

Presented pursuant to c.39, section 35(5), National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

Sports Council for Northern Ireland Lottery Distribution Account 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 13 JUNE 2007

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Foreword/Background Information

Statutory background

The Sports Council for Northern Ireland (Sports Council), is the statutory body through which public funding for sport in Northern Ireland is channelled. It 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.

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 (NLDF).

The Sports Council is charged under the 1993 Act with responsibility for distributing 2.8 per cent of the money allocated to sport. However, as of July 1999 the Sports Council received a reduced contribution of 2.6 per cent as a top sliced contribution of 0.2 per cent became payable to the United Kingdom Sports Council in respect of the United Kingdom wide World Class Performance Programme for elite athletes.

Principal functions related to National Lottery distribution activities

The Sports Council has developed its policies and procedures for the Lottery Fund within the framework of the 1993 Act (as amended by the National Lottery Act 1998) and the policy and financial directions (the Directions) issued under the Act by the Department of Culture, Arts and Leisure (DCAL). The Sports Council's policies and procedures are continually under review to ensure that they comply with requirements, remain appropriate and that the maximum benefit is achieved for sport in Northern Ireland.

A requirement of the 1998 Act is that the Sports Council prepares and adopts a strategic plan for the distribution of its share of lottery income. In April 2002 the Sports Council launched its new Strategic Plan. The plan covers the period 2002–2007 and outlines how the Sports Council will allocate its share of lottery funding during these five years. The plan illustrates the Sports Council's priorities, activities, targets and programmes during this period.

All applications for funding, regardless of whether they are for capital or revenue grants, are considered in the first instance by the Sports Council's Lottery Committee (unless the Council has agreed delegated decision limits) which is drawn from members of the Sports Council. The proposals are then presented to the members of the Sports Council for approval.

In August 2003 the Department of Culture, Media and Sport (DCMS) issued a Guidance Note (1/03) which proposed that all Lottery Distributors should develop an NLDF policy, and should publish an annual statement in their audited accounts, setting out the basis of the policy and the actions required to manage the NLDF balance. See note 8 to the accounts.

Council Members of the Sports Council and Members of its Lottery Committee

The Sports Council consists of a Chairman and Vice-Chairman and other persons appointed by the Minister, after a selection and recruitment process that is carried out by DCAL.

The function of the Sports Council is to

- advise DCAL and other government departments, education and library boards, district councils and other relevant bodies on matters relating to sport and physical recreation;
- encourage the provision of facilities for, and participation in, sport and physical recreation;

- assist the provision of relevant services and the organising or supporting of, or participating in, relevant events;
- assist bodies providing relevant support services; and
- to appoint the Chief Executive by open competition, after consultation with DCAL.

The Lottery Committee is nominated to advise Sports Council on matters relating to the disbursement of the Lottery Fund and has power in accordance with the policies and criteria adopted by the Sports Council

- to provide policy advice to Sports Council in respect of the distribution of Lottery Funds;
- to recommend to Sports Council the allocation of funds to eligible and worthy schemes in accordance with the agreed policies and criteria;
- to inform Sports Council of decisions taken within agreed delegated authority limits regarding the allocation of funds to eligible and worthy schemes in accordance with agreed policies and criteria;
- to ensure the promotion of the Lottery Fund through the provision and implementation of a Sports Council communications strategy; and
- to ensure that a strategic monitoring and evaluation process is in place.

Unless indicated otherwise, the members of Sports Council were appointed on 1 July 2003 for a term of four years. The members of the Lottery Committee are nominated by the Sports Council. The following persons served as members during the financial year 2005-2006.

Lottery Committee

Dr A Hamill (Chairman)
 Dr M Murphy
 Ms H Brady
 Mr H McCaughey
 Clr J Rodgers
 Mr J Campbell

Sports Council Membership

Professor E Saunders (Chairman)
 Mr G Carson (Vice Chairman)
 Ms H Brady
 Dr O Brown
 Mr J Campbell
 Ms M Cusdin
 Mr J Gallagher
 Dr A Hamill
 Mr C Logue
 Mr B McCargo
 Mr H McCaughey
 Ms M Muldoon
 Dr M Murphy
 Mr J Rodgers
 Mr W Strong

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.

Equality of opportunity

The Sports Council 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 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 recruitment, training or promotion purposes.

Employee consultation

On matters of policy and procedure, which affect the employees of the Sports Council, the Sports 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

The Sports Council is committed to the prompt payment of bills for goods and services in accordance with the Better Payment Practice Code. Bills are paid within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. Calculations are based on the date on the invoice.

A review conducted at the end of the year to measure how promptly the Sports Council paid its bills found that 99 per cent were paid within this standard. The comparable figure for the previous year was 94 per cent.

Political and charitable donations

The Sports Council made no political or charitable donations during the year.

Eric Saunders 19 April 2007
Chairman
Sports Council for Northern Ireland

Eamonn McCartan 19 April 2007
Chief Executive and Accounting Officer
Sports Council for Northern Ireland

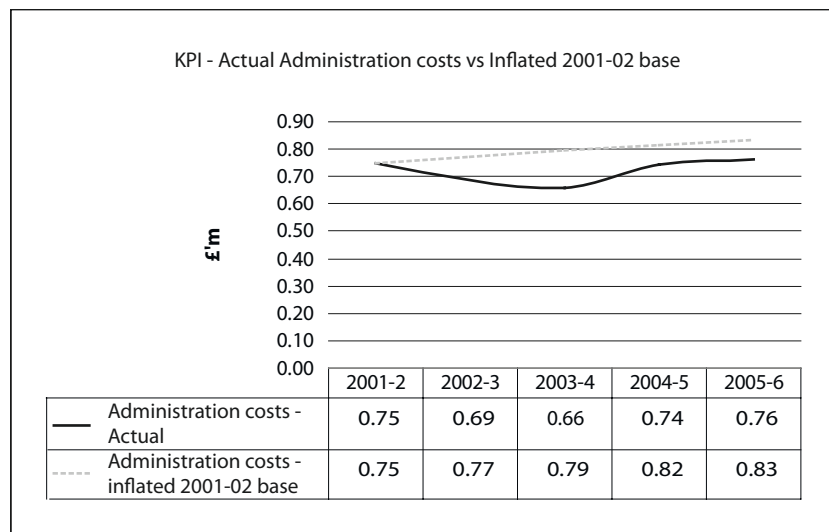
Management Commentary

Financial results

The Sports Council's Lottery Distribution results are set out in the Income and Expenditure Account. Total proceeds received from the National Lottery totalled £7,295,239. During the year the Sports Council made awards of £19,544,615. A total of £5,976,400 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 £762,303. This represents approximately 10.45 per cent of the total proceeds received in the year.

The following table and chart outline the Key Performance Indicator for administration costs for the Sports Council Lottery Distribution Account:

	Year 1 2001-2002 £m	Year 2 2002-2003 £m	Year 3 2003-2004 £m	Year 4 2004-2005 £m	Year 5 2005-2006 £m	Five year Total £m
Administration costs – Actual	0.75	0.69	0.66	0.74	0.76	3.60
Administration costs – Inflated 2001-2002 base	0.75	0.77	0.79	0.82	0.83	3.96
GDP Deflator	89.8	92.6	95.3	97.9	100.0	



Review of National Lottery distribution activities

During the 2005-2006 year the Sports Council distributed awards under the following Lottery Fund grant programmes.

a Capital programmes

1 Club Sport

'A Sports Council Lottery Fund capital programme to assist sports clubs and governing bodies with the development of locally-based sports facilities.'

During the year two final awards were made to this particular Lottery funded programme. The awards were £88,000 to St John's GAC towards the purchase of land and construction of full-sized second playing pitch and £200,000 to Pegasus Hockey Club towards the construction of a floodlit, water based synthetic pitch.

In addition, two increases in award totaling £7,264 were made in the year to Rathfriland FC and Keady GAA club.

2 *Building sport*

'A Sports Council Lottery Fund capital programme which aims to provide partnership funding for major capital projects that will increase access to opportunities for sporting development and participation for as many people as possible.'

The first Stage 2 was made in November 2005. Steelstown GAC received an award of £225,000 towards the construction of changing rooms.

In addition to this the Sports Council has considered and agreed Stage 1 approvals to 14 projects which cumulatively are seeking funding to the value of £5,789,845.

3 *Sports Institute for Northern Ireland – Capital*

The Sports Council also made an award of £7,941,000 to University of Ulster towards the capital works associated with the creation of a High Performance Sports Centre at the Jordanstown Campus. This award was made with the agreement that Sport England would issue an offer of award to the Sports Council for Northern Ireland for £3,000,000 of this amount. In July 2006 Sport England issued a formal offer of award for £3,000,000 towards the SINI project. A formal agreement was signed in September 2006 between Sports Council and Sport England.

4 *Play Sport programme*

During the year the Sports Council received and agreed award adjustments totaling £25,198 in respect of the Play Sport programme.

b Revenue programmes

1 *Athlete Support programme*

'A Sports Council Lottery Fund revenue programme to assist Northern Ireland's leading sportspeople to compete successfully at international level.'

A total of £927,025 was awarded under the Athlete Support programme. These awards were made to 42 governing bodies of sport in response to both squad and individual athlete applications. A total of 117 awards were made. Of these awards 81 were in respect of governing body individual athlete performance plans. Also 36 governing body squad performance plans were funded. The funding provides support towards the costs of additional competitive opportunities, specialist coaching, sports science, medical support and equipment as specified in the Governing Body's performance plan.

2 *Events programme*

'A Sports Council Lottery Fund revenue programme to assist with the bidding for and running of sports events in Northern Ireland'.

A total of £243,395 was awarded to 15 events under the Events programme as follows

Awardee	Event	Amount (£)
Irish Cricket Union	ICC Trophy 2005	47,000
Motorcycle Racing Association	British Motocross Championships 2005	4,000
UB Badminton Union of Ireland	Yonex Irish International Badminton Championships 2005	10,000
Events 22	FIM International Supercross 2005	15,000
Hi-Elbow Triathlon Club	Lough Neagh Triathlon 2005	4,000
North Down Borough Council	Atlantic Rim Games, 2005 (Bowls)	8,000
NI Motor Club Ltd	Philip White International Ulster Rally	9,395
NI Volleyball Association	European Championships Qualification Tournament 2006-2007	5,000
NI Judo Federation	Commonwealth Judo Championships 2006	30,000
NI Amateur Gymnastics Association	Northern European Gymnastics Championship, 2005	19,500
NI Athletic Federation	International Indoor Athletics Championships 2006	27,000
NI Association of Aeromodellers	7th Jet World Masters, 2007 (bidding costs)	500
NI Athletic Federation	Belfast International Cross Country 2006	7,000
NI Amateur Fencing Union	Commonwealth Fencing Championships, 2006	40,000
World Indoor Bowls Council	World Singles and Mixed Pairs Championships 2005	17,000

3 *Awards for All*

'Awards for All' is a joint awards programme set up to help small groups in Northern Ireland. It is jointly funded by the Arts Council of Northern Ireland, the Community Fund, the Heritage Fund, the New Opportunities Fund and the Sports Council. The 'Awards for All' programme is now administered by the 'Big Lottery Fund' following the merge of the Community Fund and New Opportunities Fund in June 2004.

During 2005-2006 a commitment of £500,000 was made to the Awards for All in respect of 119 sports projects. All awards made were for less than £5,000, and were mainly awarded to smaller groups which have not been able to avail of lottery funding from the Sports Council's Capital or Revenue programmes.

4 *Sports Institute for Northern Ireland – Revenue*

The Sports Council also made an award of £5,820,000 to the Sports Institute for Northern Ireland towards the approved costs of delivering High Performance Services to identified athletes.

5 *Sport in our Community*

The 'Sport in our Community' programme supports community, voluntary and statutory sectors in Northern Ireland which aim to deliver innovative and creative projects to increase the number of participants in sport at a community level, and ensure this is supported by a competent workforce.

34 awards totalling £3,567,733 were made in 2005-2006, including awards of £53,283 to Larne Borough Council towards the Larne Community Sport and Physical Recreation Programme (2008-2010) and £130,390 to the North Belfast Sports Forum.

Significant changes in fixed assets

The movement on fixed assets is set out in note 6 to the financial statements. There were no significant changes during the year. The net book value of the fixed assets decreased from £18,603 to £6,729 following a depreciation charge of £17,221 for the year. A number of assets were also disposed of during the year due to being obsolete.

Retained Funds at the year end

At the end of the year the Lottery Distribution Account showed a reduction in funds of £9,314,456 after making a provision for all hard grant commitments outstanding at the year-end. At the end of 2004-2005 the retained funds totalled £17,964,565. After other reserve movements of (£170,695), the retained funds therefore totalled £8,479,414 at 31 March 2006. This amount will be carried forward to the 2006-2007 financial year and will be available for distribution.

A comment on NLDF Balance Policy

In August 2003 the DCMS issued a Guidance Note (1/03) which proposed that all Lottery Distributors should develop an NLDF policy, and should publish an annual statement in their audited accounts, setting out the basis of the policy and the actions required to manage the NLDF balance. The Sports Council's NLDF policy is included within the accounts at note 8.

Future Developments in National Lottery Distribution Activities

Sports Institute Northern Ireland (SINI)

In August 2005 the Sports Council made a Lottery Fund award to the SINI in respect of the costs of providing access to services for SINI Athletes. The award made was £5.82m and funding will cover the costs of the SINI up to the 31 March 2009.

In August 2005 the Sports Council made a Lottery Fund award to the University of Ulster (UU) towards the costs of providing appropriate facilities at Jordanstown for SINI athletes and other high performance squads. The award made was £7.941m. In September 2006 an agreement was signed between Sport England and Sports Council in which Sports England would provide £3m of funding, as a contribution to the total funding of £7.941m.

Programme changes

In 2004-2005 the Sports Council launched its new Building Sport programme. At 31 March 2006, 14 stage I offers at £5,789,845 had been made. It is anticipated that the vast majority of these Stage I offers will become firm soft commitments during 2006-2007 and 2007-2008.

Audit

So far as I, the Accounting Officer of Sports Council am aware, there is no relevant audit information of which the Sports Council's auditors are unaware; and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Sports Council's auditors are aware of that information.

Eamonn McCartan
Chief Executive and Accounting Officer
Sports Council for Northern Ireland

19 April 2007

Remuneration Report

Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based. Senior staff pay awards are determined by the Northern Ireland Civil Service (NICS) Remuneration Committee.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Within the Sports Council, the Chief Executive is employed on terms analogous to Senior Civil Service Grade 5, while all other executive directors are employed analogous to Grade 7.

The Sports Council Staffing Committee is responsible for approving the Chief Executive's salary and assessing his performance. Its membership is made up of the following Council Members:

- Professor E Saunders (Chairman);
- Ms M Muldoon;
- Ms H Brady; and
- Dr A Hamill.

All other senior staff positions above Deputy Principal follow the NICS pay and grading spine policy. The Chief Executive assesses all Directors' performance.

Service contracts

Sports Council staff appointments are made in accordance with the Sport Council Recruitment and Selection Policy and Procedures, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Policy relating to notice periods and termination payments is contained in the Sports Council Staff Handbook and individual Contracts of Employment.

Eamonn McCartan, Chief Executive was appointed in June 1994. This position is permanent within the definition above as are the executive director positions.

Salary and Pension Entitlements – Senior Staff

The following section provides detail of the remuneration and pension interests of the Chief Executive and Directors of Sports Council.

Employee	2005-2006		2004-2005	
	Salary £000	Benefits in kind £	Salary £000	Benefits in kind £
Eamonn McCartan Chief Executive	125-130 (includes salary arrears from prior years)	154	105-110 (includes salary arrears from prior years)	154
Shaun Ogle Director of Performance	45-50	154	45-50	154
Nick Harkness Director of Participation	45-50	154	45-50	154
Andrew Sloan Director of Corporate Services	45-50	319	40-45	154

Salary

'Salary' includes gross salary; performance pay or bonuses, any allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Sports Council and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Each individual received a benefit in kind of £154, which relates to luncheon vouchers. The Director of Corporate Services also received a benefit in kind for £165 relating to professional fees for the ACCA.

Sports Council Pensions

The Sports Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 70 employees during the year (13 were employed for part of the year).

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 held separately from assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2006 the Sports Council contributed 8.5 per cent of pensionable salary. The scheme is contributory with members of staff paying 6 per cent of pensionable salary.

Contributions for the year were as follows

	2005-2006 £	2004-2005 £
Employers	30,234	16,802
Employees	20,697	22,628
Total	50,931	39,430

Employee	Pensionable Earnings	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 as at 31 March 2006 and related lump sum	CETV at 31 March 2005	CETV at 31 March 2006	Real increase in CETV
	£	£	£	£	£	£
Eamonn McCartan Chief Executive	79,202	4,201 plus 12,603 lump sum	24,905 plus 74,716 lump sum	325,119	415,046	83,736
Shaun Ogle Director of Performance	49,945	690 plus 2,071 lump sum	12,531 plus 37,592 lump sum	153,057	171,669	15,627
Nick Harkness Director of Participation	49,945	602 plus 1,805 lump sum	13,554 plus 40,661 lump sum	152,594	169,252	13,657
Andrew Sloan Director of Corporate Services	45,919	579 plus 1,738 lump sum	4,441 plus 13,323 lump sum	43,391	52,530	8,279

The above figures do not include salary accruals.

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Eamonn McCartan
Chief Executive and Accounting Officer
Sports Council for Northern Ireland

19 April 2007

Statement of the Council's and Accounting Officer's responsibilities

The Sports Council is required to prepare a statement of accounts for each financial year in accordance with section 35(2) & (3) of the National Lottery etc. Act 1993 and accounts direction given by DCAL, with the approval of the Secretary of State for Culture, Media and Sport.

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'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 Sports Council is required to

- observe the accounts direction issued by DCAL 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;
- observe the current version of the Government Financial Reporting Manual (FReM);
- make judgments 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 DCAL has designated the Chief Executive of the Sports Council as the Accounting Officer for the Sports 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 (DFP), and in the Financial Directions issued by the DCAL on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

Eamonn McCartan
Chief Executive and Accounting Officer
Sports Council for Northern Ireland

19 April 2007

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Sports Council's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland; and ensuring compliance with the requirement of Sports Council's Management Statement, Financial Memorandum and Statement of Financial Requirements.

The Sports Council's Management Statement sets out the relationship between DCAL and the Sports Council, and defines the financial and administrative framework within which the Sports Council operates. It also sets out the conditions on which grant-in-aid is paid to the Sports Council and the delegations within which the Sports Council operates.

The Sports Council's Financial Memorandum, which should be read in conjunction with the Management Statement, sets out the framework for the management and control of the finances of the Sports Council. It sets out the terms and conditions under which DCAL allocates grant-in-aid to the Sports Council out of monies provided by NI Assembly or UK Parliament. These terms and conditions are in addition to, and not in substitution for, any guidelines or directions issued by DCAL on the exercise of any individual functions, powers and duties of the Sports Council.

The Management Statement and Financial Memorandum have been approved by the Minister for Culture, Arts and Leisure, DFP and the Public Service Improvement Unit OFM/DFM.

The Sports Council also adheres to best practice as per the Lottery Financial Directions. These directions are currently incorporated within the Sports Council's Management Statement and Financial Memorandum.

I act in accordance with both the Sports Council's Management Statement and Financial Memorandum, and the DFP Memorandum, 'The Responsibilities of an NDPB Accounting Officer', which sets out my accounting responsibilities. My responsibilities include ensuring that the Sports Council produces a three-year corporate plan and an annual business plan within the timescales set by DCAL. The plans are reviewed regularly by senior management and by the Sports Council to determine progress. Quarterly accountability meetings are held with officials from DCAL, to also monitor progress.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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 and prioritise the risks to the achievement of the Sports Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Sports Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with the HM Treasury Guidance.

Capacity to handle risk

The senior management team takes responsibility for applying and overseeing the application of the risk management process primarily to ensure that it is operating as intended, to challenge the content of the risk registers and enable myself to report on the process to the Sports Council. In addition to reviewing the risk framework, all recommendations received from both the internal and external auditors are reviewed, with controls being enhanced or introduced as necessary.

All staff are expected to work within the Sports Council's policies on risk management; alert management to emerging risks or control weaknesses; participate fully in the risk management process; and assume responsibility for risks and controls within own areas of work.

As part of their performance appraisal all staff formally identify specific training needs relating to their roles each year. The training needs may include areas relating to risk management. All training needs are collated into an overall training plan for the Sports Council, which is delivered throughout the year. In 2005-2006 the Sports Council continued with training of relevant staff in the grant administration processes. The Grant Skills Training Programme, delivered by the Chartered Institute of Public Finance and Accountancy/Institute of Public Finance Northern Ireland and accredited by the Institute of Administrative Management, was completed in June 2006. This will result in a Certificate in Management Practice (Grant Skills), equivalent to NVQ level 3, for participating staff or in a Diploma in Management Practice (Grant Skills), equivalent to NVQ level 4, for members of staff who complete additional modules.

To ensure that staff have ready access to the financial procedures and requirements in place within the Sports Council, guidance was placed on the intranet during the year. In addition to the Sports Council's financial procedures the intranet also contains other policies within the Sports Council e.g. the Anti Fraud and Corruption Policy, Gifts, Benefits and Hospitality Policy, Whistleblowing etc. During 2006-2007 the Sports Council intends to put the Standing Orders and the recently revised Management Statement and Financial Memorandum on the intranet.

Sports Council members attended induction training on their roles and responsibilities following their appointment in July 2003. Audit Committee members will be undertaking additional update training on their roles and responsibilities within the Audit Committee in 2006-2007.

The risk and control framework

Risk management policy and register

The Sports Council has an established risk management policy (the Policy), which covers all the Sports Council's activities. The Policy explains the underlying approach to risk management, documents the roles and responsibilities of Sports Council, the Accounting Officer, Heads of Unit, Operations Group, staff and the Audit Committee. It also outlines key aspects of the risk management process, and identifies the main reporting procedures. In particular the Policy outlines the inextricable link between risk management and the corporate and business planning process.

The Policy is subject to regular revision as the risk management process becomes embedded throughout the Sports Council and will be updated to reflect the changing environment of the Sports Council as required.

The Sports Council has a risk register in place which identifies the key risks facing the Sports Council. These have been categorised under nine broad headings. The risk register details management's assessment of the key risks and associated controls, and actions required to mitigate these risks. Each risk has been assessed, for its severity and for the effectiveness of the controls currently operating.

The risk register is also presented to the Audit Committee each year and in future years it will become a standing item on the Council's agenda.

Investment policy

The Sports Council throughout the year operated its Investment Policy, which is designed to ensure the Sports Council

- Complies with the Department for Finance and Personnel's requirements for the Sports Council, as a Non-Departmental Public Body to adhere to the Northern Ireland Preface to The Green Book (Guidance for Northern Ireland Departments on the Appraisal, Evaluation, Approval and Management of Policies, Programmes and Projects) and satisfy public accountability requirements;
- Applies the principle of proportionate effort, thus ensuring that undue burden is not placed on applicants or indeed Sports Council staff; and

- Improves the efficient and effective operation of the Sports Council activities, ensuring best practice and consistency across the organisation. The business case methodology, being used to define problems and find solutions to offer the best value for money for the Sports Council. The risk management process provides the Sports Council with an increased understanding of risks, thus improving decision-making to adapt to changes and avoid failures. The monitoring and evaluation process provides lessons to improve the decision-making process and justifies the case for increased expenditure in sport.

The three specific policies implemented throughout the Sports Council were as follows

- The SCNI Business Case Policy – designed to outline policy recommendations for the formal use of Business Case methodology in all Sports Council investments.
- The SCNI Risk Management Policy – designed to outline policy recommendations for the formal framework for risk assessment and management in all Sports Council investment decisions, particularly at a programme and project level.
- The SCNI Monitoring Policy – designed to outline policy recommendations for the formalisation of a monitoring and evaluation framework at a corporate, programme and project level.

In 2006-2007 the Sports Council will continue to work via its investment policy.

Conflict of interests

The Sports Council operates a Conflict of Interest policy. Throughout the year the Sports Council has abided by the procedures for handling potential conflicts of interest between its members and its officers and organisations submitting projects. These procedures include maintenance of a register of interests. Sports Council members or officers declaring any direct interest in grant applications exclude themselves from the assessment and decision-making process.

Fraud

The Sports Council has an approved Anti Fraud and Corruption policy. The document explains the steps that must be taken where fraud is suspected or discovered and provides guidance specifically regarding attempts at multiple application fraud with the preventative measures detailed. The Sports Council also operates a computerised database of all awards funded and applications received. Users can identify the number of applications/value of awards made to an organisation. Alerts may be placed on the system to ensure users are aware of any issues/problems particular to an organisation, before progressing further with funding.

In late August 2006 the Sports Council undertook an audit of one of its grant recipients. On the basis of misinformation being provided to the Sports Council's audit team and a number of issues regarding accounting practices a member of staff within the grant recipient raised concerns with senior management. An investigation took place and the Sports Council was formally informed in September 2006 that a fraud had occurred.

Sports Council implemented its fraud policy and informed Department of Culture Arts and Leisure, Department of Culture Media and Sport, Northern Ireland Audit Office and Police Service Northern Ireland. The matter is presently still undergoing investigation however the main factors which enabled the fraud to take place included:

- Banking Online – inappropriate segregation of duties, lack of communication between administrators of the banking on line facility; and
- Internal audit not carrying out its work during the year.

The fraud is approximately £75,000. Sports Council is currently undertaking a forensic audit of the grant recipient to determine the exact value of the fraud.

Value for money

The Sports Council ensures it applies value for money principles in all of its practices. This is carried out at the top level via the investment policy that intentionally covers value for money within the production of business cases for funding. The Sports Council also includes value for money during tendering exercises for the procurement of goods/services and in the sharing of administration functions with other bodies.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the Sports Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Sports Council, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Sports Council and DCAL undertook a process of reviewing the SCNI Management Statement with the aim to ensure it complied with DFP guidance, best practice and to ensure it remained robust. The revised document has been agreed between Sports Council and DCAL.

The Sports Council continues to review its programmes and procedures in order to ensure that it meets appropriate standards, best practice and continues to work towards efficiencies. This will continue in 2006-2007 via reviewing policies and procedures, training programmes and reassessing contractual agreements.

The Sports Council has a procedure in place to ensure that all losses are appropriately handled and reported to DCAL. There were no losses identified during the year 2005-2006.

The Sports Council discharges its responsibility for reviewing the system of internal control through its Audit Committee. The Audit Committee met on four occasions during the year and received reports from both the Sports Council's external auditor for the year ending 31 March 2005 and its internal auditor for the year 2005-2006. The Audit Committee reported back to the Sports Council following each of its meetings.

At the end of the financial year 2004-2005, a successful appointment was made to the role of joint Arts Council for Northern Ireland and Sports Council internal auditor. The appointee has been making good progress and has reported that internal audit activity during 2005-2006 concludes that the operations of the Sports Council are well controlled when assessed against established assurance criteria.

The Sports Council has a risk register in place that is reviewed regularly by the senior management team. It is also reviewed by the Audit Committee annually and the last review took place in August 2005.

Throughout the year I obtain assurance from senior managers, based on information and reports produced by them. I am satisfied that systems of internal financial control were adequate in 2005-2006.

Eamonn McCartan
Chief Executive and Accounting Officer
Sports Council for Northern Ireland

19 April 2007

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Sports Council of Northern Ireland Lottery Distribution Account for the year ended 31 March 2006 under the National Lottery etc. Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Council, Accounting Officer and Auditor

The Council and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Sports 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. These responsibilities are set out in the Statement of the Council's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 13 to 16 reflects the Council's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword/Background Information, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998) and directions made thereunder by the Department of Culture Arts and Leisure on behalf the Secretary of State for Culture, Media and Sport, of the state of the Sports Council of Northern Ireland Lottery Distribution Account's affairs as at 31 March 2006 and of its decrease in funds for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998) and Department of Culture Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport; 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

31 May 2007

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2006

	Notes	2005-2006 £	2004-2005 £
Proceeds from NLDF	2	5,990,826	5,877,935
Investment Income from NLDF	2	1,304,413	1,138,717
Other income	3	35,773	33,250
Total income		7,331,012	7,049,902
New grants paid in the year	14b	5,976,400	4,715,242
Provision for new grant commitments made	14a	10,962,045	(753,184)
Hard De-commitments	14a	(996,231)	(1,175,653)
Claw back on grants	10	(81,049)	–
Staff costs – recharge	4	415,181	429,524
Staff cost – direct costs	4	1,317	–
Depreciation: tangible assets	6	17,221	60,726
Other operating costs – direct costs	5	131,033	234,063
– recharge	5	214,772	78,956
Total expenditure		16,640,689	3,589,674
(Decrease)/increase in funds before taxation		(9,309,677)	3,460,228
Taxation		(4,779)	(2,503)
(Decrease)/increase in funds after taxation		(9,314,456)	3,457,725
Notional costs – capital		(9,227)	(2,018)
(Decrease)/increase in funds including notional Ccsts		(9,323,683)	3,455,707
Reversal of notional costs		9,227	2,018
(Decrease)/increase in Funds		(9,314,456)	3,457,725

The income and expenditure relate to continuing activities.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2006

	Notes	2005-2006 £	2004-2005 £
(Decrease)/increase in funds for the year		(9,314,456)	3,457,725
Unrealised losses on investments	15	(170,695)	(92,250)
Total recognised (loss)/gain for the year		(9,485,151)	3,365,475

The notes on pages 22 to 32 form part of these financial statements.

Balance Sheet as at 31 March 2006

	Notes	2005-2006 £	2004-2005 £
Fixed assets			
Tangible assets			
Intangible assets	6a	5,414	10,108
	6b	1,315	8,495
		6,729	18,603
Current assets			
Investments – NLDF balance	7	24,946,336	24,472,959
Cash at bank	9	464,355	461,830
Debtors and prepayments	10a	92,964	7,048
		25,503,655	24,941,837
Creditors: due within one year			
Grant hard commitments			
Other creditors	11a	(6,867,193)	(6,114,478)
	11a	(298,027)	(228,746)
Net current assets		18,338,435	18,598,613
Total assets less current liabilities		18,345,164	18,617,216
<i>Provision for liabilities and charges</i>			
Grant commitments	14a	(9,865,750)	(652,651)
Total assets less total liabilities		8,479,414	17,964,565
Represented by			
<i>Reserves</i>			
Income and Expenditure	15	8,479,414	17,964,565
		8,479,414	17,964,565

Professor Eric Saunders
Chairman
Sports Council for Northern Ireland

19 April 2007

Eamonn McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

19 April 2007

The notes on pages 22 to 32 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2006

	2005-2006 £	2004-2005 £
Operating activities		
Funds received from the NLDF	6,821,862	6,031,261
Other cash receipts	–	119
Grants paid	(5,976,400)	(4,715,242)
Cash paid to SCNI – recharges for staff time and overheads	(517,284)	(556,117)
Cash paid to employees	(16,345)	(9,115)
Other cash payments	(151,503)	(179,785)
Net cash inflow from operating activities	160,330	571,121
Return on investments and servicing of finance		
Treasury interest	24,904	19,807
Unrealised loss on investment	(170,695)	(92,250)
Taxation paid		
Corporation tax	(2,520)	(2,900)
Capital expenditure		
Purchase of assets	(9,494)	(37,208)
Increase in cash	2,525	458,570

Notes to the Cash Flow Statement

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

	2005-2006 £	2004-2005 £
(Decrease)/increase in funds	(9,309,677)	3,460,228
Depreciation charges	17,221	60,726
Profit on disposal	–	(31)
Interest receivable	(30,053)	(20,541)
Increase in NLDF investment	(473,377)	(985,391)
Decrease/(increase) in debtors and prepayments	(80,767)	50,240
Increase/(decrease) in creditors	823,884	(31,472)
Increase/(decrease) in provision	9,213,099	(1,962,638)
Net cash inflow from operating activities	160,330	571,121

2 Reconciliation of net cash flow to movement in net funds

	2005-2006 £	2004-2005 £
Net Funds at 1 April	461,830	3,260
Increase in cash	2,525	458,570
Net Funds at 31 March	464,355	461,830

The notes on pages 22 to 32 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 and in a form directed by the Secretary of State with the consent of DFP in accordance with Section 35(3) of the National Lottery etc. Act 1993 and as directed in the Accounts Direction issued by the Department of Culture, Arts and Leisure a copy of which are available within the Sport Council's Management Statement Appendix F. While the Accounts Direction requires inclusion of assets at their value to the business by reference to current cost, for 2005-2006 the Sports 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 and disclosure requirements issued by the Department of Finance and Personnel in so far as those requirements are appropriate. Significant departures from accounting standards are disclosed and explained in the notes and the financial effects quantified where practicable.

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 2001. These costs had previously been treated as a prepayment of rent on the office space occupied by the Lottery Fund.

A formal agreement was in place between the Sports Council's Lottery Fund and the Sports Council, which stated that the Sports Council would provide office accommodation rent-free until the 31 March 2005. These office accommodation costs were written off to the Income and Expenditure account over a period of five years and are now fully written off.

Other fixed assets

The Sports Council for Northern Ireland applies 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. Other fixed Assets are recharged to the Lottery Distribution Accounts at the end of each financial year, on the basis of assets acquired/utilised specifically for lottery activities (see 1g).

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

	2005-2006
Information technology (Hardware and software)	3 Years
Office furniture and equipment	5 years
Land and buildings	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 NLDF Account

Balances held in the NLDF 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 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 as being available for distribution by it in respect of current and future commitments.

e Income

All income received, whether Lottery proceeds or other income, is credited to income in the year to which it is receivable.

Refunds relating to grant expenditure are allocated against grants paid in the year under the expenditure section of the income and expenditure account. Grant refunds are lodged to the Sports Council Lottery Fund bank account.

f Notional cost of capital

From the 1996-1997 year, these financial statements make provision for the notional cost of capital employed by the Council. The Income and Expenditure Account includes the notional cost of capital employed by the Council calculated as 3.5 per cent of the average capital employed over the financial year.

g Allocation of costs

The apportionment of staffing and indirect costs transferred from the Sports Council for Northern Ireland to Sports Council Lottery Distribution Account is based on a Service Level Agreement. This is reviewed annually to ensure recharges are appropriate and reflect the time which staff spend on lottery activities and the proportion of indirect costs which relate to lottery activities.

h Grant commitments

The following are the two types of grant commitments

- 1 A soft commitment occurs when there is agreement in principle by Sports Council to fund a scheme and a formal offer made to the applicant body.
- 2 A hard commitment is analogous to a commitment arising from a legally binding contract.

A soft commitment changes to a hard commitment as soon as the applicant returns a signed copy of the contract offer having complied with any special conditions incorporated in the contract.

2 Proceeds from Lottery

	2005-2006	2004-2005
	£	£
Proceeds from National Lottery	5,990,826	5,877,935
Investment returns on balances held at NLDF	1,304,413	1,138,717
Total	<u>7,295,239</u>	<u>7,016,652</u>

3 Other income

	2005-2006	2004-2005
	£	£
Bank interest	30,053	20,541
Other income	5,720	12,709
Total	35,773	33,250

4 Staff costs

	2005-2006	2004-2005
	£	£
Salaries and wages	359,039	383,145
Social Security costs	27,224	29,325
Other pension costs	30,235	17,054
Total	416,498	429,524

Of the above staff costs £415,181 were incurred by the Sports Council and recharged to the Lottery Distribution Account. The average number of full-time equivalent persons employed by the Sports Council and deployed on Lottery duties during the period from April 2005 to March 2006 was 16 (2004-2005: 19) staff.

Under terms and conditions of service, staff are entitled to an issue of luncheon vouchers to the approximate value of 70p per day. The entitlement for full time staff is 55 vouchers per quarter issued quarterly in advance. Part time staff are entitled to luncheon vouchers on a pro rata basis to the full time equivalent.

Chief Executive's remuneration

The Chief Executive's total remuneration including employer's costs in 2005-2006 was £127,776 (2004-2005: £108,219). Salary for the Chief Executive includes back pay from previous years. 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 and is termed a permanent post.

As part of the Service Level Agreement with Sports Council Exchequer the Chief Executive's time is now incorporated within the desk charge. In 2004-2005: 10 per cent of the Chief Executive's direct salary costs were apportioned to the Lottery Distribution Account, this amounted to £10,822.

Sports Council Members Emoluments

The Chairman and Vice-Chairman of the Sports Council received honorariums totalling £14,037 (2004-2005: £10,754) and £3,500 (2004-2005: £3,500) respectively in 2005-2006. The cost of the Vice-Chairman's honorarium was apportioned to the Lottery Distribution Account. No emoluments were paid to other Sports Council members in respect of Lottery activities. The Sports Council does not pay any pension contributions on behalf of the Chairman or Vice-Chairman.

Pension Scheme

The Sports Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC scheme). The NILGOSC scheme is part of the Local Government Pension Scheme (LGPS) and is a multi-employer, defined benefit scheme. It is contracted out of the State Second Pension. Employees' contributions are fixed (mostly at the level of 6 per cent of pay). Employers pay the balance of the cost of the scheme. The actual cost will not be known until the final pensioner dies, and employers' contributions are set to meet the expected cost of the benefit. The employers' contributions are reviewed at a series of three yearly valuation exercises. The actuarial valuation as at 31 March 2004 is one of the series. The key assumptions for the current valuation and previous valuation as at 31 March 2001 are set out below. The figures marked 'real' are net of assumed price inflation.

Financial assumptions	March 2004		March 2001	
	Unsmoothed		Smoothed	
	% p.a Nominal	% p.a. Real	% p.a Nominal	% p.a Real
Discount rate per retirement	6.3	3.4	6.4	4.1
Discount Rate post retirement	6.3	3.4	5.4	3.1
Pay increases	4.4	1.5	3.8	1.5
Price inflation/pension increases	2.9	–	2.3	–

An approximate summary of the market value of the Fund's assets as at 31 March 2004 was £2,156m (31 March 2001 – £2,293m). The Sports Council share of the underlying assets and liabilities was not identifiable at this date.

The valuation revealed that the ongoing funding level of the Fund on the 31 March 2004 was 85 per cent (31 March 2001–121 per cent). The shortfall of assets compared to the past service liabilities was £392.1m. The shortfall of assets over the past service liabilities requires the employer's contribution rated to be increased by 4.2 per cent of pensionable pay to a rate of 17.3 per cent of pay if recovery of the deficit is targeted over a period of 20 years. Employers have agreed to phase in the contribution rise over a period of up to six years.

Contributions for the year were as follows

	2005-2006 £	2004-2005 £
Employers	30,234	16,802
Employees	20,697	22,628
Total	50,931	39,430

5 Other operating costs

	Total 2005-2006 £	Direct 2005-2006 £	Recharge 2005-2006 £	Total 2004-2005 £
Travel and subsistence	22,597	19,818	2,779	11,814
Recruitment	6,749	–	6,749	–
Training	3,320	4,215	(895)	1,852
Publications, printing, stationery and IT consumables	17,548	8,303	9,245	54,510
Telephone and postage	10,407	2,047	8,360	10,660
Professional and consultancy fees	14,415	13,827	588	47,283
Internal audit fee	–	–	–	11,481
External audit fee	23,500	23,500	–	22,000
Repairs and renewals	1,056	1,443	(387)	73
Profit on disposal	–	–	–	(31)
Sundry expenses	47	47	–	194
Bank charges	–	–	–	35
Publicity	58,328	14,690	43,638	31,319
Lottery promotion	6,530	–	6,530	1,069
Photography	724	–	724	2,688
Research and evaluation	626	626	–	8,073
Courses and conferences	237	237	–	4,818
Awards for all administration costs	35,522	35,522	–	53,100
SCNI overhead charge	137,564	–	137,564	37,985
Temporary staff	6,635	6,758	(123)	14,096
Total	345,805	131,033	214,772	313,019

Of the above total for 2005-2006 £214,772 (2004-2005: £78,956) was initially incurred by the Sports Council's grant-in-aid account and recharged to the Lottery Distribution Account.

6a Tangible fixed assets

	Land and buildings	Information Technology	Office Furniture and equipment	Total
	£	£	£	£
Cost				
At 1 April	201,047	48,233	55,049	304,329
Additions	–	4,760	–	4,760
Disposals	–	(7,494)	(5,084)	(12,578)
At 31 March	<u>201,047</u>	<u>45,499</u>	<u>49,965</u>	<u>296,511</u>
Depreciation				
At 1 April	201,047	38,125	55,049	294,221
Charge for the year	–	9,454	–	9,454
Disposals	–	(7,494)	(5,084)	(12,578)
At 31 March	<u>201,047</u>	<u>40,085</u>	<u>49,965</u>	<u>291,097</u>
Net book value				
At 31 March 2006	<u>–</u>	<u>5,414</u>	<u>–</u>	<u>5,414</u>
At 31 March 2005	–	10,108	–	10,108

6b Intangible fixed assets

	Information Technology
	£
Cost	
At 1 April	53,605
Additions	587
Disposals	–
At 31 March	<u>54,192</u>
Depreciation	
At 1 April	45,110
Charge for the year	7,767
Disposals	–
At 31 March	<u>52,877</u>
Net book value	
At 31 March 2006	<u>1,315</u>
At 31 March 2005	8,495

7 Reconciliation of movement of funds

	Balances held in NLDF	Balances held in SCNI	Provision for grant commitments Totals	2005-2006 Totals	2004-2005 Totals
	£	£	£	£	£
Proceeds from Lottery	7,295,239	–	–	7,295,239	7,016,652
Drawn down in year	(6,651,167)	6,651,167	–	–	–
Other income	–	5,720	–	5,720	12,709
Interest receivable	–	30,053	–	30,053	20,541
Staff costs	–	(416,498)	–	(416,498)	(429,524)
Other operating costs	–	(345,805)	–	(345,805)	(313,019)
Depreciation of fixed assets	–	(17,221)	–	(17,221)	(60,726)
New grants paid	–	(5,976,400)	–	(5,976,400)	(4,715,242)
Taxation	–	(4,779)	–	(4,779)	(2,503)
New grant commitments	–	–	(9,965,814)	(9,965,814)	1,928,837
Clawback on grants	–	81,049	–	81,049	–
Total increase in funds	644,072	7,286	(9,965,814)	(9,314,456)	3,457,725
Unrealised loss on investment	(170,695)	–	–	(170,695)	(92,250)
Balance at 1 April 2005	24,472,959	258,735	(6,767,129)	17,964,565	14,599,090
Balance at 31 March 2006	24,946,336	266,021	(16,732,943)	8,479,414	17,964,565

The funds held in the 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's Lottery Distribution Account at 31 March 2006 was £24,946,336 (2004-2005: £24,472,959). The Balance Sheet figure for the NLDF balance is shown as £24,946,336 (2004-2005: £24,472,959) as the lower of cost and net realisable value. The actual cost of the NLDF balance at 31 March 2006 was £25,117,031 (2004-2005: £24,565,210).

8 NLDF balance policy

In August 2003 DCMS issued 'National Lottery Guidance Note 1/03: Management of NLDF Balances'. This guidance note proposes that each Lottery Distributor should have an NLDF balance policy and should publish a statement on its policy in its Annual Report and Accounts. This should include a target for the size of its NLDF balance based on an assessment of needs over the next three financial years.

The following is the policy as approved by the Sports Council

The Sports Council aims to keep NLDF balances at a prudent level that will maximise its ability to achieve its strategic objectives, and to ensure the speedy progress of existing and future commitments. In setting its target balances the Sports Council will seek to ensure that it neither compromise existing commitments nor unreasonably constrain its ability to make future commitments.

The Sports Council has agreed that the NLDF balance should decline as follows

- by 31 March 2006 to aim for NLDF balances to be £22.7 million; and
- by 31 March 2007 to aim for NLDF balances to be £17.9 million.

At the 31 March 2006 the Sports Council NLDF balance was £24.9m. The difference between the actual balance and the target balance relates to two issues:

- 1 Delays in the implementation of the SINI projects at the UU; and
- 2 Delays in the ability of applicants to the Building Sport programme to move from Stage I approval to commencement on site. In particular many applicants have experienced significant delays in receiving planning permission for their projects.

9 Cash at bank

	2005-2006	2004-2005
	£	£
Cash at bank	464,355	461,830

10a Debtors and prepayments

	2005-2006	2004-2005
	£	£
Bank interest receivable	2,220	2,244
Amount owed by SCNI	-	3,012
Grant clawbacks	81,049	-
Other debtors	9,695	1,792
	92,964	7,048

10b Intra government balances

There are no intra government balances in debtors and prepayments at the year end.

11 Creditors

11a Analysis by type

	2005-2006	2004-2005
	£	£
Corporation Tax payable	4,762	2,503
Trade creditors	309,763	85,932
Other creditors	6,605,602	6,114,007
Amount owed to SCNI	245,093	140,782
	7,165,220	6,343,224

A sum of £261,591 (2004-2005: £471) under Trade Creditors relates to grant commitments for which claims for payment had been received at 31 March 2006.

The sum of £6,605,602 (2004-2005: £6,114,007) under other creditors refers to grant hard commitments payable in 2006-2007.

11b Intra-Government balances

	2005-2006	2004-2005
	£	£
Balances with local authorities	65,835	372,496
Balances with other government organisations	3,571,870	219,275
	3,637,705	591,771

12 Commitments

The Sports Council made a capital award to the University of Ulster at Jordanstown for £7,941,000 towards the provision of a SINI facility costing £10,799,000. The award of £7,941,000 is shown under hard commitments in the accounts. £3,000,000 of this award is to be funded by Sport England been approved by their Council which has a formal agreement was signed in September 2006 between Sports Council and Sport England.

The Sports Council has made Stage I approvals under the Building Sport programme to the value of £5,789,845. These have not been recorded as a Soft or Hard Commitment as they need to reach Stage II approval before they become a financial commitment.

There were no capital commitments as at 31 March 2006.

13 Contingent liabilities

There were no contingent liabilities as at 31 March 2006.

14a Hard commitments

	2005-2006 £	2004-2005 £
Hard commitments brought forward	6,767,129	8,745,042
Hard commitments met in the year	(5,976,400)	(4,715,242)
Hard de-commitments	(996,231)	(1,175,653)
Hard commitments made	16,938,445	3,912,982
Balance of hard commitments outstanding carried forward	<u>16,732,943</u>	<u>6,767,129</u>

Profile of hard commitments

	2005-2006 £	2004-2005 £
Payable in 2005-2006	-	6,114,478
Payable in 2006-2007	6,867,193	546,243
Payable in 2007-2008	8,046,330	106,408
Payable in 2008-2009	1,819,420	-
	<u>16,732,943</u>	<u>6,767,129</u>

Disclosure of hard commitments

	Note	2005-2006 £	2004-2005 £
Trade creditors	11	261,591	471
Other creditors	11	6,605,602	6,114,007
Provision for liabilities and charges		9,865,750	652,651
Total hard commitments		<u>16,732,943</u>	<u>6,767,129</u>

The Balance Sheet shows a figure of £9,865,750 (2004-2005: £652,651) under 'Provision for Liabilities and Charges: Grant Commitments' and this represents the hard commitments payable 2007-2008 to 2008-2009.

The 'Provision for New Grant Commitments Made Less Decommitments' total of £9,965,814 (2004-2005: (£1,928,837)) as shown in the Income and Expenditure Account is the increase in the provision for grant commitments in future years. A claw back of grant £81,049 as shown under debtors (see note 10) was recovered post year end.

Soft commitments

	2005-2006	2004-2005
	£	£
Soft commitments brought forward	1,026,562	995,184
Soft commitments transferred to hard commitments	(16,938,444)	(3,912,982)
Soft de-commitments	(60,000)	(591,247)
Soft commitments made	19,544,615	4,535,607
Balance of soft commitments outstanding carried forward	<u>3,572,733</u>	<u>1,026,562</u>

14b Analysis of grant payments

	2005-2006	2004-2005
	£	£
Public sector bodies	1,456,761	1,366,446
Private sector bodies	4,519,639	3,348,796
Total grant payments	<u>5,976,400</u>	<u>4,715,242</u>

15 Income and Expenditure Reserve

	£
Balance at 31 March 2005 per Audited Account 2004-2005	17,964,565
Decrease in funds from Income and Expenditure Account 2005-2006	(9,314,456)
	<u>8,650,109</u>
Unrealised losses on investments	(170,695)
Balance at 31 March 2006	<u>8,479,414</u>

16 Related party transactions

Several members of the Sports Council, its Lottery Committee and staff are also involved with suppliers or 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 commitments to those organisations with which they have had a declared interest. A list of the commitments 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 arm's length by the Sports Council.

Organisation	Commitment(£)	Individual
Pegasus Hockey Club	200,000	Hilary Brady
Pegasus Hockey Club SINI	200,000	Olive Brown
SINI	10,761,000	Olive Brown
UB Irish Hockey	13,900	Olive Brown
University of Ulster	35,477	Olive Brown
Derry City Council	480,219	Cathal Logue
SINI	10,761,000	Cathal Logue
Irish Football Association	9,000	Maura Muldoon
Gymnastics	36,200	Marie Murphy
University of Ulster	35,477	Marie Murphy
Boy's Brigade Belfast	119,491	Jim Rodgers
Irish Football Association	9,000	Jim Rodgers
UB Irish Hockey	13,900	William Brown
North East Area Partnership	160,901	Norma Bowman
Ulster Council GAA	10,000	Jimmy Darragh
Ulster Springfield Development Trust	179,460	Paul Donnelly
Netball NI	6,000	Karen Drennan
North Down Borough Council	8,000	Karen Drennan
Canoe Association NI	28,230	Trevor Fisher
NI Equestrian Sport Committee	13,000	Diane Gaston
Canoe Association NI	28,230	Oisín Hallissey
Canoe Association NI	28,230	Nick Harkness
St John's GAC	88,000	Kieran Kelly
NI Karting Association	8,000	Andrea McKittrick
Brownlow Campus Sports Trust	69,195	John News
Canoe Association NI	28,230	Kieran O'Hara
Lisburn City Council	157,533	Jill Poots
Royal Yachting Association	86,400	Jill Poots
Ulster Squash	52,100	Jill Poots
NI Athletics Association	55,130	David Seaton
Irish Women's Bowling	6,000	Jayne Thompson
Irish Women's Indoor Bowling Association	16,000	Jayne Thompson
NI Cricket Association	8,800	Jenefer Waring

Other related parties include

The Sports Council for Northern Ireland is funded by the Department of Culture Arts and Leisure. The Department is regarded as a related party.

The Sports Council for Northern Ireland owns 50 per cent of the Sports Institute Northern Ireland via a joint venture with the University of Ulster. The Sports Institute Northern Ireland and University of Ulster are both regarded as related parties.

The Lottery Account operations of the Sports Council for Northern Ireland are funded from the National Lottery Fund through the Department of Culture, Media and Sport. The Department is regarded as a related party.

In addition, Lottery grants were paid during the year to a number of organisations in which Council Members declared an interest. Having declared an interest Council Members are required to leave the meeting while the relevant application is discussed and a decision made.

18 Derivatives and Other Financial Instruments: Disclosures (FRS 13)

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

Liquidity risks

In 2005-2006 £5.991 million (81.7 per cent) of the Sports Council's Lottery Fund's income was derived from the National Lottery. The remaining income is derived from investment returns from the balance held with the NLDF £1.304 million (17.8 per cent), and from Bank Interest and Sundry Income £0.036 million (0.5 per cent). The Sports 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 £25.411 million to cover all current contracted commitments of £20.306 million.

Interest rate risks

The financial assets of the Fund are invested in the NLDF, which invests in a narrow band of low risk assets such as government bonds and cash. The Sports Council has no control over the investment of Funds in the NLDF. At the balance sheet date the Market Value of investment in the NLDF was £24.946 million. In the year the average return on these investments was 4.7297 per cent. 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 3.75 per cent in the year. The cash balance at the year-end was £0.464 million. The Sports 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.

Appendix: Glossary of Terms

DCAL	Department of Culture, Arts and Leisure
DCMS	Department of Culture, Media and Sport
DFP	Department of Finance and Personnel
DTI	Development of Talented Individuals
LGPS	Local Government Pension Scheme
MIE	Major International Events
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee Scheme
NLDF	National Lottery Distribution Fund
PM	Performance Management
SFR	Statement of Financial Requirements
SINI	Sports Institute for Northern Ireland
SW	Starting Well
UU	University of Ulster

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