Opening Statement by John Treacy (Chief Executive, Sport Ireland)

Introduction

I am joined today by my colleagues Kieran Mulvey (Chairman of Sport Ireland) and Colm McGinty (Director of Strategic Programmes).

This is Sport Ireland’s fourth time meeting with this Committee this year to discuss matters pertaining to the Football Association of Ireland (FAI). At each of these meetings we detailed in-depth the remit of Sport Ireland, its funding relationship with the FAI and actions taken to support the FAI through its ongoing situation.

As the Committee will be aware, KOSI Corporation Ltd recently completed their forensic audit of the FAI, which was commissioned by Sport Ireland under the Terms and Conditions of Grant Approval. The Committee will also be aware that the audit report was referred by the Board of Sport Ireland to An Garda Síochána.

Today I will outline to the Committee that the independent forensic KOSI audit verified that taxpayer funding to the FAI, through Sport Ireland, was spent in line with the approved submissions and for the purposes it was given by Sport Ireland during the period 2015-2018.

I will give an overview of Sport Ireland’s role and remit under the Sport Ireland Act 2015, with a particular focus on the extent of Sport Ireland’s powers with regard to the oversight of public funding invested in our national sporting organisations.

I will also inform the Committee on recent developments with regard to governance training in National Governing Bodies and the revision of Sport Ireland’s Terms and Conditions of Grant.
Approval to enhance, on a consent basis, Sport Ireland’s right to conduct audits beyond the scope of funding provided to sporting organisations.

**Independent KOSI Audit Commissioned by Sport Ireland**

KOSI’s independent forensic audit of the FAI, which was commissioned by Sport Ireland under the ‘Terms & Conditions of Grant Approval’ agreed with the FAI, has been completed.

Sport Ireland received KOSI’s audit report on the FAI on the evening of Tuesday 26th November and provided a copy of the report to the Minister for Transport, Tourism & Sport in compliance with his request and powers under the Sport Ireland Act (2015).

The KOSI report was considered by the Audit & Risk Committee and Board of Sport Ireland early on Wednesday 27th November.

The independent forensic audit completed by KOSI confirmed that the FAI spent all taxpayer funding allocated through Sport Ireland in line with approved submissions and for the purposes it was given by Sport Ireland during the period 2015-2018. KOSI found that the consumption of Sport Ireland grants has been safely covered by FAI expenditure in the programme areas supported. It is worth noting that KOSI’s overall conclusion was similar to previous internal audits of the FAI completed on Sport Ireland’s behalf in 2010, 2014 and 2016 which also found that Sport Ireland funding to the FAI was fully accounted for and expended for the purposes in which it was intended.

The Board of Sport Ireland subsequently referred the audit report to An Garda Síochána, following consideration of legal advice, which included Senior Counsel input. As such, for legal reasons Sport Ireland is not in a position to publish the audit report, or provide any further information on the report at this time. Our legal advice (which includes Senior Counsel advice) is that Sport Ireland cannot discuss the Report or its contents in public, including with the Joint Committee on Transport, Tourism and Sport.

Following consideration of the KOSI report, the Board of Sport Ireland agreed that the suspension and withholding of funding to the FAI remains in place.
However, the Board approved the establishment of a process, with the consent of the FAI, to meet with the FAI on an ongoing basis to discuss governance and financial issues and to support the FAI on their reform agenda. This is an essential requirement to fulfil as part of the pathway towards restoration of Sport Ireland funding to the FAI. Sport Ireland has written to the FAI in this regard.

The status of funding to the FAI continues to be reviewed by the Board of Sport Ireland on an ongoing basis.

The Committee will be aware that in November, the Board of Sport Ireland approved the payment of 2019 grant funding for the Women’s Senior National Football Team programme. The grant of €195,000 will be paid by Sport Ireland to accountancy firm BDO who will oversee the disbursement of the funding in line with terms and conditions.

**Sport Ireland’s Remit under the Sport Ireland Act (2015)**

The Sport Ireland Act (2015) confers considerable authority in Sport Ireland as the statutory body for the development of sport. The functions of Sport Ireland are prescribed in Section 8 of the Sport Ireland Act, and include powers to develop participation in sport and high performance sport; to eliminate doping in sport as the National Anti-Doping Agency, to develop coaching, to develop guidelines on the protection of children in sport and the development of the Sport Ireland Campus.

Sport Ireland must adhere to the Sport Ireland Act (2015). Sport Ireland cannot act beyond our legal powers or authority as prescribed by the Act.

As a statutory development agency, Sport Ireland seeks to develop strong sports organisations and recognise the considerable public interest in a successful Irish sports sector. Sport Ireland is responsible for the investment of public money in sport and the subsequent oversight and accountability of this investment.

**From previous meetings, the Committee will be aware that Sport Ireland is not a regulatory body, and Sport Ireland has no regulatory, investigatory or enforcement powers in relation**
to corporate governance in sporting bodies. This was discussed at length with this Committee during meetings earlier this year.

The Committee will also be aware that there is no provision in the Sport Ireland Act that gives Sport Ireland statutory authority to audit or inspect the books and records of a body in receipt of Sport Ireland funding. This has been confirmed by our legal advisors. The Committee will also be aware that funded organisations sign-up to Sport Ireland’s Terms and Conditions of Grant Approval, which permits audit on a consent basis.

It is important to note that Sport Ireland’s Terms and Conditions of Grant Approval clearly stipulates that all funded bodies must have in place a valid tax clearance certificate before any funding is paid. Sport Ireland can confirm it received all necessary tax clearance documentation from the FAI each year, including in 2019.

Furthermore, Sport Ireland’s ‘Terms & Conditions of Grant Approval’ require all sporting bodies to submit to Sport Ireland a copy of its Annual Financial Statements fully audited by a registered auditor in accordance with Irish GAAP Accounting Standards (for the Mid-Year Review process). Sport Ireland places fundamental reliance on the statutory auditor’s signed audit opinion. The Terms & Conditions explicitly state that the accounts furnished to Sport Ireland must “include all financial transactions of the organisation during the course of the accounting year in question”. It is important to remind the Committee that primary responsibility for preparation of any company’s Financial Statements rests with that company’s management and Board of Directors. The FAI Board are responsible for risk management within the Association and for ensuring that the FAI keeps (or causes to be kept) adequate accounting records. Corporate Governance practice and Company law requires that the Directors of a company must not approve accounts unless they are satisfied they give a “true and fair view” of the financial position.

Sport Ireland relied on the objective, independent professional judgment of the statutory auditors whose work was carried out in accordance with International Standards on Auditing (Ireland). Each year the FAI’s Financial Statements were given a clean unqualified opinion by the external auditor Deloitte. The audit opinion stated that the auditors had not identified any material misstatements, and that the Financial Statements, in the auditor’s opinion, gave a “true and fair view” of the financial position of the FAI.
What is now clear from the filing of the H4 notice in April, and the re-stated and revised FAI Financial Statements that this was not the case. Undeclared transactions of serious concern and unrecorded liabilities, for a number of years, only came to full public attention on the recent publication of the FAI’s 2018 Financial Statements approximately 12 days ago.

Oversight of compliance with Company Law is a matter for the Office of the Director of Corporate Enforcement (ODCE). Sport Ireland notes that the ODCE has extensive investigative and enforcement powers, and we are aware that its investigation of the FAI, which we understand is serious, is ongoing.

**Governance within Funded Bodies**

Sport Ireland places a high premium on good governance, and encourages high standards in governance from all funded bodies. As a development agency, it is our aim to provide leadership in this area, empowering sport organisations to take responsibility for their own governance and meet the challenges that they face. We have previously outlined to the Committee the range of governance training, seminars and supports provided by Sport Ireland for those in key leadership and governance roles in sporting organisations. Whilst Sport Ireland promotes good governance in sporting organisations, we cannot enforce good governance. In accordance with a key corporate governance principle, the Board of any NGB is collectively responsible for leading and directing the organisation’s activities, and for ensuring that effective systems of internal control are in place.

The Committee will be aware from Sport Ireland’s attendance in July of this year that the Board of Sport Ireland has approved revised Terms and Conditions of Grant Approval for all Sport Ireland funded organisations to come into effect for 2020 funding. To recap for the Committee Members, the amendments to the Terms and Conditions include:

1. Strengthening the audit clause to explicitly confer full audit, inspection and investigative rights on Sport Ireland for every funded body. The right to audit, inspection and/or investigation may also extend to any matter of concern to Sport Ireland that arises in respect of the organisation and not just relating to the use made by the organisation of the Sport Ireland grant funding.

2. Making it an explicit condition of funding that Sport Ireland appointed auditors are entitled to request and receive all the information and explanations they require for the proper performance of their job.
3. Making it a condition of funding for all National Governing Bodies of sport and Local Sports Partnerships to provide details of the full remuneration packages for their Chief Executive’s (or equivalent positions) to Sport Ireland.

4. Sport Ireland will need to be provided with independent verification that each organisation is fully compliant with the Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland by the end of 2021.

Failure to cooperate fully with any audit, inspection and/or investigation on a timely basis will entitle Sport Ireland to suspend/withhold grant funding and/or claim repayment of any grants previously advanced by Sport Ireland.

The Board of Sport Ireland is satisfied that these measures are appropriate and necessary in light of the recent learnings from the FAI situation. We are confident that the additions will further strengthen Sport Ireland’s authority in respect of overseeing public funds.


As reported at the meeting in July, Sport Ireland has taken over the Governance Code for Community, Voluntary and Charitable Organisations as a Governance Code for Sport. This follows the decision of the Governance Code Working Group to retire the Code. To date, 31 Sport Ireland funded bodies have fully adopted the Code, while another 50 are on the adoption journey.

Following recent developments at the FAI, Sport Ireland considered new ways to build and sustain governance capacity and capability within the National Governing Bodies and Local Sports Partnerships. Sport Ireland invited applications from senior executives and Board members within National Governing Bodies of sport and Local Sports Partnerships to undertake a Level 9 Professional Certificate in Governance. This certificate is delivered by the Institute of Public Administration and accredited by the National University of Ireland.

60 applications were received from NGBs and LSPs. Following a shortlisting process, 51 applicants were selected for participation in the programme from a total of 35 sporting bodies. It
is a one-year part-time programme that addresses a key area of concern to executives, Boards and committees across the sport sector. This accredited programme examines governance as a set of structures, arrangements, processes and procedures. It focuses on the principles and culture that ensure organisations are properly directed and controlled.

The course covers the roles and responsibilities of governing bodies and boards, the performance and accountability of directors and executives, assurance arrangements, fiduciary responsibilities, distinction of executive and non-executive functions and reserved functions of boards, strategy, finance and leadership. On completion of the course graduates will have authoritative knowledge of the principles and practices associated with proper direction, decision-making and control in organisations.

The programme commenced on 15th November.

Implementation of Governance Review Group Recommendations
The Committee will recall from previous meetings, that the FAI established an Implementation Oversight Group tasked with overseeing implementation of the 78 recommendation of the Governance Review Group report. The effective ongoing operation of the Implementation Oversight Group as set out in the Governance Review Group's report is of vital importance on the journey to reforming FAI governance, and restoring public trust and confidence in the FAI.

The FAI have recently provided an update on the work of the Implementation Oversight Group. The FAI report that 40% of the recommendations have been implemented, including 11 priority actions.

Conclusion
To summarise the information given in this statement:

- The KOSI audit independently confirmed that the FAI spent all Sport Ireland funding in line with approved submissions and for the purposes it was given by Sport Ireland during the period 2015-2018.
- Sport Ireland is the statutory development agency for sport. Under the Sport Ireland Act (2015) Sport Ireland is not a regulatory body, and Sport Ireland has no regulatory, investigatory or enforcement powers in relation to corporate governance in sporting bodies.
There is no provision of the Sport Ireland Act that gives Sport Ireland statutory authority to audit or inspect the books and records of a body in receipt of Sport Ireland funding. This has been confirmed by our legal advisors.

The Board of Sport Ireland has approved revised Terms and Conditions of Grant Approval for all Sport Ireland funded organisations to come into effect for 2020 funding. This includes the strengthening of the audit clause to explicitly confer full audit, inspection and investigative rights on Sport Ireland for every funded body.

This concludes the opening statement of Sport Ireland.