



Northern Ireland Audit Office

# Governance issues in Sport Northern Ireland



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
11 March 2020





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Published 11 March 2020



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K J Donnelly  
Comptroller and Auditor General

Northern Ireland Audit Office  
11 March 2020

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# Abbreviations

<b>ALB</b>	Arm's Length Body
<b>CEO</b>	Chief Executive Officer
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>DCAL</b>	Department of Culture, Arts and Leisure
<b>DfC</b>	Department for Communities
<b>DFP</b>	Department of Finance and Personnel
<b>DoF</b>	Department of Finance
<b>DRD</b>	Department for Regional Development
<b>DSO</b>	Departmental Solicitor's Office
<b>HR</b>	Human Resources
<b>IEL Team</b>	Interim Executive Leadership Team
<b>LRA</b>	Labour Relations Agency
<b>NI</b>	Northern Ireland
<b>NIAO</b>	Northern Ireland Audit Office
<b>NICS</b>	Northern Ireland Civil Service
<b>PAR</b>	Project Assessment Review
<b>PPE</b>	Post Project Evaluation
<b>SINI</b>	The Sports Institute for Northern Ireland
<b>UK</b>	United Kingdom

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# Executive Summary

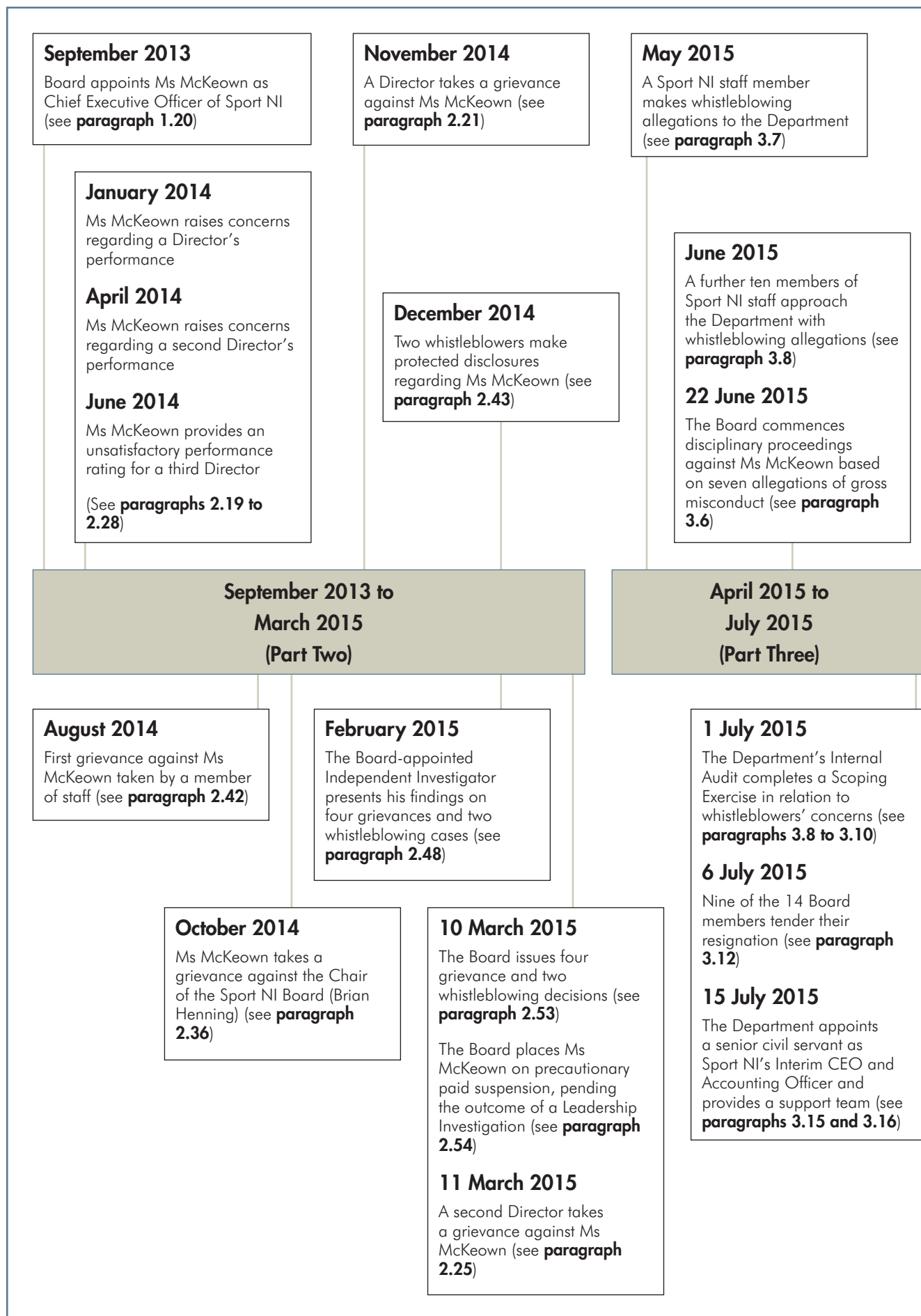
## Introduction

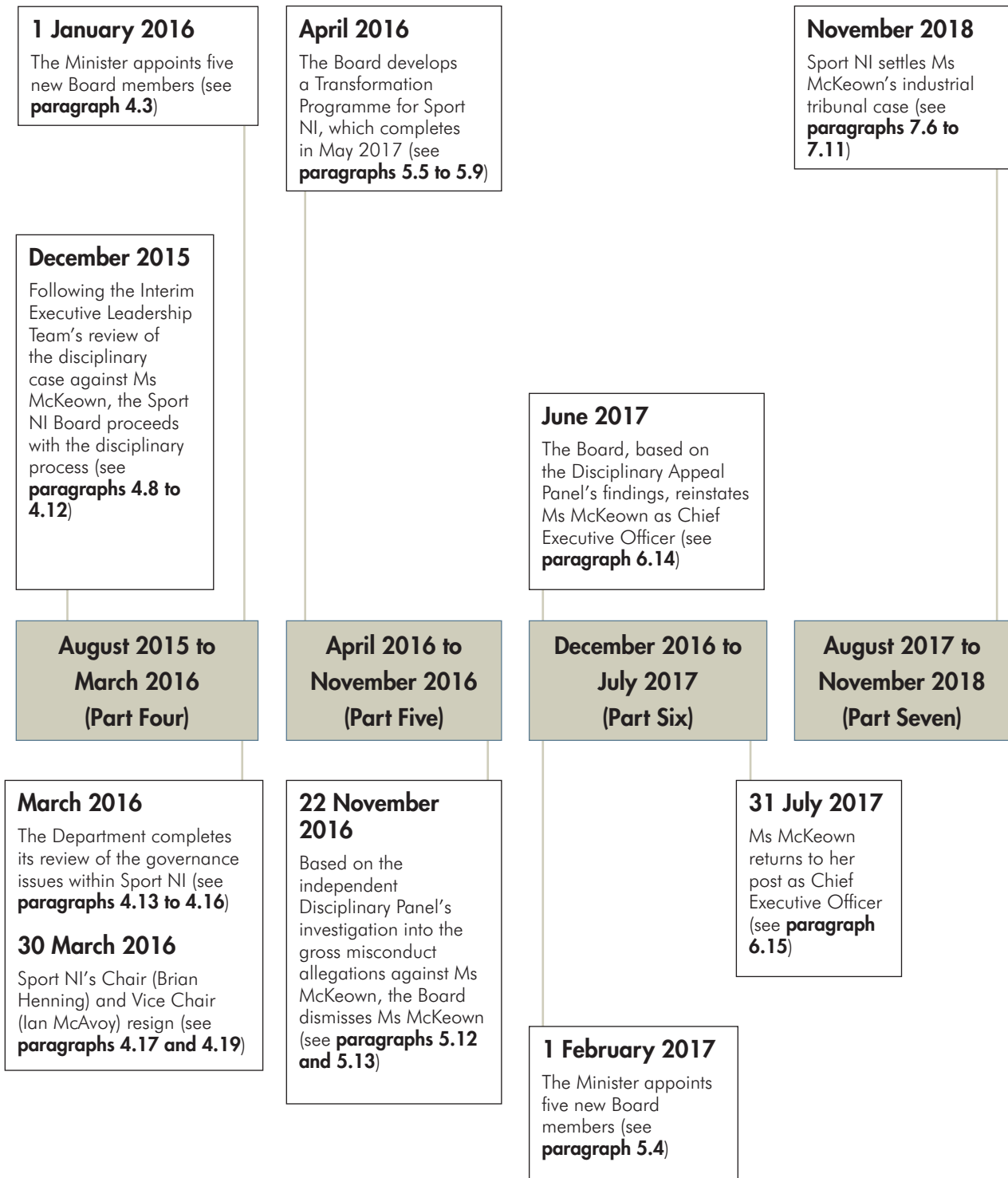
1. The Sports Council for Northern Ireland (referred to as Sport NI in this report) was established under the provisions of the Recreation and Youth Service (Northern Ireland) Order 1973<sup>1</sup> for the furtherance of sport and physical recreation.
2. Sport NI is a non-departmental public body and is currently sponsored by the Department for Communities. Prior to 9 May 2016, Sport NI was sponsored by the Department of Culture, Arts and Leisure.
3. Sport NI's Board appointed Antoinette McKeown as Chief Executive Officer, effective from 2 September 2013, and she was formally designated as Accounting Officer by the Department of Culture, Arts and Leisure on 9 September 2013.
4. In February 2015, an independent investigator appointed by Sport NI's Board presented his findings of a review of a grievance raised by Ms McKeown against the Board Chair, Brian Henning; three grievances raised by staff in respect of Ms McKeown; and two whistleblowing allegations concerning Ms McKeown. In March 2015, following consideration of the Independent Investigator's findings and legal advice, Sport NI's Board placed Ms McKeown on precautionary suspension, pending the outcome of a leadership investigation. A timeline of events, covering the period September 2013 to November 2018, is at **Figure 1** on pages 4 and 5.
5. In June 2015, following the completion of the leadership investigation, Sport NI's Board commenced disciplinary action against Ms McKeown based on seven allegations of gross misconduct. The Board appointed an independent Disciplinary Panel to hear the case. Following investigation, the Disciplinary Panel upheld five of the seven allegations against Ms McKeown and recommended that she be dismissed. Following legal advice, on 22 November 2016, the Board advised Ms McKeown of its decision to dismiss her on the grounds of gross misconduct, subject to appeal.
6. Ms McKeown lodged an appeal against the dismissal decision and an independent Appeal Panel was subsequently appointed by the Sport NI Board. The Appeal Panel concluded that the findings of the Disciplinary Panel were unsafe and that the evidence, on the balance of probabilities, did not support the upholding of the allegations against Ms McKeown. Of the appellant's nine grounds of appeal, the Appeal Panel fully upheld four, partly upheld one, did not uphold three and dismissed one as it was not in the remit of the appeal. I have noted some concerns with the review undertaken by the Appeal Panel.
7. Following consideration of the Appeal Panel's report and, having sought legal advice, the Sport NI Board overturned its decision to dismiss Ms McKeown. Ms McKeown returned to work as Chief Executive Officer of Sport NI on 31 July 2017.

<sup>1</sup> Since replaced by the Recreation and Youth Service (Northern Ireland) Order 1986.

8. In February 2017, Ms McKeown submitted a claim to the Office of the Industrial Tribunals and the Fair Employment Tribunal against Sport NI and the Department for Communities for unfair dismissal and discrimination on the grounds of gender and religious belief or political opinion. She subsequently withdrew the unfair dismissal allegation against Sport NI and all allegations against the Department for Communities. However, she continued with her claim against Sport NI for discrimination on the grounds of gender and religious belief or political opinion and in November 2018, Sport NI settled Ms McKeown's discrimination case for £25,000.
9. Membership of the Sport NI Board has changed significantly in recent years, ranging from fourteen members at the start of 2015 to five in July 2015, following the resignation of nine Board members. Whilst advisors and additional members were subsequently recruited, numbers reduced again to eight following the resignation of the Chair and Vice-Chair in March 2016. The Board currently has nine members, including a Chair and Vice-Chair.
10. Given the seriousness of the governance issues at Sport NI and the impact on operations, the Comptroller and Auditor General decided to prepare a report into the handling of the issues to ensure lessons could be learnt.
11. The circumstances outlined above and detailed in this report, including changes in the composition of the Sport NI Board, meant the focus of
- the Board and senior staff, as well as Sport NI resources, were diverted away from routine activities, including timely completion of Sport NI's financial statements. As there was a strengthening of the Sport NI Board in February 2017 and Ms McKeown had returned as Chief Executive Officer on 31 July 2017, we anticipated an increasing return to routine Sport NI business, and that the completion of Sport NI financial statements would begin to return to a normal footing later in 2017. This did not occur and in 2018 the financial statements for 2014-15, 2015-16 and 2016-17 were all in a backlog position.
12. In preparing this report we have sought contributions from both the Department for Communities and Sport NI. By convention these contributions are provided by Accounting Officers. In this case, I asked the Board to respond on behalf of Sport NI. This reflected two issues:
- Asking the current Chief Executive / Accounting Officer (Ms McKeown) to lead on Sport NI input would have prompted a potential conflict of interest on those matters where the Chief Executive Officer's personal interests had been directly opposed to the interests of Sport NI, for example, the Sport NI disciplinary process against the Chief Executive Officer.
  - For a substantial period covered by this report (10 March 2015 to 30 July 2017), the Chief Executive Officer was first suspended and then dismissed from her post.
-

Figure 1 - Timeline of events in Sport NI: September 2013 to November 2018





## Executive Summary

13. For the purposes of this report Ms McKeown has been regarded as a third party. Relevant extracts of the report were provided to her for comment from her personal perspective. A number of other third parties, either named or identifiable from the report, also received copies of extracts relevant to them for comment.

### Conclusions

14. Departmental and Sport NI reviews undertaken prior to 2014 identified the need for significant transformation of Sport NI prior to Ms McKeown's appointment. Ms McKeown told us that she instigated a transformation strategy on taking up post. There is, however, no evidence to support what transformation objectives had been set by Sport NI for Ms McKeown and no evidence that the Department checked to see if such objectives were in place. Sport NI's Board did not commence a comprehensive transformation programme until requested to do so by the Minister in 2016. The NIAO considers it is important that where the need for transformation within an organisation is identified, those involved in managing this process should have a clear understanding of their role and the required outcomes. The Board and the sponsor department both have a key role to play in the transformation, in both establishing objectives and providing guidance on their successful delivery.
15. Relationships between Ms McKeown and Sport NI Directors and Ms McKeown and the Board Chair, Mr

Henning, broke down within 18 months of her appointment. Although evidence of the breakdown is clear, what is less clear is evidence to support the reasons for the breakdown. There is no record of key discussions and an inconsistent adherence to Sport NI performance assessment procedures. As Accounting Officer, the Chief Executive Officer has a key role in the governance of an Arm's Length Body. Where an Accounting Officer has evidence that they are not being supported by the Board, the Accounting Officer must bring this matter immediately to the attention of the sponsor department. The NIAO considers it important that where there is a breakdown in relationships between senior personnel within any organisation, these are resolved quickly and decisively. It is unacceptable that the resolution of issues arising from relationship breakdowns within Sport NI were allowed to drift for four years, distracting Sport NI from its core business.

16. Both Sport NI and the Department incurred significant costs in dealing with the governance issues arising within Sport NI. The NIAO also incurred additional audit costs due to account completion issues within Sport NI. Whilst it is not possible to quantify all costs incurred, we estimate that the additional cost to the public purse is almost £1.5 million up to 31 March 2019. The costs incurred by Sport NI were borne from the organisation's existing budget, thus consuming resources which should have



been addressing Sport NI's corporate objectives.

17. Preparing financial statements to an acceptable standard and on a timely basis is a key governance requirement, as these provide accountability for the funds made available to Sport NI by the Department. The fact that Sport NI has not been able to return its preparation of financial statements to the expected standards and timetable since the return of the Chief Executive Officer is concerning. For any organisation where financial statements remain in backlog, this is a clear governance issue which should be a priority for Accounting Officers, Arm's Length Bodies' Boards and sponsor departments.
18. Good record keeping is essential in the public sector in order to support accountability. Complete and accurate records should be retained by all bodies, recording decisions made and actions taken. However, Sport NI fell far below the accepted standard of public record keeping and the NIAO noted significant gaps in documentation around key areas of governance, including the setting of agreed objectives for the Chief Executive Officer when she took up post.
19. Given the range of governance issues, extending over a number of years, Sport NI might reasonably have found it difficult to achieve the majority of its targets/key performance indicators (KPIs) and cope with the additional costs noted above. However, this was not the case, suggesting that the targets/KPIs set were not sufficiently challenging or that
- the Board's diversion from governance matters had little or no detrimental impact on Sport NI's performance at operational and strategic level.
20. Prior to their update in December 2018, the Board Standing Orders stated that it would normally meet at least six times a year. However, the Board had to hold additional meetings to consider the personnel and governance issues arising. Twenty two meetings involving Board members took place in 2016-17. Apart from the Chair and Vice Chair who were paid for two days per month, increasing to two days per week from February 2017, Sport NI Board members are unpaid.
21. I welcome the improvement in the objective-setting procedures that applied to the Chief Executive Officer on her return to post and acknowledge that Sport NI has prepared a lessons learnt paper on its backlog accounts. However, this report reflects fundamental failings in the governance of Sport NI over a sustained period, failings which are estimated to have cost £1.5 million and diverted Sport NI from focusing on the furtherance of sport and physical recreation.
22. There are wider lessons for sponsor departments and Arm's Length Bodies from the governance issues within Sport NI that have been noted in this report. Relationships between the Board, the Chief Executive Officer and Senior Management are key if an Arm's Length Body is to operate effectively. Objectives and priorities

## Executive Summary

should be clearly established, as should respective roles in their delivery. Signs of relationship breakdown within senior levels at an Arm's Length Body should be addressed by the body's Board as a corporate governance priority.

23. Sponsor departments should have sufficient oversight to ensure that

an Arm's Length Body is clear in its objectives and priorities and that these reflect Ministerial priorities. When any issue, such as relationship breakdown, threatens the effective operation of an Arm's Length Body, sponsor departments must be proactive in assessing the situation and taking appropriate action.

## Findings and Recommendations

Finding	Recommendation
<p>A Board member who was involved in the recruitment process for the Chief Executive Officer of Sport NI post subsequently applied for the job.</p>	<p><b>Recommendation 1</b></p> <p>We recommend that public sector Boards, when considering making appointments to senior posts in their organisation, establish if any member is considering applying. Given the very clear conflict of interest, steps should be taken to ensure that such members are not involved in the appointment process in any way (see <b>paragraph 1.19</b>).</p>
<p>There is no documentary evidence to determine the management framework set for the Chief Executive Officer.</p>	<p><b>Recommendation 2</b></p> <p>We recommend that all documentation relevant to a Chief Executive Officer's aims and objectives, probation and performance assessment are completed in accordance with relevant Human Resources policy requirements and that these are retained by the Arm's Length Body Board (see <b>paragraph 2.5</b>).</p>
<p>There is no evidence to support what transformation objectives had been set for the Chief Executive Officer by the Board and that the Department had checked to establish the appropriateness of the objectives which had been set.</p>	<p><b>Recommendation 3</b></p> <p>We recommend that sponsor departments formally advise the Board of the Arm's Length Body of any aims and objectives that they require to be set for the Chief Executive Officer, including transformation objectives, following the appointment of a new Chief Executive Officer (see <b>paragraph 2.6</b>).</p>

Finding	Recommendation
<p>The recruitment process for a Transformation Facilitator did not follow Sport NI's recruitment policy and procedures.</p>	<p><b>Recommendation 4</b></p> <p>We recommend that all director and senior management recruitment exercises conducted by Arms' Length Bodies should follow their prescribed recruitment procedures, including establishing the specific requirements of the Arm's Length Body and linking these requirements to the resulting recruitment process (see <b>paragraph 2.15</b>).</p>
<p>There is no evidence that the Chief Executive Officer's performance concerns regarding three Directors had been raised with the Sport NI Board.</p>	<p><b>Recommendation 5</b></p> <p>We recommend that where Chief Executive Officers have concerns with the performance of senior staff, the Arm's Length Body's Board is alerted promptly and provided with appropriate supporting information. This will ensure that the Board has oversight of senior staff performance issues and an early warning of a potential breakdown in relationships before it impacts on the running of the organisation (see <b>paragraph 2.31</b>).</p>
<p>Although the Department's Permanent Secretary was aware of difficulties in the Chief Executive Office/Chair relationship, the sponsor branch within the Department was unaware of the issue.</p>	<p><b>Recommendation 6</b></p> <p>We consider the relationship between the Chief Executive Officer and the Chair vital in ensuring an Arm's Length Body meets the Minister's aims and priorities. Therefore, we recommend that sponsor departments monitor the strength of this relationship as part of their sponsor responsibilities and that they are more pro-active when aware of problems in this relationship, offering mediation and guidance where required (see <b>paragraph 2.40</b>).</p>
<p>Sport NI's Board asked an Independent Investigator to examine grievances and whistleblowing allegations. However, the Board did not agree formal terms of reference for the work.</p>	<p><b>Recommendation 7</b></p> <p>We recommend that terms of reference are established for grievance investigations, which are clear, focused, state the remit of the investigation and provide a timetable for completion. In addition, all independent investigators appointed should be suitably qualified and preferably registered with the Labour Relations Agency (see <b>paragraph 2.46</b>).</p>

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Finding	Recommendation
<p>Although the Department appointed an Interim Accounting Officer, it did not withdraw the Chief Executive Officer's Accounting Officer designation while she was suspended.</p>	<p><b>Recommendation 8</b></p> <p>We recommend that sponsor departments ensure that there are no occasions when more than one person is designated with the personal responsibilities of an Accounting Officer. When an Accounting Officer is suspended and therefore unable to fulfil their duties, their Accounting Officer designation should be immediately withdrawn (see <b>paragraph 2.61</b>).</p> <p><b>Recommendation 9</b></p> <p>We recommend that where an Arm's Length Body's Board is considering the suspension of the Chief Executive Officer, the sponsor department is made aware of this in advance. Sufficient time should be allowed to enable the department to withdraw the Accounting Officer designation and appoint an interim Accounting Officer (see <b>paragraph 2.62</b>).</p>
<p>The Sport NI Board did not set terms of reference for the appeal process.</p>	<p><b>Recommendation 10</b></p> <p>We recommend that terms of reference are established prior to any grievance appeal process commencing (see <b>paragraph 6.17</b>).</p>
<p>Sport NI has not been able to return its preparation of financial statements to the expected standards and timetable.</p>	<p><b>Recommendation 11</b></p> <p>Sport NI should ensure that it has the appropriate resources and skills to prepare financial statements to an acceptable standard and on a timely basis. Financial statements must be reviewed by Sport NI (including its Audit and Risk Assurance Committee) prior to submission for audit (see <b>paragraph 8.10</b>).</p>
<p>Despite the governance issues arising, Sport NI achieved the majority of its targets/Key Performance Indicators in the five years ending 31 March 2017.</p>	<p><b>Recommendation 12</b></p> <p>We recommend that the Department for Communities should undertake a review of Sport NI's Key Performance Indicators, to ensure that they are suitably challenging (see <b>paragraph 8.26</b>).</p>

Finding	Recommendation
<p>The frequency of Sport NI Board meetings increased to reflect governance issues. However, apart from the Chair and Vice Chair who were paid for two days per month, increasing to two days per week from February 2017, Sport NI Board members are unpaid.</p>	<p><b>Recommendation 13</b></p> <p>We recommend that departments should ensure that in cases where an Arm's Length Body's Board members are unpaid, they are fully aware of the expected time commitment that will be required before taking up an appointment. Departments should consider if unpaid Arm's Length Body Board members can provide the time commitment required to undertake their full responsibilities when serious issues within an Arm's Length Body inevitably increase the workload of Board members (see <b>paragraph 8.30</b>)</p> <p><b>Recommendation 14</b></p> <p>The Department should consider the effectiveness of Arm's Length Bodies' Boards, taking into account the NIAO's 'Board Effectiveness - A Good Practice Guide' and ensure that Board effectiveness evaluations are carried out annually, with independent input at least once every three years in accordance with HM Treasury's 'Corporate governance in central government departments: code of good practice' (see <b>paragraph 8.31</b>).</p>



# Part One:

Background and introduction

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## Part One:

### Background and introduction

#### Sport NI structure and purpose

- 1.1 The Sports Council for Northern Ireland (referred to as Sport NI in this report) was established on 31 December 1973 under the provisions of the Recreation and Youth Service (Northern Ireland) Order 1973<sup>2</sup>. Its main objective is the furtherance of sport and physical recreation.
- 1.2 As a non-departmental public body, Sport NI operates at arm's length from its sponsor department (the Department) which is currently the Department for Communities (DfC). Prior to 9 May 2016, Sport NI was sponsored by the Department of Culture, Arts and Leisure (DCAL).
- 1.3 Sport NI has annual expenditure of over £22 million, of which 47 per cent is financed by grant-in-aid from the Department and 45 per cent from National Lottery funding<sup>3</sup>.
- 1.4 The Departmental Minister appoints the Sport NI Board (the Board), normally for a period of four years. The Board has corporate responsibility for ensuring that Sport NI fulfils the aims and objectives set by the Department and approved by the Minister, and for promoting the efficient, economic and effective use of staff and other resources by Sport NI. The Board receives and reviews regular financial information concerning the management of Sport NI; is informed of any concerns about the activities of Sport NI in a timely manner; and provides positive assurance to the Department that

appropriate action has been taken on such concerns.

- 1.5 Apart from the Chair and Vice Chair, Board members are unpaid. Since February 2017, the Chair and Vice Chair have been paid for two days' work per week. Prior to this, they were paid for two days' work per month.
- 1.6 The Board appoints, with the Department's approval, the Chief Executive Officer (CEO). The CEO is designated as Sport NI's Accounting Officer by the Departmental Accounting Officer. As Accounting Officer, the CEO is personally responsible for safeguarding the public funds given to Sport NI; ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of Sport NI.
- 1.7 The 111 staff in Sport NI (as at 31 March 2019) operate within three directorates, each headed by a Director (see **Figure 2**).

#### Sport NI reviews prior to 2014

- 1.8 Following the collapse of the Northern Ireland Events Company in 2007<sup>4</sup>, the Department reviewed its Arm's Length Bodies' (ALBs) governance and sponsorship arrangements. The review, published in May 2008, concluded that overall sponsorship arrangements were weak, for example:
- There was a general lack of knowledge and expertise within the

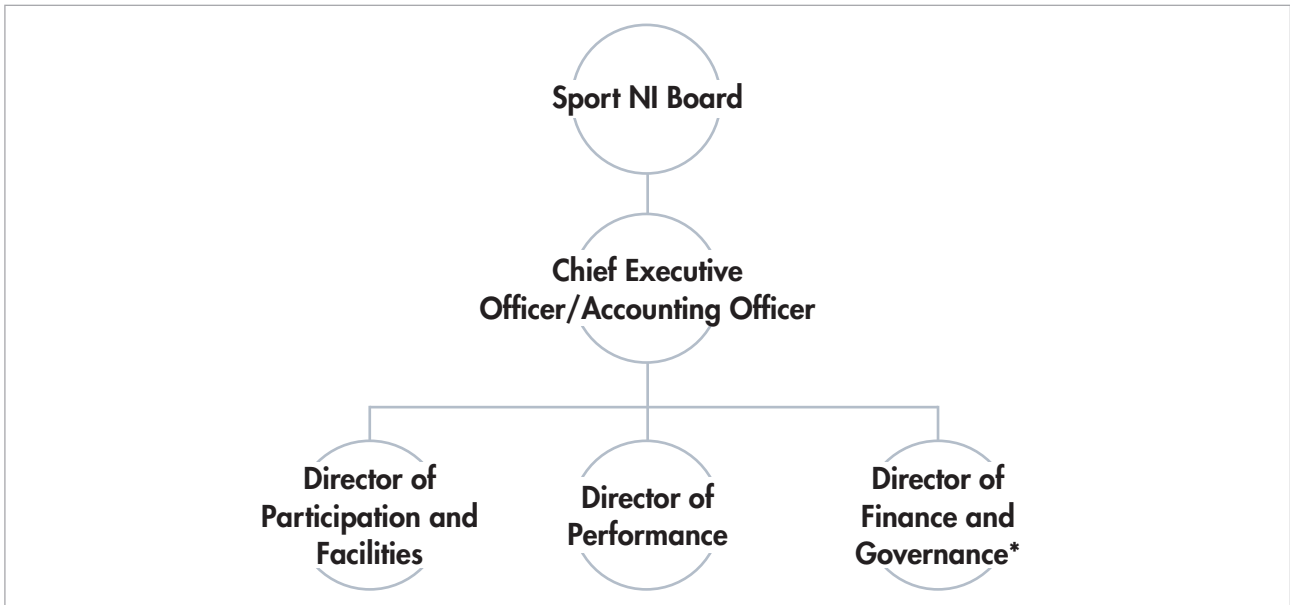
2 Since replaced by the Recreation and Youth Service (Northern Ireland) Order 1986.

3 Lottery activities are reported separately by Sport NI in accordance with the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998).

4 On 29 September 2015, the NIAO published a report, 'Northern Ireland Events Company', available at Northern Ireland Events Company | Northern Ireland Audit Office.



**Figure 2: Structure of Sport NI (June 2019)**



\* Formerly the Director of Sport Management Services

Source: NIAO

- Department of ALB business areas, resulting in an inability to add value or challenge corporate plans.
- The Department’s sponsor branches had insufficient skills to discharge many of the more complex financial related tasks and had not been given sufficient support from the Department’s finance branch.
  - The public appointments process undertaken by the Department was not providing the ALB Boards with a suitable range of skills.
- 1.9 A Departmental review of governance arrangements within Sport NI in 2011 identified a number of issues, including:
- roles of the Chair, the Board and the CEO were not fully understood and discharged;
  - weaknesses in management processes; and
  - performance and value for money issues.
- 1.10 The review also identified serious issues regarding the management of a number of capital programmes.
- 1.11 Whilst a Board-commissioned review in 2012 found Sport NI to be an organisation with many strengths, it made 34 recommendations relating to:
- roles and responsibilities;
  - accountability and actions; and
  - relationships and communications.
- 1.12 In response, an action plan was agreed by the Board, progress reports were presented and all recommendations were subsequently implemented.

## Part One:

### Background and introduction

1.13 A Departmental review of its ALBs undertaken in 2012 noted that Sport NI had implemented an action plan which addressed issues raised in the Department's 2011 review (see **paragraph 1.9**).

1.14 An NIAO report<sup>5</sup> published in December 2013 in relation to Sport NI's role in the development of sports facilities at St Colman's College, Newry, identified a number of issues, including that project costs were underestimated and the business case contained erroneous statements which, cumulatively, may have impacted on Sport NI's decision to award funding to the project.

### Recruitment of a Chief Executive Officer

1.15 Eamonn McCartan was appointed Sport NI CEO in June 1994. Following his retirement on 31 October 2012, the Board commenced a recruitment process for a new CEO in December 2012.

1.16 On 6 March 2013, two days after the closing date for applications, Sport NI received a 'formal concern' from a candidate regarding the CEO recruitment exercise. The candidate alleged that one of the other candidates was a Board member who had been involved in Board meetings, including meetings with the Department that discussed and agreed the job description and specification.

1.17 The Board member involved had submitted their application for the CEO

post while still a Board member. The Sport NI Members' Code of Conduct requires that members:

- must ensure that no conflict arises, or could reasonably be perceived to arise, between public duties and private interests – financial or otherwise; and
- should not participate in a discussion or determination of a matter where the interest might suggest a danger of bias.

1.18 In applying for the CEO post, the Board member involved had a clear conflict as the appointment was being made by the Board. Sport NI dealt with the concern in line with its grievance procedures. Legal advice was sought and considered. On 21 March 2013, the then Chair (Brian Henning, who had been appointed as Chair in December 2012) informed the Board that the member involved had resigned, with immediate effect. The Board member told the NIAO that he accepted that it may not have been seen to be appropriate to have submitted an application for the role, and that he resigned for "external reasons".

#### 1.19 **Recommendation 1**

We recommend that public sector Boards, when considering making appointments to senior posts in their organisation, establish if any member is considering applying. Given the very clear conflict of interest, steps should be taken to ensure that such members are not involved in the appointment process in any way.

5 'Sport NI's Project Management and Oversight of the St Colman's Project', available at <https://www.niauditoffice.gov.uk/publication/sport-nis-project-management-and-oversight-st-colmans-project>.

- 1.20 Sport NI halted and re-launched the CEO recruitment exercise during May 2013. The Board member did not re-apply. Following shortlisting and interviews, the Board appointed Antoinette McKeown as CEO in June 2013. Ms McKeown took up post on 2 September 2013 and was formally designated as Accounting Officer by the Department on 9 September 2013.
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## Part Two:

### September 2013 to March 2015 – Ms McKeown’s appointment as Sport NI’s Chief Executive Officer until her suspension

2.1 This part of the report highlights the events during the period September 2013 to March 2015, prior to the suspension of the CEO, Ms McKeown.

#### Ms McKeown takes up post as CEO of Sport NI

2.2 The Department was represented on the recruitment panel and approved the appointment of Ms McKeown. In addition, the Departmental Accounting Officer met with Ms McKeown in September 2013 following her appointment as Accounting Officer. The Department told us that current practice is for the Departmental Accounting Officer to meet any newly appointed Accounting Officer, together with their Chair and the Chair of the organisation’s Audit and Risk Assurance Committee, to explain the requirements of the Accounting Officer role.

2.3 In accordance with Sport NI’s Management Statement and Financial Memorandum, Ms McKeown, as CEO and Accounting Officer, is responsible for implementing the strategic vision, policy and direction of Sport NI and for ensuring that the organisation meets the objectives and targets set out in the Corporate and Business plans. These responsibilities comprise:

- **Leadership:** the creation of a strong, highly motivated and performance focused team which works to achieve the organisation’s aims and objectives;

- **Governance and Strategic Management:** compliance with the Nolan Principles of Public Life<sup>6</sup> and other frameworks for probity and good governance;
- **Resource Management and Financial Accountability:** being personally responsible for ensuring that the appropriate financial procedures, controls and structures are in place for the effective, efficient and economical management, securing and allocation of public funds and review of their effectiveness;
- **Human Resources:** developing and enhancing effective teamwork within the Senior Management Team and throughout the organisation to ensure the effective management of the organisation; initiating organisational change and improvement to sustain high levels of organisational performance; and
- **External Links and Partnerships:** representing the organisation on external committees and working groups to promote Sport NI and influence policy.

2.4 We noted that the Sport NI Chair (Mr Henning), as line manager and in accordance with Sport NI’s Human Resources policies, conducted a formal induction of Ms McKeown on 5 September 2013. However, copies of Ms McKeown’s forward work plan, her probationary review, and performance appraisals were not retained on file by

<sup>6</sup> The 7 principles of public life - GOV.UK, commonly known as the Nolan principles, apply to anyone who works as a public office-holder. The seven principles are: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

Sport NI. We would have expected these documents to reflect the general requirements of Sport NI's Management Statement and Financial Memorandum and specific issues noted in the Sport NI governance reviews outlined in Part One. There is no evidence to determine what management framework was set for Ms McKeown by the Chair (Mr Henning) and that it was clearly understood by both parties.

#### 2.5 **Recommendation 2**

We recommend that all documentation relevant to a Chief Executive Officer's aims and objectives, probation, and performance assessment are completed in accordance with relevant Human Resources policy requirements and that these are retained by the ALB Board.

#### 2.6 **Recommendation 3**

We recommend that sponsor departments formally advise the Board of the Arm's Length Body of any aims and objectives that they require to be set for the Chief Executive Officer, including transformation objectives, following the appointment of a new Chief Executive Officer.

2.7 Ms McKeown told us that, following her appointment as CEO, she made it a priority to assess the current state of Sport NI, drawing from internal and external perspectives. She met key stakeholders, governing bodies, and other sports organisations. A range of issues, challenges and opportunities

for Sport NI were identified and Ms McKeown proposed a transformation strategy known as 'Project Pitch Perfect' to address three key areas:

- culture;
- strategy; and
- systems, processes and IT.

2.8 This Project aimed to implement change across Sport NI to ensure that business activities were appropriately focused on delivering for stakeholders. The Board was presented with regular updates on the Project's progress.

### **Board effectiveness review**

2.9 In addition to reviews commissioned by Ms McKeown, in line with HM Treasury guidance<sup>7</sup> a board effectiveness workshop took place in September 2014 to enable the Sport NI Board to benchmark its performance against the best practice standards of a high performing board. As well as identifying areas where the Board was performing well, several areas for improvement were identified, including:

- a perception of a lack of openness and transparency in management reporting problems or potential issues to the Board at an early stage;
- the need for more detailed financial and performance information on higher risk business areas; and
- Board papers were sometimes too long and not sufficiently focussed.

<sup>7</sup> Corporate governance in central government departments: code of good practice.

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2.10 We asked Sport NI what action had been taken to address the areas for improvement identified. The Sport NI Board advised that “In response to this review, the Board led on the development and delivery of an action plan. The delivery of this plan resulted in various enhancements, including the articulation by the Board of its risk appetite, appointment of a Board Secretary and the recruitment of new members to the Board of Sport NI.” Several former Board members also referred to the health check of the framework of governance commissioned by the Board in June 2015, which included a review of progress since the review undertaken in 2012 (see **paragraph 1.11**). This health check concluded that Sport NI had given priority to improving governance and had invested resources to strive for improvements. It identified that, while minor enhancements could be made, the main governance directives (systems, policies and procedures) were in place.

#### **Sport NI recruited an additional temporary director to take forward a transformation programme**

2.11 In June 2014, Ms McKeown advised the Board of the need for a Transformation Facilitator at director level for 12 months. She indicated that the delivery of the Project Pitch Perfect (see **paragraph 2.7**) risked her and the Executive Team<sup>8</sup> being distracted from delivery of the Sport NI Operating Plan during the period of change. The Board approved the post.

2.12 Ms McKeown and the Director of Sport Management Services prepared the job description, the job specification, the application form and interview questions. However, the job description and other documents held by Sport NI were not signed and dated to show agreement and approval by the Board. In addition, the business case was not retained by Sport NI and there is no evidence that Sport NI sought the approval of the Department for this post. We asked the Sport NI Board whether it had approved the appointment of the successful applicant, who took up post on 1 October 2014, as required by the Management Statement and Financial Memorandum. The Sport NI Board advised us that it was unable to trace the Board’s record of approval.

2.13 A review<sup>9</sup> of the Transformation Facilitator recruitment process concluded that it should have been more challenging for a Director post and that the essential criteria specified did not include the responsibilities required for the post, notably, leading and facilitating change within the organisation. The review also found a greater number of essential criteria had previously been required for a lower grade post within Sport NI. The review noted that “without having an in depth knowledge of the post requirements, our observation, made at face value, is that this could be a sign of restricting the criteria as the organisation may have had persons in mind”. The Director of Sport Management Services advised the NIAO that he “was not asked any

8 The Executive Team includes the CEO and Directors.

9 Undertaken by the Interim Executive Team – see **Paragraph 3.14**.



questions/interviewed or asked to provide any documentation to the Interim Executive Leadership Team in relation to their investigation of the recruitment process". He added that "I did not go into this process with a particular 'person in mind' for the post". Ms McKeown stated "The review's comparison of the number of essential criteria with a single comparator post is meaningless."

- 2.14 Based on the evidence available and the absence of expected documentation on the recruitment file, we consider that the recruitment process for the Transformation Facilitator did not follow Sport NI's recruitment policy and procedures.

2.15 **Recommendation 4**

We recommend that all director and senior management recruitment exercises conducted by ALBs should follow their prescribed recruitment procedures, including establishing the specific requirements of the ALB and linking these requirements to the resulting recruitment process.

## Sport NI governance issues

- 2.16 When Ms McKeown took up post in September 2013 she was supported by three Directors (see **Figure 2**). Ms McKeown told the NIAO that in June 2013, before taking up post as CEO, she was advised by the then Chair (Mr Henning) that there was an underperformance issue in respect of the three Directors and she "may need

to remove all three from post in order to achieve change". However, there is no Sport NI record of the discussion. Mr Henning told us "I fundamentally and vigorously deny that I ever instructed, advised or suggested to Ms. McKeown that the 3 Directors of Sport NI were either underperforming, or should be individually or collectively removed, at any time. There is no evidence for this. In fact, I considered all 3 to have an unrivalled experience and indeed commitment to the development of sport in Northern Ireland and to Sport NI. I was well placed to make this assessment as I worked directly and effectively with all 3 Directors from December 2012 till end of August 2013." Mr Henning also indicated that, following a conversation with the Permanent Secretary (Peter May) and a subsequent conversation with Ms McKeown, he became aware of Ms McKeown's proposal for restructuring Sport NI, whereby Directors would have to reapply for their jobs.

- 2.17 Ms McKeown also advised the NIAO that, in August 2013, at the request of the Chair, she met with Sport NI's HR Manager. Ms McKeown advised that the HR Manager informed her "that there were concerns about the underperformance of the three Directors" and that they "lacked credibility and confidence" with managers and staff. The Sport NI Board told us that they have no record of this meeting taking place.

- 2.18 The NIAO noted that the performance assessments recorded for the three Directors prior to Ms McKeown's

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appointment convey no issue of underperformance.

#### **Director of Participation and Facilities**

- 2.19 The Director of Participation and Facilities had been Acting CEO and designated Accounting Officer for 15 months, prior to Ms McKeown’s appointment. On 4 April 2014, Ms McKeown issued a letter to the Director of Participation and Facilities raising concerns in respect of his management of the Tollymore National Outdoors Centre, and setting out the performance improvement actions required. The Director of Participation and Facilities advised us that “This was the first time over my 18 years as Director of Participation and Facilities that any performance issue was recorded”.
- 2.20 In June 2014, Ms McKeown assessed the Director of Participation and Facilities’ performance for 2013–14 as unsatisfactory. Following a number of meetings, discussions and emails, Ms McKeown provided a written explanation for the unsatisfactory performance rating in November 2014.
- 2.21 In November 2014, the Director of Participation and Facilities lodged a grievance against Ms McKeown on the grounds of “unwanted and unreasonable conduct”. The grievance was not upheld. However, the grievance report records that there is “no evidence of a working relationship and no evidence of trust” between Ms McKeown and the Director of Participation and Facilities.

2.22 On 16 March 2015, the Director of Participation and Facilities appealed the decision on his grievance. The appeal panel found “that on the balance of probabilities, the allegation of ‘an ongoing campaign of bullying’ by Ms McKeown, the CEO of Sport NI, did take place”. The appeal panel concluded that the performance appraisal was not a fair and necessary reflection of the period under review, within the structure of the performance appraisal process.

2.23 The Director of Participation and Facilities left Sport NI on 28 February 2017.

#### **Director of Performance**

2.24 The Director of Performance had been a Director in Sport NI for 17 years and he told us “I had never had any unsatisfactory reports”. In June 2014, Ms McKeown advised the Director of Performance that she would be awarding him an unsatisfactory performance rating for 2013–14. The Director of Performance advised the NIAO that “I was shocked and surprised to receive in June 2014 the CEO’s assessment of my performance as unsatisfactory. Since the CEO’s arrival I was unaware, nor had it been brought to my attention by the CEO, that my performance was in any way unsatisfactory.”

2.25 In March 2015, the Director of Performance took a grievance case against Ms McKeown citing her

“unreasonable and unwarranted behaviour” at a meeting which had taken place on 25 February 2015. This grievance was not upheld.

2.26 The Director of Performance appealed the grievance decision and in January 2016 the appeal panel determined that the grievance decision should be set aside and a new investigation conducted, as not all evidence had been collected or considered at the original grievance hearing. However, the Director of Performance did not pursue a new investigation.

2.27 The former Director of Performance left Sport NI on 31 March 2018. The Director of Performance advised the NIAO that his reasons for leaving were unrelated to his performance.

### **Director of Sport Management Services**

2.28 The Director of Sport Management Services had been a Director in Sport NI for 13 years. In January 2014, Ms McKeown issued a letter to this Director raising concerns in relation to his delegation of functions, management of staff, advice to the CEO and knowledge of his areas of responsibility. The letter also set out the performance improvement actions needed. However, a formal performance assessment for 2013–14 was not completed for the Director of Sport Management Services. The Director of Sport Management Services advised the NIAO that “Ms McKeown issued the letter of concern to me the day after a Board meeting

in January 2014. At the meeting Ms McKeown gave an incorrect answer ...and I supplemented her response to ensure the Member was provided with accurate information. Ms McKeown was upset with me that I had corrected her in front of a Board Member.”

2.29 The Director of Sport Management Services left Sport NI on 28 February 2017.

2.30 We asked Ms McKeown if she had raised the performance concerns she had regarding the three Directors with the Sport NI Board. Ms McKeown referred us to a written statement previously provided to the NIAO and corresponding documentary evidence. The NIAO reviewed the documentary evidence referred to by Ms McKeown:

- Ms McKeown referred to a copy of a Director’s unsatisfactory performance appraisal and emails to the Chair of the Board (Mr Henning). The email correspondence provided did not confirm that the Chair had seen the performance assessment completed by Ms McKeown nor that the Director’s performance was unsatisfactory.
- Ms McKeown referred to a Board paper she had presented in April 2014 which, she advised us, set out performance concerns at senior management level and the findings of an independent review. The NIAO noted that whilst the paper entitled “Managing Change in Sport Northern Ireland” indicated that there

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was a lack of skills in capital project management, it also noted “Sport NI has a highly skilled and expert team of staff.” Although the independent review considered that the Executive Team was “too operational and needs to be lifted to a more strategic level”, the paper did not include any reference to underperformance by the Directors.

- Ms McKeown also referred to a formal letter which she sent to the Board on 20 April 2015 which she advised us escalated significant concerns about the performance of Directors. We noted that the letter headed “My current Suspension from Sport NI” makes reference to “two Directors who were legitimately placed under performance review by me arising from ongoing performance issues”. It also indicates that before taking up post as CEO, she had been advised by the Chair (Mr Henning) that there were a number of serious performance issues with all Directors. Mr Henning disputes this (see **paragraph 2.16**). As indicated above, this letter was issued in April 2015, more than one year after Ms McKeown first raised concerns with Directors on their performance (see **paragraph 2.28**).
- Ms McKeown also referred to a statement from a former Board member which refers to the “dysfunction of the Executive Team”. The NIAO noted that the statement was obtained as part of Ms McKeown’s disciplinary process in April 2016, more than two years

after Ms McKeown first raised concerns with Directors on their performance (see **paragraph 2.28**), and that it did not indicate that the Board had been made aware of Ms McKeown’s assessments of Directors’ performance.

The Sport NI Board told us that there is no evidence to indicate that this matter was escalated to the Board.

2.31

#### **Recommendation 5**

We recommend that where CEOs have concerns with the performance of senior staff, the ALB Board is alerted promptly and provided with appropriate supporting information. This will ensure that the Board has oversight of senior staff performance issues and an early warning of a potential breakdown in relationships before it impacts on the running of the organisation.

### The Department’s Sports and Lottery Branch was unaware of relationship issues within Sport NI

2.32

The Department’s Sports and Lottery Branch has primary responsibility for sponsorship of Sport NI, including:

- providing advice to the Minister in relation to Sport NI and supporting an annual meeting between the Minister and the Chair;
- considering periodic assurance statements, including bi-annual Assurance Statements and the Chair’s Annual Statement;

- holding periodic accountability meetings involving the CEO; and
- being the Departmental point of contact for Sport NI.

2.33 Departmental sponsorship does not directly examine the effectiveness, robustness or stability of the CEO's relationships with their senior staff or with the Chair. However, the NIAO considers that these relationships are key for the successful operation of an ALB and delivery of high quality public services.

2.34 The Department's then Permanent Secretary (Mr May) told us that during September and October 2014 he became "aware of a strained relationship" between Ms McKeown and the Chair (Mr Henning) "which related to their respective roles" and "the flows of information between them". He considered that the relationship was not yet fractured and "that there was every opportunity for the issues to be resolved". He advised the NIAO that both Ms McKeown and the Chair had mentioned their concerns to him and that, although he made the offer to the Chair if he, or the Department, could assist in their resolution, he was not asked to assist.

2.35 Mr Henning told us "I first mentioned the difficulties I was having in my relationship with Ms McKeown to Peter May, in September 2014 during a phone call.....He had generously offered to assist with my difficulties with Ms. McKeown during that call, in whatever way I felt appropriate. In the meantime however, I had to consult with

Sport NI legal advisors ..... as to a potential disciplinary process against Ms. McKeown (including) repeated unreasonable behaviour towards me as a Chair.... Before any such action could be agreed and initiated however, Ms McKeown lodged a grievance against me on 3 specified counts. So within a few weeks from our initial conversation, I then had to further advise Peter May (in October 2014) that I was the subject of a grievance against me by Ms McKeown, and though I accept he had offered to assist, I had been advised .....that I could not become involved in holding Ms McKeown to account in any way while the grievance process was being concluded....I therefore had no option but to stand back and let the Vice Chair manage the grievance." Ms McKeown told us "I was not aware that Peter May offered to intervene; I would have welcomed this...I would have been relieved to have put the grievance aside to pursue Departmental sponsored mediation, however I was not given this opportunity".

2.36 Ms McKeown lodged her grievance against the Chair (Mr Henning) for bullying and harassment on 2 October 2014. Based on legal advice, Ms McKeown's line management transferred from the Chair to the Vice Chair (Ian McAvoy, who had been appointed as Vice Chair in June 2014), pending the outcome of the grievance.

2.37 Sport NI informed the Department of Ms McKeown's grievance against the Chair (Mr Henning) during December 2014. We asked Sport NI why Ms McKeown's

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grievance against the Chair was not communicated to the Department as soon as it had been raised. The Sport NI Board advised that it does not hold records to evidence discussions between Sport NI and the Department prior to December 2014.

2.38 Although, as noted at **paragraph 2.34**, the Permanent Secretary was aware of the difficulties in Ms McKeown’s and the Chair’s relationship, the Department told us that its Sports and Lottery Branch was unaware of the issue.

2.39 In our view, while the Permanent Secretary was not asked to assist, he had an obligation to ensure the relationship between the Sport NI CEO / Accounting Officer and the Chair was working effectively, and that it was not impacting upon:

- the ability of Sport NI to fulfil the aims and objectives set by the Department and approved by the Minister; and
- the CEO’s ability to discharge the responsibilities of an Accounting Officer.

#### 2.40 **Recommendation 6**

We consider the relationship between the Chief Executive Officer and the Chair vital in ensuring an ALB meets the Minister’s aims and priorities. Therefore, we recommend that sponsor departments monitor the strength of this relationship as part of their sponsor responsibilities and that they are more pro-active when

aware of problems in this relationship, offering mediation and guidance where required.

2.41 The NIAO noted that since 2013, five Departmental Accounting Officers/ Permanent Secretaries have had responsibility for Sport NI<sup>10</sup>, due to changes in the post holder or sponsor department. Each time there is a change in personnel, departments and ALBs should take the time to understand each other’s business and the challenges they each face, as recommended by Standard 5.5 of the Department of Finance’s ‘NI Code of Good Practice’.

### Sport NI received an increased number of grievance and whistleblowing cases

2.42 No grievances were raised in Sport NI in the three years prior to 2013. However, eleven grievances were raised between 2013 and 2015 (see **Figure 3**). In the NIAO’s view, this increase may have been the result of a new culture of openness introduced by Ms McKeown whereby staff felt empowered to raise matters. However, five of the grievances were against Ms McKeown, including those at **paragraphs 2.21 and 2.25**, for unwanted conduct, including: failure to handle bullying and harassment complaints appropriately; unreasonable and unwarranted behaviour; and bullying and aggressive behaviour.

10 Mr Peter May (15 May 2013 to 16 November 2014); Ms Cynthia Smith (17 November 2014 to 29 March 2015); Mr Denis Mahon (31 March 2015 to 7 May 2016); Mr Leo O’Reilly (8 May 2016 to 9 December 2018); Ms Tracy Meharg (10 December 2018 to date).

**Figure 3: Number of Sport NI grievance and appeal cases from 2010 to 2018**

Year	Number of grievances lodged	Number of appeals lodged
2010	–	–
2011	–	–
2012	–	–
2013	2	–
2014	3	1
2015	6	6
2016	–	–
2017	2	–
2018	–	–
<b>Total</b>	<b>13</b>	<b>7</b>

Source: NIAO, based on Sport NI documents

- 2.43 In the three years prior to 2013 there were no whistleblowing allegations in Sport NI. In the period 2013 to 2015, four whistleblowing allegations were received by Sport NI, including two raised by staff concerning Ms McKeown.
- 2.44 The Board asked their legal advisor to source an independent investigator to investigate the grievance raised by Ms McKeown against the Chair (Mr Henning) (see **paragraph 2.36**). The legal advisor sought investigators who were registered with the Labour Relations Agency (LRA), but reported that none of the LRA registered investigators approached were available. The legal advisor selected an independent investigator who was available, had no connection with the individuals

concerned, and who was considered to have sufficient seniority and gravitas to deal with the issues. The Board engaged the Independent Investigator on 10 November 2014.

- 2.45 The Board asked the Independent Investigator to examine other grievances and whistleblowing allegations involving the CEO, in addition to the CEO's grievance against the Chair (Mr Henning). However, the Board did not agree formal terms of reference for the Independent Investigator's work, nor the number of grievances to be investigated.

#### 2.46 **Recommendation 7**

We recommend that terms of reference are established for grievance investigations, which are clear, focused, state the remit of the investigation and provide a timetable for completion. In addition, all independent investigators appointed should be suitability qualified and preferably registered with the LRA.

- 2.47 The Board informed the Department's Permanent Secretary in December 2014 that grievance investigations were underway, and updates were subsequently provided to the Department.
- 2.48 On 26 February 2015, the Independent Investigator presented his findings to the Board, relating to three of the grievance cases raised by staff in respect of Ms McKeown (including that at **paragraph 2.21**), the grievance case raised by Ms McKeown against the

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Chair (see **paragraph 2.36**) and two whistleblowing allegations concerning Ms McKeown (see **paragraph 2.43**). The Independent Investigator advised that he had identified a number of themes including:

- individuals distanced themselves from decisions;
- the Sport NI performance review system was not adhered to. As a result, problematic issues were allowed to drift;
- lack of trust;
- poor communication; and
- a fractured team.

#### The Sport NI Board suspended Ms McKeown to allow for a leadership issues investigation

2.49 In addition to the regular Board meetings, the Board held additional meetings during the period September 2013 to March 2015 to deal with grievance cases, whistleblowing allegations, and Human Resource (HR) matters, including consideration of legal advice from the legal advisor.

2.50 The issue of suspending Ms McKeown, pending a further investigation into leadership, was discussed at an additional Board meeting on 4 March 2015. The Board considered alternatives, such as a temporary transfer to another department, while the investigation was underway.

2.51 The Board decided that based on the Independent Investigator’s work and findings to date, he was best placed to undertake further investigative work. The Board agreed the terms of reference for a Leadership Investigation, focusing on a number of key areas relating to leadership within Sport NI:

- leadership style;
- decision-making processes;
- communication;
- teamwork at senior level;
- fractured relationships; and
- lack of trust.

2.52 The Board agreed that the Leadership Investigation would examine leadership across the organisation, with the primary focus on the CEO.

2.53 On 10 March 2015, based on the investigations and recommendations of the Independent Investigator presented to the Board on 26 February 2015 (see **paragraph 2.48**), the Board issued four grievance and two whistleblowing allegation decisions to the parties involved:

- Ms McKeown’s grievance against the Chair (Mr Henning) (see **paragraph 2.36**) was not upheld.
- The Director of Participation and Facilities’ grievance against Ms McKeown (see **paragraph 2.21**) was not upheld. (This was subsequently upheld at appeal – see **paragraph 2.22**).



- Two staff members' grievances against Ms McKeown were upheld.
- Two staff members' whistleblowing allegations concerning Ms McKeown (see **paragraph 2.43**) "appeared to have valid elements".

2.54 At the 10 March 2015 Board meeting, following consideration of legal advice, the Board placed Ms McKeown on precautionary suspension, pending the outcome of the Leadership Investigation. The Board advised Ms McKeown that:

- the suspension was necessary to conduct an open and unhindered investigation;
- it did not constitute disciplinary action;
- it would be reviewed regularly; and
- it would be no longer than was reasonably necessary.

2.55 In addition, Ms McKeown was advised that during the suspension she would continue to receive her salary and normal contractual benefits.

### **Following the suspension of Ms McKeown, the Department did not withdraw her Accounting Officer status**

2.56 On 11 March 2015, the Board informed the Department of their decision to suspend Ms McKeown.

2.57 The Department subsequently appointed Sport NI's Director of Sport Management Services as Interim Accounting Officer,

with effect from 13 March 2015.

However, the Board did not appoint an Interim CEO at this stage. We asked Sport NI why that was. The Sport NI Board advised us that it was unable to trace any further records relating to this decision.

2.58 The letter designating Ms McKeown as Sport NI's Accounting Officer (see **paragraph 1.20**) advised that the designation may be withdrawn if the departmental Accounting Officer concludes that the CEO is no longer a fit person to carry out the responsibilities of an Accounting Officer or that it is otherwise in the public interest that the designation be withdrawn. Although the Department appointed the Director of Sport Management Services as Interim Accounting Officer on 13 March 2015, following Ms McKeown's suspension, the Department did not immediately withdraw Ms McKeown's Accounting Officer status.

2.59 The Department did not write to Ms McKeown until 9 July 2015, advising that an Interim CEO would be taking on the role of Accounting Officer. The NIAO noted, however, that the letter did not advise Ms McKeown that it was withdrawing her Accounting Officer designation. As a consequence, from 13 March 2015 until Ms McKeown's return as CEO on 31 July 2017 (see **paragraph 6.15**), two officers were designated with the personal responsibilities of an Accounting Officer for Sport NI.

## Part Two:

### September 2013 to March 2015 – Ms McKeown’s appointment as Sport NI’s Chief Executive Officer until her suspension

2.60 Given that Ms McKeown could not undertake the role of Accounting Officer while suspended, the NIAO considers that it would have been in the public interest for Ms McKeown’s Accounting Officer designation to be withdrawn. We asked the Department why, given these circumstances, this did not happen. The Department told us that the appointment of an Interim Accounting Officer from 13 March 2015 was in recognition of the fact that Ms McKeown could not undertake the role of Accounting Officer while suspended and that the personal responsibilities of an Accounting Officer rested with the Interim Accounting Officer throughout the period of suspension.

#### 2.61 **Recommendation 8**

We recommend that sponsor departments ensure that there are no occasions when more than one person is designated with the personal responsibilities of an Accounting Officer. When an Accounting Officer is suspended and therefore unable to fulfil their duties, their Accounting Officer designation should be immediately withdrawn.

#### 2.62 **Recommendation 9**

We recommend that where an ALB Board is considering the suspension of the Chief Executive Officer, the sponsor department is made aware of this in advance. Sufficient time should be allowed to enable the department to withdraw the Accounting Officer designation and appoint an interim Accounting Officer.

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## Part Three:

### April 2015 to July 2015 – An interim Chief Executive Officer is appointed to investigate governance issues within Sport NI

3.1 This part of the report highlights the events following the suspension of Ms McKeown and the creation of the Sport NI Interim Executive Leadership Team by the Department.

#### The Sport NI Board Leadership Investigation is completed

3.2 As part of the Leadership Investigation (see **paragraph 2.51**), the Independent Investigator interviewed 33 members of Sport NI staff. He presented his findings to the Board on 1 April 2015, including that:

- views on Ms McKeown's leadership were polarised;
- decision-making processes at senior levels required attention;
- communication was widely seen as having improved since Ms McKeown arrived but that communications were not effective and had lost credibility;
- teamwork within units and across the organisation was generally seen as being good;
- working relationships were generally effective but this was not the case for three of the then four Directors and Ms McKeown; and
- in most cases, trust appeared to exist in working relationships, but not with three of the Directors and Ms McKeown.

Apart from Ms McKeown's grievance against the Chair (Mr Henning) (see **paragraph 2.36**), no issues were noted in respect of the working relationships

between the Board and senior Sport NI staff, including Ms McKeown.

3.3 The Leadership Investigation concluded that the issues identified required the Board's attention. The Board decided that the Independent Investigator was best placed to provide an overview of these issues and an overarching report.

3.4 On 1 April 2015, the Department wrote to the Board requesting information on the Leadership Investigation, including the next steps in the process, and sight of the material presented to the Board. The Vice Chair (Mr McAvoy)<sup>11</sup> briefed Departmental officials on the 2 April 2015 and provided them with the following reassurances in relation to governance and stewardship of Sport NI:

- The Board was acting on the advice of professional personnel and legal advisors.
- Any resulting decisions would be based on the full reports of the Independent Investigator, and decisions would be compliant with Sport NI processes and informed by legal advice.
- There were no wider governance issues and there were no suspected fraud issues.

3.5 The Independent Investigator's Investigation Report was considered by the Board on 16 June 2015. It concluded that there were significant matters that needed to be raised with Ms McKeown. Taking into account legal

<sup>11</sup> The briefing was provided by the Vice Chair rather than the Chair of the Board as the latter was the subject of a grievance raised by Ms McKeown (see **paragraph 2.35**).

advice, the Board considered possible responses and proposed courses of action. The Board decided that it would commence a disciplinary process in order to examine the significant matters involving Ms McKeown.

- 3.6 On 22 June 2015, the Board invited Ms McKeown to attend a disciplinary hearing to consider seven allegations of gross misconduct, which were based on allegations raised in the grievance cases against Ms McKeown and issues raised in the Leadership Investigation and the Investigation Report.

### **The Department asked its Head of Internal Audit to review management and governance issues in Sport NI**

- 3.7 In May 2015, a member of Sport NI staff made whistleblowing allegations to the Department regarding governance and management within Sport NI. This whistleblower indicated that there were other individuals in Sport NI who had similar concerns, but felt unable to raise these within the organisation.

- 3.8 As a result, the Department's Permanent Secretary issued a letter to all Sport NI staff providing direct contact details for the Department's Internal Audit, should staff have issues or concerns which they felt unable to raise within Sport NI. In June 2015, a further ten staff came forward with concerns. As a consequence, the Department's Permanent Secretary asked Internal Audit to complete a Scoping Exercise into

Sport NI's management and governance issues.

- 3.9 The Department's Internal Audit Scoping Exercise was completed on 1 July 2015. Whilst noting that no verification of the whistleblowing statements had been undertaken, the Exercise made a number of recommendations, based on staff's concerns, regarding:

- leadership and management;
- culture, sexism and gender bias;
- poor communication, lack of transparency and a perceived lack of confidentiality within the HR function;
- close relationships between Board members, directors and staff;
- difficult relationships;
- lack of feedback on previous investigations;
- harassment and bullying; and
- application of HR policies.

- 3.10 Internal Audit recommended that the Department should establish how widespread these issues were and develop an action plan for addressing them, including:

- a confidential and independent employee survey;
- a cultural audit; and
- an evaluation of leadership and management capabilities.

- 3.11 On 8 July 2015, the Minister issued a statement referring to the range of serious allegations and concerns raised

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by Internal Audit. During July 2015, a further five Sport NI staff approached the Department with whistleblowing allegations.

### Nine of the fourteen Sport NI Board members resigned prior to a meeting with the Minister

3.12 At 1 July 2015, membership of the Sport NI Board comprised a Chair, Vice Chair and twelve other members appointed by the Minister. Following the issue of the Department's Internal Audit Scoping Exercise (see **paragraph 3.9**), the Minister wrote to the Chair of Sport NI (Mr Henning) and arranged to meet with the Board on 6 July 2015. Prior to this meeting, nine of the fourteen Board members tendered their resignation (the five remaining members included the Chair and the Vice Chair (Mr McAvoy)). In their joint resignation letter the nine Board members advised the Minister that "Regrettably we believe the conditions no longer exist in which we feel we can make this important contribution to sport". We asked each of the former Sport NI Board members why they had resigned.

- One former Board member advised he had resigned for a number of reasons, including the "significant input in addition to the normal requirements of a board member" and "I felt a significant breakdown in the relationship between the Department, Minister, Sport NI and its Board had developed and was being accelerated".

- Another advised "The resignations were entirely due to a breakdown in our relationship with the Minister and her Department, leaving us unable to do the job to which we were appointed.....The Board struggled to meet the Minister's expectations within acceptable governance arrangements." He added that "The Minister, soon after my appointment, met the Board and removed responsibility for the building of the new sports stadiums for rugby, GAA and football.... While the Board may have strongly disagreed with her assertions, it took seriously the need to ensure we were a well governed and effective organisation."
- A third former Board member referred to "the pressure placed upon the Board throughout this period by the Department (DCAL) and the Minister".

3.13 During the meeting with the remaining Board members on 6 July 2015, the Minister informed them of her deep concerns at the issues raised by staff and advised she was taking steps to intervene directly to support both staff and the remaining Board members.

### The Department appointed an Interim Chief Executive Officer and an Interim Executive Leadership Team

3.14 The Minister met with the remaining Board members again on 8 July 2015, outlining a number of measures to support the Board. These focused on

“delivering a solution to address the root causes and put the organisation on a firm footing”. They included:

- appointment of a senior civil servant as Sport NI’s Interim CEO;
- creation of an Interim Executive Leadership Team (IEL Team);
- provision of support from the Department’s Governance and HR teams;
- commissioning a public appointments competition to replace the Board members who had resigned;
- writing to all Sport NI staff to inform them how the Department intended to address staff concerns; and
- appointing three senior civil servants as advisors to the Board.

3.15

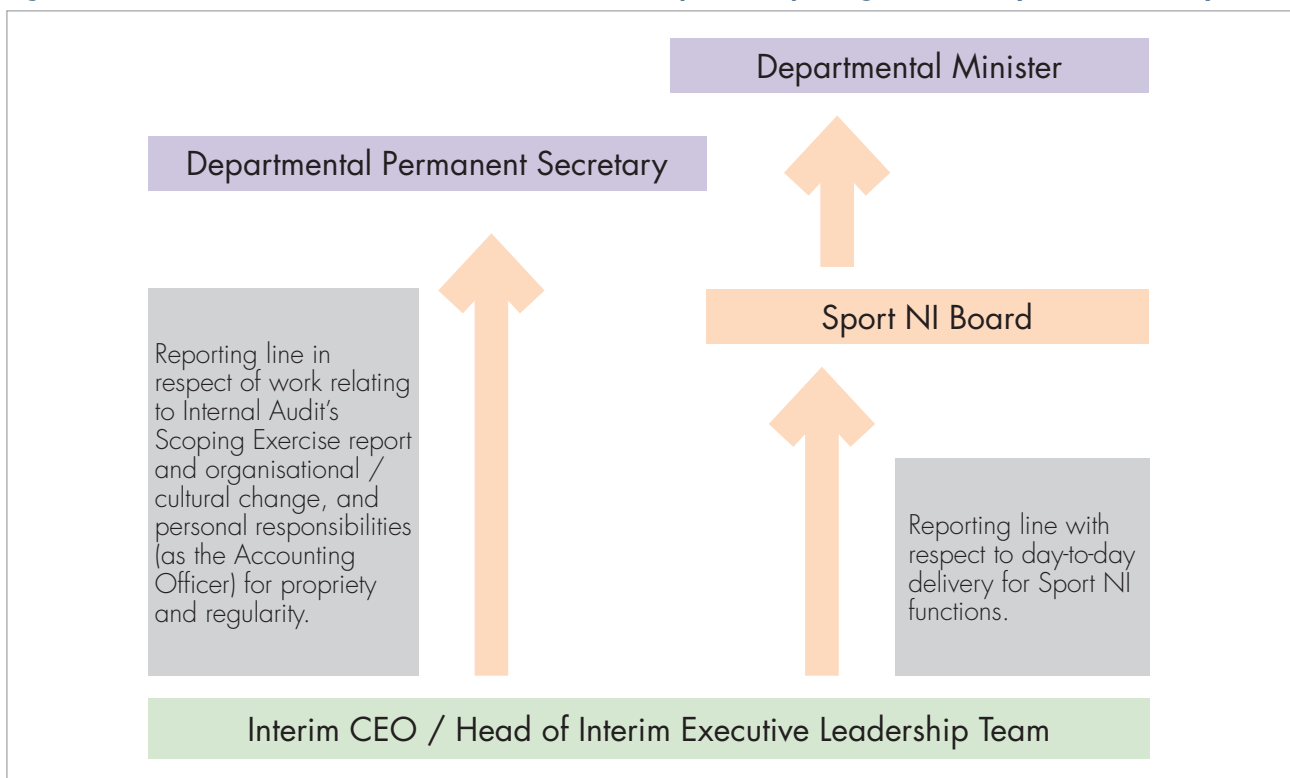
On 15 July 2015, the Department appointed one of its Senior Civil Servants as Sport NI’s Interim CEO and Accounting Officer, responsible for:

- the management of Sport NI;
- the design of an action plan and leading the implementation of the recommendations contained in Internal Audit’s Scoping Exercise (see **paragraphs 3.9 and 3.10**); and
- the implementation of options to improve the governance and management of Sport NI.

3.16

The Interim CEO was to report to the Board in relation to the day-to-day delivery of Sport NI’s functions and was to report to the Departmental Permanent Secretary in relation to the other aspects of his role (see **Figure 4**). The Interim

**Figure 4: Interim CEO/Head of Interim Executive Leadership Team reporting lines, 15 July 2015 to 31 July 2018**



## Part Three:

April 2015 to July 2015 – An interim Chief Executive Officer is appointed to investigate governance issues within Sport NI

CEO was supported by two civil servants, seconded from the Department, who had a range of experience, including governance and policy.

- 3.17 The Board's disciplinary action against the CEO, which had commenced on 22 June 2015 (see **paragraph 3.6**), was paused in July 2015 due to the CEO providing medical evidence that she was not fit to undertake meetings. This pause in the process was extended by the IEL Team from September until December 2015, to allow it to review the ongoing grievances within Sport NI and the disciplinary action taken against Ms McKeown.
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## Part Four:

### August 2015 to March 2016 – The Interim Executive Leadership Team within Sport NI

4.1 This part of the report highlights changes to the Sport NI Board, work undertaken by the Interim Executive Leadership Team (IEL Team) and the main findings of the Team.

#### The Department was proactive in appointing Board members and advisors for the depleted Sport NI Board

4.2 Prompted by the 6 July 2015 resignation of nine of the fourteen Board members (see **paragraph 3.12**) the Department sought expressions of interest from experienced senior civil servants to assist the Sport NI Board through a period of transition, pending a public appointments process. On 12 August 2015, the Sport NI Chair (Mr Henning) selected three senior civil servants from the applications received, and later that month they attended their first Board meeting, acting in an advisory capacity (see **Appendix 1**).

4.3 Following an open competition, five new members joined the Board on 1 January 2016 (see **Appendix 1**).

4.4 We consider the Department took appropriate action to support the Sport NI Board, during the period when its numbers were depleted.

#### The Interim Executive Leadership Team reviewed Sport NI's handling of grievance and appeal cases

4.5 The IEL Team conducted a comprehensive review of Sport NI's

handling of grievances and appeals, to provide assurance that good practice was followed and assess compliance with Sport NI's Dignity at Work and Grievance policies.

4.6 The IEL Team reviewed 14 cases, including cases involving the Independent Investigator, raising concerns relating to:

- the suitability of using the same Independent Investigator to review grievances and whistleblowing allegations (see **paragraph 2.48**), and complete the Leadership Investigation (see **paragraph 2.51**) and the Leadership Report (see **paragraph 3.5**). The IEL Team considered that this may have impacted on the objectivity of the conclusions of the Investigator;
- the suitability of the Independent Investigator, as he was not from the LRA's published list, as recommended in Sport NI's Dignity at Work and Grievance policies. Additionally, he was not an HR practitioner;
- doubt that the contract with the selected Independent Investigator was value for money;
- the lack of terms of reference for all the investigations undertaken, apart from the Leadership Investigation;
- significant delays in progressing cases within the timeframes stipulated in Sport NI policies;
- poor quality of supporting documentation; and
- the quality of investigations carried out by the Independent Investigator.

4.7 The IEL Team made 21 recommendations relating to Sport NI's handling of grievances. Sport NI accepted and subsequently implemented these recommendations. We note that, although the IEL Team had asked Sport NI's legal advisors for justification of the appointment of the Independent Investigator, the Independent Investigator was not asked to comment on the Team's findings. The Independent Investigator told the NIAO "I ... was not aware of the concerns raised. I was not given any opportunity for input or comment".

### The Interim Executive Leadership Team reviewed the gross misconduct allegations against Ms McKeown

4.8 The IEL Team also reviewed the gross misconduct allegations (see **paragraph 3.6**) against Ms McKeown, to assess whether the process was fair and reasonable and had adhered to procedures set out in:

- the LRA's Code of Practice on Disciplinary and Grievance Procedures;
- Sport NI's Grievance and Disciplinary policies; and
- the Employment (NI) Order 2003.

4.9 The IEL Team's assessment involved review of the grievance cases against Ms McKeown, interviews conducted by the Independent Investigator, written submissions, the Leadership Investigation, Investigation Report and legal advice received by the Board.

The IEL Team also met Ms McKeown, the Sport NI Vice Chair (Mr McAvoy), the Departmental Solicitor's Office (DSO)<sup>12</sup>, Sport NI's legal advisors and Independent Counsel. We asked Sport NI and the Department why the Sport NI Chair (Mr Henning) was not interviewed. The Sport NI Board advised us that it could not trace a record that explained why the Sport NI Chair was not interviewed. The Department advised us that the Chair had removed himself from the action against the CEO to avoid any conflict of interest and that the IEL Team had access to the audit trail, the Vice Chair, Sport NI HR personnel and the Sport NI legal advisor and did not consider it necessary to interview the Chair. The NIAO also noted that the Sport NI Directors were not interviewed as part of the IEL Team review.

4.10 The IEL Team reviewed each of the gross misconduct allegations faced by Ms McKeown and identified the following weaknesses in the process:

- All available information did not appear to have been considered or consideration had not been documented by the Independent Investigator. Investigators appointed to consider appeals of three grievance decisions made by the Independent Investigator raised similar concerns.
- Issues raised by Ms McKeown did not appear to be fully addressed.
- There appeared to be a lack of evidence that a thorough investigation had been carried out to support the allegations.

12 The Departmental Solicitor's Office aims to advance and protect the interests of the Northern Ireland government departments by the provision of high quality, cost effective legal services. Their functions include advising on employment law, fair employment and equal opportunities.

## Part Four:

### August 2015 to March 2016 – The Interim Executive Leadership Team within Sport NI

- There was an apparent lack of consideration of the facts and challenge of legal advice by the Board.
- The need for suspension could have been better articulated to Ms McKeown and the continued need for suspension should have been more regularly reviewed by the Board, and Ms McKeown updated on a more regular basis.

4.11 The IEL Team forwarded copies of relevant documentation to Independent Counsel appointed by the DSO, to seek advice on queries raised by the IEL Team, whether the allegations equated to gross misconduct and the justification for continued suspension of Ms McKeown. The IEL Team also met with Independent Counsel and the DSO to discuss the issues and provided DSO with all investigation reports. Notwithstanding the concerns raised by the IEL Team, the DSO advised that the disciplinary process should now proceed and the IEL Team advised the Board accordingly. On 17 December 2015, the Interim CEO wrote to Ms McKeown, informing her that the IEL Team had completed their review and advised that the disciplinary process against her, which had been halted in July 2015 (see **paragraph 3.17**), was now proceeding.

4.12 On 22 December 2015, the Board invited Ms McKeown, to attend a disciplinary hearing. The hearing commenced on 18 January 2016 and Ms McKeown finished giving her statements on 9 May 2016.

### The Sport NI Chair and Vice Chair resigned following the completion of the Interim Executive Leadership Team's report

4.13 On 18 March 2016, Sport NI's Interim CEO presented the IEL Team report, which included 116 recommendations, to the Department.

4.14 On 24 March 2016, the Minister and Departmental officials discussed the IEL Team's report. Documents examined by the NIAO indicated that the following aspects of the Team's findings gave the Minister serious cause for concern:

- a lack of Board level leadership within Sport NI;
- poor line management;
- lack of feedback to Sport NI staff on previous investigations;
- a perceived lack of confidentiality within the HR function;
- issues relating to Sport NI culture;
- ineffective relationships between senior Sport NI staff; and
- communication problems.

4.15 The IEL Team's report found evidence suggesting that the Vice Chair (Mr McAvoy) had shared his views about Ms McKeown in an email to a Sport NI Director during the process of examining Ms McKeown's grievance against the Chair (Mr Henning). The Team considered that "this was totally inappropriate and a breach of confidentiality".

- 4.16 The IEL Team also found an email from the Vice Chair (Mr McAvoy) to the Chair (Mr Henning) regarding Ms McKeown's work activities during a period when the Chair was conflicted. The IEL Team had "serious concerns that the Vice Chair's behaviour was not consistent with the standards expected from a public appointee to a public body or the Nolan Principles".
- 4.17 On 30 March 2016, after discussing the IEL Team's report with the Minister, the Chair (Mr Henning) and the Vice Chair (Mr McAvoy) resigned. The following day, the Minister appointed an Interim Chair (Brian Delaney) and Interim Vice Chair (Catherine O'Mullan) from the existing Board members. Later that day, the Minister met with the Board to present the IEL Team's report and assure the Board of her confidence in them to set Sport NI back on track.
- 4.18 We asked the former Chair (Mr Henning) and former Vice Chair (Mr McAvoy) why they resigned. Mr Henning advised "I firmly believe at all times I conducted myself with integrity, courtesy and respect to all those I dealt with during my 3 years and 4 months in office.... The Minister had called the Vice Chair and me to a meeting where she told us she wanted our resignations by 11am the next day, or she would sack both of us. I felt strongly that as I had done nothing to justify being sacked and there were no specific allegations against me, that I would not resign.... However, after consulting with my family and recognising that I had suffered serious health issues in the previous year,
- I did in fact resign as requested by the Minister".
- 4.19 Mr McAvoy told us that "I was given no choice, the Minister said resign or I will sack you".
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## Part Five:

### April 2016 to November 2016 – Sport NI’s Transformation Programme launched and Ms McKeown dismissed

5.1 This part of the report highlights the implementation of Sport NI’s Transformation Programme and the conclusion of the disciplinary case against Ms McKeown.

#### The Department commissioned a public appointments process to recruit additional Sport NI Board members

5.2 As a result of resignations (see **paragraph 3.12**), the number of Sport NI Board members reduced from 14 to 5 during a period of organisational upheaval (see **Appendix 1**).

5.3 During July 2016 the Department decided that it was inappropriate to extend the appointment of the senior civil servants as advisors to the Board (see **paragraph 4.2**) and that the secondment of a Departmental senior civil servant as Interim CEO (see **paragraph 3.15**) should come to an end. The Department considered that these arrangements risked blurring the lines of responsibility and accountability and the Department’s capacity to hold the Board to account for its performance and behaviour.

5.4 On 8 September 2016, the Minister launched a public appointments process to recruit Sport NI Board members. Five new Board members were appointed, including a Chair (George Lucas) and Vice Chair (Jay Colville). All appointments took effect from 1 February 2017 for a term of up to four years.

#### Sport NI’s Transformation Programme concluded in May 2017

5.5 At the request of the Minister, the Board developed a Transformation Programme to address the IEL Team’s 116 recommendations (see **paragraph 4.13**) by 31 May 2017. A Transformation Programme Board was set up comprising the Interim Sport NI Chair (Mr Delaney) as Senior Responsible Officer, the Interim CEO and four Sport NI Board members. Staff from the Department made up the Project Team. The Transformation Programme, agreed by the Minister on 26 April 2016, comprised six projects:

- Board Leadership;
- Executive Leadership and Management;
- Internal Communications;
- Culture Change;
- Human Resources; and
- Governance and Accountability.

5.6 A monthly report was prepared for the Transformation Programme Board to enable it to monitor the progress of the 60 deliverables associated with the 116 IEL Team recommendations. This report was also provided to the Sport NI Board for discussion and sent to the Department for information. Following closure of the programme, a Transformation Programme End Report was tabled at the Board’s June 2017 meeting.

5.7 The Sport NI Chair (Mr Lucas) commissioned a Project Assessment Review<sup>13</sup> (PAR) to review the work

13 A Project Assessment Review (PAR) is a flexible assurance review available to a programme or project when specific assurance needs arise. The PAR process is managed in Northern Ireland by the Central Procurement Directorate of the Department of Finance.



undertaken and provide assurance regarding progress made in realising the intended outcomes and benefits of the Transformation Programme. The PAR team awarded a Delivery Confidence Assessment of 'Amber / Green' which it describes as "successful delivery appears probable, however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery".

- 5.8 The PAR Team made seven recommendations, including that Sport NI and the Department should 'draw a line' under the past difficulties and re-establish a more effective working relationship which respects their distinctive roles and accountabilities in promoting and developing sport. The Sport NI Board advised that a Route Map for organisational development, encompassing all seven recommendations from the PAR, was in place and was being implemented with oversight from the Board.
- 5.9 The PAR team found evidence of the positive impacts of the Transformation Programme and of an organisational culture focused on delivery. The team also found a marked improvement in HR performance, resulting in improvements in sickness absence, staff turnover, selection and recruitment competitions, and performance management.

### Following completion of the disciplinary process, Ms McKeown was dismissed

- 5.10 In accordance with Sport NI's Disciplinary Policy, the Board appointed an independent panel to hear the disciplinary case against Ms McKeown. The disciplinary process started on 22 June 2015 (see **paragraph 3.6**) and the Disciplinary Panel interviewed Ms McKeown eight times between June 2015 and May 2016. In addition, witness interviews (six on behalf of Ms McKeown and four on behalf of Sport NI) were completed in October 2016.
- 5.11 The Disciplinary Panel submitted its final report to the Board in November 2016. The Disciplinary Panel upheld five of the seven allegations against Ms McKeown (see **paragraph 3.6**) but was unable to reach a finding on the other two allegations due to conflicting evidence.
- 5.12 The Disciplinary Panel considered that the nature of the five allegations upheld fell within the category of gross misconduct; that Ms McKeown had breached the Seven Principles of Public Life with regards to Accountability, Openness, and Leadership; and recommended that Ms McKeown should be dismissed.

## Part Five:

### April 2016 to November 2016 – Sport NI’s Transformation Programme launched and Ms McKeown dismissed

- 5.13 The Board’s decision to dismiss Ms McKeown on the grounds of gross misconduct, subject to appeal, was communicated to her on 22 November 2016 and was effective immediately.
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## Part Six:

### December 2016 to July 2017 – The disciplinary appeal process and the reinstatement of Ms McKeown as Sport NI’s Chief Executive Officer

6.1 This part of the report highlights the investigation of the Disciplinary Appeal Panel (the Appeal Panel) and the reinstatement of Ms McKeown as Sport NI’s CEO.

#### The disciplinary appeal process found in favour of Ms McKeown

6.2 On 29 November 2016, Ms McKeown lodged an appeal against the Board’s decision to dismiss her on the grounds of gross misconduct. The Board subsequently appointed an independent panel to hear the appeal against the Disciplinary Panel’s findings and the Board’s dismissal decision. The Board also set up a sub-committee of four members to monitor progress and update the Board on the disciplinary appeal case.

6.3 The Appeal Panel’s report advises that, in the absence of terms of reference, they undertook to hear the appeal from Ms McKeown and her trade union representative using documents supplied by Sport NI’s legal advisor. We asked Sport NI why no terms of reference had been set for the Appeal Panel. The Sport NI Board advised that “The process was managed by Sport NI and supported by legal advice. The Appeal Panel was selected by Sport NI’s solicitors based on the Panel members’ experience. They were asked to conduct an appeal based on the grounds of the appeal as expressed by the complainant who was entitled to raise any grounds for appeal considered appropriate. The use of a terms of reference would likely have

undermined this work by restricting the scope of the review.”

6.4 We asked the Appeal Panel if it had asked Sport NI for a terms of reference and whether a terms of reference would have undermined their work. The Appeal Panel told us that “we sought terms of reference. The Sport NI legal advisor advised it was for us to set our own terms of reference. We thought that to be inappropriate and sought further advice”. The Department subsequently advised the Appeal Panel that “Since you have been appointed by Sport NI and act at its direction; it would be inappropriate for the Department to have involvement in this matter”. The Appeal Panel sought further advice from Sport NI and told us “The outcome was implied advice . . . . that the terms of reference . . . . was the Notification of Appeal as submitted by the appellant. This was in line with the approach we had adopted”. The Appeal Panel also stated that “Specific terms of reference would have properly allowed Sport NI to own the scope of the appeal process, and we as a Panel would have preferred the certainty they would have provided.” The Appeal Panel stated “Our report references the complexity of the issues, which was far beyond what we had been led to believe on being commissioned . . . . Consequently, it took us far longer to complete the task than anticipated.”

6.5 Ms McKeown met with the Appeal Panel four times and supplied additional documentation to support her position. The Appeal Panel did not call any of

the other ten witnesses who had been interviewed by the Disciplinary Panel (see **paragraph 5.10**). We asked the Appeal Panel why it called no one other than Ms McKeown. The Appeal Panel told us that “Terms of reference could have specified the approach we as a Panel were to take, for example whether to hear from witnesses or to admit additional information....In the absence of terms of reference, which could have prescribed procedure, we drew on our own professional knowledge and experience. We were clear that this was an appeal against dismissal and not a re-investigation. To hear witnesses other than the appellant had the potential for it to be argued it was a re-investigation and so undermine its purpose. It was for the appellant to argue her case, not for the Panel to sit in arbitration between the appellant and Sport NI, and accordingly we decided not to hear personally from any other party”.

6.6 The Appeal Panel considered that using the same Independent Investigator for all the grievances and whistleblowing cases against Ms McKeown (see **paragraph 2.48**) was not best practice, and increased the risk of bias and diluted objectivity. It considered that the “Use of a wider pool of investigators would have allowed Sport NI greater objective triangulation of issues” and also questioned whether, given that the Independent Investigator’s background was commercial and his expertise was in the hospitality and tourism sector rather than HR, this was the most appropriate appointment.

6.7 The Appeal Panel suggested that:

- The Board did not reflect long enough on the information provided by the Independent Investigator or take appropriate advice before commissioning the Leadership Investigation.
- The Board was “blinkered and potentially predisposed against” Ms McKeown.
- The Leadership Investigation (see **paragraphs 2.51 and 2.52**) was a “Trojan horse to investigate without proper formality and protection of due process”.
- There was an apparent lack of consistency regarding actions taken against Ms McKeown and not taken against others in the same or similar circumstances.

6.8 Contrary to the Disciplinary Panel’s finding, the Appeal Panel found no evidence that Ms McKeown was properly informed of the reasons for her suspension, nor was the suspension regularly and frequently reviewed to confirm it was necessary and proportionate.

6.9 The Appeal Panel also found no evidence that any alternative to suspension was considered and that it was not clear that the Department was told about the suspension. However, email correspondence provided to the NIAO shows that the Department was aware that suspension was being considered by the Board and that, in line with the LRA Code of Practice,

## Part Six:

### December 2016 to July 2017 – The disciplinary appeal process and the reinstatement of Ms McKeown as Sport NI’s Chief Executive Officer

alternatives to suspension were being considered (see **paragraph 2.50**).

6.10 Whilst the Appeal Panel did not interview anyone other than Ms McKeown, in their view the evidence of the then Chair (Mr Henning), Vice Chair (Mr McAvoy), and a Sport NI Director had to be treated with caution. We asked the Appeal Panel why, given its conclusion of caution on the evidence provided by some parties, it did not seek to test the evidence through engaging with the parties as witnesses. The Appeal Panel advised that it “formed a view of the relationship between the parties and consequently the potential risk of perceived collusion, hence made the cautionary observation (that other parties’ evidence had to be treated with caution) but did not disregard their evidence.”

6.11 The Appeal Panel concluded that the “combined processes (Grievance, Whistleblowing and Misconduct), when taken together as a chain of events, are flawed and make the findings of the Disciplinary Panel unsafe.” It added that the body of evidence, tested on the balance of probabilities, did not support the upholding of the allegations and that even if the allegations were upheld, the matters concerned did not meet the criteria for gross misconduct.

6.12 Of the appellant’s nine grounds of appeal, the Appeal Panel fully upheld four, partly upheld one, did not uphold three and dismissed one as it was not in the remit of the appeal. This led to the Appeal Panel finding in favour of

Ms McKeown and recommending that the Board set aside the findings of the Disciplinary Panel and consider engaging with Ms McKeown to seek a resolution to the matter.

6.13 Our review of the Appeal Panel’s report and supporting papers identified a number of concerns:

- There were a number of factual inaccuracies, for example, the statement that the Board did not consider alternatives to suspension (see **paragraph 6.9**). The Appeal Panel told us that their “statement was factually correct to the best of our knowledge at that time”.
- The Appeal Panel only interviewed Ms McKeown. Although the Appeal Panel was critical of former Sport NI staff and Board members, they were not interviewed to provide their account of events.
- The Appeal Panel made references to evidence which was not in the papers presented by Sport NI nor in the additional papers provided by Ms McKeown. For example, the Appeal Panel states that there is evidence that Ms McKeown had been told that she would need to address the performance of some Directors when she was first appointed. However, beyond Ms McKeown’s oral submission to the Appeal Panel, we found no documentary evidence to support this. In response to the NIAO, Mr Henning clearly disputed that he discussed the performance

of Directors as outlined by Ms McKeown (see **paragraphs 2.16 and 2.17**).

## The Sport NI Board reinstated Ms McKeown as Chief Executive Officer

- 6.14 Following receipt of the Appeal Panel's report, the Board's sub-committee (see **paragraph 6.2**) met three times to discuss the findings and also met the Appeal Panel. The Board also discussed the contents of the report with their legal advisor. On 14 June 2017, based on the Appeal Panel's investigation and findings and legal advice, the Board overturned its November 2016 dismissal decision. This decision was communicated to Ms McKeown on the same day.
- 6.15 Ms McKeown returned to her post as Sport NI's CEO on 31 July 2017, some 872 days after her suspension. In the absence of withdrawal of her Accounting Officer status (see **paragraph 2.60**), the Department wrote to Ms McKeown on her return to work reminding her of her responsibilities and duties as Accounting Officer. The Department told us it also now requires declarations in respect of Fitness to Act from all ALB Accounting Officers on an annual basis.
- 6.16 The Appeal Panel told the NIAO that "In terms of feedback which may assist any future similar panel we would be of the view that:

- in the absence of an existing policy or procedure, a requirement to have terms of reference which define the scope and approach would be of benefit; and
- the panel should have direct recourse to an independent legal advisor... It may also be helpful for such a legal advisor to brief the panel at the commencement of their work to ensure they are fully apprised of the requirements of their role".

The NIAO generally concurs with these comments but would go further by seeing the establishment of terms of reference as being an essential pre-requisite for any appeal process.

### 6.17 **Recommendation 10**

We recommend that terms of reference are established prior to any grievance appeal process.







## Part Seven:

### August 2017 to November 2018 – Events following Ms McKeown’s return to work as Sport NI’s Chief Executive Officer

7.1 This part of the report considers events occurring after Ms McKeown’s return as Sport NI’s CEO and other issues impacting upon Sport NI.

favourably with our findings at **paragraph 2.4**, when Ms McKeown first joined Sport NI.

#### Ms McKeown’s return to Sport NI

7.2 The Chair (Mr Lucas) and Vice Chair (Mr Colville) met with Ms McKeown on her return to work on the 31 July 2017 and discussed arrangements to facilitate her re-integration into Sport NI. It was agreed that Ms McKeown would be given a three month period to gain an understanding of the changes which had occurred in Sport NI since March 2015 and that her aims and objectives would be set and formalised after this three month period.

7.3 Following discussion and agreement, objectives were incorporated into her Performance & Development Plan which was signed off by the Chair (Mr Lucas) and Ms McKeown on 26 January 2018 and retained by Sport NI.

7.4 A formal performance assessment against these aims and objectives covering the period 31 July 2017 to 31 March 2018 took place and was signed off by Ms McKeown and the Vice Chair (Mr Colville) on 14 June 2018. The Sport NI Board advised that the delay in the assessment process was due to other priorities, in particular the Industrial Tribunal (see **paragraph 7.6**) which had been due to commence in May 2018.

7.5 This evidence of a management framework for the CEO contrasts

#### Ms McKeown took legal proceedings against Sport NI and the Department

7.6 Ms McKeown had submitted a claim to the Office of the Industrial Tribunals and the Fair Employment Tribunal<sup>14</sup> (the Tribunal) on 20 February 2017 against Sport NI and the Department for unfair dismissal and discrimination on the grounds of gender and religious belief or political opinion.

7.7 Sport NI sought legal advice on the probability of the Tribunal finding in their favour. Having considered this, the Board decided it would be in Sport NI’s best interest to settle the claim. Sport NI prepared a business case outlining the benefits of settling, which was submitted to the Department.

7.8 In December 2017, the Department informed Sport NI that it did not believe it would be appropriate to settle the claim and thus did not approve the business case’s proposed course of action. We asked the Department why it did not approve the business case. It told us that the business case was not approved because the proposed settlement contained confidentiality clauses and it was considered that the rationale for these was outweighed by wider considerations of public interest and public accountability. It was also considered that the further costs incurred in not settling the claim were outweighed

<sup>14</sup> Industrial Tribunals are independent judicial bodies in Northern Ireland that hear and determine claims to do with employment matters. These include a range of claims relating to unfair dismissal, breach of contract, wages and other payments, as well as discrimination on the grounds of sex, race, disability, sexual orientation, age, part time working and equal pay. The Fair Employment Tribunal is an independent judicial body in Northern Ireland that hears and determines complaints of discrimination on the grounds of religious belief or political opinion.

by the considerable advantages of having the various allegations examined by a tribunal in an open and transparent manner.

“confidentiality” or “gagging” clauses were included in the settlement.

- 7.9 In January 2018, Ms McKeown withdrew the unfair dismissal allegation against Sport NI and the Department. In March 2018 she withdrew her discrimination claim against the Department, but continued with her claim against Sport NI for discrimination on the grounds of gender and religious belief or political opinion.
- 7.10 The industrial tribunal hearing commenced on 14 May 2018 but, due to unforeseen events, the case had to be postponed. Following discussion and negotiations with Ms McKeown’s legal team, and having taken its own legal advice, Sport NI reached a settlement with Ms McKeown prior to the Tribunal re-commencing on 12 November 2018. Approval for the settlement had been obtained from the Department for Communities and the Department of Finance.
- 7.11 Having sought legal advice, Sport NI concluded that settlement of the case at £25,000 plus Ms McKeown’s legal costs to the date of settlement represented a real cost saving. Sport NI considered that proceeding to tribunal would bring negative widespread publicity for the organisation and that submitting Sport NI’s witnesses and Ms McKeown to the tribunal process would be an extremely stressful and potentially damaging experience. We note that no
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## Part Eight: NIAO Conclusions

8.1 We recognise that the period from October 2014, when Ms McKeown lodged a grievance against the Chair (Mr Henning) (see **paragraph 2.36**) to November 2018, when Ms McKeown's discrimination claim against Sport NI was settled (see **paragraph 7.10**) was a difficult time for Sport NI, dealing with many interrelated complex personnel and governance issues. Our review of documentation identified concerns with how these issues were handled by Sport NI and the Department. Lessons should be learnt, not only by Sport NI and the Department, but also by the wider public sector.

### Change management

8.2 Reviews undertaken within Sport NI prior to 2014 (see **paragraphs 1.8 to 1.14**) indicate that transformation of Sport NI was considered by the organisation prior to Ms McKeown's appointment. Whilst Ms McKeown initiated a transformation strategy to implement change across Sport NI, staff concerns contained in the Department's Internal Audit's Scoping Exercise (see **paragraph 3.9**) and the IEL Team's findings (see **paragraph 4.14**) indicate that change within Sport NI as a result of this strategy was limited.

8.3 In addition, although Ms McKeown indicated to the NIAO that she had been advised that she "may need to remove all three (Directors) from post in order to achieve change", there is no Sport NI record of this discussion (see **paragraph 2.16**). Sport NI's Board did not commence a comprehensive

transformation programme until requested to do so by the Minister in 2016 (see **paragraph 5.5**). The NIAO considers it is important that, where the need for transformation within an organisation is identified, issues are clearly set out, priorities determined and delivery mechanisms, including timetables and review points, established and communicated. Those involved in managing this process should have a clear understanding of their role and the required outcomes. The ALB Board and the sponsor department both have a key role to play in an ALB's transformation, in both establishing objectives and providing guidance on their successful delivery.

### Relationship breakdowns

8.4 Relationships between Ms McKeown and the Directors (see **paragraphs 2.19 to 2.29**) and the Board Chair (Mr Henning) (see **paragraph 2.36**) broke down within 18 months of her appointment. Given that Ms McKeown had no background in sport, it was important that effective working relationships were established with the Sport NI's Directors, who had extensive experience in sport. The NIAO considers it is important that where there is a breakdown in relationships between senior personnel within any organisation, these are resolved quickly and decisively. It is unacceptable that the resolution of issues arising from relationship breakdowns within Sport NI was allowed to drift for four years, distracting Sport NI from its core

business and consuming resources which should have been addressing Sport NI's corporate objectives.

## Account completion issues

- 8.5 As an Accounting Officer, the CEO is responsible for the preparation of Sport NI's Annual Report and Accounts and for ensuring that proper records are kept relating to the accounts. The Board is responsible for ensuring auditing arrangements are in place, and for holding the CEO to account for the timely and effective redress of weaknesses/recommendations highlighted by audit.
- 8.6 The unique circumstances outlined elsewhere in this report meant an inevitable delay in completion of the Sport NI 2014-15 and 2015-16 financial statements. Given the strengthening of the Sport NI Board (see **paragraph 5.4**), the work of the Transformation Board (see **paragraph 5.5**) and the return of the CEO on 31 July 2017 (see **paragraph 6.15**), the NIAO anticipated that the completion of financial statements would begin to return to a normal footing later in 2017. This did not occur and in 2018 the financial statements for 2014-15, 2015-16 and 2016-17 were all in a backlog position. It is extremely unusual for a body audited by the NIAO to have so many years' financial statements in backlog.
- 8.7 In February 2019, the NIAO indicated to Sport NI that it was closing the audits
- of the 2014-15 and 2015-16 financial statements. The NIAO requested signed copies of the financial statements and advised that it would respond to any outstanding issues in the audit certificate and report. Following certification of the 2014-15 and 2015-16 financial statements, the NIAO brought the 2016-17 audit to a close on a similar basis. The 2017-18 financial statements were certified in February 2020 and the 2018-19 audit is ongoing. Further details are set out at **Appendix 2**.
- 8.8 The NIAO budgeted a cost of £214,000 to audit both the Sport NI Exchequer and Lottery accounts for the four years 2014-15, 2015-16, 2016-17 and 2017-18. The actual cost of auditing the financial statements presented to the NIAO will be £400,000 and would have been more had the audits not been closed. Legislation does not permit the NIAO to pass its costs on to Sport NI. Consequently resources which would have been available to the NIAO for audit work across the public sector have been diverted to Sport NI. Most of the additional £186,000 costs incurred were, in our view, avoidable.
- 8.9 The fact that Sport NI has not been able to return its preparation of financial statements to the expected standards and timetable is concerning. For any ALB where financial statements remain in backlog, this is a clear governance issue. We asked the Department to what extent it had been aware of these on-going issues in Sport NI and what steps it had taken to address these.

## Part Eight: NIAO Conclusions

The Department advised that it had maintained oversight of the backlog accounts issue through its Audit and Risk Assurance Committee and had sought assurances from the Sport NI Chair on the matter. The Department agrees that the failure to return the preparation of financial statements to the expected standards and timetable is concerning. A lessons learnt report has been provided by Sport NI. Lessons learnt within both Sport NI and the Department and progress on accounts completion will be closely monitored by the Department's Audit and Risk Assurance Committee.

8.10

### Recommendation 11

Sport NI should ensure that it has the appropriate resources and skills to prepare financial statements to an acceptable standard and on a timely basis. Financial statements must be reviewed by Sport NI (including its Audit and Risk Assurance Committee<sup>15</sup>) prior to submission for audit.

### The costs of dealing with Sport NI governance issues

8.11 Sport NI required support to deal with the governance issues which arose and which are set out in this report.

8.12 In August 2014, Sport NI awarded a contract for the provision of legal services, with an estimated cost of £50,000 per annum. As a result of the number of grievance cases and HR issues, some of which were

judicial in nature, legal costs exceeded the estimated contract value. In July 2017, the Board chose not to extend the contract at the end of the initial three year period but decided to retain the legal advisor to deal with legacy cases<sup>16</sup>.

8.13

Sport NI has paid the legal advisor a total of £492,000 to 31 March 2019, compared with an estimated cost of £150,000 for routine legal matters, of which £352,000 relates to advice in respect of grievance cases and HR issues and for sourcing specialist HR practitioners on Sport NI's behalf.

8.14

Sport NI also required additional HR support to deal with the issues which have arisen since grievances were received in 2013 (see **Figure 3** at **paragraph 2.42**). Amounts paid to independent investigators for review of grievance and appeal cases, whistleblowing allegations, the Leadership Investigation and the Leadership Report totalled £111,000.

8.15

Sport NI recruited a temporary HR Director in May 2016, initially for one year, to bolster its HR capacity, address governance issues and take forward the Transformation Programme. The engagement was extended to 1 June 2018. The cost of this temporary post was £135,000.

8.16

The cost for those staff seconded from the Department to Sport NI as Interim CEO and as part of the IEL Team totalled £282,000 (see **paragraphs 3.15 and 3.16**).

15 As required by Paragraph 5.18 of the 'Audit and Risk Assurance Committee Handbook (NI)' issued April 2018 by the Department of Finance.

16 All other legal work has been undertaken by the Departmental Solicitor's Office since May 2016.



- 8.17 The Department has also incurred costs dealing with the governance issues which have arisen in Sport NI since 2013.
- 8.18 The business case for the Transformation Programme (see **paragraph 5.5**) estimated the cost of providing Departmental staff to take forward the programme to be £293,000. Other direct costs included recruitment costs of £8,000 in relation to Board appointments following the large number of resignations in July 2015 (see **paragraph 3.12**) and resignation of the Chair (Mr Henning) and Vice Chair (Mr McAvoy) in 31 March 2016 (see **paragraph 4.17**). The Department also incurred costs of £1,000 in respect of Independent Counsel in relation to Ms McKeown's disciplinary case (see **paragraph 4.11**).
- 8.19 The Department advised that while it did not incur direct costs in relation to the Internal Audit Scoping Exercise (see **paragraphs 3.8 and 3.9**) as this was sourced from within the Northern Ireland Civil Service, this and the cost of departmental staff time dealing with the range of governance matters within Sport NI was not insignificant.
- 8.20 Whilst it is not possible to quantify all costs incurred in dealing with governance issues arising in Sport NI, based on information and costs provided by Sport NI and the Department, we estimate that the additional cost to the public purse is almost £1.5 million, up to 31 March 2019 (see **Figure 5**).

**Figure 5: Estimated cost of dealing with Sport NI governance issues<sup>17</sup>**

Year	Sport NI Costs					Departmental Costs	NIAO Costs	TOTAL £
	Legal £	HR support £	Temporary HR Director £	IEL Team (including Interim CEO/ Head of IEL Team) £	Other £	Legal, Recruitment and Transformation Programme £	Additional Financial Audit Costs £	
2014-15	47,000	21,000	–	–	–	1,000	–	<b>69,000</b>
2015-16	87,000	11,000	–	127,000	–	8,000	–	<b>233,000</b>
2016-17	57,000	76,000	59,000	116,000	60,000	293,000	–	<b>661,000</b>
2017-18	67,000	3,000	65,000	39,000	–	–	–	<b>174,000</b>
2018-19	94,000	–	11,000	–	25,000	–	186,000	<b>316,000</b>
<b>Total</b>	<b>352,000</b>	<b>111,000</b>	<b>135,000</b>	<b>282,000</b>	<b>85,000</b>	<b>302,000</b>	<b>186,000</b>	<b>1,453,000</b>

Source: NIAO, based on costs and documents provided by Sport NI and the Department, together with NIAO costs

<sup>17</sup> Figures have been rounded to the nearest thousand pounds.

## Part Eight: NIAO Conclusions

8.21 We asked Sport NI how the additional costs of circa £1 million which it had incurred over a six year period as a result of governance issues had been funded. The Sport NI Board advised that the costs were borne out of Sport NI's existing budget.

### Documentation issues

8.22 Good record keeping is essential in the public sector in order to support accountability. Complete and accurate records should be retained by all bodies, recording decisions made and actions taken. However, Sport NI fell far below the accepted standard of public record keeping. We noted significant gaps in documentation around key areas of governance in Sport NI:

- Key documentation, including the business case and evidence of whether approval for the appointment of a temporary Director was sought from the Department, is not held by Sport NI (see **paragraph 2.12**).
- Sport NI has no record of the Sport NI Chair (Mr Henning) advising Ms McKeown of an underperformance issue regarding three Directors (see **paragraph 2.16**). Similarly, Sport NI has no record of the meeting which Ms McKeown advised took place in August 2013 with Sport NI's HR Manager (see **paragraph 2.17**).
- Although Ms McKeown lodged a grievance against the Sport NI Chair (Mr Henning) on 2 October 2014, Sport NI does not hold any

records to evidence discussions with the Department on this matter until Sport NI formally notified them of the grievance in December 2014 (see **paragraph 2.37**).

- Although the Department appointed an Interim Accounting Officer upon Ms McKeown's suspension, Sport NI has no record of why the Sport NI Board did not appoint an Interim CEO at that time (see **paragraph 2.57**).
- Sport NI does not have a full or comprehensive record of all meetings involving Board members (see **paragraph 8.27**).

8.23 In addition to the delays in finalising the financial statements due to difficulty in retaining corporate knowledge on issues (see **Appendix 2, paragraph 6**), inadequate record keeping within Sport NI led to a lack of clarity and conflicting views on events.

### Governance issues and delivery of corporate objectives

8.24 Although Sport NI was unable to prepare financial statements to the expected standards and timetable, there has been no notable deterioration in the performance reported by Sport NI, with 90 per cent of the Key Performance Indicators (KPIs)/Activities achieved in the five year period ending March 2017 (see **Figure 6**).

**Figure 6: Key Performance Indicators/Activities 2012-13 to 2016-17**<sup>18</sup>

Year	Number of Key Performance Indicators/Key Activities	Year End Status		
		Green	Amber	Red
2012-13	57	53	–	4
2013-14	66	59	–	7
2014-15	13	11	1	1
2015-16	15	13	1	1
2016-17	27	24	–	3
<b>Total</b>	<b>178 (100%)</b>	<b>160 (90%)</b>	<b>2 (1%)</b>	<b>16 (9%)</b>

Source: NIAO, based on Sport NI documents

8.25 Issues with documentation retention and accounts preparation, grievances, appeals, investigations and issues with investigators took Sport NI away from its main objective to further sport and physical recreation (see **paragraph 1.1**). Given these circumstances and the fact that Sport NI received no additional funding to deal with the governance issues arising (see **paragraph 8.21**), one would expect that Sport NI would find it difficult to achieve the majority of its targets/KPIs. However, the fact that the majority were achieved, as indicated by **Figure 6**, may suggest that the targets/KPIs set were not sufficiently challenging or that the Board's attention to governance matters had little or no detrimental impact on Sport NI's performance at operational and strategic level.

#### 8.26 **Recommendation 12**

We recommend that the Department for Communities should undertake a review of Sport NI's Key Performance Indicators, to ensure that they are suitably challenging.

### The demands on Sport NI Board members increased

8.27 The governance issues arising within Sport NI would have increased the demands on all Board members. The Board Standing Orders approved in June 2015 state that "The Board will normally meet at least six times per annum".

18 Key Performance Indicators (KPIs) were not published prior to 2012-13. KPIs reported as achieved in 2012-13 have been included in Figure 6 with a Green Year End Status, while those not achieved have been included with a Red Year End Status.

## Part Eight: NIAO Conclusions

Board members showed commitment to addressing governance issues in Sport NI through attending a considerable number of additional meetings, despite being unpaid. The number of meetings involving Board members increased from 10 in 2013-14 to a peak of 22 in 2016-17. The NIAO noted that Sport NI does not have a full or comprehensive record of all meetings involving Board members.

8.28 Mr Henning advised the NIAO that although he had been a Chief Executive and Board member in the private sector, he had no previous experience of Board membership in the public sector and that “despite being advised in my appointment letter that training would be offered, and personally requesting this be provided on 3 separate occasions,....none was provided.”

8.29 Apart from the Chair and Vice Chair who were paid for two days per month, increasing to two days per week from February 2017, Sport NI Board members are unpaid volunteers. We asked the Department why the number of days the Chair and Vice Chair are paid increased, and the impact of this on Sport NI. The Department told us that the increased time commitment from the Chair and Vice Chair was to ensure increased focus on governance and transformation within Sport NI. The Department supports the Chair’s leadership role in transformation and change and will keep the increased time commitment under review.

### 8.30 **Recommendation 13**

We recommend that departments should ensure that in cases where an ALB’s Board members are unpaid, they are fully aware of the expected time commitment that will be required before taking up an appointment. Departments should consider if unpaid ALB Board members can provide the time commitment required to undertake their full responsibilities when serious issues within an ALB inevitably increase the workload of Board members.

### 8.31 **Recommendation 14**

The Department should consider the effectiveness of ALB Boards, taking into account the NIAO’s ‘Board Effectiveness – A Good Practice Guide’<sup>19</sup> and ensure that Board effectiveness evaluations are carried out annually, with independent input at least once every three years in accordance with HM Treasury’s ‘Corporate governance in central government departments: code of good practice’.

19 *Board Effectiveness - A Good Practice Guide*, available at <https://www.niauditoffice.gov.uk/publications/board-effectiveness-good-practice-guide>.



## Appendix 1: *(paragraphs 4.2, 4.3 and 5.2)* Sport NI Board membership

Period	Members	Chair	Vice Chair	Total
1 January 2015 to 5 July 2015	12	1	1	<b>14</b>
6 July 2015 to August 2015	3	1	1	<b>5</b>
August 2015 to 31 December 2015	3 (Also 3 Advisors*)	1	1	<b>5</b>
1 January 2016 to 30 March 2016	8 (Also 2 Advisors*)	1	1	<b>10</b>
31 March 2016 to 9 June 2016	6 (Also 2 Advisors*)	1**	1**	<b>8</b>
10 June 2016 to 17 August 2016	6	1**	1**	<b>8</b>
18 August 2016 to 31 January 2017	11	1**	1**	<b>13</b>
1 February 2017 to 31 March 2018	10	1	1	<b>12</b>
1 April 2018 to 31 August 2018	9	1	1	<b>11</b>
1 September 2018 to 12 May 2019	8	1	1	<b>10</b>
13 May 2019 to date	7	1	1	<b>9</b>

\* Advisors were not Board members

\*\* Denotes interim status

Source: Sport NI

## Appendix 2: Account completion issues

*(paragraph 8.7)*

1. In February 2015, the NIAO commenced interim audit work on Sport NI's financial statements for 2014-15. This work was suspended as the draft statements and the supporting audit file were of poor quality. Although further drafts of the financial statements were provided in August 2015 and April 2016, financial statements which were of an acceptable quality to enable the audit to proceed were not submitted until July 2016. The 2014-15 audit was carried out in parallel with the audit of the 2015-16 financial statements which were submitted by Sport NI on August 2016.
  2. An issue arose during the audit of the 2015-16 financial statements which also impacted upon the 2014-15 statements. The NIAO raised the matter with Sport NI in January 2017 and in October 2017, updated financial statements for 2014-15 and 2015-16 were provided by Sport NI (in addition to the number of revisions provided in 2016).
  3. On 13 November 2017, the NIAO provided Sport NI with a number of extensive lists setting out how the information provided by Sport NI needed to be progressed to allow for the completion of outstanding audits of the financial statements, which now included 2016-17 as well as the 2014-15 and 2015-16 financial statements. NIAO staff met with the Chair of the Audit and Risk Assurance Committee on the same day to outline our concerns that Sport NI was still unable to finalise the financial statements.
  4. Following regular meetings and discussions with the NIAO, further drafts of the 2014-15, 2015-16 and 2016-17 financial statements were provided on 18 June 2018. The NIAO's review found that the statements were not to the required standards.
  5. Normally the NIAO will only complete the audit of financial statements when an audited body has ensured compliance with guidance such as the Department of Finance's Financial Reporting Manual and Managing Public Money NI. However, Sport NI had failed to do so in relation to its 2014-15, 2015-16 and 2016-17 financial statements. Preparing financial statements to an acceptable standard and on a timely basis is a key governance requirement, as these provide accountability for the funds made available to Sport NI by the Department.
  6. The NIAO became increasingly concerned at the time taken by Sport NI to complete its backlog financial statements and was not assured that the issue was being resolved by Sport NI. The delay was attributable to three factors:
    - the governance issues within Sport NI from March 2015 to July 2017;
    - a lack of expertise in Sport NI, at various times over this period, on the preparation of financial statements to recognised public sector standards; and
    - difficulty in retaining corporate knowledge on issues regarding the 2014-15 financial statements in particular.
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## Appendix 2: (continued)

### Account completion issues

*(paragraph 8.7)*

7. As a consequence of Sport NI failing to meet the routine audit timetables, the NIAO had to give priority to completion of other audits which were not in backlog.
  8. In February 2019, the NIAO indicated to Sport NI that it was closing the audits of the 2014-15 and 2015-16 financial statements. The NIAO requested signed copies of the financial statements and advised that it would respond to any outstanding issues in the audit certificate and report. Following certification of the 2014-15 and 2015-16 financial statements, the NIAO brought the 2016-17 audit to a close on a similar basis. The 2017-18 financial statements were certified in February 2020 and the 2018-19 audit is on-going.
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Title	Date Published
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