

NATIONAL LOTTERY ETC. ACT 1993 (AS AMENDED BY THE NATIONAL LOTTERY ACT 1998)

Account, of the Sports Council for Northern Ireland Lottery Distribution, prepared pursuant to c.39, section 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998), for the year ended 31 March 2003, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 265 of 2002-2003)

Presented pursuant to National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998), s 35(5)

Sports Council for Northern Ireland Lottery Distribution Account 2002-2003

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 29 MARCH 2004

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Foreword

The Sports Council for Northern Ireland presents the financial statements of its Lottery distribution activities for the year ended 31 March 2003.

Statutory background

The Sports Council for Northern Ireland was established on 31 December 1973 under the provisions of Article 3 of the Recreation and Youth Service (Northern Ireland) Order 1973. Its object is the furtherance of sport and physical recreation and its functions are as provided by Article 3 of the Recreation and Youth Service (Northern Ireland) Order 1986.

Principal functions related to National Lottery Distribution activities

The National Lottery etc. Act 1993 (the 1993 Act) established the National Lottery and designated five 'good causes': arts, sport, national heritage, charitable projects and projects to mark the year 2001 and the beginning of the third millennium. The National Lottery Act 1998 (the 1998 Act) which came into force in July 1998 established a sixth good cause, the New Opportunities Fund. Each of the good causes receives a percentage of the net proceeds of the Lottery paid out of The National Lottery Distribution Fund. The Sports Council for Northern Ireland is charged under the 1993 Act with responsibility for distributing 2.8% of the money allocated to sport. However, as of July 1999 the Sports Council for Northern Ireland received a reduced contribution of 2.6% as a top sliced contribution of 0.2% became payable to the United Kingdom Sports Council in respect of the United Kingdom wide World Class Performance Programme for elite athletes.

Financial results

The Sports Council for Northern Ireland's Lottery distribution results are set out in the Income and Expenditure Account. Proceeds received from the National Lottery totalled £7,300,142. During the year the Sports Council made awards of £3,673,061. A total of £3,326,240 was paid to grant applicants, the remaining balance being held as commitments for future grant payments. The total administrative costs of the Sports Council's Lottery distribution activities, including staff costs but excluding depreciation, was £687,533. This represents approximately 9.4% of the total proceeds received in the year.

Retained funds at the year end

At the end of the year the Lottery Distribution Account showed an increase in funds of £3,781,866. At the end of 2001-2002 the retained funds totalled £7,788,361. After other reserve movements of (£109,016), the retained funds therefore totalled £11,461,211 at 31 March 2003. This amount will be carried forward to the 2003-2004 financial year and will be available for distribution.

Review of National Lottery distribution activities

Programmes and awards made 2002-2003

During the 2002-2003 year the Sports Council for Northern Ireland distributed awards under the following grant programmes.

Capital programmes

Club Sport, Community Sport, Play Sport, Sport Share and Performance Facilities.

Revenue programmes

Talented Athlete, Talented Athlete Next Generation, Talented Junior, Talented Coach, Performance Management, Major International Events and Starting Well.

In addition, the Sports Council distributed awards under the 'Awards for All' programme in partnership with the other Northern Ireland based Lottery distributors: (Arts Council of Northern Ireland, the Community Fund, the Heritage Lottery Fund and the New Opportunities Fund.)

Further information on awards made are detailed in the Sports Council for Northern Ireland's 'Report on Lottery Distribution Activities 1 April 2002 to 31 March 2003' which precedes this document.

Further developments in National Lottery activities and post balance sheet events

United Kingdom Sports Institute

The Council expects to provide funding to establish and support the United Kingdom Sports Institute Northern Ireland Satellite Centre. The designated site has been identified as being the University of Ulster at Jordanstown.

The Sports Council is currently liaising with the University of Ulster at Jordanstown with a view to forming a company Limited by Guarantee to oversee the development of the satellite centre at Jordanstown. The Council anticipates that it will receive a Lottery Fund application from the company in respect of the costs of providing access to services and facilities for Institute athletes. The Council is likely to have significant influence on the company and therefore has given early warning to DCMS and DCAL in respect of a likely request to the Secretary of State for DCMS to set aside Section 27 of the 1993 Act.

It is also anticipated that the University of Ulster will submit a series of capital applications to the Lottery Fund in respect of the costs of providing appropriate facilities for the Institute.

New programmes

During the year 2002-2003 the Sports Council did not launch any new grant programmes. In 2003-2004 the Council intends to review all its Capital and Revenue Programmes with a view to re-launching a revised stream of programmes in 2004.

Appointment of Auditors

Under Section 35(5) of the National Lottery etc. Act 1993 the Comptroller and Auditor General examines and certifies the financial statements of the National Lottery Distribution bodies and lays copies of the statement and his report before Parliament.

Lottery Committee and Council Membership

The Council consists of a Chairman and Vice Chairman and other persons appointed by the Minister after consultation with representatives of district councils, education and library boards and participants in sport and physical recreation. Unless indicated otherwise, the members were appointed on 1 April 2001 for a term of three years. The members of the Lottery Committee are nominated by the Sports Council. The following persons served as members during the financial year 2002-2003.

Lottery Committee

J Gallagher
Dr A Hamill
M Hill
Dr M Murphy
N McConnell
R Trouton MBE (Chairman)

Council Membership

Professor E Saunders (Chairman)
C Shillington (Vice Chairman deceased 3 March 2003)
H Brady
G Carson
M Cusdin
J Davidson
J Gallagher
Dr A Hamill
M Hill
Dr M Murphy
N McConnell
T Ringland
J Sanderson
R Trouton MBE

The Sports Council for Northern Ireland regrets the death of Colin Shillington, Vice Chairman, on the 3 March 2003.

Equality of opportunity

The Sports Council for Northern Ireland is committed to the development of positive policies to promote equal opportunity in employment based on practices which are non-discriminatory as between people of differing abilities, religion, political view, nationality, race, colour or sex.

Employees with a disability

The Sports Council for Northern Ireland ensures that people with a disability are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability for either recruitment, training or promotion purposes.

Employee consultation

On matters of policy and procedure, which affect the employees of the Sports Council for Northern Ireland, the Council normally consults with the recognised trade union of which the staff are members. This trade union is also a member of the Whitley Council which negotiates the terms and conditions of members with the Northern Ireland Department of Finance and Personnel.

Payment policy

It is the Council's policy to pay bills in accordance with the 'Better Payment Practice Code'. Bills are paid within 30 days of receipt. A review of payments indicated that over 79.3% were paid within this period.

Chief Executive
Accounting Officer
Sports Council for Northern Ireland

11 December 2003

Statement of the Council's and Chief Executive's responsibilities

Under section 35(2) & (3) of the National Lottery etc. Act 1993 the Sports Council for Northern Ireland is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of Treasury.

The financial statements are prepared on an accruals basis and must show a true and fair view of the state of affairs of the Sports Council for Northern Ireland's Lottery distribution activities at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Council is required to

- observe the accounts direction issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department of Culture, Arts and Leisure has designated the Chief Executive of the Sports Council for Northern Ireland as the Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Northern Ireland Department of Finance and Personnel, the guidance contained within 'Government Accounting Northern Ireland' also issued by the Department of Finance and Personnel, and in the Financial Directions issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

Chief Executive
Accounting Officer
Sports Council for Northern Ireland

11 December 2003

Statement of Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Sports Council for Northern Ireland's ('the Council') policies, aims and objectives set out by the Department of Culture, Arts and Leisure and the Council, whilst safeguarding the public funds and the Council's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the Council's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I have the procedures in place necessary to implement DFP guidance at March 2003 and during the course of the 12 months to March 2004 these will be fully embedded.

We have carried out appropriate procedures to ensure that we have identified the Council's objectives and risks and determined a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Council has set out its attitude to risks to the achievement of the Council's objectives.

The Council has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. There will be a full risk and control assessment before reporting on the year ending 31 March 2004. Risk management has been incorporated more fully into the corporate planning and decision-making processes of the Council.

The Council receives periodic reports concerning internal control. The appropriate steps are being taken to manage risk in significant areas of responsibility and monitor progress on key projects.

Following the identification of the Council's key objectives and risks, further work has been done to bring about more consistency in the way in which the Council treats risks.

In addition to the actions mentioned above, in the coming year the Council plans to

- regularly review and update the record of risks facing the organisation;
- set up a system of key performance and risk indicators;
- develop and maintain an organisation-wide risk register; and
- arrange for report on internal control activities to be submitted to the Chief Executive by the Council's Director of Policy, Planning and Resource Development.

The Council uses Deloitte and Touche to provide an internal audit service, which operates to the standards defined in the Government Internal Audit Manual and complies with Annex 4 of the Council's Management Statement. The work of the internal audit service is informed by an analysis of the risks to which the Council is exposed, and annual internal audit plans are based on this analysis.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors (who provide me with an Annual Statement of Assurance), the Audit Committee, which oversees the work of the internal auditors, the Director of Policy, Planning and Resource Development, the Lottery Director, and Director of Sports Development who have responsibility for the development and maintenance of the internal control framework, and by the external auditors through comments made in their management letter and other reports.

Chief Executive
Accounting Officer
Sports Council for Northern Ireland

11 December 2003

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 9 to 20 under the National Lottery etc. Act 1993 (as amended). These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

Respective responsibilities of the Chief Executive and Auditor

As described on page 5 the Sports Council and Chief Executive are responsible for the preparation of the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the directions by the Department of Culture Arts and Leisure; directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The Sports Council and Chief Executive are also responsible for preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Sports Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 6 reflects the Sports Council's compliance with the Department of Finance and Personnel's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Sports Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Sports Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Sports Council Lottery for Northern Ireland at 31 March 2003 and of the increase in funds available, total recognised gains and losses and cashflows for the year then ended and have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sports; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

5 March 2004

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London
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Income and Expenditure Account for the year ended 31 March 2003

	Notes	2002-2003 £	2001-2002 £
Proceeds from Lottery		7,300,142	8,254,768
Interest receivable		22,124	22,207
Other income		855	42
Total income		<u>7,323,121</u>	<u>8,277,017</u>
New grants paid in the year		3,326,240	4,616,790
Provision for new grant commitments made	12	(532,433)	627,095
Staff costs - recharge	2	428,649	466,014
Depreciation - tangible assets	4	56,339	46,310
Other operating costs - direct costs	3	167,119	167,465
- recharge	3	91,765	115,047
Total expenditure		<u>3,537,679</u>	<u>6,038,721</u>
Increase in funds before taxation		3,785,442	2,238,296
Taxation		(3,576)	(3,792)
Increase in funds after taxation		3,781,866	2,234,504
Notional costs - capital	13	(35,308)	8,984
Increase in funds including notional costs		3,746,558	2,243,488
Reversal of notional costs		35,308	(8,984)
Increase in funds		<u>3,781,866</u>	<u>2,234,504</u>

The income and expenditure relate to continuing activities.

The notes on pages 12 to 20 form part of these financial statements.

Statement of total recognised gains and losses for the year ended 31 March 2003

	Notes	2002-2003 £	2001-2002 £
Increase in funds for the year		3,781,866	2,234,504
Unrealised losses on investments		(109,016)	(120,938)
Total recognised gains for the year		<u>3,672,850</u>	<u>2,113,566</u>

The notes on pages 12 to 20 form part of these financial statements.

Balance Sheet as at 31 March 2003

	Notes	2002-2003 £	2001-2002 £
Fixed assets			
Tangible assets	4	98,677	132,621
Current assets			
Investments NLDF balance	5	21,067,237	19,541,858
Cash at bank	6	1,436,515	0
Debtors and prepayments	7	44,920	80,020
		22,548,672	19,621,878
Creditors: due within one year	8	(4,946,665)	(8,090,615)
Net current assets		17,602,007	11,531,263
Total assets less current liabilities			
		17,700,684	11,663,884
Provision for liabilities and charges			
Grant commitments	12	(6,239,473)	(3,875,523)
Total assets less total liabilities			
		11,461,211	7,788,361
Represented by			
<i>Reserves</i>			
Income and expenditure	14	11,461,211	7,788,361
		11,461,211	7,788,361

Professor Eric Saunders 11 December 2003
Chairman
Sports Council for Northern Ireland

Eamonn McCartan 11 December 2003
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

The notes on pages 12 to 20 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2003

	2002-2003 £	2001-2002 £
Net cash inflow/(outflow) from operating activities	1,794,690	1,712
Return on investments and servicing of finance		
Treasury interest	20,507	22,207
Unrealised loss on investment	(109,016)	(120,938)
Taxation paid		
Corporation tax	(3,747)	(11,099)
Capital expenditure		
Purchase of assets	0	(15,376)
Increase/(decrease) in cash	1,702,434	(123,494)

Notes to the Cash Flow Statement

1 Reconciliation of movement in funds to net cash outflow from operating activities

	2002-2003 £	2001-2002 £
Increase in funds	3,785,442	2,238,296
Depreciation charges	56,339	46,310
Interest receivable	(22,124)	(22,207)
Increase in NLDF investment	(1,525,379)	(2,920,442)
Decrease/(increase) in debtors and prepayments	36,716	(38,437)
Decrease in creditors arising from operating activities	(2,900,254)	(1,300,442)
Increase in provision	2,363,950	1,998,634
Net cash inflow from operating activities	1,794,690	1,712

2 Reconciliation of net cash flow to movement in net debt

	2002-2003 £	2001-2002 £
Net debt at 1 April	(265,919)	(142,425)
Increase/(decrease) in cash	1,702,434	(123,494)
Net surplus/(debt) at 31 March	1,436,515	(265,919)

The notes on pages 12 to 20 form part of these financial statements.

Notes to the accounts

1 Accounting policies

a Basis of accounting

These financial statements have been prepared under the historical cost convention. While the Accounts Direction requires inclusion of assets at their value to the business by reference to current cost, for 2002-2003 the Council believes that these are not materially different to the historic cost shown in the balance sheet. Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 and Accounting Standards issued, or adopted, by the Accounting Standards Board so far as those requirements are appropriate. The Accounts Direction issued by the Department of Culture, Arts and Leisure (formerly Department of Education Northern Ireland) is reproduced as an appendix to these accounts.

b Tangible fixed assets

Land and buildings

Although the Lottery Fund does not own any buildings, the costs of providing new offices for the Lottery Fund have been capitalised in the Accounts commencing the year ended 31 March 2002. These costs had previously been treated as a prepayment of rent on the office space occupied by the Lottery Fund.

A formal agreement is in existence between the Sports Councils Lottery Fund and the Sports Council for Northern Ireland (SCNI), which states that SCNI will provide office accommodation rent-free until the 31 March 2005. The office accommodation costs are being written off to the Income and Expenditure account over a period of five years.

Furthermore, the formal Agreement states that SCNI will be responsible for the maintenance of the Lottery Offices, and that in the event of SCNI moving premises, SCNI will provide equivalent office space for the Lottery Fund at a new site.

Other fixed assets

Other fixed assets are stated in the balance sheet at cost after applying a capitalisation limit of £1,000 to individual items and pooling of items costing more than £500 and which in aggregate total more than £5,000, and after taking into account the costs incurred in bringing the assets into use but not expenditure properly chargeable to the income and expenditure account. Depreciation has been provided using the straight-line method so as to write off each asset, whether individual or pooled, over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

Assets are depreciated over their useful lives as follows

	2002-2003	2001-2002
Information technology (Hardware and software)	3 years	4 years
Office furniture	5 years	10 Years
Office equipment	5 years	5 years
Display unit	5 years	5 years
Land and buildings	5 years	5 years

An impairment review is carried out annually and any loss in value is charged to the Income and Expenditure Account.

c Pension costs

The pension cost in respect of employees is charged to the Income and Expenditure Account so as to recognise the cost of pensions over the employees working lives.

d National Lottery Distribution Fund Account

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Sports Council for Northern Ireland is as shown in the accounts and, at the 31 March 2003, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by it in respect of current and future commitments.

2 Staff costs

	2002-2003	2001-2002
	£	£
Salaries and wages	384,628	417,690
Social security costs	26,218	29,917
Other pension costs	17,803	18,407
Total	<u>428,649</u>	<u>466,014</u>

All the above staff costs were incurred by the Sports Council for Northern Ireland and recharged to the Lottery Distribution Account. The average number of full-time equivalent persons employed by the Sports Council for Northern Ireland and deployed on Lottery duties during the period from April 2002 to March 2003 was 22 (2001-2002: 18) staff.

Chief Executive's remuneration

The Chief Executive's total remuneration including employer's costs in 2002-2003 was £79,826 (2001-2002: £69,596). He is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee scheme. The Chief Executive was appointed in June 1994 for a contract period of five years. The contract was renewed in 1998 for the period up to 31 July 2004.

A total of 15% of the Chief Executive's costs have been apportioned to the Lottery Distribution Account to cover time spent on Lottery activities. For the year 2002-2003 this amounted to £11,978 (2001-2002: £10,439).

Council Member's emoluments

The Chairman and Vice-Chairman of the Council received honorariums totalling £10,635 (2001-2002: £10,650) and £2,774 (2001-2002: £3,000) respectively in 2002-2003. The cost of the Vice-Chairman's honorarium was apportioned to the Lottery Distribution Account. No emoluments were paid to other Council members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chairman or Vice-Chairman.

3 Other operating costs

	2002-2003 £	2001-2002 £
Travel and subsistence	15,604	18,125
Recruitment	7,794	3,201
Training	4,203	4,260
Publications, printing, stationery and IT consumables	46,396	27,212
Telephone and postage	12,407	9,154
Professional and consultancy fees	44,393	55,457
Repairs and renewals	1,814	9,801
Sundry expenses	1,013	276
Bank charges	10	0
Publicity	27,295	12,242
Promotions	1,706	19,246
Photography	1,641	907
Research and evaluation	11,224	31,996
Courses and conferences	225	1,044
Awards for all administration costs	39,245	46,204
SCNI overhead charge	32,027	43,325
Temporary staff	11,887	62
Total	258,884	282,512

Of the above total a sum of 2002-2003: £91,765 (2001-2002: £115,047) was initially incurred by the Sports Council for Northern Ireland's grant-in-aid account and recharged to the Lottery Distribution Account.

Prior year figures have been restated in line with analysis for 2002-2003. This agrees with the layout per the Sports Council for Northern Ireland.

4 Tangible fixed assets

	Land and buildings £	IT Hardware and software £	Office furniture £	Office equipment £	Display unit £	Total £
Cost						
At 1 April 2002	201,047	54,969	17,611	39,191	3,680	316,498
Additions	0	22,395	0	0	0	22,395
Disposals	0	(19,965)	0	(796)	0	(20,761)
At 31 March 2003	<u>201,047</u>	<u>57,399</u>	<u>17,611</u>	<u>38,395</u>	<u>3,680</u>	318,132
Depreciation						
At 1 April 2002	92,515	37,870	12,067	37,745	3,680	183,877
Charge for the Year	36,178	16,469	2,970	722	0	56,339
Disposals	0	(19,965)	0	(796)	0	(20,761)
At 31 March 2003	<u>128,693</u>	<u>34,374</u>	<u>15,037</u>	<u>37,671</u>	<u>3,680</u>	219,455
Net book value						
At 31 March 2003	<u>72,354</u>	<u>23,025</u>	<u>2,574</u>	<u>724</u>	<u>0</u>	98,677
At 31 March 2002	<u>108,532</u>	<u>17,099</u>	<u>5,544</u>	<u>1,446</u>	<u>0</u>	132,621

The depreciation rate for IT Hardware and Software was revised to three years (2002: 4 years) and Office Furniture to five years (2002: 10 years). The rates of depreciation used are now in line with those of the Sports Council for Northern Ireland.

5 Reconciliation of movement of funds

	Balances held in NLDF	Balances held in SCNI	Provision for grant commitments	2002-2003 Totals	2001-2002 Totals
	£	£	£	£	£
Proceeds from Lottery	7,300,142	0	0	7,300,142	8,254,768
Drawn down in year	(5,665,747)	5,665,747	0	0	0
Other income	0	855	0	855	42
Interest receivable	0	22,124	0	22,124	22,207
Staff costs	0	(428,649)	0	(428,649)	(466,014)
Other operating costs	0	(258,884)	0	(258,884)	(282,512)
Depreciation of fixed assets	0	(56,339)	0	(56,339)	(46,310)
New grants paid	0	(3,326,240)	0	(3,326,240)	(4,616,790)
Taxation	0	(3,576)	0	(3,576)	(3,792)
New grant commitments	0	0	532,433	532,433	(627,095)
Total increase in funds	1,634,395	1,615,038	532,433	3,781,866	2,234,504
Unrealised loss on investment	(109,016)	0	0	(109,016)	(120,938)
Balance at 1 April 2002	<u>19,541,858</u>	<u>(263,759)</u>	<u>(11,489,738)</u>	<u>7,788,361</u>	<u>5,674,795</u>
Balance at 31 March 2003	<u>21,067,237</u>	<u>1,351,279</u>	<u>(10,957,305)</u>	<u>11,461,211</u>	<u>7,788,361</u>

The funds held in the National Lottery Distribution Fund (NLDF) are invested on its behalf by the National Investment and Loans Office. The above balances are based on the distribution of National Lottery funds set out in the National Lottery Act as amended. Interest earned on the sums invested is apportioned to each of the 12 Lottery distributors on the basis of their percentage of the total remaining NLDF Funds at the time the interest is received. The market value of investments held by the NLDF on behalf of the Sports Council for Northern Ireland's Lottery Distribution Account at 31 March 2003 was £21,067,237 (2001-2002: £19,541,858). The Balance Sheet figure for the NLDF balance is shown as £21,067,237 (2001-2002: £19,541,858) as the lower of cost and net realisable value. The actual cost of the NLDF balance at 31 March 2003 was £21,176,253 (2001-2002: £19,662,796).

6 Cash at Bank

	2002-2003	2001-2002
	£	£
Cash at bank	<u>1,436,515</u>	<u>(265,919)</u>

7 Debtors and prepayments

	2002-2003	2001-2002
	£	£
Bank interest receivable	2,997	1,381
Amount owed by SCNI	0	30,361
BOA sports medicine grant prepayment	41,128	48,278
Other prepayments	795	0
	<u>44,920</u>	<u>80,020</u>

8 Creditors

	2002-2003	2001-2002
	£	£
Corporation tax payable	3,576	3,747
Trade creditors	42,847	94,365
Other creditors	4,313,392	7,625,982
Amount owed to SCNI	586,850	100,602
Bank overdraft	0	265,919
	<u>4,946,665</u>	<u>8,090,615</u>

A sum of £458 (2001-2002: £36,511) under Trade Creditors relates to grant commitments for which claims for payment had been received at 31 March 2003.

The sum of £4,313,392 (2001-2002: £7,625,982) under other creditors refers to grant hard commitments payable in 2003-2004.

Amount owed to SCNI includes £315,580 for Safe Sports Grounds grant commitments and £129,530 Awards for All grant commitments.

9 Pension scheme

The Sports Council for Northern Ireland participates in the Northern Ireland Local Government Officers Superannuation Committee Scheme (the NILGOSC scheme). The NILGOSC scheme is a 'multi-employer', defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employee and employer contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. The results of the most recent valuation, which was conducted at 31 March 2001, were as follows

Main assumptions

Rate of return on investments per annum	6.55%
Rate of general increase in salaries per annum	3.8%
Rate of pension increases per annum	2.3%
Market value of schemes assets	£2,293,700
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, deferred pensioners and members based on past service, and after allowing for future salary increases	121%

The surplus is being amortised over the remaining service life of the current membership, a period of approximately 12 years.

Contributions for the year were as follows

	2002-2003	2001-2002
	£	£
Employers	17,803	18,407
Employees	23,694	24,009
Total	<u>41,497</u>	<u>42,416</u>

The real increase in the value of accrued pension at 31 March 2003 for senior employees is shown below. All those listed participate in the NILGOSC scheme. The salary figures shown below include a salary increase arising from the Sports Council's performance appraisal system. The total accrued pension figures were supplied by NILGOSC.

	Age	Salary	Real increase in pension at age 60	Total accrued pension at 31 March 2003
		£	£	£
Eamonn McCartan Chief Executive	50	69,963	1,646	7,578
Shaun Ogle Director of Sports Development	43	44,551	1,490	8,074
Gus Donnelly Director of Policy Planning and Resource Development	50	44,929	1,377	10,284
Nick Harkness Lottery Director	40	44,551	958	10,419

10 Commitments

There were no capital commitments as at 31 March 2003.

11 Contingent liabilities

The Sports Council for Northern Ireland expects to contribute an estimated £6,000,000 towards the funding of the Sports Institute for Northern Ireland Network Centre although there is no formal commitment as at 31 March 2003. The designated site has been identified as being the University of Ulster at Jordanstown. The Sports Council is currently liasing with the University of Ulster at Jordanstown with a view to forming a Company Limited by Guarantee to oversee the development of the Sport Institute for Northern Ireland. The Council anticipates that it will receive a revenue application from the company in respect of the costs of providing access to services and facilities for Institute athletes. It is also anticipated that the University of Ulster will submit a series of capital applications in respect of the costs of providing appropriate facilities for the Institute.

12 Hard commitments

	2002-2003	2001-2002
	£	£
Hard commitments brought forward	11,489,738	10,862,643
Hard commitments met in the year	(3,326,240)	(4,616,790)
Hard de-commitments	(738,013)	(286,068)
Hard commitments made	3,531,820	5,529,953
Balance of hard commitments outstanding carried forward	<u>10,957,305</u>	<u>11,489,738</u>

Profile of hard commitments

	2002-2003	2001-2002
	£	£
Payable in 2003-2004	4,717,832	7,614,215
Payable in 2004-2005	4,353,366	3,217,836
Payable in 2005-2006	1,705,233	524,047
Payable in 2006-2007	180,874	133,640
	<u>10,957,305</u>	<u>11,489,738</u>

Disclosure of hard commitments

	Notes	2002-2003	2001-2002
		£	£
Trade creditors	8	458	36,511
Prepayments of grant	7	(41,128)	(48,278)
Amount owed to SCNI	8	445,110	0
Other creditors	8	4,313,392	7,625,982
		<u>4,717,832</u>	7,614,215
Provision for liabilities and charges		<u>6,239,473</u>	<u>3,875,523</u>
		<u>10,957,305</u>	<u>11,489,738</u>

The Balance Sheet shows a figure of £6,239,473 (2001-2002: £3,875,523) under 'Provision for Liabilities and Charges: Grant Commitments' and this represents the hard commitments payable 2004-2005 to 2006-2007.

The 'Provision for New Grant Commitments Made' total of £532,433 (2001-2002: £627,095) as shown in the Income and Expenditure Account is the decrease in the provision for grant commitments in future years.

Soft commitments

	2002-2003	2001-2002
	£	£
Soft commitments brought forward	1,302,772	2,617,145
Soft commitments transferred to hard commitments	(3,531,820)	(5,529,953)
Soft de-commitments	(234,320)	(210,435)
Soft commitments made	3,673,061	4,426,015
Balance of soft commitments outstanding carried forward	<u>1,209,693</u>	<u>1,302,772</u>

13 Notional costs

The income and expenditure account bears a non-cash charge for interest relating to the use of capital by the Council. The basis of the charge is 6% of the average capital employed by the Council during the year, defined as total assets less current liabilities.

14 Income and expenditure reserve

	£
Balance at 31 March 2002 per audited account 2001-2002	7,788,361
Increase in funds from income and expenditure account 2002-2003	<u>3,781,866</u>
	11,570,227
Unrealised losses on investments	(109,016)
Balance at 31 March 2003	<u>11,461,211</u>

15 Related party transactions

Several members of the Sports Council, its Lottery Committee and staff are also involved with other sports organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant award to those organisations with which they have had a declared interest. A list of the awards made to the organisations concerned and details of who made the declaration of interest is shown below. All of the transactions relating to the organisations were conducted at arms length by the Council.

Organisation	Award (£)	Individual	
Coaching Northern Ireland	124,000	Mervyn Hill	Physical Education Panel Representative
		Jimmy Davidson	Board Member
		Maureen Cusdin	Board Member
Motor Racing	10,020	Ronnie Trouton	Chairman of 2 & 4 Wheel Motorsport Steering Group
NIAGA	60,535	Marie Murphy	Officer of Salto Gymnastics
Fermanagh District Council	100,000	Mervyn Hill	Employee of Western Education & Library Board
Devenish Partnership Forum	70,000 Provisional offer	Mervyn Hill	Employee of Western Education & Library Board
Old Library Trust Healthy Living Centre, Creggan	100,000	Mervyn Hill	Employee of Western Education & Library Board
Special Olympics NI	84,000	Mervyn Hill	Trustee of Disability Sports NI
Disability Sports NI	84,000	Mervyn Hill	Trustee of Disability Sports NI
Ballycastle Golf Club	Rejection	Jimmy Darragh	Member of Club
CANI	3,710	Nick Harkness	Member of Association
Rathenraw Integrated Primary School	55,000	Noleen McConnell	Employee of North Eastern Education & Library Board
Killowen Primary School	55,000	Noleen McConnell	Employee of North Eastern Education & Library Board
Armoy Primary School	Rejection	Noleen McConnell	Employee of North Eastern Education & Library Board
St MacNissis Primary School	Rejection	Noleen McConnell	Employee of North Eastern Education & Library Board
Antrim Borough Council	300,000	Noleen McConnel	Employee of North Eastern Education & Library Board
Learmount Community Development Group Ltd	Rejection	Mervyn Hill	Employee of Western Education & Library Board
Strabane District Council	100,000	Mervyn Hill	Employee of Western Education & Library Board
Matthew Cosgrove, Salto Gymnastics	3,720	Marie Murphy	Member of Club
Motor Cycle Union of Ireland	33,500	Ronnie Trouton	Chairman of 2 & 4 Wheel Motorsport Steering Group
Northern Ireland Karting Association	8,400	Ronnie Trouton	Chairman of 2 & 4 Wheel Motorsport Steering Group
Castlereagh Borough Council	Rejection	Jack Gallagher	Person Connected is an Employee of the Council

16 Derivatives and other financial instruments: disclosures (FRS 13)

FRS 13 requires disclosure of the role that financial instruments have had during the period, in creating or changing the risks the Fund faces in undertaking its role.

Liquidity risks

In 2002-2003 £5.966 million (81.7%) of the Sports Council's Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distributions Fund £1.334 million (18.3%), and from Bank Interest and Sundry Income £0.023 million (0.3%). The Council consider that the Fund is not exposed to significant liquidity risks; they are satisfied that they have sufficient liquid resources within the NLDF and in the bank of £22.504 million to cover all current contracted commitments of £11.158 million.

Interest rate risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Council has no control over the investment of Funds in the National Lottery Distribution Fund. At the balance sheet date the Market Value of investment in the National Lottery Distribution Fund was £21.067 million. In the year the average return on these investments was 6.36%. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an interest bearing current account which on average carried an interest rate of 3.3% in the year. The cash balance at the year-end was £1,436 million. The Council consider that the Fund is not exposed to significant interest rate risks.

Foreign currency risk

The Fund is not exposed to any foreign exchange risks.

Direction Given by the Department of Culture, Arts and Leisure (formerly Department of Education Northern Ireland) on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage)

The Department of Culture, Arts and Leisure (formerly Department of Education Northern Ireland), on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), in pursuance of section 35 of the National Lottery Act 1993, hereby gives the following Direction

- 1 The statement of accounts which it is the duty of the Sports Council for Northern Ireland to prepare in respect of its National Lottery distribution activities for the financial year ended 31 March 1995 and any subsequent financial year shall comprise
 - 1.1 a foreword;
 - 1.2 an income and expenditure account;
 - 1.3 a balance sheet;
 - 1.4 a cash flow statement;
 - 1.5 a statement of total recognised gains and losses; and

including in each case such notes as may be necessary for the purpose referred to in paragraphs 2 and 3 below. This statement, and all the elements thereof, must be prepared separately from, and must not be consolidated with any other accounts produced by the Sports Council for Northern Ireland.
- 2 The Accounting Officer for the Sports Council for Northern Ireland's National Lottery Fund shall observe all relevant accounting and disclosure requirements given in 'Government Accounting', in the Treasury booklet 'Trading Accounts: A Guide for Government Departments and Non-Departmental Public Bodies' and any other guidance issued by the Department, as amended and augmented from time to time.
- 3 The statement of accounts referred to above shall give a true and fair view of the income and expenditure, state of affairs and cash flow of the Sports Council for Northern Ireland in respect of its National Lottery distribution activities. Subject to the foregoing requirement, the statement of accounts shall also, without limiting the information given, and as described in Schedule 1 of this Direction, meet in so far as they are appropriate to the Sports Council for Northern Ireland's National Lottery Fund business:
 - 3.1 the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986;
 - 3.2 best accounting practice including accounting standards issued or adopted by the Accounting Standards Board currently in force, with the exception of the requirement contained in Financial Reporting Standard 3 (FRS 3) for inclusion of a note showing historical cost profit and losses;
 - 3.3 any disclosure and accounting requirements which the Treasury or the Department may issue from time to time in respect of the accounts which are required to show a true and fair view; and
 - 3.4 any additional disclosure requirements contained in The Fees and Charges Guide in particular those relating to the need for appropriate segmental information for services or forms of service provided for which a charge is made.
- 4 The statement of accounts mentioned in paragraph 1 shall also include the supplementary information set out in Schedule 2 to this Direction.
- 5 The income and expenditure account and the balance sheet shall be prepared under the historical cost convention modified by the inclusion of

- a fixed assets at their value to the business by reference to current costs; and
- b stocks valued at the lower of cost, or net current replacement cost if materially different, and net realisable value

where these are materially different to their value under the historical cost convention.

- 6 Fundamental or material changes in accounting policies, to the extent that they do not conform with UK generally accepted accounting practice, shall be discussed and agreed with the sponsoring Department and the Treasury before implementation.
- 7 The accounts shall be signed in respect of the Sports Council for Northern Ireland's National Lottery Fund activities by the Sports Council for Northern Ireland's Accounting Officer and be sent in accordance with section 35 of the National Lottery Act 1993 to the Department and Comptroller and Auditor General as soon as possible after 31 March each year and no later than 30 September.

Ronnie Jordan

Signed by Authority of the Secretary of State for Culture, Media and Sport (formerly National Heritage) on 26 April 1995

A Grade 5 Officer in the Department of Culture, Arts and Leisure (formerly Department of Education Northern Ireland)

Schedule 1: Application of the Companies Order requirements

- 1 The disclosure exemptions permitted by the Companies (Northern Ireland) Order 1986 shall not apply to the Sports Council for Northern Ireland unless specifically approved by the Department of Culture, Media and Sport (formerly National Heritage) with the consent of the Treasury.
- 2 The Foreword shall contain the information required by the Companies (Northern Ireland) Order 1986 to be disclosed in the Directors Report, to the extent that such requirements are appropriate to the National Lottery distribution activities of the Sports Council for Northern Ireland. In particular
 - 2.1 brief history of the body;
 - 2.2 statutory background and framework to the body and the National Lottery;
 - 2.3 principal functions related to National Lottery distribution activities;
 - 2.4 financial results;
 - 2.5 review of National Lottery distribution activities;
 - 2.6 significant changes in fixed assets;
 - 2.7 any amount retained and carried to reserves;
 - 2.8 future developments in National Lottery distribution activities;
 - 2.9 names of the members of the body and any National Lottery sub-committees of the body;
 - 2.10 appointment of auditors;
 - 2.11 policy on disabled persons; and
 - 2.12 employee consultation.
- 3 In preparing its income and expenditure account the Sports Council for Northern Ireland shall adopt format 2 prescribed in Schedule 4 to the Companies (Northern Ireland) Order 1986 to the extent that such requirements are appropriate to the body and taking account of the requirements of Schedule 2 to this Direction. This analysis should enable the user of the accounts to gain a proper appreciation of the principal elements of the income and expenditure of the body.
- 4 In preparing its balance sheet the Sports Council for Northern Ireland shall adopt format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order 1986 to the extent that such requirements are appropriate to the body and taking account of the requirements of Schedule 2 to this Direction. The balance sheet totals shall be struck at total assets less current liabilities.

Schedule 2: Additional disclosure requirements

- 1 This Schedule details the non standard accounting policies, any special treatment needed, and any disclosure requirements as agreed by the Treasury, the Department and the Sports Council for Northern Ireland in respect of the Sports Council for Northern Ireland's National Lottery Fund activities.
- 2 The Income and Expenditure Accounts shall show inter alia
 - 2.1 the total amount of Lottery proceeds receivable;
 - 2.2 any other income (detailed between bank interest, recoveries of grant and other income);
 - 2.3 the total amount of new Lottery grants paid in the period (i.e. amounts paid in respect of projects which have been approved during the year);
 - 2.4 change in the provision for net grant commitments; and
 - 2.5 the total expenses incurred by the body in respect of its National Lottery distribution activities, separately identifying direct costs and costs initially incurred elsewhere in the organisation and apportioned to the National Lottery distribution activity. The calculation of costs to the Sports Council for Northern Ireland's National Lottery activities will be on a full cost recovery basis as described in the Treasury Fees and Charges Guide and should cover all costs that are directly and demonstrably related to Lottery distribution activities.
- 3 The Balance Sheet shall show, inter alia
 - 3.1 under the heading 'Current assets' shown as an investment the balance held on behalf of the body at the National Lottery Distribution Fund;
 - 3.2 under the heading 'Represented by'
 - a the provision for grants committed on a hard basis and falling due for payment after more than one year (see note 5 below on commitments);
 - b the balance on the Income and Expenditure Account.
- 4 The Notes to the Accounts shall include inter alia
 - 4.1 a statement of accounting policies. This must include a statement explaining the nature of the balances held on the Sports Council for Northern Ireland's behalf in the National Lottery Distribution Fund as follows

'Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport (formerly National Heritage). However, the share of these balances attributable to the Sports Council for Northern Ireland is as shown in the accounts and, at the balance sheet date, has been certified by the Secretary of State for Culture, Media and Sport (formerly National Heritage) as being available for distribution by it in respect of current and future commitments.
 - 4.2 an analysis of the income and expenditure relating to the Lottery;
 - 4.3 an analysis of 'other operating charges' over appropriate subject headings (to include write-offs, audit fees, leasing charges, travel, subsistence and hospitality costs for staff and body members should be separately identified);
 - 4.4 any remuneration paid to the members of the Sports Council for Northern Ireland's Lottery Fund;
 - 4.5 the remuneration of the Director (or designated officer) of the Lottery Fund to be shown separately (or total remuneration and share accruing to the Lottery Fund of the individual chiefly responsible for Lottery matters if their duties are split between Lottery and non-Lottery functions);
 - 4.6 the remuneration of the senior employees to be shown in bands of £10,000 starting from £40,000 upwards. Where staff are involved in Lottery and non-Lottery functions, their total salaries and the Lottery proportion (in cost and percentage terms) should both be identified;

- 4.7 the amounts 'committed in respect of capital expenditure for administrative purposes', and 'amounts authorised in respect of capital expenditure for administrative purposes but not contracted';
- 4.8 the amounts committed in respect of Lottery grants split between hard and soft commitments identifying the amount falling due (see note 5 below). Where these commitments exceed available resources shown on the Balance Sheet, there should also be a note explaining the rationale for the over-commitment in terms of the benchmark being applied and the assumptions behind it, taking into account any advice received from the Department as appropriate.
- 5 The nature of the Sports Council for Northern Ireland's Lottery activities means that it will be making commitments for future expenditure which will need to be shown in the annual financial statements. Commitments should be categorised and shown as follows

5.1 Soft commitments

These will occur when there is agreement in principle by the Sports Council for Northern Ireland to fund a scheme and an offer made. Once a formal offer and acceptance of the terms and conditions of the grant has been concluded this will become a hard commitment. The total of soft commitments will be shown in a note to the balance sheet. Changes in soft to hard commitments which arise after the accounting year end and before publication of the accounts will not be adjusting events in terms of the Statement of Standard Accounting Practice 17 (SSAP 17). A tabulation should accompany the notes to the account and show

- a soft commitments brought forward;
- b soft commitments transferred to hard commitments;
- c soft de-commitments;
- d soft commitments made; and
- e balance of soft commitments outstanding carried forward [$e=a-(b+c)+d$].

5.2 Hard commitments

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and that the Lottery continues to operate. For the purposes of recording a charge in the income and expenditure account, a hard commitment arises when a firm offer of a grant from National Lottery proceeds has been made by the Sports Council for Northern Ireland and accepted in writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met. A provision for grant commitments should be shown on the balance sheet and would be written down as the commitments mature. As part of the notes to the balance sheet a tabulation illustrating the changes in hard commitments should be shown as follows

- a hard commitments brought forward;
- b hard commitments met in the last year;
- c hard de-commitments (withdrawal of an offer);
- d hard commitments made;
- e balance of hard commitments outstanding carried forward [$e=a-(b+c)+d$]; and
- f a breakdown of the provision for grant commitments should be reported separately for each year up to and including five years, and for over five years.

5.3 De-commitments

5.3.1 Soft commitments

If a soft commitment fails to become hard for any reason and there is no prospect of a formal offer letter being issued and accepted then the soft commitment should be deleted from the Sports Council for Northern Ireland's records. It will be shown in the table accompanying the notes to the balance sheet in the soft de-commitments line.

5.3.2 Hard commitments (withdrawal of a commitment)

Should a hard commitment fail to become a cash payment within the expected timeframe, and there is little possibility of it crystallising, the Sports Council for Northern Ireland may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Income and Expenditure account. The table in the notes to the accounts will correspondingly be reduced.

5.4 Repayments

The circumstances of a grant repayment are as described in the Statements of Financial Requirements. A repayment will not affect commitment unless the payment is part of a phased scheme for which commitments for later phases have been included in the balance sheet. A repayment will be reflected as an adjustment in the Income and Expenditure account. If a repayment occurs after the year end but before the accounts have been signed by the Sports Council for Northern Ireland's accounting officer and is material (5% of the total grants paid in the year or £1m whichever is lower) it will be necessary to treat the repayment as an adjusting event in terms of SSAP 17.

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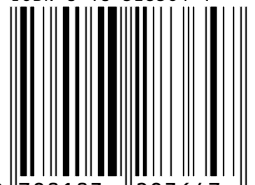
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