

Chapter 30

Sports Capital Programme

Sports Capital Programme

30.1 The Sports Capital Programme (SCP) which is administered by the Department of Transport, Tourism and Sport (the Department) funds the construction or improvement of sport-related assets as well as the purchase of non-personal sports equipment that will have a useful life of at least five years²⁶⁴. The National Lottery part-fund the SCP.

30.2 The SCP provides assistance to National Governing Bodies (NGBs) of Sport, voluntary and community organisations, sports clubs, third level institutions, schools, local authorities and VECs. Over 90% of grants allocated under the SCP are for projects related to capital works. The SCP is administered by a Sports Capital Unit in the Department. In the 12-year period, 1999 to 2010, €599 million has been paid under the programme²⁶⁵.

30.3 The practice over years has been for the Department to allocate funds during the course of the year through a grant application process and to make further allocations out of savings at year-end outside of the normal application and allocation process but within the terms and conditions of the SCP. For example, in 2006 the Estimates allocated €67.7 million for the programme. Following a grant application process, €33.7 million was allocated in June 2006 and a further €21.3 million was allocated in July 2006. In November 2006, following consideration of payments made and projected to occur before year-end, the Department identified €13-14 million available for distribution through a year-end allocation.

Chapter Focus

This chapter outlines the circumstances which led to certain payments made to Basketball Ireland not being applied for the purpose intended.

The chapter also reviews the operation of the Sports Capital Programme inspections regime.

²⁶⁴ The programme does not fund grants towards buying sites, premises or, up until 2009, personal equipment such as sports kits, shoes, rackets/bats or protective clothing.

²⁶⁵ Grants to the value of €77 million had been committed to projects but had not been paid by December 2010. Grants of €27 million had been withdrawn as projects did not proceed or grant criteria were not met.

Conditions of Sports Capital Grants

The terms and conditions of the SCP state that grant payment is only made on foot of submission of original, paid, valid invoices or certificates of payment (certified by an architect or engineer).

The level of funding from the SCP is dependent on whether the proposed sporting or physical recreational facility is classified as local, regional or national and whether it will be located in a disadvantaged area. Where the facility is classified as local up to 70% of the eligible cost of a project may be funded by the SCP. However, in disadvantaged areas, the grant rate may be up to 90%. Funding levels in the case of regional or national projects depend on the scale of the proposed facilities.

Key terms and conditions of SCP grants include

- the submission of at least three quotations or tenders for each aspect of the works being funded
- providing valid tax clearance or C2 certificates for any contractor or supplier that provides more than €10,000 worth of goods or services to the grant aided project^a
- an agreement to sign a declaration that the financial interest of the Department in the facility or equipment will be protected and that the grant will be refunded if the facility ceases to operate or if its use changes^b.

All provisional grant allocation letters state *'If you are found to have submitted false or fraudulent documentation or be purposefully misleading the Department in any way, we will withdraw the grant and bar you from applying for future funding. We, the Department of Arts, Sport and Tourism, reserve the right to take legal action if you use fraud to claim grant payments, including any top-up grants from the Department of Community, Rural and Gaeltacht Affairs'*.

- Notes:
- a Thresholds are revised periodically. This is the threshold in place for the 2008 SCP allocations.
 - b Where the grant is for €10,000 or more, the declaration should be witnessed by a Peace Commissioner, Commissioner for Oaths or a solicitor.

Grants for Basketball Hoops

30.4 Basketball Ireland is the NGB for basketball in Ireland. In the period 1999-2006, it received €1.8 million from the SCP for a project called the Community Hoops Programme.

30.5 The Community Hoops Programme had been set up to encourage the playing of basketball. It involved the installation of basketball hoops at facilities in local communities. Basketball Ireland was to be responsible for the acquisition of the equipment and the ultimate recipient was to be responsible for its installation²⁶⁶.

30.6 In order to ensure that all grant conditions have been met, the Department's Finance Unit carries out inspections of a sample of payments each year. After the inspections, an annual capital inspection report is referred by the Finance Unit to the Sports Capital Unit for any appropriate follow-up action.

²⁶⁶ The Basketball Ireland Community Hoops booklet (dated October 1998) held on the files of the Department states that the applicant is responsible for the installation expense. In practice, grant applications and invoices submitted in 2004 and subsequent years by Basketball Ireland to draw down SCP grants include installation as a cost of Basketball Ireland. Department files do not document the reason for the changed approach.

30.7 In 2008, the sample included a grant for €300,000 made to Basketball Ireland in December 2006. The report of the Finance Unit noted that the equipment for which the assistance was provided had not been purchased and that no payments had been made to suppliers by April 2009.

Department Actions

30.8 In early 2008, the Finance Unit queried why none of the hoops for which the €300,000 grant had been awarded had been purchased or installed.

30.9 In correspondence of April 2008, Basketball Ireland stated that all SCP grants allocated to community hoops prior to 2006 had been utilised in accordance with the submissions and site-listings provided to the Department. However, Basketball Ireland informed the Finance Unit in October 2008 that, in relation to the 2006 grant, an exercise to establish locations for the hoops was ongoing and a report on locations was not due for presentation to the Board of Basketball Ireland until November 2008.

30.10 In April 2009, the Finance Unit was informed by Basketball Ireland that, as a result of cutbacks, there would be no installation of hoops in 2009 and there were no installations scheduled for 2010.

30.11 The final report of the Finance Unit, which issued in September 2010, recommended that the Sports Capital Unit consider the recovery from Basketball Ireland of monies paid to it in 2006 under the Community Hoops Programme.

30.12 By October 2009, the Internal Audit Unit of the Department, which had completed a report on the matter as part of an audit of the 2008 Sports Capital Programme²⁶⁷ noted that Basketball Ireland had been given the option in September 2009 to complete the work within three months or return the full allocation to the Department. The report also noted that all allocations to the Community Hoops Programme were being investigated.

30.13 In December 2009, the Accounting Officer of the Department requested a report from the Internal Audit Unit of the Department on all monies paid to Basketball Ireland under the SCP. The Internal Audit Unit reviewed the files of the Department and Basketball Ireland.

²⁶⁷ The report's objective was to assess the adequacy and effectiveness of the existing controls for the operation of the 2008 Programme and identify potential improvements in the existing controls and effectiveness of the Programme in meeting its objectives. Notwithstanding the grant paid to Basketball Ireland under the 2006 Programme for work that had yet to commence, the report noted satisfaction that an effective framework was in place for managing the 2008 SCP in a manner consistent with its strategic objectives.

Findings of Internal Audit Review

30.14 A draft report²⁶⁸ of the Internal Audit Unit noted the following

- Expenditure by Basketball Ireland on hoops merchandise from 2004 to 2010 was estimated at €13,700 (this is 10% of grants received for the purpose in the period). While the Basketball Ireland accounting system indicated that a total of €285,112 was spent on the Community Hoops Programme, that sum included expenditure on wages and re-branding costs in the period 2004-2010²⁶⁹.
- The number of units purchased for the entire duration of the Hoops Programme were estimated at 345 units at a cost in the region of €255,000. The SCP had provided funding of €1.8 million to purchase 1,720 units²⁷⁰.
- The draft report found that grants received that were not expended on hoops were used to support other development programmes and, in particular, Basketball Ireland's regional development programme.

30.15 The draft report also identified pre-payment validation weaknesses on the part of the Sports Capital Unit. It also found that the monitoring of projects by the Sports Capital Unit was lax in not obtaining regular progress reports²⁷¹.

30.16 No grant application had been made for allocations in December 2005 and December 2006 (totalling €800,000) as they were year-end allocations²⁷². These grant allocations were paid at a rate of 100% of the value of the invoices submitted up to the maximum level of the grant.

Seating at the National Basketball Arena

30.17 The Irish Sports Council also allocates funding to support the work of NGBs, including Basketball Ireland. Grants are provided for recurrent expenditure and specific programmes such as Women in Sport.

30.18 At 31 December 2008 Basketball Ireland's balance sheet showed a deficiency of funds of €1 million. Its income for that year was €2.3 million.

30.19 In July 2009, the Irish Sports Council requested its Internal Auditors to review aspects of financial control arrangements within Basketball Ireland in order to provide assurance as to the fitness of Basketball Ireland to handle those public funds for which the Irish Sports Council had responsibility.

30.20 In a report of November 2009, the Internal Auditors of the Irish Sports Council noted that a €400,000 capital grant had been paid by the Department to Basketball Ireland in 2007 for seating in the National Basketball Arena (a related company of Basketball Ireland). While this €400,000 capital grant had been made, Basketball Ireland had also raised funding by way of a hire purchase agreement for the same assets in 2008.

²⁶⁸ A draft report was provided to Basketball Ireland on 23 February 2011 following a review by the Office of the Attorney General. A copy of the draft report has been forwarded to An Garda Síochána. The issues arising in Basketball Ireland were first noted by the Office of the Comptroller and Auditor General during the audit of 2009 Appropriation Account of the Department. The Office of the Comptroller and Auditor General acceded to the Department's request to defer reporting on the issues until it received the draft Internal Audit Report.

²⁶⁹ The area of expenditure (the split between wages and equipment) is not identifiable for the period 1999 to 2002.

²⁷⁰ In respect of some years, the application forms included a cost for installation.

²⁷¹ The Accounting Officer stated that progress reports were sought by the Department and a progress report was supplied by Basketball Ireland in 2004.

²⁷² There is no grant application form for year end grant allocations.

Views of the Accounting Officer

30.21 The Accounting Officer stated that the invoices received from Basketball Ireland were backed up by signed declarations which stated that the equipment funded by the Sports Capital grants would be kept in sporting use for a specified number of years. The number of years covered by these declarations for equipment purchased has varied from 25 years to five years through different rounds of the SCP.

30.22 The Accounting Officer stated that while the absence of on-the-ground inspection was a contributory factor in allowing Basketball Ireland to repeatedly draw down funding without purchasing the hoops, the Department has acted to reduce the risk of such instances recurring. Since December 2010, in order to draw down any allocation under the SCP, all grantees must comply with revised procedures including

- A signed covering letter on the grantee's headed notepaper certifying that invoices have been paid that relate to the capital works or were expended on the purchase of equipment directly related to the purpose for which the grant was allocated.
- Invoices relating to the expenditure must be forwarded with the covering letter. These should include a comprehensive description of the equipment purchased or works carried out thereby allowing the Sports Capital Unit to assess both the validity and appropriateness of the expenditure.
- The grantee must also forward, with the covering letter, copies of Bank Statements clearly showing the payments in respect of the submitted invoices leaving the bank account of the organisation.

30.23 All NGBs that have received equipment grants of €50,000 or more since 2005 have been asked to fill out a declaration stating that the funds were used for the purpose for which they were allocated and to supply a progress report on what the grant has allowed the sport to achieve. The NGBs have also been informed that failure to supply this information will be taken into account in considering any future funding.

30.24 The Accounting Officer stated that when the draft internal audit review is finalised, the Department will consider what steps should be taken to recover any funding that may have been misappropriated and what, if any, sanctions should be imposed.

30.25 In regard to the Capital Inspection Programme the Accounting Officer stated that the overall conclusion of the Sports Capital Unit was that the programme needed to include projects based on risk in addition to the random sampling. In this regard, the section identified large scale (€50,000 or more) equipment grants as being particularly problematic. By comparison with building projects which have safeguards such as letters from technical supervisors, OPW certification of invoices or legal charges on lands a corresponding set of safeguards are obviously not possible for equipment grants.

30.26 The Accounting Officer informed me in relation to the hire purchase arrangement that had been entered into by Basketball Ireland to meet the cost of the seating that all allocations to the National Basketball Arena are legally secured by way of a deed of covenant and a charge placed on the land of the arena. The seats funded by the 2006 grant were purchased and installation was signed off by Basketball Ireland's technical advisor and by the Department's technical supervisor (an architect at the OPW). The fact that Basketball Ireland borrowed funding for this seating is essentially an internal matter for that organisation.

Conclusion – Grants to Basketball Ireland

Basketball Ireland received €1.8 million in grants from the Sports Capital Programme for the Community Hoops Programme but it has been estimated that only 20% of the equipment for which grants were provided was put in place. It is a fundamental requirement of public accountability that funds be applied for the purposes intended.

There was a prolonged failure to detect the fact that a significant proportion of the grants paid was not being used for the purposes intended. The absence of on-the ground inspection of the Community Hoops Programme facilities until 2008 contributed to this.

The provision of funding by way of year-end allocations meant that controls that would normally operate as part of the grant application process were negated. The practice of awarding significant grants late in the year, in circumstances where the grant must be expended by year-end, introduces a risk that time limitations may decrease the analysis of documentation submitted.

While, in the case of a capital grant of €400,000 the financial interest of the State has been protected by way of a charge on land, there may be merit, in the case of material State assistance in providing for Departmental approval of any borrowing using grant aided assets as collateral.

New procedures being implemented by the Department should mitigate the risk of grants not being applied for the purposes for which they were intended. In addition, new requirements issued in December 2010 by the Department of Public Expenditure and Reform, requiring grantees to disclose grants and grants-in-aid in their financial statements will enhance the transparency of grants being paid by the Department.

Sports Capital Programme Inspections

30.27 Apart from the matters noted in respect of Basketball Ireland, other non-compliance issues also came to light in the course of the inspections carried out by the Finance Unit in 2010. These reviewed over 80 grant payments.

30.28 There were seven instances where the inspection concluded that the documentation used to draw down the grant did not, in fact, support the claim. In four of these, the invoice, or documentation purporting to be an invoice, had not been paid by the grantee. In three instances, the claimants had either not paid the full amount invoiced or had subsequently received refunds from suppliers, following the resolution of disputes.

30.29 Three of the seven cases were still under consideration by the Department. Of the other four, no repayment was sought in two instances because the Department was satisfied that the club had spent the grant aid on the approved sports capital project. In the other two cases, a partial repayment had either been sought or was being proposed. In all four cases, a temporary ban on further applications had been either imposed or was proposed.

30.30 The Accounting Officer informed me that two cases have been reported to An Garda Síochána as a result of the inspections carried out in 2008 and 2009. None of the 2010 inspection results were so reported to date, however, documentation is being prepared for An Garda Síochána in relation to two of the grantees, and it is anticipated that other cases will also be referred to An Garda Síochána.

Conclusion – Sports Capital Programme Inspections

While the inspection regime has been successful in identifying certain irregular payments, it is important that deficiencies found during inspections are followed up in a timely and effective way. Deficiencies should be reported promptly to the Accounting Officer, the Internal Audit Unit and the Audit Committee.

Conclusion

A large proportion of the SCP grants for the Community Hoops Programme provided to Basketball Ireland over the period 1999 to 2006 does not appear to have been applied for the purposes intended.

More generally, the extent of issues arising out of inspections suggest a need to tighten the substantive evidence provided at grant drawdown stage.

A requirement that applies since December 2010, that grantees must submit bank statements showing payments to suppliers prior to drawdown should help combat most types of problems noted.

