



Dáil Éireann

An Coiste um Chuntais Phoiblí

**An Séú Tuarascáil Eatramhach ar Thuarascálacha 2002
An Ard-Reachtair Cuntas agus Ciste 2002 agus 2003
(Éisteachtaí an Choiste le linn na tréimhse
Deireadh Fómhair 2003 go dtí Iúil 2004)**

**An Roinn Ealaíon, Spóirt agus Turasóireachta;
agus Spórt**

Samhain 2005

Dáil Éireann

Committee of Public Accounts

**Sixth Interim Report for 2002
Reports of the Comptroller and Auditor General 2002 and 2003
(Hearings of the Committee during the period
October 2003 to July 2004)**

**Department of Arts, Sport and Tourism;
and Sport**

November 2005

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Chairman's Preface

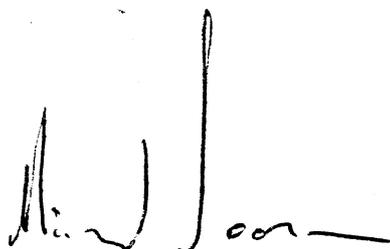
This report on the Department of Arts, Sport and Tourism; and sport is the sixth and final in a series of interim reports of the Committee of Public Accounts which detail the Committee's consideration of the Report of the Comptroller and Auditor General, 2002. It also reports on the Committee's consideration of the Department's Vote for 2003.

Within the last nine months the Committee has published interim reports for 2002 on a thematic basis which have covered a wide variety of topics spanning the range of Government Departments and State agencies covered by the Comptroller and Auditor General and which by extension have come within the remit of the PAC.

As Chairman, I want to thank the Department of Arts, Sport and Tourism and the other agencies for their co-operation in making the compilation of this report possible.

I also want to compliment the members of the Committee for their diligent work throughout the year in completing this series of interim reports.

The Committee recommends this report Dáil Éireann.

A handwritten signature in black ink, appearing to read 'Michael Noonan', with a horizontal line underneath it.

**Michael Noonan, T.D.,
Chairman**

November, 2005

Members of the Committee of Public Accounts

FIANNA FÁIL

Seán Ardagh T.D.	Dublin South-Central
John Curran T.D.	Dublin Mid-West
John Dennehy T.D.	Cork South-Central
Seán Fleming T.D.	Laois-Offaly
John McGuinness T.D. (<i>Vice-Chairman</i>)	Carlow-Kilkenny
Michael Smith T.D. ⁴	Tipperary North

FINE GAEL

John Deasy T.D. ²	Waterford
Tom Hayes T.D. ³	Tipperary South
Michael Noonan T.D. ¹ (<i>Chairman</i>)	Limerick East

LABOUR

Pat Rabbitte T.D.	Dublin South-West
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GREEN PARTY

Dan Boyle T.D.	Cork South-Central
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SOCIALIST PARTY

Joe Higgins T.D.	Dublin West
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1 Deputy Michael Noonan replaced Deputy Padraic McCormack by order of the House on 18th June, 2003.

2 Deputy John Deasy replaced Deputy Paul Connaughton by order of the House on 20th October, 2004.

3 Deputy Tom Hayes replaced Deputy John Perry by order of the House on 20th October, 2004

Deputy Michael Noonan elected as new Chairman on 21st October 2004

4 Deputy Michael Smith replaced Deputy Batt O’Keeffe by order of the House on 16th November, 2004.

Orders of Reference of the Committee of Public Accounts

- 156.** (1) There shall stand established, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee of Public Accounts, to examine and report to the Dáil upon—
- (a) the accounts showing the appropriation of the sums granted by the Dáil to meet the public expenditure and such other accounts as they see fit (not being accounts of persons included in the Second Schedule of the Comptroller and Auditor General (Amendment) Act, 1993) which are audited by the Comptroller and Auditor General and presented to the Dáil, together with any reports by the Comptroller and Auditor General thereon:

Provided that in relation to accounts other than Appropriation Accounts, only accounts for a financial year beginning not earlier than 1 January, 1994, shall be examined by the Committee;
 - (b) the Comptroller and Auditor General's reports on his or her examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and
 - (c) other reports carried out by the Comptroller and Auditor General under the Act.
- (2) The Committee may suggest alterations and improvements in the form of the Estimates submitted to the Dáil.
- (3) The Committee may proceed with its examination of an account or a report of the Comptroller and Auditor General at any time after that account or report is presented to Dáil Éireann.
- (4) The Committee shall have the following powers:
- (a) power to send for persons, papers and records as defined in Standing Order 83;
 - (b) power to take oral and written evidence as defined in Standing Order 81(1);
 - (c) power to appoint sub-Committees as defined in Standing Order 81(3);
 - (d) power to engage consultants as defined in Standing Order 81(8); and
 - (e) power to travel as defined in Standing Order 81(9).
- (5) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith whereupon the Committee shall be empowered to print and publish such report together with such related documents as it thinks fit.

- (6) The Committee shall present an annual progress report to Dáil Éireann on its activities and plans.
- (7) The Committee shall refrain from—
- (a) enquiring into in public session, or publishing, confidential information regarding the activities and plans of a Government Department or office, or of a body which is subject to audit, examination or inspection by the Comptroller and Auditor General, if so requested either by a member of the Government, or the body concerned; and
 - (b) enquiring into the merits of a policy or policies of the Government or a member of the Government or the merits of the objectives of such policies.
- (8) The Committee may, without prejudice to the independence of the Comptroller and Auditor General in determining the work to be carried out by his or her Office or the manner in which it is carried out, in private communication, make such suggestions to the Comptroller and Auditor General regarding that work as it sees fit.
- (9) The Committee shall consist of twelve members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum. The Committee and any sub-Committee which it may appoint shall be constituted so as to be impartially representative of the Dáil.

The Report

1. Department of Arts, Sport and Tourism – Vote 35

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. Philip Furlong, Secretary General of the Department of Arts, Sports and Tourism; and from the Comptroller and Auditor General on 1 April 2004.

2 The Background

2.1. The total estimate provision for 2002 was €369.449 million and the outturn was €364.523 million. There were no paragraphs on this vote in the Annual Report of the Comptroller and Auditor General.

3 The Accountability Issues

3.1. The accountability issues examined by the Committee were:

- Sports Campus Ireland
- ESF available funds
- Underspending in the 2002 Vote
- The Arts Council

4 Examination of the Issues

Sports Campus Ireland

4.1. The Committee noted that Sports Campus Ireland was allocated €46.886 million under subhead C6 of the sports and recreation services Vote for 2002. Of this amount, €43.441 million was spent on the construction of the National Aquatic Centre. Current spending amounted to €3.415 million on the administration of the project and ongoing costs associated with the CSID, including executive services, project management, consultancy costs and VAT payments. The centre was completed on time and within budget in March 2003. The total budget was €71 million, including VAT.

ESF available funds

4.2. There appeared to be €9 million uncollected from the European Social Fund as a result of a failure to submit applications. The Committee asked about the possibilities of getting that money. The Department stated that it had hoped to receive the money by the end of 2003. At the time it expected the outstanding grant to be paid by the end of 2004. There was a delay in the submission of the certification of expenditure from all of the agencies which benefited under the programme. It involved State agencies as well as the Department. The Department had built a figure of €9 million into the Estimates for 2003 but actual receipts totalled €1.6 million.

Underspending in the Vote

4.3. There was an underspend in 2002 under subhead E5 - cultural development. A sum of €16 million had been allocated but less than €10 million was spent. The allocations under the action programme were made in 2001. The conditions attaching to the release of State funding require the promoters to show that they have generated the necessary funding and have satisfied planning and any other obligations laid down. Some of the project promoters found it difficult to raise their share but the Department was not prepared to release funding until it established that there was enough of the balance available to ensure that the project would be completed.

The Arts Council

4.4. The Committee noted the resignation of the chief executive of the Arts Council and queried the impact that this would have on the organisation. The Government had appointed a new Arts Council in early 2003. Under the Arts Act, the new council is independent of the Department in the manner in which it does its business. The Department has not involved itself in policy making in the council.

4.5. In 2003 Departmental funds were diverted away from the Arts Council to tourism. The council took an independent view that the third arts plan - a multi-annual plan presented by it in 2002 - and the yearly level of funding factored into it were no longer deliverable. This resulted in parts of the arts plan not being completed. The subsequent increase of 19% in the allocation, to €2.5 million in 2004, was acknowledged by the Arts Council.

5 Adoption of Reports

5.1. The Committee noted Vote 35 of the 2002 Appropriation Accounts.

6 Findings and recommendations

The Committee of Public Accounts

Finds specifically that:

1. The National Aquatic Centre was completed in March 2003 on time and within its budget of €71 million.
2. A sum of €9 million included in the 2002 Estimates, available under the European Social Fund, remained uncollected due to a failure to submit applications on time. The money is expected to be received.
3. Due to a downturn in allocated public finances, the Arts Council concluded that the third phase of its multi-annual plan presented in 2002 was no longer deliverable. In 2003, Departmental funds were diverted to promote the development of tourism.

And recommends in general that:

1. Greater efforts should be made by Departments and implementing agencies for the orderly administrative processing of applications to minimize the delay in the receipt of available EU moneys.
2. There should be greater co-ordination among Departments and between the central and local sectors to facilitate the spending of available Departmental moneys for much needed projects without unnecessary delay.

2. Capital Grants for Sports and Recreational Facilities – Vote 35; and The Irish Sports Council – 2002 Accounts.

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr John Treacy, Chief Executive, The Irish Sports Council; from Mr. Philip Furlong, Secretary General, Department of Arts, Sport and Tourism; and from the Comptroller and Auditor General on 24 June 2004.

2 The Background

2.1. State support for sport in 2002 was sourced from the Vote of the Department of Arts, Sport and Tourism (the Department). The main general sources of funding are classified by subhead under the title sports and recreation services in the Estimate. After taking account of moneys for the provision and renovation of swimming pools, including the National Aquatic Centre, the remainder of the funding is met from national lottery proceeds and falls into two categories - grants-in-aid to The Irish Sports Council (ISC) to carry out its mandate and the Vote allocation to meet capital grants for the provision of sports and recreational facilities.

The Irish Sports Council

2.2. The Irish Sports Council (ISC) was established on 1 July 1999 with a mandate to plan and support the development of sport in the State, including strategies to increase participation in sport, as well as anti-doping programmes and research. A clear audit report was issued on its 2002 accounts.

2.3. The ISC received more than €28 million in 2002 to fulfil its mandate. More than 85% of these funds were allocated in the form of grants. Almost €8 million went to national governing bodies of sport. The three biggest field sports were allocated €6.5 million to promote greater under age participation¹. Over €2 million was allocated in grants under the high performance strategy, primarily to those sports identified as having a reasonable chance of success in the Athens Olympic and Paralympic Games. A further €2 million was provided for individual athletes under the international carding scheme, while €1.5 million was allocated to 12 new local sports partnerships. Grants were also provided, *inter alia*, for the National Coaching and Training Centre, the older people in sport initiative, VECs and other recreational sports organisations. At the end of 2002 it employed 24 staff and incurred administrative costs in the region of €1 million.

2.4. The ISC prepared its first three year strategy for the period 2000 to 2002 entitled A New Era for Sport which the then Minister approved. The main aims of the strategy were to increase participation, develop ability and achieve world-class success, underpinned by ethical considerations. The ISC introduced a range of programmes, financial and non-financial, national and local, to contribute towards the achievement of these objectives.

¹ The IRFU received €3.5 million; the FAI, €1.5 million and the GAA €1.4 million.

Sports Capital Grants Programme

2.5. The capital grants programme is managed directly by the Department. More than €61 million was disbursed under this heading in 2002. A full list of recipients, by county, is contained in the appropriation accounts. By far the biggest grant, €8 million, was paid to the GAA towards development costs at Croke Park. The next highest, €1,235,000, was paid to Shamrock Rovers Football Club for the development of its new grounds.

3 Accountability Issues

3.1. The accountability questions examined by the Committee were:

- Strategic Planning in supported organisations
- Croke Park
- International Carding Scheme
- Doping tests
- Difficulties in drawing down funding

4 Examination of the Questions

Strategic Planning in supported organizations

4.1. There are about 17 national governing bodies, some of which are small while others are large. Apart from the three main field sports, there are other large organisations such as Athletics Ireland and Basketball Ireland. There are also small organisations which do not have significant numbers. In recent years the Department encouraged each organisation to develop a strategy, something the ISC put in place when established on a statutory basis. It offers guidelines to each organisation on strategic planning for the future, irrespective of size. Funding is based on the strategies presented. Organisations must also be recognised as a national governing body of sport.

4.2. The ISC recognised that the bodies governing the three main field sports have the capacity to increase participation levels. As other organisations may not have the same appeal, the three sports in question are featured on television regularly and can attract people to participate. In 2002 the Government gave the council an extra €3 million to invest in the three organisations. A programme of activities was agreed with the GAA, the FAI, and the IRFU that complimented their own activities, and matched outputs. Failure by the organisations to achieve the targeted outputs annually will reduce the funding from the ISC.

Croke Park

4.3. The Committee inquired about the outstanding moneys due to Croke Park. In 2003/04 Ministers held discussions with the GAA. While the GAA made it clear that it believed it had a commitment from the Government, the Minister explained that the commitment was tied to the development at Abbotstown and has, therefore, lapsed. The Government wished to be supportive and engage with the GAA on that part of the investment that has yet to be funded. These deliberations were not delaying the

completion of the stadium. The GAA would have a significant burden of debt, in the region of €100 million, if no further Government support was given.

International Carding Scheme

4.4. The Committee sought an explanation of how the ISC identifies young athletes with potential. The value for money issue was that public money should be invested in them to ensure they reach their full potential. The ISC has prioritised sports that can deliver at world, European, Olympic and Paralympic levels to be part of the carding scheme. Within each sport it funds junior, international and world class athletes development, based on the achievement of specific performance objectives on a sport by sport basis. If an athlete reaches a European or World Championship qualifying junior standard in athletics, he or she is then automatically on the carding scheme. The athlete would receive a certain level of funding, access to sport science and medicine facilities and other back-ups while he or she is developing. As performances increase and get better, the athlete will move through different stages of the scheme.

4.5. As well as providing funding for carding, which has been around for some years, the Athens enhancement programme was introduced to support athletes. In the past, giving money to athletes but not to improving the capacity of the governing bodies to support the athletes was criticised. Now, the ISC was giving support to the governing bodies, particularly by putting performance directors and international coaches in place, to ensure time was given to the athletes as they developed. It was based on specific international criteria. If an athlete was progressing, he or she would be supported all the way. It is a long-term programme as the ISC is considering the Beijing Olympic Games and beyond.

Doping tests

4.6. In 1999, when The Irish Sports Council was established, it started from a zero base in terms of drugs testing. There was much catching up to be done as Ireland had signed up to the Council of Europe convention in 1992. The board made getting the testing programme up and running a number one priority. This was done in a short period of time with all governing bodies signed up to the programme. The anti-doping committee has supported the ISC's work. In 2004, the ISC, with the national governing bodies, was implementing a new world anti-doping code which was due to be put in place throughout the world. The Irish council has developed its own version of the code which the world anti-doping agency is using as a model of good practice for other countries.

4.7. The ISC has an anti-doping unit with a manager and three to four staff. It carries out approximately 800 tests annually. The budget for anti-doping at the time was approximately €900,000 per year. The testing programme was contracted out to IDTM Limited because it had the capability to test both outside as well as inside of the State. All athletes on the carding scheme report their whereabouts on a quarterly basis to the ISC. Funding is withheld if an athlete fails to participate fully.

Difficulties in drawing down funding

4.8. The Committee noted there can be circumstances in which agencies or communities that are allocated money are slow in drawing it down, one reason being that they may not have the necessary local contribution in place. The ISC informed the Committee that in the previous five to six years, more than 4,200 projects at local community or regional level throughout the island have been supported. Most of them have had no problems in accessing funding, and the Department has never returned money to the Department of Finance. It may be that some agencies are premature in their applications and that they come in looking for support before they have done the preliminary work to ensure that they qualify, i.e. that they have raised a local contribution. The requirements are not especially demanding. If one is in a disadvantaged area, an 80% grant is available rather than 70% as is the general case. Inevitably there will be people who cannot raise what is required, but that is not happening on a scale significant enough to impair the impact of the sports capital programme.

5 Adoption of Reports

5.1. The Committee disposed of The Irish Sports Council Accounts for 2002 on 10 November, 2005.

6 Findings and recommendations

The Committee of Public Accounts

Finds specifically that:

1. In the 2002 Estimates, €28 million was allocated to The Irish Sports Council to promote the development of sport and more than €61 million was disbursed for sports capital grants.
2. The Croke Park development project was completed in time for the All-Ireland finals series in 2004. The total amount of State support for this project was €10 million.
3. The ISC has introduced an anti-drugs testing scheme for sport to international standards. More than 800 tests are carried out each year.

And recommends in general that:

1. The ISC should consider the development of quantitative and qualitative performance indicators to support a rational performance evaluation of the investment of State money in sport.
2. The Department and the ISC should occasionally review their administrative procedures to simplify the process for small agencies and communities to access available funding. However, this should not be at the expense of proper administrative and financial control of State funds.

3. The Irish Sports Council: Presentation on the Genesis Report

1 Proceedings of the Committee

1.1. The Committee heard evidence, from Mr John Treacy, Chief Executive Officer, The Irish Sports Council on 5 October 2004. The Committee also heard evidence on this subject from Mr Philip Furlong, Secretary General, Department of Arts, Sport and Tourism on 24 February 2005. The Comptroller and Auditor General was present at both meetings.

2 The Background

2.1. After the World Cup finals in Saipan the FAI asked the ISC to arrange a review of Ireland's participation in the tournament. The ISC appointed an independent chairperson for this review and the Genesis report was produced. The Genesis report was published in November 2002 and was subsequently adopted at an AGM of the FAI.

2.2. At the beginning of 2004 the FAI was finishing its technical development plan which mapped out the future development of Irish soccer. There was an increase in funding of 33% for the FAI between 2003 and 2004, from €1.5 million to €2 million. The increase was for the implementation of the Genesis report and of the technical plan.

2.3. The FAI has implemented a significant number of recommendations. The appointment of key directors was a critical issue. This was to be done over an initial six month period. The Committee was informed in correspondence that in March 2004, as part of the overall allocation to the FAI, the council approved an amount of €300,000 for the implementation of the outstanding Genesis report recommendations, including the filling of the four directors' posts.

3 Accountability Issues

3.1. The accountability questions examined by the Committee were:

- General implementation of the Genesis Report
- Verification of the spending of State funding
- Appointments to four director positions in the FAI
- Relationship between the FAI and the Department

4 Examination of the Issues

General implementation of the Genesis Report

4.1. A regular liaison group between the ISC and the FAI to oversee the implementation of the Genesis report met approximately once every two months. In general the Genesis report is being implemented. Some key appointments were made.

The ISC considered the technical development plan to be excellent and it is being implemented. Those initiatives are taking the organisation forward in a very meaningful way. That is a core piece of work, in ensuring that young people participate and get the right coaching and guidance. The regional development office was working extremely well in terms of the development of the game.

Verification of the spending of State funding

4.2. The Committee inquired about the Genesis project audit trail. The ISC earmarked funding for FAI programmes within its development plan between 2000 and 2003 and agreed certain performance objectives for it to meet during the year. Much of the funding goes to the regional development offices which do substantial work locally. The Buntus programme and the local sports partnerships are other examples of tangible evidence. Every year the ISC internal audit function picks five or six national governing bodies and local sports partnerships to audit. Five organisations were audited in 2003. That work is now complete and there is a report from Deloitte & Touche which was satisfied that the moneys allocated were expended for the purpose for which they were given.

Appointments to four director positions in the FAI

4.3. Some of the key appointments recommended in the Genesis report included that of director of performance; director of football operations; director of marketing and communications; and director of finance and administration. The report went further than merely naming these positions; it stipulated that specific job descriptions were required. The Committee asked if this aspect of the report had been carried through. It was specifically concerned whether the four job descriptions were drawn up and whether those positions were subsequently filled. The recommendations regarding the appointment of four directors were specific; it is not sufficient, for example, to simply retitle an existing finance officer as director of finance and administration.

4.4. The Committee noted that the ISC was involved in the implementation of the Genesis report through increased funding for the FAI. The ISC indicated to the Committee that funding for implementation of the Genesis report was only made available in 2004. In projected costs for 2004, €600,000 was set aside for appointments as per the Genesis report, €300,000 of which is provided by the ISC. The Committee felt that since the ISC has agreed to provide this funding, it should have certain performance criteria satisfied, notwithstanding the independent status of the FAI.

4.5. The Committee felt that the FAI proposals were a dilution of what was intended in the Genesis report and was open to the view of creating vacancies appropriate to people who are currently in those positions, rather than tackling the fundamental issues that Genesis addressed. It asked about the status of the additional funding that was given specifically to fund the four positions outlined in the Genesis report. 75% of the grant had already been allocated to the FAI in line with all the national governing bodies of sport. There was €500,000 remaining in the ISC account which could be withheld at the discretion of the ISC board.

Relationship between the FAI and the Department

4.6. In the light of evidence heard from the ISC, the Committee sought an up-to-date analysis of the relationship between the FAI and the Department. An official from the Department is loosely involved in overseeing the financial operations of the FAI. There was serious dissatisfaction about the way the FAI was running its affairs. Even though the Department had no direct funding relationship with the FAI, the Minister felt obliged to call in the president and management board of the FAI, which is an indication of the widespread nature of that dissatisfaction. The Minister made it clear to the FAI that there was a general impression that it was not in control of its business, especially as it had lost a chief executive for the third time in approximately 18 months. It was suggested at the time that the FAI was neglecting the Genesis agenda because of other internal issues within the association.

4.7. The Minister appointed an official from the Department to the group that liaised between the FAI and The Irish Sports Council on FAI business. The Department and the FAI have closer contact than once was the case and the dialogue between them is more productive.

4.8. The implementation of the Genesis report is the main part of the agenda. The Department can address the issue as it is directly involved in the liaison group.

5 Findings and recommendations

The Committee of Public Accounts

Finds specifically that:

1. The FAI was allocated State funds to support the implementation of the Genesis report. A key recommendation of the report was the appointment of four new director positions. The FAI sought to fill these positions from its existing staff. The ISC did not have sufficient monitoring oversight to confirm that this key aspect of the Genesis report was implemented as intended.
2. Following reservations expressed by the Committee, the ISC commissioned a new internal audit of the FAI's management and use of ISC funding for 2004 with positive results.

And recommends in general that:

1. The Irish Sports Council should encourage bodies to whom it gives financial assistance to put in place satisfactory performance criteria.

4. Department of Arts, Sport and Tourism – Vote 35

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. Philip Furlong, the Secretary General of the Department of Arts, Sports and Tourism; from an official of the Department of Finance; and from the Comptroller and Auditor General on 24 February 2005.

2 The Background

2.1. The total estimate provision for 2003 was €346.974 million and the outturn was €342.104 million. There were no paragraphs on this vote in the 2003 Annual Report of the Comptroller and Auditor General.

2.2. There were unusual variations in the outturn against the Estimate in the Vote for 2003 due to the changeover in responsibility for tourism activities from Bord Fáilte and CERT, to Fáilte Ireland. This was well signalled and explained in the notes pertaining to the account.

3 Accountability Issues

3.1. The accountability questions examined by the Committee were:

- National Aquatic Centre
- Grant Assistance to Swimming Pools
- League of Ireland Grounds
- Lansdowne Road Project
- Value for Money Comparators
- Local Urban and Rural Programme (LURD)
- Cultural institutions
- International Cultural Exchanges

4 Examination of the Issues

National Aquatic Centre

4.1. The Committee inquired about the cost to be borne in respect of the storm damage done to the aquatic centre at the beginning of 2005. Following the damage, CSID arranged, via the OPW, to have its own assessment of the damage carried out to identify why it happened and the cost of rectifying it. At the same time, the insurers were also notified and had their own independent report carried out. CSID, the OPW and the insurers have been in contact with a view to identifying the works that need to be done, the time-frame involved and the likely cost. They will be consulting with, *inter alia*, Rocon which built the centre and also with the operators, Dublin Waterworld Limited.

4.2. The Committee asked if the Department had made any calculation of funding invested from the beginning of the Abbotstown project's original concept that will not apply to any facility that may be in place on the site in future. Expenditure on the

campus project from June 2000 to December 2003 was €85 million of Exchequer money. Of that, €71 million related directly to the construction of the National Aquatic Centre with a further €1 million relating to the administrative and ongoing running costs of CSID, most of which would relate to the National Aquatic Centre, project management, consultancy costs, VAT and so on. The balance of the €85 million, which is about €3 million, is in respect of survey work, preparation and development of the entire campus site at Abbotstown. On the assumption that the Government approved the proposal for going ahead with phase 1 of the campus development, most of that residual spending of €3 million is legitimately chargeable against the campus project.

4.3. The €85 million does not include the cost of the reorganisation or removal of the public bodies such as the State Laboratory or the Marine Institute that were on that site. The Department of Finance concurred that substantial investments would have had to be made regardless of whether they remained at Abbotstown or moved to a new location.

Grant Assistance to Swimming Pools

4.4. Fifty-five applications for grants for the provision of swimming pools were submitted to the Department prior to 31 March 2000. Projects could be either local authority or private projects supported by a local authority. The Committee noted that there had also been an underspend of €1 million on this subhead the previous year. The scheme in place allowed for capital assistance for 50% of the cost of a swimming pool, provided the other 50% could be met in the relevant local authority area. Public private partnerships (PPPs) could also be used. However, for a PPP to be viable the minimum capital investment must be of the order of €20 million. Most swimming pools cost well below that figure. A flat maximum rate of grant is payable, amounting to €3.8 million. Recognising that a scheme which closed in mid-2000 was still not capable of responding quickly enough to the 55 applications received and that other local areas and communities are continually identifying the need to develop swimming pools, the Department was engaged in carrying out an expenditure review of the existing swimming pool programme, following which it hoped to produce revised proposals for a programme. Department of Finance and Government approval would be needed for any such programme.

4.5. A total of €32 million was allocated for swimming pools under the Department's Estimates for that year, most of which was aimed at honouring commitments to projects already under way. Of the 55 projects, 15 had been completed, ten were under construction or would shortly be under construction, two were out to tender and the remainder were at various stages in the preliminary process.

4.6. The Committee noted that changes were afoot in terms of the ownership and management of many swimming pools. While local authorities own most of them, some local authorities have established stand-alone companies or entered joint ventures. It is possible that public facilities will be transferred fully into private ownership. The Committee was concerned that money granted in the past or current schemes could be used to develop public facilities which would shortly afterwards become private enterprises. The Department indicated that if it makes a significant

investment of public funds, it aims to ensure security in place to control it. For example, there has to be a deed of charge covering a 15-year period if one is talking about a private venture.

League of Ireland Grounds

4.7. A sum of €3 million was allocated in 2003 to the capital programme for League of Ireland grounds, to bring them up to the licensed standard. The Department has been in discussions with the FAI, which was liaising with it on behalf of the clubs, to clarify some matters outstanding connected with grants given to some League of Ireland clubs in the past. The FAI was at the point of providing all the information needed and it was intended to engage with the clubs in question, particularly those playing in European competition in 2004, to provide or release some of the €3 million.

4.8. A sum of €2.4 million has been invested in the unfinished stadium at Tallaght, destined for use by Shamrock Rovers. The most recent payment was made in 2002. The Department has had great difficulty establishing the intentions of the football club. When it became apparent that it did not possess the capacity to complete the stadium project, South Dublin County Council became involved in dialogue with Mulden, the company which obtained the original lease for the development of the stadium. It has tried to persuade Mulden that the best interests of the club would be served by surrendering the lease and allowing the local authority to complete the project. It was felt that attempts that have been made to link the funding of the club with commercial development on an adjacent property fly in the face of the clear intention of South Dublin County Council which has made it clear that it has no intention of changing its development plan, which will not permit any commercial development at or adjacent to that site.

4.9. It is in the best interests of ensuring completion of the stadium if the county council was free to deal with the property because it would then be able to become involved in discussions with the Minister and the Department in respect of joint funding. The estimate indicates that the total investment required to complete the stadium could be of the order of approximately €5 million. The Department was satisfied at that point that the State's investment was fully secure. There is a guarantee or deed of covenant which is legally enforceable.

4.10. In the six year period from the beginning of 1999 to the end of 2004, grants totalling €323 million were allocated to approximately 4,000 projects. There are very few that have ended up in a similar position to the Shamrock Rovers case. The problem with the Shamrock Rovers project was that it was phased. It is generally the case under the sports capital programme that a complete project is supported which means the release of funding is not authorised until all of its elements are in place. Such elements include planning permission, tax clearance certificates and the local financial contribution. Grants of approximately €1 million have been withdrawn over the last five-years from clubs which were unable to draw down approved funding within a reasonable time.

Lansdowne Road Project

4.11. The FAI and the IRFU have established a joint committee to oversee the Lansdowne Road redevelopment project. A legal agreement is in place that requires them to provide assurances about their capacity to raise their shares of the overall cost of the redevelopment. There is a design concept in existence for a stadium with an all-seated capacity of 50,000. A liaison arrangement has been established, involving the project's development management committee and local residents, to keep people informed.

4.12. The Exchequer will contribute €91 million of the project's total agreed cost of €292 million. The FAI and the IRFU have committed to contributing the remaining €101 million. The Department has been given bank guarantees in respect of the contribution of each agency. The basis for the Department's high degree of confidence is the belief that both organisations will arrange in advance the sale of corporate boxes and seats in the stadium. The Department considers that receipts from such sales alone will be enough for the bodies to underpin their financial commitments.

Value for Money Comparators

Horse and Greyhound Racing Fund

4.13. The Committee sought details of the 2003 allocation between the horse and greyhound sectors. The total figure for the year was €64.19 million. Horse Racing Ireland got €1.35 million of that sum. Of that €1.35 million, €6.06 million was spent on capital development, €25.58 million was for prize money and €19.71 million was used to meet administration and other costs. Bord na gCon was allocated €2.84 million in 2003, of which €5.37 was for capital development, €5.52 million for prize money and €1.95 million for administration.

4.14. The Committee felt that many taxpayers would find it extraordinary that in one year, €30 million of their funds was spent solely on prize money for horses and greyhounds. It is estimated that, between all the sectors, total employment in both of these sports is in the order of 16,500. These figures were viewed as a floor figure based on the most prudent estimates of part-time and full-time equivalents.

Local Urban and Rural Programme (LURD)

4.15. The appropriations-in-aid estimate for the local urban and rural programme was €10.3 million. This was based on recoupment rates agreed in the context of the Community Support Framework 1994-1999. The total owed in respect of the operational programmes was €9.85 million. The operational programme for urban areas came from the Social Fund and amounted to €1.6 million. That related to a time the Department, in its previous incarnation, had responsibility for local development. Local urban and rural development, LURD, had three elements — the ESF, €4.5 million; the Regional Fund, €2.4 million; and under the PEACE programme, €1.35 million.

Cultural institutions

4.16. The Committee noted that a number of cultural projects such as cultural development and international cultural exchange, show an underspend. The figures are €6.6 million in one case and €1.3 million in another. The capital projects are promoted by voluntary bodies and local groups. Often local groups are endeavouring to increase cultural awareness in a particular region. The condition under which they receive direct grant support from the Exchequer is that they have obtained planning permission for whatever they are doing, that local funding is available and that tax clearance certificates are available. Many of these voluntary bodies underestimate the length of time it takes them to meet requirements under all of those headings. For that reason spending does not take place as rapidly as had been anticipated.

4.17. On a project-by-project basis a year-by-year cash flow is drafted based on the information available. This is then aggregated. Even in this case assurances given that a project will proceed at a particular rate very often do not materialise and the allocation, in effect, is carried over to the next year. The initiative of the Department of Finance in providing multi-annual capital envelopes is helpful in that the total cost of these projects can be factored into the capital envelope. The fact that money is not spent in the year in which it was written into the Estimates does not mean that it has been lost. If people who had been allocated money provide no evidence that they are ready to advance that funding can be reallocated to other projects.

International Cultural Exchanges

4.18. In 2003 the main element in the Estimate for international cultural exchanges was the bilateral cultural agreement with China. There was a commitment to have a major cultural exhibition in China followed by a return visit by the Chinese Ministry of Culture. It was due to go ahead late in 2003 but because of the SARS epidemic, it was deferred until early in 2004. The total expenditure on the exchange was approximately €2.2 million.

4.19. The other items under that heading support the former cultural relations committee (CRC) at the Department of Foreign Affairs and provided relatively modest support for Irish artists travelling overseas to perform or for the attendance of Irish artists at cultural festivals abroad. In February 2005, the Minister announced the establishment of Culture Ireland to showcase Irish culture overseas and take over the role of the CRC, to become proactive in the development of bilateral cultural relations and, in effect, to re-energise the entire process, which was so successful during the Irish EU Presidency in giving a high international platform for Irish arts and culture.

5 Adoption of Reports

5.1. The Committee noted Vote 35 of the 2003 Appropriation Accounts.

6 Findings and recommendations

The Committee of Public Accounts

Finds specifically that:

1. Approximately €3 million out of a total expenditure of €83 million on the Abbotstown complex was in respect of the further development of stadium facilities there. The costs of relocating the laboratory institutions were not included in this figure as a considerable investment to upgrade the facilities was needed in any event.
2. The processing of applications for the development of swimming pools was slow and followed a year in which there was an underspend of more than €1 million under the subhead for their provision and renovation.
3. The development of the new Shamrock Rovers stadium has been incomplete for some time.
4. Arrangements are in place for the management and monitoring of the redevelopment of Lansdowne Road.
5. Considerable State monies are allocated to the horseracing and greyhound funds. The Committee is also conscious of the support for major infrastructure projects like Croke Park and Lansdowne Road.
6. The Committee supports the availability of cultural assets and exhibitions in the regions and notes an underspend in some of the subheads for cultural affairs.

5. Board na gCon – 2002 Accounts

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. Michael Foley, the Acting Chief Executive of Bord na gCon and his official; from Mr. Philip Furlong, the Secretary General of the Department of Arts, Sports and Tourism; and from the Comptroller and Auditor General on 1 April 2004.

2 The Background

2.1. Bord na gCon (the board) was established in 1958 as the body responsible for the control and development of the greyhound industry in Ireland. It has wide powers to regulate all aspects of greyhound racing including the licensing of tracks, the issuing of permits to officials, bookmakers and trainers and the implementation of the rules of racing. The board has licensed a total of 17 tracks in the State, nine of which it owns and controls. The remainder are owned and operated by private enterprise.

2.2. The industry employs some 3,000 persons and generates annual revenues exceeding €250 million. With the passing of the 2001 Act, the C&AG took over responsibility for the audit of the financial statements, from private sector auditors. As a consequence, Bord na gCon came under the remit of the Committee. A clear audit report has been issued on the 2002 consolidated financial statements.

3 The Accountability Issues

3.1 The accountability issues examined by the Committee were:

- The Accounts
- Board Expenses
- Level of Borrowing
- Grants Awarded
- The Euro Offtrack Contract
- Corporate Governance Issues
- Drugs Policy
- Relationship with Coursing

4 Examination of the Issues

The Accounts

4.1. The Committee noted that a great deal of money was lost in respect of the various tracks in the period from 1996 to 2002. With the exception of the introduction of moneys from the proceeds of the sales of assets, the tracks in Cork, Shelbourne Park, Harold's Cross, Youghal, Waterford, Tralee and Limerick all show major losses. For example, such losses include €144,000 in 2002 in the case of Waterford and €123,000 at the Limerick track.

4.2. The profit from the tote goes to Bord na gCon and that is covered by licence and legislation. Therefore, it is not factored into the profit and loss accounts. Discounting the totalisator figure and the millions raised in the property sales, the accounts show that the tracks were losing money. The Committee observed that in 2002 turnover from facilities increased by approximately €1.2 million, but operating and administration costs increased by €1.8 million.

4.3. The audited figures for 2003 show a profit of more than €39,000. There have been profits of €6,000 generated in the first two months of 2004. However it was acknowledged at that time that certain tracks would continue to lose money.

4.4. Costs are absorbed in the board accounts whilst the industry as a whole gains many of the benefits. The board lost out significantly in 2001 as a result of foot and mouth disease. In 2002 it took strategic decisions to spend heavily on marketing to promote the industry.

4.5. The aggregate pay-out on legal settlements with employees was €154,000. There were other redundancies or early retirement schemes which the board introduced as part of its rationalisation programme. A total of €76,000 was paid out which related to rationalisation of the business. Other costs and fees physically paid out in 2002 amounted to an additional €9,000.

4.6. In 2001, Government grants amounted to just over €18 million (60%) while the board's turnover on its activities was €30.3 million. For 2004, group revenues approximating to between €60 million and €70 million were expected with a contribution from State funds of approximately €13 million. As a percentage of funds the State contribution is lessening. In terms of the profit and loss, in 2002, there was a surplus for the year of €1,998,000 (2001: €15,823,000). The high amount in 2001 arose because the level of Oireachtas funding was significantly higher in 2001 and the sale of assets resulted in an exceptional gain of €8.2 million. That related to the disposal of a site at Shelbourne Park.

4.7. The grant in the 2001 Act is capped at €254 million between horse and greyhound industries, of which Bord na gCon is entitled to €50.8 million. There is an on-going review of the legislation and a submission has been prepared by the Department on the continuation of that funding. The Department of Arts, Sport and Tourism has made a submission to the Department of Finance on the continuation of the fund. It is expected by the board that the fund will be continued and €13.3 million was included in the board's 2004 budget on the advice of the Department.

4.8. The board's main income stream is from its totalisator. This operates at each of the subsidiary companies and is legally owned by the board. It is very much part and parcel of the activity that happens locally at the track. The statutory accounts do not include the tote revenue, yet they are the biggest part of income generation in the board's business and they are located at the track.

4.9. A track can be run at a loss and people can be brought in free as long as they bet on the tote and a revenue stream is generated from it. The fact that it is legally owned by a separate entity should not affect the decisions made at a statutory level on the income generation stream. The total contribution to prize money generated from the

individual tracks, when the tote income is taken into account, was €1.4 million in 2001, €2.6 million in 2002 and €3.5 million in 2003. The capital spend in terms of growth and contributions from operations is significantly increasing, as are the results from the statutory accounts.

Board Expenses

4.10. The board is constituted of a chairman and six members. The aggregate level of expense in 2001 was €34,000 and 40,000 in 2002. Given the profile of the areas where the 17 tracks are located and given that the board generates significant funding in sponsorship, it is important to be in a position to entertain sponsors. Members are entitled to expenses when they perform specific functions for the board. The total average expenses claimed by board members is some €33,000.

4.11. The board is in a marketing and entertaining type of business. Sponsors contributed €1.3 million in 2004. In regard to the aggregate cost of meals and entertainment for the group, the 2002 figures include items such as the Derby and an annual award. These are two high profile events. The total cost of those in 2002 was €168,000. The view articulated by certain sponsors was that not enough is done relative to how they are treated in other industries.

4.12. Board members have some discretion on who to invite, as it is impossible for members of the executive to deal with that. The Committee asked whether a board member could entertain business associates and not necessarily sponsors, at the taxpayer's expense. Board members sign expense claims and generally note whom they entertained and those claims are reviewed when received in head office.

4.13. The board owns a residential property for the benefit of staff who work in Dublin. Given the cost of and difficulty in securing accommodation in Dublin, and because the training of racing and assistant racing managers from across the country is based there, the property is used to accommodate participants while they undertake training programmes in Dublin. Managers often undertake training programmes in the biggest establishments and stay in Dublin for six months or a year. Rather than pay overnight expenses of €15 for a hotel, the board felt it would be better to provide this facility. It is used principally for those involved in the racing function at stadia. When a director stayed in the house, there was no need to pay an overnight allowance rate. When he or she does not use the house, any member of the board is entitled to Civil Service mileage and overnight rates. Directors are entitled to use alternative accommodation.

Level of Borrowing

4.14. The Committee noted the ambitious development of the industry and the level of investment in assets and the trend in borrowings. Between 2001 and 2004, €40 million was invested by the State while the sale of assets yielded some €25 million, giving a total of €65 million. The board has expended more than €75 million on the capital development programme to date. The board's borrowing was approved by the Department of Arts, Sports and Tourism and the Department of Finance. The current level of borrowing in the board's accounts is significant. The board is satisfied the level of debt is reasonable. The total level of bank debt at the end of 2003 was €12

million. This was expected to rise to about €17 million by 2005 following which it should reduce significantly between 2005 and 2008. By 2009, it is anticipated that the board will be in a positive cash position.

4.15. The debt is secured against assets of the group. There is an expectation that the current existing funding arrangements will continue. The Government has approved the level of borrowing that the board anticipates it will incur. The board came under the code of corporate governance in 2001. It appointed a full time internal auditor to monitor compliance with the code. The internal auditor conducted a review of the effectiveness of the internal control system. The Comptroller and Auditor-General's office is satisfied that any of the deficiencies it had previously noted to the board have been largely corrected.

Grants Awarded

4.16. The Committee asked how taxpayers' interests were guarded for grant investments in private tracks. There is a specific security arrangement supported by registered charges against the assets of the enterprises and the board enters a detailed letter of grant with the entities. Part of the letter of grant provides for the repayment of funds if the entities are to cease trading and there is also a requirement for an appropriate security mechanism to be put in place. The security mechanism normally takes the form of a registered charge against the assets so that the board has a physical charge against the assets which would be registered with the Companies Office. On all major projects the funding is secured by way of registration of charges.

4.17. The Committee considered the grant to Lifford as it appears to have got the biggest grant. The total grant was approximately €5.1 million approved by the board. There is a charge secured on the property to the value of the board. In terms of the agreement the board has with them, the level of the recovery reduces over time. The reason is that the board runs a totalisator at the track. A track such as Dundalk is expected to have €5 million in tote revenues. After operating costs, the board will have a net income from its operation of the tote from that enterprise of between €400,000 and €500,000. After a period of ten years, the total level of cost put into that enterprise will have been regenerated back through the net income from the tote.

4.18. The taxpayers' funds are guaranteed. For the first three years 100% of the grant aid moneys is secured against the asset values of the facility. If the track fails, the asset may not be worth anything or very little but much of the facility and much of the underlying values are the specific land values within the geographical location, in particular, in Shelbourne and Harold's Cross. The Committee noted Lifford is not Shelbourne or Harold's Cross with regard to land prices and the reality is that the taxpayer could lose a substantial amount of grants to private tracks in the event of difficulties. There is some potential for risk. What is important, from the board's point of view, is that it can develop the industry on a national basis whilst mitigating risk to the maximum possible extent. It is important that this risk is minimised through the security arrangements put in place and the formal registration of the charges against assets.

4.19. The business plan for the board up to 2009 indicates that one of the major supports is the continuation of Oireachtas grants. The loss of that aid would

completely undermine the projections. The Committee inquired if advice on whether the State funding could be interpreted as State aid had been sought. A restructuring of the aid may be required but it is still in the process. The Department has met with the Commission on several occasions and has reason to believe that a restructuring of the aid would meet the concerns that were raised.

The Euro Offtrack Contract

4.20. As part of the strategy to increase turnover, the board looked at showing racing at Shelbourne and Harold's Cross live and distributing the feed to the subsidiary tracks to increase attendances and thus increase turnover because of increased betting. The cost in satellite charges would have amounted to between €350,000 and €500,000 per year. At the time the board was not in a position to do this as one would have to achieve a certain level of turnover in the inter-track product. It decided to seek partners who would absorb the cost of providing satellites and put the infrastructure in place to use the signal to take bets from outside the jurisdiction.

4.21. A number of companies applied, in response to a public advertisement, and the preferred bidder was Euro Offtrack, a joint venture between Betinternet.com in the Isle of Man and US Offtrack, a US company. Arrangements were made to allow the betting protocols and tote systems to communicate with each other, arising from which the board expected would generate €7 million in turnover in 2004 which, after all costs, would amount to €750,000 net.

4.22. After two years of the agreement, Euro Offtrack found it was not able to generate the turnover needed to make the project commercially viable. The contract was terminated at the end of 2003. The board decided to take on the project itself as it had a product capable of attracting thousands of people to watch racing at local tracks and which generated €7 million in revenue, which would cover the costs involved. Effectively, the board sells the visual and audio rights to greyhound racing at Harold's Cross and Shelbourne Park.

Corporate Governance Issues

4.23. Under ethics legislation, Bord na gCon and its subsidiaries have to return statements, all of which have to be sent to the Minister for Finance, on some of the board's undertakings. Within the code on corporate governance, the requirement to set out the specific functions of the board and executive has clearly been met. The specific sub-committees have been formed in accordance with the code.

Drugs Policy

4.24. The board is cognisant of the need for integrity in sport, an integral part of forming a betting market. The betting figures are indicative of the confidence the betting market has generated in the greyhound game. In 2002 a part-time regulatory manager was hired to deal with the matter. There is now a full-time manager. The level of testing has increased from 991 samples in 2000 to 3,437 in 2003. Seventy nine tested positive in 2003. There are 25 people employed full-time in the control function which costs €1.5 million a year. Samples are taken at all premier events and there are control stewards at the tracks who take samples nightly.

Relationship with Coursing

4.25. The Coursing Club is a 32 county entity. The Committee felt that there should be a written agreement between all the bodies involved to prove to the punters, greyhound owners and trainers that everything is straightforward between all of the groups and that they have a common stand on the regulations and on the enforcement of those regulations. To date, it has been an arrangement in practice. The board, as a regulatory body, would have no difficulty entering into a formal arrangement with other parties.

5 Adoption of Reports

The Committee disposed of the Bord na gCon accounts for 2002.

6 Findings and recommendations

The Committee of Public Accounts

Finds specifically that:

1. There has been a considerable investment in the greyhound racing industry over the past five years. Some of this investment is funded through sales of surplus property assets in Dublin and Cork. There has also been significant State funding support.
2. Although the subsidiary companies that own the race tracks have made losses, this is compensated for by totalisator revenues. The industry as a whole is profitable and attendances at race tracks have increased considerably over the past five years.
3. The level of debt is high. The cash flow projections anticipate a positive cash position by 2009. This is dependent on continued State support which has been challenged to the EU as State aid.
4. Board members have considerable discretion in the application of travel and entertainment expenses.

And recommends in general that:

1. The Board should endeavour to enter into written agreements with all bodies involved in greyhound sports in these islands to ensure that there is a common stand on all regulations across all organisations.