

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

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# Sports Council for Northern Ireland Lottery Distribution Account 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 21 JANUARY 2008

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## Foreword/Background Information

### Statutory background

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

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

The Sports Council is charged under the 1993 Act with responsibility for distributing 2.8% 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.

### Principal functions related to National Lottery Distribution activities

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

A requirement of the 1998 Act is that the Sports Council prepares and adopts a strategic plan for the distribution of its share of lottery income. In April 2007 the Sports Council launched its new Strategic Plan. The plan covers the period 2007–2010 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 Lottery Committee (unless the Council has agreed delegated decision limits) which is drawn from members of the Sports Council. The proposals are then presented to the members of the Sports Council for approval.

In August 2003 the Department of Culture, Media and Sport (DCMS) issued a Guidance Note (1/03) which proposed that all Lottery Distributors should develop an NLDF policy, and should publish an annual statement in their audited accounts, setting out the basis of the policy and the actions required to manage the NLDF balance. See note 9 to the accounts.

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

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

The function of the Sports Council is to

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

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

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

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

The Sports Council underwent a restructuring exercise during the year with two units being changed from Lottery and Sports Development to Participation and Performance.

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.

Unless indicated otherwise, the members of Sports Council were appointed on 1 July 2003 for a term of four years. This period was extended to the 31 December 2007 by DCAL due to the delay in the appointment of new members. The members of the Lottery Committee are nominated by the Sports Council.

The following persons served as members during the financial year 2006-2007.

**Lottery/Participation Committee**

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

**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

**Performance Committee**

Mr J Gallagher (Chairman)  
Mr B McCargo  
Ms M Muldoon  
Dr O Brown  
Ms M Cusdin  
Mr C Logue

**Appointment of Auditors**

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

**Equality of opportunity**

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

**Employees with a disability**

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

**Employee consultation**

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

## Payment policy

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

A review conducted at the end of the year to measure how promptly the Sports Council paid its bills found that 100 per cent were paid within this standard. The comparable figure for the previous year was 99 per cent.

## Political and charitable donations

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

<i>Eric Saunders</i> Chairman Sports Council for Northern Ireland	10 December 2007
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<i>Eamonn McCartan</i> Chief Executive and Accounting Officer Sports Council for Northern Ireland	10 December 2007
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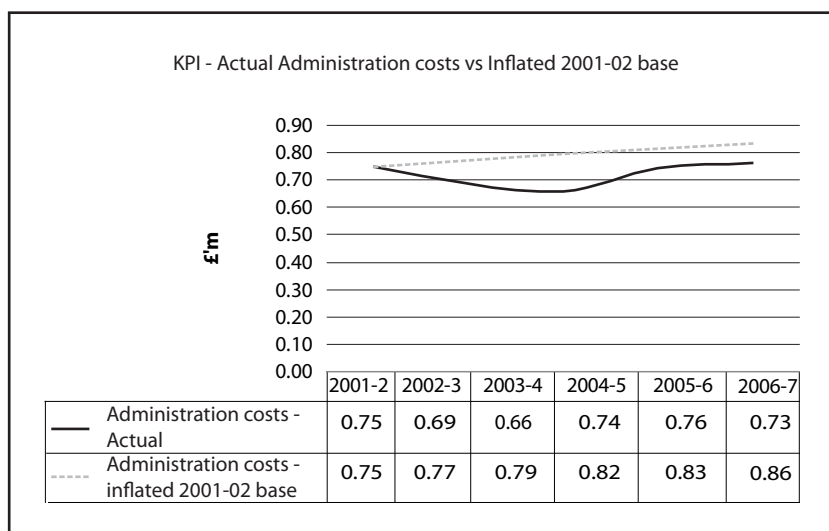
## Management Commentary

### Financial results

The Sports Council's Lottery Distribution results are set out in the Income and Expenditure Account. Total proceeds and investment income received from the National Lottery totalled £6,369,964 (2005-2006: £7,295,239). During the year the Sports Council made awards of £2,841,363 (2005-2006: £19,544,615). A total of £7,538,883 (2005-2006: £5,976,400) was paid to grant applicants, the remaining balance being held as commitments for future grant payments. The total administrative costs of the Sports Council's Lottery distribution activities, including staff costs but excluding depreciation and unrealised loss on investment in National Lottery Fund Account, was £730,711 (2005-2006: £762,303). This represents approximately 11.4 per cent (2005-2006: 10.45 per cent) of the total proceeds received in the year.

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

	Year 1 2001-2002 £m	Year 2 2002-2003 £m	Year 3 2003-2004 £m	Year 4 2004-2005 £m	Year 5 2005-2006 £m	Year 6 2006-2007 £m	Six year total £m
Administration costs - Actual	0.75	0.69	0.66	0.74	0.76	0.73	4.33
Administration costs – Inflated 2001-2002 base	0.75	0.77	0.79	0.82	0.83	0.86	4.82
GDP Deflator	87.5	90.2	92.9	95.4	97.3	100.0	



### Review of National Lottery Distribution Activities

During the 2006-2007 year Sports Council distributed awards under the following Lottery Fund grant programmes.

#### a Capital programmes

##### 1 Building sport

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



The Building Sport programme introduced new assessment procedures requiring applicant organisations with Stage 1 approval of their application form to prepare a full business case in support of their projects. In total, six projects received Stage 2 approval and 28 projects received Stage 1 approval over the course of the financial year.

The volume of applications received and assessed within this financial year will allow Sports Council to proceed to full awards in 2007-2008 and 2008-2009 thereby ensuring that NLDF Policy targets are met.

## 2 Club sport

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

During the year Sports Council received and agreed award adjustments totaling £147,491 in respect of the Club Sport programme.

## 3 Sports Institute for Northern Ireland – Capital

In April 2006, Sports Council considered and agreed to an increase of £620,000. The increase in award was deemed necessary as costs had increased since the original letter of offer due to inflationary costs associated with prolongation of the project, increased worldwide costs for commercial steelwork, oil related costs and additional works to comply with Sport Scotland's recent technical compliance assessment.

## 4 Old Capital programme

During the year Sports Council received and agreed award adjustments totaling £38,965 in respect of the Club Sport programme.

## **b Revenue programmes**

### 1 Athlete Support Programme

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

A total of £730,357 was awarded under the Athlete Support programme. A total of 77 awards were made totaling £591,559. Fifty nine of which were made to 26 governing bodies of sport in response to both squad and individual athlete applications. Of these awards 55 were in respect of governing body individual athlete performance plans. Four governing body squad performance plans were also funded. The funding provides support towards the costs of additional competitive opportunities, specialist coaching, sports science, medical support and equipment as specified in the Governing Body's performance plan. The remaining 18 awards totaling £124,878 were made in respect of 'living costs' which enable individual athletes to adequately prepare for a targeted competition. During the year Sport NI received and agreed award adjustments totaling £13,920.

### 2 Events programme

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

A total of £68,000 was awarded to three events under the Events programme as follows

<b>Awardee</b>	<b>Event</b>	<b>Amount (£)</b>
Ulster Squash	World Women's Open Squash Championships 2006	35,000
UB Badminton Union of Ireland	Yonex Irish International Badminton Championships 2006	8,000
NI Athletic Federation	International Indoor Athletics Championships 2007	25,000

### 3 Awards for All

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

During 2006-2007 a commitment of £500,000 was made to the Awards for All in respect of 104 sports projects. All awards made were for less than £10,000, and were mainly awarded to smaller groups which have not been able to avail of lottery funding from Sports Council's Capital or Revenue programmes.

### 4 Sport in our Community

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

During the year Sports Council received and agreed award adjustments totaling £279,020 in respect of the Sport in our Community programme.

### Significant changes in fixed assets

The movement on fixed assets is set out in note 7 to the financial statements. There were no significant changes during the year. The net book value of tangible fixed assets decreased from £5,414 to £4,714 following a depreciation charge of £5,391 for the year. Intangible fixed assets decreased from £1,315 to £195 following a depreciation charge of £1,120. A number of assets were also disposed of during the year due to being obsolete.

### Retained Funds at the year end

At the end of the year the Lottery Distribution Account showed a increase in funds of £2,603,396. This movement along with reserves held at the end of 2005-2006 of £8,479,414 resulted in the retained funds totalling £11,082,810 at 31 March 2007. This amount will be carried forward to the 2007-2008 financial year and will be available for distribution.

### A Comment on NLDF Balance Policy

In August 2003 the DCMS issued a Guidance Note (1/03) which proposed that all Lottery Distributors should develop an NLDF policy, and should publish an annual statement in their audited accounts, setting out the basis of the policy and the actions required to manage the NLDF balance. The Sports Council's NLDF policy is included within the accounts at note 9.

### Future Developments in National Lottery Distribution Activities

There are no significant developments expected.

### Audit

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

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

10 December 2007

# Remuneration Report

## Remuneration Policy

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

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

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

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

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

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

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

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 analogues to Grade 7.

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

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

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

## Service contracts

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

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

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

The notice period or compensation for early termination of a contract is three months for the Chief Executive and Directors.

### 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.

Employee	2006-2007		2005-2006	
	Salary £000	Benefits in kind £	Salary £000	Benefits in kind £
Eamonn McCartan Chief Executive	80–85 (includes salary arrears from prior years)	154	105-110 (includes salary arrears from prior years)	154
Shaun Ogle Director of Performance	55–60	154	45–50	154
Nick Harkness Director of Participation	55–60	154	45–50	154
Andrew Sloan Director of Corporate Services	55–60	324	40–45	319

#### *Sports Council Members Emoluments*

The Chairman and Vice-Chairman of the Sports Council received honorariums totalling £10,634 (2005-2006: £14,037) and £3,500 (2005-2006: £3,500) respectively in 2006-2007. 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.

#### *Salary*

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

#### *Benefits in kind*

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Each individual received a benefit in kind of £154, which relates to luncheon vouchers. The Director of Corporate Services also received a benefit in kind for £170 relating to professional fees for the ACCA.

#### *Sports Council Pensions*

The Sports Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 88 employees during the year; (24) were employed for part of the year).

The NILGOSC scheme is a 'multi-employer', defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and held separately from assets of the employers. The

scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2007 the Sports Council contributed 11% of pensionable salary. The scheme is contributory with members of staff paying 6% of pensionable salary.

Contributions for the year are disclosed in note 4 to the accounts.

Employee	Pensionable Earnings	Real increase in pension and andrelated lump sum at age 60	Accrued pension at age 60 at as 31 March 2007 and related lump sum	CETV at 31 March 2006	CETV at 31 March 2007	Real increase in CETV
Eamonn McCartan Chief Executive	82,886	1,695 plus 5,086 lump sum	27,497 plus 82,491 lump sum	415,046	464,683	44,773
Shaun Ogle Director of Performance	54,568	1,391 plus 4,173 lump sum	14,373 plus 43,118 lump sum	171,669	203,810	27,268
Nick Harkness Director of Participation	54,568	1,449 plus 4,346 lump sum	15,490 plus 46,471 lump sum	169,252	199,835	25,751
Andrew Sloan Director of Corporate Services	56,046	1,520 plus 4,560 lump sum	6,121 plus 18,363 lump sum	52,530	73,567	19,913

The above figures do not include salary accruals.

#### *Cash Equivalent Transfer Values*

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

#### *Real increase in CETV*

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

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

10 December 2007

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

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

The 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, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the principal Accounting Officer is required to comply with the requirement of the Government Financial Reporting Manual and in particular 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 as set out in the Government 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 'Government Accounting Northern Ireland' also issued by the Department of Finance and Personnel (DFP), and in the Financial Directions issued by the DCAL on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

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

10 December 2007

# Statement on Internal Control

## Scope of responsibility

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

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

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

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

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

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

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Sports Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Sports Council for the year ended 31 March 2007 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 their own areas of work.

In 2006-2007 as a result of the investment in the Grants Administration course two members of staff were awarded a Certificate in Management Practice (Grant Skills) which is equivalent to NVQ Level 3. This programme was delivered by the Chartered Institute of Public Finance and Accountancy/Institute of Public Finance Northern Ireland and has been accredited by the Institute of Administrative Management.

In addition two members of staff are looking forward to completing Accountancy Exams in June this year and another member of staff has successfully completed Stage 1 of the examinations. One member of staff has signed up to complete the course in Human Resource Management at the University of Ulster. Other Learning and Development undertaken during the year includes Recruitment and Selection, Employment Law Update and Child Protection.

Sports Council ensures that all staff have appropriate inductions when they commence work. In addition, Sports Council continues to work towards having all policy and procedural documents held on the Intranet. This has been completed for a number of work areas and will continue to be updated throughout 2007-2008.

Sports Council members attended induction training on their roles and responsibilities following their appointment in July 2003. Audit Committee members will be undertaking additional update training on their roles and responsibilities within the Audit Committee in 2007-2008.

## The risk and control framework

### **Risk Management Policy and Register**

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

The Policy is subject to regular revision as the risk management process becomes embedded throughout the Sports Council and will be updated to reflect the changing environment of the Sports Council as required. During the year the Sports Council went under a change in its organisation structure; this included a new management communications structure which included risk reviews as a fixed agenda item on all management and team meetings.

The Sports Council has a risk register in place which identifies the key risks facing the Sports Council. These have been categorised under 9 broad headings. The risk register details management's assessment of the key risks and associated controls, and actions required to mitigate these risks. Each risk has been assessed, for its severity and for the effectiveness of the controls currently operating.

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

### **Investment policy**

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

- Complies with the Department for Finance and Personnel's requirements for the Sports Council, as a Non-Departmental Public Body to adhere to the Northern Ireland Preface to The Green Book (Guidance for Northern Ireland Departments on the Appraisal, Evaluation, Approval and Management of Policies, Programmes and Projects) and satisfy public accountability requirements;



- Applies the principle of proportionate effort, thus ensuring that undue burden is not placed on applicants or indeed Sports Council staff; and
- Improves the efficient and effective operation of the Sports Council activities, ensuring best practice and consistency across the organisation. The business case methodology, being used to define problems and find solutions to offer the best value for money for the Sports Council. The risk management process provides the Sports Council with an increased understanding of risks, thus improving decision-making to adapt to changes and avoid failures. The monitoring and evaluation process provides lessons to improve the decision-making process and justifies the case for increased expenditure in sport.

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

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

In 2007-2008 the Sports Council will continue to work via its investment policy.

### **Conflict of interests**

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

### **Fraud**

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

### **Value for Money**

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

During the year the Department of Culture, Arts and Leisure signed a service level agreement with the 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.

### **Inefficiency**

SCNI 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 SCNI at the start of the year also went through a change in its organisation structure with the aim to ensure efficiencies were made and the harmonization of procedures across the organisation.

## **Loss of grant**

SCNI 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, SCNI 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 SCNI is adhering to them and any recommendations to further enhance controls/procedures are incorporated.

## **Review of effectiveness**

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

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

The Sports Council continues to review its programmes and procedures in order to ensure that it meets appropriate standards, best practice and continues to work towards efficiencies. This will continue in 2007-2008 via reviewing policies and procedures, training programmes and reassessing contractual agreements.

The Sports Council discharges its responsibility for reviewing the system of internal control through its Audit Committee. The Audit Committee met on two occasions during the year and received reports from both the Sports Council's external auditor for the year ending 31 March 2006 and its internal auditor for the year 2006-2007. The Audit Committee reported back to the Sports Council following each of its meetings.

The Sports Council internal auditor produced the annual audit assurance statement which provided an adequate level of assurance for the year 2006-2007.

The Sports Council has a risk register in place that is reviewed regularly by the senior management team. It is also reviewed by Audit Committee and Council annually. The last review took place in April 2006.

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 2006-2007.

## **Exceptional**

The Sports Council has a procedure in place to ensure that all losses are appropriately handled and reported to DCAL. There were no losses identified during the year 2006-2007.

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

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

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

Sports Council has undertaken a forensic audit of the grant recipient to determine the exact value of the fraud. The fraud has been calculated to be £74,831. It is anticipated that some of this money may be recoverable. Sports Council has also obtained approval from DCAL to permit Sports Council to underwrite 50% of any loss.

Sports Council provides funding to Awards for All for the administration of small sporting grant awards. During the year Awards for All through their controls and procedures raised significant issues concerning two grant recipients which were unable to provide appropriate supporting documentation. The amount being queried is estimated by Awards for All to be £4,122. After investigations took place it was agreed by Sports Council that the Department of Culture, Arts and Leisure and the Northern Ireland Audit Office should be informed that the two grant awards were suspected frauds.

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

10 December 2007

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

I certify that I have audited the financial statements of the Sports Council for Northern Ireland Lottery Distribution Account for the year ended 31 March 2007 under the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. 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, Accounting Officer and Auditor

The Council and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and Department of Culture, Arts and Leisure directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Accounting Officer's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and Department of Culture Arts and Leisure directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Foreword and Background Information and the Management Commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Sports Council for Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Sports Council for Northern Ireland's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Sports Council for Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Sports Council for Northern Ireland and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Sports Council for Northern Ireland Lottery Distribution Account's circumstances, consistently applied and adequately disclosed.

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

## Opinions

### **Audit opinion**

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and directions made thereunder by the Department of Culture Arts and Leisure, of the state of the Sports Council for Northern Ireland Lottery Distribution Account's affairs as at 31 March 2007 and of its increase in funds for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and Department of Culture, Arts and Leisure directions made thereunder; and
- information given within the Annual Report, which comprises the Foreword and Background Information and the Management Commentary, is consistent with the financial statements.

### **Audit 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.

### **Report**

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

15 January 2008

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

## Income & Expenditure Account for the year ended 31 March 2007

	Notes	2006-2007 £	2005-2006 Restated £
Proceeds from NLDF	2	<b>5,227,505</b>	5,990,826
Investment income from NLDF	2	<b>1,142,459</b>	1,304,413
Other income	3	<b>45,366</b>	35,773
<b>Total income</b>		<b>6,415,330</b>	7,331,012
New lottery grants made	14a	<b>6,276,556</b>	16,938,445
Hard de-commitments	14a	<b>(3,303,110)</b>	(996,231)
Claw back on grants	11	<b>(15,319)</b>	(81,049)
Staff costs – recharge	4	<b>412,072</b>	415,181
Staff cost – direct costs	4	<b>0</b>	1,317
Depreciation	7	<b>6,511</b>	17,221
Other operating costs – direct costs	5	<b>121,109</b>	131,033
– recharge	5	<b>197,530</b>	214,772
Unrealised loss on investment in National Lottery Fund Account		<b>108,176</b>	0
<b>Total expenditure</b>		<b>3,803,525</b>	16,640,689
<b>Increase/(decrease) in funds before taxation</b>		<b>2,611,805</b>	(9,309,677)
Taxation		<b>(8,409)</b>	(4,779)
<b>Increase/(decrease) in funds</b>		<b>2,603,396</b>	(9,314,456)

The income and expenditure relate to continuing activities.

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2007

	Note	2006-2007 £	2005-2006 £
Increase/(decrease) in funds for the year		<b>2,603,396</b>	(9,314,456)
Unrealised loss on investments	15	<b>0</b>	(170,695)
<b>Total recognised gain/(loss) for the year</b>		<b>2,603,396</b>	(9,485,151)

*The notes on pages 23 to 35 form part of these financial statements*

## Balance Sheet as at 31 March 2007

	Notes	2006-2007 £	2005-2006 £
<b>Fixed assets</b>			
Tangible assets	7a	4,714	5,414
Intangible assets	7b	195	1,315
		<u>4,909</u>	<u>6,729</u>
<b>Current assets</b>			
Investments – NLDF Balance	8	23,232,130	24,946,336
Cash at Bank	10	291,169	464,355
Debtors and prepayments	11a	29,485	92,964
		<u>23,552,784</u>	<u>25,503,655</u>
<b>Creditors: due within one year</b>			
Grant hard commitments	12a	(6,951,823)	(6,867,193)
Other creditors	12a	(307,377)	(298,027)
		<u>16,293,584</u>	<u>18,338,435</u>
Net current assets			
		<u>16,298,493</u>	<u>18,345,164</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: due greater than one year</b>			
Grant hard commitments	13a	(5,215,683)	(9,865,750)
		<u>11,082,810</u>	<u>8,479,414</u>
<b>Total assets less total liabilities</b>			
<b>Represented by</b>			
<i>Reserves</i>			
Income and expenditure	15	11,082,810	8,479,414
		<u>11,082,810</u>	<u>8,479,414</u>

*Professor Eric Saunders*  
Chairman  
Sports Council for Northern Ireland

10 December 2007

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

10 December 2007

*The notes on pages 23 to 35 form part of these financial statements*

## Cash Flow Statement for the year ended 31 March 2007

	Note	2006-2007 £	2005-2006 Restated £
<b>Operating activities</b>			
Funds received from the NLDF	20	<b>7,975,994</b>	6,651,167
Other cash receipts		<b>5,173</b>	0
Grants paid		<b>(7,538,883)</b>	(5,976,400)
Claw back		<b>81,049</b>	0
Cash paid to SCNI – recharge for staff		<b>(600,300)</b>	(517,284)
Time/overheads		<b>(20,670)</b>	(16,345)
Cash paid to employees		<b>(98,634)</b>	(151,503)
Other cash payments			
<b>Net cash outflow from operating activities</b>		<b>(196,271)</b>	(10,365)
<b>Return on investments and servicing of finance</b>			
Treasury interest		<b>33,112</b>	24,904
<b>Taxation paid</b>			
Corporation Tax		<b>(4,680)</b>	(2,520)
<b>Capital expenditure</b>			
Purchase of assets		<b>(5,347)</b>	(9,494)
<b>(Decrease)/increase in cash</b>		<b>(173,186)</b>	2,525

### Notes to the Cash Flow Statement

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

	Note	2006-2007 £	2005-2006 Restated £
Increase/(decrease) in Funds		<b>2,611,805</b>	(9,309,677)
Depreciation charges		<b>6,511</b>	17,221
Interest receivable		<b>(36,669)</b>	(30,053)
Decrease/(increase) in NLDF Investment	20	<b>1,714,206</b>	(644,072)
Decrease/(increase) in debtors and prepayments		<b>67,037</b>	(80,767)
Increase/(decrease) in creditors less than one year		<b>90,906</b>	823,884
Increase/(decrease) in creditors greater than one year		<b>(4,650,067)</b>	9,213,099
<b>Net cash outflow from operating activities</b>		<b>(196,271)</b>	(10,365)

#### 2 Reconciliation of net cash flow to movement in net funds

	2006-2007 £	2005-2006 £
Net Funds at 1 April	<b>464,355</b>	461,830
(Decrease)/increase in cash	<b>(173,186)</b>	2,525
Net funds at 31 March	<b>291,169</b>	464,355

The notes on pages 23 to 35 form part of these financial statements



# Notes to the Accounts

## 1 Accounting policies

### a Basis of accounting

These financial statements have been prepared under the historical cost convention and in a form directed by the Secretary of State with the consent of DFP in accordance with Section 35(3) of the National Lottery etc Act 1993 and as directed in the Accounts Direction issued by the Department of Culture, Arts and Leisure a copy of which is available within the Sport Council's Management Statement Appendix F. While the Accounts Direction requires inclusion of assets at their value to the business by reference to current cost, for 2006-2007 the Sports Council believes that these are not materially different to the historic cost shown in the balance sheet.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 and Accounting Standards issued, or adopted, by the Accounting Standards Board and disclosure requirements issued by the Department of Finance and Personnel in so far as those requirements are appropriate. Significant departures from accounting standards are disclosed and explained in the notes and the financial effects quantified where practicable.

### b Tangible fixed assets

#### Land and buildings

Although the Lottery Fund does not own any buildings, the costs of providing new offices for the Lottery Fund had been capitalised in the Accounts commencing the year ended 31 March 2001. These costs had previously been treated as a prepayment of rent on the office space occupied by the Lottery Fund.

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

Land and buildings of nil net book value previously accounted for as fixed assets have been removed from fixed assets as they are not owned by the Lottery Fund. This has no effect on the Balance Sheet or Income and Expenditure for the current or prior period.

#### Other fixed assets

The Sports Council for Northern Ireland applies a capitalisation limit of £1,000 to individual items and pooling of items costing more than £500 and which in aggregate total more than £5,000, and after taking into account the costs incurred in bringing the assets into use but not expenditure properly chargeable to the income and expenditure account. Other fixed Assets are recharged to the Lottery Distribution Accounts at the end of each financial year, on the basis of assets acquired/utilised specifically for lottery activities (see 1g).

Depreciation has been provided using the straight-line method so as to write off each asset, whether individual or pooled, over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

Assets are depreciated over their useful lives as follows

	2006-2007
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 Intangible assets*

Intangible assets relate to the purchase of software and licences. These are included at cost and written off over a three year period, which is their useful economic life.

*d 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.

The Sports Council's share of any net surplus (asset) or net deficit (liability) of the defined benefit scheme is disclosed separately in the Sports Council Northern Ireland's Exchequer Accounts.

*e NLDF Account*

Balances held in the NLDF remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Sports Council is as shown in the accounts and, at the balance sheet date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by it in respect of current and future commitments.

*f 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.

*g Allocation of costs*

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

*h Grant commitments*

The following are the two types of grant commitments

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

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

*i Operating lease*

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

*j Change in accounting policy*

The accounting policies adopted are consistent with those of the previous financial years except the Sports Council has reclassified grant commitments that were previously recorded as provisions. These are now recorded in the accounts as Creditors Due Greater Than One Year. This amendment to the accounting policy is in line with the requirements of the Lottery Financial Directions.

This change did not have any effect on the income and expenditure account for the current period or prior period. It represents a change of presentation on the balance sheet.

## 2 Proceeds from Lottery

	<b>2006-2007</b>	2005-2006
	£	£
Proceeds from National Lottery	<b>5,227,505</b>	5,990,826
Investment returns on balances held at NLDF	<b>1,142,459</b>	1,304,413
<b>Total</b>	<b><u>6,369,964</u></b>	<u>7,295,239</u>

## 3 Other income

	<b>2006-2007</b>	2005-2006
	£	£
Bank interest	<b>36,669</b>	30,053
Other income	<b>8,697</b>	5,720
<b>Total</b>	<b><u>45,366</u></b>	<u>35,773</u>

## 4 Staff costs

	<b>2006-2007</b>	2005-2006
	£	£
Salaries and wages	<b>333,843</b>	359,039
Social Security costs	<b>26,493</b>	27,224
Other pension costs	<b>36,182</b>	30,235
Temporary staff costs	<b>15,554</b>	0
<b>Total</b>	<b><u>412,072</u></b>	<u>416,498</u>

All of the above staff costs £412,072 (2005-2006: £415,181) were incurred by the Sports Council and recharged to the Lottery Distribution Account. The average number of full-time equivalent persons employed by the Sports Council and deployed on Lottery duties during the period from April 2006 to March 2007 was 13 (2005-2006: 16) staff.

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.

### *Chief Executive's Remuneration*

The Chief Executive's total remuneration including employer's costs in 2006-2007 was £100,946 (2005-2006: £127,776). Salary for the Chief Executive includes back pay from previous years. He is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee scheme. The Chief Executive was appointed in June 1994 for a contract period of five years. The contract was renewed in 1998 and is termed a permanent post.

As part of the Service Level Agreement with Sports Council Exchequer the Chief Executive's time is now incorporated within the desk charge.

### Sports Council Members Emoluments

The Chairman and Vice-Chairman of the Sports Council received honorariums totalling £10,634 (2005-2006: £14,037) and £3,500 (2005-2006: £3,500) respectively in 2006-2007. The Chairman's honorarium is not 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.

### 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 last full actuarial valuation was at 31 March 2004.

In order to assess the value of the Employer's liabilities in the Fund as at 31 March 2007, the actuary rolled forward the value of the Employer's liabilities calculated as at the latest formal funding valuation, allowing for the different financial assumptions required under FRS17. The key assumptions for the roll forward valuation at 31 March 2007 are set out below. The figures marked 'real' are net of assumed price inflation.

Assumptions	31 March 2007		31 March 2006		31 March 2005	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Price increases	3.2%	–	3.1%	–	2.9%	–
Salary increases	4.7%	1.5%	4.6%	1.5%	4.4%	1.5%
Pension increases	3.2%	–	3.1%	–	2.9%	–
Discount rate	5.4%	2.1%	6.0%	2.8%	6.5%	3.5%

The return on the Fund in market value terms for the year to 31 March 2007 is estimated to be 5.7%, based on actual Fund returns of 3.8% for the period 1 April 2006 to 31 December 2006 and index returns thereafter. An approximate summary of the Market value of the Fund's assets as at 31 March 2007 was £3,146m. The Sports Council share of the underlying assets and liabilities are shown below.

Assets (Employer)	31 March 2007		31 March 2006		31 March 2005	
	Long Term Return % p.a.	Assets £(000)	Long Term Return % p.a.	Assets £(000)	Long Term Return % p.a.	Assets £(000)
Equities	7.8%	5,349	7.4%	5,300	7.7%	3,800
Bonds	4.9%	1,001	4.6%	800	4.8%	700
Property	5.8%	730	5.5%	500	5.7%	500
Cash	4.9%	81	4.6%	100	4.8%	100
<b>Total</b>	<b>7.2%</b>	<b>7,162</b>	<b>6.9%</b>	<b>6,600</b>	<b>7.1%</b>	<b>5,100</b>

Net Pension asset as at	31 March 2007 £(000)	31 March 2006 £(000)	31 March 2005 £(000)
Estimated employer assets (A)	7,162	6,600	5,100
Present value of scheme assets	8,848	6,900	5,500
Property value of unfunded liabilities	0	0	0
Total value of liabilities (B)	8,848	6,900	5,500
<b>Net pension asset (A-B)</b>	<b>(1,686)</b>	<b>(300)</b>	<b>(400)</b>

The valuation revealed that the Net Pension Asset as at 31 March 2007 is a liability of £1,686,000. As Sports Council has a constructive obligation to fund any deficit allocated to its share of the Fund the full amount of the deficit has been recognised.

Contributions for the year were as follows

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 behalf of the Lottery. However, under FRS 17 it has not been possible to identify the Sports Council Lottery Distribution Funds share of the scheme.

	<b>2006-2007</b>	2005-2006
	<b>£</b>	£
Employers	<b>26,392</b>	30,234
Employees	<b>19,626</b>	20,697
<b>Total</b>	<b>46,018</b>	50,931

## 5 Other operating costs

	<b>Total</b>	Direct	Recharge	Total
	<b>2006-2007</b>	2006-2007	2006-2007	2005-2006
	<b>£</b>	£	£	£
Travel and subsistence	<b>20,126</b>	17,228	2,898	22,597
Recruitment	<b>7,231</b>	3,230	4,001	6,749
Training	<b>2,121</b>	1,005	1,116	3,320
Publications, printing, stationery and IT consumables	<b>9,612</b>	5,942	3,670	17,548
Telephone and postage	<b>7,258</b>	1,651	5,607	10,407
Professional and consultancy fees	<b>19,432</b>	19,432	0	14,415
Internal audit fee	<b>0</b>	0	0	0
External audit fee	<b>23,500</b>	23,500	0	23,500
Repairs and renewals	<b>1,934</b>	1,462	472	1,056
Profit on disposal	<b>0</b>	0	0	0
Sundry expenses	<b>0</b>	0	0	47
Bank charges	<b>62</b>	62	0	0
Publicity	<b>43,198</b>	3,696	39,502	58,328
Lottery promotion	<b>13,900</b>	0	13,900	6,530
Photography	<b>30</b>	25	5	724
Research and evaluation	<b>705</b>	402	303	626
Courses and conferences	<b>4,958</b>	4,792	166	237
Awards for all administration costs	<b>38,682</b>	38,682		35,522
SCNI overhead charge	<b>125,890</b>	0	125,890	137,564
Temporary staff	<b>0</b>	0	0	6,635
<b>Total</b>	<b>318,639</b>	121,109	197,530	345,805

Of the above total for 2006-2007 £197,530 (2005-2006: £214,772) was initially incurred by the Sports Council's grant-in-aid account and recharged to the Lottery Distribution Account.

## 6 Operating lease

At 31 March 2007 annual commitments under operating leases are set out below

	<b>2006-2007</b>	2005-2006
	<b>Rent</b>	Rent
	<b>£</b>	£
<i>Operating leases which expire</i>		
Within one year	<b>4,320</b>	4,320
Within two and five years inclusive	<b>0</b>	0
Over five years	<b>0</b>	0
<b>Total</b>	<b>4,320</b>	4,320

The rent of land and buildings is an on going agreement with Sports Council for Northern Ireland.

## 7a Tangible fixed assets

	Land and buildings	Information Technology	Office Furniture and equipment	<b>Total</b>
	£	£	£	£
<b>Costs</b>				
At 1 April	201,047	45,499	49,965	<b>296,511</b>
Additions	0	4,691	0	<b>4,691</b>
Disposals	(201,047)	0	(32,221)	<b>(233,268)</b>
At 31 March	<u>0</u>	<u>50,190</u>	<u>17,744</u>	<b><u>67,934</u></b>
<b>Depreciation</b>				
At 1 April	201,047	40,085	49,965	<b>291,097</b>
Charge for the year	0	5,391	0	<b>5,391</b>
Disposals	(201,047)	0	(32,221)	<b>(233,268)</b>
At 31 March	<u>0</u>	<u>45,476</u>	<u>17,744</u>	<b><u>63,220</u></b>
<b>Net book value</b>				
<b>At 31 March 2007</b>	<u>0</u>	<u>4,714</u>	<u>0</u>	<b><u>4,714</u></b>
At 31 March 2006	<u>0</u>	<u>5,414</u>	<u>0</u>	<b><u>5,414</u></b>

**7b Intangible fixed assets**

	Information Technology
<b>Cost</b>	
At 1 April	54,192
Additions	0
Disposals	0
At 31 March	<u>54,192</u>
<b>Depreciation</b>	
At 1 April	52,877
Charge for the year	1,120
Disposals	0
At 31 March	<u>53,997</u>
<b>Net book value</b>	
<b>At 31 March 2007</b>	<u>195</u>
At 31 March 2006	<u>1,315</u>

**8 Reconciliation of movement of funds**

	2006-2007 £	2005-2006 £
Balances held in NLDF		
Proceeds from Lottery	<b>6,369,964</b>	7,295,239
Drawn down in year	<b>(7,975,994)</b>	(6,651,167)
Total (decrease)/increase in Funds	<b>(1,606,030)</b>	644,072
Unrealised loss on investment	<b>(108,176)</b>	(170,695)
Balance at 1 April 2006	<b>24,946,336</b>	24,472,959
<b>Balance at 31 March 2007</b>	<b><u>23,232,130</u></b>	<u>24,946,336</u>

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 2007 was £23,232,130 (2005-2006: £24,946,336). The Balance Sheet figure for the NLDF balance is shown as £23,232,130 (2005-2006: £24,946,336) as the lower of cost and net realisable value. The actual cost of the NLDF balance at 31 March 2007 was £23,511,001 (2005-2006: £25,117,031).

**9 NLDF Balance Policy**

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

The following is the policy as approved by the Sports Council

The Sports Council aims to keep NLDF balances at a prudent level that will maximise its ability to achieve its strategic objectives, and to ensure the speedy progress of existing and future commitments. In setting its target

balances the Sports Council will seek to ensure that it neither compromise existing commitments nor unreasonably constrain its ability to make future commitments.

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

- by 31 March 2007 to aim for NLDF balances to be £17.9 million.

At the 31 March 2007 the Sports Council NLDF balance was £23.23m. The difference between the actual balance and the target balance relates to two issues:

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

An update on the policy was submitted to Council in April 2007; this paper outlined the balance over the next two financial years as follows

- by 31 March 2008 to achieve a NLDF balance of £17.75m; and
- by 31 March 2009 to achieve a NLDF balance of £9.60m.

In addition, the paper outlined that the Sports Council would put the following in place to ensure the targets would be met

- Grant management training for operations staff responsible for management of grant projects, including the adoption of Milestone/Gateway Review principles;
- Completion of the extensive review projects which have not reached final payment where commitments were made prior to 2007;
- A review of capital grant programmes to speed the processing of small grant applications and to implement revised grant management processes, including staged decommitment procedures;
- The development of the GIFT's grants management information system to provide more accurate and timely information to management on the progress of awards; and
- Regular review of income forecasts and budgets to allow reallocation of unspent funds.

## 10 Cash at bank

	<b>2006-2007</b>	2005-2006
	<b>£</b>	£
Cash at bank	<b>291,169</b>	464,355

### 11a Debtors and prepayments

	<b>2006-2007</b>	2005-2006
	<b>£</b>	£
Bank interest receivable	<b>5,777</b>	2,220
Grant clawbacks	<b>15,319</b>	81,049
Other debtors	<b>8,389</b>	9,695
	<b>29,485</b>	92,964

### 11b Intra Government balances

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



**12 Creditors: due within one year***12a Analysis by type*

	<b>2006-2007</b>	2005-2006
	£	£
Corporation Tax payable	<b>8,492</b>	4,762
Trade creditors	<b>287,223</b>	309,763
Other creditors	<b>6,730,106</b>	6,605,602
Amount owed to SCNI	<b>233,379</b>	245,093
	<b><u>7,259,200</u></b>	<u>7,165,220</u>

A sum of £221,717 (2005-2006: £261,591) under Trade Creditors relates to grant commitments for which claims for payment had been received at 31 March 2007.

The sum of £6,730,106 (2005-2006: £6,605,602) under other creditors refers to grant hard commitments payable in 2007-2008.

*12b Intra-Government balances*

	<b>2006-2007</b>	2005-2006
	£	£
Balances with central government	<b>8,492</b>	4,762
Balances with local authorities	<b>436,482</b>	65,835
Balances with other government organisations	<b>6,803,580</b>	3,816,963
Balances with bodies external to government	<b>10,646</b>	3,277,660
	<b><u>7,259,200</u></b>	<u>7,165,220</u>

**13 Creditors: greater than one year***13a Analysis by type*

	<b>2006-2007</b>	2005-2006
	£	£
Grant commitments	<b>5,215,683</b>	9,865,750
	<b><u>5,215,683</u></b>	<u>9,865,750</u>

*13b Intra-Government balances*

	<b>2006-2007</b>	2005-2006
	£	£
Balances with other government organisations	<b>3,743,394</b>	8,963,120
Balances with bodies external to government	<b>1,472,289</b>	902,630
	<b><u>5,215,683</u></b>	<u>9,865,750</u>

*14a Hard Commitments*

	<b>2006-2007</b>	2005-2006
	£	£
Hard Commitments brought forward	<b>16,732,943</b>	6,767,129
Hard Commitments met in the year	<b>(7,538,883)</b>	(5,976,400)
Hard De-commitments	<b>(3,303,110)</b>	(996,231)
Hard Commitments made	<b>6,276,556</b>	16,938,445
<b>Balance of Hard Commitments outstanding carried forward</b>	<b><u>12,167,506</u></b>	<u>16,732,943</u>

**Profile of Hard Commitments**

Payable in 2006-2007	<b>0</b>	6,867,193
Payable in 2007-2008	<b>6,951,823</b>	8,046,330
Payable in 2008-2009	<b>3,879,932</b>	1,819,420
Payable in 2009-2010	<b>1,171,000</b>	0
Payable in 2010-2011	<b>164,751</b>	0
	<b><u>12,167,506</u></b>	<u>16,732,943</u>

There are no commitments expected to be payable after 2010-2011.

**Disclosure of Hard Commitments**

	Notes	<b>2006-2007</b>	2005-2006
		£	£
Trade creditors	12	<b>221,717</b>	261,591
Other creditors	12	<b>6,730,106</b>	6,605,602
Creditors due greater than one year	13	<b>5,215,683</b>	9,865,750
Total Hard Commitments		<b><u>12,167,506</u></b>	<u>16,732,943</u>

The Balance Sheet shows a figure of £5,215,683 (2005-2006: £9,865,750) under 'Creditors due greater than one year: Grant Hard Commitments' and this represents the Hard Commitments payable 2008-2009 to 2010-2011.

**Soft commitments**

	<b>2006-2007</b>	2005-2006
	£	£
Soft commitments brought forward	<b>3,572,733</b>	1,026,562
Soft commitments transferred to hard commitments	<b>(6,276,556)</b>	(16,938,444)
Soft de-commitments	<b>0</b>	(60,000)
Soft commitments made	<b>2,841,363</b>	19,544,615
<b>Balance of soft commitments outstanding carried forward</b>	<b><u>137,540</u></b>	<u>3,572,733</u>

*14b Analysis of grant payments*

	<b>2006-2007</b>	2005-2006
	£	£
Public sector bodies	<b>4,690,155</b>	1,456,761
Private sector bodies	<b>2,848,728</b>	4,519,639
<b>Total grant payments</b>	<b><u>7,538,883</u></b>	<u>5,976,400</u>

**15 Income and Expenditure Reserve**

	<b>2006-2007</b>	2005-2006
	£	£
Balance at 1 April	<b>8,479,414</b>	17,964,565
Movement in funds – Income and Expenditure Account	<b>2,603,396</b>	(9,314,456)
	<b>11,082,810</b>	8,650,109
Unrealised losses on investments	<b>0</b>	(170,695)
Balance at 31 March 2007	<b>11,082,810</b>	8,479,414

**16 Related party transactions**

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

<b>Organisation</b>	<b>Commitments £</b>	<b>Individual</b>
Canoe Association NI	5,340	Kieran O'Hara
Canoe Association NI	5,340	Nick Harkness
Canoe Association NI	5,340	Oisin Hallissey
Canoe Association NI	5,340	Robin Gregg
Canoe Association NI	5,340	Trevor Fisher
Canoe Association NI	5,340	Stephen Millar
Cycling Ulster	144,250	John News
Cycling Ulster	144,250	Maura McGreevy
Derry City Council	19,852	Cathal Logue
Irish Women's Indoor Bowling Association	6,647	Jayne Thompson
NI Athletics	38,500	Brian McCargo
NI Athletics	38,500	Paul Scott
NI Gymnastics	16,600	Marie Murphy
Royal Yachting Association	9,700	Jill Poots
Salto Gymnastics	139,531	Hugh McCaughey
Salto Gymnastics	139,531	Marie Murphy
Salto Gymnastics	139,531	Andrea McKittrick
UB Badminton Union of Ireland	8,000	Jennifer Waring
UB Irish Hockey Association	19,000	Olive Brown
UB Irish Hockey Association	19,000	Nick Harkness
UB Irish Table Tennis Association	10,000	Alan Strong
Ulster Women's Hockey Union	19,000	Nick Harkness
University of Ulster/SINI	620,000	Alan Strong
University of Ulster/SINI	620,000	Cathal Logue
University of Ulster/SINI	620,000	Ian Weir
University of Ulster/SINI	620,000	Marie Murphy
University of Ulster/SINI	620,000	Olive Brown

### **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% of the Sports Institute Northern Ireland via a joint venture with the University of Ulster. The Sports Institute Northern Ireland and University of Ulster are both regarded as related parties.

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

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

### **17 Commitments**

The Sports Council has made 48 Stage I approvals under the Building Sport programme. These have not been recorded as a Soft or Hard Commitments as they need to reach Stage II approval before they become a financial commitment.

There were no capital commitments as at 31 March 2007.

### **18 Contingent liabilities**

There were no contingent liabilities as at 31 March 2007.

### **19 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 2006-2007 £5.227 million (81.5%) of the Sports Council's Lottery Fund's income was derived from the National Lottery. The remaining income is derived from investment returns from the balance held with the NLDF £1.142 million (17.8%) and from Bank Interest and Sundry Income £0.046 million (0.7%). 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 £23.523 million to cover all current contracted commitments of £12.305 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 £23.232 million. In the year the average return on these investments was 4.2349%. 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 4.75% in the year. The cash balance at the year-end was £0.291 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.

## **20 Restated Figures**

### *Income and Expenditure Account – Notional Costs*

The cost of capital charge is no longer required to be disclosed in the lottery distribution accounts, therefore the 2005-2006 figures have been restated to aid comparison.

### *Cash Flow Statement – Investment Income*

In the Cash Flow Statement, the 2005-06 figures have been restated to correct the treatment of the unrealised loss on the investment at NLDF which is not a cash flow. This has been done to aid comparison.

## 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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DG Ref: D86132 8278RC

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ISBN 978-0-10-328770-6



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