

Sport Ireland Internal Audit

Cycling Ireland

November 2021

By KOSI Corporation, Internal Auditors



Table of Contents

| | |
|---|----|
| 1. EXECUTIVE SUMMARY | 3 |
| 1.1 Introduction and Background | 3 |
| 1.2 Audit Scope | 3 |
| 1.3 Audit Approach and Methodology | 3 |
| 1.4 Summary Findings | 5 |
| 1.5 Level of Assurance | 6 |
| 2. DETAILED FINDINGS | 7 |
| 3. RECOMMENDATIONS..... | 11 |
| Appendix 1: SUMMARY OF RECOMMENDATIONS | 11 |
| APPENDIX 2: STATEMENT OF RESPONSIBILITY | 17 |

1. EXECUTIVE SUMMARY

1.1 Introduction and Background

Sport Ireland's 2020 internal audit plan included for reviews of 11 sporting bodies (9 National Governing Bodies and 2 Local Sports Partnerships). These were limited scope 'pulse' reviews which looked at the governance and financial control frameworks of the selected sporting bodies including Cycling Ireland.

The objective of the 'pulse' reviews was to provide a high-level assessment of the selected bodies' governance arrangements with reference to the Governance Code.

This report is prepared after KOSI conducted a follow up audit to the 2020 Cycling Ireland pulse review as part of Sport Ireland's 2020/21 audit programme.

1.2 Audit Scope

The scope of this audit was to test the implementation of recommendations from the 2020 pulse review and to generally assess governance arrangements (with reference to the Governance Code for Sport) and the financial control framework within Cycling Ireland.

In the context of the governance code, Cycling Ireland is a Type C¹ organisation.

Due to the COVID 19 pandemic there were no physical visits to Sport Ireland or Cycling Ireland. No physical records were reviewed or assessed on-site, the audit fieldwork was completed remotely using Zoom and Microsoft Teams communications and records were provided electronically via email and shared drives.

1.3 Audit Approach and Methodology

KOSI completed the following In line with the standards laid down by the Chartered Institute of Internal Auditors:

- Conducted an opening meeting with the auditee to discuss the audit process and clarify any issues.
- Requested and reviewed relevant documentation, policies and procedures as required.
- Assessed whether prior audit recommendations have been addressed and if governance arrangements in place are operating effectively.
- Held discussions and on - line meetings as required to confirm the accuracy of our findings.
- Issued a draft report to the auditee to verify the accuracy of the report and to provide management comments.

¹ A type C organisation is thought of as large, although size is not as much a factor as the role of the Board and staffing structure. The main characteristics are that people who sit on the Board focus solely on the governance/oversight role, delegating management and operational duties to staff. There is a clear division between the governance role of the Board and the management role of staff with the CEO or equivalent takes a high level of management responsibility

Sport Ireland Internal Audit – Pulse Review Follow up – Cycling Ireland October 2021

- Conducted a close out meeting with the auditee to verify the accuracy of the report and to discuss audit findings.
- Final report issued to Sport Ireland on receipt of management responses

Sport Ireland Internal Audit – Pulse Review Follow up – Cycling Ireland October 2021

1.4 Summary Findings

Set out below are the findings summarised under the relevant Governance Code principles. The rating methodology used to classify our findings is also set out. Findings are detailed in Section 2 of this report.

The table below identifies the number of findings within each rating category (high, medium and low)

| Governance Code Principle | Key elements of Governance Code Principle | High | Medium | Low |
|--|--|----------|----------|-----|
| Principle 1: Leading the Organisation | <ol style="list-style-type: none"> 1. Vision, Purpose, Mission, Values and Objectives 2. Developing a plan to achieve stated objectives 3. Managing, supporting and holding to account staff and volunteers | 1 | - | - |
| Principle 2: Exercising Control over the organisation | <ol style="list-style-type: none"> 1. Identifying and complying with all legal and regulatory requirements 2. Making sure there are appropriate internal financial and management controls 3. Identifying major risks and managing the risks | 1 | 1 | - |
| Principle 3: Transparency and Accountability | <ol style="list-style-type: none"> 1. Identifying stakeholders and ensuring regular and effective communication 2. Responding to stakeholders' questions or views about the organisation 3. Encouraging and enabling stakeholder engagement in the planning and decision making of the organisation | 2 | - | - |
| Principle 4: Working Effectively | <ol style="list-style-type: none"> 1. Making sure Governing Body, Governing Body members, committees, staff and volunteers understand roles, legal duties and delegated responsibility 2. Making sure Governing Body exercise collective responsibility through holding efficient and effective Board meetings 3. Making sure Governing Body has suitable recruitment, development and retirement processes | 1 | - | - |
| Principle 5: Behaving with Integrity | <ol style="list-style-type: none"> 1. Being honest, fair and independent 2. Understanding, declaring and managing conflicts of interest and loyalties 3. Protecting and promoting organisation's reputation | 1 | - | - |
| General Financial Controls | General Financial Controls; Bank Accounts and Receipts; Payroll; Purchasing; Travel and Subsistence; Fixed Assets; Sport Ireland grants; General Matters | 1 | - | - |
| | | 7 | 1 | - |

Each finding is assigned a rating based on the rating definition noted below.

| Issue Rating | Description |
|---------------|--|
| High | Our finding represents a significant weakness in the current control environment, financial management or governance and required immediate action by management. |
| Medium | Our finding is an opportunity to improve the effectiveness of the control environment, financial management or governance and requires management action in the near future. |
| Low | Our finding is a general opportunity to improve efficiency and effectiveness of the processes or the controls. |

1.5 Level of Assurance

The following table identifies the categories of assurance which are available to the audit team to best reflect the review findings:

| CATEGORY | CATEGORY DESCRIPTION |
|------------------------------|---|
| Excellent Assurance | Key controls exist and are applied consistently and effectively. Considerable assurance can be given that the system will achieve its objectives safely. There is a very slight risk of loss (all asset types), fraud, impropriety or damage. |
| Substantial Assurance | Key controls exist but there may be some inconsistency in application. Compensatory controls are operating effectively. Assurance can be given that the system will achieve its objectives safely. There is some risk of loss (all types) fraud, impropriety or damage to reputation. |
| Adequate Assurance | There are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system will achieve its objectives safely. There is an average probability of loss (all asset types), fraud, impropriety or damage. |
| Limited Assurance | Controls are in place but operating poorly or controls are inadequate. Only limited assurance can be given that the system will achieve its objectives safely. There is an above average probability of loss (all asset types), fraud, impropriety or damage to reputation. |
| Poor Assurance | Controls are failing or not present. No assurance can be given that the system, process or activity should achieve its objective safely. There is a high probability of loss (all asset types), fraud, impropriety or damage to reputation. |

On the basis of audit findings, **Limited Assurance** is placed on the adequacy and effectiveness of the internal controls and governance arrangements in Cycling Ireland when compared to the requirements of the Governance Code for Sport

2. DETAILED FINDINGS

Finding 1: Errors and ineptitude in preparation of grant applications

There were failings in procedures, processes and practice in Cycling Ireland in two grant applications made on behalf of the Body. The first related to the inclusion of false comparative quotations as part of a capital grant submission to the Department of Transport, Tourism and Sport. The second related to an erroneous interpretation of the criteria for accessing the Sport NI Sustainability Fund which could not be supported by evidence. The applications in both instances represented poor practice and undermine confidence in the integrity of the Body.

[Finding related to Principle 5: Behaving with integrity](#)

Rating: **High**

Finding 2: Procurement

Finding 1 also points to a lack of rigour in procurement procedure in Cycling Ireland. False quotations have no place in any procurement procedure. That this happened evidences an absence of adherence to good practice.

[Finding related to: General Financial Controls](#)

Rating: **High**

Finding 3: Absence of openness regarding errors and indiscretion

There was an absence of full openness on the issues arising from the above on the part of the executive. A straight forward open explanation of what happened and why things happened was not provided.

[Finding related to Principle 3: Transparency and Accountability](#)

Rating: **High**

Finding 4: Absence of new grant procedure

Following on from the negative outworking of the erroneous grant submissions, not to prepare, agree and implement a revised grant procedure to ensure that confidence in CI's grant application process can be restored, is a failure.

[Finding related to Principle 2: Exercising control over the organisation](#)

Rating: **High**

Finding 5: Failure to fully investigate

The failure of the executive to carry out a full investigation as soon as possible and address the shortcomings that led to the two events happening, further undermines confidence in effectiveness, control and accountability within CI. It is noted an investigation is currently underway.

Finding related to Principle 3: Transparency and Accountability

Rating: High

Finding 6: Lack of Board confidence in executive

The IPA was engaged to carry out a review of Board Governance. Recommendations include that a ‘Schedule of Matters’ should be agreed between the Board and the executive regarding separation of responsibilities. The continuing role of the President in signing off payments and the necessity considered by the board to intervene in the high-performance area points to a lack of full confidence of the board in the executive.

Finding related to Principle 1: Leading the Organisation

Rating: High

Finding 7: Not working effectively

For its part the executive is uncomfortable with what is considered as over reach on behalf of the board. Notwithstanding these issues, the decision of the Head of High Performance to signal resignation from his position at a crucial point in the run up to the Tokyo Olympics does not point to an organisation working collectively, effectively and in harmony.

Finding related to Principle 4: Working Effectively

Rating: High

Finding 8: Progress on Pulse 2020 Recommendations

Progress has been made in areas identified in the previous Pulse Review as requiring action including in the areas of Board Effectiveness, Risk Management, Policies and Procedures, Monitoring and Evaluation. An implementation plan for implementing outstanding pulse and IPA recommendations was not visible. A summary table identifying the pulse recommendations and status of progress is identified below.

| Pulse Audit 2020 Recommendation | Status/ Update from CI | Evidence |
|--|--|---|
| <p>Board Effectiveness Review</p> <p>a) A formal review of the Board effectiveness should be carried out to identify any areas of improvement.</p> <p>b) Formal succession planning should be in place to identify skills, attributes, diversity and ethical culture and renewal cycles of the Board.</p> | <p>CI engaged the IPA to support the organisation in this process.</p> | <p>KOSI has been provided with the IPA report, which illustrated that there has been a review of board effectiveness. The board was provided with twenty-six recommendations.</p> <p>The IPA recommended the Board should consider enhancing its succession planning process by developing a Skills/Experience/Diversity Matrix with a view to determining the optimal Board member mix (including sporting background and business</p> |

| | | |
|---|--|---|
| | | <p>specific skills) and to inform the filling of future vacancies.</p> <p>The recommendation included that serious consideration should continue to be given to diversity requirements, in particular gender and regional representation as well as being reflective of the broader cycling community and disciplines. The IPA also recommended that the Board should consider tasking the Remuneration and Human Resources Committee to lead on these and report to the Board.</p> |
| <p>Risk Management</p> <p>a) The Cycling Ireland Risk Management policy including a risk register to be reviewed and refined to ensure compliance with the CVC code.</p> <p>b) Risk will be included as a quarterly agenda for the Board on an on-going basis.</p> | <p>Update to the Risk Register and policy approach presented to the Board in late 2020. Risk is now a regular feature in Board meetings.</p> | <p>There is evidence that the Risk Register has been updated, including the regular inclusion of risk management discussion into board meetings, ‘Relevance of this as it sits on the Risk Register’ (December 2020 Board Minutes)..., ‘There was discussion around the G&R sub-committees as to whether risk should sit with Finance or Governance’ (February 2021 Board Minutes)... ‘Risk Register. Provided in the Board Pack as a fixed agenda item going forward.’ (May 2021 Board Minutes).</p> <p>It is noted that it has been determined that risk considerations are to be under the remit of the Governance and Risk Committee.</p> |
| <p>Monitoring and Evaluation</p> <p>a) An operational plan and monitoring system to be developed for Board sign off and implementation.</p> <p>b) The Monthly CEO Report to be reformatted to follow the operational plan and monitoring system.</p> | <p>Draft 2021 Operational Plan complete. Cascading staff targets and evaluation in progress.</p> | <p>Copy of draft plan.</p> <p>IPA report recommended Cycling Ireland prepare an operational plan.</p> |

| | | |
|---|--|---|
| <p>Communication Plan</p> <p>a) Communication plan should be formally documented by CI.</p> <p>b) Communication strategy should be reviewed every three years in line with the requirement of the code.</p> | <p>Communications Plan presented to the board for sign off in late 2020.</p> | <p>KOSI has not seen a copy of the Communications Plan.</p> |
| <p>Review of Policies and Procedures</p> <p>a) A formal appraisal policy, grievance and disciplinary procedures, equality policy and whistleblowing policy should be documented by CI.</p> <p>b) Policies and procedures on operational matters and governance documents should be reviewed every three years.</p> | <p>A schedule for policy and procedural review developed and will continue to be rolled out. Equity and Transgender Policy reviews in late 2020 and Financial Policies and procedures Manual and HR/ Employee Handbook due for review in early 2021. Governance Code Compliance included in the Terms of Reference of the Governance/ Risk Committee of the Board and a commitment achieving the end 2021 deadline has been given.</p> | <p>A review of Policies and Procedures began in late 2020, where both new equality and disciplinary policies were referred to sub-groups for consideration, 'Equality Policy. A draft was provided and referred to the Governance group to be considered along with the draft disciplinary policy' December 2020 Board Meeting.</p> |
| <p>Business Continuity Plan</p> <p>CI should assess the business needs and implement a business continuity and disaster recovery plan.</p> | <p>A draft for Board sign-off ready for approval at the February 2021 meeting.</p> | <p>KOSI has not seen a copy of a Business Continuity Plan presented to the board.</p> |

Finding related to Principle 1: Exercising control over the organisation

Rating: **Medium**

3. RECOMMENDATIONS

It is recommended that specific actions are carried out to promote and ensure a culture of integrity in Cycling Ireland including reinforcing Cycling Ireland 's code of ethics.

A fundamental reengineering of grant application and administration processes should be completed along with the preparation of a grant administration procedure in line with best practice and incorporating appropriate controls and segregation of duty. This should be signed off by the Board.

In parallel with the review of grant administration procedures, a review of procurement procedures should be carried out and result in the preparation of a procurement procedure in line with best practice and incorporating appropriate controls and segregation of duty. This should be signed off by the Board.

A time bounded investigation of the two erroneous grant applications should be completed. Recommendations should include for both human resource and financial administration improvements that eliminate, so far as possible the risk of reoccurrence of the erroneous decisions and submissions made in the Department of Transport, Tourism and Sport Capital Grant submission and the Sport NI Sustainability Fund submission. Any decisions and actions determined should be such as to allow and enable Cycling Ireland to move forward from the ineptitude and lack of discretion arising in not one, but two separate grant applications.

Independent external review and sign off of Cycling Ireland grant applications should be required for all grant applications prior to submission for at least 12 months and until the new procedure is bedded in.

The separation of executive and board responsibilities should be implemented in line with the schedule of matters recommendation of the IPA.

A review of the finance function is required to ensure sufficient capacity and control is in place and to eliminate reliance on executive operational intervention from the board.

A wider organisational review is recommended to ensure the structure, capacity and capability of Cycling Ireland is fit for purpose to meet strategic objectives. The recommendations from such a review should be implemented as part of a wider process of renewal in Cycling Ireland that ensures a culture of transparency, accountability and integrity and embodies all aspects of the governance code.

It is recommended that Cycling Ireland puts in place an arrangement (internal or external) for an internal audit programme to further enhance confidence in CI's internal control systems.

An action plan should be in place to ensure implementation of outstanding pulse and IPA recommendations.

Appendix 1: SUMMARY OF RECOMMENDATIONS

Sport Ireland Internal Audit – Pulse Review Follow up – Cycling Ireland October 2021

| | RECOMMENDATION | MANGEMENT RESPONSE | DATE TO BE IMPELEMETED BY | RESPONSIBLE PERSON |
|---|---|---|---|---|
| 1 | It is recommended that specific actions are carried out to promote and ensure a culture of integrity in Cycling Ireland including reinforcing Cycling Ireland 's code of ethics. | Cycling Ireland to re-visit it's code of ethics/conduct for all staff/officers and ensure all re-sign/commit to these principles. An online webinar course/acceptance format to be investigated and implemented each year for staff/officers/volunteers to complete. An ethical decision-making themed session to be delivered to Staff Meeting Session | JANUARY 2022 JUNE 2022 MARCH 2022 | CI CHIEF EXECUTIVE/BOARD |
| 2 | A fundamental reengineering of grant application and administration processes should be completed along with the preparation of a grant administration procedure in line with best practice and incorporating appropriate controls and segregation of duty. This should be signed off by the Board. | A CI Financial Policy & Procedures Manual is being finalised for Board approval in December 2021. This will include grant application and administration procedures with suitable internal and external controls and segregation of tasks The below mentioned appointment of an external party to provide sign-off on all grant applications for the coming 12 months will be incorporated to this policy. | DECEMBER 2021 | CI CHIEF EXECUTIVE/BOARD |
| 3 | In parallel with the review of grant administration procedures, a review of procurement procedures should be carried out and result in the | A CI Financial Policy & Procedures Manual is being finalised for Board approval in December 2021. This will include a dedicated and documented set of | DECEMBER 2021 | CYCLING IRELAND AUDIT & FINANCE COMMITTEE CI CHIEF EXECUTIVE/BOARD |

Sport Ireland Internal Audit – Pulse Review Follow up – Cycling Ireland October 2021

| | | | | |
|---|---|--|---------------------------------|-----------------------|
| | preparation of a procurement procedure in line with best practice and incorporating appropriate controls and segregation of duty. This should be signed off by the Board. | procurement procedures for use within the organisation. | | |
| 4 | A time bounded investigation of the two erroneous grant applications should be completed. Recommendations should include for both human resource and financial administration improvements that eliminate, so far as possible the risk of reoccurrence of the erroneous decisions and submissions made in the Department of Transport, Tourism and Sport Capital Grant submission and the Sport NI Sustainability Fund submission. Any decisions and actions determined should be such as to allow and enable Cycling Ireland to move forward from the ineptitude and lack of discretion arising in not one, but two separate grant applications. | A comprehensive independent investigation is in progress with regard to the Sport Capital Grants submission. Completion is expected by end Nov 2021. On completion of the above investigation, and capturing its learnings an investigation into the Sport NI sustainability fund submission will be initiated. | NOVEMBER 2021 MARCH 2022 | CYCLING IRELAND BOARD |

Sport Ireland Internal Audit – Pulse Review Follow up – Cycling Ireland October 2021

| | | | | |
|---|---|---|--|--|
| 5 | Independent external review and sign off of Cycling Ireland grant applications should be required for all grant applications prior to submission for at least 12 months and until the new procedure is bedded in. | Cycling Ireland agree to appoint an external party to provide review and sign off of grant applications. Possible suppliers include Auditors OSK. | JANUARY 2022 | CI CHIEF EXECUTIVE/BOARD |
| 6 | The separation of executive and board responsibilities should be implemented in line with the schedule of matters recommendation of the IPA. | <p>Cycling Ireland as part of its current program of governance enhancement to ensure Governance Code compliance by Dec 31 will sign off an approved schedule of matters that details separation of responsibilities between the Board and the Executive.</p> <p>Cycling Ireland to conduct a workshop of Board, CEO and relevant senior staff – to discuss any areas/tasks of identified conflict/concern within the schedule of matters to ensure all parties are clear on their mandate and this is agreed and understood.</p> | <p>DECEMBER 2021</p> <p>MARCH 2022</p> | CI CHIEF EXECUTIVE/BOARD |
| 7 | A review of the finance function is required to ensure sufficient capacity and control is in place and to eliminate reliance on executive operational intervention from the board | Roles and responsibilities of each party/entity within the finance function will be reviewed and specified within the CI Financial Policy & Procedures Manual being finalised for Board approval in December 2021. | DECEMBER 2021 | <p>CHIEF FINANCIAL OFFICER/CEO + AUDIT & FINANCE COMMITTEE</p> <p>CI CHIEF EXECUTIVE/BOARD</p> |

Sport Ireland Internal Audit – Pulse Review Follow up – Cycling Ireland October 2021

| | | | | |
|--|--|---|---------------|------------------------------|
| | | Governance Code compliance by Dec 31. An action plan for implementation of the IPA recommendations will be developed by end 2021 and implemented by end 2022 | DECEMBER 2022 | CYCLING IRELAND SECRETARY |
|--|--|---|---------------|------------------------------|

APPENDIX 2: STATEMENT OF RESPONSIBILITY

KOSI take responsibility for this report, which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to the IAU’s attention during the course of its work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by Management or their full usefulness, impact and cost of implementation before they are implemented.

The performance of internal audit work is not and should not be taken as a substitute for management’s responsibilities for the application of sound management practices. It is emphasised that the responsibility for a sound system of internal controls and the prevention of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal control, nor relied upon to identify all circumstances of fraud and irregularities.

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being the greatest risk and significance and as such we rely on management to provide us full access to their account records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.



.....

On behalf of KOSI Corporation Limited

November 2021