

**Department of Finance
Memorandum on the Eleventh
Report from the
Public Accounts Committee
Mandate 2017-2022**

Sports Sustainability Fund

**Presented to the Northern Ireland Assembly
by the Minister of Finance**

02 May 2024



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COVID Coronavirus Disease

DfC Department for Communities

MPMNI Managing Public Money NI

NIAO Northern Ireland Audit Office

PAC Public Accounts Committee

Eleventh Report

Department for Communities

Sports Sustainability Fund

PAC Recommendation 1

The Committee recommends that Departments put arrangements in place to include a role for someone independent of the process to act as a ‘critical friend’ and carry out a review of grant schemes such as this at a formative stage. This would include the need to objectively challenge the content of the Business Case and to consider whether the grant application process adequately reflects the Business Case requirements.

The Department of Finance (DoF) accepts this recommendation.

Regarding business cases, current DoF guidance states the SRO/project management team should ensure relevant advice and expertise is sought throughout the development of business cases. The guidance also encourages use of workshops where proportionate when developing business cases, bringing together different areas of expertise to improve the quality and expand the breadth of consideration.

In addition, the use of Casework Committees can bring a useful challenge function to the consideration of business cases for schemes/projects whereby officials not involved in a particular scheme/project perform an independent scrutiny and challenge role to business areas. DoF will highlight the benefits of the use of Casework Committees to departments to consider for future reference where appropriate.

PAC Recommendation 2

Where it is not possible to carry out full checks before a payment is made, such as where estimates are used, it is recommended that Departments should incorporate appropriate post payment checks. Acceptance of self- declared estimates as the basis for grant claims without any form of checking against actual outturns increases the risk of fraud through the manipulation of the figures presented.

DoF accepts this recommendation.

It is important to acknowledge that this scheme was delivered at pace and under unique and unprecedented circumstances whereby there was not the normal timeframe available for its design and delivery.

DoF would highlight that under normal circumstances, their guidance contained in Chapter 4 of Managing Public Money NI (MPMNI) applies, which reflects that public sector organisations should ensure that their use of resources is properly authorised and controlled. Among other things, it lays out the following as essentials of systems for committing and paying funds:

- Authorisation for payment separated from the process of making the payment, with appropriate validation and recording at each step;
- Checks that the goods or services acquired have been supplied in accordance with the relevant agreement(s) before paying for them;
- Invoices paid accurately when mature, once and on time, avoiding late payment penalties;
- A balance of preventive and detective controls to tackle and deter fraud, corruption, etc; and
- Audit trails, which can readily be checked and reported upon both internally and externally.

In particular, MPMNI Annex 5.1 provides guidance on grants to Third Parties, which states “Grants should be paid on evidence of need or qualification, depending on the terms of the grant scheme”. It also states that “The Accounting Officer of the funder is responsible for ensuring that grant recipients are eligible

and use the grant in the way envisaged in the founding legislation”. Further, Annex 5.2 of MPMNI provides guidance on how public sector organisations which provide grants to the private sector and others should protect their investments where grants are used to buy or improve assets and discusses clawback arrangements where appropriate.

It is also worth highlighting that with regards to grant making, one of the three themes contained within the Code of Practice for Reducing Bureaucracy in Grant Funding to the Voluntary and Community Sector is proportionality – “There should be proportionality of effort throughout the revenue grant funding process - when seeking applications for, appraising, awarding, checking, monitoring and evaluating grant funding”.

The Code goes on to state “There should be a balance between funders obtaining assurance on achievement of objectives and processes becoming so cumbersome that Voluntary and Community Organisations avoid applying for funding as the administrative burden is debilitating and monitoring is excessive. Based on the level of risk proportionate effort should be applied through the grant making process. On the basis that lower value grants generally carry significantly lower risk, such grants merit a level of administration in proportion to their value and risk profile.”

The Code also provides useful guidance on determining the appropriate level of financial verification checks required, based on risk.

Further, the Northern Ireland Audit Office’s (NIAO) guide “COVID-19 Fraud Risks” of August 2020 reflects that many counter-fraud organisations have been pro-active in highlighting both existing and emerging fraud risks associated with the pandemic. NIAO’s short Guide draws that information together to provide a quick point of reference for NI public sector organisations. It highlights the key risks and sets out the controls that can mitigate those risks and signposts organisations to further information available from a range of organisations.

PAC Recommendation 3

The Committee recommends that when developing a Business Case, particularly at speed, that sufficient time is given to determining what the overriding objectives of the scheme are; ensuring they are clear and understood by all parties; and then clearly evidencing how the scheme objectives have been translated into clear, measurable assessment criteria.

DoF accepts this recommendation.

It must be acknowledged that the COVID-19 schemes were delivered at pace and under unique and unprecedented circumstances whereby there was not the normal timeframe available for their design and delivery.

However, the points made above are already reflected in DoF’s existing business case guidance relating to setting objectives and targets. DoF will however bring this recommendation to the attention of Accounting Officers to highlight the issue.

PAC Recommendation 4

A lot of intelligence should have been generated by DfC and SNI through their consultation with sporting organisations. However, this was not collated in a way in which decisions could be made and justified. The Committee recommends DfC and SNI, review the mechanisms which were in place during the pandemic to communicate with interested parties so that they would be in a better position to respond quickly to any requirement for information for any future scheme.

The Department for Communities (DfC) and Sport NI accept this recommendation which has been partially implemented.

DfC and Sport NI recognise the value in strengthening data capture to understand the longer term economic and social impacts of sport and how best to utilise funds to increase the capacity of the sports sector, and to enable more responsiveness to emerging issues. This will help provide a more robust evidence base to allow for decisions to be made and inform potential funding distribution programmes.

Sport NI has subsequently developed a Stakeholder Engagement Strategy and Communications Strategy that have been approved by the Sport NI board, which have been informed by experiences and learning whilst operating during the pandemic. Sport NI is in the process of implementing these and they have been designed to enhance engagement with sports organisations and inform the design of future programmes. As part of this process, a digital information 'Hub' is also being rolled out to enable enhanced sharing of information between key stakeholders within the Sports System.

PAC Recommendation 5

In future schemes it is recommended that SNI take into consideration the capacity and capability of different sports clubs and organisations in applying for funding and amend its approach accordingly.

Sport NI accepts this recommendation which has been implemented.

Sport NI has communicated widely about the range of training, resources and information sessions available to upskill clubs, governing bodies and sports organisations, and will further enhance such opportunities. These include online resources, face-to-face support, workshops, webinars and signposting to external agencies. Sport NI also considered the barriers that may impact on organisation's capacity or capability, to build understanding and specifically target interventions to address these barriers.

In addition, Sport NI has sought to simplify application processes balancing against the need to maintain safeguards for the appropriate use of public money, and only seek relevant and appropriate information for the purposes of any programme. Sport NI in future will use a proportionate approach to application processes, where application processes and information required will reflect the quantum of potential awards.

Further, Sport NI has updated and reviewed its business case templates and economic appraisal and evaluation criteria to ensure that the design of delivery models for all future programmes is subject to an appropriate level of financial analysis and modelling prior to roll-out. Sport NI is also in the process of implementing an Internal Casework Committee to ensure that all business cases (programme spend and overhead) are subject to an appropriate level of scrutiny, review, and challenge commensurate with the level of spend, prior to approval. Where appropriate, specialist independent support will be sought to perform more detailed appraisal and / or due diligence procedures on potential grant recipients prior to spend being incurred.

PAC Recommendation 6

The Committee recommends that any future schemes should have some degree of modelling carried out to help identify potential unintended outcomes and anomalies. The business case should also have considered whether funding should have been targeted towards specific sports and whether the amount of funding available to individual clubs or sectors should have been capped.

DoF accepts this recommendation.

As reflected under recommendation 3, it must be acknowledged that the COVID-19 schemes were delivered at pace and under unique and unprecedented circumstances whereby there was not the normal timeframe available for their design and delivery.

DoF would highlight that current business base guidance requires risk assessments to be undertaken and quantified as far as possible and that the sensitivity of costs, benefits and outcomes under varying scenarios should be considered within the economic assessment of options. DoF will however bring this to the attention of Accounting Officers to highlight the issue.

DfC acknowledges that any future grant programmes designed to provide support across a diverse sector can have unintended outcomes and will take forward lessons learned from COVID-19 schemes. This would include consideration of the application of an appropriate cap to the total amount of grant funding available for individuals clubs or sectors.

PAC Recommendation 7

The Committee recommends that for future schemes Departments should test and model the application process to ensure they have a full understanding of possible outcomes and their impact. The Committee considers it to be unacceptable to use taxpayers' money to underwrite the profits or surpluses of any organisations. In this case the funding should have been limited to the minimum needed to meet the scheme objectives and should not have provided any funding which took organisations beyond a break even position in the COVID-19 year.

DoF accepts this recommendation.

DoF guidance provides a checklist to be considered in assessing grant funding. This should be used by departments and their bodies to help inform the design of their application processes. The guidance also states that additionality needs to be appraised to ensure government assistance is the minimum necessary to bring the project about, that any excess over this is “deadweight”, and that all public sources of financial assistance to the project should be taken into account when assessing additionality. The guidance further suggests several avenues the appraiser could pursue to probe claims made by applicants on additionality and emphasises the importance of recording reasons why the additionality criterion is considered to have been satisfied.

It is also worth highlighting that there is an overarching responsibility on Accounting Officers to ensure that any schemes deliver value for money for the taxpayer.

In addition, DfC would wish to highlight that sports clubs do not operate any profits and all surpluses are re-invested in the development of the club and sport.

PAC Recommendation 8

The Committee also recommends that future schemes should consider if the level of individual grants should be capped. This will help ensure that unacceptably large payments are not made and funding available is more widely spread.

DoF accepts this recommendation.

It is recognised that future schemes need to be accessible to all, based on a proportionate application process and should require verifiable evidence of need to help ensure available funds are spread sector wide. The inclusion of a funding cap should be a key consideration of any future emergency scheme. How any potential cap is applied to a scheme where a significantly diverse range of applicants exist, should be carefully considered to ensure the overall objectives are achievable.

DoF would highlight that current business case guidance states that appraisers should identify a wide range of possible options and undertake an assessment of how well each option meets objectives and critical success factors - this should include options where grants are capped as mentioned above.

DoF will consider this recommendation in any of its future schemes and will draw it to the attention of Accounting Officers to also consider for future schemes within their departments. However, it must be pointed out that the design of any future schemes will depend on the focus and specifics of those schemes.

PAC Recommendation 9

It is recommended that in future all witnesses take care to ensure they have given their evidence as openly, accurately and candidly as possible.

DoF accepts this recommendation.

DoF agrees that all witnesses appearing before the Public Accounts Committee (PAC) evidence sessions should provide evidence openly, accurately and candidly as possible.

Chapter 3 of MPMNI which is provided to all Accounting Officers on appointment, already advises “The PAC expects witnesses to give clear, accurate and complete evidence.”

In addition, DoF's guidance covering the public audit process (*Guidance on NI Public Audit process including PAC scrutiny of public spending*) states at paragraph 4.16 "The Committee expects witnesses to answer questions fully, clearly, accurately and in a focused and meaningful manner... Essentially, witnesses should be positive and aim to be as open, transparent and as helpful as possible in answering the Committee's questions in order to provide it with useful and relevant insights that may not have emerged in the Comptroller & Auditor General's report..."

Further, DoF routinely advises witnesses due to appear before the Committee of this important principle during their routine preparation sessions.

DoF will however bring this to the attention of Accounting Officers to remind them of their responsibility and will continue to highlight it at PAC preparation sessions with all witnesses from across departments and Arms' Length Bodies due to appear before the Committee.

PAC Recommendation 10

The Committee recommends that future COVID-19 support schemes take into account the reserves and cash balances that an organisation already has before providing additional funding.

DoF accepts this recommendation.

As reflected in the response to recommendation 7, DoF guidance states that additionality of public funding must be appraised to ensure it is the minimum necessary to deliver the project and there is a responsibility on Accounting Officers to ensure value for money.

DoF will bring this to the attention of Accounting Officers to consider for future COVID-19 schemes.