

***Chairman's message on the publication of the Deloitte audit report on Horse Sport Ireland –  
Professor Pat Wall***

I want to first of all thank Sport Ireland and Deloitte who, in the interest of transparency, agreed to our request for permission to publish the findings of this comprehensive report following a detailed governance audit.

I welcome the findings of the audit which was carried out over the last year. The report found '*no evidence of abuse or misuse of public funds*' as claimed by one stakeholder.

The report also says: '*Financial policies and procedures are well developed at HSI. No matters of a significant nature relating to financial policies and procedures came to our attention during the course of this internal audit review*'.

The auditors also found that '*no issues arose in relation to the expenditure items examined as part of the audit review of expenses*'.

The report makes three significant recommendations: i) that Horse Sport Ireland's financial resources require strengthening; ii) that a formal risk identification and assessment process be established and iii) that HSI should make changes to its grant-awarding processes in order to be better able to withstand challenges by any stakeholder.

Since we became the governing body in 2008, Horse Sport Ireland has had a policy of expending all of its annual funding on initiatives to support the industry in what were extraordinarily challenging times for the Irish economy. However, the board of HSI has now decided that we should build up a reserve fund of approximately 10 per cent of our income over the next four years. We have budgeted accordingly in 2016 and this has, inevitably, resulted in some cut-backs to our normal range of activities. A formal risk register is also now in place and we have made changes to the allocation process for international hosting grants and breeding grants to reflect the recommendations of the report.

The review noted some other important and procedural points for Horse Sport Ireland to address, all of which have either already been implemented or are currently in the process of being addressed by the board and the management of the organisation. Progress updates on these issues are contained in the report.

The report makes some points in relation to the structure of the Horse Sport Ireland board and the fact that it is made up of representatives of our affiliated organisations. The structure of HSI was prescribed by the Government at the foundation of the organisation to ensure buy-in from all sectors of the sport horse industry. I expect the composition and operation of the board will be considered in the context of the Government-sponsored structural review of Horse Sport Ireland which was recommended in the industry strategy '*Reaching New Heights*', published in March 2015. We expect this to take place shortly now that the new government is in place.

In my view the board members take their responsibilities very seriously; they are hugely committed to the sector and generously give of their time entirely on a voluntary basis. There are no fees paid to any board member in Horse Sport Ireland.

Professor Pat Wall  
Chairman.

# **Sport Ireland (formerly The Irish Sports Council)**

## **Internal Audit Review of Horse Sport Ireland**

**April 2016 - Final Report**

## Contents

1. Executive Summary	3
2. Detailed Findings and Recommendations – Governance	8
3. Detailed Findings and Recommendations – Financial Administration Controls	22
4. Overview of International Hosting Event Grants – Background and Context	27
5. International Hosting Events Grants and other HSI Financial Supports: Key Findings	29
6. Review of Complaints made by Stakeholder	32
7. Statement of Responsibility	34
Appendix 1: Explanation of Internal Audit Assurance Rating Scale	35
Appendix 2: Overview of the Horse Sport Ireland - Key Activities, Strategy, Board and Industry Structure	36
Appendix 3: Areas for Improvement- Company (HSI) and Industry	45
Appendix 4: HSI and Industry Strengths Identified During the Course of the Review	47
Appendix 5: International Hosting Event Grants – Analysis, Process and Criteria	49
Appendix 6: Explanation of Proportionality	54
Appendix 7: Feedback from International Hosting Event Organisations	55
Appendix 8: Financial Position – Horse Sport Ireland	57
Appendix 9: Horse Sport Ireland Organisational Chart	58
Appendix 10: Analysis of HSI Breeding Financial Supports	59
Appendix 11: Sport Sub-Board	60
Appendix 12: Circular 13/2014: Management of and Accountability for Grants from Exchequer Funds	61

## 1. Executive Summary

### 1.1 Introduction and Scope

The internal audit review assignment of Horse Sport Ireland (HSI) was scheduled under the Sport Ireland's internal audit plan for 2015. It was agreed that Internal Audit would carry out a high level review of Governance, Financial Administration / Controls and International Hosting Grants/Financial Supports to assess the control environment and recommend improvements where noted. Our review did not address the effectiveness of HSI's expenditures and programmes. Our understanding of HSI's key activities, strategy, Board and industry structure is set out at **Appendix 2**.

HSI is a relatively new organisation having taken over as the National Governing Body (NGB) for equestrian sport in 2008. HSI has been recognised as the governing body for equestrian sport in Northern Ireland since 2010. It is distinct from other NGBs as it also has a substantial breeding and international marketing function. HSI has a wide range of issues to manage in a complex operating environment with a wide ranging and diverse constituency of stakeholders and twenty six different affiliates. HSI is led by a small management team. HSI management have stated that under its stewardship the equestrian sport sector has been more cohesive which has been significant progress in areas such as Anti-Doping, Child Protection, High performance and Coaching. There has been an increase in the number of FEI international events taking place in Ireland each year.

### 1.2 Approach to the Internal Audit Review

(i) Our review was a high level review based on management information, representations, meetings and discussions with HSI staff members, the Chairman and Board members and other stakeholders.

(ii) In order to complete this internal audit review, we used a combination of and had regard to the following:

- Issuing a governance and controls questionnaire to HSI and a questionnaire to the Board and reviewing the responses;
- Review of key documentation and records at HSI's office;
- Inspection of HSI records on a sample basis;
- Interviews with relevant individuals and stakeholders as required;
- Assessment of compliance with good practice and expected controls;
- Review of the requirements of *Circular 13/2014 - Management of and Accountability for Grants from Exchequer Funds* (operative date: 1 January 2015) issued by the Department of Public Expenditure and Reform (refer to Appendix 12); and
- Review of the requirements of *Circular 17/2010 – Requirement for Grants and Grants-in-Aid* issued by the Department of Finance on 22 December 2010.

## 1.3 Summary of Findings and Recommendations

The number of recommendations by priority are summarised hereunder. We have classified our recommendations as **Significant**, **Important** and **Procedural** so that the relative priority of the recommendations can be assessed.

Recommendations of **Significant priority** require the attention and acceptance by the Board and senior management. If remedial action is not taken by management to implement the recommendations, the Board acknowledges and accepts the risk exposure.

Recommendations of **Important priority** require the attention of the Board and senior management.

Recommendations of **Procedural priority** are those that are intended to address control improvements which can be handled at an appropriate level of management in the organisation.

The number of recommendations by priority can be summarised as follows:

Area	Significant	Important	Procedural	Total
Governance	2	6	-	8
Financial Administration /Control Processes	-	2	3	5
International Hosting Grants/Financial Supports	1	-	-	1
<b>Total</b>	<b>3</b>	<b>8</b>	<b>3</b>	<b>14</b>

## 1.4 Governance

**Significant priority** recommendations are as follows:

- Financial resources require strengthening. The company's audited accounts at 31 December 2014 disclose that current liabilities exceed current assets. (Section 2.1);
- A formal risk identification and assessment process should be established (Section 2.2);

Important *priority* recommendations are as follows:

- Board size and composition should be reviewed having regard to the fact that the board is affiliates-based and not competency-based. (**Section 2.3**);
- Governance processes can be improved. Internal audit acknowledges that HSI is on the 'journey' towards governance improvement and compliance with expected governance standards (**Section 2.4**);
- Board effectiveness review should be carried out at HSI (**Section 2.5**);
- Requirement for finalisation and formalisation of induction process and code of conduct (**Section 2.6**);
- Schedule of matters reserved for Board decision should be formalised (**Section 2.7**); and
- Requirement for implementation of a staff performance and appraisal process (**Section 2.8**).

## 1.5 Financial Administration and Control Processes

Financial policies and procedures are well developed at HSI. No matters of a significant nature relating to financial policies and procedures came to our attention during the course of this internal audit review.

*Important priority* recommendations are as follows:

- Motor indemnity certificates should be monitored by HSI for its workforce who use their private vehicle for business purposes. (**Section 3.1**).
- Requirement for update to bank mandates and closure of dormant bank accounts where these dormant accounts do not serve a business purpose. (**Section 3.2**).

*Procedural priority* recommendations are as follows:

- A central record of hours worked for HSI personnel should be operated so that an overall corporate monitoring can take place to ensure staff are not working hours in excess of the hours prescribed in the Working Time Act. (**Section 3.3**).
- Travel and subsistence claim forms and credit card purchases should be signed off in line with financial procedures (**Section 3.4**); and
- Requirement for implementation of fixed asset register (**Section 3.5**).

## 1.6 International Hosting Event Grants and Financial Supports

A *Significant priority* observation was made which includes a number of related recommendations. These are set out at **Section 5**, and are as follows:

- Contractual arrangements with organisations in receipt of international hosting grants and other financial supports should be brought up to date and signed off in advance of making any payments to these organisations.

- Consider enhancing the award process and funding methodologies of the HSI financial supports as the one activity, rather than two as is currently the situation, in the interests of efficiency and effectiveness.
- Clear criteria and weighting of these criteria and public advertising should operate for all financial supports.
- Consider the nature of the transactions with connected bodies for the purposes of establishing whether further disclosures in the HSI annual financial reports are required to comply with financial reporting standards.
- A voluntary debriefing should be offered to grant applicants and stakeholders, where requested, but having due regard to the principles of commercial sensitivity and confidentiality.
- Any future awards of HSI financial supports should ensure that the principles of fairness, openness, transparency and accountability have been clearly demonstrated and can withstand the challenge of any stakeholder or awardee.

## 1.7 Conclusion

A number of areas for significant improvement were noted during the course of the review. Action is required on the part of the Board and Management to address the identified areas for improvement.

It also has to be acknowledged that HSI is one of the newest of the NGBs of Sport. HSI has a wide range of issues to manage in a complex operating environment and is led by a small management team.

Internal Audit were made aware of a number of issues raised by one stakeholder. No matters or evidence came to our attention during the course of this review which would corroborate the stakeholder's opinion that there had been an abuse or a misuse of public funds by HSI.

## 1.8 Areas for Improvement- Company (HSI) and Industry

Internal Audit sought the views of Board members and senior executives through the use of a confidential questionnaire. The primary purpose of the questionnaire was to identify areas for improvement to assist the organisation in its governance and administrative control processes. The results of the consultative process are set out in Appendix 3. These results do not represent the views of Internal Audit.

The areas for improvement may possibly stimulate further debate on important issues for the company and the industry.

## 1.9 HSI and Industry Strengths Identified During the Course of the Review

A number of areas are identified as representing specific strengths both of the company and the sport horse industry. The primary source of these comments is the output of the self-assessment questionnaire process. They do not represent the views of Internal Audit. The results of the consultative process are set out in **Appendix 4**.

## 1.10 Statement of Responsibility

The audit process relies on the information and explanations made available during the course of our work. A scope limitation or impediment on our work could arise in the event that key issues concerning governance and controls and other relevant information were not made available or not disclosed to the internal audit team. In such a situation or scenario, the findings, recommendations and conclusions arising from our audit work could be impacted, undermined or compromised.

We do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy. Detailed testing of the system of internal control was not undertaken. Therefore, we do not offer any judgement as to the existence or completeness of internal controls systems within HSI.

Our work was performed in accordance with the Deloitte Internal Audit Methodology which is consistent with the Standards of the Chartered Institute of Internal Auditors.

## 1.11 Limitations on the use of this report

This report has been prepared for use by Sport Ireland only and it is confidential. It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent. Deloitte accepts no responsibility to any third parties for breach of this obligation or for any opinions expressed or information included within this report. No other parties, except those set out in our engagement letter, are entitled to rely on this report for any purpose whatsoever.

We remind you of the Terms of Business of our engagement as Sport Ireland's Internal Auditors, particularly in relation to confidentiality.

## 1.12 Acknowledgments

We express our thanks to the HSI Board Chairman, HSI Board members, Chairmen of the Sport Sub Board and the Finance Committee, HSI executives, stakeholders and third parties who assisted us and with whom we came in contact during the course of the review. We acknowledge that many of those with whom we came in contact serve the sport horse industry in a voluntary capacity and play an important role in the industry's development.

Our observations and recommendations in this report relate to opportunities for improvement in governance arrangements, financial controls and accountability requirements for HSI financial supports. Our observations and recommendations are for consideration by HSI who may deem it appropriate for actions to be taken, or not taken, in relation to the matters raised.



## 2. Detailed Findings and Recommendations – Governance

### 2.1 Financial Governance and Stewardship

Findings	Recommendation	Priority
<p>Clause 2(a) (v) of the company's Memorandum and Articles of Association requires that HSI obtains adequate and secure financial resources for the sport horse industry.</p> <p>Clause 1.2(iv) of the Terms and Conditions of the company's agreement with Sport Ireland requires that HSI has or will have sufficient financial resources to deliver on its strategy. HSI is currently developing its own four-year plan in response to the 10 year industry plan entitled <i>"Reaching New Heights"</i>.</p> <p>We have not carried out an audit of HSI financial statements. These financial statements, which are published in the 2014 HSI Annual Report are summarised at <b>Appendix 8</b> of this report. We note that HSI's External Auditors have issued an unqualified audit opinion and we have been advised by Management that this area is continually discussed and highlighted to the Board.</p> <p>(i) Arising from our review we noted that the company's liabilities exceeded its assets at 31 December 2014. During the course of this internal audit review we carried out a benchmarking exercise on the financial strength of a number of representative organisations as a guide to what might be an appropriate level of financial resources for HSI. The representative organisations for the purposes of the exercise are mainly National Governing Bodies of Sport, medium-sized grant awarding State Agencies, a HSI affiliated body, and a number of national equestrian organisations. All organisations had annual income exceeding €1m. Excluding the two largest organisations, the average annual income of the remaining organisations as extracted from their most recent published accounts (either 2014 or 2013) is €4.4m.</p> <p>(ii) The benchmarking exercise consisted of making a comparison of the organisations' cumulative financial reserves to their total yearly income by reference to the latest available audited accounts. The information obtained is then expressed as a percentage which is converted into a number of months as a financial strength performance indicator. The result which is presented in <b>Table I</b> below gives an indication of the financial cushion the organisation has to meet their day-to-day</p>	<p>HSI should consider some or all of the following actions:</p> <p>(i) Examine all possible ways whereby the financial resources and income available to the organisation can be strengthened to meet the needs of the industry in the years ahead.</p> <p>(ii) Undertake a value for money assessment of the major HSI expenditures to establish that the expenditures can continue to be fully justified.</p> <p>(iii) Examine whether the services and support arrangements given to affiliates or others are properly and fairly compensated to HSI.</p> <p>(iv) Launch a financial strategy that generates a sufficient level of gross annual income in order to support the industry and to achieve strategic objectives notwithstanding the fact that an economic downturn occurred in the years subsequent to the publication of <b>The Dowling Report</b>.</p>	<p>Significant</p>

expenditure and the unexpected and unanticipated events which can readily arise when, for example, meeting the needs of strategic plans.

(iii) A benchmarking exercise of this nature should be an important part of financial planning for an organisation that does not have an implicit or supporting State guarantee indemnifying its operations.

(iv) Internal audit acknowledge that it has been HSI's ethos and policy to expend all monies available to it on its programmes and financial supports and that this accounts for the absence of reserves in HSI's Balance Sheet at 31 December 2014.

**TABLE I – Benchmarking Financial Analysis**

NGB/Grant Awarding Body/Equestrian Body	Financial Reserves at the Balance Sheet date as of percentage of gross annual income	% at column 2 expressed in months
[1]	[2]	[3]
A.	114%	13.7 months
B.	115%	13.8 months
C.	110%	13.2 months
D.	67%	8.1 months
E.	39%	4.7 months
F.	26%	3.2 months
G.	19%	2.3 months
H.	18%	2.2 months
I.	11%	1.3 months
J.	13%	1.59 months
K.	8%	0.99 months
L.	13%	1.5 months
M.	4%	0.5 months
N.	91%	10.9 months
<b>HORSE SPORT IRELAND</b>	<b>&lt;0.04%&gt;</b>	<b>&lt;0.005 months&gt;</b>
<b>AVERAGE (OF FIFTEEN)</b>	<b>43.2%</b>	<b>5.2 months</b>

(v) Consider preparing in future periods, HSI consolidated financial statements to include a consolidated Income and Expenditure Account and Balance Sheet.

This recommendation is made in the interests of presenting a clearer and more transparent view and appraisal to HSI stakeholders of the group's incomes and expenditures and financial position at each balance sheet date.

Internal Audit acknowledges that the application of the company size criteria (i.e. income, assets and staff numbers) to HSI, do not require that statutory consolidated financial statements be prepared.

(vi) Develop a financial reserves policy to enable HSI to have a financial cushion to meet unexpected expenditures as they occur.

(v) The group of organisations which comprised the Benchmarking Financial Analysis is categorised as follows:

Number	Description
9	Large National Governing Bodies of sport, but excluding the GAA, IRFU and FAI.
4	Equestrian Bodies.
2	State Bodies that award grants.
15	

(vi) Consolidated financial statements of HSI and its wholly owned subsidiary, Horse Sport Ireland Export Limited, are not prepared by HSI on the grounds that there is no requirement under company law. Cumulative losses of the subsidiary at 31 December 2014 amount to €113,493. These losses by the subsidiary have not been disclosed in the 2014 HSI published Income and Expenditure Account and Balance Sheet (2014 Annual Report: pages 61 and 62). These losses are however disclosed in note 8 to the 2014 HSI financial statements.

## Management Response

### Action Plan

While we accept that Horse Sport Ireland needs to improve its financial reserve position our current weak reserve position is not due to any lack of oversight. The majority of Horse Sport Ireland's funding is allocated for a specific purpose. Horse Sport Ireland became the National Governing Body in 2008 at the outset of the worst economic crises in the history of the state. One year after HSI was established, HSI was faced with budget cuts which continued in subsequent years. The Sport Horse Sector was also adversely impacted by the economic downturn. Over the years we managed to sustain our allocations to affiliates and maintain our overall allocation for international events despite an almost 30% cut in our income. Without such an approach we believe it would not have been possible to gain or retain the support of our affiliates. We would point out that the ISC have set no target for NGB's in relation to reserves, nor is it mentioned in the Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations.

### Owner/Title

HSI Board

### Implementation Date


During 2015 and 2016

<p>We have noted the comparisons Deloitte have made with other organisations and we would have an awareness of this. However, these organisations are well established and had the benefit of the economic boom. Horse Sport Ireland was only established in 2007.</p> <p>Now that things have improved there will be a much more accepting attitude towards Horse Sport Ireland retaining a portion of its income in order to build a reserve. We will however need clarity for the ISC and the Department of Agriculture on their views on retaining a portion of their grants to contribute to reserves.</p> <p>Since 2012 Horse Sport Ireland has published an Annual Report which includes the audited financial statements. Horse Sport Ireland has received a full clean audit report each year since its inception from its auditors, Grant Thornton.</p> <p>At the time of publication of the HSI 2014 Annual Report in August 2015, Horse Sport Ireland Chairman Pat Wall stated that <i>"since our inception in 2007 our emphasis has been on supporting the industry through tough economic times and we have run minor deficits in some years rather than making cuts. However, this is not something we can continue to do. We need to be returning a modest surplus year on year to improve our balance sheet,"</i></p> <p>We do not agree with audit findings paragraph (vi) above as it infers that the position regarding the wholly owned subsidiary was not disclosed in the HSI Annual Report. It was clearly shown as Note 8 which is referenced in the published Income and Expenditure Account and Balance Sheet. The full financial statements, including the notes, were published in the 2014 Annual Report.</p>		
---	--	--

2.2 Formal Risk Identification and Assessment Process

Findings	Recommendation	Priority
<p>Section 2.3 (a) of the Code for Community, Voluntary and Charitable Organisations prescribes that an organisation does a full risk assessment each year.</p> <p>This will involve:</p> <ul style="list-style-type: none"><li>(i) Identifying and understanding the risks facing the organisation;</li><li>(ii) Assessing and mitigating the risks to ensure they are within the organisation's risk appetite as set by the Board; and</li><li>(iii) Ensure the processes, accountability and resources are in place to manage the organisation's exposure to risk.</li></ul> <p>We noted that a formal process for the identification and assessment of HSI risks is not in place. A risk register including all risks applicable to HSI, including financial, strategic, operational and reputational, has not been compiled.</p> <p>Risk</p> <p>There may be risks applicable to HSI that they are unaware of resulting in a lack of appropriate safeguards being put in place to mitigate these risks.</p> <p>Management Response</p> <p>Action Plan</p> <p>A Risk Register is now in place and has been approved by the Board.</p>	<p>(i) HSI should implement an appropriate risk identification, assessment and management process.</p>	<div>Significant</div>
	Owner/Title	Implementation Date
	Board & Executive	Implemented

## 2.3 Board Size and Composition

Findings	Recommendation	Priority
<p>(i) The HSI Board has nineteen Board members. This is consistent with the original Memorandum and Articles of Association of the company. Three organisations have multiple representatives on the HSI Board. In aggregate these three organisations hold eleven of the available Board positions. This may give rise to the risk of a dominant influence being exercised.</p>	<p>(i) The Board should consider its current size and composition and assess whether a smaller-sized Board would lead to greater efficiency and effectiveness in the Board's operations. This task should be a component part of a Board Effectiveness Review.</p>	
<p>(ii) An observer, who does not have HSI director status but was in the past a director of the Equestrian Federation of Ireland, attends HSI Board meetings. He may contribute to proceedings/meetings with the approval of the Chairman. This arrangement with the former director of Equestrian Federation of Ireland was prescribed by Sport Ireland.</p>	<p>(ii) A review of the company's Memorandum and Articles of Association should be carried out to satisfy the ongoing requirement that the current governance and legal framework remains fit for purpose for the industry in the years ahead, and particularly in the context of the challenge presented by the industry's ten-year strategy <i>Reaching New Heights</i>.</p>	
<p>(iii) Best practice corporate governance sources (e.g. Institute of Directors) make reference to the principles and practical considerations that should inform what constitutes optimal Board size. The main principle for governance at Board level is that Boards should not be so large as to be unwieldy. Associated practical considerations include, for example, that the ability of any Board to make decisions and exercise proper scrutiny becomes increasingly difficult at sizes in excess of 10-12 members. A smaller board size may improve the quality of communication and can result in more focused discussions.</p>	<p>(iii) Review the appropriateness of the exclusion of the Chairman of the Sport Sub-Board from the HSI Board Meetings, having regard to the fact that the Sport Sub-Board plays an important part in the overall consultations and communications framework for the sport horse industry.</p>	
<p>(iv) Analysis performed by Internal Audit on no-for-profit organisations indicates that seven Board members may be considered normal size for Boards or equivalent committees. Ultimately, what constitutes the right or optimal size for a Board is a matter for each individual Board to reflect upon and decide having regard for its own individual circumstances.</p>		
<p>(v) Internal Audit acknowledges that there is an inherent risk of fragmentation in the industry and that any substantial change in Board size could have significant impact on the representative arrangements for HSI Board composition including how the two Sub-Boards operate. Any prospective new arrangements could include the formation of Board Committees who report periodically to the main Board on matters within their specific remit.</p>		
<p>(vi) The Chairman of the Sport Sub-Board does not attend meetings of the main Board arising from the composition of the main Board requirements laid down in the Memorandum and Articles of Association. The CEO reports to the main HSI Board on the activities of the Sport Sub-Board.</p>		

<p>(vii) The Chairman of the Finance Committee does not attend meetings of the main HSI Board.</p> <p>(viii) Any changes to the Board composition and size would be a deviation from the Dowling report recommendations and would require the agreement of the current Board, the Government and the affiliated bodies.</p>	<p>(iv) Review the appropriateness of the exclusion of the Chairman of the Finance Committee from the main Board, particularly in view of the fact that HSI's finances have reached a critical juncture and because the oversight of finances is an important part of HSI's governance.</p> <p>(v) Consider also the size of the Sub-Boards and the manner in which they operate in a similar Sub-Boards' effectiveness type review.</p> <p>(vi) Assess the composition of the Board and sub Boards in terms of competencies and independence.</p>	
<p><b>Management Response</b></p> <p><b>Action Plan</b></p> <ul style="list-style-type: none"><li>The structure of Horse Sport Ireland was set out in a Government document produced by Michael Dowling the former Secretary General of the Department of Agriculture, Food and the Marine. It took several years of negotiation before the various organisations in the sector agreed to the formation of Horse Sport Ireland. The participation of each organisation was conditional on it getting the Board representation as specified in the document. The document was approved by the Government and our main funders the Irish Sports Council.</li><li>There is no evidence in the report that the Board did not operate effectively. A key strength is that the Chairman of the Board was appointed by the Government. We have concerns in this report about inferences that Board members nominated by particular bodies may coalesce for their own ends. In our view the Directors of the</li></ul>	<p><b>Owner/Title</b></p> <p>Board, Affiliates and Government</p>	<p><b>Implementation Date</b></p> <p>Anticipated in 2016. Stakeholder dependent</p>

Company are very aware of their fiduciary duties and we don't see any evidence to the contrary.

- Now almost 10 years after the *Dowling Report* was produced, the Government is proposing to do a review of the structure of Horse Sport Ireland and its affiliates. This is entirely appropriate.
- The Chairman of the Finance Committee is attending the HSI Board meetings since Q4 2015.

Implemented




## 2.4 Governance Standard or Code for HSI

Findings	Recommendation	Priority
<p>(i) The company's Memorandum and Articles of Association lay down the requirements in relation to how governance arrangements shall operate from a legal structure perspective. These documents do not set out how good practice corporate governance requirements should operate for a large national governing body of sport such as HSI.</p> <p>(ii) HSI are currently working towards compliance with the requirements of the <i>Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations</i> (the Code). This Code will require the implementation of further controls and processes to enable compliance with the Code. The Code was launched in May 2014 by Sport Ireland as a good practice approach towards governance to which all national governing bodies were expected to comply. Compliance with this Code is not mandatory.</p> <p>It is anticipated by HSI Management that HSI will be compliant with the requirements of the <i>Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations</i> during 2016.</p> <p>(iii) Our review of HSI's website disclosed that governance documents, such as terms of reference for Boards and Subcommittees and handling of complaints, are not made public via the HSI website.</p>	<p>(i) Continue with those endeavours which are underway in order to meet the HSI early 2016 timetable for compliance with good practice governance.</p> <p>(ii) Having regard to the many similarities and shared characteristics, as outlined in Appendix 2, between HSI and a State Agency it is recommended that HSI also considers any additional requirements of the <i>2009 Code of Practice for the Governance of State Bodies</i>.</p> <p>(iii) Consider improving the disclosure on HSI's website of the governance framework and documentation which are relevant and explains how the organisation is managed and controlled for reasons of openness and transparency.</p> <p>(iv) The <b>Better Boards, Stronger Sport</b> toolkit available from Sport Ireland is available to NGBs, such as HSI, and should also be considered by HSI as it works towards enhancing its own governance and control framework.</p> <p>(v) Develop a quality customer services charter for inclusion on the HSI website which outlines the organisation's commitment to handling enquiries, and complaints, in a professional, attentive, co-</p>	<p>Important</p>

Management Response		
Action Plan	Owner/Title	Implementation Date
<p>Horse Sport Ireland is not a state body and is therefore not subject to the code that applies for such bodies. We do not enjoy any of the protections applied to such bodies. All of our Board members are volunteers. Reference is made in the document to Horse Sport Ireland's journey towards compliance with the 'Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations'. This code was only designated as the relevant code for National Governing Bodies in May 2014. This was less than 10 months before the audit began. The Board moved very promptly to address the new code once it was designated by the Irish Sports Council and we expect the Code to be fully implemented during 2016.</p>	<p>(vi) The Finance Committee should meet with the external auditor at least once annually, without the presence of the HSI full-time executives.</p>	2016

## 2.5 Board Effectiveness Review

Findings		Recommendation	Priority
<p><b>Section 4.3 (a) of the Code for Community, Voluntary and Charitable Organisations</b> prescribes that an organisation agrees a yearly Board review process.</p> <p>This process will include, for example:</p> <ul style="list-style-type: none"> <li>(i) A review of the Board as a whole and the performance of the Chairman;</li> <li>(ii) The performance of individual Board members and their contributions;</li> <li>(iii) The sub-committees' performance, structure and size make up;</li> <li>(iv) The adequacy of information for Board meetings;</li> <li>(v) An assessment of succession arrangements in order to avoid corporate memory loss; and</li> <li>(vi) Identifying areas for improvement.</li> </ul> <p>We noted that a formalised Board effectiveness review is not carried out by HSI. We further noted that an annual process identifying skills, attributes and experience to enhance overall Board effectiveness is not conducted. This is due to take place in 2016.</p>		<p>(i) A formalised Board effectiveness review should be conducted on a periodic basis.</p> <p>(ii) A skills assessment should be carried out to determine required skills for Board members in order to effectively exercise their oversight role and to achieve challenging strategic objectives.</p>	
<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>(i) Improvements to Board effectiveness, on both an individual basis and for the Board as a whole, may not be identified; and</li> <li>(ii) The composition of the HSI Board may not reflect all required skills to effectively/sufficiently monitor the management of key strategic and operational risks of the organisation.</li> </ul>			
Management Response			
Action Plan	Owner/Title	Implementation Date	
It is envisaged that the Government sponsored structural review of Horse Sport Ireland would include a formal Board effectiveness review as part of its work.	Government Sponsored Structural Review	Anticipated in 2016 subject to Stakeholder	

## 2.6 Induction Process for Board Members

Findings	Recommendation	Priority
<p>Section 4.3 (c) of the Code for Community, Voluntary and Charitable Organisations prescribes that an organisation "Agree and put a comprehensive induction programme in place for new Board members".</p> <p>Section 5.1 (d) of the Code further details that an organisation should "Make sure all Board members sign a commitment to follow the code (of conduct) on appointment".</p> <p>An induction process for new HSI Board members has not yet been formalised and finalised. Internal Audit were provided with a draft copy of the induction process which is due to be implemented by the end of 2015.</p> <p>Signed codes of conduct for all Board members have not yet been obtained by HSI. They were furnished to Board members for signing at the time of our review and are due to be returned to HSI.</p> <p>During the course of our review a breach of confidentiality came to our attention whereby the HSI annual budget appeared in a national newspaper. This occurrence was regarded by HSI as isolated and unacceptable.</p> <p>Risk</p> <p>There may be ambiguity around the roles, responsibilities and conduct expected of Board members upon appointment to the Board.</p>	<p>(i) The induction process should be enhanced, formalised and implemented in HSI.</p> <p>(ii) Signed codes of conduct must be provided by all Board members.</p>	<p>Important</p>
Management Response		
Action Plan	Owner/Title	Implementation Date
A Board member Induction Process has been put in place.	HSI Company Secretary	Implemented
A Code of Conduct is now provided to all Board Members.		

## 2.7 Schedule of Matters Reserved for Board Decision


Findings	Recommendation	Priority
<p>Section 4.1 (d) of the <i>Code for Community, Voluntary and Charitable Organisations</i> prescribes that an organisation “<i>Make sure there is a copy of the schedule of matters reserved to the Board in the Board handbook</i>”.</p> <p>A formalised Schedule of Matters reserved specifically for Board decision is not in place. We acknowledge that it is the practice of executive management to bring all significant matters to the Board’s attention. The Board meets every two months.</p> <p>Management provided Internal Audit with a list detailing all decisions that must go before the Board; however this has not been reviewed and approved by the Board.</p> <p>Guidance on the contents of the Schedule of Matters for Board Decision can be found at Section 2.1 of the 2009 <i>Code of Practice for the Governance of State Bodies</i>.</p> <p>Risk</p> <p>There may be ambiguity around decisions that are required to be approved by the Board.</p> <p>Management Response</p>	<p>A Schedule of Matters reserved for Board decision should be formalised.</p>	<p>Important</p>
Action Plan	Owner/Title	Implementation Date
<p>The project to implement the <i>Code for Community Voluntary and Charitable Organisations</i> is due for completion in 2016, as part of that project a Schedule of Matters has been drafted and will be put before the Board for its consideration.</p>	<p>Board</p>	<p>2016</p>

## 2.8 Staff Performance and Appraisal


Findings	Recommendation	Priority
<p>Formal staff performance and appraisals have not been carried out by HSI although a performance management system guidelines document is in place. Staff appraisals are due to be carried out by the end of 2015.</p> <p><b>Risk</b></p> <p>Areas of performance that need to be improved and developed may not be recognised due to lack of review.</p>	<p>The staff performance and appraisal process should be formalised and operated as intended.</p>	<p>Important</p>
<b>Management Response</b>		
<b>Action Plan</b>	<b>Owner/Title</b>	<b>Implementation Date</b>
<p>In 2008 employees of the Irish Horse Board Co-op and the Equestrian Federation of Ireland transferred to Horse Sport Ireland. As part of those transfers the terms and conditions of employment were protected. As part of the ongoing integration process, HSI has taken opportunities as they arise to move to standardised employment terms.</p> <p>Included within this integration process has been the development of formal staff appraisal processes. The formal staff appraisal process was introduced in 2015 and will be fully operational by the end of 2016.</p>	CEO	Implemented

## 3. Detailed Findings and Recommendations – Financial Administration Controls

### 3.1 Motor Indemnity Certificates

Findings	Recommendation	Priority
<p>The HSI Financial Procedures Manual state that <i>"it is the responsibility of employees to ensure that they have adequate business insurance in place, which indemnifies the HSI against all claims arising while using private transport, on HSI business"</i>.</p> <p>We noted that there is a lack of monitoring of motor indemnification to the HSI as staff members are not required to submit motor indemnity certificates when driving for work purposes on behalf of HSI.</p> <p><b>Risk</b></p> <p>HSI may be liable should an accident occur while an individual is driving for HSI work purposes.</p>	<p>All individuals who drive on behalf of HSI should provide on an annual basis motor insurance indemnity certificates to HSI.</p> <p>The revised process should be subject to ongoing monitoring.</p>	<p><b>Important</b></p> 
Management Response		
<p><b>Action Plan</b></p> <p>Staff are now required to furnish motor insurance indemnity certificates before motor travelling expenses can be paid.</p>	<p><b>Owner/Title</b></p> <p>HSI Finance Department</p>	<p><b>Implementation Date</b></p> <p>Implemented</p>

## 3.2 Bank Mandates and Bank Accounts

Findings	Recommendation	Priority
<p>During the course of our review, we noted that the HSI bank mandates have not been updated for some time and as a result one of the authorised signatories included on the mandate is no longer a Board/Committee member of HSI.</p> <p>We acknowledge that HSI are in the process of updating bank mandates and that the proposed changes were presented and approved by the Board on 5<sup>th</sup> May.</p> <p>We further note that HSI currently hold five bank accounts; however there is no activity on two of the accounts and thus the accounts are dormant.</p>	<p>(i) Bank mandates should be updated in a timely manner following any changes in Board membership or employment, such as departures.</p>	
<p><b>Risk</b></p> <p>(i) There is a potential risk of inappropriate payments.</p> <p>(ii) Greater risk of inappropriate transactions being processed through dormant bank accounts.</p>	<p>(ii) Dormant bank accounts should be closed down or re-assessed for their continued use to the business.</p>	
Management Response		
Action Plan	Owner/Title	Implementation Date
(i) The Bank mandate has been updated	HSI Board	Implemented
(ii) The two inactive accounts were opened at the request of funding providers. These bank accounts are being reviewed in light of funding provider requirements. Any inactive account not required will be closed.	HSI Board	Implemented



## 3.3 Organisation of Working Time Act, 1997 - Compliance

Findings	Recommendation	Priority
<p>A clock-in system is operated for all HSI personnel.</p> <p>It has been brought to our attention during the course of our review that it is commonplace for HSI employees to work on a regular basis, outside normal working hours to meet the requirements of HSI's business. And that this manner of working is reflective of the way that the sport horse industry operates.</p> <p>Many events are organised at weekends, including bank holidays, away from the office. HSI management have assured Internal Audit personnel that HSI employees have the commitment, willingness, goodwill and dedication to do whatever it takes as circumstances require. A time-off-in-lieu arrangement is operated.</p> <p>The Organisation of Working Time Act, 1997 states that the maximum average working week for many employees cannot exceed forty-eight hours. This does not mean that a working week cannot ever exceed forty-eight hours. It is the average over a period that is important and comes into the reckoning.</p> <p>We are advised that time records, including hours worked, are monitored at a HSI departmental manager level in order to establish time-in-lieu entitlements.</p>	<p>A central record of hours worked by HSI employees should be operated so that central corporate monitoring of compliance with the Act can take place.</p>	<p>Procedural</p>
Management Response		
Action Plan	Owner/Title	Implementation Date
<p>Horse Sport Ireland endeavours to create a culture where staff are flexible and are willing to work outside normal business hours in the evenings and at weekends when most of the activity in the industry takes place and to accommodate times suitable to meet volunteers. Excess work hours are now being more closely monitored.</p>	<p>H.S.I Executive</p>	<p>Implemented</p>

## 3.4 CEO Expense Claim and Credit Card Sign-Off

Findings	Recommendation	Priority
<p>In line with HSI financial policies and procedures (Procedure 12.7 (e)) travel and subsistence claim forms for the CEO must be countersigned by the Chairman. We noted for the one travel and subsistence claim selected for the CEO that it was not countersigned by the Chairman. This was for an amount of €1,326.99.</p> <p>We further noted that approval/sign-off for purchases incurred by the CEO on the corporate credit card must be obtained from the Chairman. From review of the credit card statements in 2014, this sign-off was not obtained.</p> <p>We noted that the travel and subsistence claim form and the credit card statements were countersigned by the Finance Director.</p> <p>No issues arose in relation to the expenditure items examined as part of the audit review of expenses. All of these items were incurred in the ordinary course of HSI's business.</p> <p><b>Risk</b></p> <p>The appropriate level of challenge may not take place in relation to expenditure incurred by employees.</p> <p><b>Management Response</b></p>	<p>Travel and subsistence claim forms and credit card purchases should be signed off at the appropriate level in line with the financial procedures manual.</p>	<p>Procedural</p>
<p><b>Action Plan</b></p> <p>During the course of the audit, the sign off exceptions were noted. All previous expenses claims have been checked and signed off by the Chairman with no issues arising.</p>	<p>CEO &amp; Chairman</p>	<p>Implementation Date</p> <p>Implemented</p>

3.5 Fixed Asset Register

Findings	Recommendation	Priority
<p>At the time of our review, a fixed asset register was not in place. HSI currently hold, as disclosed in the 2014 Audited financial statements, circa. €70k of fixed assets at net book value.</p> <p>Management have indicated that they are in the process of collating an inventory log which will detail all assets, including fixed assets that are held by HSI. They further indicated that they had begun this process based on a request from the Department of Agriculture, Food and the Marine.</p>	<p>A fixed asset register should be implemented and reconciled to the HSI general ledger on an annual basis.</p>	<div>Procedural</div>
<p><b>Risk</b></p> <p>There is a risk of diminished control over fixed assets where a fixed asset register is not in place.</p>		
<p><b>Management Response</b></p>		
<p><b>Action Plan</b></p>	<p><b>Owner/Title</b></p> <p>HSI Finance Department</p>	<p><b>Implementation Date</b></p> <p>Implemented</p>
<p>This project had been underway prior to the Internal audit, a fixed asset register is now in place.</p>		

## 4. Overview of International Hosting Event Grants – Background and Context

### 4.1 Grants Scheme Funded by Sport Ireland

HSI has operated a financial supports programme of international hosting grants (**Appendix 5**) funded by Sport Ireland for many years. The genesis for these international hosting event grants was a scheme operated by the Equestrian Federation of Ireland, prior to the establishment of HSI. Subsequent to the establishment of HSI the international hosting grants scheme was continued by HSI.

### 4.2 Proportionality principle

The proportionality principle (**Appendix 6**) is an accepted principle in relation to the disbursement of public monies. These international hosting grants represent approximately 1.6% of HSI's overall income for the last number of years (excluding high performance) and 10% approximately of the monies made available by Sport Ireland. The average grants paid by HSI in the years 2012 to 2015 inclusive, is €81,000 p.a.

### 4.3 Grant Approval and payment process

In 2014, eleven events received hosting event grants. The prospective recipients of these grants, but not the amounts, are known owing to the publication in advance of the FEI Event Calendar. All grant awards are reviewed and approved by the HSI Sport Sub-Board and the HSI Board prior to payment. Payment is made subsequent to the hosting of the event.

### 4.4 Six grant award criteria up to the end of 2014

HSI have operated six criteria for these grants up to the end of 2014. These criteria were not formally notified to the grant recipients. The FEI star rating criterion, which is a key criterion for the funding of an event, would be known to the sport horse industry.

### 4.5 Six grant award criteria – not publicly advertised

The six criteria have not been published on the HSI website or publicly advertised. These criteria came into the public domain in October 2014 in response to enquiries of the Public Accounts Committee. In July 2015 these six criteria were revised to three criteria.

### 4.6 Revision of Criteria from six to three

The most important criterion of the three criteria being the FEI star rating of the event, remains unchanged. All three criteria for 2015, including the related scorings, have been communicated to all of the Event Organising Committees.

#### 4.7 Government Circular 13/2014

The Department of Public Expenditure and Reform issued **Circular 13/2014** on 26 September 2014. The Circular has an effective date of **1 January 2015**. The Circular deals with the requirements of the principles of transparency and accountability for the disbursement of public monies. It therefore can be regarded as a standard that grant disbursing organisations would be expected to be aware of and comply with. HSI is in the process of complying with the requirements of **Circular 13/2014** so far as concerns international hosting grants arising from the process changes which have been made in July 2015.

#### 4.8 Government Circular 17/2010

Prior to 1 January 2015, the operative and relevant standard for grantors and grantees for reporting on grants was **Circular 17/2010**, issued by the Department of Finance. It is apparent from our review of both Circulars that **Circular 13/2014** sets out a far more rigorous standard for grantors and grantees than the requirements set out in **Circular 17/2010**.

#### 4.9 Use of public monies

The requirements for openness, fairness, accountability and proportionality arise in relation to the use of public monies. The expected practices in relation to expenditures by public bodies are set out in government guidelines. These guidelines which are based on EU Directives can offer a form of benchmark or reference point on how the international hosting grants might or should operate insofar as they fall under the disbursement of monies from Exchequer funds. Private organisations which receive more than 50% of their monies, either directly or indirectly, from the State are expected to comply with the guidelines as stated.

#### 4.10 Review of HSI arrangements with organisations over a three-year period

When examined over a three-year period it is apparent that the majority of the recipients of the international hosting grants received significantly in excess of €25,000. This is the amount above which public advertising is required in accordance with government guidelines.

#### 4.11 Voluntary Debriefing

It is a common practice for contracts awarded either directly or indirectly from Exchequer funds/public monies that the results of a scoring and weighting is communicated to the successful and unsuccessful parties. The purpose of this practice is to ensure openness and to enable applicants to make improvements in any subsequent opportunities that they wish to pursue. This practice of clear feedback did not operate for the international hosting grants paid up to 31 December 2014.

## 5. International Hosting Events Grants and other HSI Financial Supports: Key Findings

### 5.1 International Hosting Events Grant Scheme and Other Financial Supports to the Sports Horse Industry

Findings	Recommendation	Priority
<p>(i) A clear and transparent weighting and scoring-of-criteria process did not operate for international hosting grants up to late July 2015. Many of the grant recipients had little awareness of how the grants they had received had been computed. A process of public advertising or disclosure on HSI's website, to include relevant criteria, did not operate.</p> <p>An open scoring and weighting-of-criteria process is in operation in relation to the award and payment of international hosting event grants in the period from late July 2015 onwards.</p> <p>(ii) In 2015 HSI postponed making its decision on the allocation of funds for international hosting grants pending the outcome of this internal audit. However, in June 2015 when the internal audit had not been concluded, HSI proceeded to make the allocations. At that point the event in Tattersalls was already over, and other events were imminent. No formal agreement was concluded with Tattersalls in 2015.</p> <p>(iii) The HSI Tattersalls 2014 agreement, which Internal Audit has reviewed, does not make reference to the breeding financial support even though two-thirds of that financial support was awarded by the Breeding Sub Board.</p> <p>(iv) During the course of our review of these financial supports, we were advised by HSI executives and the Finance Committee that the level of financial support to the Tattersalls organisation towards the annual June equestrian event was to ensure the financial viability of the event. Tattersalls had made a submission to HSI on this matter. Although this rationale is understandable from a commercial perspective it does not appear that a rationale of this nature was generally made known to the other applicants for these financial supports. Nor has it been included in the recently published July 2015 criteria for international hosting grants. Thus, a risk of inconsistency and potentially a lack of fairness arises in relation to the award of grants.</p> <p>(v) A formal written contract was not concluded by HSI with the RDS in respect of the 2015 and 2014 financial supports made available to the RDS. HSI advised that some small</p>	<p>(i) A clear weighting of criteria process together with public advertising should operate for all HSI financial supports to the sport horse industry.</p> <p>(ii) Formal written agreements should be concluded and signed off with the major recipients of HSI financial supports prior to the making of any payments to the organisations.</p> <p>(iii) Consider whether the contractual arrangements and the amounts paid to organisations including companies which have representation on the HSI main Board or sub boards constitutes related-party transaction type disclosures for the purposes of the HSI annual financial statements disclosure.</p> <p>(iv) Consider whether there is merit in reviewing the funding model, methodologies, or mechanisms, i.e. one award instead of two,</p>	<p>Significant</p>

Findings	Recommendation	Priority
<p>issues had arisen in both years in the final negotiations with the RDS and that situation had prevented a formal sign off of the contractual agreements.</p> <p>(vi) There is a risk that the presence of a senior RDS representative on the HSI Board could create in the mind of an individual or stakeholder a perception of the exercise of influence, either directly or indirectly, over HSI's governance and the manner in which HSI financial supports are operated and disbursed by HSI.</p> <p>It is unclear to Internal Audit whether these financial support arrangements with the RDS constitute related-party transaction type disclosures for HSI financial statement reporting purposes. This matter has been raised with HSI executives.</p> <p>(vii) The amounts awarded up to 31 December 2014 under the international hosting event grants scheme are very much in the nature of ex-gratia or discretionary type arrangements. However, the intuitive judgement and decision making of the Sport Sub Board and the main HSI Board for 2014 give similar outcomes to 2015 when formal, written criteria and weighting were applied.</p> <p>(viii) For some of the smaller grant awards (say, less than €10,000 over a three-year period) under the international hosting event grants scheme, regard can be had of the <b>principle of proportionality</b> as a mitigating factor in relation to expected standards of scoring and public advertising.</p> <p>(ix) The total monetary amount of international hosting grants awarded to Organising Committees was disclosed in the 2014, 2013 and 2012 HSI Annual Reports. Thus, some aspects of the requirements for transparency and openness were met even though that disclosure occurred subsequent to the actual grants award process.</p> <p>(x) The provision of financial sponsorships by the Breeding Sub Board are not publicly advertised although the Breeding Sub Board has knowledge and understanding of the likely interested parties.</p> <p>(xi) No clear criteria or weighting of criteria were made available to Internal Audit in relation to the operation of sponsorships by the Breeding Sub Board. It is Internal Audit's understanding and as advised by the Company Secretary that allocations are made by the Breeding Sub Board, acting with collective responsibility, following a review of the sponsorship applications from the stakeholders and interested parties. The Breeding</p>	<p>for awarding these financial supports.</p> <p>(v) A voluntary debriefing should be offered to grant applicants and stakeholders, where requested, but having due regard to the principles of commercial sensitivity and confidentiality. In the event that a debriefing process does not meet the needs of the industry, consideration might be given to the establishment of an appeals process at a future date.</p> <p>(vi) Any future awards of HSI financial supports should ensure that the principles of fairness, openness, transparency and accountability have been clearly demonstrated and can withstand the challenge of any stakeholder or awardee.</p>	

Findings	Recommendation	Priority
<p>Sub Board composition follows democratic principles and is representative of the industry as a whole.</p> <p>As a consequence of the above comments, there is a risk that the principles of fairness, consistency and transparency cannot be readily demonstrated and that equality of opportunity and access to financial supports may not have been applied assiduously and consistently.</p> <p>(xii) It is acknowledged that each of the major equestrian events and venues offer unique selling propositions. These undoubtedly come into play, if there is a formal negotiation process with HSI, or if individual organisations present comprehensive submissions in support of their claim for financial contributions. There is an inherent risk in this approach in the sense that all interested parties may not have equal access to HSI financial supports resulting in a perception that fair play may not have operated.</p>		
<p><b>Management Response</b></p> <p>The total amount of International Hosting Grants distributed in 2014 were €75,000. All allocations were approved by the Sport Sub Board and the Board of Horse Sport Ireland. A detailed scoring system has been introduced for the international hosting allocations. Under both the old and new allocation systems the main determinant of grant levels was the FEI star rating. The allocations in 2015 under the new scoring system are similar to previous years. The reality is that the number of FEI events in Ireland in recent years has increased while HSI's funding has been declining. This has put further pressure on the level of financial support allocated to international events in Ireland.</p> <p>Comments in the report are also made about the 'breeding fund'. This fund is created from breeding subscriptions. When the Irish Horse Board (IHB) agreed to the maintenance of the Irish Horse Register being handed over to Horse Sport Ireland they wanted assurances that control of this fund would remain with the elected representatives of the breeders. They were concerned that by joining a larger organisation like Horse Sport Ireland these funds could be diverted to other activities. They make their decisions on the allocation of this fund based on their knowledge of the sector, which is substantial.</p> <p>All allocations under the International Hosting Grant and under the 'Breeding Fund' have been published each year in the HSI Annual Report.</p>		



## 6. Review of Complaints made by Stakeholder

### 6.1 Background

Millstreet, as advised by its management, is the largest privately-owned equestrian centre in Ireland. Millstreet hosted, for example, international events for three equestrian disciplines (Dressage, Eventing and Show Jumping) in 2014 and two disciplines in 2015. Millstreet management have advised us that further major international equestrian events have been confirmed for 2016 and 2017. Millstreet has been organising equestrian and other events for over forty years. It is recognised as a major contributor to the tourism industry and the economy in the Cork/Kerry region. It has developed equestrian facilities, at its Green Glens Arena at Millstreet Town, Co. Cork.

During the course of the current review the Internal Audit team agreed to meet, at HSI's and Sport Ireland's request, with Millstreet management. A meeting took place in Deloitte's offices on 1st July 2015. Prior to that meeting a file was furnished to the Internal Audit team as background to the complaints which had been made by Millstreet to HSI and Sport Ireland. Some of these complaints had also been made known to the Chairman of the Public Accounts Committee in correspondence dated 10<sup>th</sup> December 2014. These complaints were also the subject of Millstreet correspondence, dated 14<sup>th</sup> October 2013, to the Chairman of Sport Ireland.

Internal Audit wishes to state that a number of the complaints fall outside the scope of the internal audit review process. However, we acknowledge that a number of the complaints in question were covered by our scope. In summary the key complaints made by Millstreet which were relevant to the scope of this review included:

- No clear and transparent procedures operated by HSI in relation to the allocation of international hosting event grants or breeding financial supports.
- Public awareness measures, such as advertising and calls for expressions of interest resulting in a competitive process did not take place for the international hosting event grants.
- Funds have been distributed without any clarity.
- An appeals process does not operate in relation to grant awards.
- Tax clearance certificates are not required in advance as a pre-condition to the allocation of funds and financial supports to equestrian organisations.
- HSI has been very inattentive in responding to numerous email communications from Millstreet, particularly in relation to the allocation of HSI international hosting event grants in 2012, 2013 and 2014 and the related criteria.
- Delays occurred in HSI making grant allocations to Millstreet due to a pending mediation process between Showjumping Ireland and Millstreet which is related to an ongoing commercial dispute between Showjumping Ireland and Millstreet.
- An abuse and a misuse of public funds by HSI have occurred.

**Sections 2 and 5** of this report sets out recommendations arising from this governance, controls and financial supports review.

## 6.2 Internal Audit Conclusion

No matters or evidence came to our attention during the course of this review which would corroborate Millstreet's opinion that there had been an abuse or a misuse of public funds by HSI.

Internal Audit concludes that there is scope for significant improvement in relation to the demonstrated fairness, openness, clarity, transparency and accountability of international hosting grants and breeders' financial support funds administered by HSI. Recommendations have been made at **Sections 2 and 5** of this report to address these matters.

With regard to the Millstreet complaint regarding delays by HSI in the allocation of grant funding to Millstreet we note that the HSI confirmed to Millstreet on 30th April 2014 "that the HSI Board has not to date made an award of international grant funding to Millstreet while the outcome of the mediation process (between Millstreet and Showjumping Ireland) is pending".

## 7. Statement of Responsibility


We 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 our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact 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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection 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 controls, nor relied upon to identify all circumstances of fraud or irregularity.

Auditors, in conducting their work, are required to have regard to the possibility of material fraud or 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 the Audit Committee and management as being of the greatest risk and significance and as such we rely on management to provide full access to their accounting 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.

Our audit is carried out under a contract dated 8th October 2012. This report is made solely to Sport Ireland. We do not accept or assume responsibility to anyone other than Sport Ireland.



Chartered Accountants  
Date 11. April 2016

Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2

Contact persons	Partner:	David Kinsella
	Director:	Leo Fleming
Contact details	Telephone:	01 417 2200
	E-mail:	davkinsella@deloitte.ie
	E-mail:	lfleming@deloitte.ie

## Appendix 1: Explanation of Internal Audit Assurance Rating Scale

Priority	Risk Grade	Definition
1	Significant	Control weakness or issue that poses a significant risk of financial loss, governance below the expected standard, non-compliance or operational disruption, or reputational damage that requires immediate attention at Board and senior management level.
2	Important	Control weakness or issue that may result in financial loss, governance below the expected standard, non-compliance or operational disruption that requires attention at Board and senior management level.
3	Procedural	Control deficiency that is procedural in nature and does not expose the organisation to significant risk.

## Appendix 2: Overview of the Horse Sport Ireland - Key Activities, Strategy, Board and Industry Structure

### 2.1 Introduction

This internal audit review assignment of Horse Sport Ireland (HSI) was conducted at the request of Sport Ireland (formerly the Irish Sports Council). It was agreed that Internal Audit would carry out a high level review of governance and financial administration processes to understand the control environment and to identify any opportunities for improvement.

Additionally, the grant awarding process for international hosting events was reviewed to ascertain whether grants are awarded in accordance with established and transparent criteria. Information on international hosting event grants was compiled for the four-year period 2012 to 2015, inclusive. That information is included in this report at **Appendix 5**. Our review of any of the underlying records in relation to international hosting event grants is generally confined to 2014.

### 2.2 Context and Background

HSI was set up in December 2006 as a company limited by guarantee with a bespoke Memorandum and Articles of Association.

HSI is the National Governing Body for equestrian sport in the 32 counties of Ireland. The organisation is recognised by Sport Ireland, the Department of Agriculture, Food and the Marine, Sport Northern Ireland, the Olympic Council of Ireland and the International Governing Body (FEI) as the governing body for equestrian sport in Ireland.

The underlying logic for the establishment of HSI was to bring together the breeding, sporting and leisure elements of the industry. The overriding objective was to achieve a value added benefit and synergy for the horse sport industry as a whole including cost efficiencies for the affiliated bodies. Legislation was not enacted for HSI by the Oireachtas when HSI was established in 2006 although HSI was established by Government.

Any profit arising on HSI's activities is assessable to corporation tax. HSI does not have the usual tax exemption which is generally available to sporting organisations.

## 2.3 HSI – Key Activities

Horse Sport Ireland's key activities are:

- Interface with the Government and Government Agencies on behalf of the sector;
- Act as the National Governing Body for Equestrian Sport as recognised by FEI, Sport Ireland, OCI and Sport NI;
- Maintain the Irish Horse Register which incorporates the Irish Sport Horse and Irish Draught Horse Studbooks, under licence from the Department of Agriculture, Food and the Marine;
- Issue identification (ID) documents (pedigree and non-pedigree) for horses under licence from the Department of Agriculture, Food and the Marine;
- Run High Performance Programmes for selected equestrian disciplines;
- Run the National Horse Anti-Doping Programme for equestrian sport;
- Run the National Equestrian Coaching Development Programme with Coaching Ireland;
- Operate the online Pedigree, Progeny and Performance database – CapallOir.

**Source: H.S.I. Annual Report, 2014**

While HSI undertakes the activities above, there are many areas of activity in the sector over which HSI does not have direct control as, in line with the Dowling Report, its affiliated bodies remain separate legal entities. At its establishment, HSI had 16 affiliated bodies. It now has 28 affiliated bodies and sections.

HSI operates a vetting programme for anybody or organisation intending to become a HSI affiliate. The HSI Board has final approval on whether any organisation shall have HSI affiliate status.

## 2.4 Strategy for the Sport Horse Industry

In March 2015, a ten-year strategy, *Reaching New Heights* was launched for the sport horse industry. The strategy was developed by HSI, Teagasc and the Royal Dublin Society (RDS). The strategy contains seven broad categories of recommendations which are further developed into approximately forty recommendations at the detailed level for the industry as a whole. Key areas which are recommended for improvement include herd quality, training and education, marketing and sales participation in the sector, welfare of horses and deepening the institutional capacity of the industry to enable it to deliver on the ambitions, initiatives and recommendations set out in the Strategy Committee Report.

HSI has limited financial resources, as is apparent from its 2014 audited financial statements. An extract is included at **Appendix 8**.

Funding of all the recommendations and initiatives included in the Industry Strategy Committee Report present a big challenge to HSI and the sport horse industry. HSI has commenced the process of distilling the individual recommendations into possible HSI actions. There is a significant risk that HSI does not have the administrative and financial capacity or wherewithal to lead and deliver on the recommendations within its purview as set out in the Industry Strategy Committee Report.

The report includes a recommendation that a Government-sponsored independent review is undertaken of the HSI structure and where relevant, other organisations, to fulfil the ambitions set out in the strategy. We understand from our discussion with HSI that such an independent review may be imminent.

In accordance with **Recommendation No.7** (Implementation of Strategy) of the Industry Strategy Committee Report, the Implementation Committee will develop an annual business plan to drive forward the strategy. For the first year, the Committee will meet quarterly to review and monitor progress in relation to the annual business plan. The business plan and on-going monitoring reports will be submitted to the Minister for Agriculture and relevant governance structures of the partner institutions. The business plan and on-going monitoring reports will also be put into the public domain to ensure full accountability.

## 2.5 Features of HSI

HSI exhibits many of the typical features of a State Agency established by an Act of the Oireachtas. For example:

- (i) HSI is separately subject to the Freedom of Information Act since April 2014 (with retrospective effect) and is required to accept Sport Ireland's terms and conditions that any information and documentation furnished by HSI to Sport Ireland may be the subject of a request for information under the Freedom of Information Act.
- (ii) Approx. 70% of HSI's funding comes directly or indirectly from the Exchequer;
- (iii) HSI leads the interface with Government in relation to equestrian matters;
- (iv) HSI complies with the requirements of Public Procurement Guidelines and The Haddington Road Agreement;
- (v) Salary levels for HSI staff are set by reference to Government Department scales;
- (vi) HSI complies with Ethics in Public Office legislation;
- (vii) HSI falls within the requirements of Department of Public Expenditure and Reform **Circular 13/2014** which deals with the **Management of and Accountability for Grants from Exchequer Funds**.  
Funded bodies for the purposes of Circular 13/2014 includes agencies, companies, committees, advisory groups, charities or individuals whether funded directly from the votes of Government Departments, offices or through an intermediary body or series of bodies;
- (viii) HSI may be subject to an examination of its books and accounts by the Comptroller and Auditor General on the basis that fifty percent or more of its total income is sourced from Exchequer funds;

- (ix) The Chairman of the HSI Board is appointed by the Minister for Transport, Tourism and Sport in consultation with the Minister for Agriculture, Food, the Marine; and
- (x) HSI must seek tax clearance certificates from organisations where payments by HSI exceed €10,000.

## 2.6 HSI Industry Structure Chart

**Chart 1** hereunder presents the overall sport horse industry structure within which HSI operates. It is apparent from a review of this industry structure chart that HSI operates in a complex environment with a wide ranging and diverse constituency of stakeholders. These stakeholders have ever increasing expectations of what HSI can deliver for the sport horse industry.

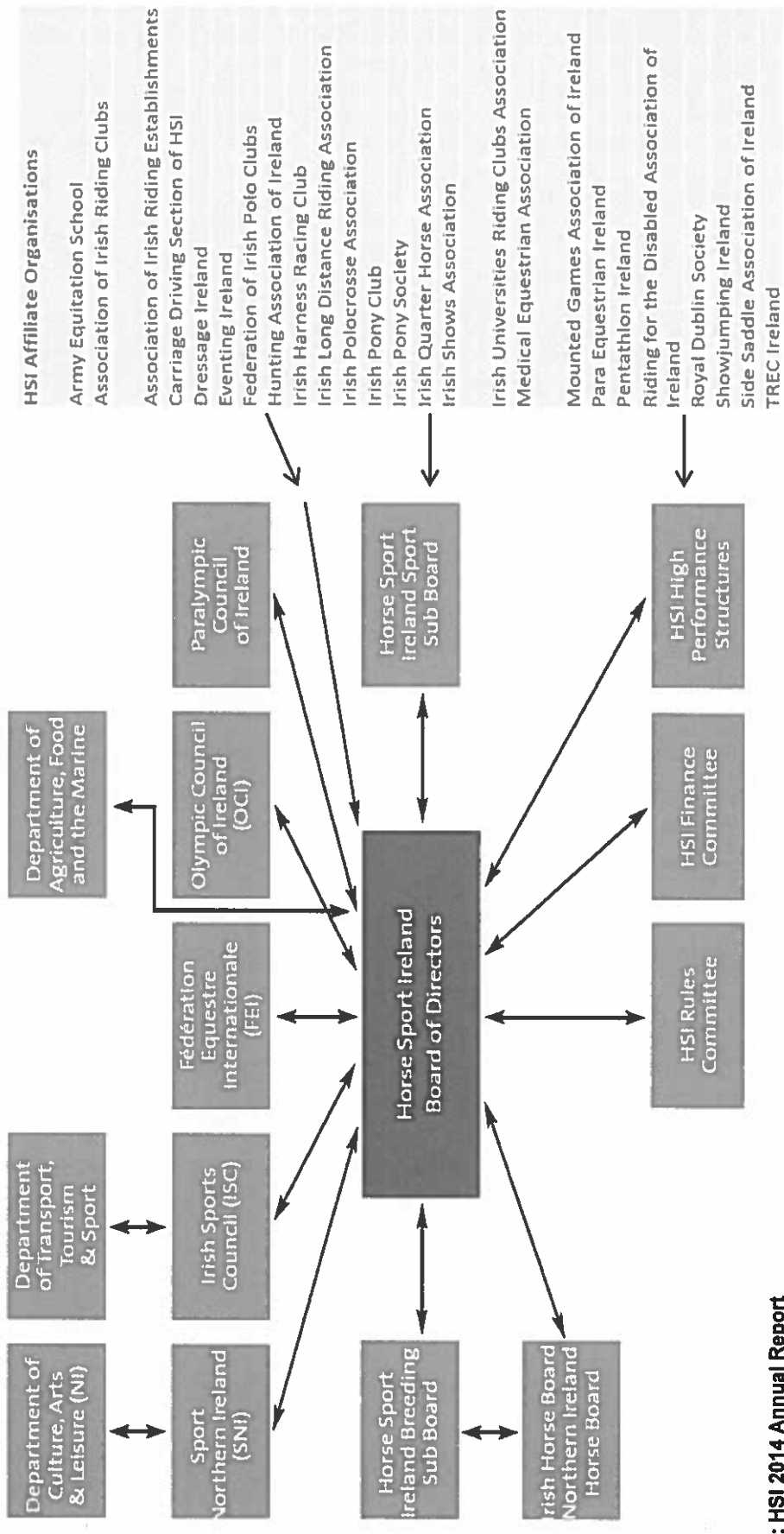
Retaining cohesion in the sport horse industry and reducing the risk of fragmentation presents an ongoing challenge for the Board and HSI personnel. The number of affiliates has continued to increase since the 2006 establishment of HSI. Financial resources of approximately €5.7 million per annum have been under significant pressure in recent years and fall short of the €7.5 million as was envisaged in the 2006 **Dowling Report** for the efficient and effective operation of HSI.

Internal Audit has engaged with several HSI personnel and Board members during this review. In common with many of the sporting organisations it is clear that the horse sport industry is very reliant on the contributions and work of many volunteers. HSI, in the opinion of Board members, is fully supported by a dedicated and flexible workforce.



SPORT HORSE INDUSTRY STRUCTURE

Chart 1



Source: HSI 2014 Annual Report

Horse Sport Ireland Organisation Chart included at Appendix 9.

## 2.7 Risk of fragmentation in the sport horse industry

HSI is one of the most significant NGBs in terms of annual gross income, number of direct employees and its economic contribution to the State as a whole. It is also the newest of the NGBs, having been established by Government in 2007. At that time it was recognised by Government that the sport horse industry had further potential but that its potential was hampered and undermined by the risk of fragmentation in the industry.

## 2.8 HSI - Main Focus is on Quality

HSI is expected and required to have an overarching focus on the development of the sport horse industry. This focus could be summarised as leading the drive to improve horse quality to match best international standards. Quality can only be achieved through best practice breeding techniques. A related objective is ever increasing performance and success in competitions both in Ireland and overseas. Participation in international competitions, including the European Championships and the Olympics, present an opportunity to showcase the quality and standards achieved by the Irish sport horse industry.

## 2.9 HSI - Administrative Facilities

HSI has thirty-two full time administrative and support personnel based at its headquarters in Osberstown, Naas, Co. Kildare. A number of the affiliated bodies have office facilities and personnel based at the same location. This arrangement facilitates co-operation and communications among the bodies.

## 2.10 Expectations for HSI and continuous improvement

There are high expectations of what HSI can achieve for its affiliated organisations, stakeholders and the sport horse industry. HSI supports the affiliated organisations and events and equestrian shows that these bodies organise. Because HSI does not have unlimited funds a cut-off point eventually arises beyond which no further support can be offered.

## 2.11 Key Business Issue for HSI and the Sport Horse Industry

The HSI Board has yet, we understand, to fully resolve how unsanctioned, unauthorised or unaffiliated equestrian events should be handled and managed in the long-run interest and development of the sport in Ireland. The Finance Committee at its meeting with the internal audit team on 7<sup>th</sup> September 2015 alerted the audit team to the importance of this matter as a key business issue for the sport horse industry in Ireland.

## 2.12 HSI Board Structure

- (i) HSI has 19 Board members. The Chairman is nominated by the Minister for Transport, Tourism and Sport in consultation with the Minister for Agriculture, Food and the Marine. The Chairman's period of tenure is four years. This period of tenure can be extended for a further four years in accordance with the Memorandum and Articles of Association.

The Board at 30 June 2015 is made up as follows:

Representative / Affiliate Group	Number of Board Members
Chairman	1
Irish Horse Board	5
Show Jumping Association of Ireland	4
Eventing Ireland	2
Army Equitation School*	1
Dressage Ireland	1
Northern Ireland Horse Board	1
Royal Dublin Society (RDS)	1
Shared/rotational seats from the following: Association of Riding Clubs, Association of Irish Riding Establishments, Irish Pony Society, Irish Pony Club, Long Distance Riding Association, Para Equestrian Ireland and Carriage Driving	3
<b>Total Board</b>	<b>19</b>

\* The Board member from the Army Equitation School also represents the views of the Riding for the Disabled Association.

- (ii) Board members are the elected or nominated representatives of the affiliated bodies in Ireland. HSI does not have any role in the selection process of the affiliated body representatives on its Board. Affiliated bodies have autonomy over their own individual disciplinary matters, rules and sporting activities.
- (iii) Because the Board is an affiliates-based one, potential conflicts of interest can arise. Internal Audit has been advised that these situations are managed by the Chairman and the Company Secretary to ensure the absence of bias and inappropriate influences on decision making. As circumstances dictate, Board members would be expected to exclude themselves from the Board's deliberations in situation where the Board members have a direct interest.

(iv) Some HSI Board members accept the need to continue to work towards including among its membership the broad range of boardroom skills, such as, for example, strategy, finance, information technology, industry specific and marketing competencies. These are the generally accepted competencies for a Board which intends to operate at the optimum performance and governance level. These competencies may not necessarily be fully present or inherent in the HSI Board due to the manner of the Board's formulation. A full-time international marketing executive director has recently been appointed by the Board to HSI staff to drive forward agreed international marketing initiatives including the Irish Horse Gateway Programme.

(v) In summary, the HSI Board structure can be both a strength and a weakness for the sport horse industry as a whole. The structure is a strength in the sense that it is exposed to a wide range of industry views and a weakness because large boards can oftentimes impair effective decision making.

## 2.13 HSI Board and Sub-Boards

(i) There are two Sub-Boards in operation:

- The Sport Sub-Board; and
- The Breeding Sub-Board.

(ii) The Sport Sub-Board meets, on average, four times per annum while the Breeding Sub-Board [Breeding Advisory Sub-Board as referred to in the Dowling Report] meets eight times per annum. The relatively large-sized Sub-Boards (Sport: 26 members; Breeding: 15 members) afford the opportunity to the affiliated bodies to exchange information on matters of common and mutual interest. These areas include, for example, in the case of the Sport Sub-Board, insurance, international hosting events, health and safety, and child welfare/protection matters.

(iii) Financial supports by the Sub-Boards to the horse sport industry are disclosed in the HSI Annual Reports. A four-year analysis by recipient of international hosting grants is included at **Appendix 5** of this report. A three-year analysis by recipient of breeding financial supports is included at **Appendix 10**. Monies for sport and breeding purposes are managed separately. HSI give financial support and sponsorship to a range of smaller shows throughout Ireland.

(iv) Further information on the Sport Sub-Board is included at **Appendix 11**. Board and Sub-Board members are not remunerated, other than the Chairman of the Sport Sub-Board who receives an honorarium. HSI does not have a formal contract of appointment with the Chairman of the Sport Sub-Board.

(v) HSI Board and Breeding Sub-Board members are entitled to claim mileage expenses at Civil Service Rates. Members of the Sport Sub-Board are not entitled to claim mileage expenses. Subsistence allowances are not paid to Board members.

- (vi) The Chairman of the Sport Sub-Board is not a member of the main HSI Board and does not attend the HSI Board meetings. Matters arising at the Sport Sub-Board, which requires the attention and decision of the main HSI Board, are reported to the main Board by the HSI CEO.
- (vii) Substitutions are not allowed on to the HSI Board, or any other Sub-Board or Committee with the exception of the Sport Sub-Board.
- (viii) An Annual General Meeting, which is attended by the Directors, is held by HSI. HSI Board members retire from the main Board in accordance with the requirements of the Company's Memorandum and Articles of Association. Other than the HSI Board members, HSI does not have lifelong members/shareholders.

## Appendix 3: Areas for Improvement- Company (HSI) and Industry

Internal Audit sought the views of Board members and senior executives through the use of a confidential questionnaire. The primary purpose of the questionnaire was to identify areas for improvement to assist the organisation in its governance and administrative control processes. The results of the consultative process are set out hereunder.

The areas for improvement may possibly stimulate further debate on important issues for the company and the industry. The areas for improvement do not represent the views of Internal Audit.

No.	Areas for Improvement
1	Further investment in IT facilities is required to enable much more of HSI's operations, such as the registration of horses, to be web-based.
2	Implementation of the Strategy Committee Report recommendations requires drill down plans and to identify what falls on HSI to handle.
3	Appoint a Director of Sport and allow the CEO deal with the more strategic areas, especially having regard to the challenges faced by the industry in the years ahead, as included in the Industry Strategy Committee Report.
4	Decisions made at HSI Board meetings should be on the HSI website and available to the public. This would contribute to how HSI operates and organises its business operations.
5	Address the operational issues around the handling of horse passports.
6	Reduce the number of Board members from the Horse Board, Show Jumping and Eventing disciplines on the main Board.
7	More people are needed in senior executive positions to deliver on the challenging recommendations of the Industry Strategy Committee Report.
8	Generally improve communications with the market place and stakeholders in the industry.
9	Improve the communications, cooperation and collaboration between the Republic of Ireland and Northern Ireland on sport horse industry matters. The level of mutual collaboration and joint funding seems minimal at the moment.
10	Address the conundrum/hard question in relation to the award of grants to non-affiliated bodies who organise international and other competitions. Can an affiliated body organise a non-affiliated event? Should a Federation such as HSI discriminate in favour of affiliated events? Should the Sport Ireland anti-doping controls be applied in a clearly evidenced manner to unsanctioned events organised by privately owned equestrian centres?

No.	Areas for Improvement
11	Have one cohesive organisation for all the equestrian disciplines rather than an umbrella organisation.
12	The industry needs to be funded in a way that is commensurate with its contribution in Ireland and economic power.
13	Making breeding the responsibility of the Department of Agriculture and allow the sports disciplines to develop further.
14	Increase the cash contribution from affiliates to HSI in order to strengthen the financial situation of HSI.
15	Make more of an effort to secure sponsorship and develop other sources of income, e.g. foal levies.
16	Find ways to reduce pressure on senior HSI staff who are overstretched.
17	The Breeding Sub-Board structure needs to be reviewed to cater for sectorial interest and the studbook business activities of HSI.
18	Reduce the reliance on volunteers through improved resourcing of the company. Depending on volunteers is not sustainable over the longer term and for the major initiatives.
19	Make it clear to HSI's stakeholders as part of an improved communications process what HSI can and cannot do.
20	Optimising of funding is critical to success of strategy. If funding and sources of income are static, the strategy is threatened.
21	Introduce more independent Board members (not affiliates based) to the HSI Board.
22	Funding of the company and the industry needs to improve and be strengthened so that the recommendations of the Strategy Committee Report can be implemented.
23	Administrative structure needs to change, particularly on the breeding side. Consider a brain-storming session on the role of the Breeding Sub-Board and how its operations can be improved including a reduction in the risks of conflicts of interest arising.
24	Reduce the size of the Boards in order to improve the efficiency of decision making.
25	Establish Studbook Committee and Border Breeder Committee.
26	Enhance competencies at HSI Board and staff level.

## Appendix 4: HSI and Industry Strengths Identified During the Review

The following areas are identified as representing specific strengths both of the company and the sport horse industry. The primary source of these comments is the outputs of the self-assessment questionnaire process. They do not represent the views of Internal Audit.

No.	Strengths
1	Board members give freely of their time and show enthusiasm for their role.
2	Staff are committed, dedicated, flexible and demonstrate passion for their roles.
3	HSI acts as an umbrella organisation or federation for the 27 affiliates.
4	The sport horse industry is fortunate to have passionate volunteers without whom the industry could not function.
5	HSI Board acts in an open and collective manner.
6	HSI is recognised as the national governing body by leading stakeholders for the sport horse industry.
7	Professional coaching and training systems are in place.
8	Many of the affiliates are located at the one office facility, which leads to efficiencies and enables collaboration in the sport horse industry.
9	HSI leads the contact with Government on sport horse industry matters.
10	HSI has the potential to create more awareness of the sport horse industry in Ireland.
11	Recent appointment of a Director of International Marketing is a significant development for HSI.
12	HSI leads the high performance programmes for selected equestrian disciplines.
13	HSI runs the equine anti-doping programme.



Strengths	
No.	
14	Strong, independent-minded Chairman who makes a substantial contribution to HSI and the sport horse industry.
15	HSI has provided funding for international competitions and a range of smaller, local events.
16	<i>Jumping in the City</i> was an excellent initiative and should be replicated in the future.
17	Overall HSI has improved the cohesiveness of the sport horse industry.
18	The Board is comprised of experienced leaders in their disciplines.
19	The large size of the HSI Board allows for a broad and fair representation of the different interests of the sport horse industry, and acts cohesively.
20	HSI is a professionally and effectively run organisation.
21	Risk of fragmentation of HSI has reduced compared to a number of years earlier. The challenge is to contain that risk and to reduce it further.
22	There is an agreed consensus and emphasis on improving HSI governance. The Company Secretary and a Board member are actively working on these matters.
23	Board meetings and members information packs are well organised and presented in advance of meetings.
24	Board members do work well together, but they also have their own agendas.
25	Secured LEADER funding; establishment of the National Horse Arena, Abbotstown.
26	Truly beneficial collaboration has occurred enabling a unifying brand to be developed.
27	Some Board members fund their own travel costs to meetings which is an indication of their commitment.

## Appendix 5: International Hosting Grants – Analysis, Process and Criteria

### 5.1 International Hosting Grant Support to Organising Committees

Where financial resources permit, HSI provide funding to Irish equestrian centres known as Organising Committees who are hosting FEI affiliated events. In the four-year period from 2012 to 2015 inclusive, the amounts provided to these Organising Committees are as follows:

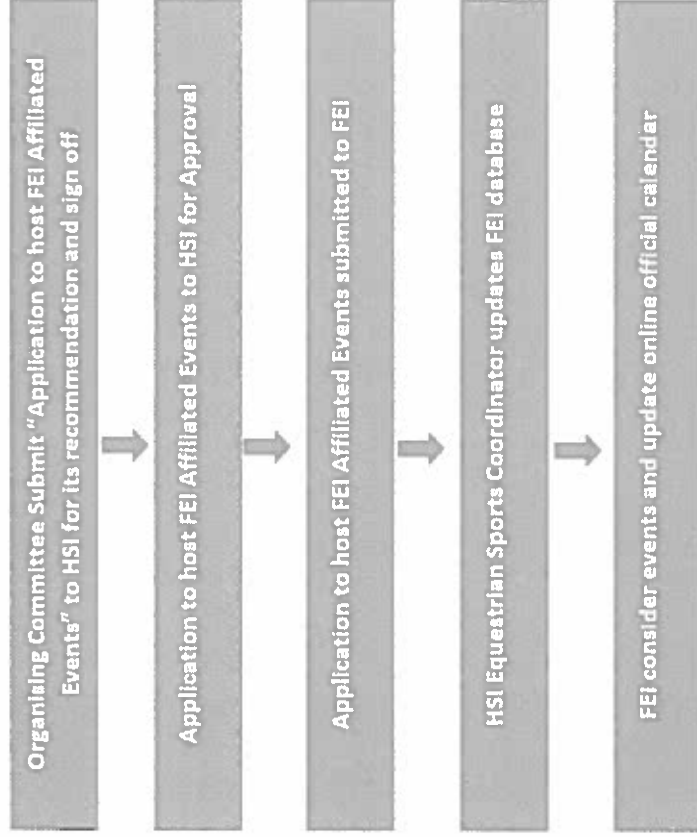
Chart 3 HSI - INTERNATIONAL HOSTING GRANTS

Events (Including FEI Star Rating)	2015 Provisional Allocation €	2014 €	2013 €	2012 €	TOTALS €
Tattersalls Eventing CCI***	11,850	15,000	16,000	20,000	62,850
Royal Dublin Society*****	15,000	15,000	15,000	18,000	63,000
Millstreet Show Jumping***	6,900	8,000	8,000	8,000	30,900
Mullingar Show Jumping**	3,750	7,000	7,000	7,000	24,750
Kilmeague Show Jumping**	-	-	-	5,000	5,000
Cavan Show Jumping*	1,500	4,000	4,000	4,000	13,500
Camphire Eventing***CIC	7,800	5,000	5,000	5,000	22,800
Ballindenisk Eventing Sept***CIC	8,550	12,000	12,000	12,000	44,550
Ballindenisk Eventing April***CIC	6,450	5,000	5,000	5,000	21,450
Ballindenisk Eventing Feb***CIC	-	-	-	5,000	5,000
Mallow Eventing**	3,000	1,000	-	-	4,000
ILDRA	-	-	-	1,000	1,000
Millstreet European Pony / Other	11,250	8,000	-	-	19,250
Millstreet*Show Jumping	1,500	4,000	-	-	5,500
<b>TOTAL</b>	<b>€77,550</b>	<b>€84,000</b>	<b>€72,000</b>	<b>€90,000</b>	<b>€323,550</b>

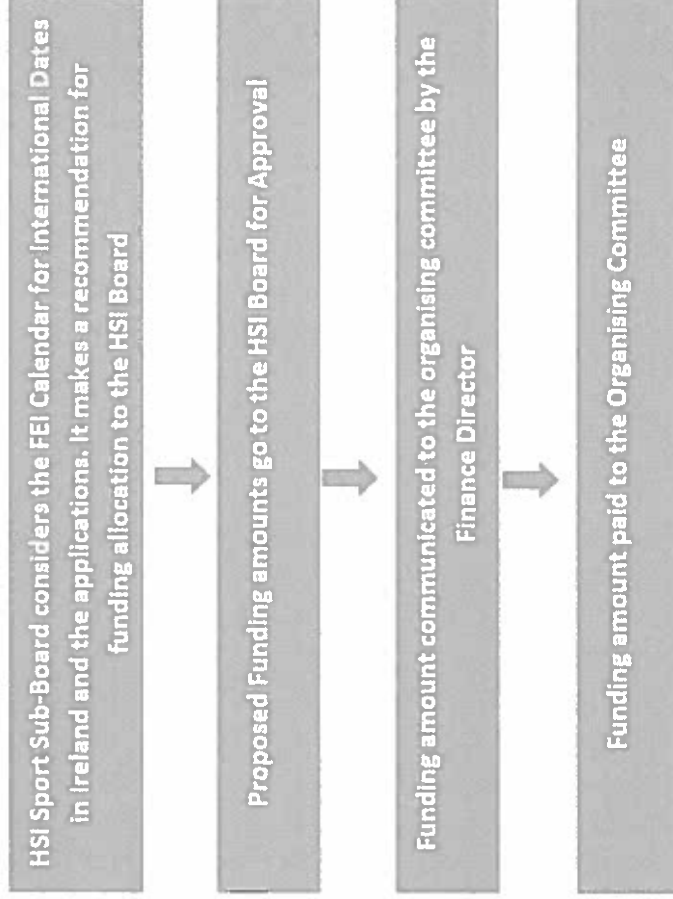
## 5.2 Process Diagram

Below we have set out the process diagram for the international hosting events grant award process:

### Process 1 Approval of Events



### Process 2 Funding International Events



## 5.3 Application and Award Process - Description

- (i) In order to be eligible to host a FEI affiliated event in 2014 and, as a result, to be eligible for grant funding from HSI, Organising Committees were required to complete their application by 27<sup>th</sup> September 2013 and enclose the following information upon submission:
- Payment of the FEI calendar fee;
  - Payment for the HSI show authorisation fee; and
  - The completed *Application to host FEI Affiliate Events* form.
- (ii) The “*Application to host FEI Affiliated Events*” form includes information such as the category of event, the proposed venue and the date of commencement and completion. It is required to be signed by the President and Event Director of the Organising Committees. The applications also require approval of the Chairperson of the discipline concerned.
- (iii) The HSI Equestrian Sports Coordinator (ESC) reviews the application forms and manually updates the FEI database with all of the applications received. The FEI consider the applications and updates the FEI online official calendar detailing the events due to take place for the year.
- (iv) The HSI Finance Committee propose the full grant budget for the year. Based on the approved FEI official calendar and the grant budget, the HSI Sport Sub-Board and the executive management team propose an allocation of funding to be paid to each Organising Committee after an assessment of the events in line with six criteria.
- (v) The 2014 funding allocation was based on 2013 allocations with minor adjustments. This funding proposal is submitted to the HSI Board for its approval. The HSI Finance Director communicates the funding amount to the relevant Organising Committee. The funding amount is paid to the Organising Committee following the event taking place.
- (vi) Grantees are not required to submit their audited financial statements, auditors’ certificates, or financial reports to HSI. Grantees are not required to enter into service level agreements with HSI. There is no onus on the grantee to formally report back to HSI that the funds have been expended for the purposes intended.

## 5.4 Grant Award Criteria for International Hosting Grants up to 31 December 2014

(i) Six criteria have operated against which international events were assessed for funding by HSI up to 31 December 2014. These are set out hereunder:

- a) *Star Rating by the International Governing Body of the event;*
- b) *Number of International athlete participants from abroad in the previous year;*
- c) *Rankings/level of international riders from abroad e.g. Olympic/World Ranking;*
- d) *Level of participating Irish Riders;*
- e) *Strategic Importance of the Event; and*
- f) *Innovation & Sustainability.*

These criteria were not notified to the horse sport industry.

(ii) The most important criterion, as advised by HSI management, is star rating. In summary, scores were not formally attributed to each of the criteria for grants up to 31 December 2014 for reasons of the following:

- The application of the *principle of proportionality* in view of the relative size amounts of the grants which are subject to these awards. The principle of *proportionality* is defined in the Public Spending Code which has been published by the Department of Public Expenditure and Reform. In summary, the application of the *principle of proportionality* requires that the methods used to evaluate a programme will depend on the size and nature of the programme. See **Appendix 6**.
- Management cost effectiveness considerations from a HSI point of view;
- The relatively low level of this area of HSI funding (approx. 1.6% of HSI income overall) in the context of the annual HSI budget;
- The involvement of HSI senior executive management and the Board in the actual award decision which is made by the Board acting collectively;
- A contribution is made to each qualifying applicant's costs by HSI in order to support and encourage the overall development of the Irish sport horse industry;
- Audited financial statements are not sought from the Organising Committee/Applicants who are hosting these international events;
- Organising Committee/Applicants are required to fully fund these international events; and
- Service level agreements are not imposed on the Organising Committee/Applicants.

(iii) It should also be noted that HSI supports a whole range of shows and events throughout Ireland in the form of smaller sponsorships and prizes. These disbursements which run into several hundred awards in any one year are all in the nature of ex-gratia payments or discretionary payments by HSI. It would place a significant burden on HSI management and the HSI Board to operate a system of scoring or weighted criteria for the disbursements in this category. It is our understanding that the sport horse industry welcome these financial contributions to their events.

- (iv) A practical application of the *principle of proportionality* can be seen at clause 3.7 of the standard terms and conditions of Sport Ireland's grant approval agreement with all of the NGBs of sport. This clause gives effect to a hierarchical control framework which is operated by Sport Ireland which takes account of the total aggregate amounts of Sport Ireland funding. Further information is provided at **Appendix 6**.
- (v) It is made clear by HSI to the Organising Committees that reliance cannot be placed on the receipt of the HSI grant to fund the international hosting events. All events are expected to be fully funded by the Organising Committees in advance. In view of the limited size of the international hosting fund, it has not been the HSI Board's practice to financially support any Organising Committee with funds exceeding €20,000 out of the international hosting events grant fund in any one financial year.

## Grant Award Criteria for International Hosting Grants – 1 January 2015 onwards

- (i) The Board of Horse Sport Ireland at its meeting on 21 July 2015, approved a new proposed basis for allocating HSI international hosting grant support for 2015. These grants are in respect of FEI approved international events held in the Republic of Ireland. The number of criteria have been reduced from six to three. These three criteria and marks awarded for each criterion are as follows:

	Maximum
- The FEI Star Rating of the event;	50
- The number of horses ridden by foreign riders; and	50
- The number of riders from amongst the top 50 in the world	<u>25</u>
	<u>100</u>

In relation to 2015 international hosting event grants an element of estimation is necessary with balancing adjustments taking place in light of more up to date and accurate information. All of the Organising Committees for these international hosting events have been provided with a detailed explanation of the revised criteria.

- (ii) The HSI budgeted allocation for 2015 is €77,550. Longer term issues being considered by HSI in relation to international hosting grants include two other options:
1. HSI makes allocations to affiliates for them to dispense with a matching funding aspect; and
  2. HSI operates a waiver over its event fees and allocates the balance to affiliates as they see fit.

## Appendix 6: Explanation of Proportionality

**Proportionality** is one of the principles laid out in the application of the guidelines for the expenditure of public monies.

The Department of Public Expenditure and Reform has defined *proportionality* in the Public Spending Code as follows:

### **Definition of Proportionality**

The complexity of the appraisal or evaluation of a project or programme and the methods used will depend on the size and nature of the project or programme and should be proportionate to its scale. The resources to be spent on appraisal or evaluation should be commensurate with the likely range of cost, the nature of the project or programme and with the degree of complexity of the issues involved.

### **Practical Application of the Principle of Proportionality – Sport Ireland’s governance over the award of grants to NGBs**

Clause 3.7 of the standard terms and conditions of the Sport Ireland’s Grant Approval agreement states as follows:

*3.7 Organisations in receipt of the following total aggregate amounts for Sport Ireland Funding must present their 2014 financial statements in the following manner:*

- (i) aggregate grants of €25,000 or less – an independent accountant’s report from an accountant with a recognised accountancy qualification;*
- (ii) excess of €25,000 but of less than €200,000 – accounts fully audited by a registered auditor in accordance with generally accepted accounting principles prevailing in Ireland (“Irish GAAP”), to include a signed audit opinion specifying the auditor’s name and address; or*
- (iii) aggregate grants of €200,000 or more – accounts fully audited by a registered auditor in accordance with Irish GAAP, to include a signed audit opinion specifying the auditor’s name and address and a statement from such auditor that each grant was expended in accordance with the Approved Submission.*

## Appendix 7: Feedback from International Hosting Event Organisations

### 7.1 Introduction of Feedback/Process

At the request of HSI and with Sport Ireland's agreement, internal audit sought the opinions of the majority of the recipients of the international hosting event grants. Six organisations were consulted as part of this process. They represent approximately 85% of the grants awarded.

The following comments represent a summary of the opinions obtained both in telephone discussions and in face-to-face meetings. The information presented hereunder has not been substantiated or validated by Internal Audit and is for information purposes only.

### 7.2 Summary of Feedback from Organisations

#### i. Absence of Awareness of Hosting Grant Criteria up to late July 2015

The international hosting event organisations were generally not aware of the criteria that operated for these grants. The majority of the organisations never questioned or queried how the grant award had been computed. Generally, the introduction of clear criteria is welcomed by the hosting organisations.

#### ii. Clarity around award criteria since late July 2015

All of the organisations accept that there are clear and quantifiable criteria in operation since late July 2015. Many organisations would prefer an earlier notification of their grant amount. A multi-annual approach by HSI should be considered.

#### iii. Bias in the criteria towards the larger and better funded organisations

Some of the smaller organisations believe that there is an inbuilt bias in the criteria towards the larger and better-funded organisations. In the 2015 grant awards compared to 2014 grant awards the evidence presented by the smaller equestrian organisations support the viewpoint that the smaller organisations received a greater proportionate reduction in their grant compared to the larger organisations.

#### iv. Impact of the 2015 criteria on grants awarded

The smaller equestrian organisations will have difficulty in achieving high scores having regard to the new 2015 criteria in operation.

#### v. New criteria notified at a late stage to hosting organisations

The new 2015 basis for the criteria (from six to three criteria) arrived late in July 2015 which in the view of one of the larger organisations allowed very little time to debate the criteria.



**vi. Criterion – Top/Elite 50 international riders**

One of the scoring criteria is concerned with the number of 'top/elite 50 international riders' who attend the equestrian event. One organisation stated that this criterion should be based on the 'top/elite 100 international riders' attending the event, and not the 'top/elite 50 international riders'.

**vii. Financial Viability of the smaller equestrian events**

A number of the smaller organisations, even though they have organised equestrian events for many years, are seriously questioning the viability of continuing to host these events.

**viii. Who benefits most?**

It is known to those with whom we came in contact in the sport horse industry that the two largest organisations benefit most from the financial supports (International Hosting Event grant and Breeding) made available by HSI. This information has been published in the annual accounts of HSI since 2012.

**ix. Cost of hosting an international event**

The financial supports received represent a very small percentage of the cost of hosting an international event. There is a consensus among the organisations that the international hosting grants cover in the region of five to ten percent of the cost of staging the event. One organisation quoted six percent and a second organisation quoted seven percent.

**x. Prize Money Levies – Offset**

All organisations pay prize money levies to the HSI. It is internal audit's understanding that a proportion of these monies are paid on to FEI.

**xi. Important community dimension to local equestrian events**

Local equestrian events outside the large urban areas offer vital encouragement to young, aspiring riders. These events have an important community dimension and are part of the social fabric.

**xii. Feature of the hosting event grants**

The majority of the organisations consulted with stated that they had good relationships with HSI and accepted that international event hosting grant amounts received up to 31 December 2014 were in the nature of ex-gratia or discretionary type payments.

## Appendix 8: Financial Position – Horse Sport Ireland

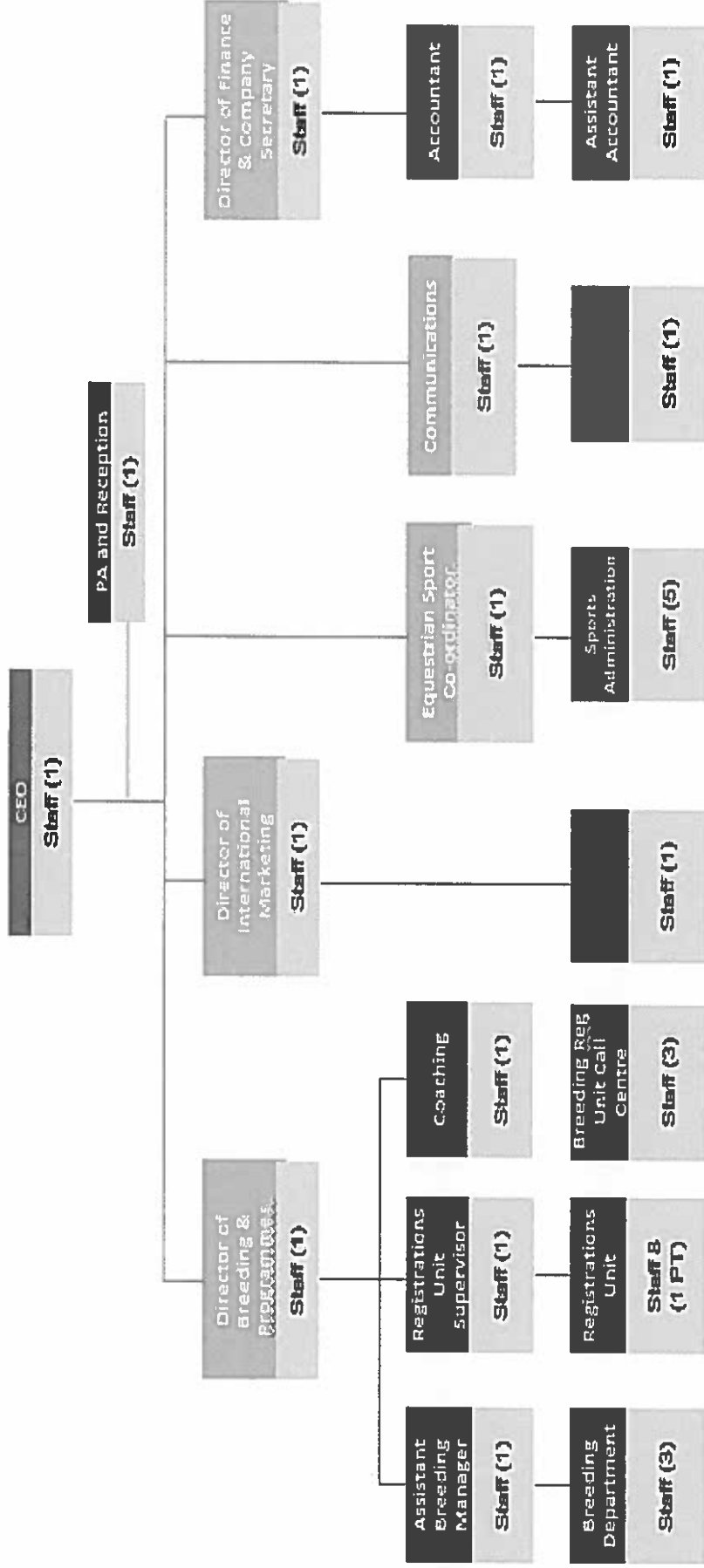
Extract from the audited financial statements for the year ended 31 December 2014 and 2013:

Profit and Loss Account For the year ended 31 December 2014	2014	2013	Balance Sheet As at 31 December 2014	2014	2013
Income	5,049,944	5,237,319	Fixed assets		
Costs of Sales	(2,947,504)	(2,965,253)	Tangible assets	69,777	11,931
Gross profit	2,102,440	2,272,066	Investments	2	2
Administrative Expenses	(2,202,667)	(2,113,012)		69,779	11,933
Operating (loss)/profit	100,227	159,054	Current assets		
Interest receivable and similar income	-	912	Stocks	64,168	88,259
(Loss)/profit on ordinary activities before taxation	(100,227)	159,966	Debtors	514,421	389,906
Tax on (loss)/profit on ordinary activities	(596)	(9,479)	Cash at bank	373,516	388,808
(Loss)/profit on ordinary activities after taxation	(100,823)	150,487		952,105	866,973
Profit/(Loss) brought forward	98,695	(51,792)	Creditors: amounts falling due within one year	(1,024,012)	(780,211)
(Loss)/retained profit carried forward	(2,128)	98,695	Net current (liabilities)/assets	(71,907)	86,762
			Total assets less current liabilities	(2,128)	98,695
			Capital and reserves		
			Profit and loss account	(2,128)	98,695

Internal Audit does not accept responsibility for the above financial information.

## Appendix 9: Horse Sport Ireland Organisational Chart

### HORSE SPORT IRELAND ORGANISATION CHART



Two HSI staff members are seconded from the Department of Agriculture. A reimbursement arrangement for the cost of these staff members is in operation with the Department. The Department funds the breeding activities of HSI. Sport Ireland funds the high performance programme and the international hosting grants.

## Appendix 10: Analysis of HSI Breeding Financial Supports

	2014	2013	2012	Total
ISH SJ Series	€80,050	€71,170	€61,227	€212,447
RDS	€60,000	€60,000	€60,000	€180,000
Tattersalls Eventing	€30,000	€30,000	€30,000	€90,000
Inward Buyer Programme	€13,171	€22,639	€12,512	€48,322
Badminton	€23,847	€22,551	-	€46,398
Irish Farriery Authority	€20,000	€20,000	€23,500	€63,500
ISA Series	€15,200	€16,800	€15,800	€47,800
Millstreet European Pony Champs	€10,000	-	-	€10,000
ISH Eventing Series	€25,000	€16,200	-	€41,200
Rolux Kentucky Eventing	-	€11,726	-	€11,726
Hickstead	€5,168	-	€9,003	€14,171
CPBS Clifden	€8,000	€8,000	€8,000	€24,000
Mare Championship	-	€7,400	-	€7,400
Irish Breeders Classic	€15,000	€6,000	-	€21,000
Silver Spurs Dressage	€4,000	€5,000	€5,500	€14,500
Others	€12,522	€13,419	€23,458	€49,399
	<b>€321,958</b>	<b>€310,905</b>	<b>€249,000</b>	<b>€881,863</b>

## Appendix 11: Sport Sub-Board

The Sport Sub-Board is responsible for a number of areas including advising the Board on policy and strategy in relation to the sport and leisure sectors; reviewing the implementation of the relevant aspects of the Strategic Plan; receiving and commenting on reports from each of the affiliate bodies; ensuring the production of metrics for the sporting aspect of the sector to assist in making the best possible case for funding from State and private sources; receiving and commenting on High Performance reports for each FEI discipline; receiving and commenting on reports from the Horse Sport Ireland Coaching committee; approving Shared Affiliate Programmes; considering and advising the Board in relation to applications for affiliation; advising the Finance Committee on the level of Horse Sport Ireland's charges for international, passports, licenses, hosting etc.; and enhancing communication between the various affiliates and sections.

Below we have set out the composition of the Sport Sub-Board:

Sub-Board Affiliated Bodies	Sports Sub-Board
Chairperson	1
Army Equestrian School	1
Association of Irish Riding Establishments	1
Carriage Driving	1
Dressage Ireland	1
Eventing Ireland	1
Federation of Irish Polo Clubs	1
Hunting Association of Ireland	1
Irish Polocrosse Association	1
Irish Pony Club	1
Irish Shows Association	1
Irish Universities Riding Clubs Association	1
Medical Equestrian Association	1
Mounted Games Association of Ireland	1
Para Equestrian Ireland	1
Riding for the Disabled Association of Ireland	1
Showjumping Ireland	1
TREC Ireland	1
Association of Irish Riding Clubs	1
Irish Harness Racing Club	1
Irish Long Distance Riding Association	1
Irish Pony Society	1
Pentathlon Ireland	1
Reining & Western Section of HSI	1
Royal Dublin Society	1
Side Saddle Association of Ireland	1
<b>Total</b>	<b>26</b>

## Appendix 12: Circular 13/2014: Management of and Accountability for Grants from Exchequer Funds

Management of and Accountability for Grants from Exchequer Funds – Circular 13/2014 and Circular 17/2010

**Circular 13/2014**, issued by the Department of Public Expenditure and Reform on 26 September 2014, sets out the current requirements for the management of and accountability for grants from Exchequer funds. The effective date for **Circular 13/2014** is 1 January 2015. The Circular addresses the disbursement of grant funding to all bodies, including, agencies, companies, committees, advisory groups, charities, or individuals whether directly from Votes of Government Departments/offices or through an intermediary body or series of bodies.

Prior to 1 January 2015, the operative or relevant standard was **Circular 17/2010** against which HSI's practices and procedures for the disbursement of international hosting grants could be benchmarked and assessed. In general, **Circular 17/2010** does not specify the principles and procedures of transparency, openness and accountability to be followed in the management of grant funding provided from public monies.

**Circular 17/2010** was superseded by **Circular 13/2014**. **Circular 13/2014** sets out more onerous requirements to be followed in the management of grant funding provided from public monies. **Circular 13/2014** applies to the movement of funds to an outside body, and to any / all onward movement of that funding. The overall principle to be followed is that there should be transparency and accountability in the management of public money, in line with economy, efficiency and effectiveness. **Circular 13/2014** also includes a new statement of principles for grantees in relation to the requirement for clarity, fairness, governance and value for money in their management and accountability for public funds.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/ie/about](http://www.deloitte.com/ie/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

With nearly 2,000 people in Ireland, Deloitte provide audit, tax, consulting, and corporate finance to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. With over 210,000 professionals globally, Deloitte is committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, Deloitte Global Services Limited, Deloitte Global Services Holdings Limited, the Deloitte Touche Tohmatsu Verein, any of their member firms, or any of the foregoing's affiliates (collectively the "Deloitte Network") are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2015 Deloitte. All rights reserved