

Presented to Parliament pursuant to Section 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

Sports Council for Northern Ireland Lottery Distribution Account 2010-2011

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Directors' Report

Statutory Background

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

The National Lottery etc. Act 1993 (the 1993 Act) established the National Lottery and designated five 'good causes': arts, sport, national heritage, charitable projects and projects to mark the year 2001 and the beginning of the third millennium. The National Lottery Act 1998 (the 1998 Act) which came into force in July 1998 established a sixth good cause, the New Opportunities Fund. Each of the good causes receives a percentage of the net proceeds of the Lottery paid out of the National Lottery Distribution Fund (NLDF).

The Sports Council is charged under the 1993 Act with responsibility for distributing 2.8 per cent of the money allocated to sport. However, as of July 1999, the Sports Council received a reduced contribution of 2.6 per cent as a top sliced contribution of 0.2 per cent became payable to the United Kingdom Sports Council in respect of the United Kingdom wide World Class Performance Programme for elite athletes. In February 2008, a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games.

The Sports Council is required to prepare a statement of accounts for each financial year in accordance with sections 35(2) and 35(3) of the National Lottery etc. Act 1993 and accounts direction given by the Department of Culture, Arts and Leisure (DCAL), with the approval of the Secretary of State for the Department for Culture, Media and Sport (DCMS). DCAL issued revised Lottery Policy Directions to the Sports Council on 16 April 2008, a copy of which is attached to the end of these financial statements. From 16 April 2008 onwards, the Sports Council will observe the requirements of these revised directions when distributing funds from the National Lottery.

Principal Functions related to National Lottery Distribution Activities

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

A requirement of the 1998 Act is that the Sports Council prepares and adopts a strategic plan for the distribution of its share of lottery income. The Sports Council has therefore produced a Corporate Plan which covers the period 2008–2011 and outlines how the Sports Council will allocate its share of lottery funding during these four years. The plan illustrates the Sports Council's priorities, activities, targets and programmes during this period.

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

Council Members of the Sports Council and Members of its Committees

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

- advise DCAL and other government departments, education and library boards, district councils and other relevant bodies on matters relating to sport and physical recreation;

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

The Participation, Performance and Places Committee's are nominated to advise the Sports Council on matters relating to the disbursement of the Lottery Fund and have power in accordance with the policies and criteria adopted by the Sports Council.

The Participation Committee is nominated to advise on policy and practice and implement Council decisions relating to the development of participation in sport in Northern Ireland. The Committee has powers in accordance with the policies and criteria adopted by the Council to:

- provide policy advice to Council in respect of increasing participation in sport in Northern Ireland;
- recommend to Council the allocation of funds and other resources to eligible and prioritised schemes in accordance with the agreed policies and criteria;
- inform Council of decisions taken within agreed delegated authority limits regarding the allocation of funds and other resources to eligible and prioritised schemes in accordance with agreed policies and criteria;
- ensure that policies and programmes provide for equality of opportunity; and
- ensure that a strategic monitoring and evaluation process is in place.

The Performance Committee is nominated to advise on policy and practice and implement Council decisions relating to athlete and organisational performance in Northern Ireland. The Committee has powers in accordance with the policies and criteria adopted by the Council to:

- provide policy advice to Council in respect of increasing athlete and organisational performance in sport in Northern Ireland;
- recommend to Council the allocation of funds and other resources to eligible and prioritised schemes in accordance with the agreed policies and criteria;
- inform Council of decisions taken within agreed delegated authority limits regarding the allocation of funds and other resources to eligible and prioritised schemes in accordance with agreed policies and criteria;
- ensure that policies and programmes provide for equality of opportunity; and
- ensure that a strategic monitoring and evaluation process is in place.

The Places Committee is nominated to advise on policy and practice and implement Council decisions relating to sport facilities provision in Northern Ireland. The Committee has powers in accordance with the policies and criteria adopted by the Council to:

- provide policy advice to Council in respect of sports facilities provision in Northern Ireland;
- recommend to Council the allocation of funds and other resources to eligible and prioritised schemes in accordance with the agreed policies and criteria;
- inform Council of decisions taken within agreed delegated authority limits regarding the allocation of funds and other resources to eligible and prioritised schemes in accordance with agreed policies and criteria;
- ensure that policies and programmes provide for equality of opportunity; and
- ensure that a strategic monitoring and evaluation process is in place.

DCAL appointed members of Sports Council on 1 January 2008 for a term of 4 years. The members of the Participation, Performance and Places Committees are nominated by the Sports Council. The following persons served as members during the financial year 2010-11.

The Sports Council Membership

Mr D Walsh (Chairman)

Mr A Money Penny (Vice Chairman)

Ms U Duncan

Dr O Brown

Mr M Cowan

Mr B Macaulay

Mr D O'Connor

Mr J D'Arcy

Mr B McCargo

Mr P Turnbull

Mr J Rodgers

Mr A Strong

Participation Committee

Mr B McCargo (Chairman)

Clr J Rodgers

Mr J D'Arcy

Mr M Cowan

Ms U Duncan

Mr A Money Penny

Mr B Macaulay

Places Committee Term

Mr A Strong (Chairman)

Mr B McCargo

Mr M Cowan

Performance Committee

Mr D O'Connor (Chairman)

Mr A Strong

Mr P Turnbull

Dr O Brown

Following an open competition, DCAL have appointed Ms H McGrady; Mr R Carr and Mr P Cummings as Members of the Sports Council. They have been appointed for a term of 4 years, with effect from 1 July 2011 to 30 June 2015.

Auditors

External audit

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.

The audit fee for the 2010-11 financial statements amounted to £27,000 (2009-10:£23,000).

Internal Audit and the Audit Committee

The Sports Council employs an internal auditor who prepares an audit plan, which is approved by the Audit Committee. The internal auditor reports bi-annually on each work area, and these are presented to the Audit Committee for review. During the year the following were the members of the Audit Committee:

Dr O Brown (Chairperson)

Mr P Turnbull

Mr J D'Arcy

Mr J Rodgers

The Audit Committee will advise the Chief Executive and Council on:

- the strategic processes for risk, control and governance;
- the accounting policies and the accounts of the organisation;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity; and
- assurances relating to the corporate governance requirements for the organisation.

Equality of Opportunity

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

Employees with a Disability

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

Employee Consultation

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

Environmental Matters

The Sports Council is committed to making sport happen in a sustainable way. There is widespread interest and concern in ensuring that sport and recreation are as sustainable as possible and take place with minimal adverse environmental impact. Sports Council recognises its role in sport and the community and will promote the application of best environmental practice. In October 2008, the Sports Council produced an Environmental Policy which is being applied throughout the organisation.

Sickness Absence Data

The Sports Council had an average of 6.81 days absence per full time equivalent person in 2010-11 (6.58 days: 2009-10).

Pension Liabilities

Details of pension liabilities can be found in the Remuneration Report and note 3 to the financial statements.

Personal Data Related Incidents

There were no incidents during the year.

Payment Policy

The Sports Council is committed to the prompt payment of bills for goods and services and aims to process bills within 10 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During 2010-11, the Sports Council paid 89 per cent (2009-10: 84 per cent) of invoices within 10 working days.

Political and Charitable Donations

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

Management Commentary

Principal Risks and Uncertainties

The Sports Council carried out a significant review of budgets in 2010-11 for the financial years 2011-2015. This is in line with indicative funding from the Department of Culture, Arts and Leisure and the Savings Delivery Plan produced for Sports Council. A draft corporate plan has been produced which ensures there are adequate funds available and there are no significant over commitments in the Lottery Distribution fund.

Financial Results

The Sports Council's Lottery Distribution results are set out in the Statement of Comprehensive Net Expenditure. Total proceeds and investment income received from the National Lottery totalled £6,778,668 (2009-10: £6,467,463). During the year the Sports Council made soft commitments of £7,309,955 (2009-10: £21,424,664). A total of £6,000,167 (2009-10: £10,945,684) 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 non-cash costs was £862,615 (2009-10: £642,614). This represents approximately 12.7 per cent (2009-10: 9.9 per cent) of the total National Lottery proceeds received in the year.

Review of National Lottery Distribution Activities

During the 2010-11 year Sports Council distributed awards under a number of Lottery Fund grant programmes. The following are the most significant:

a Capital Programmes

Sports Council continues to review the NLDF policy paper to ensure capital projects are allocated to Lottery or Exchequer funding streams, in order to complement and maximise the effectiveness of available budgets. During the year the following were the main capital investments from the Lottery Fund:

1 *Building Sport*

The Building Sport 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. To date 24 projects have received awards under this programme totaling £15,013,723. Of this figure 4 new commitments totaling £1,142,978 and award amendments of (£24,633) were made during the financial year 2010-11.

2 *Sports Institute for Northern Ireland (SINI) – Capital*

The development of the High Performance Centre at the University of Ulster began on site in May 2006, following the appointment of the building contractors. The building was officially opened in November 2008 by Sir Sebastain Coe. A retention of £556,000 (10 per cent of the Lottery award) has been held until the final claim is agreed.

b Revenue Programmes

1 *Sports Institute for Northern Ireland*

SINI was established in 2002 to help build a world leading sport system for Northern Ireland. The Sports Institute for Northern Ireland is a partnership between Sports Council and the University of Ulster and is based on the Jordanstown campus of the University of Ulster. SINI works together with athletes, coaches and governing bodies to enable local athletes to compete on a world stage. The SINI was made an award of £2,187,345 for 2010-11.

2 *Active Communities*

The Active Communities programme was launched in 2009-10. The investment under this programme seeks to employ, deploy and train a network of full time and part time sports coaches and leaders to deliver activities in community and club settings across Northern Ireland, with a view of increasing participation in sport and physical recreation, especially among under represented groups. To date 13 projects have received awards under this

programme totalling £4,739,261. Of this figure 13 new commitments totaling £3,341,573 were made during the financial year 2010-11.

c Transfer to 2012 Olympics

In February 2008, a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675m arising from the subsequent budget review. The Sports Council was committed to contribute up to £1.847m in the original bid and this order allows for the transfer of up to a further £2.345m. The final total contribution required for London 2012 by the Sports Council will be £4.192m. The first transfer of funds took place on 2 February 2009. To date the Sports Council has contributed £2.538m.

Future Developments in National Lottery Distribution Activities

DCMS has proposed revised allocations of how lottery good causes money is divided between arts, heritage, sports and the Big Lottery Fund. The impact of this has been to increase the percentage funding to the Sports Council from 0.433 per cent to a proposed 0.468 per cent from 1 April 2011 and 0.520 per cent from 1 April 2012.

Significant Changes in Non Current Assets

The movement in non current assets is set out in note 7 to the financial statements. The main changes included the application of indexation to assets and the depreciation/amortisation charge for the year. The net book value of property, plant and equipment decreased from £32,985 to £23,370. Intangible assets decreased from £18,913 to £13,468. There were no new assets acquired, as the Lottery fund will be recharged a cost for use of Exchequer assets.

Equity at the Year End

At the end of the year the Lottery Distribution Account showed a decrease in funds of £691,823. This movement along with a transfer between reserves of £1,254 and the general reserve held at the end of 2009-10 of £4,217,982 resulted in the retained funds totalling £3,527,413 at 31 March 2011. This amount will be carried forward to the 2011-12 financial year and will be available for distribution.

The revaluation reserve includes movements on the NLDF account, which relate to unrealised gains/loss; and changes in the valuation of assets. At the 31 March 2011 the balance on this account was £30,285.

Financial Instruments

Details of financial instruments can be found in note 1.12 and note 9 to the financial statements.

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 8b.

Audit

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

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a freeze on senior pay in respect of 2010-11 and 2011-12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition government's commitment to impose pay restraint.

The pay system in place for senior civil servants in the Northern Ireland Civil Service is currently under review.

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

As part of the annual pay award, all staff with acceptable performance receive a base pay uplift. There is also a 'Special Bonus Scheme' in place which rewards exceptional performers with a non-consolidated bonus. The non-consolidated bonuses are payable to a proportion of staff as part of the annual pay award. Some staff members received 'Special Bonus' payments during 2010-11 for exceptional performance during 2009-10. The Staffing Committee agreed that no payments would be made for performance during 2010-11. The equal pay settlement was paid to staff in May 2011. The pay remit for 2009-10 was approved by the Department of Finance and Personnel and paid in August 2011. The 2010-11 pay remit is currently being prepared and will be submitted to the Department of Finance and Personnel for approval.

The Chief Executive is employed on terms analogous to Senior Civil Service. He is not eligible to receive a non-consolidated bonus payment as part of the 2010-11 pay award. The pay remit for the Chief Executive has been submitted to the Department of Culture, Arts and Leisure for approval.

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

Staffing Committee Appointed on 1 January 2008

ClIr J Rodgers (Chairman)

Mr D O'Connor

Ms U Duncan

Mr J D'Arcy

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

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. The notice period or compensation for early termination (other than for misconduct) of a contract is 3 months for the Chief Executive and Directors. Policy relating to notice periods and termination payments is contained in the Sports Council Staff Handbook and individual Terms and Conditions of Employment.

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

Audited Remuneration and Pension Entitlements – Senior Staff

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

Audited Information

Employee	2010-11			2009-10		
	Salary £'000	Bonus £'000	Benefits in kind £	Salary £'000	Bonus £'000	Benefits in kind £
Eamonn McCartan <i>Chief Executive</i>	90-95	0	154 (includes salary arrears from prior years)	90-95	10-15	3,542 (includes arrears from prior years)
Shaun Ogle <i>Director of Performance</i>	60-65	0	154	60-65	0-5	154
Nick Harkness <i>Director of Participation</i>	60-65	0	154	60-65	0-5	196
Andrew Sloan <i>Director of Corporate Services</i>	60-65	0	154	60-65	0-5	464

Sports Council Members Emoluments

The Chairman received honorarium totaling £10,000 (2009-10: £10,000). The Chairman's honorarium is not recharged to the Lottery Distribution Account. The Vice Chairman received £3,500 (2009-10: £1,750), and this was fully recharged 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.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any gratia payments. This report is based on payments made by the Sports Council before any deduction of recharges to the Lottery Fund.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. These relate to £154 for luncheon vouchers.

Bonuses

Staffing Committee has decided that no bonuses will be paid for the performance period 2010-11.

Sports Council Pensions

The Sports Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 116 employees, of which, 15 were employed for part of the year.

The NILGOSC scheme is a 'final salary' scheme which is administered by the NILGOSC. The benefits paid under the Scheme are based on length of membership and final salary. NILGOSC maintain a fund to provide for the payment of current and prospective benefits to members of the Scheme. In order to ensure that this objective is achieved, the Committee must determine a suitable investment strategy, which provides both a high return on investments and an acceptable level of risk.

Employee contribution rates are based on pensionable pay and are in the range 5.5 per cent-7.5 per cent. For 2010-11 the rates were as follows:

Band	Range	Contribution Rate
1	£0 - £12,600	5.5%
2	£12,601 - £14,700	5.8%
3	£14,701 - £18,900	5.9%
4	£18,901 - £31,500	6.5%
5	£31,501 - £42,000	6.8%
6	£42,001 - £78,700	7.2%
7	More than £78,700	7.5%

The employer contribution rate for 2010-11 was 17 per cent.

For any membership accrued before 1 April 2009, benefits will accrue at a rate of 1/80th of the employee's final year's pensionable pay and an automatic tax free lump sum of three times their pension. For all membership accrued from 1 April 2009, benefits accrue at a rate of 1/60th of final pensionable pay for each year of service but with no automatic lump sum (members can choose to give up some of their pension to provide a lump sum). Additional Voluntary Contributions (AVCs) can be paid through the NILGOSC in-house AVC provider, Prudential.

Further details about the NILGOSC pension scheme can be found at the website www.nilgosc.org.uk and note 3 to the accounts.

Audited Information

<i>Employee</i>	Accrued pension at age 65 as at 31 March 2011 and related lump sum £'000s	Real increase in pension and related lump sum at age 65 £'000s	CETV at 31 March 2011 £'000s	CETV at 31 March 2010 £'000s	Real increase in CETV £'000s
Eamonn McCartan <i>Chief Executive</i>	35-40 plus 100-105 lump sum	2.5-5 plus 2.5-5 lump sum	832	833	(27)
Shaun Ogle <i>Director of Performance</i>	15-20 plus 50-55 lump sum	0-2.5 plus 0-2.5 lump sum	334	354	(33)
Nick Harkness <i>Director of Participation</i>	20-25 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	314	340	(40)
Andrew Sloan <i>Director of Corporate Services</i>	5-10 plus 25-30 lump sum	0-2.5 plus 0-2.5 lump sum	138	147	(14)

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The cash equivalent value at 31 March 2010 has not been restated with the move from the Retail Price Index (RPI) to the Consumer Price Index (CPI). The Local Government Pension Scheme assumes transfers prior to October 2010 will apply RPI.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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

4 October 2011

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

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

The accounts are prepared on an accruals basis and must give 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, changes in equity and cash flows for the financial year.

In preparing the accounts, the principal Accounting Officer is required to comply with the requirement of the Financial Reporting Manual and in particular to:

- observe the accounts direction issued by DCAL on behalf of the Secretary of State for the Department for Culture, Media and Sport, 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 as set out in the Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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 *Managing Public Money*, and in the Financial Directions issued by the DCAL on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

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

4 October 2011

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 *Managing Public Money*; and ensuring compliance with the requirement of the Sports Council's Management Statement, Financial Memorandum and Statement of Financial Requirements.

The Sports Council's Management Statement sets out the relationship between DCAL and the Sports Council, and defines the financial and administrative framework within which the Sports Council operates. 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. These documents 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 of the Office of the First Minister and Deputy First Minister.

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

I act in accordance with both the Sports Council's Management Statement and Financial Memorandum, and the DFP Memorandum, 'The Responsibilities of a Non Departmental Public Body 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 agreed with 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 2011 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.

In terms of project risk, skilled and competent staff undertake financial and governance health checks for high value projects. This is coupled with annual governance checks of the Sports Councils governing bodies.

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 their own areas of work.

Training is undertaken throughout the year to reduce risk. All new members of staff were taken through an extensive induction programme which includes: employment, finance and accountability arrangements. AccessNI checks (criminal record) were carried out on all relevant posts. All new staff underwent Disability Inclusion Training. Section 75 training on equality was also made available to staff.

The Human Resources team underwent further training on the SelectHR system to maximise its usage and ensure the accurate and timely reporting of data. Several staff attended CIPFA courses on improving public accountability and IFRS. The Data Controller obtained training on information compliance, data protection and freedom of information. Tollymore National Outdoor Centre staff underwent customer care training and health and safety training. A few line managers attended mentoring in terms of their management skills and behaviours.

Staff and a number of grant recipients were trained on Recruitment & Selection best practices in order to minimise any risk of cases being taken against the said parties.

Sports Council is also currently funding a number of people to undertake courses aimed at increasing their knowledge, whilst reducing risk for the organisation:

- three members of staff were being funded to undertake accountancy qualifications;
- two members of staff are being funded to undertake PhDs in the areas of Policy & Research and Marketing practices;
- one staff member is being funded to undertake an MSc in Organisation Management; whilst another is being funded to undertake an LLM in Business Law;
- one manager is being funded to undertake an MSc in Business Improvement, whilst the other is being funded to undertake an MSc in Executive Leadership;
- one manager has undertaken a Masters in Public Administration; and
- two members of staff are currently completing the MSc in Sports Development & Coaching, one is completing the Masters in Business Administration and one is nearing completion of the CIPD.

All new policies introduced during the year have been fully consulted on and screened for Section 75 compliance. The Sports Council was reaccredited with Investors in People.

The Chair of the Audit Committee attended a course on 'Ensuring Effective Regulation'.

The risk and control framework

1 Risk Management Policy and Register

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

The Policy is complemented by a risk management manual which provides guidance to Sports Council staff and Members on the ongoing process within Sports Council to ensure that risks are known, understood and managed. The manual is designed to enable staff at all levels to have an understanding of the processes adopted within Sports Council to ensure the identification and management of critical risks.

Sports Council has a corporate risk register in place which identifies the key risks facing the organisation. This register has been developed in line with best practice and is subject to regular review and update. The register outlines those risks which if materialised would threaten the achievement of objectives. All risks are being managed within an appropriate tolerance level.

2 Investment policy

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

- complies with the Department of Finance and Personnel's requirements for the Sports Council, as a Non-Departmental Public Body, to adhere to the Northern Ireland Preface to The Green Book (Guidance for Northern Ireland Departments on the Appraisal, Evaluation, Approval and Management of Policies, Programmes and Projects) and satisfy public accountability requirements;
- applies the principle of proportionate effort, thus ensuring that undue burden is not placed on applicants or indeed Sports Council staff; and
- improves the efficient and effective operation of the Sports Council activities, ensuring best practice and consistency across the organisation. The business case methodology is used to define problems and find solutions to offer the best value for money for the Sports Council. The risk management process provides the Sports Council with an increased understanding of risks, thus improving decision-making to adapt to changes and avoid failures. The monitoring and evaluation process provides lessons to improve the decision-making process and justifies the case for increased expenditure in sport.

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

- the Sports Council Business Case Policy – designed to outline policy recommendations for the formal use of Business Case methodology in all Sports Council investments;
- the Sports Council 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; and
- the Sports Council Monitoring Policy – designed to outline policy recommendations for the formalisation of a monitoring and evaluation framework at a corporate, programme and project level.

During 2009-10, the Sports Council updated the Risk Management and Monitoring Policy. These documents were approved by the Council in October 2009.

An Evaluation Policy was also produced and approved by the Council in December 2009. The aim of this policy is to establish a consistent approach to evaluation across the Sports Council which is relevant to all programmes, projects and policies regardless of the source, scale and type of investment. This policy should be considered in conjunction with the Sports Council Business Case Policy 2004 and complements the revised Monitoring Policy.

3 Conflict of interests

The Sports Council operates a Conflict of Interest policy. The policy was updated and approved by Council in February 2010. 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 decision-making process.

4 Fraud

The Sports Council has an approved Anti-Fraud and Corruption policy. This policy covers the prevention, detection and management of fraud and/or corruption and fair dealing in matters pertaining to fraud and/or corruption. It aims to raise the awareness of fraud and its prevention and to give guidance to both the reporting of suspected fraud and how the investigation of that report will proceed.

Sports Council's Anti-Fraud and Corruption policy was updated in September 2010 to reflect revised procedures, in particular the implementation of a Service Level Agreement between DCAL and DARD Central Investigation Services (CIS). DARD CIS now provide a dedicated resource to investigate cases of suspected internal and external fraud and irregularity and has the authority to conduct criminal investigations.

5 Value for Money

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

DCAL has a service level agreement in place with Central Procurement Division, regarding the use of their services during procurement/construction exercises. The Sports Council falls within the remit of this service level agreement and has implemented it. In addition, the Sports Council applies the government policy of achieving excellence in construction.

6 Inefficiency

The Sports Council avoids inefficiency through applying its investment policies and adhering to government procurement guidelines. In addition, the budgeting process and production of management accounts ensures that funds are allocated to projects which have been identified as priority areas.

The Sports Council continually reviews its organisation structure with the aim to ensure efficiencies are made and the harmonisation of procedures across the organisation.

7 Loss of grant

The Sports Council has terms and conditions in place for all grant awards. These terms and conditions outline what the grant recipient must adhere to and they also incorporate a clause which enables clawback of grant paid if terms and conditions of award are not met. In addition, the Sports Council has procedures manuals in place which outline the detailed processes which a grant award must go through before monies are released. Procedures are annually reviewed by internal audit to ensure the Sports Council is adhering to them and any recommendations to further enhance controls/procedures are incorporated.

8 Additionality principle

This term refers to the policy that Lottery funding should be additional to and clearly distinct from public expenditure and provision. The Sports Council ensures the additionality principle is implemented via its NLDF Policy, budget setting process and through a challenge fund process for all grant programmes which reviews such areas as financial viability, partnership funding etc.

9 Assurance on information risks

Sports Council is fully committed to protecting the privacy of all individuals including staff, contractors, service users and others, by ensuring lawful use of their personal information. A Data Protection Policy was approved by the Council in June 2009. The purpose of this policy is to set out how the Sports Council will ensure that it complies with the provisions of the Data Protection Act 1998. The policy has been implemented throughout the organisation.

Review of effectiveness

As Accounting Officer, I 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 Report to those charged with Governance and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Sports Council, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Sports Council and DCAL reviews the Sports Council Management Statement with the aim to ensure it complies with DFP guidance, best practice and to ensure it remains robust.

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 2011-12 via reviewing policies and procedures, training programmes and reassessing contractual agreements.

Sports Council obtains assurances on its system of internal control through its Audit Committee. The Audit Committee met on 5 occasions during the year and received progress reports from both the Sports Council's external auditor on the financial statements and its internal auditor regarding work completed to date. The Audit Committee reported back to the Sports Council following each of its meetings.

Sports Council's internal auditor provided a satisfactory level of assurance for Sports Council for the year 2010 -11, and a similar level of assurance for the Sports Institute for Northern Ireland.

Sports Council has a risk register in place that is reviewed regularly by the Senior Management team. It is also reviewed by the Audit Committee and presented to the Council.

Throughout the year I obtained assurance on risk management and control procedures from Senior Managers, based on information and reports produced by them. Quarterly Assurance Statements are sent to DCAL, these documents provide updates on current issues which myself and Senior Managers are addressing. I am satisfied that systems of internal control were adequate in 2010-11.

The Sports Council has a procedure in place to ensure that all losses are appropriately handled and reported to DCAL. During the year 2010-11 there were no losses.

Important issues which may impact on controls

During the year, nine grant awards required investigation. Three have been resolved; two are currently being progressed through the small claims courts for recovery; two have been referred to the Police Service of Northern Ireland; one is with the Central Investigations unit at the Department of Agriculture and Rural Development; and one is currently being reviewed by the Sports Council's solicitor.

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

4 October 2011

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

I certify that I have audited the financial statements of the Sports Council for Northern Ireland Lottery Distribution Account for the year ended 31 March 2011 under the National Lottery etc. Act 1993. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Chief Executive and Auditor

As explained more fully in the Statement of the Council's and Accounting Officer's Responsibilities, the Sports Council for Northern Ireland and Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Sports Council for Northern Ireland Lottery Distribution Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Sports Council for Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Sports Council for Northern Ireland Lottery Distribution Account's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued with HM Treasury approval under the National Lottery etc. Act 1993; and
- the information given in the Directors' Report and Management Commentary sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

14 October 2011

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £	2009-10 £
Expenditure			
Staff costs	3	367,209	342,426
Depreciation and amortisation	7	9,727	10,788
Other Expenditure	4a	497,565	299,566
Grant Commitments	4b	7,829,814	8,657,317
Grant Hard De-Commitments	4b	(1,138,285)	(1,679,220)
Total expenditure		7,566,030	7,630,877
Income			
Income from Activities	5	6,778,688	6,467,463
Other Income	6	94,748	6,463
Total income		6,873,436	6,473,926
Net expenditure		(692,594)	(1,156,951)
Interest Receivable		976	2,951
Net expenditure after interest		(691,618)	(1,154,000)
Taxation		(205)	(620)
Net expenditure after tax		(691,823)	(1,154,620)
Other comprehensive expenditure			
Net (loss)/gain on revaluation of Property, Plant and Equipment	15	(1,879)	10,770
Net (loss)/gain on revaluation of Intangibles	15	(1,295)	7,188
Net loss on revaluation of Financial Assets	15	(13,195)	(16,368)
Total other comprehensive expenditure for the year ended 31 March 2011		(16,369)	1,590

All activities were continuing in the year.

The notes on pages 25 to 39 form part of these accounts.

Statement of Financial Position as at 31 March 2011

	Notes	2010-11 £	2009-10 £
Non-current assets			
Property, plant and equipment	7a	23,370	32,985
Intangible assets	7b	13,468	18,913
Total non-current assets		36,838	51,898
Current assets			
Trade and other receivables	10a	31,181	12,620
Financial assets	8a	9,847,881	10,421,492
Cash and cash equivalents	11	527,522	906,557
Total current assets		10,406,584	11,340,669
Total assets		10,443,422	11,392,567
Current liabilities			
Trade and other payables	12a	(381,114)	(185,334)
Grant commitments	12a	(5,913,277)	(5,549,460)
Total current liabilities		(6,294,391)	(5,734,794)
Non-current assets plus net current assets		4,149,031	5,657,773
Non-current liabilities			
Grant commitments	13a	(591,333)	(1,391,883)
Total non-current liabilities		(591,333)	(1,391,883)
Assets less liabilities		3,557,698	4,265,890
Equity			
General reserve		3,527,413	4,217,982
Revaluation reserve	15	30,285	47,908
Total reserves		3,557,698	4,265,890

Dominic Walsh 4 October 2011
Chairman
Sports Council for Northern Ireland

Eamonn McCartan 4 October 2011
Chief Executive and Accounting Officer
Sports Council for Northern Ireland

The notes on pages 25 to 39 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £	2009-10 £
Cash flows from operating activities			
Net deficit before interest and tax		(692,594)	(1,156,951)
Funds received into National Lottery Distribution Fund	5	(6,778,688)	(6,467,463)
Depreciation and amortisation	7	9,727	10,788
Permanent diminution	4a	2,159	(659)
Loss on disposal	4a	0	37
(Increase)/decrease in trade and other receivables	10	(19,033)	17,394
Increase/(decrease) in trade and other payables less than one year	12	559,687	(7,260,495)
(Decrease)/increase in other payables greater than one year	13	(800,550)	544,543
Net cash outflow from operating activities		<u>(7,719,292)</u>	<u>(14,312,806)</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	7	0	(42,014)
Interest received		1,448	2,899
Tax paid		(295)	(5,265)
Net cash inflow/(outflow) from investing activities		<u>1,153</u>	<u>(44,380)</u>
Cash flows from financing activities			
Draw down from National Lottery Distribution Fund	8a	6,211,009	14,074,478
Olympic Transfer	8a	1,128,095	1,128,096
Net cash inflow from financing activities		<u>7,339,104</u>	<u>15,202,574</u>
Net (decrease)/increase in cash and cash equivalents in the period	11	(379,035)	845,388
Cash and cash equivalents at the beginning of the period	11	<u>906,557</u>	<u>61,169</u>
Cash and cash equivalents at the end of the period	11	<u>527,522</u>	<u>906,557</u>

The notes on pages 25 to 39 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2011

	Note	General Reserve £	Revaluation Reserve £	Total Reserves £
Balance at 1 April 2009		5,349,751	69,169	5,418,920
Changes in Equity for 2009-10				
Net loss on revaluation of investments	8a	0	(16,368)	(16,368)
Net gain on revaluation of non-current assets		0	17,958	17,958
Transfer between reserves		22,851	(22,851)	0
Retained deficit		(1,154,620)	0	1,154,620
Balance at 31 March 2010		<u>4,217,982</u>	<u>47,908</u>	<u>4,265,890</u>
Changes in Equity for 2010-11				
Net loss on revaluation of investments	8a	0	(13,195)	(13,195)
Transfer between reserves	15	1,254	(1,254)	0
Release of revaluation reserve	15	0	(3,174)	(3,174)
Retained deficit		(691,823)	0	(691,823)
Balance at 31 March 2011		<u>3,527,413</u>	<u>30,285</u>	<u>3,557,698</u>

The notes on pages 25 to 39 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the circumstances of the Sports Council for Northern Ireland Lottery Distribution Accounts for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Sports Council for Northern Ireland Lottery Distribution Accounts are described below. They have been applied consistently in dealing with items that are material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Property plant and equipment and intangible assets

Non current assets up to 31 March 2009 were capitalised in the Lottery Distribution Accounts at the end of each financial year, on the basis of assets acquired/utilised specifically for lottery activities (see 1.9). The Sports Council for Northern Ireland applied a capitalisation limit of £1,000 to individual items. Items below the £1,000 threshold were charged directly to the Statement of Comprehensive Net Expenditure.

From 1 April 2009 the non current asset usage was incorporated within a desk charge, which is recharged from Exchequer to Lottery at the end of each financial year.

1.3 Depreciation and amortisation

Depreciation/amortisation has been provided using the straight line method so as to write off each asset over its estimated useful life. Depreciation/amortisation is charged from the month acquired/coming into use, to the month in which it is disposed.

Assets are depreciated over their useful lives as follows:

Information Technology (Hardware)	4-9 years
Office Furniture and Equipment	5 years
Intangible Assets	2-9 years

1.4 Revaluation of assets

Non current assets included in the statement of financial position are annually reviewed to ensure that they are stated at fair value. This is carried out through applying indices. Increases in valuations are credited to the Revaluation Reserve. Downward movements are accounted through the revaluation reserve to the extent that there is a credit in that reserve that relates to the revalued asset.

1.5 Impairment of assets

An impairment review is carried out annually, any loss in value which exceeds the credit in the revaluation reserve is then charged to the Statement of Comprehensive Net Expenditure.

1.6 Pension costs

The pension cost is recharged from the Sports Council for Northern Ireland Exchequer Accounts, and is charged to the Statement of Comprehensive Net Expenditure.

1.7 Financial Assets – Investments

Balances held in the NLDF remain under the stewardship of the Secretary of State for the Department for Culture, Media and Sport. However, the share of these balances attributable to the Sports Council is as shown in the accounts and, at the year end, 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.

1.8 Income

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

1.9 Allocation of costs

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

1.10 Grant commitments

The following are the two types of grant commitments:

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

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

Hard commitments are recognised in the Statement of Comprehensive Net Expenditure and Statement of Financial Position.

1.11 Operating lease

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure in equal annual amounts over the lease term.

The rent of land and buildings is an ongoing agreement with the Sports Council for Northern Ireland Exchequer Account who hold the operating lease in respect of the land and buildings in which the Lottery Fund resides.

1.12 Taxation

The Lottery Distribution Account incurs corporation tax on bank interest earned.

1.13 Financial instruments

The Sports Council has adopted IAS 39. There has been no impact on the net assets of the organisation as a result of this. Note 9 provides appropriate disclosures regarding Financial Instruments on the Lottery Fund Accounts.

Investments

Investments are held by DCMS on behalf of the Sports Council and are available for sale. These are reflected at market value which equate to fair value.

Loans and receivables

Receivables, Cash and Cash Equivalents are classified as 'loans and receivables', in accordance with IAS 39, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any impairment.

- Receivables do not carry any interest and are recognised at their recoverable amount, which equates to their fair value.
- Cash held in the bank is a liquid resource. The carrying value of the asset approximates to fair value.

Cash equivalents are short term, highly liquid investments that are readily convertible to cash and are subject to a low risk of changes in value.

Payables and Grant Commitments are classified as 'loans and receivables', in accordance with IAS 39, and are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

- Payables are not interest bearing and are stated at their nominal value, which equates to their fair value.
- Grant commitments are stated as per the value of the award made to the applicant, this equates to fair value.

1.14 Employee benefits

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the Sports Council is obligated to pay them. This includes the cost of any annual and flexi leave entitlements that have been earned at the year end but not yet taken. The cost of untaken annual and flexi leave has been determined by using actual salary costs and the data from staff leave returns at 31 March. It is not anticipated that the level of untaken leave will vary significantly from year to year.

1.15 Estimation techniques used and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Sports Council's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

- Depreciation of property, plant and equipment, and amortisation of intangible assets.

Depreciation and amortisation is provided in the accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimate useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are shown in note 1.3.

1.16 Going concern

These accounts have been prepared on a going concern basis. The National Lottery Distribution Fund currently holds £9.848m on behalf of the Sports Council and current projections identify additional income per annum of approximately £7m.

2 Segmental reporting

In line with IFRS 8, the Sports Council does not have any segmental data to disclose. The Members of the Sports Council review the financial performance on a bi-monthly basis, based on similar information contained within the Statement of Comprehensive Net Expenditure of the financial statements.

3 Staff numbers and related costs

	2010-11	2009-10
	£	£
Salaries and wages	298,282	283,709
Social Security costs	20,287	17,955
Other pension costs	48,640	40,762
Total staff costs	<u>367,209</u>	<u>342,426</u>

The average number of full time equivalent persons employed by the Sports Council and deployed on Lottery duties during the period from April 2010 to March 2011 was 11 (2009-10: 11). All staff costs and full time equivalent persons are classified as other staff. There are no ministerial/special adviser costs or permanently employed staff of the Lottery Account.

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. Luncheon vouchers are accounted for through the Exchequer Accounts and no costs recharged to Lottery.

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.

All assets, liabilities and operating costs relating to the pension scheme are processed through the Sports Council Exchequer Accounts. A recharge is made to the Sports Council Lottery Distribution Accounts for any pension costs incurred on its behalf.

Details of the pension scheme are available within the Sports Council Exchequer Accounts.

There have been no payments for civil service and other compensation schemes.

4 Expenditure

4a Other expenditure

	Total	Direct	Recharge	Total
	2010-11	2010-11	2010-11	2009-10
	£	£	£	£
Operating costs				
Travel and subsistence	10,662	0	10,662	8,760
Publication, printing, stationery and IT	1,750	1,600	150	0
Telephone and postage	55	55	0	0
Professional fees	18,511	18,022	489	20,390
External audit fee	27,000	27,000	0	27,500
Permanent diminution	2,159	2,159	0	(659)
Loss on disposal	0	0	0	37
Bank charges	108	108	0	475
Publicity	77,574	9,251	68,323	64,043
Lottery promotion	440	440	0	13,453
Research and evaluation	36,086	30,326	5,760	0
Courses and conferences	6,389	5,717	672	4,580
Awards for all admin costs	4,063	4,063	0	2,965
SCNI overhead charge	312,768	0	312,768	158,022
Total operating costs	<u>497,565</u>	<u>98,741</u>	<u>398,824</u>	<u>299,566</u>

Of the above total for 2010-11 £398,824 (2009-10: £252,553) was initially incurred by the Sports Council's grant-in-aid account and recharged to the Lottery Distribution Account.

4b Grant Commitments

	2010-11	2009-10
	£	£
Grant costs		
New Lottery Grants made	6,701,719	7,529,222
Hard de-commitments	(1,138,285)	(1,679,220)
Transfer to 2012 Olympics	1,128,095	1,128,095
Total grant costs	<u>6,691,529</u>	<u>6,978,097</u>

5 Income from Activities

	2010-11	2009-10
	£	£
Proceeds from National Lottery	6,700,738	6,415,461
Investment income	50,643	45,602
Realised gain	27,307	6,400
Total	<u>6,778,688</u>	<u>6,467,463</u>

6 Other Income

	2010-11	2009-10
	£	£
Recovery of grant		
Other income	93,024	6,463
	1,724	0
Total	<u>94,748</u>	<u>6,463</u>

7a Property, Plant and Equipment

	Information Technology £		
Cost or valuation			
At 1 April 2010	71,049		
Additions	0		
Revaluaton	(4,873)		
Disposals	0		
At 31 March 2011	<u>66,176</u>		
Depreciation			
At 1 April 2010	38,064		
Charge for the year	5,577		
Revaluation	(835)		
Disposals	0		
At 31 March 2011	<u>42,806</u>		
Net book value			
At 31 March 2011	<u>23,370</u>		
At 31 March 2010	<u>32,985</u>		
	Information Technology £	Office Furniture & Fittings £	Total £
Cost or valuation			
At 1 April 2009	65,202	17,744	82,946
Additions	0	0	0
Revaluation	7,394	0	7,394
Disposals	(1,547)	(17,744)	(19,291)
At 31 March 2010	<u>71,049</u>	<u>0</u>	<u>71,049</u>
Depreciation			
At 1 April 2009	36,653	17,744	54,397
Charge for the year	6,334	0	6,334
Revaluation	(3,376)	0	(3,376)
Disposals	(1,547)	(17,744)	(19,291)
At 31 March 2010	<u>38,064</u>	<u>0</u>	<u>38,064</u>
Net book value			
At 31 March 2010	<u>32,985</u>	<u>0</u>	<u>32,985</u>
At 31 March 2009	<u>28,549</u>	<u>0</u>	<u>28,549</u>

7b Intangible Assets

	Information Technology £
Cost	
At 1 April 2010	62,502
Additions	0
Revaluation	(1,717)
At 31 March 2011	<u>60,785</u>
Amortisation	
At 1 April 2010	43,589
Charge for the year	4,150
Revaluation	(422)
At 31 March 2011	<u>47,317</u>
Net book value	
At 31 March 2011	<u>13,468</u>
At 31 March 2010	<u>18,913</u>
	Information Technology £
Cost	
At 1 April 2009 (Restated)	59,277
Additions	0
Revaluation	4,950
Disposals	(1,725)
At 31 March 2010	<u>62,502</u>
Amortisation	
At 1 April 2009 (Restated)	43,719
Charge for the year	4,454
Revaluation	(2,896)
Disposals	(1,688)
At 31 March 2010	<u>43,589</u>
Net book value	
At 31 March 2010	<u>18,913</u>
At 31 March 2009	<u>15,558</u>

8 Financial assets

8a Balances held in NLDF

	2010-11 £	2009-10 £
Proceeds from Lottery	6,700,738	6,415,462
Investment Income	50,643	45,602
Realised Gain	27,307	6,400
Drawn Down in Year	(6,211,009)	(14,074,478)
Decrease in Funds	567,679	(7,607,014)
Olympic Transfer	(1,128,095)	(1,128,096)
Unrealised Loss on Investment	(13,195)	(16,368)
Balance at 1 April	10,421,492	19,172,970
Balance at 31 March	9,847,881	10,421,492

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 2011 was £9,847,881 (2009-10: £10,421,492). The actual cost of the NLDF balance at 31 March 2011 was £9,861,076 (2009-10: £10,437,860).

8b NLDF Balance Policy

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

The following is the policy as approved by the Sports Council:

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

In February 2011, the Sports Council agreed that the NLDF balance should decline as follows:

- by 31 March 2011 to achieve a NLDF balance of £8.455m;
- by 31 March 2012 to achieve a NLDF balance of £5.948m;
- by 31 March 2013 to achieve a NLDF balance of £6.707m;
- by 31 March 2014 to achieve a NLDF balance of £6.677m;
- by 31 March 2015 to achieve a NLDF balance of £4.669m; and
- by 31 March 2016 to achieve a NLDF balance of £1.497m.

At 31 March 2011, the Sport Council NLDF balance was £9.848m. The target was not met due to a number of de-commitments made under programmes operated within the Lottery Fund.

9 Financial Instruments

Sports Council's Lottery Fund financial instruments comprise of cash liquid resources; investments held in the National Lottery Fund Distribution Account; receivables, trade payables; and grant commitments to applicants which arise directly from the Sports Council's operations. The main purpose of these financial instruments is to provide finance for the operations of the Sports Council. There are currently no borrowings or embedded derivatives.

Liquidity risks

In 2010-11, £6.701 million (97.5 per cent) of the Sports Council's Lottery Fund's income was derived from the National Lottery. The remaining income is derived from investment returns from the balance held with the NLDF £0.078 million (1.1 per cent) and from Bank Interest and Sundry Income £0.095 million (1.4 per cent). The Sports Council consider that the Fund is not exposed to significant liquidity risks; and they are satisfied that sufficient liquid resources are held within the NLDF Investment and in the bank of £10.375 million to cover all current contracted commitments of £6.505 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 31 March 2011 the Market Value of investment in the NLDF was £9.848 million. In the year the average return on these investments was 1.13 per cent. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs were held in an interest bearing current account up to August 2010, which on average carried an interest rate of 0.5 per cent in the year. A new account was set up in July 2010 which funds are now received into, and there is no interest earned, as it is part of the northern Ireland government pooling agreement. The cash balance at the year end was £0.528 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.

Commodity risk

The Fund is not exposed to any commodity risks.

Credit risk

The Fund is not exposed to any credit risk.

10a Trade and other receivables

	2010-11	2009-10
	£	£
Bank interest receivable	0	472
Grant clawbacks	31,081	6,463
Other receivables	100	5,685
	<u>31,181</u>	<u>12,620</u>

10b Intra-Government receivable balances

	2010-11 £	2009-10 £
Balances with central government	0	0
Balances with local authorities	28,766	0
Balances with other government organisations	0	0
Balances with bodies external to government	2,415	12,620
	<u>31,181</u>	<u>12,620</u>

11 Cash and cash equivalents

	2010-11 £	2009-10 £
Balance at 1 April	906,557	61,169
Net change in cash and cash equivalent balance	(379,035)	845,388
Balance at 31 March	<u>527,522</u>	<u>906,557</u>

The cash and cash equivalents balances are denominated in Sterling. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise of the following balance at the 31 March:

Commercial banks	<u>527,522</u>	<u>906,557</u>
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12 Current liabilities*12a Analysis by Type*

	2010-11 £	2009-10 £
Trade and other payables		
Corporation Tax payable	205	295
Trade payables	72,837	45,633
Amount owed to SCNI	308,072	139,406
Total trade and other payables	381,114	185,334
Grant commitments	5,913,277	5,549,460
Total current liabilities	<u>6,294,391</u>	<u>5,734,794</u>

12b Intra-Government payable balances

	2010-11 £	2009-10 £
Balances with central government	205	295
Balances with local authorities	3,654,680	2,933,566
Balances with other government organisations	1,148,607	984,207
Balances with bodies external to government	1,490,899	1,816,726
	<u>6,294,391</u>	<u>5,734,794</u>

13 Non current liabilities*13a Analysis by type*

	2010-11	2009-10
	£	£
Grant commitments	591,333	1,391,883
	591,333	1,391,883

13b Intra-Government Payable Greater Than One Year Balances

	2010-11	2009-10
	£	£
Balances with local authorities	2,500	250,895
Balances with other government organisations	0	97,339
Balances with bodies external to government	588,833	1,043,649
	591,333	1,391,883

14 Grant Commitments*14a Hard Commitments*

	2010-11 £	2009-10 £
Hard commitments brought forward	6,941,343	12,037,025
Hard commitments met in the year	(6,000,167)	(10,945,684)
Hard de-commitments	(1,138,285)	(1,679,220)
Hard commitments made	6,701,719	7,529,222
Balance of hard commitments outstanding carried forward	6,504,610	6,941,343

	2010-11 £	2009-10 £
Profile of hard commitments		
Payable in 2010-2011	0	5,549,460
Payable in 2011-2012	5,913,277	692,991
Payable in 2012-2013	278,166	332,359
Payable in 2013-2014	213,334	257,400
Payable in 2014-2015	94,833	109,133
Payable in 2015-2016	5,000	0
	6,504,610	6,941,343

There are no commitments expected to be payable after 2015-2016.

	Note	2010-11 £	2009-10 £
Disclosure of hard commitments			
Due less than one year	12	5,913,277	5,549,460
Due greater than one year	13	591,333	1,391,883
Total hard commitments		6,504,610	6,941,343

	2010-11 £	2009-10 £
Soft commitments		
Soft commitments brought forward	14,042,197	150,255
Soft commitments transferred to hard commitments	(6,701,719)	(7,529,222)
Soft de-commitments	0	(3,500)
Soft commitments made	7,309,955	21,424,664
Balance of soft commitments outstanding carried forward	14,650,433	14,042,197

14B analysis of grant payments

	2010-11 £	2009-10 £
Public sector bodies	2,617,793	2,448,790
Private sector bodies	3,382,374	8,496,894
Total grant payments	6,000,167	10,945,684

15 Analysis of the revaluation reserves

	Note	NLDF Investment £	Non Current Assets £	Total Revaluation Reserve £
Balance at 31 March 2010		38,680	9,228	47,908
Unrealised loss	8a	(13,195)	0	(13,195)
Gain on revaluation of non-current Assets	7	0	(3,174)	(3,174)
Realised element		0	(1,254)	(1,254)
Balance at 31 March 2011		25,485	4,800	30,285

16 Commitments under leases

The rent of land and buildings is an ongoing agreement with Sports Council for Northern Ireland Exchequer Account, who hold the operating lease in respect of the land and buildings in which the Lottery Fund resides. The following are the rental amounts incurred:

	2010-11 £	2009-10 £
Total rent recharge	<u>10,800</u>	<u>10,800</u>

17 Other commitments

The Sports Council has a commitment under SI 2008 no. 255 The Payments into the Olympic Lottery Distribution Fund etc Order 2008. The total value of this commitment at the 31 March 2011 was £1.654M.

There were no capital commitments as at 31 March 2011.

18 Contingent liabilities

There were no contingent liabilities as at 31 March 2011.

19 Related party transactions

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

Organisation/Individual	Commitments £	Individual	Relationship
Athlete Living Costs Awards	70,603	Sports Institute Northern Ireland	Athletes funded by Sports Council and also receive services at the Sports Institute.
Ballymena Borough Council	1,035,581	Ronnie McBride	Council Director
Belfast City Council	2,667,588	Jim Rodgers	Councillor
Down District Council	1,475,496	David Smyth	Former Employee
Na Liu (Living Costs)	1,183	Alan Strong	Former Coach

Other related parties include

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

The Sports Council for Northern Ireland owns 50 per cent of the Sports Institute Northern Ireland via a joint venture with the University of Ulster. Sports Institute Northern Ireland and University of Ulster are both regarded as related parties. The Sports Council for Northern Ireland Council Members who currently reside as Directors on the Board of Sports Institute Northern Ireland are as follows:

- Olive Brown;
- Danny O'Connor; and
- Patrick Turnbull.

Sports Council for Northern Ireland employs the following staff who hold positions at the Sports Institute Northern Ireland:

- Shaun Ogle (Executive Director); and
- Ian Weir (Business Manager).

In addition a number of staff within Sports Council carry out functions on behalf of the Sports Institute . These include:

- Leigh Brown (Internal Auditor);
- Turlough Gorman (Human Resources Manager);
- Kristine Telford (Human Resources Assistant); and
- Nicola McClean (Human Resources Assistant).

A percentage of these employees' time is recharged to the Sports Institute Northern Ireland through a service level agreement.

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

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

20 Losses and special payments

There were no losses or special payments during the year which required disclosure in the accounts (2009-10: NIL).

21 Events after the reporting period

There have been no significant events between the year end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on the date they were certified by the Comptroller and Auditor General.

Appendix A

Lottery Policy Directions Sports Council for Northern Ireland

The Department of Culture, Arts and Leisure, on behalf of the Department for Culture, Media and Sport, in exercise of the powers conferred by section 26(1) of the National Lottery etc. Act 1993 and having consulted the Sports Council for Northern Ireland (Sport Northern Ireland) pursuant to section 26(5) of that Act, hereby gives the following directions:

- 1 In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993.
- 2 In determining the persons to whom, the purposes for which and the conditions subject to which it distributes any money under section 25(1), Sport Northern Ireland shall take into account the following matters:
 - a Its assessment of the needs of sport and its priorities for addressing them (having regard to government strategies/policies in force).
 - b The need to inspire children and young people, awakening their interest and involvement in sport.
 - c The need to foster local community initiatives which bring people together, enrich the public realm and strengthen community spirit.
 - d The need to support volunteering and encourage volunteering in sport.
 - e The need to encourage new talent, innovation, and excellence and help people to develop new skills.
 - f The need to involve the public and local communities in making policies and setting policies and setting priorities.
 - g The need to ensure that money is distributed for projects which promote public good rather than private gain.
 - h The need to further the objective of sustainable development.
 - i The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.
 - j The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this reasonable to achieve for different kinds of applicants.
 - k The desirability of:
 - increasing access and participation for all;
 - ensuring that all areas have access to funding; and
 - reducing economic and social deprivation.
 - l The desirability of working jointly with other organisation, including other distributors.
 - m The need:
 - to set time limits for which grants are payable;
 - to ensure that Sport Northern Ireland has the necessary information and expert advice to make decisions on each application; and
 - for applicants to demonstrate the financial viability of projects.

- n Where capital funding is sought, the need:
 - for a clear business plan showing how any running and maintenance costs will be met for a reasonable period; and
 - to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.
- o The need to ensure that its powers to solicit applications under section 25 (2A) are used in connection with the pursuit of strategic objectives.

Signed on behalf of the Department of Culture, Arts and Leisure:

Paul Sweeney
Permanent Secretary

16 April 2008

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

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