

Probation Board for Northern Ireland:
**CORPORATE
GOVERNANCE**

October 2006





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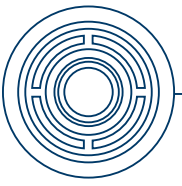
CORPORATE GOVERNANCE

Report of an inspection in Autumn, 2005

Presented to the Houses of Parliament by the Secretary
of State for Northern Ireland under Section 49 (2) of the
Justice (Northern Ireland) Act 2002.

Criminal Justice Inspection
Northern Ireland
a better justice system for all

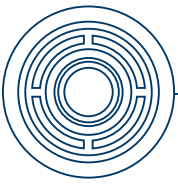






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List of abbreviations

- PBNI** Probation Board for Northern Ireland
- NIO** Northern Ireland Office
- CJB** Criminal Justice Board



Chief Inspector's Foreword

This was the first inspection that CJI had undertaken into the corporate governance of a criminal justice organisation in Northern Ireland. We decided to initiate it as a follow up to the Deloitte MCS *Strategic Review of PBNi*, which reported in April 2004 and which led to the most recent developments in the organisation's corporate governance framework.

The inspection made some significant findings, which have since been followed up by the Board. There were real problems in the management style of the organisation, resulting in dissatisfaction among both staff and Board members. In an exception to CJI's usual practice, publication of the report has been delayed to give the Board time to reflect upon the recommendations. CJI will re-visit PBNi in 2007 to examine progress.

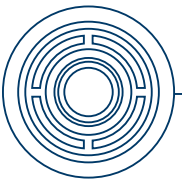
The inspection team, led by Tom McGonigle and myself, appreciated the frankness and generous level of co-operation received from Board members and managers who contributed to the inspection. Particular thanks are due to the Chairman and Chief Executive, and to Graham Kelly, who acted as a contact point. CJI received access to all people and material that were requested for the inspection. They were without exception open and welcoming of the inspectors.



Kit Chivers

Chief Inspector of Criminal Justice in Northern Ireland







Executive Summary

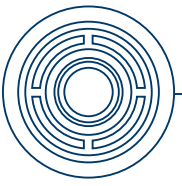
The inspection found that PBNI could demonstrate the appropriate procedures, structures and accountability mechanisms that would be expected of a medium size public body with a staff of 280 and a £15.3m budget. These included clear roles and reporting lines for Board members and staff, appropriate interfaces with government, relevant policies, processes for conducting Board and management business, and a range of internal and external scrutiny arrangements. Registers for risks, complaints, disciplinary actions and grievances were held, with supporting documentation.

The meetings of the Board and its subcommittees that were observed showed a process which was working smoothly. PBNI demonstrated openness by providing ready access for inspectors to sensitive material and views in the course of this inspection. The organisation had benefited from the 2004 Strategic Review, and had implemented many positive recommendations to strengthen its functioning.

There were nevertheless areas of serious concern within PBNI, some of which had already become evident from a Staff Survey in 2005. The survey revealed a high level of unhappiness among staff, which was confirmed in interviews with Inspectors. There was also dissatisfaction expressed by Board members.

The inspection identified a need for a more positive, open and empowering management culture in the organisation. The proper role of the Board vis à vis the executive management of PBNI needed debate and clarification. Several members felt that the Board was not being properly utilised, while staff reported a need for clearer direction from the Board.

Inspectors repeated the Strategic Review recommendations that were relevant to corporate governance and had not yet been achieved, while suggesting that one Strategic Review recommendation should be ignored. There are recommendations, too, about consideration of the Board's future, the Northern Ireland Office's role in relation to PBNI, a requirement for updated legislation, development of a more critical approach to self-reporting against objectives, and greater clarity around risks and the outcomes of complaints.





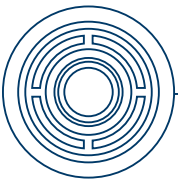
Recommendations

All the recommendations in this report that are accepted should be included in an Action Plan, jointly developed and managed by PBNI and the NIO. Inspectors recognise that there will need to be a phased timetable for introduction of changes, as some will be more readily achievable than others. CJI will wish to review progress in 2007.

We restate Strategic Review recommendations that are relevant to corporate governance where their “Achieved” status is not yet complete, and recommend that one of the Strategic Review’s recommendations not be pursued.

The following recommendations have been made:

- Board and committee minutes should show explicit outcomes, with the responsible person and dates for achievement included and timescales for action specified. *Paragraph 1.5.*
- The External Complaints Register should explicitly record the outcomes of complaints. *Paragraph 2.4.*
- The Chief Officers and Board Chair should take the lead on PBNI’s objective setting and reporting and policy formulation with a view to the process becoming more comprehensive, accurate and accountable. *Paragraph 3.3.*
- PBNI should conduct formal exit interviews with all leavers and should extend this to Board members when they leave. *Paragraph 3.4.*
- The NIO should take steps to improve its ability to handle its sponsorship responsibilities in a professional and expeditious way. *Paragraph 6.4.*
- The NIO should introduce updated legislation to reflect PBNI’s current functions at the next opportunity. *Paragraph 6.5.*
- There is a need for more open communication between the Chairman, Board members and the Chief Officers. *Paragraph 9.2.*
- Guided by the Board, the Chief Officers need to develop a more positive, open and empowering culture. *Paragraph 10.2.*



Restated Recommendations from the Strategic Review

- R 9 – “The respective roles of PBNI and the Youth Justice Agency in relation to aspects of juvenile justice services and youth conferencing should be clarified and communicated. The NIO should take a lead role in this process”;
- R 17 – “The Board should regularly review its training needs to ensure that members continue to have training and support appropriate to their responsibilities”;
- R 29 – “The PBNI Board should have a clear and proactive strategic role in influencing the use of community development grants and project funds, in accordance with relevant policy”;
- R 27 (and 41 and 42) – “The NIO should review the present delegated spending limits for PBNI in the context of a new Management Statement/Financial Memorandum”;
- Rs 32-34, 39 – These recommendations relate to aspects of PBNI’s internal organisation that should be accorded priority to generate tangible outcomes, including workload management, career development opportunities, staff roles and salaries.

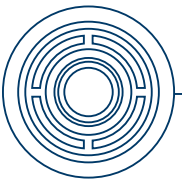
Strategic Review Recommendations not to be pursued

- R 13 – “The Chief Executive should become an executive member of the Board”

PART



Inspection Report



CHAPTER 1:

Introduction: What is Corporate Governance?



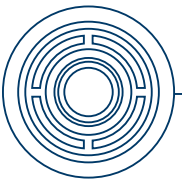
The Treasury's code of good practice on corporate governance, published in July 2005, defines corporate governance as:

“the way in which organisations are directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs, including the process through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance”.

Accordingly CJI does not interpret corporate governance narrowly as financial checks and balances, independent audit arrangements and so forth but more widely as the whole set of arrangements for the good strategic management of the organisation. We sought in this inspection to check that those arrangements were such in PBNI as to ensure not just that things did not go wrong, but that they positively supported good planning and performance management.

CJI looked at the **structures and functions** of PBNI and its Board, and the relationships between the Board, the management, the staff and the sponsor department (the NIO) to see that they were clear and fit for purpose. On the one hand the Board is sovereign, and management must respond to any reasonable request it may make. On the other hand a non-executive Board has a responsibility to show restraint: not to involve itself in executive matters but to confine itself to its proper functions of setting the strategic direction and holding the management to account. We also sought evidence that the **actions and behaviours** of the Board and senior managers were constructive and cooperative, working in the best interests of the public to deliver policy outcomes.

It is important to make clear how terms are used in this report. “The Board” refers to all the members of the Board, including the Chairman; and likewise “managers” or “management” refers to managers up to and including the Chief Officers. The “leadership” of the organisation refers to the top management and the Board.



CHAPTER 2:

The Strategic Review and progress on its recommendations



The inspection took as its starting point the recommendations of the April 2004 Strategic Review of PBNI which broadly relate to corporate governance. The Strategic Review made a total of 48 recommendations, which were overseen by a joint PBNI/NIO implementation group. The group decided its work was completed by May 2005, at which stage the declared status of the recommendations was:

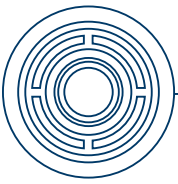
Achieved	25
Actioned	5
Ongoing	13
Beyond scope of the Project Board	2
Rejected	3

Inspectors felt some of these hardly merited the status of a formal recommendation in the first place e.g. Recommendation 1: “PBNI should continue to focus on excellence in service delivery...”; or Recommendation 40: “NIO and PBNI should continue to invest in building confidence in their relationship”. There were triplicate recommendations (27, 41 and 42) around the same issue

of developing a new Management Statement and Financial Memorandum. Recommendation 2, which related to PBNI and the NIO taking action on stakeholder feedback, was very wide-ranging, and should represent ongoing work for any organisation.

Concern was expressed to inspectors that some of the recommendations declared as “Achieved” were far from completely fulfilled. Some would have been more accurately reflected as “Actioned”, e.g. in relation to Recommendation 9, which stated that the NIO should take a lead role in clarifying respective roles of PBNI and the Youth Justice Agency in relation to juvenile justice services. The outcome of this process was reported as far from clear, and whatever may have been “achieved” had not been communicated to many managers and Board members.

On the following pages we outline progress on specific areas of recommendations relevant to corporate governance within the Strategic Review.



1 PBNI governance


1.1 PBNI's Board currently comprises fifteen members, all appointed under Nolan principles, having applied in response to public advertisement. As suggested in the Strategic Review, the process of reducing the size of PBNI's Board had been ongoing, and the board had reduced from 18 members to 15 during the previous year through natural wastage. Furthermore seven members' terms of office are due to expire at 30th November 2006. Some of the subcommittees seemed unduly large, especially when the Chair and Deputy Chair attended *ex officio*. Inspectors endorse Recommendation 11 of the Review and suggest that the Board should comprise not more than 12 members from 1 December 2006.

1.2 The Board subcommittee system was changed in February 2005. The new Chairman wanted to provide a stronger focus on human resource issues and on policy development; he believed that the Board should have a Remuneration Committee to deal with pay and performance at the top level; and he wanted to increase the opportunity for Board member involvement in the work of the organisation. There were previously three subcommittees, and this was increased to four: Audit – 4 members; Human Resources – 8 members; Policy and Practice – 7 members; Finance, Emergency and Remuneration – 7 members. The Finance, Emergency and Remuneration Committee comprises the Chairman and Deputy Chair, the Chairs of the other Committees and two other members with experience on remuneration committees. The

Chairman and Deputy Chair are *ex officio* members of all Committees, with the exception that the Chairman is not a member of the Audit Committee. The Board and subcommittees normally meet on a six-weekly cycle, except the Audit Committee which meets quarterly. The subcommittees had clear terms of reference and reporting arrangements. Their membership and chairmanship were determined by the Board Chairman in consultation with members, taking account of members' interests, experience and availability. The Board will need to review its committee arrangements if its membership is reduced to 12.

1.3 In relation to Recommendation 17 of the Strategic Review, Board members suggested they had had no training opportunities recently. Subsequent discussions showed that members also wanted opportunities to learn more about the day to day work of officers working in the front line. **We reiterate Recommendation 17, which states that the Board should regularly review its training needs to ensure that members continue to have training and support appropriate to their responsibilities.** Board members in turn need to avail themselves of training opportunities when they are provided: they have not always done so.

1.4 In CJI's opinion the Strategic Review Recommendation 31 for a revised Board Secretary/compliance function having shared reporting lines to the Chief Executive and Chairman was not appropriate. The Board Secretary, as a member of staff, should report to the Chief Executive but be placed by the



Chief Executive at the disposal of the Chairman and Board, and the Chairman should be consulted in preparing his regular appraisals.

1.5 As recommended in the Strategic Review, circulation of subcommittee minutes to all Board members had commenced. While minutes were felt to be well recorded by the Secretariat, issues were sometimes reportedly left somewhat vague, and there could be a lack of clarity about what precisely needed to be done by whom. **We recommend that Board minutes should have explicit outcomes recorded, with names of responsible owners for each action attached and timescales for action specified.**

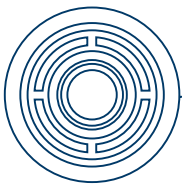
1.6 The Criminal Justice Review raised the possibility of probation services being provided by a next steps agency within NIO. There are sharply divided views on whether this would be a sensible step and about whether the future provision of probation services can properly be determined without including the future of other parts of the criminal justice system, including prisons and youth justice. The decision has been taken to leave consideration of this matter to be explored after devolution of responsibility for criminal justice.

1.7 In the meantime, the Board is to be commended for initiating its own debate about what value it adds and how it can further improve its business performance. In addition, it is welcome that the Board has launched a process to explore how its contribution to the criminal justice process might be increased. This

process involves a number of, what have been called, blue skies seminars that will examine the facts about the levels of crime, the effectiveness of present interventions, the lessons to be learnt from best practice elsewhere, and the further measures that might be appropriate and might form an agenda for a devolved administration with law and order responsibilities. It is the intention to manage this process in a manner that enables wide participation by those keen to make a constructive input. **We recommend that PBNi should be encouraged to develop its analysis of the value that the Board adds and to promote serious discussion about its future role and contribution to criminal justice.**

1.8 CJI's view differs from that of the consultants who undertook the Strategic Review in relation to Recommendation 13 which stated that the Chief Executive should become a member of the Board. Inspectors do not agree that it would be appropriate for a Chief Executive to become a member of their own board, either on the grounds outlined (due to Accounting Officer status, and to enhance influence at the Criminal Justice Board) or for any other reason, in a medium sized public organisation. **We suggest Recommendation 13 of the Strategic Review should not be pursued.**

1.9 Some Strategic Review recommendations, such as the Professional Staff Remuneration Review and the Estate Review, had been completed in practice though not in spirit, insofar as they had not yet



delivered any tangible outcomes. It is in the nature of such matters that they are complex. However the length of time which might be necessary to complete the estate development was a major source of frustration for both staff and Board members. They had anticipated a shorter timetable in response to this, their third estate review in five years. Many Board members were genuinely sympathetic towards staff, and frustrated by their inability to progress positive change more promptly. It was therefore encouraging to learn that the way has been cleared for PBNI to initiate consultation on its preferred option under the Estates Review, though the timetable for action to achieve real and much-needed improvements in accommodation remains uncertain.

2 Disclosure and information


- 2.1 There were five Strategic Review recommendations in this section, and they were reported as achieved. They dealt with management information and risk management.
- 2.2 In the course of this inspection inspectors viewed PBNI's Internal and External Complaints Registers, Disciplinary Register, Risk Register, as well as a sample of accompanying files.
- 2.3 The Internal Complaints Register recorded twenty-seven complaints and grievances that were lodged during 2000-2005, plus two that predated 2000. It was a clearly recorded register.

- 2.4 The External Complaints Register listed thirty-one cases which were initiated during 2000-2005, plus six that predated 2000. It was less clear than the Internal Register, in that outcomes were not always clearly identified as "Upheld" or "Not Upheld", e.g. "Closed" or "Letter sent" did not represent complaint outcomes. **We recommend that the External Complaints Register should explicitly record the outcomes of complaints.**

- 2.5 Six complaint files and one grievance file were viewed. All were typed, contained detailed supporting material, with comprehensive analyses and reflected a fair approach. The outcomes suggested that PBNI was keen to learn from its complaints process.

- 2.6 Within the 2005-06 Risk Register there was no clear distinction between corporate and practice risks. There did not seem to be a rationale for the types or levels of risk that were included, and those that appeared were interspersed with Key Performance Indicators: we could not understand the reason for this. The risk registration process still needed to become more embedded in PBNI, and the Register was a limited document which should be more comprehensive. *We reiterate Recommendation 20 of the Strategic Review, which states that PBNI should include broader considerations within its Risk Register.*

- 2.7 While the Risk Register may have been a limited document, PBNI's management of arson attacks on two of their premises during civil



disturbances in 2005 provided an example of good learning about risk management. Managers and support staff worked hard to reinstate locally-based services as quickly as possible. This situation heightened awareness of the need for backup of electronic information and contingency planning.

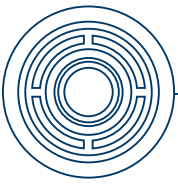
3 Corporate and business planning

- 3.1 As recommended in the Strategic Review, PBNI had made good progress on reducing the size and complexity of its corporate plan, and moving it onto a rolling basis, with annual revisions. The organisation's consultation processes concerning its future plans were thorough, and were open to community feedback through public events. Inspectors regarded this as an example of good practice.
- 3.2 Some interviewees were concerned about a move towards the use of very short, simple policies, which passed through the internal consultation process quickly. The problem was that these policies did not have attached to them the detailed procedures which staff needed to deliver the detail. It was suggested that Board members did not possess the background to challenge such matters effectively – this placed them in an uncomfortable “rubber-stamping” position which did not add value. Likewise executive staff questioned the Board's understanding of statistical and performance data that were provided in monitoring reports. Formulation of professional policies could be an area of training for Board members.

- 3.3 Inspectors were told of deficiencies in relation to the 2004-05 annual report, relating to some objectives which were said to be poorly written, and managers reporting loosely on their performance against their objectives. It was felt that there was not the necessary ‘challenge culture’ to identify failure to achieve objectives frankly and honestly. Members complained that they had not been given sufficient time to comment on important documents. **We recommend that the Chief Officers and Board Chair lead on PBNI's objective setting and reporting, and policy formulation with a view to the process becoming more comprehensive, accurate and accountable.**
- 3.4 The Board had identified that staff who were leaving the organisation were not offered exit interviews. Exit interviews provide an important source of human resource information, especially at times of difficulty. **We recommend that PBNI should conduct formal exit interviews with all leavers, and should extend this to Board members when they leave.**

4 Financial planning, budgeting and expenditure authorisation

- 4.1 There had been variable progress in relation to financial recommendations. The Board's financial management capacity was felt to be much stronger since appointment of the Director of Corporate Services. He provided clear guidance and reports that enhanced Board members' confidence in fulfilling their financial governance duties.



4.2 On the other hand PBNI still worked within the same delegated spending limits as it had at the time of the Strategic Review, and they were contained within the same Management Statement. Development of the new Management Statement and Financial Memorandum were cited as examples of tardiness by the NIO, despite significant work by PBNI managers, that caused frustration for staff and Board members.

4.3 PBNI had developed a new Community Development Policy, which aimed to standardise and clarify the criteria for its £1.5m budget of grant aid to community groups. This was considered important to remove any suggestion of arbitrary access to, or decision-making around, this budget. The policy was implemented in April 2006. It is essential that the Board has clearly stated objectives underpinning its expenditure in this area and that the arrangements for determining what activities should be supported are soundly based and provide appropriate means of appeal for those who are unhappy with the decisions made in individual cases.

5 PBNI internal organisation

5.1 In some ways PBNI's internal organisation could be considered the area where greatest progress had been made since the Strategic Review. The Senior Management Team had been significantly reshaped in accordance with Strategic Review recommendations. A Corporate Services Directorate, Planning and Policy Development Directorate and

Compliance Unit had all been established, and the Board Secretary had taken on the compliance function. Board members were unanimously positive about the benefits of having a dedicated Corporate Services Directorate, and advocated appointment of professionally specific staff to deliver non-probation functions. Following an Organisational Development Workshop in April 2005 there had been agreement on further stages in the change process, and a consultancy contract had recently been let for a three-year programme of development intended to improve the organisation's corporate and operational health.

5.2 However there was a feeling among Board members and operational managers that development of the new directorates had to some extent come at the expense of PBNI's core business. These views were in keeping with the Staff Survey which reflected low morale amongst operational staff. While everyone accepted the need for better corporate services, operational managers felt that the responsibility they held for the totality of the service provided by PBNI was in danger of being overlooked. There was a danger of an 'us and them' attitude developing if the relationship was not carefully managed. Clear leadership was needed to ensure harmonious and seamless development of the organisation. Recommendations 32-34 and Recommendation 39 of the Strategic Review are relevant to this issue: they state that PBNI should deal with workload management, career development opportunities, staff roles and salaries. *We reinforce the importance*

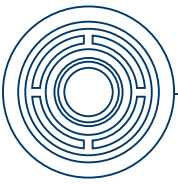
of these recommendations and the priority that PBNI and its sponsoring Department should give to achieving faster progress in responding to them.

6 Resourcing and Relationship between PBNI and NIO

- 6.1 The Strategic Review recommendations about resourcing had limited direct relevance to corporate governance, although there was no doubt that an efficient IT system would enhance communication, thereby promoting better governance. Inspectors were pleased to note that IT had been prioritised and new systems were now being introduced. Redeployment of staff had also been initiated as recommended, and options remained under review.
- 6.2 Formal governance arrangements between PBNI and the NIO were described in a Framework Document which set out the accountability mechanisms that applied to a Non Departmental Public Body (reporting to Secretary of State and Parliament; publishing an annual report; audit arrangements; role of Chief Executive as Accounting Officer etc). Quarterly Overview Meetings between senior managers and NIO officials were scheduled to discuss PBNI performance and provide feedback to Ministers.
- 6.3 We were told that the working relationship between PBNI and the NIO had improved significantly in recent years. However the recommendations in this section of the Strategic Review reflected a need for

further improvement. Some in PBNI had a perception that they were marginalised by their independent status in comparison to other criminal justice organisations, but inspectors found no evidence to confirm that. The Chief Executive had become a full member of the Criminal Justice Board and had the same opportunity to influence policy as any other Agency Head. However, Board members expressed concern about the absence of regular feedback from the Chief Executive's participation in the Criminal Justice Board and the lack of opportunities to discuss the position that the Chief Executive should take at the CJB when matters concerning probation were being discussed. The Chief Executive recognised the need for better communication in this area.

- 6.4 There was a suggestion that the NIO could do more to exercise a challenge function in support of PBNI's corporate governance. The NIO was reported to be good at monitoring, but less effective at challenging practice or at progressing important issues. PBNI's main concerns involved slippage of important meetings for joint progression of business. This was reflected mostly as missed opportunities, but was also reported as seriously detrimental on occasions. For example, it was suggested that if the nature of the Youth Justice Agency's proposed development and recruitment had been identified by the NIO, then PBNI might have been better able to position itself in relation to Northern Ireland's new criminal justice system. Subsequent loss of staff to new opportunities might then have been avoided, or at least reduced by



being anticipated. **We recommend that the NIO take steps to improve its ability to handle its sponsorship responsibilities in a professional and expeditious way.**

- 6.5 A lower priority matter that jointly involved PBNI and the NIO was the requirement to update PBNI's underpinning legislation, the Probation Board (Northern Ireland) Order 1982. It had become dated, e.g. by referring to a requirement to "Establish a Community Service Scheme" and provide a "Welfare" function in prison. It was suggested that updated legislation should also reflect PBNI's public protection role. **We recommend that the NIO should introduce updated legislation to reflect PBNI's current functions at the next opportunity.**

Beyond the Strategic Review



Several other issues were raised in the course of interviews with Board members and managers that impinged upon corporate governance in a broad sense.

7 Context

7.1 Since his appointment in 2003 the Chief Executive had been seeking to implement a major change programme designed to strengthen the corporate and operational management of the organisation. Particular attention had been given to financial management, administrative systems and information technology. This had had the unintended effect of causing some professional staff to feel that their work had been devalued in relation to the corporate and administrative functions, whereas in fact it continued to be the core business of the PBNI. The Chief Executive had also had to implement a number of recommendations from the Criminal Justice Review.

7.2 The new Chairman, in his first year of office, had sought to open up a wide ranging debate at Board level and with senior staff about whether PBNI was 'doing the right things' and 'doing things right'. He had prompted discussion about governance issues, the

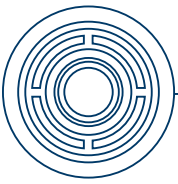
role of the Board and the value the Board adds, and how PBNI could increase its contribution to the wider criminal justice effort. Following an awayday with the Board and senior managers the lead role for steering the overall change process had been given to the Finance Committee. The process had moved forward gradually and by the end of the inspection progress was being made on:

- introducing modern pay and reward arrangements for the top three posts;
- engaging consultants to assist in exploring how business performance can be improved; and
- Planning to run a blue skies seminar programme to assist in shaping PBNI's future contribution to the criminal justice process.

8 Positive findings

Positive findings from the inspection were as follows:


- Board members welcomed opportunities to interact with staff, offenders and stakeholders, and took advantage of local Board events for such meetings.



- The Board and its officers were alert to the implications of wider issues within corporate governance, and developments within the criminal justice system, such as development of the National Offender Management Service, and concurrent disbandment of Probation Boards in England and Wales.
- There was clear prioritisation and continuity of business from subcommittees to the full Board, enabling business to be efficiently expedited.
- There was an explicit process for Board members declaring interests, both on the PBNI website, and as issues arose at Board or Committee meetings.
- We were told by managers that the 2004 Strategic Review had enabled Board members to move to a higher strategic plane.
- At the professional level PBNI invested positive energy in self regulation by internal monitoring.
- The Board normally responded to relevant Northern Ireland consultations, and was keen to be viewed as a body that actively engaged with relevant community issues.
- The organisation achieved *Investors in People* re-accreditation in November 2005.

9 Concerns

- 9.1 Not surprisingly, the change initiatives referred to in paragraphs 7.1 and 7.2 above had prompted some negative reactions, as change programmes always do. But there were concerns among both staff and Board members about the well-being of the organisation which went beyond what might have been expected.
- 9.2 Board members brought a wide range of experience in public life, including service on other boards, to this position. Nearly all of those interviewed expressed misgivings about the corporate management of PBNI. They acknowledged that they had perhaps been too slow to raise their concerns either at Board meetings or privately with the Chairman or Chief Executive. They took the opportunity to express them to Inspectors independently of one another. **The fact that these concerns had not up till then been properly articulated raised questions about the effectiveness of corporate governance in PBNI and pointed to the need for more open communication between Board members, the Chairman and the Chief Officers.**
- 9.3 The September 2005 Staff Survey, which reflected a poor state of organisational health, was referred to in almost every interview with Board members and with staff. The fact that it was the first staff survey since the Board was established in 1982 and that some negative feedback was to be expected could not fully explain the



scale of the adverse results. The negative findings in the Staff Survey about the perceived management culture were endorsed by many of those interviewed. Many were pessimistic about whether an adequate action plan to address the issues identified in the Staff Survey would be implemented (though an Action Plan had in fact been agreed by the time the inspection was completed).

9.4 Inspectors were told that there had been a tradition in PBNI of keeping the Board at arm's length from the management and staff to an unusual extent. They were surprised to learn, for example, that minutes of the regular senior management meetings were not automatically copied to the Chairman. The Chief Executive explained that meetings of the senior management team had previously been regarded as 'professional' meetings, and it was only under the current Chief Executive that non-professional staff had attended. The Chief Executive has agreed that the Chairman should automatically receive these minutes and all other relevant papers.

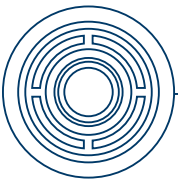
9.5 The Chief Executive told Inspectors he believed he was obliged to ask Board members to refrain from becoming over-involved, due to his responsibility as Accounting Officer. It can be a difficult balance to strike, and Inspectors respect the Chief Executive's position on this point. Nevertheless CJI would suggest that there could be more openness of the organisation to its non-executive Board. Board members have much to offer, and many staff said (as was

confirmed by the Staff Survey) that they would like to see more of them. This balance between the organisation being properly open to the Board, while members refrain from inappropriate interference in operational matters, may be more easily achieved as the size of the Board decreases, compelling members to concentrate on their primary leadership and challenge roles, as discussed in the first part of this report.

9.6 Board members reported that they had limited opportunities to apply relevant skills and experience, for example, participating in interview panels, as this was viewed as too close involvement. They were therefore not surprised, but still disappointed, to be viewed as 'remote' in the Staff Survey. Inspectors, however, would not expect non-executives to be involved in panels for any but the most senior appointments. The precise cut-off point is debatable, but Inspectors would not normally expect Board members to be involved in the interviews for appointments below the top tier of management.

10 Conclusion

10.1 The Chief Officers face a considerable challenge. The Chief Executive described his role to inspectors as providing leadership and strategic direction and networking with external stakeholders. This requires, as he said, an ability to drive forward a change programme, work with a sponsoring government department, stakeholders



and demanding customers and earn the respect of staff. The management style and culture of the organisation are particularly the responsibility of the Chairman and the Chief Officers. The ability of the Chief Officers to understand and represent the organisation's business, demonstrate commitment and personal responsibility, develop and share a vision and value staff are all crucial. The Board has to satisfy itself that it has in place corporate governance arrangements that will ensure over the next few years that:

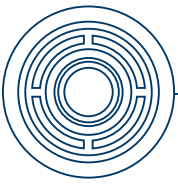
- PBNI maximises its contribution to the criminal justice effort;
- the organisation continues to improve its business performance;
- the issues raised by the staff survey are addressed;
- the relationships between NIO, other parts of the criminal justice system, the Board members and senior managers work effectively;
- there is full and timely involvement by the Board in the determination of strategy and policy; and
- the Board has confidence in the delivery of its decisions by senior management.

10.2 Above all, however, the Board needs to address the question raised by the Staff Survey about the negative management culture in the PBNI. **Guided by the Board, the Chief Officers need to develop a more positive, open and empowering culture.**

PART



Appendix I – Methodology




1. Research and data collection

We were provided with a range of material which constituted written evidence of PBNI's corporate governance, including:

- 2005-06 Risk Register, Complaints, Disciplinary and Grievance logs and a sample of associated files;
 - Board papers and minutes with detailed agendas;
 - Six month review of the Business Plan;
 - Action Plan from the 2004 Strategic Review indicating progress against recommendations;
 - Sub-committee minutes which fed into a full-board meeting, enabling it to run efficiently, covering a wide agenda;
 - Corporate and Business Plans, with Annual Reports against these plans;
 - Budgetary Control Reports for both SMT and Board, and Internal Audit Reports,
 - Detailed Key Performance Measures, with associated statistical reports;
 - Draft policies issued for consultation in May 2005, and policies approved from April 2004 onwards;
 - Individual team Business Plans, with objectives regularly reviewed and fed into reviews of central objectives;
 - Senior Management Team and Operational Management Team minutes
- which dealt with relevant issues such as risk management, personnel, accommodation and professional issues;
- Service Level Agreements with the Northern Ireland Prison Service in respect of Hydebank Wood Young Offenders Centre and Prison, and Maghaberry and Magilligan Prisons;
 - Sample contracts with voluntary sector bodies which receive funding from PBNI's Community Development budget;
 - Equality Commission Progress Report 2004-05;
 - Staff Newsletters;
 - Workforce Planning update report – August 2005;
 - Investors in People Action Plan – July 2005;
 - European Foundation for Quality Management progress report – undated;
 - “Having your Say” – September 2005 Staff Survey;
 - JNCC meeting minutes – 6/05.

2. PBNI fieldwork

A team of four CJINI inspection staff conducted a programme of interviews with Board members and managers over a period of six weeks during October-November 2005.



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