steps for success” alluded to at the start of the paper would indicate that a broader interpretation of “fit for purpose” has been used within the strategy.

#### **4. PROPOSED WAY FORWARD FOR PE14**

- 4.1 Having considered the progress made in PE14 it is evident that, in hindsight, the target year set for its achievement was unrealistic, the wording of the target appears over ambitious and there are potentially some limitations in scope of the current method of measurement. As it stands, the current PE14 cannot be achieved and therefore consideration needs to be given to whether reporting against the target should cease or if the target should be revised.

4.2 It could also be argued that Sport NI's comprehensive annual governance and management audit of a reasonably consistent @35 voluntary sports organisations that are part of a longterm (four year) investment programme, provides a valuable robust and consistent indicator for sporting organisations reaching a defined level of "fitness for purpose".

4.3 It is therefore proposed for discussion purposes that:

- the existing limitations in the scope and application of the current measurement system are accepted and that the current approach to the measurement of PE 14 (Sport NI's annual governance and management audit) continues for the duration of Sport Matters;
- To ensure the continued relevance of this target, the timescale for its achievement is changed to a date in the future. Some proposals for consideration include:
  - 2015 , which would give those organisations that are new to the audit process in 2013, or are currently rated with limited assurance, a two year period to address any weaknesses within their governance and management systems, whilst still maintaining a sense of urgency;
  - 2017, which would be the conclusion of the Performance Focus investment cycle, or
  - 2019, the conclusion of the Strategy.
- The wording of the target is revised to accurately reflect:
  - what Sport NI considers is valuable to measure;
  - what Sport NI has the capacity to measure on an ongoing basis, and
  - the need to maintain "fitness for purpose" once it is achieved.

4.4 Therefore Sport NI would propose the following wording of the PE14 for consideration by the Performance Sport Matters Implementation Group, at the meeting on 28<sup>th</sup> February:

***"By March 2015, to ensure that governing bodies and sporting organisations in receipt of long term revenue investment through Sport NI are "fit for purpose" organisations, and continue to be "fit for purpose" throughout the lifespan of the strategy.***