

The Sports Council for Northern Ireland
Annual Report and Accounts
For the year ended 31st March 2003

*Laid before the Houses of Parliament by the Department of Culture,
Arts and Leisure in accordance with Paragraph 12(2) and (4) of
the Schedule to the Northern Ireland Act 2000 and Paragraph 21
of the Schedule to the Northern Ireland Act 2000
(Prescribed Documents) Order 2004*

7 July 2005

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CHAIRMAN'S FOREWORD

Once again I am pleased to introduce the Annual Report that outlines some of our progress and achievements during 2002/2003. We strive to achieve three corporate aims:

- Enabling life long active participants in sport;
- Enabling all those optimum level participants; and
- Good reputation in sport.

In order to achieve these aims it is important that we get our strategy right by planning effectively, ensuring high quality in all aspects of our projects, maximising value for money, building long-term relationships and monitoring our progress closely.

We work very closely with our sponsoring department, the Department of Culture Arts and Leisure (DCAL) to ensure a symbiotic approach to our strategic planning.

This review shows just a sample of how much has been done in the past year. We do not take full credit for all our success as we can only deliver in partnership with our many key stakeholders but we do believe that we do offer a strong sense of guidance and leadership to sport and a good return on investment.

I take great pride in the work of the Sports Council for Northern Ireland and I congratulate all my council colleagues and our chief executive, Eamonn McCartan for all their hard work and sustained commitment to ensuring that sport has the support and recognition it deserves

It is my pleasure to commend to you this year's Annual Review.

Prof Eric Saunders OBE

Chairman

Sports Council for Northern Ireland

CHIEF EXECUTIVE'S STATEMENT

The Sports Council for Northern Ireland had another busy and successful year and the purpose of this review is to highlight some of our many achievements.

In association with our sponsoring Department of Culture, Arts and Leisure (DCAL) the Council agreed seven key areas of expenditure and associated programmes to support DCAL's own outcomes and policy aims in line with the Programme for Government.

These areas of expenditure included: Increasing the number of sporting opportunities in schools and communities and increasing the number of volunteers equipped to develop participation by young people in sport. This was best illustrated by our ongoing organisation of the Golden Cow Youth Games, the largest multi-sport event for talented young people in Northern Ireland.

We also sought to increase the number of opportunities made available through the sporting networks by promoting umbrella organisations such as 2 & 4 Wheel Motorsports, which successfully launched its strategic plan this year.

We helped establish the United Kingdom Sports Institute at Jordanstown – NI network centre to increase opportunities in Northern Ireland through the further development of the Sports Institute site at Jordanstown for our elite athletes like Andrew Bree and Commonwealth Games Silver medalist, Lisa Bradley.

We raised the standards of coaching for our high level performers through our Lottery funding of coaching and through the launch of the new Coaching Northern Ireland. And, further more we developed sport in line with best practice standards as illustrated by our achievement of reaccreditation to the Investors in People standards.

The achievements highlighted in this review provide a tremendous platform for sports development. There are exciting challenges ahead, but I am confident that the quality and commitment of our organisation will assist in making a significant impact

I thank all our staff who have worked so diligently throughout the year.

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

REVIEW OF ACTIVITIES

1.0 Enabling You To Reach Your Optimum Level Of Achievement (April and May)

The Golden Cow Youth Games, a major initiative focused on young people and organised by the the Sports Council for Northern Ireland (SCNI), got off to a great start in 2002.

The young people who had been training for months began final preparations in April as part of regional squads representing the five education and library boards of (Belfast, Southern, South Eastern, North Eastern and Western) everyone was eager to get the event underway in May. Cross-country, soccer, tag rugby, athletics, Gaelic football, camogie and hockey were all on show at the QUB Playing Fields in Belfast with a further ten sports at eight other venues across Northern Ireland.

Professor Eric Saunders OBE praised the exciting event. “The Golden Cow Youth Games is the largest multi-sport event for young people in Northern Ireland, involving competitors from across the province. Sport is a valuable ingredient in a person’s development and it is vital that we continue to recognise and support the potential sports performers of the future. Every match, every heat and every innings will be an exciting experience for all the competitors and we are hoping for a big crowd to come and watch.”

Bert Gault, of Golden Cow, presented medals to athletes at each venue and said:

“Golden Cow is delighted to be part of so many young people’s lives. The excitement, competitiveness, celebrations and over 2000 kids making their very best effort for their team, confirms that the Golden Cow Youth Games will continue to grow. The whole day is a perfect example of how a sports based, community event can foster a creative and active lifestyle and harnesses the enthusiasm of our youth.”

2.0 Promoting The Good Reputation And Effective Administration Of Sport (June)

Professor Bruno Grandi, President of the International Federation of Gymnastics (FIG) and an IOC member, took time out of his schedule to visit the House of Sport in June. Professor Grandi was attending the international symposium – “Gymnastics to the Paralympics”, as a leading figure in world gymnastics. The event took place at the Ramada Hotel with representatives from 17 other countries covering four continents.

On his arrival at the Sports Council he was welcomed by Chairman Professor Eric Saunders OBE. Professor Saunders, commented on what an honour it was to be able to meet with a leading figure in international sport. He wished Professor Grandi and international gymnastics the very best in introducing disabled gymnastics to the Paralympics.

3.0 Growing Sports Development By Growing Our Staff (July)

The Sports Council sees investing in its staff as a major force for sport development and in July hosted a visit from one of Bermuda’s top human resources consultants, Jocene Wade. She came as a guest of Mr Eric Jenkinson, of Jenkinson Consultants, a prominent Investors in People consultancy in Northern Ireland, Bermuda, Scandinavia and Europe. Ms Wade, who is currently Vice President of Human Resources for the HWP Group of Companies, (Bermuda’s largest retail employer), directs and manages a team providing human resources support to approximately four hundred people. She is also a registered member and past First Vice President of the Bermuda Human Resources Association and is a professional member of SHRM, the Society of Human Resource Management.

Human Resources Manager at the Sports Council, Ms Jenny Kendall was delighted to welcome Ms Wade to the House of Sport. As a current board member of Investors In People Bermuda, Ms Wade was keen to visit, as the Sports Council was the first ever non-departmental public body in Northern Ireland to be awarded the Investor in People standard.

4.0 Enabling You To Reach Your Optimum Level Of Achievement (August)

This year's FAME Water-ski Championships in Austria saw the Irish water-ski team perform superbly, returning home with two gold, two silver and two bronze medals.

In particular, Sports Council funded National Slalom Champion, Rodney Watson (Lough Aghery WSC), created a sensation when he made it to the slalom finals against 19 other countries. He tied with a Russian in the final, forcing a sudden death run-off and on this occasion took the gold medal with a score of three buoys on the 11.25 line.

President of the Irish Water-ski Federation, Des Burke-Kennedy was delighted with the result and said:

“This is the best achievement ever by an Irish athlete in this major event and Ireland's first gold medal.”

Rodney was also praised by the Chief Executive of the Sports Council, Eamonn McCartan, who said:

“It is fantastic to see one of our funded athletes perform so well at such a high level, and it is a great boost for sport in Northern Ireland.”

Rodney himself was surprised and delighted to win gold, he commented “I could not have achieved this gold medal without the Sports Council's Lottery Funding which helped me in my preparations for the event.”

5.0 Enabling As Many People As Possible, Especially Young People To Take Up Sport (September)

September saw the launch of a new basketball initiative, which is being implemented across the province over the next two years, benefiting local communities.

The aim of the initiative is to provide 200 outdoor, vandal proof basketball goals throughout Northern Ireland to different clubs, schools and councils. The project is essentially community based and aims to provide a free sports service to people across Northern Ireland, but also aims to develop the area of coaching. Many events will also be organised through this initiative.

John Leahy (UBA OBI Project Co-ordinator) commented on how “the Outdoor Basketball Initiative will have a great impact on the development of basketball in Northern Ireland, creating a new opportunity to be a part of one of the fastest growing sports in Northern Ireland.”

Peter Scantlebury, the most capped England player of all time has become the unofficial patron of the OBI in England and referred to how the OBI had the potential to be a great success for local communities in Northern Ireland.

He added “that as basketball is one of the biggest sports in the world he was delighted to see it growing and developing in Northern Ireland, hopefully producing many world class basketball players from this Sport Council funded initiative.”

6.0 *Enabling As Many People As Possible, Especially Young People To Take Up Sport (October)*

In October 2002 The Sports Council for Northern Ireland and the Irish Football Association (IFA) kick- started their £1.6million investment of Football Development Centres dedicated to improving the standards of youth football in Northern Ireland.

The programme is an outcome of the soccer strategy process undertaken by the Department of Culture Arts and Leisure (DCAL). Dr Aideen McGinley, Permanent Secretary of DCAL initially invested just over £1 million in 19 football development centres, with the scheme stretching across Northern Ireland from Ballinamallard to Ballymena. These clubs demonstrated the facilities and infrastructure to host a development centre programme and some already had provision for youth development in place. Congratulating the newly appointed youth development officers who will oversee the two-year programme, Professor Eric Saunders, explained the initiative.

“The Football Development Centres will adopt a three strand approach: mini soccer will specifically target primary school children; community football, for 12-16 year olds, will involve the provision of an innovative range of community-based activities to broaden interest in the game; and the centres of excellence will provide elite coaching for the most talented of players in these age groups. Opportunities at the 19 centres will be open to both boys and girls and the programmes will also be targeted at those with a disability.”

Jim Boyce, President, IFA is confident that the programme will help improve the quality of football and its place in our communities. He commented: “It is vital that we improve the quality of opportunities at clubs which in turn will help feed the Northern Ireland squads of the future. This is an excellent model for youth and community development, and demonstrates a mutually beneficial partnership between the association and the Sports Council.”

7.0 *Providing Strategic Direction For Sport (November)*

In November The Sports Council was delighted to host a visit from Parliamentary Under-Secretary of State Angela Smith MP. The minister, who is responsible for the Department of Culture, Arts and Leisure (DCAL), helped the Sports Council to launch its new Lottery Strategy (2002 – 2007) and Corporate Plan (2003-2006).

The minister enjoyed a talk given by Lottery Director Nick Harkness and Sports Development Director Shaun Ogle, on the strategic direction of the Council over the coming years and afterwards she took time out to chat with a variety of sports development and governing body staff.

Sports Council Chairman, Professor Eric Saunders OBE said: “We were delighted to welcome the minister to the Sports Council and hope that we have given her an overview of how our corporate plans fit with the broader strategic initiatives of her own department.”

8.0 *Enabling You To Reach Your Optimum Level Of Achievement (December)*

Swimmer Andrew Bree has definitely emerged as a top class Sports Council athlete after his recent performance at the European Short Course Championships. The 21-year-old Lottery funded athlete, came fourth and just missed out on the bronze medal by 12 hundredths of a second. He now has his mind set on victory at the NCAA (US College) championships next year along with the World Championships in Barcelona and said of his performance:

“It was a lot of fun, but the NCAAs and the World Championships are the main events for me. I am looking forward to the challenges of the year ahead and know that I must redouble my efforts for the up coming competitions.” 2003 will see Andrew return to Tennessee where coach John Trembley will have his new programme ready and waiting for him.

9.0 *Enabling As Many People As Possible, Especially Young People To Take Up Sport (January)*

Boxing champions from Northern Ireland brought some extra fun to the PE class in Harberton Special School in January. The Olympic, Commonwealth and World Championship heroes visited Harbeton Special School in order to help promote the up and coming Special Olympic World Games 2003 and were encouraging the youngsters to really enjoy their sports.

The boxers included Brian Magee, Gerard Hawkins, Sam Storey, Paul Douglas and trainer Micky Hawkins. They also planned to join the young people to run a lap of Belfast City Hall on May 5th, contributing to the Belfast Marathon festivities.

Chief Executive of the Sports Council, Eamonn McCartan commented: “It is wonderful to see these kids and boxers actively promoting the Special Olympics and hopefully someday some of these children will have the opportunity to compete at the Olympic level themselves”.

10.0 *Enabling You To Reach Your Optimum Level Of Achievement (February)*

The Senior Indoor Championships of Ireland, held at the Odyssey, proved to be a huge success for both athletes and spectators. The Odyssey Arena was unrecognisable when it was transformed into a magnificent indoor arena. The event, which was sponsored by the Sports Council and NI Events Company, lasted for two days. Three Sports Council Lottery funded athletes competed in the games, Eva Massey, Paul McKee and Zoe Brown.

Eva Massey set a new native shot putt record at the championships. She produced 16.32 metres to set her record with her very first throw.

Meanwhile, Commonwealth Games finalist, Zoe Brown, cleared 3.55m to win the pole vault ahead of Irish Outdoor Champion Juliet Claffey who managed 3.45m.

Paul McKee, the Irish 400m record holder had to settle for second place behind Gary Ryan. The experience he gained at the games has given rise to some exceptional performances since then, particularly his bronze medal at the World Indoor Championships in Birmingham.

Another highlight of the event was the appearance of guest athletes Darren Campbell and Mark Lewis-Francis who competed against each other in the 60m race. In the end Campbell won with a time of 6.64 secs, just one hundredth of a second faster than Lewis-Francis.

All in all, the first ever Senior Indoor Championships of Ireland proved to be an excellent event and the Sports Council extends its congratulations to all involved, particularly to the organisers, the Northern Ireland Athletic Federation and the Athletic Association of Ireland.

11.0 Promoting The Good Reputation And Effective Administration Of Sport (March)

Tuesday 25 March saw the launch of the 2 & 4 Wheel Motor Sport Steering Group Ltd. Motorbikes, rally cars and karts were just a few of the vehicles that rolled up to the House of Sport to the delight of all who were there. The 2 & 4 Wheel MSG is a new steering group who's vision is that: "Two and four wheeled motorsports will be exciting, sustainable and safety conscious; open to everyone to enjoy as competitors, officials or spectators, according to their level of interest and ability."

The recognised governing bodies for 2 & 4 wheel motor sport are the Association of Northern Ireland Car Clubs, Motorcycle Union of Ireland (Ulster Centre), Motorcycling Racing Association and Northern Ireland Karting Association. There are just under 100 clubs in Northern Ireland and the majority of the club members are active participants in 2 & 4 wheel motor sport as competitors, technical officials, organisers and administrators.

The four governing bodies encompass a diverse range of sporting activities. For example rallying, hill climbing, autotesting, karting, road racing, motocross and short circuit racing are just a few of the 2 & 4 wheel activities.

What differentiates motor sports in Northern Ireland from other sports are the road closure orders that have made events such as the RAC Tourist Trophy races, the NW 200 and the Circuit of Ireland and Ulster rallies possible.

Permanent tracks are located at Nutts Corner near the International Airport, at Bishopscourt in County Down, Aghadowey near Coleraine and at Kirkistown in the Ards Peninsula. The Kirkistown track is principally used for motor racing and let to clubs for motorcycling; Bishopscourt track is mainly used by motorcyclists and motor cars, and Nutts Corner by karting and a range of the other disciplines.

In attendance at the launch were both racers, representatives from the four governing bodies and the newly appointed 2 & 4 Wheel Development Manager Pippa Murphy.

FOREWORD TO THE ACCOUNTS

History and Background

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

- On matters relating to sport and physical recreation, to advise the Department and other Government departments, Education and Library Boards, District Councils and other bodies interested in sport and physical recreation;
- To encourage the provision of facilities for and participation in sport and physical recreation; and
- To assist, subject to Paragraph (4) of the article:
 - In the provision of administrative services, equipment, coaching and instruction;
 - In the organising or supporting of, or participating in, international or other events, by bodies providing facilities for sport or physical recreation or organising such activities; and
 - Bodies providing supportive services in connection with sport and physical recreation.

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

These financial statements have been prepared on an accruals basis and must show a true and fair view of the state of affairs of the Sports Council for Northern Ireland's activities at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

They have also been prepared in accordance with Article 7 of the Order and in a form directed by the Department of Culture, Arts and Leisure with the approval of the Department of Finance and Personnel. A copy of the Accounts Direction can be found at page 41.

Organisation Structure

Chief Executive

The Chief Executive is the Accounting Officer and heads the Sports Council for Northern Ireland. He is supported by three executive directors heading each of the departments within the organisation.

The Council

The Council is equivalent of the Board of Directors and consists of a Chairman and Vice Chairman and other persons appointed by the Minister after consultation with representatives of District Councils, Education and Library Boards and participants in sport and physical recreation. Unless indicated otherwise, the members were appointed on 1 April 2000 for a term of three years.

The following persons served as members during the financial year 2002/03:

Council Membership

Professor E Saunders (Chairman)
C Shillington (Vice – Chairman Deceased – 3/3/03)
H Brady
G Carson
M Cusdin
J Davidson
J Gallagher
Dr A Hamill
M Hill
Dr M Murphy
N McConnell
T Ringland
J Sanderson
R Trouton MBE

The Sports Council for Northern Ireland regrets the death of Colin Shillington, Vice-Chair, on the 3 March 2003.

Committees

The Council's work is supported by a number of Committees, each chaired by either a Council Member or other individuals with relevant expertise and experience. The full Council ratifies all appointments to Committees. Each Committee reports and makes recommendations as appropriate to Council.

At 31 March 2003, the following Committees were operational:

- Audit Committee – considers external and internal audit reports, and oversees risk management processes, reviews the statutory accounts and other financial matters;
- Safe Sports Ground Committee – makes recommendations to Council on awarding Exchequer grants; and
- Sports Development Committee – makes recommendations to Council on awarding Exchequer grants.

Audit

External Audit

The Sports Council for Northern Ireland is required to be audited by the Northern Ireland Audit Office and once completed is responsible for laying the accounts before both the Houses of Parliament at Westminster.

Internal Audit Committee

The members of the Audit Committee for the period were:

- J Gallagher
- R Trouton
- T Ringland

Corporate Governance

As a Non-Departmental Public Body established under the Recreation and Youth Service whose Council members are appointed by the Department of Culture Arts and Leisure, the Sports Council for Northern Ireland is different from a limited liability company and some aspects of the Code of Best Practice, issued by the Cadbury Committee on the Financial aspects of Corporate Governance, are not applicable. However, the Sports Council for Northern Ireland has adopted the Code of Best Practice, which has been developed by the Department of Culture, Arts and Leisure and is based on the recommendations of the Cadbury Committee.

The Sports Council for Northern Ireland complies with that Code of Best Practice in all material aspects. In line with requirement, the full annual financial statements contain a statement on Internal Controls, a culmination of the on-going assessment of risk to which the Sports Council for Northern Ireland is exposed.

Funding

The Sports Council for Northern Ireland is primarily funded by Grant in Aid from the Exchequer. The level of funding is agreed with the Department of Culture, Arts and Leisure as part of a rolling three-year Funding Agreement. The current agreement covers the three financial years up to and including 2005/06. This agreement also includes an agreed set of strategic targets.

Review of Activities

A full review of Sports Council for Northern Ireland's activities is given on pages 4 to 8 of the Annual Report.

Financial Results

The results of the Sports Council for Northern Ireland are set out in detail on page 19. The income and expenditure deficit for the year was £8,695 (2001/02 deficit of £162,670). The shortfall is a overspend on the Income and Expenditure Account of Exchequer fund income for the current year with commitments to organisations, clubs, governing bodies and events for the period up to 31st March 2003.

Fixed Assets

The Valuation and Lands Agency carried out a revaluation of the buildings at Tollymore Mountain Centre on 1 April 2003. The property is now valued at £320,367.

Reserves

The reserves now have a deficit of £9,784 (2001/02 deficit of £59,406).

Research and Development

The Sports Council for Northern Ireland carries out research via a team of internal staff and external partners. It carries out, and commissions and manages research projects as required and advises and assists staff and partners in the development of research proposals.

Research was curtailed during the year owing to the failure to appoint a new Research Officer. However, the following research areas were published during the year:

- Young People's Involvement in Sport - attitudes and behaviours; and
- Global Migrants - the influence of migrants in developing sport in Northern Ireland.

Charitable Donations

The Council has made no charitable donations during the year.

Post Balance Sheet Events

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

Lottery Distributor

The Minister appointed the Sports Council for Northern Ireland as a Lottery distributor since 1994. Lottery funds are accounted for separately.

Employee Issues

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

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

On matters of policy and procedure, which affect the employees of the Sports Council for Northern Ireland, the Council normally consults with the recognised trade union of which 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.

Prompt Payment

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

During the year 82% (2001/02: 79%) of bills were paid within this standard. Regular reviews aim to improve this percentage.

The Euro

The activities of the Sports Council for Northern Ireland are largely national. Although some exposure to transactions in Euros is likely, it is not considered that these will be significant. The financial statements are capable of dealing with the currency and procedures are being taken to ensure that all future systems are Euro compliant.

Future Developments

The significant developments the Sports Council for Northern Ireland will focus on in the year 2004 - 2005 are:

- A review of the Council's policy on access to sport for people with disabilities;
- Continued implementation of the modernisation programme for Sports Council for Northern Ireland funded Governing Bodies of Sport;
- Continued community development through sport;
- Continued delivery of the Safety in Sports Grounds Programme;
- The implementation of an expanded and enhanced community sport programme in partnership with the New Opportunities Fund;
- Year two of a three year planned programme for modernising sporting organisations in Northern Ireland;
- A review of the Council's capital investment programme; and
- The development of a Long Term Athlete Development strategy as the core development for the next few years.

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

28 April 2005

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Recreation & Youth Service (Northern Ireland) Order 1986, the Sports Council for Northern Ireland is required to prepare a statement of accounts in the form and on the basis determined by the Department of Culture, Arts and Leisure, with the approval of the Department of Finance and Personnel. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Sports Council for Northern Ireland is required to:

- Observe the accounts direction issued by the Department of Culture, Arts and Leisure, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

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

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

28 April 2005

STATEMENT OF INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Sports Council for Northern Ireland's ("the Council") policies, aims and objectives set out by the Department of Culture, Arts and Leisure and the Council, whilst safeguarding the public funds and the Council's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the 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 the principal risks to the achievement of the Council's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I have the procedures in place necessary to implement DFP guidance in March 2003 and during the course of the twelve months to March 2004 these will be fully embedded.

We have carried out appropriate procedures to ensure that we have identified the Council's objectives and risks and determined a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Council has set out its attitude to risk to the achievement of the Council's objectives.

The Council has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. There will be a full risk and control assessment before reporting on the year ending 31 March 2004. Risk management has been incorporated more fully into the corporate planning and decision-making processes of the Council.

The Council receives periodic reports concerning internal control. The appropriate steps are being taken to manage risk in significant areas of responsibility and monitor progress on key projects.

Following the identification of the Council's key objectives and risks, further work has been done to bring about more consistency in the way in which the Council treats risks.

In addition to the actions mentioned above, in the coming year the Council plans to:

- Regularly review and update the record of risks facing the organisation;
- Set up a system of key performance and risk indicators;
- Develop and maintain an organisation-wide risk register; and
- Arrange for reports on internal control activities to be submitted to the Chief Executive by the Council's Director of Policy, Planning and Resource Development.

The Council uses Deloitte and Touche to provide an internal audit service, which operates to the standards defined in the Government Internal Audit Manual and complies with Annex 4 of the Council's Management Statement. The work of the internal audit service is informed by an analysis of the risks to which the Council is exposed, and annual internal audit plans are based on this analysis. During the year internal audit highlighted two areas that they felt provided a limited level of assurance. These areas were as follows:

STATEMENT OF INTERNAL CONTROL

- Sports Development Unit Grants; and
- Business Continuity Plan.

Action has been taken to rectify issues identified under the Sports Development Grants and the recommendations provided by internal audit have been implemented. These include the production of a full procedures manual, letter of offer, terms and conditions and requirements that grant recipients provide vouchers to support grant claims.

A formalised business continuity plan is presently being produced with the assistance of external advisers.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors (who provide me with an Annual Statement of Assurance), the Audit Committee which oversees the work of the internal auditors, the Director of Policy, Planning and Resource Development, the Lottery Director, and Director of Sports Development who have responsibility for the development and maintenance of the internal control framework, and by the external auditors through comments made in their management letter and other reports.

Control issues identified in 2001/02 have been dealt with as follows:

1. Following the identification of irregularities under the Safe Sports Grounds programme the Sports Council for Northern Ireland has applied additional controls and procedures under this area. These systems and procedures will be reviewed regularly to ensure they are appropriate.
2. The Sports Council for Northern Ireland will continue to undertake regular reviews of the organisations VAT records to ensure its meets statutory requirements.

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

28 April 2005

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS AND THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements on pages 19 to 40 under the Recreation and Youth Service (Northern Ireland) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 23 to 25.

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

As described on page 14 the Council and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Recreation and Youth Service (Northern Ireland) Order 1986 and the Department of Culture, Arts and Leisure directions made thereunder and for ensuring the regularity of financial transactions. The Council and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Recreation and Youth Service (Northern Ireland) Order 1986 and directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 15 and 16 reflects the Council's compliance with the Department of Finance and Personnel's guidance 'Corporate governance: Statement on Internal Control'. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other financial information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Sports Council for Northern Ireland at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Recreation and Youth Service (Northern Ireland) Order 1986 and directions made thereunder by the Department of Culture, Arts and Leisure; and
- in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

See also my report on pages 42 to 50.

JM DOWDALL CB
Comptroller and Auditor General
23 May 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

**SPORTS COUNCIL FOR NORTHERN IRELAND
EXCHEQUER ACCOUNT**

**Income and Expenditure Account
For the year ended 31 March 2003**

	Notes	2003 £	2002 £
Income			
Grant from the Department of Culture, Arts & Leisure	2	5,276,074	3,536,324
Grant from Other Activities:			
European	3	-	77,988
Other	3	305,743	817,727
Income From Activities	4	553,638	546,876
Income from Lottery	4	837,395	572,603
Other Income	5	53,893	57,987
Total Income		7,026,743	5,609,505
Expenditure			
Staff Costs	6	1,737,335	1,754,810
Depreciation	7	83,307	57,950
Grants	8	3,941,515	2,522,316
Other Operating Costs	8	1,214,964	1,402,814
Notional Costs	9	58,317	34,285
Total Expenditure		7,035,438	5,772,175
Deficit for the Year		(8,695)	(162,670)
Credit in Respect of Notional Costs	9	58,317	34,285
Adjustment in Respect of Uplift of Grant		-	(37)
Amount Transferred to Reserves		49,622	(128,422)

All amounts above relate to continuing activities.

The notes on pages 23 to 40 form part of these accounts.

**SPORTS COUNCIL FOR NORTHERN IRELAND
EXCHEQUER ACCOUNT**

**Statement of Total realised Gains and Losses
For the year ended 31 March 2003**

	Notes	2003 £	2002 £
Deficit for the Year		(8,695)	(162,670)
Unrealised Surplus on the Revaluation of Fixed Assets	18	52,882	5,477
Total Recognised Profit/(Loss) for the Year		44,187	(157,193)

The notes on pages 23 to 40 form part of these accounts.

**SPORTS COUNCIL FOR NORTHERN IRELAND
EXCHEQUER ACCOUNT**

**Balance Sheet
as at 31 March 2003**

	Notes	2003 £	2002 £
Fixed Assets			
Tangible Assets	7	434,788	339,476
Current Assets			
Stock	10	-	2,135
Debtors and Prepayments	11	720,493	477,713
Grants Payable	11	2,799,560	1,543,612
Cash at Bank and in Hand	12	42,078	373,637
		<u>3,562,131</u>	<u>2,397,097</u>
Creditors: Amounts Falling Due within One Year	13	622,844	724,388
Net Current Assets		2,939,287	1,672,709
Total Assets less Current Liabilities		<u>3,374,075</u>	<u>2,012,185</u>
Provisions	14	3,019,859	1,732,115
Total Assets less Total Liabilities		<u>354,216</u>	<u>280,070</u>
Financed By			
Accruals and Deferred Income			
Deferred government grants	17	290,189	318,547
Reserves			
Income & Expenditure Reserve	18	(9,784)	(59,406)
Revaluation Reserve	18	73,811	20,929
		<u>354,216</u>	<u>280,070</u>

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

28 April 2005

The notes on pages 23 to 40 form part of these accounts.

**SPORTS COUNCIL FOR NORTHERN IRELAND
EXCHEQUER ACCOUNT**

**Cash Flow
as at 31 March 2003**

	2003	2002
	£	£
Net Cash Outflow from Operating Activities	(231,019)	(255,169)
Capital Expenditure		
Purchase of Fixed Assets	(126,075)	(86,204)
Disposal of Fixed Assets	-	4,000
Net Cash Outflow before Financing	(357,094)	(337,373)
Financing		
Capital Grants from DCAL	25,873	82,517
Lottery Funding for SCNI Capital items	-	3,687
Deferred Grant Released on Disposal of fixed assets	(338)	(4,509)
Adjustment to Prior Year Additions	-	806
Decrease in Cash	(331,559)	(254,872)

Notes to the Cash Flow Statement

1. Reconciliation of Movement in Funds to Net Cash Outflow from Operating Activities

	2003	2002
	£	£
Deficit for the Year	(8,695)	(162,670)
Depreciation	83,307	57,950
Loss on Disposal of Assets	338	509
Notional Cost of Capital	58,317	34,285
Deferred Grant Income	(53,893)	(57,987)
Decrease in Stock	2135	140
Increase in Debtors	(1,498,728)	(185,335)
Increase in Creditors	1,186,200	57,939
Net cash Outflow from Operating Activities	(231,019)	(255,169)

2. Reconciliation of Net Cash Flow to Movement in Net Debt

	2003	2002
	£	£
Cash in Bank and in Hand at 1 April	373,637	628,509
Net Cash Outflow	(331,559)	(254,872)
Cash in Bank and in Hand at 31 March	42,078	373,637

The notes on pages 23 to 40 form part of these accounts.

SPORTS COUNCIL FOR NORTHERN IRELAND EXCHEQUER ACCOUNT

Notes to the Accounts For the year ended 31 March 2003

1. Accounting Policies

1.1 Accounting Convention

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of fixed assets to current costs. The current costs of any of the year's transactions or closing balances, with the exception of land and buildings, is not considered to be materially different from the historic cost. In addition these financial statements have been prepared in accordance with the Recreation and Youth Service (Northern Ireland) Order 1986 and directions made thereunder by the Department of Culture, Arts and Leisure.

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

1.2 Basis of preparation

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

1.3 Income

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

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

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

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

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

1.4 Capital and Revenue Grants Payable

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

1.5 National Lottery Costs

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

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

1.6 Research and Development

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

1.7 Fixed Assets

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

Assets are depreciated over their useful lives as follows: -

Land & Buildings	25 Years
Information Technology (Hardware & Software)	3 Years
Fixtures & Fittings	5 Years
Specialised Sports Equipment	5 Years
Vehicles	4 Years

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

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

1.8 Operating leases

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

1.9 Notional Costs

These financial statements make provision for the notional cost of capital employed by the Council. The Income and Expenditure account includes the notional cost of capital employed by the Council calculated as 6% of the average capital employed over the financial year. Auditor's notional remuneration is also included as a notional cost. Full details of these costs are given in note 9.

1.10 Pension Costs

The pension cost in respect of employees is charged to the Income and Expenditure Account so as to recognise the cost of pensions over the employees' working lives.

1.11 Value Added Tax

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

1.12 Debtors

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

1.13 Year End Creditors

Year-end creditors are recognised on the following basis:

- As at close of business 31 March - goods and/or services actually received, put into stock or used.
- The Purchase Ledger period twelve is closed off one week before the end of April to facilitate the timely completion of the quarterly vat return. Invoices received after period twelve is closed off are accrued at Gross cost i.e. inclusive of all VAT.
- Purchase orders are not included as Creditors.

1.14 Stock

Stock is stated at the lower of cost and net realisable value. Stocks of stationery are not included in the balance sheet since such stocks are incidental and deemed not to be material to the accounts.

2. Grant from the Department of Culture, Arts and Leisure

	2003	2002
	£	£
Exchequer Funding (Vote A)	5,300,000	3,614,842
Transfer of Capital Element to Deferred Income	(23,926)	(78,518)
Total Grants from the Department of Culture Arts and Leisure	<u>5,276,074</u>	<u>3,536,324</u>

3. Grant from Other Activities

3.1 European Funding

	2003	2002
	£	£
European Funding	-	77,988
Total European Grants	<u>-</u>	<u>77,988</u>

3.2 Other Grants

	2003	2002
	£	£
Grant – Other Sources	305,743	817,727
Total Other Grants	<u>305,743</u>	<u>817,727</u>

4. Income from Activities

	2003	2002
	£	£
Sports Development	90,550	183,172
Tollymore Mountain Centre	218,112	184,641
Services to Partners	244,976	179,063
Total Income from Activities	<u>553,638</u>	<u>546,876</u>
Service to Lottery Activities	<u>837,395</u>	<u>572,603</u>

5. Other Income

Other income comprises transfers from the deferred government grants account of £53,893 (2002 £57,987).

6. Staff Costs

	2003 £	2002 £
Gross Wages and Salaries	1,560,333	1,453,496
Social Security Costs	100,246	98,507
Other pension Costs	76,756	119,399
Early Retirement Costs	-	83,408
Total	<u>1,737,335</u>	<u>1,754,810</u>

All the above staff costs were incurred by the Sports Council for Northern Ireland and a proportion recharged to the Lottery Distribution Account. The average number of full-time equivalent persons employed by the Sports Council for Northern Ireland and deployed on Exchequer duties was 54 (2001/02: 50 employees).

Early retirements costs were not incurred during the year (2001/02: Robin Mitchell and Pat Rodgers).

The Sports Council for Northern Ireland operates a special bonus scheme (see CSC 19/89), which makes provision for payments of special bonuses to reward exceptional performance in particularly demanding tasks or situations at any time in the year. These special bonuses take the form of taxable, non-pensionable, lump sum payments. No awards were made in 2002/03, (2001/02: 4 awards were made, totalling £1,400).

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 2002/03 was £79,826 (2001/02: £69,596). He is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee scheme. The Chief Executive was appointed in June 1994 for a contract period of five years. The contract was renewed in 1998 for the period up to 31 July 2004.

A total of 15% of the Chief Executive's costs have been apportioned to the Lottery Distribution Account to cover time spent on Lottery activities. For the year 2002/03 this amounted to £11,974 (2001/02: £10,439).

Council Members Emoluments

The Chairman and Vice-Chairman of the Council received honorariums totalling £10,635 (2001/02: £10,650) and £2,774 (2001/02: £3,000) respectively in 2002/03. The cost of the Vice-Chairman's honorarium was apportioned to the Lottery Distribution Account. No emoluments were paid to other Council members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chairman or Vice-Chairman.

Pension Costs

The Sports Council for Northern Ireland participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC scheme). The NILGOSC scheme is a "multi-employer", defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employee and employer contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. The results of the most recent valuation, which was conducted at 31 March 2001, were as follows:

Main assumptions:

Rate of return on investments per annum	6.55 %
Rate of general increase in salaries per annum	3.8 %
Rate of pension increases per annum	2.3 %
Market value of scheme's assets (£000's)	£2,293,700
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, deferred pensioners and members based on past service, after allowing for future salary increases	121 %

The surplus is being amortised over the remaining service life of the current membership, a period of around 12 years.

Contributions for the year were as follows:

	2003 £	2002 £
Employers	67,926	51,512
Employees	90,403	66,642
Total	<u>158,329</u>	<u>118,154</u>

The real increase in the value of accrued pension at 31 March 2003 for senior employees is shown below. All those listed participate in the NILGOSC scheme. The salary figures shown below include a salary increase arising from the Sports Council's performance appraisal system. The total accrued pension figures have been supplied by NILGOSC.

	Age	Salary	Real increase in pension at age 60	Total accrued pension at 31/3/2003
		£	£	£
Eamonn McCartan <i>Chief Executive</i>	50	69,962	1,646	7,578
Shaun Ogle <i>Director of Sports Development (from July 2002)</i>	43	44,551	1,490	8,074
Fergus Donnelly <i>Director of Policy Planning, and Resource Development</i>	50	44,929	1,377	10,284
Nick Harkness <i>Lottery Director</i>	40	44,551	958	10,419

Benefits in Kind:

The above salaries are inclusive of £154 luncheon vouchers.

7. Fixed Assets

	Buildings	Specialist Sports Equipment	Furniture and Fittings	Motor Vehicles	Computer Equipment	TOTAL
	£	£	£	£	£	£
Cost or Valuation						
At 1 April 2002	293,592	10,643	35,968	47,271	199,491	586,965
Additions	23,493	-	29,903	-	72,679	126,075
Disposals	-	-	(9,159)	-	(41,952)	(51,111)
Revaluation	52,882	-	-	-	-	52,882
At 31 March 2003	369,967	10,643	56,712	47,271	230,218	714,811
Depreciation						
At 1 April 2002	34,801	9,913	23,969	20,000	158,806	247,489
Provided During Year	14,799	365	9,924	11,818	46,401	83,307
Disposals	-	-	(8,821)	-	(41,952)	(50,773)
At 31 March 2003	49,600	10,278	25,072	31,818	163,255	280,023
Net Book Value						
At 31 March 2002	258,791	730	11,999	27,271	40,685	339,476
At 31 March 2003	320,367	365	31,640	15,453	66,963	434,788

The Net Book Value of Buildings comprises:

	2003	2002
	£	£
Short Leasehold	320,367	258,791

Buildings refer to the Tollymore Mountain Centre, which were valued by the Valuation and Lands Agency (VLA) on 1 April 2003 at depreciated replacement cost of £320,367. The Centre will be professionally valued again on 31 March 2007.

The leases entered into in respect of the land at Tollymore Mountain Centre and Altnadue Quarry have been expensed to the Income and Expenditure Account (see Note 15).

8. Operating Costs

	2003 £	2002 £
Travel & Subsistence	79,138	94,796
Recruitment	25,213	28,075
Training	39,841	40,083
Publications, Printing & Stationery and IT Consumables	76,355	112,951
Telephones & Postage	108,503	117,915
Professional Fees/Consultancy Fees	273,641	341,728
Repairs & Renewals	68,192	75,721
Loss on Disposal of Fixed Asset	338	509
Quality Initiatives	5,491	2,085
Insurance	55,466	39,473
Rent & Rates	85,290	88,482
Heat & Light	32,449	30,748
Caretaking & Cleaning	23,451	24,919
Sundry Expenses	3,230	41,121
Bad Debts Written Off/Cash Loss	181	130
Committees, Receptions & Publicity	126,683	56,525
Promotions & Sponsorships	10,161	11,139
Photography	6,087	4,344
Information Services, Journals & Subscriptions	28,689	2,854
Sports Development	128,476	179,389
Coaches	1,878	13,827
Feasibility Studies	-	16,000
Provision for Input VAT Reclaimed in Error (Including Interest Payable)	30,000	80,000
Drug Testing	5,400	-
Bank Charges	811	-
Total Other Operating Costs	1,214,964	1,402,814
Sports Development Grants	1,694,840	523,094
Safety in Sports Grounds Grants	1,275,901	1,329,488
Governing Bodies Grants	761,750	669,734
Soccer Revenue Grants	209,024	-
Total Grants	3,941,515	2,522,316
Total Costs	5,156,479	3,925,130

Rent charged to the income and expenditure is based on a non-commercial arrangement with the Department of Culture Arts and Leisure.

9. Notional Costs

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

	2003	2002
	£	£
Notional Cost of Capital	40,317	19,756
Notional Auditors Remuneration	18,000	14,529
Total Notional Costs	<u>58,317</u>	<u>34,285</u>

10. Stock of Luncheon Vouchers

	2003	2002
	£	£
Opening Stock 1 April	2,135	2,275
Receipts	6,032	7,778
Issued to Staff	(8,167)	(7,918)
Closing Stock 31 March	<u>-</u>	<u>2,135</u>

11. Debtors and Prepayments (Amounts Due Within One Year)

	2003	2002
	£	£
Trade Debtors	91,339	263,984
Prepayments	42,304	101,620
Amount Owed to Lottery	586,850	100,602
VAT	-	8,627
Advances – Control Account	-	2,880
Total Debtors and Prepayment	<u>720,493</u>	<u>477,713</u>
Grants Payable	2,799,560	1,543,612
Total	<u>3,520,053</u>	<u>2,021,325</u>

12. Cash

Cash at Bank and in Hand

	2003	2002
	£	£
Bank	41,678	373,549
Petty Cash	400	88
Total Cash at Bank and in Hand	<u>42,078</u>	<u>373,637</u>

Petty Cash Movement

	2003	2002
	£	£
Petty Cash – 1 April	88	460
Petty Cash – 31 March	400	88
Net Movement in Petty Cash	<u>312</u>	<u>(372)</u>

Cash at Bank Movement

	2003	2002
	£	£
Cash at Start of Year	373,549	628,049
Net Cash Outflow	(331,871)	(254,500)
Cash in Bank at 31 March	<u>41,678</u>	<u>373,549</u>

13. Creditors (Amounts Falling Due Within One Year)

	2003	2002
	£	£
Trade Creditors	1,258	8,376
Grant Creditor	133,492	163,716
VAT	8,078	-
Accruals	142,608	264,758
Deferred Income	337,408	287,538
Total	<u>622,844</u>	<u>724,388</u>

14. Provisions

	2003	2002
	£	£
Grants		
- Safety in Sports Grounds	444,864	1,019,551
- Sports Development	2,354,696	524,061
Total Grants	<u>2,799,560</u>	<u>1,543,612</u>
Pension	110,299	108,503
VAT	110,000	80,000
Total Provision at 31 March	<u>3,019,859</u>	<u>1,732,115</u>

Following an inspection by HM Customs and Excise and a review carried out by Deloitte and Touche an error has been found in the way the Sports Council calculated input VAT under its partial exemption provisions. This has resulted in the Sports Council over claiming input VAT at an estimated sum of £110,000 (including interest).

15. Leases

At 31 March 2003 the Sports Council for Northern Ireland had annual commitments under non-cancellable operating leases as set out below:

	2003 Land & Buildings £	2003 Other £	2002 Land & Buildings £	2002 Other £
Operating Leases which Expire:				
Within One Year	900	6,289	769	5,698
Within Two and Five Years Inclusive	3,600	16,462	3,600	21,367
Over Five Years	35,100	-	36,131	-
Total	<u>39,600</u>	<u>22,751</u>	<u>40,500</u>	<u>27,065</u>

16. Capital Commitment

Amounts contracted but not provided in the financial statements total £NIL (2002: £19,641).

17. Deferred Capital

Capital Allocations not yet released to income and expenditure account

	2003 £	2002 £
At 1 April 2002	(318,547)	(294,033)
Fixed Assets Purchased	(25,873)	(86,204)
Adjustment for Previous Year	-	(806)
Disposal of Fixed Assets	338	4,509
Released to Income and Expenditure Account	53,893	57,987
At 31 March 2003	<u>(290,189)</u>	<u>(318,547)</u>

18. Reconciliation of Movements in Reserves and General Fund

	Income and Expenditure Reserve	Revaluation Reserve	Total
	£	£	£
At 1 April 2002	(59,406)	20,929	(38,477)
Transfer from I&E Account	49,622	-	49,622
Surplus on revaluation of fixed assets arising in year	-	52,882	52,882
At 31 March 2003	<u>(9,784)</u>	<u>73,811</u>	<u>64,027</u>

19. Contingent liabilities

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

20. Related Party Transactions

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

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

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

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

A list of awards made to the organisations concerned together with details of those who declared an interest is detailed below. All the transactions relating to these organisations were conducted at arms length by the Council.

The following transactions are considered to be disclosable Related Party Transactions in respect of Council Members and employees of the Sports Council.

Grant	Organisation	Individual	Position	Relationship
4,333	Armagh Hockey Club	William Brown	Employee	Council Member for Ulster Branch of Irish Hockey Association
20,902	Banbridge District Council	William Brown	Employee	Council Member for Ulster Branch of Irish Hockey Association
30,724	Glentoran Football Club	William Brown	Employee	Voluntary Work
27,100	UB Irish Hockey Association (Men)	William Brown	Employee	Council Member
1,725	Yoga Fellowship of Northern Ireland	Paul Donnelly	Employee	Person Connected is a Member
2,670	Belfast YS Development Group	Maureen Cusdin	Council Member	Member of Sport Belfast
203,113	Coaching Northern Ireland	Maureen Cusdin	Council Member	Council Member/Associate Member
8,088	Golfing Union of Ireland	Maureen Cusdin	Council Member	Member of Clubs
4,900	Irish Ladies Golf Union	Maureen Cusdin	Council Member	Member of Clubs
7,366	Sport Belfast	Maureen Cusdin	Council Member	Member
27,200	UB Badminton Union of Ireland	Maureen Cusdin	Council Member	Person Connected – Governing Body Participation
78,811	Antrim County Board, GAA	Jimmy Darragh	Employee	Member of Antrim GAA Club
46,501	UC Gaelic Athletic Association	Jimmy Darragh	Employee	Member of Ulster Club
8,088	Golfing Union of Ireland	Jimmy Darragh	Employee	Member of Golf Club
1,800	University of Ulster at Jordanstown	Jimmy Darragh	Employee	Person Connected - Student
783	St Paul's GAC	Paul Donnelly	Employee	Member
7,366	Sport Belfast	Paul Donnelly	Employee	Director
1,800	Monkstown Amateur Boxing Club	Paul Johnston	Employee	Honorary Officer/Coach
24,961	UPC Irish Amateur Boxing Association	Paul Johnston	Employee	Honorary Officer
6,144	Canoe Association of Ireland	Trevor Fisher	Employee	Member

7,500	Mountaineering Council of Ireland	Trevor Fisher	Employee	Member
9,200	Castlereagh Borough Council	Jack Gallagher	Council Member	Person Connected – Employee
91,810	Irish Football Association	Jack Gallagher	Council Member	Honorary Coach
20,902	Banbridge District Council	Nick Harkness	Employee	Subscribing Member
6,144	Canoe Association of Northern Ireland	Nick Harkness	Employee	Member
8,088	Golfing Union of Ireland	Nick Harkness	Employee	Persons Connected- Members
3,867	Irish Cave Rescue Organisation	Nick Harkness	Employee	SCNI Representative on NIMCCRC Committee
4,900	Irish Ladies Golf Union	Nick Harkness	Employee	Persons Connected – Members
2,000	Lisburn Borough Council	Nick Harkness	Employee	Home Located in this Area
3,150	Lisburn Swimming Club	Nick Harkness	Employee	Persons Connected – Former Members
7,500	Mountaineering Council of Ireland	Nick Harkness	Employee	Former Member
6,144	Canoe Association of Northern Ireland	Oisin Hallissey	Employee	Member of Council and Coaching Panel
797	Ardstraw Youth and Community Forum	Mervyn Hill	Council Member	Submitted Application to SCNI for Funding
203,113	Coaching Northern Ireland	Mervyn Hill	Council Member	Representative on Interboard PE Panel
600	Co-Operation Ireland	Mervyn Hill	Council Member	Involved in Youth Sport Programme
48,332	Derry City Council	Mervyn Hill	Council Member	Partner – Playsport Project and Youth Sport
47,346	Disability Sport Northern Ireland	Mervyn Hill	Council Member	Trustee
200	Fermanagh District Council	Mervyn Hill	Council Member	Youth Sport Partner
91,810	Irish Football Association	Mervyn Hill	Council Member	Member of Disability Football Committee
3,569	Limavady Borough Council	Mervyn Hill	Council Member	Partner – Youth Sport/ NOF PE & Sport

6,584	Omagh District Council	Mervyn Hill	Council Member	Youth Sport Partner
65,367	Western Education and Library Board	Mervyn Hill	Council Member	Youth Sport Projects and NOF PE and Sport
325,000	Youth Sport Omagh	Mervyn Hill	Council Member	Associate Member
600	Youth Sport Roe Valley	Mervyn Hill	Council Member	Council and Board Project Member
29,000	Youth Sport Trust	Mervyn Hill	Council Member	Council and Board Project Member
8,088	Golfing Union of Ireland	Eamonn McCartan	Employee	Member
783	St Paul's GAC	Eamonn McCartan	Employee	Member and Person Connected is a Subscribing Member
-	Odyssey Trust	Eamonn McCartan	Employee	Non Executive Director – Appointed 2000
-	Co Operation Ireland	Eamonn McCartan	Employee	Non Executive Director – Appointed 2003
-	Community Relations Council	Eamonn McCartan	Employee	Chairman – Appointed 2002
-	DCAL Culture Committee	Eamonn McCartan	Employee	Member of Official Committee
-	DCAL Task Force Soccer	Eamonn McCartan	Employee	Member of Official Committee
-	SCNI Implementation Group (Soccer)	Eamonn McCartan	Employee	Member of Official Committee
135,319	IRFU	Noleen McConnell	Council Member	Person Connected – Subscribing Member
28,755	North Eastern Education and Library Board	Noleen McConnell	Council Member	Employee/TUC
862	NI Blind Sports	Rachael McDowell	Employee	Voluntary Work
91,810	Irish Football Association	Stephen McGeehan	Employee	Committee Member
52,950	NI Athletics Federation	Alison Moffett	Employee	Member and Person Connected is Chairperson and Vice President
29,000	Youth Sport Trust	Alison Moffett	Employee	National Facility Trainer
1,800	University of Ulster at Jordanstown	Marie Murphy	Council Member	Employee

6,144	Canoe Association of Northern Ireland	Kieran O'Hara	Employee	Subscribing Member
7,500	Mountaineering Council of Ireland	Kieran O'Hara	Employee	Subscribing Member
8,088	Golfing Union of Ireland	Jill Poots	Employee	Persons Connected – Members
4,900	Irish Ladies Golf Union	Jill Poots	Employee	Member and Persons Connected are Members
2,000	Lisburn Borough Council	Jill Poots	Employee	Person Connected – Employee
26,142	Royal Yachting Association	Jill Poots	Employee	Person Connected – Member
12,494	UB Lawn Tennis	Jill Poots	Employee	Person Connected – Member
25,178	Ulster Squash	Jill Poots	Employee	Member
27,801	Ulster Women's Hockey Club	Jill Poots	Employee	Person Connected – Subscribing Member
48,332	Derry City Council	James Saunderson	Council Member	Employee
4,195	Derry City Football Club	James Saunderson	Council Member	Joint Funding – Derry City Council
52,950	NI Athletics Federation	David Seaton	Employee	Member of Management Committee
-	Belfast City Marathon/Belfast City Council	David Seaton	SCNI Employee	Honorary Officer and Director
6,500	Association of NI Car Clubs	Ronnie Trouton	Council Member	Honorary President
7,526	Motorcycle Racing Association	Ronnie Trouton	Council Member	Organisation is a Member of 2 & 4 Wheel
71,706	The Motor Cycle Union of Ireland	Ronnie Trouton	Council Member	Organisation is a Member of 2 & 4 Wheel
1,725	NI Karting Association	Ronnie Trouton	Council Member	Organisation is a Member of 2 & 4 Wheel
135,319	IRFU	Paul Whitten	Seconded as an Employee to SCNI	Affiliated Membership
29,000	Youth Sport Trust	Paul Whitten	Seconded as an Employee to SCNI	Employee

21. Losses During Year

Bad debts were written off during the year of £181 (2002: Nil). There were no cash losses written off during the year (2002: £130).

22. Derivatives and other Financial Instruments

FRS13 requires disclosure of the role, which financial instruments have had during the period, in creating or changing the risks the Sports Council for Northern Ireland faces in undertaking its role.

The Sports Council for Northern Ireland does not use financial instruments to manage financial risks associated with its underlying business activities and the financing of those activities. Nor does it undertake any trading activity in financial instruments.

23. Post Balance Sheet Event

There have been no significant events since the year, which would effect these accounts.

SPORTS COUNCIL FOR NORTHERN IRELAND – ACCOUNTS DIRECTION

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

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

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

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

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

Nigel Carson
Director of Culture and Recreation Division

3 May 2001

**SPORTS COUNCIL FOR NORTHERN IRELAND ACCOUNTS
2001-02 AND 2002-03**

Safe Sports Grounds Programme

1. The Sports Council has distributed some £9.5m (£3m in 2000-01 and £2.5m in 2001-02 and £4.0m in 2002-03) of grants to various governing bodies of sport, community organisations and clubs, on behalf of the Department of Culture, Arts and Leisure (the Department). The Sports Council's responsibilities include the administration of the Safe Sports Grounds Programme. This was launched in August 2000 to address urgent safety concerns highlighted in the report 'Safety at Sports Grounds in Northern Ireland'.
2. Funding for the programme included specifically allocated amounts of some £2.95m (£1.6m in 2000-01, £0.5m in 2001-02 and £0.85m in 2002-03) from the Department. The total value of grants awarded by the Sports Council under this programme amounted to £5.1m (£3.2m in 2000-01, £0.9m in 2001-02 and £1.0m in 2002-03) which consisted of 140 separate awards to 33 clubs. Payments totalling £4.1m had been made by March 2003 (£1.6m in 2000-01, £1.2m in 2001-02 and £1.3m in 2002-03).

NIAO Audit of 2000-01 Sports Council Accounts

3. In my report on the 2000-01 Sports Council Accounts I highlighted my concerns on two key issues relating to the Safe Sports Ground programme. Firstly the Sports Council processed interim payments to a number of projects in advance of need. The reason given in the letters sent to the recipient bodies was 'to ensure maximum spend within the financial year'. The Sports Council told me this funding was not eligible to be carried forward and consequently any unspent balance at the year-end was potentially lost to the Programme. I was also advised that there were paramount safety concerns which needed to be addressed (as per the review at Safety at Sports Grounds 1997 report issued by the Health and Safety Agency for Northern Ireland) and that delay could have jeopardised both the individual projects and the overall urgent safety objective of the Programme. I considered that the payments were irregular and in contravention of the rules contained in Government Accounting Northern Ireland.
4. Secondly I raised concerns in relation to the Sports Council's assessment of the financial viability of applicants. I noted that none of the applicants were refused on that basis and highlighted individual examples of clubs which had evidence of financial difficulties. The Sports Council indicated that financial viability was only one of four assessment criteria agreed with the sponsoring Department and whilst an applicant may have scored poorly on this criterion, the safety risk to spectators may have been such that the project nonetheless scored sufficiently highly to secure funding.

Letter of Concern to the Sports Council about Attempted Fraud

5. In my previous report I noted that Safe Sports Ground grant was awarded at a specific percentage rate of estimated allowable expenditure. Capital grants were awarded at a specific percentage of estimated expenditure, up to a maximum of 85% (some as low as 21%). The terms and conditions of an award were set out in the letters of offer and required written acceptance by two signatories on behalf of the applicant. The contribution from clubs could therefore vary considerably but must as a minimum have been 15 per cent of the allowable expenditure on the project.

6. On 23 January 2001, a letter was received by the Sports Council. This letter enclosed a document which appeared to be written by an applicant who had received an offer of award from the Sports Council. The document (copy of a letter) stated:

‘I believe there has been a serious misunderstanding about the ‘Club Input’ of 15%. It is the understanding of all the clubs who received grant that this was to be simply a ‘paper figure’ The clubs however are building these sums into their costings in such a way that the full grant received will cover the work done.’

7. The Sports Council advised me that on receipt of the letter they took a series of measures:

- due to the concerns raised legal advice was sought, on 31 January 2001, regarding the details outlined in the document. The legal advice received from the solicitor stated that: ‘.....this letter on its own does not amount to fraud’;
- on 1 February 2001, Sports Council officers met with officials from the Department to advise them of the letter and the legal advice obtained. At this meeting all those present agreed that fraud or attempted fraud had not taken place at this time. This decision was based on the fact that no payments had been made, no claims for payment submitted or paperwork received and legal advice stated that the letter in itself did not constitute fraud or suspected or attempted fraud; and
- in order to ensure that any misunderstandings by grant recipients were addressed, the Department and Sports Council officers agreed that the Sports Council would take the following actions: (per minute of the meeting)
 - One-to-one meetings with all clubs in receipt of a Major Works award, including awards under the Safe Sports Ground programme;
 - All clubs are issued with a letter identifying the need for the 15% cash contribution and the required action should attempted fraud be identified;
 - All clubs to sign a declaration (signed by their Chairman, Secretary and Principal Consultant) which confirmed understanding of the partnership contribution and the clubs’ responsibility for robust accounting procedures;
 - All permission to proceed letters to be released forthwith on condition that all necessary requirements are met; and

- No further funds are to be released until clubs have signed and returned their declarations.
8. I asked why the Sports Council believed that it could rely on such declarations. The Sports Council advised me that the signed declarations by the applicants in receipt of an offer eliminated the possibility of any misunderstanding. At this time it was the opinion of the Sports Council, the Department and the Sports Council's Solicitors that fraud or attempted fraud had not taken place, and this approach was agreed as the most appropriate course of action.
 9. In my opinion:
 - the practice of relying on a signed declaration was inadequate and unlikely to deter those determined to engage in fraudulent applications or claims for funding;
 - the Sports Council did not adequately recognise or assess the high risk elements of this programme;
 - subsequent to the receipt of the letter of concern the Sports Council did not put in place appropriate controls early enough to ensure that any attempted fraud would be detected and prevented; and
 - the Sports Council did not ensure timely evidence was obtained that the clubs made their contribution towards the cost of the scheme.
 10. The matters highlighted in the letter of concern should have alerted the Sports Council and the Department to the need for a timely and comprehensive review of the risks involved and to put in place appropriate controls and safeguards at the Sports Council to avoid any misappropriation of funds. This would have reduced the risk of fraud under the Safe Sports Ground programme prior to the Sports Council making payments under this scheme.
 11. The Department is required to let the Department of Finance and Personnel (DFP) and the Northern Ireland Comptroller and Auditor General have details of all discovered fraud proven or suspected. I asked the Department why I had not been notified at this point and I was told that this issue was brought immediately to the attention of the Department and after discussion and taking account of legal advice obtained by the Sports Council at the time, it was the view of the Department that this did not warrant proceeding further with the fraud policy. The Sports Council and the Department therefore concentrated on taking steps to mitigate the possibility of any misunderstanding. Those steps were agreed at the meeting held on 1 February. When the detailed investigation (January 2003) indicated that there was clear evidence of suspected frauds the Sports Council and Department put their respective fraud policies into action and the Department notified DFP and NIAO forthwith.
 12. Sports Council internal documentation dated January 2001 set out the background to the Sports Council fraud suspicions. It is my view that this documentation together with the letter of concern made it clear to the Sports Council and the Department that this was an attempt to manipulate the grant system to obtain funds to which there was no entitlement. In addition, where a department or NDPB finds it necessary to obtain legal advice on fraud this in itself should be disclosed. There was therefore a clear requirement to notify this matter to DFP and myself.

Investigation of Individual Safe Sports Ground Awards

13. In December 2002 (during the 2001-02 NIAO audit), my staff raised queries on a number of issues relating to the Safe Sports Grounds programme. In an effort to provide full responses and to further support the Sports Council's monitoring of grant expenditure, the Sports Council appointed consultants in January 2003 to undertake an independent investigation of the Safe Sports Ground's capital grants. The objectives of the investigation were to:

- provide evidence that the grant in aid paid to clubs by the Sports Council was used for the purposes for which it was given;
- provide evidence that the clubs made their respective contribution towards the cost of the scheme and that it was used for the purposes of the scheme; and
- review the financial controls that the Sports Council have in place for the programme and make recommendations for future programmes.

14. The consultants thus undertook an independent investigation of the capital payments under the Safe Sports Grounds programme of £3.2m in the first two years of the scheme. This represented 55 separate awards to 26 clubs. The findings of the investigation revealed a high incidence of irregularity in the Safe Sports Grounds programme and noted that the majority of these irregularities related to the Urgent Works awards the payments for which totalled £656,000 during the three year period.

15. The investigation proved satisfactory for 33 of the awards. Issues were identified by the consultants in the other awards included:

- the Sports Council required grant recipients to tender their projects and to obtain Sports Council permission to proceed (PTP) using the selected contractor or supplier. Five grant recipients had made payments to contractors or suppliers not named in the PTP letters issued by the Sports Council;
- seven grant recipients submitted false invoices in support of claims, e.g. grant recipients submitted (false) invoices from the PTP contractors, but instead paid lesser amounts to other contractors, thereby increasing the proportion of the project funded by the Sports Council; and
- cash payments were claimed to have been made to contractors, either by the grant recipient or by persons on behalf of the grant recipient. It was not possible to verify these payments.

16. In addition to the above:

- the investigation activity appeared to result in three grant recipients making payments to their suppliers/contractors following commencement of their individual project investigations. This ensured that they met the terms of the Sports Council investigation; and
- the amounts recoverable from clubs were in some instances an estimate as there were queries outstanding and documentation still needed to support the validity of the amounts still retained by clubs.

17. The investigation specifically identified issues relating to 10 clubs. Of these 10 clubs, nine had received £137,123 (£49,957 in 2000-01 and £82,869 in 2001-02 £4,297 in 2002-03) more grant than they were entitled, because the actual payments they made to contractors or suppliers were less than the amounts included in grant claims submitted to the Sports Council. In an additional case, in respect of an award to the value of £130,000, investigation work could not be completed as information was not available. This was passed to the PSNI for further investigation.
18. Overall the findings of the investigation found that estimated overpayments from the Sports Council totalled £267,123 based on current information and the level of expenditure that could be verified by the club's financial records. £130,824 was paid to unapproved contractors (non PTP).

Action by the Sports Council following the Investigation

19. I asked what follow up work the Sports Council undertook subsequent to the investigation and was advised that as findings emerged from the investigation the Sports Council took immediate action. These actions included a requirement that all recipients agree to additional terms and conditions of award including:
 - all receipts and payments relating to the project be accounted for through a dedicated bank account (restatement of an existing condition);
 - all payments to contractors/suppliers to be made by cheque only;
 - with the exception of professional and statutory fees, payments only to be made to contractors/suppliers named in the PTP letter(s) issued by the Sports Council;
 - payments to contractors/suppliers to be made promptly and no later than two weeks after the receipt of the related grant monies;
 - the grant recipient must present signed cheques to the Sports Council for mailing in respect of all payments relating to the project; and
 - prior to payment of a claim, the grant recipient must submit bank statements showing that the invoices to previous claims were paid in full.
20. Furthermore, the Sports Council met with grant recipients to advise them of the concerns raised during the independent investigation and that any overclaimed grant should be paid immediately to the relevant contractors or returned to the Sports Council.
21. Where it was considered possible that grant recipients had supplied false information the Sports Council notified the PSNI, the Department and the Northern Ireland Audit Office. This was in accordance with the agreed Sports Council Fraud policy.
22. Seven grant awards were reported to the PSNI on suspicion of fraud following the outcome of the investigation. The Sports Council has had notification that prosecution will not be pursued in three cases. To date the Sports Council awaits the completion of the PSNI investigations relating to the remaining cases.

Recovery of Grant Overpayments

23. I asked the Sports Council what progress they had made in determining the final level of overpayments and recovering these amounts of grant to clubs. The Sports Council told me that as a result of the above Sports Council actions, eight grant recipients settled disputed amounts of £87,644, by either making:
- appropriate payments to contractors/suppliers; (£83,455) or
 - refunding the Sports Council. (£4,189).
24. The Sports Council further advised me that of the 10 grant recipients with whom the investigators had concerns (see paragraph 17), eight have now fully resolved their financial position. Of the two remaining cases, one has not supplied sufficient information for the investigation to be completed and the other continues to dispute the findings. £179,479 grant funding remains outstanding on these cases.
25. The Sports Council has informed me that in both these cases, the facilities have been completed to a design and quality approved by the Sports Council and are presently being utilised. The Sports Council recognises that there are issues, which need to be resolved in relation to these grants. However the Sports Council has commissioned independent consultants to value the work undertaken by the clubs, in order to quantify if the work completed to date, is of a value equivalent to the costs against which the clubs were funded by the Sports Council. While final reports are not yet available, the Sports Council report that early indications are that the completed works at both clubs are at least to the value of the cost against which they were funded.
26. In the absence of the appropriate financial records it is not possible to determine the true cost of building work by the clubs, and in my view:
- the use of unapproved or unidentified contractors to complete building work is not a defensible basis for completion of government funded projects;
 - the Sports Council should ensure that monies provided to clubs are spent in adherence with the terms of the Letter of Offer; and
 - in these circumstances the payment of grant based on valuation certificates does not provide necessary financial information on the use of public funds.
27. Also, in view of the fact that the investigation by independent consultants found that false documentation was submitted in seven cases and four are being considered for prosecution, I asked the Sports Council how many of those responsible for false invoicing and documentation are still in a position of authority in clubs and whether it was satisfied that sufficient action has been taken to ensure that they will not be involved in vouching for or processing any future claims for public money. The Sports Council told me that the Council has included all clubs in question on a high-risk alert status within its Grants Management Information System. This means that any application for funding from these clubs will automatically be deemed high risk and will be assessed within the risk management framework and have appropriate monitoring attached. In addition the PSNI investigations are on-going and no fraudulent acts have been proven against any individual. Without proof of fraud the Sports Council believe

it could be challenged if it attempted to force the removal of an individual from office in a recipient club or deny a club access to their programmes.

Sports Council Financial Controls over Safe Sports Grounds Awards

28. The Sports Council has a responsibility to have robust procedures in place to ensure that information provided by applicants for government grants is consistent and reliable based on an informed review of the documentation available to the Sports Council. A number of weaknesses in the Sports Council control procedures were identified by the independent investigation. The main areas were as follows:

- responsibility for review and assessment of documents submitted by claimants were not clearly set out in the procedures manual;
- in two cases the Sports Council did not undertake appropriate actions to link project monitoring to information provided on the tendering declaration form;
- original invoices were not always required as Sports Council placed reliance on architect's certificates. (This was established Sports Council practice at the time);
- there were some delays in final grant payments;
- whilst the Sports Council increased the frequency of site visits in relation to the programme, the monitoring of projects carried out by Sports Council could have been improved;
- in one case the Letter of Offer did not identify all elements of the project; and
- whilst a fraud procedures manual and staff training were in place there were instances where indicators of fraud were not identified.

29. The investigation concluded that:

‘It is considered that the action taken by Sports Council in imposing additional conditions on awards is an appropriate response to the findings emerging from the investigation. The additional conditions unquestionably strengthen the control environment.’ Also, ‘The action already taken by Sports Council in imposing additional conditions of award will act to detect and even prevent the types of irregularities which the investigation has revealed.’

30. However, in my view the attempted fraud and widespread irregularities in the scheme could have been prevented by the application of what should be well established control procedures in the administration of grants. The procedures should have been proportionate to the inherent high risk nature of the programme.

Improvements in Sports Council Procedures

31. Public Bodies need to be alert to warning signs indicating potential fraud and act promptly on them. Where risks were identified in the financial element of the assessment I am concerned that the Sports Council did not more closely monitor the financial position and procedures of clubs during the project and when clubs applied for payment of these funds. I asked the Sports Council what further action they were taking to develop and implement procedures within the Sports Council and they advised me that:

- in addition to improvements already reported, the Sports Council had worked with the Department and independent accountants to undertake a Strategic Level Risk Assessment in relation to the design of the future programme; and
- that policies and procedures across all programmes are under constant review. Improvements will always take account of recommendations made during independent audits (internal and external), thus ensuring the systems are strengthened. The following areas have had recent enhancements:
 - *Policy* – *Revised Risk Assessment Policy;*
 - *Procedural Improvements* – *Revised Procedures Manuals;*
– *New Computerised Grants Management System;*
– *Revised Project Management Procedures;*
 - *Staffing Issues* – *Fraud Training Updated; and*
– *Strengthened Finance Team.*

Department of Culture Arts and Leisure

32. The Department is responsible for ensuring that the financial and other management controls applied by the Department to the Sports Council are appropriate and sufficient to safeguard public funds, and for monitoring the Sports Council's compliance with those controls. The Department must be satisfied that the internal controls applied by the Sports Council conform to the requirements of regularity, propriety and good financial management. I asked the Department how it had addressed the risk of fraud during the design of the Safe Sports Ground Scheme, and what measures it asked the Sports Council to put in place to prevent and detect fraud. The Department told me that the systems and procedures established to administer the Safe Sports Grounds programme were based on those already in place for other capital programmes. The risks posed by the new programme were not considered at that time to be inherently different thereby meriting a new risk assessment. In addition, the measures taken to further strengthen procedures following the letter of concern were regarded, at the time, as sufficient to prevent fraud on the basis of the issues highlighted in the letter. The fact that the Sports Council immediately brought the matter to the attention of the Department and that it was considered at the highest levels is evidence of the seriousness with which the matter was treated.
33. The Sports Council have subsequently revised their grant payment procedures to incorporate the recommendations made as a result of the investigation and 15 staff involved in the grant process will be undertaking training this autumn to improve their skills in this area. The Department will also be carrying out an independent audit of the Sports Council to ensure that audit recommendations are being implemented, that appropriate steps have been taken to ensure understanding of, and compliance with, fraud procedures and to ensure that a proper risk assessment process is applied to new and existing funding programmes.

34. I informed the Department that in future I would expect to see a well documented risk assessment as part of their consideration of any scheme.

Conclusions

35. I consider that payments by the Sports Council during 2001-02 amounting to £95,869 were irregular on the grounds that they were based on fraudulent documentation and misrepresentations from applicants, in contravention of rules contained in Government Accounting Northern Ireland. As a result I qualified my opinion on the accounts in respect of the matters reported at paragraphs 5 to 34 above.

JM DOWDALL CB
Comptroller and Auditor General
23 May 2005

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