

THE SPORTS COUNCIL FOR NORTHERN IRELAND

# Statement of Accounts of The Sports Council for Northern Ireland

for the period 1 April 2000 to 31 March 2001  
together with a Report of the Comptroller and Auditor General thereon

Prepared pursuant to Article 7 of the Recreation and Youth Service  
(Northern Ireland) Order 1986

*Ordered by the House of Commons to be printed*  
8th September 2003



## **FOREWORD TO THE ACCOUNTS**

### **Background Information**

The Sports Council for Northern Ireland (SCNI) is an executive non-departmental public body sponsored by the Department of Culture, Arts and Leisure, established on 31 December 1973 under the provisions of the Recreation and Youth Service (Northern Ireland) Order 1973. Its object is the furtherance of sport and physical recreation and its principal functions are as provided by Article 3 of the Recreation and Youth Service (Northern Ireland) Order 1986:

- (a) on matters relating to sport and physical recreation, to advise the Department and other Government departments, Education and Library Boards, District Councils and other bodies interested in sport and physical recreation,
- (b) to encourage the provision of facilities for and participation in sport and physical recreation,
- (c) to assist, subject to paragraph (4) of the Article
  - (i) the provision of administrative services, equipment, coaching and instruction; and
  - (ii) the organising or supporting of, or participating in, international or other events, by bodies providing facilities for sport or physical recreation or organising such activities, and
  - (iii) to assist, subject to paragraph (4) the Article, bodies providing supportive services in connection with sport and physical recreation.

Article 5 of the 1986 Order as amended by the Financial Provisions (NI) Order 1991 provides that the Department may, subject to such conditions as the Department thinks fit, make grants towards the expenses of the Sports Council.

These financial statements have been 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 activities at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

These accounts have been prepared in accordance with Article 7 of the Order and in a form directed by the Department of Culture, Arts and Leisure with the approval of the Department of Finance and Personnel. A copy of the Accounts Direction can be found at Annex A.

### **Business Review**

A full review of Sports Council activities is given on pages 2 to 50 of the Annual Report.

### **Results for the Year**

The results of SCNI are set out in detail on page 9. The income and expenditure deficit for the year was £171,603. (2000 - surplus £77,198).

### **Future Developments**

The significant developments the Sports Council will focus on in the year 2001 - 2002 are:

- A review of the "Young People and Sport" strategy;
- The instigation of a modernisation programme with SCNI funded Governing Bodies of sport;
- The formation of the Sports Institute Northern Ireland company and establishment of services for elite athletes; and
- Establishment and delivery of new lottery capital and revenue programmes, including safety in sports grounds.

### **Important events occurring after the year end**

There have been no significant events since the year end that would affect these accounts.

### **Charitable Donations**

The Council has made no charitable donations during the year.

### **Board Members**

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.

A new Council was appointed with effect from April 2000 by the Secretary of State with the following composition:

Chairman: Professor E D Saunders

Vice Chairman: C J G Shillington CBE DL JP

Members: H Brady  
G Carson  
M Cusdin  
J Davidson  
J Gallagher  
A Hamill  
M Hill  
N McConnell  
S Martin (resigned 12 February 2001)  
M Murphy  
T Ringland  
J Sanderson  
R G Trouton

It has been decided not to replace S Martin following his resignation.

### **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 to suppliers**

The Sports Council is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

During the year 85% of bills were paid within this standard (2000 85%); regular reviews aim to improve this percentage.

EAMONN McCARTAN

27 September 2002

*Chief Executive*

*Sports Council for Northern Ireland*

## **STATEMENT OF NDPB'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES**

Under the Recreation and Youth Service (Northern Ireland) Order 1986, the Sports Council for Northern Ireland is required to prepare a statement of accounts in the form and on the basis determined by the Department of Culture, Arts and Leisure, with the approval of the Department of Finance and Personnel. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs 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 accounts the Council is required to:

- observe the accounts direction issued by the Department of Culture, Arts and Leisure, 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 the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer of the Department of Culture, Arts and Leisure has designated the Chief Executive of the Sports Council as the Accounting Officer for Sports Council. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officer's Memorandum, issued by the Department of Finance and Personnel.

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Sports Council for Northern Ireland.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council;
- regular reviews by the Council of periodic and annual financial reports which indicate financial performance against the forecasts;
- procedures for the assessment of applications and the management of grants, ensuring that all applications and awards receive sufficient, consistent processing in line with Policy and Financial Directions issued by the Permanent Secretary of the Department of Culture, Arts and Leisure;
- setting targets to measure financial and other performance;

The Sports Council for Northern Ireland employs Ernst and Young to provide an internal audit service, which operates to standards defined in the Government Internal Audit Manual. Their work is informed by an analysis of the risk to which the Council is exposed and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Council's Audit Committee and approved by myself. At least annually, a report on internal audit activity in the Council is provided to myself. This report includes their independent opinion on the adequacy and effectiveness of the Council's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by this opinion, the Audit Committee which oversees the work of the internal audit service provider, the Executive Managers who have responsibility for the development and maintenance of the financial control framework and comments made by the external auditors in their management letter and other reports.

My review of the effectiveness of the systems have revealed the following:

1. Following qualification by the NIAO in relation to payments made in advance of need under the Safe sports Ground Programme and the reimbursement of air fares and other expenses incurred by senior officials a review of the organisation's systems and procedures in these areas has been undertaken and appropriate controls have now been put in place to ensure that this does not happen again.
2. Significant progress has been made in relation to implementation of controls in other areas although progress has been hampered to some extent by IT deficiencies.
3. In September 2002, it was brought to my attention that the Sports Council for Northern Ireland had not complied with the terms and conditions of grant funding set by the International Fund for Ireland. As a result funds may have to be repaid. I will be examining the controls and will put in place improvements necessary to ensure there is no repetition of this.

### Implementation of a Statement of Internal Control

As Accounting Officer, I am aware of the recommendation for Non-Departmental Public Bodies to produce a Statement of Internal Control, and am taking reasonable steps to comply with the Department of Finance and Personnel's requirement for this statement to be prepared for the year ended 31 March 2002, in accordance with guidance issued by the Department of Finance and Personnel.

EAMONN McCARTAN

27 September 2002

*Accounting Officer for the Council*

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements on pages 9 to 25 under the Recreation and Youth Service (Northern Ireland) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 and 14.

### **Respective responsibilities of the Sports Council for Northern Ireland, the Chief Executive and Auditor**

As described on page 6 the Council and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Recreation and Youth Service (Northern Ireland) Order 1986 and the Department of Culture, Arts and Leisure directions made thereunder and for ensuring the regularity of financial transactions. The Council and Chief Executive are also responsible for the 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 Recreation and Youth Service (Northern Ireland) Order 1986 and directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly 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 Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 6 reflects the Council's compliance with the Department of Finance and Personnel's guidance 'Corporate governance: statement on the system of internal financial 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 financial information I am aware of from my audit of the financial statements.

### **Basis of 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 Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are 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 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 the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. However, the evidence available to me was limited because of inadequate accounting records and deficiencies in key financial controls in respect of the irregular reimbursement of air fares and other expenses incurred by senior officials in connection with attendance at an overseas event.

In addition, my audit of expenditure on projects within the Safe Sports Grounds programme revealed that in March 2001 payments amounting to £381,338 were processed in advance of need at percentages greater than the approved funding levels which ranged from 21 per cent to 85 per cent of allowable expenditure. These payments were made in breach of the principles concerning payments in advance of need, contained in Government Accounting Northern Ireland and the Financial Memorandum established for the Council by the Department.

In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

**Qualified opinion arising from limitation in audit scope and on the regularity of expenditure**

In my opinion:

- except for any adjustments that might have been found necessary had I been able to obtain sufficient evidence concerning the reimbursement of air fares incurred by a senior official in connection with attendance at an overseas event, the financial statements give a true and fair view of the state of affairs of the Sports Council for Northern Ireland at 31 March 2001 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Recreation and Youth Service (Northern Ireland) Order 1986 and directions made thereunder by the Department of Culture, Arts and Leisure; and
- except for:
  - the payments irregularly included in the financial statements relating to the air fares and other expenses referred to in the above paragraph; and,
  - for the payments in advance of need in connection with the Safe Sports Grounds programme;in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.

In respect alone of the limitation imposed on my work relating to payments for airfares and other expenses for an overseas event.

- I have not obtained all the information and explanations that I consider necessary for the purposes of my audit; and
- I was unable to determine whether proper accounting records had been maintained.

See also my report on pages 27 to 32.

J. M. DOWDALL  
Comptroller and Auditor General  
27 September 2002

Northern Ireland Audit Office  
106 University Street  
Belfast BT7 1EU



# INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2001

	Notes	2001 £	2000 £
<b>Income</b>			
Grant from the Department of Culture, Arts and Leisure (Vote A)	2	4,423,988	2,406,970
Grant from Other Activities:			
European	3a	43,993	253,644
Other	3b	98,674	15,000
Income from Activities	4	607,003	562,611
Income from Lottery	4	500,108	500,917
Other Income	5	57,469	53,840
		<hr/>	<hr/>
<b>Total Income</b>		<b>5,731,235</b>	<b>3,792,982</b>
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff Costs	6	1,495,636	1,439,840
Depreciation	7	58,403	53,840
Grants	8	3,028,662	991,719
Other Operating Costs	8	1,273,828	1,183,288
Notional Costs	9	46,309	47,097
		<hr/>	<hr/>
<b>Total Expenditure</b>		<b>5,902,838</b>	<b>3,715,784</b>
		<hr/>	<hr/>
<b>Surplus / (Deficit) for the Year</b>		<b>(171,603)</b>	<b>77,198</b>
		<hr/>	<hr/>
Credit in Respect of Notional Costs	9	46,309	47,097
Adjustment in respect of uplift of Grant		934	0
		<hr/>	<hr/>
<b>Amount Transferred to Reserves</b>		<b>(124,360)</b>	<b>124,295</b>
		<hr/>	<hr/>

The notes on pages 13 to 25 form part of these accounts.

# STATEMENT OF TOTAL REALISED GAINS AND LOSSES

for the year ended 31 March 2001

	Notes	2001 £	2000 £
Result for the year		(171,603)	77,198
Unrealised surplus / (deficit) on revaluation of fixed assets	17	11,678	4,671
<b>Total recognised gains / (losses) for the year</b>		<b>(159,925)</b>	<b>81,869</b>

The notes on pages 13 to 25 form part of these accounts

# BALANCE SHEET

as at 31 March 2001

	Notes	2001 £	2000 £ *restated
<b>Fixed Assets</b>			
Tangible Assets	7	310,254	335,147
<b>Current Assets</b>			
Stock	10	2,275	33,251
Debtors	11	241,060	251,138
Prepayments	11	48,885	190,820
Grants Payable	11	1,546,045	*711,302
Bank Account	14	628,049	0
Cash	14	460	308
		<u>2,466,774</u>	<u>*1,186,819</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>798,998</u>	<u>229,796</u>
<b>Net Current Assets</b>		<u>1,667,776</u>	<u>*957,023</u>
<b>Total Assets less Current Liabilities</b>		<u>1,978,030</u>	<u>*1,292,170</u>
<b>Provisions</b>	12	<u>1,599,566</u>	<u>*764,453</u>
<b>Total Assets less Total Liabilities</b>		<u>378,464</u>	<u>527,717</u>
<b>Financed by</b>			
<b>Accruals and Deferred Income</b>			
Deferred government grants	16	294,033	329,670
<b>Reserves</b>			
Income and Expenditure Reserve	17	69,016	193,376
Revaluation Reserve	17	15,415	4,671
		<u>84,431</u>	<u>198,047</u>
		<u>378,464</u>	<u>527,717</u>

The notes on pages 13 to 25 form part of these accounts

EAMONN McCARTAN

27 September 2002

*Chief Executive*

*Sports Council for Northern Ireland*

## CASH FLOW

as at 31 March 2001

	Notes	2001 £	2000 £
Net cash inflow (outflow) from operating activities	13.1	717,333	(97,869)
Returns on investment and servicing of finance		0	0
Taxation		0	0
Capital expenditure	7	(21,833)	(50,265)
Net cash inflow / (outflow) before financing		695,500	(148,134)
Financing			
Capital grants from Department of Culture, Arts and Leisure	16	21,833	49,460
<b>Increase / (Decrease) in cash</b>		<b>717,333</b>	<b>(98,674)</b>

The notes on pages 13 to 25 form part of these accounts.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2001

### 1. ACCOUNTING POLICIES

#### 1.1 Accounting Convention

The financial statements have been prepared in accordance with the historical cost convention and with the Recreation and Youth Service (Northern Ireland) Order 1986 and directions made thereunder by the Department of Culture, Arts and Leisure.

Without limiting the information given, the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel, insofar as those requirements are appropriate.

#### 1.2 Basis of preparation

The accounts are prepared in a form directed by the Department of Culture, Arts and Leisure as approved by the Department of Finance and Personnel.

#### 1.3 Income

Income is accounted for on a receivable basis and is matched to the expenditure that it finances.

All Revenue grant-in-aid from the Department of Culture, Arts and Leisure and other sources is taken to the income and expenditure account for the year to which it relates.

Capital grant-in-aid from the Department is transferred to a deferred government grant account and an amount equal to the depreciation charge for the year is released to the deferred income account.

Fees or charges for services provided by the Council are determined in accordance with the Treasury's "Fees and Charges Guide"

A service level agreement operates between Sports Council exchequer and Lottery. This covers corporate services provided and charged for: the figure shown as Service to lottery activities in note 4 does not include any amount for rent. No liability has been recognised for rental income due.

#### 1.4 Capital and Revenue Grants Payable

Where a grant offer is made, a commitment for the value of the offer will be recognised in the balance sheet as a liability (grants outstanding). Where the period of the grant offer extends beyond the end of the Sports Council's accounting period, any element of the grant which falls after the balance sheet date is recorded as a deferred grant and carried forward in current assets to be expensed in the following year.

#### 1.5 National Lottery Costs

The Sports Council is required to apportion between its Grant-in-Aid and National Lottery Distribution activities, the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably used on Lottery functions and vice versa.

The costs so apportioned to the National Lottery Distribution activities will be paid from the Lottery Fund to the Grant-in Aid account.

#### 1.6 Research and Development

Research and Development costs are written off as incurred and not carried forward as an asset.

#### 1.7 Fixed Assets

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 full for the year in which the individual or pooled asset is acquired; no depreciation is charged in the year in which the individual or pooled asset is disposed.

## NOTES TO THE ACCOUNTS (cont'd)

Assets are depreciated over their useful lives as follows:

Land and Buildings	Shorter of 50 years or balance of lease
Information Technology (Hardware and Software)	3 Years
Fixtures and Fittings	5 Years
Specialised Sports Equipment	5 Years
Vehicles	4 Years

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

Rent payable under lease agreements negotiated is regularly brought up to current market rates through periodic reviews. Where no economic benefits of ownership accrue, a lease is considered to have the characteristics, not of a financial arrangement, but of the provision of a service and is not capitalised.

### 1.8 Operating leases

Operating lease rentals are charged to the Income and Expenditure account in equal annual amounts over the lease term.

### 1.9 Notional Costs

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 6% of the average capital employed over the financial year. Auditor's notional remuneration is also included as a notional cost. Full details of these costs are given in Note 9.

### 1.10 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.

### 1.11 Value Added Tax

The Council is treated as partially exempt for VAT purposes and can only reclaim a proportion of the VAT incurred. The unclaimed balance of VAT is charged to individual items of expenditure to which the VAT relates.

### 1.12 Debtors

Debtors mainly arise from regular users of services at House of Sport and Tollymore Mountain Centre. Bad debt provision is assessed annually.

### 1.13 Year End Creditors

Year end creditors are recognised on the following basis:

1. As at close of business 31 March — goods and/or services actually received, put into stock or used.
2. The Purchase Ledger period twelve is closed off one week before the end of April to facilitate the timely completion of the quarterly VAT return.
  - (a) Invoices received after 1 April but before period twelve is closed off relating to goods and services received before year end are included at net of reclaimable VAT
  - (b) Invoices received after period twelve is closed off are accrued at gross cost i.e inclusive of all VAT
3. Purchase orders are not included as Creditors.

### 1.13 Stock

Stock is stated at the lower of cost and net realisable value.

# NOTES TO THE ACCOUNTS (cont'd)

## 2. GRANT FROM THE DEPARTMENT OF CULTURE, ARTS AND LEISURE

	2001 £	2000 £
Exchequer Funding (Vote A)	4,445,820	2,456,430
Less transfer of capital element to deferred income	(21,832)	(49,460)
	<u>4,423,988</u>	<u>2,406,970</u>
Revenue grants credited to Income and Expenditure account	<u>4,423,988</u>	<u>2,406,970</u>

## 3(a) GRANT FROM OTHER ACTIVITIES

	2001 £	2000 £
European Funding	43,993	253,644
Total European Grants	<u>43,993</u>	<u>253,644</u>

## 3(b) OTHER GRANTS

	2001 £	2000 £
Grant - Other Sources	98,674	15,000
Total Other Grants	<u>98,674</u>	<u>15,000</u>

## 4. INCOME FROM ACTIVITIES

Income from activities comprises:

	2001 £	2000 £
Sports Development	143,726	127,874
Tollymore Mountain Centre	193,040	178,933
Services to Partners	270,237	255,804
<b>Total</b>	<u><b>607,003</b></u>	<u><b>562,611</b></u>
Service to Lottery Activities	<u>500,108</u>	<u>500,917</u>

## 5. OTHER INCOME

Other income comprises transfers from the deferred government grants account of £57,469; (2000: £53,840)

## NOTES TO THE ACCOUNTS (cont'd)

	2001 £	2000 £
<b>6. STAFF COSTS</b>		
Gross		
Salaries and Wages	1,336,079	1,283,704
Social Security costs	96,829	94,272
Other pension costs	62,728	61,864
<b>Total</b>	<b>1,495,636</b>	<b>1,439,840</b>

All the above staff costs were incurred by the Sports Council for Northern Ireland and a proportion 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 Exchequer duties was 51 (2000 49 employees)

The Sports Council for Northern Ireland operates a special bonus scheme (see CSC 19/89), which makes provision for payments of special bonuses to reward exceptional performance in particularly demanding tasks or situations at any time in the year. These special bonuses take the form of taxable, non-pensionable, lump sum payments. During 2001 three awards were made, totalling £2,500.

Under terms and conditions of service, staff are entitled to an issue of luncheon vouchers to the approximate value of 65p 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 2001 was £65,688. 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 March 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 2001 this amounted to £9,853 (2000 £9,226). The balance has been charged to the Exchequer accounts.

### Council Members Emoluments

The Chairman and Vice-Chairman of the Council received honorariums totalling £11,548 and £3,029 respectively in 2001 (2000 £10,818 and £3,597). 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 Council activities. The Council does not pay any pension contributions on behalf of the Chairman or Vice-Chairman.

### Pension Costs

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 1998, were as follows:



## NOTES TO THE ACCOUNTS (*cont'd*)

### Main assumptions:

Rate of return on investments per annum	8.5 %
Rate of general increase in salaries per annum	6.0 %
Rate of pension increases per annum	4.5 %
Market value of scheme's assets (£000's)	£2,099,500
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, after allowing for future salary increases	126 %

The surplus is being amortised over the remaining service life of the current membership, a period of around 14 years.

Contributions for the year were as follows:

	2001	2000
	£	£
Employers	58,785	39,686
Employees	71,902	49,768
<b>Total</b>	<b>130,687</b>	<b>89,454</b>

The real increase in the value of accrued pension at 31 March 2001 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 pensions at 31/3/2001
		£	£	£
Eamonn McCartan <i>Chief Executive</i>	48	57,477	904	4,776
James Clarke <i>Director of Sports Development</i>	45	42,490	687	5,292
Fergus Donnelly <i>Director of Policy Planning and Resource Development</i>	48	41,424	664	7,908
Nick Harkness <i>Lottery Director</i>	38	36,487	1,008	7,589

### Benefits in Kind:

The above salaries are inclusive of £154 luncheon vouchers.

# NOTES TO THE ACCOUNTS (cont'd)

## 7. FIXED ASSETS

	Land and Buildings	Sports Equipment	Furniture and Fittings	Motor Vehicles	Computer Equipment	Total
	£	£	£	£	£	£
Cost or Valuation						
At 1 April 2000	270,932	10,643	23,152	43,588	132,968	481,283
Additions	0	0	10,844	0	10,988	21,832
Disposals	0	0	0	0	0	0
Revaluation	11,678	0	0	0	0	11,678
At 31 March 2001	<u>282,610</u>	<u>10,643</u>	<u>33,996</u>	<u>43,588</u>	<u>143,956</u>	<u>514,793</u>
Depreciation						
At 1 April 2000	(10,837)	(5,655)	(11,573)	(16,250)	(101,821)	(146,136)
Provided during year	(10,650)	(2,129)	(6,799)	(10,897)	(26,994)	(57,469)
Backlog	(934)	0	0	0	0	(934)
Depreciation						
Disposals	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
At 31 March 2001	<u>(22,421)</u>	<u>(7,784)</u>	<u>(18,372)</u>	<u>(27,147)</u>	<u>(128,815)</u>	<u>(204,539)</u>
Net Book Value						
At 31 March 2000	<u>260,095</u>	<u>4,988</u>	<u>11,579</u>	<u>27,338</u>	<u>31,147</u>	<u>335,147</u>
At 31 March 2001	<u>260,189</u>	<u>2,859</u>	<u>15,624</u>	<u>16,441</u>	<u>15,141</u>	<u>310,254</u>

The net book value of land and buildings comprises:

	2001
	£
Freehold	0
Short leasehold	260,188

Leases entered into in respect of the land at Tollymore Mountain Centre and Altnadue Quarry have been expensed to the Income and Expenditure Account.

# NOTES TO THE ACCOUNTS (cont'd)

## 8. OPERATING COSTS

	2001 £	2000 £
Travel and Subsistence	102,141	144,000
Recruitment	3,732	33,158
Training	72,811	39,542
Publications, Printing and Stationery and IT Consumables	102,298	97,828
Telephones and Postage	97,769	109,674
Professional Fees / Consultancy Fees	165,469	142,290
Repairs and Renewals	72,314	74,637
Quality Initiatives	1,579	2,279
Insurance	40,720	28,564
Rent and Rates	90,192	83,045
Heat and Light	28,761	24,209
Caretaking and Cleaning	17,313	21,908
Sundry Expenses	53,526	23,555
Office Overheads	61,029	84,025
Bad Debts Written Off	12	412
Committees, Receptions and Publicity	60,949	19,885
Promotions and Sponsorships	8,520	23,164
Photography	7,003	10,590
Information Services, Journals and Subscriptions	4,982	4,592
Sports Development	255,291	196,199
Drug Testing	0	65
Coaches	22,193	17,417
Grant - Feasibility Study	5,224	2,250
<b>Total Other Operating Costs</b>	<b>1,273,828</b>	<b>1,183,288</b>
Sports Development Grants	450,917	455,931
Safety in Sports Grounds Grants	1,961,197	0
Governing Bodies Grants	616,548	535,788
<b>Total Grants</b>	<b>3,028,662</b>	<b>991,719</b>
<b>Total Costs</b>	<b>4,302,490</b>	<b>2,175,007</b>

## 9. NOTIONAL COSTS

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

Notional cost of capital	£29,421
Notional costs also include Auditors remuneration of	£16,888
<b>Total Notional Costs</b>	<b>£46,309</b>

# NOTES TO THE ACCOUNTS (cont'd)

## 10. STOCK

	Luncheon Vouchers	Resource Packs	Junior Club Develop- ment Packs	Board Games	Total Stock
	£	£	£	£	£
Opening Stock 1 April 2000	326	18,000	3,000	11,925	33,251
Stock Expensed	0	(18,000)	(3,000)	(11,925)	(32,925)
Receipts	10,187	0	0	0	10,187
Issues	(8,238)	0	0	0	(8,238)
<b>Closing Stock</b>	<b>2,275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,275</b>

## 11. DEBTORS AND PREPAYMENTS (AMOUNTS DUE WITHIN ONE YEAR)

	2001 £	2000 £
Trade debtors	*Restated 241,060	251,138
Grants Payable	1,546,045	*711,302
	<u>1,787,105</u>	<u>*962,440</u>
Prepayments	46,327	175,563
VAT	2,450	15,162
Advances - Control Account	108	95
	<u>48,885</u>	<u>190,820</u>
<b>Total</b>	<b><u>1,835,990</u></b>	<b><u>*1,153,260</u></b>

## 12. PROVISIONS

Grant commitments at 31 March

	2001 £	2000 £
Grants to Governing Bodies	*Restated 0	*79,674
Safety in Sports Grounds	1,128,516	0
Sports Development	417,529	*631,628
	<u>1,546,045</u>	<u>*711,302</u>

The commitment under the Safety in Sports Ground Programme includes £600,000 which is due from the Sports Lottery Fund. This is reflected as a commitment in Sports Lottery Fund accounts for 2002.

# NOTES TO THE ACCOUNTS (cont'd)

## Pension Commitments at 31 March

	2001 £	2000 £
Pension Commitments	53,521	53,151
	<u>53,521</u>	<u>53,151</u>

## 13.1 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Result for the year	(171,603)	77,198
Depreciation	58,403	53,840
Profit/(loss) on disposal of assets	0	0
Notional cost of capital	46,309	47,097
Deferred grant income	(57,469)	(53,840)
Decrease/(increase) in stock	30,976	(9,025)
Decrease/(increase) in debtors	152,013	(217,962)
(Decrease)/increase in creditors	658,704	4,823
<b>Net cash outflow from operating activities</b>	<b><u>717,333</u></b>	<b><u>(97,869)</u></b>

## 13.2 RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
Cash in Bank and Petty cash at 1 April	(88,824)	9,850
Net Cash Inflow	717,333	(98,674)
	<u>628,509</u>	<u>(88,824)</u>

## 14(a) PETTY CASH

	2001 £	2000 £
Petty Cash - Armagh	0	50
Petty Cash - House of Sport	260	158
Petty Cash - Tollymore	200	100
	<u>460</u>	<u>308</u>

## 14(b) CASH AT BANK

	2001 £	2000 £
Cash/ (Overdraft) at start of year	(89,132)	9,665
Net cash inflow	717,181	(98,797)
	<u>628,049</u>	<u>(89,132)</u>

# NOTES TO THE ACCOUNTS (cont'd)

## 15. CREDITORS (amounts falling due within one year)

	2001	2000
	£	£
Bank overdraft	0	89,132
Trade creditors	88,943	49,585
Other creditors including taxation and social security	2,145	8,018
Accruals	156,066	69,354
Deferred Income (TMC)	7,398	6,463
Deferred Income (DOE)	0	7,244
Deferred Income (FSA)	543,917	0
Finance Leases	529	0
	<u>798,998</u>	<u>229,796</u>

## 16. DEFERRED CAPITAL

Capital Allocations not yet released to income and expenditure account.

	£
At 1 April 2000	(329,670)
Fixed Assets Purchased	(21,832)
Released to income and expenditure account	57,469
At 31 March 2001	<u>(294,033)</u>

## 17. RECONCILIATION OF MOVEMENTS IN RESERVES AND GENERAL FUND

	Income & Expenditure Reserve	Revaluation Reserve	Total
	£	£	£
At 1 April 2000	193,376	4,671	198,047
Transfer from I&E Account	(124,360)	0	(124,360)
Adjustment to grant release related to revalued fixed assets	0	(934)	(934)
Surplus on revaluation of fixed assets arising in year	0	11,678	11,678
At 31 March 2001	<u>69,016</u>	<u>15,415</u>	<u>84,431</u>

## 18. PERFORMANCE AGAINST KEY FINANCIAL TARGETS

### Direct Running Costs

On 12 October 1998 the Department agreed to the Council's baseline for Direct Running Costs at £117,000. The Council was to achieve 10% savings over a three year period. The budgeted outturn for 2000/01 was £105,300. The actual outturn was £85,220.

## NOTES TO THE ACCOUNTS (*cont'd*)

### *Carryover*

The Council's financial memorandum states that the Council may carry forward from one financial year into the next, any unexpended balance up to a limit of 2% of the total authorised Grant-in-Aid for the entire year.

Grant-in-Aid	£ 4,423,988
2%	<hr/> 88,480 <hr/>
Bank Control Account	628,049
Plus Monies due from externally funded schemes	
Youth Sport Foyle Phase 1	0
Youth Sport Foyle Phase 2	19,005
Sport for All Leader Board	27,350
International Fund for Ireland	8,964
Less Monies Received from FSA (deferred)	543,917
<b>Total Carried Forward</b>	<hr/> <b>139,451</b> <hr/>

## 19. CONTINGENT LIABILITIES

The Sports Council for Northern Ireland entered into an agreement with the Lottery Fund whereby the Sports Council for Northern Ireland must provide alternative equivalent office accommodation to the Lottery Fund in the event that the Sports Council for Northern Ireland moves office until 31 March 2005.

Following a monitoring inspection by the International Fund for Ireland on the Community Bridges Programme there is the possibility that grant-in-aid previously claimed by the Sports Council for Northern Ireland from the International Fund for Ireland may have to be repaid in full or in part. The reason for repayment is that a number of grants paid by the Sports Council for Northern Ireland were not eligible under the terms set out in the letter of offer. The amount of any repayment would not exceed £175,488.

## 20. RELATED PARTY TRANSACTIONS

The Sports Council is a Non-Departmental Public Body sponsored by the Department of Culture, Arts and Leisure.

The Department of Culture, Arts and Leisure is regarded as a related party. During the year the Sports Council has had various transactions with the Department and with other entities for which the Department of Culture, Arts and Leisure is regarded as the parent Department. None of the Council Members, key managerial staff or other related parties has undertaken any material transactions with the Sports Council for Northern Ireland during the year.

As a matter of policy and procedure, Council Members and staff maintain publicly available registers of interests and declare any direct interest in grant applications made to Sports Council for Northern Ireland and any commercial relationships of the Council.

Several members of the Sports Council, its Lottery Committee and members of key management staff are also involved in other sports organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest.

A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed below. All the transactions relating to the organisations were conducted at arms length by the Council.

The following transactions are considered to be disclosable Related Party Transactions in respect of Council Members and Senior Staff.

NOTES TO THE ACCOUNTS (cont'd)

Senior Staff

Grant	Organisation	Individual	Relationship
£35,625	Ulster Branch Irish Hockey Union Head of Administration & Finance	Robin Mitchell	Council Member of UBIHU
£1,520	Golfing Union of Ireland Ulster Branch	Robin Mitchell Head of Administration & Finance	Registered player
		Gus Donnelly Director Policy Planning and Resource Development	Registered player
		Eamonn McCartan Chief Executive	Registered player
£7,500	Ulster Sports Trust	Robin Mitchell Head of Administration & Finance	Assistant Secretary
£40,500	Northern Ireland Athletics Federation	Davy Seaton Project Officer	Member
£1,500	I.L.G.U	Mrs Harkness (Wife of Nick Harkness)	Registered Member
£8,412	Queens University of Belfast	Nick Harkness Director Lottery	Member of Queens P.E.C
		Gus Donnelly Director Policy Planning and Resource Development	Member of Queens P.E.C
£ 5,000	C.A.N.I	Nick Harkness Director Lottery	Member
£ 5,000	Mountaineering Council of Ireland	Nick Harkness Director Lottery	Affiliated Member
£27,812	NIAGA	M Murphy	Executive Member
£ 1,520	Golfing Union of Ireland	C Shillington J Davidson	Registered Player
£ 1,500	I.L.G.U (Wife of C Shillington) M Cusdin	Mrs Shillington	Registered Player
£90,000	Youth Sport North East	N McConnell	Adviser - North Eastern Board
£91,122	Gaelic Games	A Hamill	Co Antrim Board Honorary Member - O'Donovan Rossa
£80,000	IFA	J Gallagher	Staff Coach (Honorary)
£61,000	IRFU	T Ringland	Subscribing Member
£30,000	Disability Sports	M Hill	Honorary Officer



NOTES TO THE ACCOUNTS (*cont'd*)

21. LOSSES DURING YEAR

Bad debts totalling £12 were written off during the year; (2000: £412)

22. PRIOR YEAR ADJUSTMENT

Grant Payable and Grant Commitments figures were reduced for the year 2000 to reflect the amount of Grant Prepayments made at the end of that period.

**SPORTS COUNCIL FOR NORTHERN IRELAND —  
ACCOUNTS DIRECTION**

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF CULTURE, ARTS AND LEISURE WITH THE APPROVAL OF DEPARTMENT OF FINANCE AND PERSONNEL, IN ACCORDANCE WITH THE RECREATION AND YOUTH SERVICE (NORTHERN IRELAND) ORDER 1986

The annual accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement the Sports Council for Northern Ireland shall prepare accounts for the financial year ended 31 March 2000 and subsequent financial years in accordance with:

- (a) Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance;
- (b) other guidance which the Department of Finance and Personnel may issue from time to time in respect of accounts which are required to give a true and fair view;
- (c) any other specific disclosures required by the Department.

Except where agreed otherwise with the Department of Finance and Personnel, in which case the exception shall be described in the notes to the accounts.

Signed by the authority of the Department of Culture, Arts and Leisure

NIGEL CARSON

*Director of Culture and Recreation Division*

Dated 3 May 2001

## AUDITOR'S REPORT

Reimbursement of air fares and other expenses incurred by senior officials in connection with certain overseas trips.

1. The Sports Council for Northern Ireland is a Non-Departmental Public Body sponsored by the Department of Culture, Arts and Leisure (the Department).
2. It is important that public bodies have sound procedures in place to ensure that there is propriety in the use of public money for overseas travel and expenses. Moreover, the Public Accounts Committee has emphasised that "... officials at the top of public sector organisations are expected to set an example in terms of scrupulous care in relation to claiming for expenditure incurred in the course of carrying out their duties" — Report: 2/01/R (5 September 2001).
3. In January 2002, as part of the audit of the 2000-01 accounts, my staff examined payments made to the Chairman and Chief Executive for travel and subsistence. This examination raised a number of concerns.
4. In September 2000, the Council's Chairman and Chief Executive attended the Sydney Olympics in Australia. The Council approved this travel in advance and their itineraries included business meetings in Singapore, Sydney and New Zealand. The Sports Council advised that the trip had numerous purposes and outcomes including:
  - to represent the Minister and Sports Council for Northern Ireland;
  - to establish performance standards;
  - to support the UK Sports Council Chairman in the promotion of sport at UK level;
  - to develop greater understanding and awareness of sport in Singapore, Australia and New Zealand;
  - to identify good practice;
  - to exchange knowledge and information; and
  - to advance the development of a bid to host the World Amateur Boxing Championships in Northern Ireland.

The Sports Council told me the outcomes fed into the policies, principles and practices of the Sports Council, inter alia;

- planning and developing the Sports Institute for Northern Ireland;
  - planning and feasibility of the National Stadium and facilities for Northern Ireland;
  - planning and development of community sport on an outsourced basis;
  - planning and development of young people in sport strategies;
  - planning and development of the United Kingdom Sports Council's major events strategy;
  - planning and development of the excellence programmes;
  - planning and successful hosting of the World Boxing Championships;
  - develop a greater understanding of volunteerism and their role and contribution to major events; and
  - input into the strategy and structures for sport in Northern Ireland and the United Kingdom.
5. A payment of £6,002 was made to the Chairman on 4 September 2000, three days before his departure. The payment was based on a faxed quotation dated June 2000 for a return business class flight to New Zealand and Sydney via Singapore. This was received from a travel agent under arrangements approved by the Government Purchasing Agency (GPA).
  6. The Chairman was paid an advance of the quoted amount (£6,002) and made his own flight arrangements. The Sports Council told me this was due to the fact that the Minister for Culture, Arts and Leisure was unsure if he would be attending and the serious illness of the Chairman's wife which

meant that the flights had to be booked at a very late stage. The Chairman booked his flight through his own travel agent and secured a business class seat from and to Edinburgh via Heathrow, Singapore, Perth, Sydney, Wellington, Los Angeles, Miami and Heathrow for the sum of £3,238. This was £2,765 less than the fare quoted by the GPA appointed travel agents although it included return travel via the United States.

7. In February 2002, following enquiries by my staff, the Sports Council reconciled the amount paid to the Chairman on the basis of the June 2000 quotation and the costs he actually incurred. The Sports Council told me that the reconciliation had been overlooked due to personnel absences, the significant additional workloads associated with the move from cash to accruals accounting and the loss, due to theft, of the Chairman's possessions, including papers relating to this trip. The Chairman has now repaid £2,764, plus interest of £249.
8. My staff also examined the payment made to the Chief Executive in connection with his air fares and other expenses for his trip to the Sydney Olympics. While he had reclaimed from the Sports Council the actual cost of his flight, my staff's examination identified an overpayment to him of his other expenses. The Sports Council told me this overpayment was the result of an inadvertent processing error and, on discovery by my staff, he repaid £141, plus £9 interest.
9. In light of these overpayments I asked whether the Chairman, Council Members or other officials had been paid expenses on the basis of a quotation in any other instance. The Council undertook a review and advised me that there were two other occasions when payments were issued based on quotations.
10. In one of these I was told that the Chief Executive travelled to New York and Houston in 1999. The purpose of the trip to New York was to examine and learn from the operation of the Madison Square Garden Arena and to meet with representatives of the New York Sports Council. The trip to Houston was to make a presentation to the World Board of Amateur Boxing concerning hosting the World Amateur Boxing championships in Belfast. The Sports Council told me Belfast subsequently hosted a successful championship in 2001.
11. I was advised that three quotations were obtained for economy class travel, against an entitlement to travel business class, and the Chief Executive was paid the lowest, an amount of £1,021. His return flights from and to Gatwick were via Newark, Houston, Fort Meyers and Cleveland. The return journey through Fort Meyers was for personal reasons.
12. In April 2002, the Sports Council undertook a reconciliation with actual costs. This resulted in the Chief Executive repaying £335, plus £50 interest. The Sports Council told me that following consultation with the travel agents they have confirmed that, as this ticket was a "bucket shop ticket", it was not possible to disaggregate the personal element but that, even if it were possible, the amount would be negligible.
13. The Chairman's and Chief Executive's flights to the Sydney Olympics in 2000 were again scheduled to include a personal element. In the case of the Chairman's travel, the Sports Council told me it has been demonstrated that there was no additional cost to the public purse by choosing to return via the United States. The Sports Council further told me the Chairman was entitled to be returned from Australia and the fact that he stopped off in the United States did not result in any additional cost to the public purse.
14. In total, the Chairman and Chief Executive have now repaid £3,240, plus £308 interest, in connection with overpayments of air fares and other expenses arising from these overseas trips. Of this amount, £2,905 related to overpayments in 2000-01. However, I have to record that the Sports Council cannot tell me reliably how much of the actual cost of flights relates to personal travel although the Council has told me its travel agent has advised that there was no additional determinable cost to the public purse in either case.
15. I have to conclude that the Sports Council has not been handling senior officials' expenses with the scrupulous care that the Assembly would expect. In light of my findings I recommended that, in future, the Sports Council arranges and pays for flights for persons travelling on official business and that all other expenses should only be paid on receipt of a vouched and signed claim. The claim form supporting expenses should require a declaration that expenses have been actually and necessarily incurred on official business in the most economical manner. Furthermore, I recommended all claims should be accompanied by receipts except on those rare occasions, such as overseas trips, when

allowances are permitted. The Sports Council has accepted the recommendations regarding the procedures for the payment of expenses and has told me that these have been and will continue to be implemented.

16. I intend to keep under review senior officials' travel and subsistence payments. I will also look to the Department to ensure that appropriate controls are in place and are working effectively to avoid recurrences. The Department has told me it has discussed the matter fully with the Chief Executive and senior officers of the Sports Council and that it understands the Council has changed its procedures for the payment of travel and subsistence expenses. The Department has asked the Council for sight of these new procedures for consideration and approval. The Department is persuaded that the Chief Executive and senior officers of the Sports Council understand the need to put new controls and procedures in place and that they will work to ensure there is no recurrence of the issues raised in this report.

### **Safe Sports Grounds Programme**

17. The Sports Council's responsibilities include the administration of the Safe Sports Grounds Programme. This was launched in August 2000 to address urgent safety concerns highlighted in the report 'Safety at Sports Grounds in Northern Ireland'.
18. Funding was allocated to the programme over a two year period and included an amount of £1.6m in 2000-01 from the Department. The Sports Council told me this funding was carry forward constrained and consequently any unspent balance at the year-end was potentially lost to the Programme and could have jeopardised both the individual projects and the overall urgent safety objective of the Programme.
19. Fourteen projects were awarded funding in the 2000-01 financial year. The terms and conditions were set out in letters of offer and required written acceptance by two signatories on behalf of the applicant. Grant was awarded at a specific percentage rate of estimated allowable expenditure. Across the fourteen projects this ranged from 21 per cent to the maximum permitted level of 85 per cent.
20. During March 2001, the Sports Council processed interim grant payments to eight of the 14 projects at a percentage greater than the rate specified in the letters of offer. In the cases of five projects all interim grant payments made during March had been processed at 100 per cent of allowable expenditure incurred. In one project's case there were two payments during March, one being processed at 100 per cent and the other at 85 per cent. This compared with a rate of 54 per cent of allowable expenditure set out in the letter of offer for this project. In the other two projects the payments during March were processed at 61 per cent and 93 per cent respectively (compared with 21 per cent and 85 per cent of allowable expenditure as set out in the respective letters of offer). The reason given in letters sent to the eight recipient bodies was 'to ensure maximum spend within the financial year'. These payments were made in breach of the principles set out in Government Accounting Northern Ireland and the Financial Memorandum established for the Council by the Department.
21. The Sports Council told me that, following a consideration of the risks to the public in terms of spectator safety, the programme in terms of potential fruitless payments and to premier league football in Northern Ireland, a management decision was taken by senior officers to pay grant claims at a percentage greater than that set out in the agreed letters of offer. The Council told me that, due to these risks, it considered itself to be under significant pressure to ensure the funding from the Department was spent within the financial year. The Department informed me it was not aware of the Council's decision. I consider that the reasons given by the Sports Council to explain the payments in advance of need should have been put to its sponsoring Department to bid for supply in 2001-02 in line with established procedures. I also note that approval was not obtained from the Department of Finance and Personnel for the payments in advance of need, as required by the Dear Accounting Officer letter reference DAO(DFP) 19/99.
22. The Sports Council provided me with details of payments made at 100 per cent of allowable expenditure. This was initially assessed by the Council as £188,404, representing claims by four applicants paid at 100 per cent and two claims by a further applicant, of which one was paid at 100 per cent and the second at 85 per cent of allowable expenditure.

23. Following queries by my staff concerning a further applicant who appeared to have been paid grant at 100 per cent of allowable expenditure, the Council provided my staff with a revised schedule showing payments in advance of need (rather than simply payments at 100 percent of allowable expenditure) totalling £358,003. This included the further case identified by my staff where grant had been paid at 100 per cent and two cases where grant had been paid at 61 per cent and 93 per cent, that is, at a percentage greater than the letters of offer specified. Subsequent validation work by my staff identified errors in two cases in the information previously provided by the Sports Council, as a result of which the total of payments in advance of need was revised to £381,338. The Sports Council accepts it made errors in calculating the figures and I am content that it did not deliberately try to mislead the NIAO.
24. Of the eight cases referred to at paragraph 20, full entitlement to the amount paid was achieved in the next financial year. However, there are aspects of individual cases that concern me particularly;
  - in one case, at the time of payment, the grant award entitlement was an amount of £61,141 (21 per cent of eligible expenditure) but the amount actually paid was £180,000, a difference of £118,859. Full entitlement to the amount paid was not achieved until 31 August 2001;
  - in another case the Council not only paid grant at 100 per cent on two payments late in March 2001 but revised to 100 per cent a payment made previously at the correct percentage - additional grant totalled £47,592 and full entitlement was not achieved until 26 July 2001; and
  - in two other cases it took over ten months, until February 2002, to achieve a position whereby entitlement was reached for grant that was paid in March 2001.
25. In my view, the Sports Council was exposed to the risk posed by advance payments until the applicants' entitlement was achieved in full.
26. The Sports Council provided me with the following reasons for the payments in advance of need;
  - failure would have impacted on the Safety Management programme and partially completed facilities would have represented a risk to spectators due to the urgent health and safety needs at the grounds;
  - failure to achieve the required spend would have resulted in an even greater loss of public funds as projects would have been put in financial difficulty and money already invested in the schemes would have been lost or put in jeopardy. There was the potential risk of significant fruitless payments;
  - as the funding for this Programme was carry forward constrained, payments were processed at percentages greater than in the agreed letters of offer to ensure the full spend of Departmental funding by 31 March 2001; and
  - the applicants to the programme were and still are in a precarious financial position.
27. The Sports Council has told me that under no circumstances will payments in advance of need be made in future without the prior approval of its sponsoring Department and the Department of Finance and Personnel.
28. I am concerned by the Sports Council's assessment of the financial positions of the applicants and that none of the applicants were refused on that basis (see the final point at paragraph 26). I was told that financial viability was only one of four assessment criteria agreed with the sponsoring Department and whilst an applicant may score poorly on this criterion, the safety risk to spectators may be such that the project nonetheless scores sufficiently highly to secure funding.
29. In connection with applicants' financial viability, I noted the following examples of grants;
  - £217,000 to a club which had incurred a loss of £61,425, had net liabilities of £265,649 and whose auditors reported that it is dependent, in the absence of further funding, on the continued support of its directors and bankers;
  - £20,201 to a club which had a deficit for the year of £22,337, had net liabilities of £68,851 and whose auditors drew to the attention of its members substantial doubt about its ability to continue trading. The auditors qualified their opinion because, amongst other matters, they were unable to determine if proper accounting records had been kept;

- £130,000 to a club with a loss for the year of £200,803. In this case the club had total assets less current liabilities of £90,974 - though I note that this is stated after taking into account intangible assets of £238,000, being the directors' valuation of players' contracts; and,
  - £200,000 to a club which had a net deficiency for the year of £109,555 and current liabilities in excess of total assets of £206,862.
30. I am concerned that, if the clubs cease to trade, the Sports Council will be unable to recover the grants paid. In the event of an asset funded by grant being sold or otherwise disposed of within five years, the Sports Council's standard terms and conditions of award provide for a share of the proceeds to be repaid to the Sports Council. They also provide that the Council may require repayment of the award, in full or in part, if the applicant ceases to operate, or is declared bankrupt, or is placed into receivership or liquidation.
  31. I note that, despite the Council's assessment of the financial positions of the grant-aided bodies, it did not make adequate arrangements to secure grant clawback if that becomes necessary. In particular, I note that the Sports Council did not obtain a legal charge on the grant-aided facilities even though the standard terms and conditions provide it with discretion to do so. The Sports Council told me that the timescale necessary to secure legal charges would have prevented the Programme progressing within the financial year and consequently would have further exposed the spectators to health and safety risks at the football grounds. I am concerned that, taking into account the financial state of some of the applicants, simply having an unsecured right to repayment of the award may be of little value in any distribution, particularly if any other creditors have secured or preferential claims.
  32. It is the Council's belief that the football clubs are unlikely to fail because they have a long history and tradition within their communities, often operating with what can be viewed as a difficult financial position. The Council told me the clubs are cultural institutions with a significant "personal" investment from Directors, Members, spectators and the local community, who would not allow them to go out of existence.
  33. It is not evident how these considerations have been taken into account in the formal assessment of financial viability or what weight was placed on them relative to the clubs' accounts and, where available, the auditors' reports.
  34. The Council also told me it had grounds to believe that the underlying value of the assets of the clubs is likely to be greater than both their book value and the net liabilities. I note this consideration was not taken into account in the financial viability section of the Project Assessment Reports. Consequently, I do not know what value the Council placed on each applicant's assets or how these asset valuations were informed.
  35. The Department is required to have in place arrangements to ensure the financial and other management controls at the Council conform with the requirements both of propriety and of good financial management. These arrangements included having a Financial Memorandum in place with the Council and having observer status at meetings of the Safe Sports Grounds Committee. It is unsatisfactory that the Department's arrangements were not sufficient to prevent the payments in advance of need or to ensure adequate arrangements were in place to secure grant clawback from recipients if that becomes necessary.
  36. The Department told me that in addition to the Financial Memorandum and having observer status at meetings of the Safe Sports Grounds Committee, it also has in place a comprehensive and detailed Management Statement which also clearly sets out the relationship between the Sports Council's and the Department's responsibilities. The Department also told me that the current Management Statement (including Financial Memorandum) is now due for review. As part of this review, the Department will consider whether, and if so, how, to introduce arrangements which would prevent recurrence of payments in advance of need and ensure proper consideration of issues in relation to securing grant clawback if that becomes necessary.
  37. On the specific question of payments made by the Sports Council in advance of need, the Department told me it accepts that these occurred and that it has been made clear to the Sports Council that while the circumstances which gave rise to such payments are understood, nevertheless the requirements of Government Accounting Northern Ireland must be adhered to.

38. On the matter of failure to obtain a legal charge, the Department told me it has considered the matter and concluded, on balance, in light of the case put forward by the Sports Council that the best interests of the scheme and public safety would not be served by the application of legal charges in the current financial year. The Department has asked the Sports Council to keep the need for legal charges under review.
39. I consider that payments by the Sports Council amounting to £381,338 were irregular on the grounds that they were paid in advance of need, in contravention of rules contained in Government Accounting Northern Ireland and that approval was not sought from the Department of Finance and Personnel in line with the requirements of the Dear Accounting Officer letter reference DAO(DFP) 19/99.
40. I qualified my opinion on the accounts in respect of the matters reported at paragraphs 14 and 39 above.

J. M. DOWDALL  
Comptroller and Auditor General  
27 September 2002

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