

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 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 30 JANUARY 2006

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Foreword

The Sports Council for Northern Ireland (referred to as 'Sports Council') presents the financial statements of its Lottery distribution activities for the year ended 31 March 2005.

Statutory background

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

Principal functions related to National Lottery Distribution Activities

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

Financial results

The Sports Council's Lottery distribution results are set out in the Income and Expenditure Account. Proceeds received from the National Lottery totalled £7,016,652. During the year the Sports Council made awards of £4,535,607. A total of £4,715,242 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 £742,543. This represents approximately 10.58% of the total proceeds received in the year.

Retained funds at the year end

At the end of the year the Lottery Distribution Account showed an increase in funds of £3,457,725. At the end of 2003-2004 the retained funds totalled £14,599,090. After other reserve movements of (£92,250), the retained funds therefore totalled £17,964,565 at 31 March 2005. This amount will be carried forward to the 2005-2006 financial year and will be available for distribution.

Review of National Lottery Distribution Activities

Programmes and Awards Made 2004-2005

During the 2004-2005 year the Sports Council distributed awards under the following grant programmes.

■ Capital Programmes

Club Sport, Community Sport, Playsport and Performance Facilities.

■ Revenue Programmes

Athlete Support and Events.

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

Further information on awards made are detailed in the Sports Council's 'Report on Lottery Distribution Activities 1 April 2004 to 31 March 2005, which precedes this document.

Future developments in National lottery distribution activities and post balance sheet events

United Kingdom Sports Institute

The Sports Council received a Lottery Fund revenue application during 2004-2005 from the Sports Institute for Northern Ireland (SINI), in respect of the costs of providing access to services for SINI athletes. The University of Ulster (UU) also submitted a capital application to the Lottery Fund in respect of the costs of providing appropriate facilities at Jordanstown for SINI. Note 10 to these accounts provide further detail.

Programme changes

During the year 2004-2005 the Sports Council launched a new Building Sport Programme. The new programme '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 enquiries for this programme were received in May 2005, with Stage I awards anticipated in autumn 2005.

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 6.

Appointment of auditors

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

Lottery Committee and Sports Council Membership

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 the Department of Culture, Arts and Leisure (DCAL).

The function of the Sports Council is

- 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 2004-2005.

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 (Appointed 1 December 2004)

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 either 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.

Political and charitable donations

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

Significant changes in fixed assets

The movement on fixed assets is set out in note 4 to the financial statements. There were no significant changes during the year. The net book value of the fixed assets decreased from £70,191 to £18,603 following a depreciation charge of £60,726 for the year. A number of assets were also disposed of during the year due to being obsolete.

Payment policy

It is the Sports Council's policy to pay bills in accordance with the 'Better Payment Practice Code'. Bills are paid within 30 days of receipt. A review of payments indicated that over 94% were paid within this period.

E McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

1 December 2005

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

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

The financial statements are prepared on an accruals basis and must show a true and fair view of the state of affairs of the Sports Council'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;
- 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.

E McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

1 December 2005

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.

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.

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 2005 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 March 2004 the Sports Council undertook a risk management seminar for appropriate members of staff. This ensured that staff obtained an understanding of risk and how to manage it. In 2004-2005 the Sports Council undertook 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, is expected to be completed by March 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.

Sports Council members attended a training seminar on their roles and responsibilities following their appointment in July 2003. Audit Committee members will be undertaking training on their roles and responsibilities within the Audit Committee in 2005-2006.

The risk and control framework

Risk management policy and register

The Sports Council has a 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. The register identifies the key risks facing the Sports Council and these have been categorised under nine broad headings. It 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.

Investment policy

In December 2004 the Sports Council approved the implementation of an Investment Policy, which was 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 upon 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 approved and to be 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.

Conflict of interests

In March 2004 the Sports Council approved the 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

In March 2004 the Sports Council approved the Anti Fraud and Corruption policy. The document explains the steps that must be taken where fraud is suspected or discovered. During the year relevant staff obtained training on fraud through the Grant Skills Training Programme.

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.

In March 2004 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 forwarded to DCAL and awaits approval from DFP.

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 2005-2006 via reviewing policies and procedures, training programmes and reassessing contractual agreements.

In line with the Anti Fraud and Corruption Policy a number of suspected fraud cases were referred to the Police Service for Northern Ireland for investigation. The Northern Ireland Audit Office and DCAL were informed of all cases.

The Sports Council has a procedure in place to ensure that all losses are appropriately handled and reported to the DCAL. There were no losses identified during the year 2004-2005.

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 2004 and its internal auditor for the year 2004-2005. The Audit Committee reported back to the Sports Council following each of its meetings.

Towards the end of the financial year, a successful appointment was made to the role of joint Sports Council – Arts Council for Northern Ireland internal auditor. To date, the appointee has been making good progress on establishing a framework for future internal audit activity, using the results of past work, internal expertise and with a view to assessing the governance needs and concerns of Council.

The Sports Council has a risk register in place that is reviewed regularly by the senior management team.

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 2004-2005.

E McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

1 December 2005

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

I certify that I have audited the financial statements on pages 13 to 27 under the National Lottery etc. Act 1993 (as amended). These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 17 and 18.

Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 6, the Council and Chief Executive are responsible for the preparation of the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The 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 I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the 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 pages 7 to 10 reflect the Council's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Sports Council for Northern Ireland Lottery Distribution activities at 31 March 2005 and of the increase in funds, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and 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

20 January 2006

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Income and Expenditure Account for the year ended 31 March 2005

	Notes	2004-2005 £	2003-2004 £
Proceeds from lottery		7,016,652	6,616,575
Interest receivable		20,541	22,210
Other income		12,709	1,605
Total income		7,049,902	6,640,390
New grants paid in the year		4,715,242	4,745,918
Provision for new grant commitments made	12	(1,928,837)	(2,261,339)
Staff costs – recharge	2	429,524	425,435
Depreciation: tangible assets	4	60,726	65,692
<i>Other operating costs</i>			
Direct costs	3	234,063	152,572
Recharge	3	78,956	80,395
Total expenditure		3,589,674	3,208,673
Increase in funds before taxation		3,460,228	3,431,717
Taxation		(2,503)	(2,214)
Increase in funds after taxation		3,457,725	3,429,503
Notional costs – capital		(2,018)	(21,857)
Increase in funds including notional costs		3,455,707	3,407,646
Reversal of notional costs		2,018	21,857
Increase in funds		3,457,725	3,429,503

The income and expenditure relate to continuing activities.

The notes on pages 17 to 27 form part of these financial statements.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	2004-2005	2003-2004
	£	£
Increase in funds for the year	3,457,725	3,429,503
Unrealised losses on investments	(92,250)	(291,624)
Total recognised gains for the year	<u>3,365,475</u>	<u>3,137,879</u>

The notes on pages 17 to 27 form part of these financial statements.

Balance Sheet as at 31 March 2005

	Notes	2004-2005 £	2003-2004 £
Fixed assets			
Tangible assets	4	18,603	70,191
Current assets			
Investments – NLDF balance	5	24,472,959	23,487,568
Cash at bank	7	461,830	3,260
Debtors and prepayments	8	7,048	56,167
		24,941,837	23,546,995
Creditors: due within one year	9	(6,343,224)	(6,402,807)
Net current assets		18,598,613	17,144,188
Total assets less current liabilities		18,617,216	17,214,379
<i>Provision for liabilities and charges</i>			
Grant commitments	12	(652,651)	(2,615,289)
Total assets less total liabilities		17,964,565	14,599,090
Represented by reserves			
Income and expenditure	13	17,964,565	14,599,090
		17,964,565	14,599,090

Professor E Saunders
Chairman
Sports Council for Northern Ireland
1 December 2005

E McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland
1 December 2005

The notes on pages 17 to 27 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2005

	2004-2005 £	2003-2004 £
Net cash inflow/(outflow) from operating activities	571,121	(1,140,043)
Return on investments and servicing of finance		
Treasury interest	19,807	23,697
Unrealised loss on investment	(92,250)	(291,624)
Taxation paid		
Corporation tax	(2,900)	(2,890)
Capital expenditure		
Purchase of assets	(37,208)	(22,395)
Increase/(decrease) in cash	458,570	(1,433,255)

Notes to the Cash Flow Statement

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

	2004-2005 £	2003-2004 £
Increase in funds	3,460,228	3,431,717
Depreciation charges	60,726	65,692
Profit on disposal	(31)	0
Interest receivable	(20,541)	(22,210)
Increase in NLDF investment	(985,391)	(2,420,331)
Decrease/(increase) in debtors and prepayments	50,240	(12,733)
(Decrease)/increase in creditors	(31,472)	1,442,006
Decrease in provision	(1,962,638)	(3,624,184)
Net cash inflow/(outflow) from operating activities	571,121	(1,140,043)

2 Reconciliation of net cash flow to movement in net funds

	2004-2005 £	2003-2004 £
Net funds at 1 April	3,260	1,436,515
Increase/(decrease) in cash	458,570	(1,433,255)
Net funds at 31 March	461,830	3,260

The notes on pages 17 to 27 form part of these financial statements.

Notes to the Accounts

1 Accounting policies

a Basis of accounting

These financial statements have been prepared under the historical cost convention. While the Accounts Direction requires inclusion of assets at their value to the business by reference to current cost, for 2004-2005 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 so far as those requirements are appropriate.

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 is in existence between the Sports Council's Lottery Fund and the Sports Council, which states that the Sports Council will provide office accommodation rent-free until 31 March 2005. The office accommodation costs are being written off to the Income and Expenditure account over a period of five years.

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

Other fixed assets

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

Assets are depreciated over their useful lives as follows

	2004-2005
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 31 March 2005, 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% of the average capital employed over the financial year.

2 Staff costs

	2004-2005	2003-2004
	£	£
Salaries and wages	383,145	379,295
Social Security costs	29,325	29,455
Other pension costs	17,054	16,685
Total	<u>429,524</u>	<u>425,435</u>

All the above staff costs 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 2004 to March 2005 was 19 (2003-2004: 20) 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 2004-2005 was £108,219 (2003-2004: £77,081). 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.

A total of 10% (2003-2004: 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 2004-2005 this amounted to £10,822 (2003-2004: £11,562).

Sports Council Members Emoluments

The Chairman and Vice-Chairman of the Sports Council received honorariums totalling £10,754 (2003-2004: £10,689) and £3,500 (2003-2004: £1,648) respectively in 2004-2005. 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% 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 Unsmoothed		March 2001 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%	0	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 valuation revealed that the ongoing funding level of the Fund on 31 March 2004 was 85% (31 March 2001: 121%). 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 rate to be increased by 4.2% of pensionable pay to a rate of 17.3% 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

	2004-2005 £	2003-2004 £
Employers	16,802	16,685
Employees	22,628	23,402
Total	39,430	40,087

The real increase in the value of accrued pension at 31 March 2005 for senior employees is shown in the following page. 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.

CETV refers to the cash equivalent transfer value. It is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The real increase in CETV is calculated after adjusting for inflation and changes in market investment factors.

Each of the following individuals received a benefit in kind of £154, which related to luncheon vouchers.

	Salary	Real increase and related lump sum at age 60	Total accrued pension at age 60 at 31 March 2005 and related lump sum	CETV at 31 March 2004	CETV at 31 March 2005	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£	£	£	£	£	£
<i>Eamonn McCartan</i> Chief Executive	69,963	238 plus 714 lump sum	20,160 plus 60,480 lump sum	303,080	325,119	14,642
<i>Shaun Ogle</i> Director of Sports Development	48,362	853 plus 2,558 lump sum	11,529 plus 34,587 lump sum	132,947	153,057	16,755
<i>Nick Harkness</i> Lottery Director	48,717	666 plus 1,999 lump sum	12,611 plus 37,834 lump sum	136,463	152,594	13,638
<i>Andrew Sloan</i> Director of Corporate Services	44,650	685 plus 2,055 lump sum	3,760 plus 11,280 lump sum	33,480	43,391	9,048

The above figures do not include salary accruals.

3 Other operating costs

	2004-2005 £	2003-2004 £
Travel and subsistence	11,814	15,414
Recruitment	0	2,539
Training	1,852	5,805
Publications, Printing, Stationery and IT Consumables	54,510	12,852
Telephone and postage	10,660	10,124
Professional and Consultancy Fees	47,283	29,071
Internal Audit Fee	11,481	526
External Audit Fee	22,000	22,000
Repairs and Renewals	73	388
Profit on Disposal	(31)	0
Sundry Expenses	194	340
Bank Charges	35	6
Publicity	31,319	33,298
Lottery Promotion	1,069	11,756
Photography	2,688	1,954
Research and Evaluation	8,073	1,300
Courses and Conferences	4,818	263
Awards for all administration costs	53,100	41,728
SCNI Overhead Charge	37,985	27,227
Temporary staff	14,096	16,376
Total	313,019	232,967

Of the above total for 2004-2005 £78,956 (2003-2004: £80,395) was initially incurred by the Sports Council's grant-in-aid account and recharged to the Lottery Distribution Account.

4 Tangible fixed assets

	Land and buildings £	IT hardware and software £	Office furniture and equipment £	Total £
Cost				
At 1 April 2004	201,047	94,605	59,686	355,338
Additions	0	9,494	0	9,494
Disposals	0	(2,262)	(4,637)	(6,899)
At 31 March 2005	201,047	101,837	55,049	357,933
Depreciation				
At 1 April 2004	164,870	61,054	59,223	285,147
Charge for the year	36,177	24,086	463	60,726
Disposals	0	(1,906)	(4,637)	(6,543)
At 31 March 2005	201,047	83,234	55,049	339,330
Net book value				
At 31 March 2005	0	18,603	0	18,603
At 31 March 2004	36,177	33,551	463	70,191

5 Reconciliation of movement of funds

	Balances held in NLDF £	Balances held in SCNI £	Provision for grant commitments £	2004-2005 Totals £	2003-2004 Totals £
Proceeds from lottery	7,016,652	0	0	7,016,652	6,616,575
Drawn down in year	(5,939,011)	5,939,011	0	0	0
Other income	0	12,709	0	12,709	1,605
Interest receivable	0	20,541	0	20,541	22,210
Staff costs	0	(429,524)	0	(429,524)	(425,435)
Other operating costs	0	(313,019)	0	(313,019)	(232,967)
Depreciation of fixed assets	0	(60,726)	0	(60,726)	(65,692)
New grants paid	0	(4,715,242)	0	(4,715,242)	(4,745,918)
Taxation	0	(2,503)	0	(2,503)	(2,214)
New grant commitments	0	0	1,928,837	1,928,837	2,261,339
Total increase in funds	1,077,641	451,247	1,928,837	3,457,725	3,429,503
Unrealised loss on investment	(92,250)	0	0	(92,250)	(291,624)
Balance at 1 April 2004	23,487,568	(192,512)	(8,695,966)	14,599,090	11,461,211
Balance at 31 March 2005	24,472,959	258,735	(6,767,129)	17,964,565	14,599,090

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 2005 was £24,472,959 (2003-2004: £23,487,568). The Balance Sheet figure for the NLDF balance is shown as £24,472,959 (2003-2004: £23,487,568) as the lower of cost and net realisable value. The actual cost of the NLDF balance at 31 March 2005 was £24,565,210 (2003-2004: £23,779,193).

6 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 it's 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 compromises existing commitments nor unreasonably constrains its ability to make future commitments.

The Sports Council has agreed that the NLDF balance should decline over the next three years as follows

- by 31 March 2005 to aim for NLDF balances to be £23.3 million;
- 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 31 March 2005 the Sports Council NLDF balance was £24.4m. The difference between the actual balance and the target balance mainly relates to the delay in the implementation of the SINI programme. See note 10.

The targets are based on income forecasts provided by DCMS and allow for DCMS' projections of the impact of the proposed Olympic Lottery.

The Sports Council has in place, or is currently putting in place, a number of processes to ensure that the targets are achieved. These include

- completion of the extensive review projects which have not reached final payment where commitments were made prior to 2003;
- a research project on previous capital awards to ascertain opinions on the application process/management of projects, and proposals for the development of the new capital programme;
- a review of Capital grant programmes to speed the processing of small grant applications and to implement revised grant management processes;
- grant management training for operations staff responsible for management of grant projects;
- the extension of the delegated decision procedures to committee and staff;
- the implementation of a new grants management information system to provide more accurate and timely information to management on the progress of awards; and
- regular reviews of income forecasts and budgets, to allow reallocation of unspent funds.

7 Cash at bank

	2004-2005 £	2003-2004 £
Cash at bank	461,830	3,260

8 Debtors and prepayments

	2004-2005 £	2003-2004 £
Bank interest receivable	2,244	1,510
Amount owed by SCNI	3,012	5,260
BOA Sports Medicine grant prepayment	0	49,076
Other prepayments	1,792	321
	7,048	56,167

9 Creditors

	2004-2005 £	2003-2004 £
Corporation tax payable	2,503	2,900
Trade creditors	85,932	128,025
Other creditors	6,114,007	5,926,093
Amount owed to SCNI	140,782	345,789
	6,343,224	6,402,807

A sum of £471 (2003-2004: £65,434) under Trade Creditors relates to grant commitments for which claims for payment had been received at 31 March 2005.

The sum of £6,114,007 (2003-2004: £5,926,093) under other creditors refers to grant hard commitments payable in 2005-2006.

Amount owed to SCNI includes Nil (2003-2004: £138,226) for grant commitments.

10 Commitments

The Sports Council has the following commitments in relation to the Sports Institute for Northern Ireland (SINI) capital and revenue projects.

- revenue award of £5,820,000 to SINI towards the costs of operating the SINI for the five year period 1 April 2004 to 31 March 2009; and
- capital award of £4,941,000 to the University of Ulster at Jordanstown towards the provision of facilities costing £10,799,000.

Formal letters of offer were issued on 1 August 2005 and forms of acceptance received on 3 August 2005 for the capital award and on 5 August 2005 for the revenue award. These commitments will be reflected in the accounts as at 31 March 2006.

There were no capital commitments as at 31 March 2005.

11 Contingent liabilities

There were no contingent liabilities as at 31 March 2005.

12 Hard commitments

	2004-2005 £	2003-2004 £
Hard commitments brought forward	8,745,042	10,957,305
Hard commitments met in the year	(4,715,242)	(4,745,918)
Hard de-commitments	(1,175,653)	(1,619,238)
Hard commitments made	3,912,982	4,152,893
Balance of hard commitments outstanding carried forward	<u>6,767,129</u>	<u>8,745,042</u>
	2004-2005 £	2003-2004 £
Profile of hard commitments		
Payable in 2004-2005	0	6,129,753
Payable in 2005-2006	6,114,478	2,298,558
Payable in 2006-2007	546,243	242,550
Payable in 2007-2008	106,408	74,181
	<u>6,767,129</u>	<u>8,745,042</u>

	Notes	2004-2005 £	2003-2004 £
Disclosure of hard commitments			
Trade creditors	9	471	65,434
Amount owed to SCNI	9	0	138,226
Other creditors	9	6,114,007	5,926,093
Provision for liabilities and charges		652,651	2,615,289
Total hard commitments		6,767,129	8,745,042
Prepayments of grant	8	0	(49,076)
Total hard commitments less prepayments		6,767,129	8,695,966

The Balance Sheet shows a figure of £652,651 (2003-2004: £2,615,289) under 'Provision for Liabilities and Charges: Grant Commitments' and this represents the hard commitments payable 2006-2007 to 2007-2008.

The 'Provision for New Grant Commitments Made' total of £1,928,837 (2003-2004: £2,261,339) as shown in the Income and Expenditure Account is the decrease in the provision for grant commitments in future years.

	2004-2005 £	2003-2004 £
Soft commitments		
Soft commitments brought forward	995,184	1,209,693
Soft commitments transferred to hard commitments	(3,912,982)	(4,152,592)
Soft de-commitments	(591,247)	(112,280)
Soft commitments made	4,535,607	4,050,363
Balance of soft commitments outstanding carried forward	1,026,562	995,184

In July 1996 the Sports Council made an offer of £66,462 to Eastway Community Fitness Suite Limited. Due to flood damage and internecine conflict the project has not been able to continue. The Sports Council therefore in April 2005 wrote off the award and instructed auctioneers to recover fitness equipment. DCAL, DCMS and the NIAO were all informed.

13 Income and expenditure reserve

	£
Balance at 31 March 2004 per audited account 2003-2004	14,599,090
Increase in funds from income and expenditure account 2004-2005	3,457,725
	18,056,815
Unrealised losses on investments	(92,250)
Balance at 31 March 2005	17,964,565

14 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 arms length by the Sports Council.

Organisation	Commitment (£)	Individual
Awards for All	451,233	William Brown
Canoe Association of Ireland	3,200	Nick Harkness
Canoe Association of NI	10,000	Nick Harkness Trevor Fisher
Cycling Ulster	108,640	Shaun Ogle
Cycling Ulster – D McCann	8,000	Shaun Ogle
Cycling Ulster – T Evans	7,500	Shaun Ogle
Golfing Union of Ireland	19,680	Jill Poots Jimmy Darragh
Irish Women’s Bowling Association	17,700	Jayne Thompson
Irish Women’s Indoor Bowling Association	8,500	Jayne Thompson
Netball NI	9,050	Karen Drennan
NI Amateur Gymnastics Association	9,097	Wendy Henderson Jill Poots Marie Murphy
NI Equestrian Sports Committee	21,341	Diane Gaston
Royal Yachting Association (NIC)	14,500	Jill Poots
Salto Gymnastics Centre	170,234	Marie Murphy
SINI	5,820,000	Cathal Logue Hugh McCaughey Olive Brown
St Brigid’s GAC, Belfast	161,770	John Campbell
UB Irish Hockey Association	30,280	Olive Brown William Brown
Ulster Women’s Hockey Association	52,250	William Brown
University of Ulster	4,341,000	Cathal Logue Hugh McCaughey Marie Murphy Olive Brown

15 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 2004-2005 £5.878 million (83.4%) of the Sports Council's Lottery Fund's income derived from the National Lottery. The remaining income is derived from investment returns from the balance held with the NLDF £1.138 million (16.1%), and from Bank Interest and Sundry Income £0.033 million (0.5%). 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 £24.935 million to cover all current contracted commitments of £7.794 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 £24.473 million. In the year the average return on these investments was 4.512%. 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% in the year. The cash balance at the year-end was £0.462 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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