



**SCOTT-MONCRIEFF**

EDINBURGH AND GLASGOW



**sportscotland group**

**Annual Report to the Council and the  
Auditor General for Scotland**

**August 2010**



## sportscotland group

# Annual Report to the Council and the Auditor General for Scotland

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# Executive Summary

## Financial Statements

Our audit of the 2009/10 financial statements is complete and our audit opinions are unqualified. The financial statements for the sportscotland group report net operating costs, before Scottish Government funding, of £45.460 m (2008/09: £41.661m). The sportscotland lottery fund 2009/10 accounts report a deficit of £1.184 m (2008/09: surplus of £3.034 m). The Scottish Sports Council Trust Company (the Trust Company) which forms part of the sportscotland group recorded net incoming resources of £268,000 for 2009/10 (2008/09: £73,000).

The financial statements of the sportscotland group and lottery fund have been prepared under International Financial Reporting Standards (IFRS). Comparative figures have been restated in both the sportscotland group and sportscotland lottery fund financial statements on to an IFRS basis.

## Use of Resources

The Scottish Government provides financial support to sportscotland through grant-in-aid. Funding letters confirm the level of income that the organisation will receive in the year and sportscotland then drawdown funds as and when required. The initial grant in aid awarded to sportscotland during 2009/10 was £45.227m. In addition to this sportscotland were awarded a £1.2m ring-fenced grant to support elite performance and £1.485m of funding allocated under the cash back from criminal proceeds initiative which has been designated for community programmes. A further £200,000 was received in respect of the 'Fit for Girls' programme which has been shown as other Scottish Government grants within the General Fund. sportscotland also drew down an additional £1.2m of grant to support elite performance in advance of the actual terms of the award. It has been agreed with the Scottish Government to recognise this as grant received in 2009/10 with the drawdown in future years being reduced by this £1.2m advance payment.

A Statutory Instrument was issued by the UK Government during 2008 which allows for the transfer of over £1billion from all National Lottery Distribution Funds in the UK to the Olympic Lottery Distribution Fund. The first instalment of £878,000 was made in February 2009. The second instalment of £3.514m has been shown as expenditure within the 2009/10 financial statements. Overall the sportscotland Lottery Fund will contribute £11m from their funds towards the London 2012 Olympics.

During the year, the Trust Company operated without a formal funding agreement with sportscotland. Such a funding agreement is required to ensure an appropriate arms-length relationship exists between sportscotland and the Trust Company as a charity. Without the financial support from sportscotland the Trust Company would have been in a deficit position for the last two financial years. After the year end, in response to this point, a formal funding agreement was approved and is now in place.

## Performance

The Corporate Plan 2007-11 was updated during 2008/09. This was to reflect changes to the organisation and also to ensure that it was consistent with the framework of the Outcome Based Planning Process required by the Scottish Government.

As part of this process, sportscotland has established key performance indicators (KPIs) which are linked directly to the organisations key priorities, identified within the Corporate Plan. During 2009/10 the Council has made significant progress towards achieving the KPIs within the Corporate Plan. These are reported through the Councils business planning reports which incorporate key performance indicators and business plan actions for the year.

## **Governance**

In March 2010 the Trust Company revised the composition of the Council and the articles of association. The change involved the resignation of the Chief Executive of sportscotland as guarantor to the company, the resignation of a number of directors who are also directors of sportscotland and the reappointment of three directors who have rotated off the Council of sportscotland.

Membership now consists of two members of sportscotland and four external members. The revised format is now considered consistent with the requirements of the Charities and Trustees Investment (Scotland) Act 2005 and addresses the issues raised by OSCR.

## **Looking Forward**

In the run up to the Commonwealth Games it is anticipated that additional resources will be invested in developing the Council's performance systems. sportscotland hope to utilise the opportunity presented by London 2012 and the Glasgow 2014 Commonwealth Games to grow and establish a performance system in Scotland that provides the environment, infrastructure and specialist personnel for long-term Scottish success. This will include supporting the development of the Scottish Government's legacy proposals for the 2014 Commonwealth Games in order to develop local community sports hubs.

The Corporate Plan outlines how the Council seeks to develop Active Schools and improve pathways between schools and community sport to increase children's participation in sport. sportscotland will also look to develop the capacity of Scotland's network of sports clubs and support other community organisations to deliver quality sporting opportunities for all.

## **Conclusion**

This report concludes our audit of the sportscotland group for 2009/10. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the Director of Corporate Services and Head of Finance. We would like to thank all management and staff for their co-operation and assistance during our audit.

**Scott-Moncrieff**  
**August 2010**

# Introduction

1. This report summarises the findings from our 2009/10 audit of the Scottish Sports Council (sportscotland) and the Scottish Sports Council Trust Company which together form the sportscotland group and the Scottish Sports Council National Lottery Fund, commonly known as the sportscotland Lottery Fund. The scope of our audit was set out in our external audit strategy and plan, which was presented to the Audit Committee in January 2009.
2. Under the National Lottery etc Act 1993 (as amended), sportscotland has been appointed to distribute National Lottery Funds for the purposes of supporting sport in Scotland. Scottish Ministers guidance requires sportscotland to prepare separate statements of accounts relating to these activities.
3. sportscotland is the sole guarantor of the Scottish Sports Council Trust Company, a charitable trust company which administers activities at three national sports centres (Inverclyde, Glenmore and Cumbrae). sportscotland is required to consolidate the results and financial position of the Trust Company to prepare one set of group financial statements. Our audit covers the group as a whole.
4. Scott-Moncrieff have been appointed independently as auditors to the Scottish Sports Council Trust Company and a separate management report has been issued in relation to the 2009/10 audit.
5. The main elements of our audit work on the sportscotland group in 2009/10 have been:
  - An audit of the financial statements, including a review of the statement on internal control;
  - Review of the 31 March 2009 shadow accounts restated under International Financial Reporting Standards (IFRS);
  - Review of governance arrangements, internal controls and financial systems;
  - Follow-up of national performance audit studies published by Audit Scotland.
6. As part of our audit, we have also made use of the work of other bodies including the internal audit service provided to sportscotland by PricewaterhouseCoopers.
7. This report will be presented to the Auditor General for Scotland and will be published on Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# Financial Statements

## Introduction

8. Financial statements are a key way for sportscotland and the sportscotland lottery fund to account for the stewardship of the resources made available to them. In this section we set out our audit opinions and summarise the issues found as a result of our audit work on the financial statements.

## Our responsibilities

9. We audit the financial statements and give an opinion on:
  - Whether they give a true and fair view of the financial position of the sportscotland group and the sportscotland Lottery Fund and their expenditure and income for the period in question;
  - Whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
  - The consistency of the information which comprises that part of the operating and financial review which covers principal activities and financial performance included in the financial statements;
  - The regularity of the expenditure and receipts.
10. We also review the Statement on Internal Control by:
  - Considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control;
  - Assessing whether disclosures in the Statement are consistent with our knowledge of the sportscotland group and the sportscotland Lottery Fund.

## Overall conclusion

11. We are pleased to report that our independent auditors' report expressed an unqualified opinion on the financial statements of the sportscotland group and the sportscotland Lottery Fund for the year ended 31 March 2010 and on the regularity of transactions reflected in those financial statements.
12. The annual accounts will be submitted to the Scottish Government and the Auditor General for Scotland prior to the 31 October 2010 deadline.

## Financial results

13. The financial statements for the sportscotland group report net operating costs, before Scottish Government funding, of £45.460 m (2008/09: £41.661m). The sportscotland Lottery Fund 2009/10 accounts report a deficit of £1.184 m (2008/09: surplus of £3.034 m). The Scottish Sports Council

Trust Company (the Trust Company) which forms part of the sportscotland group recorded net incoming resources of £268,000 for 2009/10 (2008/09: £73,000).

In Appendix 4 of this report we show the consolidation of sportscotland's Income Statement with the SOFA of the Trust Company to give the Income Statement of the group which is disclosed within the sportscotland group accounts.

## **International Financial Reporting Standards (IFRS)**

14. As outlined within the Chancellor of the Exchequer's 2008 budget, all Scottish Government departments, executive agencies, health bodies and non-departmental public bodies are required to prepare full IFRS-compliant financial statements for 2009/10.
15. We undertook a review of the Council's restated 2009 IFRS shadow accounts in January 2010 and reported our findings and recommendations to the Audit Committee. Our report set out a series of actions for the Council to consider when completing the full restatement exercise.
16. The transition to IFRS has an impact on the organisations disclosure requirements within the financial statements. Below we outline the two areas where the transition to IFRS has had a significant impact on the organisations financial results.

### **Investment property**

17. The most significant impact of the transition to IFRS has been the reclassification of elements of Caledonia House as investment property from property, plant and equipment. International Accounting Standard 40: *Investment Property* (IAS 40) requires properties held only for the purpose of earning rentals or for capital appreciation or both to be classed as investment properties.
18. Where part of a property is used for operational purposes by the entity and part is held for earning rentals or capital appreciation, IAS 40 stipulates that an entity accounts for the portions separately where these portions could be sold (or leased out) separately. Under UK GAAP the entity would only recognise an asset as investment property where the proportion leased out was considered significant to the asset.
19. Whilst elements of Caledonia House are still utilised by sportscotland, elements are rented out to third party organisations and would fall under the IAS 40 definition of investment property. As an investment property these parts will no longer be depreciated but instead will be carried at market value within the accounts.
20. sportscotland obtained a professional valuation of Caledonia House including a valuation of the elements held as land and buildings and those held as investment properties. Whilst the valuation had been appropriately recorded within the financial statements the disclosure requirements of IAS 40 had not been made. We also found that within the group draft accounts depreciation had been incorrectly charged to these assets.

21. We have included the required depreciation adjustments within our audit adjustments raised during the course of the audit. We are also pleased to report that the financial statements have been amended to appropriately reflect the disclosure requirements of IAS 40. The adjustments can be seen in note 24 of the accounts.

### **Employee Benefits**

22. The sportscotland group participates in the Strathclyde Pension Fund (SPF). The scheme is a defined benefit scheme and the sportscotland group recognises its share of the schemes assets and liabilities. Within the 2008/09 UK GAAP accounts, sportscotland group recognised a net pension liability based on the independent actuarial valuation performed at 31 March 2009.

23. Under UK GAAP, as the Lottery incurred its proportion of pension contributions through recharge of contributions, it was deemed appropriate that it should recognise a debtor or creditor based of the sportscotland net pension liability. Unlike the UK GAAP equivalent FRS 17, International Accounting Standard 19: Employee Benefits (IAS 19) provides specific guidance on the accounting treatment of pension scheme liabilities for entities under common control. An entity participating in such a plan shall obtain information about the plan as a whole measured in accordance with IAS 19 on the basis of assumptions that apply to the plan as a whole.

24. In prior years the Council had a policy for charging the Lottery's share of the net liability to the Lottery accounts. As IAS 19 provides more specific guidance on how defined benefit schemes should be accounted for, this policy has been amended with the net defined benefit cost recognised in the individual financial statements of the group entity that is legally the sponsoring employer for the plan, which is sportscotland. sportscotland lottery fund therefore only recognise a cost equal to their contribution payable for the period in its Income Statement.

25. The share of the pension liability that was recognised in the lottery fund accounts in prior years has been removed as a prior year adjustment with the full pension liability being included within the sportscotland group accounts.

### **Compliance with IFRS**

26. We are pleased to report that the Council's financial statements have been prepared in accordance with IFRS. The change to IFRS has had a significant impact on the financial statements and required considerable additional time from the finance and audit teams to ensure all changes were properly reflected.

### **Audit adjustments**

27. Whilst we received draft financial statements on 10 May 2010 with supporting working papers we found that a number of adjustments were required to the financial statements. Adjustments raised during the course of our audit resulted in a reduction in deficit of £65,769. These adjustments are shown within Appendix 2 of this report.



28. We also identified adjustments during the course of our audit of the Lottery fund which resulted in a £30,589 decrease in the reduction of lottery funds. A detailed reconciliation between the original draft accounts and final position is shown within Appendix 3 to this report.

## Potential adjustments

29. We have identified a number of adjustments which have not been made within the Council's financial statements. The potential adjustments arising are not considered material to the financial statements, either individually or in aggregate.

30. Table 1 provides a summary of the potential impact that our adjustments would have on the sportscotland group and sportscotland lottery fund financial position.

**Table 1 – Potential adjustments - 2009/10**

|   | sportscotland       |                     |
|---|---------------------|---------------------|
|   | Group               | Lottery Fund        |
|   | £                   | £                   |
| Potential net effect of audit adjustments                           | 80,999              | £5,755              |
| Net Operating costs / Decrease in fund per financial statements     | (45,490,000)        | (£1,184,000)        |
| <b>Net operating costs / Decrease in fund if adjustments posted</b> | <b>(45,409,001)</b> | <b>(£1,178,245)</b> |

31. The unadjusted misstatements are shown as an appendix to the letters of representation for both the sportscotland group and lottery fund and the Council have confirmed that they do not consider any of the potential adjustments to be material.

## Issues arising from the audit

32. We are required by auditing standards to report to the Council the main issues arising from our audit of the financial statements. These issues are noted below. The management comments in relation to these points are included within the action plan in Appendix 1 of this report.

### Asset register maintenance

33. In order to maintain a record of the property, plant and equipment and intangible assets utilised by the group, sportscotland have a software package – Asset-Pro – which records valuations, depreciation and revaluations.

34. During our audit we found that the asset register had not been updated to reflect the valuation performed to determine asset values as at 31 March 2010. Whilst the financial statements had been updated to reflect these valuations the asset register will require to be adjusted to ensure that appropriate capital and depreciation charges are made.

35. We recommend that the asset register is updated to reflect the revaluation exercise undertaken to ensure that the asset register system reconciles to the accounts

***Action Plan Point 1***

**Split of payroll costs**

36. All sportscotland and sportscotland lottery fund staff are employed by sportscotland who process the payroll for the group. In order to reflect the nature of staff costs, the total payroll costs are split on a percentage basis, based on the time allocation of staff members between the two organisations
37. Whilst the basis of the split is considered appropriate the Council was unable to evidence this allocation basis with detailed documentation. We acknowledge that during 2009/10 there were significant staff movements which made the calculation of an accurate split difficult. Going forward it is important that arrangements are put in place to verify the accuracy of allocated costs.

***Action Plan Point 2***

***Provisions for dilapidation***

38. The property that sportscotland occupy at Glasgow Green is leased. The lease agreement contains a clause that sportscotland will be liable for any dilapidations incurred over the term of the lease.
39. sportscotland should recognise a provision within the financial statements based on the likely cost of any dilapidation work. The provision should be built up over the term of the rental agreement. Whilst we do not envisage that the provision will be significant given the term of the lease and general condition of the premises we recommend that sportscotland obtain an internal surveyors report to value the cost of any dilapidations between now and the end of the lease in 2011-12.

***Action Plan Point 3***

***Rental income***

40. sportscotland rent out accommodation at Caledonia House to a number of organisations. During our review we identified that sportscotland records rental income when it is received rather than when it falls due. There is a risk that the financial statements do not truly reflect the income attributable to the financial period.
41. We have included a potential adjustment within the letter of representation for a potential unbilled rental income of £60,920. We also recommend that sportscotland develops a more robust monitoring system over lease income to ensure that amounts owed are received.

***Action Plan Point 4***

### ***Asset componentisation and subsequent expenditure***

42. Componentisation refers to the separate valuation and accounting for different components of assets. Under International Accounting Standard 16 – Property, Plant and Equipment, componentisation is required if parts of assets have costs which are significant in relation to the total cost of the asset.
43. Within our IFRS shadow accounts report we recommended that the Council recognise assets within the accounts on a componentised basis. Whilst the Council received a valuation as at 31 March 2009 and 2010 the assets have not been accounted for based on individual elements. Instead the property has been recognised as a single asset.
44. We recommend that sportscotland review the asset register to ensure that assets are held on an asset component basis to ensure that assets are accounted for in accordance with IAS 16.
45. IAS 16 states that subsequent expenditure may be capitalised if it is probable that future economic benefits will flow to the entity. Examples of projects which could now be capitalised are: like for like window replacement, partitioning, health and safety requirements such as ramps. This may lead to amounts previously charged through revenue being capitalised under IFRS. When the new asset is recognised the asset which is replaced should be removed from the accounting records.

***Action Plan Point 5***

### ***Purchase orders***

46. During our audit of the sportscotland expenditure system we found that purchase orders were not always being completed when orders were being raised. Purchase orders ensure that orders have been raised by an appropriately authorised individual and ensure an audit trail exists to verify who initially raised an order.
47. We recommend that sportscotland develop procedures that ensure that purchase orders are completed by an approved budget holder and that this is filed and matched against the delivery note and purchase invoice prior to the invoice being authorised for payment.

***Action Plan Point 6***

### ***Corporation tax***

48. sportscotland has not submitted a CT 600 form. There is a risk that penalties and interest charges may be incurred for the failure to submit the return within 9 months of the financial year end. We recommend that sportscotland put in place arrangements to ensure that the return is submitted within the 9 month timeline.

***Action Plan Point 7***

## **Statement on Internal Control**

49. As part of our audit we have considered the Statement on Internal Control, included within the annual accounts of all entities. We are satisfied that the Statement is consistent with guidance

included in the Government Financial Reporting Manual (FReM) and that the contents are not inconsistent with information gathered during the course of our normal audit work.

## **Regularity**

50. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. We have issued an unqualified opinion on the regularity of transactions in both the sportscotland and the sportscotland Lottery Fund accounts.
  
51. We have also concluded that the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with guidance issued by Scottish Ministers, and that information in the Report of the Council which is included with the Annual Accounts is consistent with the financial statements.

# Use of Resources

52. This section sets out our main findings from our review of how sportscotland manages its key resources in terms of:

- Its financial position;
- Management of assets and people during relocation.

## Financial performance in 2009/10

### *sportscotland group*

53. The sportscotland group has incurred net operating costs of £45.460 m in year. This deficit is offset through grant-in-aid income received from the Scottish Government which is recognised through the general fund rather than the Income Statement. Table 2 provides a summary of how the net operating costs were achieved.

**Table 2 – Net operating costs less funding**

|   | 2009/10<br>£'000 | Restated<br>2008/09<br>£'000 |
|---|------------------|------------------------------|
| <b>Income</b>   | 7,645            | 3,982                        |
| <b>Expenditure</b>  |                  |                              |
| Sports Development and capital grants                         | (37,815)         | (29,974)                     |
| Other Expenditure   | (15,226)         | (16,020)                     |
|   | (53,041)         | (45,994)                     |
| Other (expenditure) / income                                  | (64)             | 351                          |
| <b>Net operating costs before Scottish Government funding</b> | <b>(45,460)</b>  | <b>(41,661)</b>              |
| Grant-in-Aid  | 45,227           | 40,717                       |
| Commonwealth games 2014 funding                               | 2,400            | 0                            |
| Additional funding– criminal proceeds                         | 1,485            | 0                            |
| Other grants from Scottish Government                         | 200              | 0                            |
|   | <b>49,312</b>    | <b>40,717</b>                |
| <b>Operating costs less funding</b>                           | <b>3,852</b>     | <b>(944)</b>                 |

## Grant-in-aid income

54. The Scottish Government provides financial support to sportscotland through grant-in-aid. Funding letters confirm the level of income that the organisation will receive in the year and sportscotland then drawdown funds as and when required. The initial grant in aid awarded to sportscotland during 2009/10 was £45.227m. In addition to this sportscotland were awarded a £1.2m ring-fenced grant to support elite performance and £1.485m of funding allocated under the cash back from criminal proceeds initiative which has been designated for community programmes. A further £200,000 was received in respect of the 'Fit for Girls' programme which has been shown as other Scottish Government grants within the General Fund..sportscotland also drew down an additional £1.2m of grant to support elite performance in advance of the actual terms of the award. It has been agreed with the Scottish Government to recognise this as grant received in 2009/10 with the drawdown in future years being reduced by this £1.2m advance payment.
55. sportscotland generally drawdown funds in monthly instalments from the Scottish Government. We recommend that the organisation ensures that an accurate record of future drawdown's is maintained to ensure that only allocated amounts are drawn down and subsequently spent by the organisation.

### *Action Plan Point 8*

56. Grant-in-aid was increased for 2009/10 to fund the relocation costs and also to fund the activities of the former Scottish Institute of Sport. The additional resource in the year was offset by increased investment through sports development and capital grants.
57. During 2009/10 sportscotland received £3.355m in income from the Big Lottery Fund. This income was used to fund the Scottish Football Association Youth Action Plan. This represents new income and grants paid (expenditure) in the year and thus there is no comparative in 2008/09 for with income or expenditure for this amount.

## Relocation Expenditure

58. The net operating costs before Scottish Government funding for the two years includes redundancy, early retirement and other relocation costs of £554,000 in 2009/10 and £3.19m in 2008/09 that have been made following the relocation to Glasgow in April 2009. At 31 March 2010 a provision of £0.352 m (2008/09: £3.732m) was included within the financial statements in respect of the costs still to be paid. The Council have been kept apprised of the financial situation at regular intervals during the year. Table 3 summarises the movement within the year:

**Table 3 – Movement in relocation provision**

|                                     | <b>Sportscotland<br/>group<br/>£'000</b> |
|-------------------------------------|--|
| Provision at 31 March 2009          | (3,732)                                  |
| Amounts provided for during 2009/10 | (554)                                    |
| Amounts released during 2009/10     | 3,934                                    |
| <b>Provision Remaining</b>          | <b>(352)</b>                             |

59. The redundancy and early retirement payments are for the members of staff who opted not to relocate to Glasgow. Other relocation payments include training costs for all new members of staff, recruitment costs for posts that had been made vacant and a retention bonus for those staff who were entitled to but opted not to take redundancy. It is anticipated that the remaining provision will be utilised during 2010/11.

### ***sportscotland lottery fund***

60. The sportscotland lottery fund has achieved a surplus in year, demonstrated in the table below:

**Table 4 – Net operating costs**

|                                      | <b>2008/09<br/>£'000</b> | <b>Restated<br/>2008/09<br/>£'000</b> |
|--------------------------------------|--------------------------|---------------------------------------|
| National Lottery Fund Proceeds       | 20,206                   | 17,599                                |
| Other Income                         | 77                       | 240                                   |
|                                      | <hr/> 20,283             | <hr/> 17,839                          |
| Grant Expenditure                    | (14,886)                 | (9,197)                               |
| Other Expenditure                    | (6,730)                  | (5,765)                               |
|                                      | <hr/> (21,616)           | <hr/> (14,962)                        |
| Other income                         | 149                      | 157                                   |
| <b>(Decrease) / Increase in fund</b> | <b>(1,184)</b>           | <b>3,034</b>                          |

61. Grant expenditure has increased on the level that was recorded last year. This is mainly due to two factors. The first being the continued funding for sports and facilities being made in preparation for the Glasgow 2014 Commonwealth Games to ensure that there is a stable platform for performance improvement. The second factor is the increased contribution to the Olympic Lottery Distribution Fund of £3.514m compared with £0.878m in 2008/09. This is discussed further below.

## National Lottery Distribution Fund Movements

62. In February 2008, SI 2008 No.255 'The payments into the Olympic Lottery Distribution Fund etc.' was passed by the UK Government. The purpose of the statutory instrument was to allow for the transfer of £1,085m of future lottery income to the Olympic Lottery Distribution Fund (OLDF). The total amount will be paid to OLDF in thirteen instalments of £73m and a further two instalments of £68m. These instalments will be taken from every National Lottery Distribution Fund in the UK between 1 February 2009 and 1 August 2012.
63. An accounting treatment has been adopted by all organisations that have been affected by this transfer of funds in order to demonstrate transparency within the financial statements. The payments of £3.514m in 2009/10 and £0.878m in 2008/09 have been shown within the grant paid expenditure in the financial statements of the sportscotland Lottery Fund. The payments are shown as a separate line in note 3.5.2 to the accounts.

## Trust Company Performance

64. Over a number of years, the Trust Company has made a deficit which has been funded through additional investment from sportscotland. Sportscotland provides non-cash support to the Trust by way of contingency payments to offset potential deficits and return the Trust Company to surplus.
65. During 2009/10 the Trust Company received additional funding of £750,000 from sportscotland in order to offset the deficit. As these are non-cash transactions a receivable (debtor) is recognised within the sportscotland accounts and a corresponding payable (creditor) within the Trust Company.
66. Table 5 highlights the impact that the allocation has on the Trust Company's financial position if the additional support of £750,000 had not been provided by sportscotland.

**Table 5 – Trust Company financial performance**

|   | 2010         | 2009         | 2008       |
|---|--------------|--------------|------------|
|   | £'000        | £'000        | £'000      |
| Incoming resources  | 5,997        | 6,360        | 6,772      |
| Resource expended   | (5,729)      | (6,287)      | (5,880)    |
| <b>Incoming/(Outgoing) resources before other recognised gains/losses</b> | <b>268</b>   | <b>73</b>    | <b>892</b> |
| Removal of in year additional funding provided by sportscotland           | (750)        | (500)        | (200)      |
| <b>Adjusted Incoming/(Outgoing) resources – excluding support</b>         | <b>(482)</b> | <b>(427)</b> | <b>692</b> |

Source: Trust Company Financial statements 2008 - 2010

67. The Trust Company is reliant on the in year additional support provided by sportscotland. The in year transfer of resources can distort the actual financial position of the Trust Company. The table



above highlights that without the support of sportscotland, the Trust Company would have incurred substantial deficits in the previous two financial years.

68. In response to our concerns, the Council of sportscotland and the board of the Trust Company have implemented a formal funding agreement which should safeguard the financial position of the Trust Company.

# Performance

## Introduction

69. To ensure effective performance the Council needs both a clear strategy that defines what it aims to achieve and the mechanisms it requires to effectively monitor and measure its outputs.

## Corporate Plan

70. Following a mid-term review in 2009 the sportscotland corporate plan 2007-2011 was refreshed to reflect the organisation's key principles and priorities between 2009 and 2011. A new corporate plan 2009-2011 has been produced. The plan was updated following significant changes to the organisation and builds on the success of the first two years of the corporate plan. There was also a requirement from the Scottish Government that the corporate plan would follow the framework of their outcome based planning process. The plan is driven by the Scottish Government's national performance framework - Scotland Performs - and the national strategy for sport – Reaching Higher.

71. The Corporate plan identifies the organisations key priorities as:

- Schools and community sport;
- Performance development;
- High Performance sport;
- Coaching and volunteering;
- Quality facilities;
- Stronger Partners;
- Stronger sportscotland.

72. Each priority has a set of targets and outcomes which forms the basis of corporate plan reporting. This is reported to the sportscotland Council regularly. The Council has developed an annual business plan which incorporate the key targets for the financial year as well as an action plan for the Council to meet.

## Performance monitoring

73. The Council have reported that there has been significant progress over the course of the year with only six actions out of a total of 43 which were planned to be finalised in 2009-10 still outstanding at the year end<sup>1</sup>. In five of these areas progress has been reported and it is envisaged that the action plan will be completed during 2010/11. The other action not completed was the publication of environmental targets which are being reviewed in line with the new Climate Change legislation.

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<sup>1</sup> Source: Draft Strategy / Policy report – Corporate Plan and Business Plan: April 2009 – March 2010

74. The business plan includes key performance indicators linked to the key priorities identified within the corporate plan. The table below provides a summary of performance against the KPI's made by the Council during the year.

**Table 6 – sportscotland key performance indicators**

| Key Priority                | Number of KPIs achieved | Number of KPIs not achieved |
|-----------------------------|-------------------------|-----------------------------|
| Schools and community sport | 6                       | 0                           |
| Performance development     | 3                       | 0                           |
| High Performance sport      | 1                       | 1                           |
| Coaching and volunteering*  | 1                       | 1                           |
| Quality facilities*         | 1                       | 0                           |
| Stronger Partners*          | 2                       | 1                           |
| Stronger sportscotland*     | 1                       | 1                           |
| <b>Total</b>                | <b>15</b>               | <b>4</b>                    |

Source: Draft Strategy / Policy report – Corporate Plan and Business Plan: April 2009 – March 2010. \* Donates areas where performance information was not available at the time of our audit.

75. Table 6 indicates that the Council has made significant progress during 2009/10 towards its key priorities. We have been unable to report on all performance indicators as information was not available at the time of our audit. A final performance report is due to be presented to the Council.

76. 2009-2011 is an ambitious growth time for sport in Scotland and the rest of the UK. There are unique opportunities afforded by London 2012 and Glasgow 2014 to showcase the investment that has been made in sports development. The corporate plan sets out how sportscotland aims to achieve the 15 performance outcomes set by the Scottish Government through its existing priorities. The plan summarises the total indicative investment in sport over the next two years as £133.5m of which the majority is sourced by the Scottish Government.

77. We will continue to monitor the progress made by the Council towards the key priorities identified within the Corporate Plan.

## National study reports

78. Audit Scotland has prepared National Studies in a variety of areas. Audit Scotland expect central government bodies to review the National Studies published between April 2009 and March 2010 relevant to them and action them accordingly. As external auditors, Audit Scotland, requires Scott-Moncrieff to complete a pro forma template for each National Study which will address the following points:

- Was the national report discussed at any of the body's committee and on what dates?
- Did the body carry out a self assessment against the national report?
- Did the board produce an action plan? A copy of which is to be submitted to Audit Scotland.
- Are there plans to provide the committee(s) with feedback on the actions?

79. During our 2009/10 audit we reviewed the action the group has taken in relation to the following reports:

- Improving civil contingencies planning;
- Improving public sector purchasing;
- Scotland's public finances: preparing for the future;
- Progress report on planning for the delivery of the Commonwealth Games 2014.

80. In February 2010 we submitted the completed pro-formas to Audit Scotland. We are pleased to report that no issues were identified from our review.

81. We will continue to monitor any further National Studies published in the coming year and consider the action taken by the Council in response to these.

# Governance

82. This section sets out the main findings arising from our review of the sportscotland group's governance arrangements as they relate to:

- Corporate Governance;
- Risk management;
- Internal audit arrangements.

## Corporate governance

83. Our work on corporate governance focussed on our review of the Council's arrangements to ensure effective systems of internal control, prevention and detection of fraud and irregularity, standards of conduct and prevention and detection of corruption. We are pleased to report that governance arrangements at sportscotland are generally strong.

## Risk management

84. Risk management is important to the establishment and regular review of systems of internal control. Risk management arrangements at sportscotland are relatively well developed. Risk management arrangements are defined within the organisation's risk management policy. The Senior Management Team (SMT) oversees risk management within the organisation and maintain a risk register.

85. In July 2009 the risk management policy was revised by the SMT. This was not a root and branch revision of the existing policy and instead was an update to develop a more corporate approach to managing risk within the organisation following the organisational restructuring process.

86. The risk management process allows risks to be systematically identified, assessed and addressed. Risk registers have been developed on a local area level which are managed by Functional Management Teams (FMT). Individual FMT risk registers are live documents which feed directly into the overall corporate risk register. An organisation wide risk register is populated by data representing all known risks. This to be formally reviewed 6 monthly by the SMT and FMT and in turn ratified by the Audit Committee and subsequently Council Members.

## Internal audit

87. An internal audit service is provided to the sportscotland group by PricewaterhouseCoopers (PWC).

88. In accordance with International Standard on Auditing 610 (ISA 610) – Considering the work of internal audit, *“the external auditor should perform an assessment of the internal audit function when internal auditing is relevant to the external auditor's risk assessment.”* Overall, we concluded

that PWC provides a service which we can rely upon. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate and we are grateful to the Internal Audit team at PWC for their assistance during the course of our audit work.

## **Prevention and detection of fraud and irregularity**

89. Our audit has been planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity. As part of our governance work we reviewed the arrangements in place to prevent and detect fraud and irregularity.
90. We did not find any indication of fraud and irregularity and concluded that the Council's internal controls and financial procedures were adequate to prevent and detect material fraud and irregularity.

## **Sportscotland governance structure**

91. The Council oversee the governance arrangements within the organisation supported by two committees' Audit and Remuneration. During 2009/10 the Council consisted of:

- Louise Martin CBE (Chair)
- Ian Beattie (Vice Chair)
- Steven Grimmond
- Atholl Duncan
- Carolan Dobson
- Kim McAully
- Graeme Marchbank
- David Sole
- Mike Hay MBE
- Sir Bill Gammell
- Prof Grant Jarvie
- Francis Thin
- Mel Young

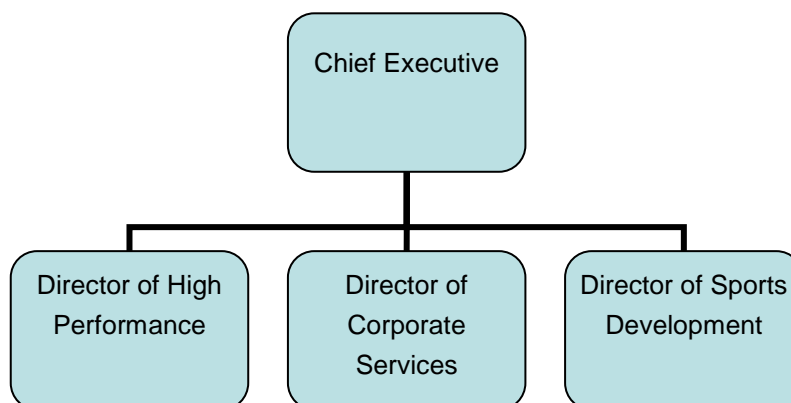
92. In December 2009, Atholl Duncan and Steven Grimmond both stepped down from the Council after completing their second terms.

## **Remuneration Committee**

93. The sportscotland remuneration committee considers and approves the remuneration levels and benefits of the Chief Executive Officer. The Committee met three times during 2009/10. During the year the Committee awarded the Chief Executive a performance related payment of £4,000 which related to the financial year 2007/08. Performance related payments years for 2008/09 and 2009/10 were waived by the Chief Executive. In addition the Chief Executive received £13,000 in retention payments as a result of sportscotland's relocation.

## Management Structure

94. Following the merger with the Scottish Institute of Sport and the large turnover in staff following the relocation to Glasgow, sportscotland took the opportunity to restructure. Three Directors were appointed in September 2008.
95. The diagram below details the structure of the senior management team in operation during 2009/10.



96. Department Heads sit under this organisational structure and report directly to the appropriate director.

## Scottish Sports Council Trust Company

97. The Trust Company falls under the terms of the Charities and Trustees Investment (Scotland) Act 2005. The Act states that a charity will fail to meet the charity test if “its constitution expressly permits the Scottish Ministers or a Minister of the Crown to direct or otherwise control its activities”. This is because a charity should provide a public benefit and should be independent of any influence.
98. In previous years we have reported our concerns that as all directors of the Trust Company sat on the council for sportscotland there was a risk of the Trust Company failing the charity test. Given that all trustees are Council members of sportscotland it would be difficult for the trustees to unequivocally put the interests of the Trust ahead of those of sportscotland. If those with a conflict of interest were to refrain from being involved in decision making process on the basis of conflict of interest this would make the governance of the Trust impossible given that all Trustees would have to refrain from being involved in making a decision.
99. During 2009/10 OSCR raised concerns about the conflict of interest regarding sportscotland Council members being the same as the Trust. In March 2010 the Trust Company revised the composition of the Council and the articles of association. The change involved the resignation of the Chief Executive of sportscotland as guarantor, the resignation of nine of the directors who are also directors of sportscotland and the appointment of 4 directors who do not serve on the Council of sportscotland and are thus deemed to be independent from sportscotland.

100. Membership now consists of two members of sportscotland and four external members. The revised format is now considered consistent with the requirements of the Charities and Trustees Investment (Scotland) Act 2005 and addresses the issues raised by OSCR.



# Looking Forward

## Financial statements

101. During 2009/10 there was considerable audit involvement during the preparation of the financial statements. Whilst we acknowledge that this was a challenging year for the organisation through a combination of the transition to IFRS as well as relatively new staff involved in the accounts preparation process the organisation should look to ensure future financial statements are prepared to an appropriate standard.

## Use of Resources

102. In prior years we have reported on the continuing decrease in National Lottery funds that are available for distribution. This has been compounded by the Statutory Instrument issued by the UK Government which will transfer over £1 billion of funds towards the 2012 Olympics. We will continue to monitor and report on funding levels in the coming years.

103. In the run up to the Commonwealth games it is anticipated that additional resources will be invested in developing performance systems.

## Performance

104. The Council's Corporate Plan identifies key priorities for the organisation over the next three years. Linked to these are key performance indicators which the Council can utilise to monitor progress towards these priorities. sportscotland has reported significant progress towards its key priorities identified within the Corporate Plan. We will continue to monitor the progress made by the Council in achieving these priorities.

## Governance

105. We will continue to monitor the success of the new arrangements established to govern the Trust Company. Sportscotland's governance arrangements continue to be robust. We will continue to monitor the success of the risk management arrangements revised during the year.

# Appendix 1: Action Plan

Our action plan details the key weaknesses and opportunities for improvement that we have identified during this review. To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

|                |  |
|----------------|--|
| <b>Grade 5</b> | Very high risk exposure – Major concerns requiring Council attention             |
| <b>Grade 4</b> | High risk exposure – Material observations requiring management attention        |
| <b>Grade 3</b> | Moderate risk exposure – Significant observations requiring management attention |
| <b>Grade 2</b> | Limited risk exposure – Minor observations requiring management attention        |
| <b>Grade 1</b> | Efficiency / housekeeping point  |

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

| No | Title                             | Issue Identified   | Risk and Recommendation   | Management Comments   |
|----|-----------------------------------|--|---|---|
| 1  | <b>Asset register maintenance</b> | <p>During our audit we found that the asset register had not been updated to reflect the valuation performed to determine asset values as at 31 March 2010.</p> <p>We acknowledge that valuation reports were not available until sometime after the year end.</p>                       | <p>To ensure that appropriate capital and depreciation charges are made we recommend that the asset register is updated to reflect the revaluation .</p> <p><b>Grade 3</b></p>  | <p>There is always a delay in updating the register for valuations due to the timing of the arrival of the report. We understand the recommendation and will continue to deliver the changes to the register as timely as we possibly can.</p> <p><b>Responsible officer: Financial Accountant</b></p> <p><b>Implementation date: Immediately</b></p> |
| 2  | <b>Split of payroll costs</b>     | <p>Payroll costs are split between the Lottery Fund and sportscotland accounts based on discussions held at quarterly management meetings. The split is based on an estimate of the proportion of time staff spend between working on the lottery fund and sportscotland activities.</p> | <p>Whilst the basis of the split is considered appropriate, the Council was unable to support the basis with detailed documentation. We acknowledge that during 2009/10 there were significant staff movements which made the calculation of an accurate split difficult. Going forward it is important that arrangements are put in place to verify the accuracy of allocated costs.</p> <p><b>Grade 3</b></p> | <p>For 2009/10 this exercise was very difficult to carry out. For 2010/11 onwards a full rationale for all recharges to the Lottery will be agreed by the SMT and implemented from July 2010 onwards.</p> <p><b>Responsible officer: Head of Finance</b></p> <p><b>Implementation date: July 2010</b></p>   |

| No | Title                               | Issue Identified   | Risk and Recommendation  | Management Comments  |
|----|-------------------------------------|--|--|--|
| 3  | <b>Provisions for dilapidations</b> | SportsScotland has not recognised a provision within the financial statements based on the likely cost of any dilapidation work for the lease at Templeton on the Green. | <p>Whilst we do not envisage that the provision will be significant given the term of the lease and general condition of the premises we recommend that sportsScotland obtain an internal surveyors report to value the cost of any dilapidations between now and the end of the lease in 2011-12.</p> <p><b>Grade 3</b></p> | <p>We are currently enhancing Templeton and therefore it is difficult to provide reasonably accurate dilapidation estimates. We therefore agree to provide for 2010/11, if appropriate.</p> <p><b>Responsible officer: Head of Finance</b></p> <p><b>Implementation date: April 2011</b></p> |

| No | Title         | Issue Identified  | Risk and Recommendation  | Management Comments  |
|----|---------------|---|--|--|
| 4  | Rental income | During our review we identified that sportscotland records rental income when it is received rather than when it falls due. | <p>There is a risk that the organisation does not receive payments on amounts due and that the financial statements do not truly reflect the income attributable to the financial period.</p> <p>We also recommend that sportscotland develops a more robust monitoring system over lease income to ensure that amounts owed are received.</p> <p><b>Grade 3</b></p> | <p>Agreed.</p> <p><b>Responsible officer: Financial Accountant</b></p> <p><b>Implementation date: April 2011</b></p> |

| No | Title                         | Issue Identified  | Risk and Recommendation  | Management Comments   |
|----|-------------------------------|---|--|---|
| 5  | <b>Asset componentisation</b> | Within our IFRS shadow accounts report we recommended that the Council recognise assets within the accounts on a componentised basis. Whilst the Council received a valuation as at 31 March 2009 and 2010 the assets have not been accounted for based on individual elements. Instead the property has been recognised as a single asset. | We recommend that sportscotland review the asset register to ensure that assets are held on an asset component basis to ensure that these are accounted for in accordance with IAS 16.<br><br><b>Grade 3</b>   | The valuation was received at the end of May and subsequently not changed in the asset register due to its late receipt. We will need to consider this report in detail as the "components" could already be written off and not affect the register. I.e. the kitchen is one of the components along with the alarm system.<br><b>Responsible officer: Head of Finance</b><br><br><b>Implementation date: March 2011</b> |
| 6  | <b>Purchase orders</b>        | During our audit of the sportscotland expenditure system we found that purchase orders were not always being completed when orders were being raised. Purchase orders ensure that orders have been raised by an appropriately authorised individual and ensure an audit trail exists to verify who initially raised an order.               | We recommend that sportscotland develop procedures that ensure that purchase orders are completed by an approved budget holder and that this is filed and matched against the delivery note and purchase invoice prior to the invoice being authorised for payment<br><br><b>Grade 3</b> | Agreed. This is part of the upgraded Sage Line 500 process and procedure.<br><b>Responsible officer: Head of Finance</b><br><br><b>Implementation date: By end of June 2010</b>   |

| No | Title                      | Issue Identified  | Risk and Recommendation  | Management Comments  |
|----|----------------------------|---|--|--|
| 7  | <b>Corporation tax</b>     | SportsScotland has not submitted a CT 600 form.   | <p>There is a risk that penalties and interest charges may be incurred for the failure to submit the return within 9 months of the financial year end.</p> <p>We recommend that sportsScotland put in place arrangements to ensure that the return is submitted within the 9 month timeline.</p> <p><b>Grade 3</b></p> | <p>This was an oversight on our behalf and will not happen again. We have paid £100 of interest as the bill was £18k approx.</p> <p><b>Responsible officer: Head of Finance</b></p> <p><b>Implementation date: Immediate</b></p> |
| 8  | <b>Grant-in-aid income</b> | <p>During 2009/10 sportsScotland's total drawdown from the Scottish Government exceeded its allocation for the year by £1.2m. This was drawdown in advance of next year.</p> <p>It has been agreed with the Scottish Government to recognise this as grant received in 2009/10 with the drawdown in future years being reduced by this £1.2m advance payment.</p> | <p>We recommend that the organisation ensure that an accurate record of future drawdown's is maintained to ensure that only allocated amounts are drawdown and subsequently spent by the organisation.</p> <p><b>Grade 3</b></p>   | <p>Agreed</p> <p><b>Responsible officer: Head of Finance</b></p> <p><b>Implementation date: Immediate</b></p>  |

# Appendix 2: Operating cost reconciliation - Group

| Net operating cost before Scottish Government Funding per client's draft accounts |   |           |  |           |                     | -£ 45,526,000        |
|---|---|-----------|--|-----------|---------------------|----------------------|
| JE  | <u>Income statement</u>   |           | <u>Statement of Financial Position</u> |           | Effect on net funds |                      |
|   | <u>Dr</u>   | <u>Cr</u> | <u>Dr</u>                              | <u>Cr</u> |                     |                      |
| 1   | Dr Pension reserve  |           | £ 196,000                              |           | £ -                 |                      |
|   | Dr Interest   | £ 140,000 |  |           | -£ 140,000          |                      |
|   | Cr General fund   |           |  | £ 336,000 | £ -                 |                      |
|   | Dr recharges  | £ 196,000 |  |           | -£ 196,000          |                      |
|   | Cr Staff costs  |           | £ 196,000                              |           | £ 196,000           |                      |
|   | <i>being the reallocation of the IAS 19 pension costs</i>                         |           |  |           |                     |                      |
| 2   | Dr Intercompany - Lottery   |           | £ 162,000                              |           | £ -                 |                      |
|   | Cr Rental income charge   |           | £ 162,000                              |           | £ 162,000           |                      |
|   | <i>being the recharge of rent and overheads to the sportscotland Lottery fund</i> |           |  |           |                     |                      |
| 3   | Dr Operating costs  | £ 22,174  |  |           | -£ 22,174           |                      |
|   | Cr Intercompany Trust   |           |  | £ 22,174  | £ -                 |                      |
|   | <i>being the correction of the intercompany with the Trust Company</i>            |           |  |           |                     |                      |
| 4   | Dr Operating cost   | £ 27,562  |  |           | -£ 27,562           |                      |
|   | Cr Revaluation reserve  |           |  | £ 27,562  | £ -                 |                      |
|   | <i>Being the transfer of the indexation adjustment to the revaluation reserve</i> |           |  |           |                     |                      |
| 5   | Dr Revaluation reserve  | £ 93,505  |  |           | £ -                 |                      |
|   | Cr Operating costs  |           |  | £ 93,505  | £ 93,505            |                      |
|   | <i>Being the correction of the revaluation reserve</i>                            |           |  |           |                     |                      |
|   | <b>Total effect of adjustments</b>  |           |  |           | <b>£ 65,769</b>     |                      |
|   | <b>Rounding</b>   |           |  |           | <b>£ 231</b>        |                      |
| <br>  |   |           |  |           |                     |                      |
| Net operating cost before Scottish Government Funding per final accounts          |   |           |  |           |                     | <b>-£ 45,460,000</b> |



# Appendix 3: Operating cost reconciliation – Lottery Fund

|   |                                       |    |                                 |         | Decrease in fund per client's draft accounts |         | -£ 1,215,000 |         |
|---|---------------------------------------|----|---------------------------------|---------|--|---------|--------------|---------|
| JE  | Income statement                      |    | Statement of Financial Position |         | Effect on net funds                          |         |              |         |
|   | Dr                                    | Cr | Dr                              | Cr      |  |         |              |         |
| 1   | Dr Investments                        |    | £                               | 119,982 | £  |         |              | -       |
|   | Cr Income - National Lottery proceeds | £  | 119,982                         |         | £  |         |              | 119,982 |
| <b><i>Being the incorporation of the correction in the opening balance difference in the National Lottery Distribution Fund</i></b>   |                                       |    |                                 |         |  |         |              |         |
| 2   | Dr Revaluation reserve                |    | £                               | 13,000  | £  |         |              | -       |
|   | Cr General Fund                       |    |                                 |         | £  | 13,000  | £            | -       |
| <b><i>Being the release of the revaluation reserve as the indexation has been removed</i></b>   |                                       |    |                                 |         |  |         |              |         |
| 3   | Dr Accruals                           |    | £                               | 9,658   | £  |         |              | -       |
|   | Cr Operating costs (audit/legal/tax)  | £  | 9,658                           |         | £  |         |              | 9,658   |
| <b><i>Being the reversal of PY accruals no longer valid</i></b>   |                                       |    |                                 |         |  |         |              |         |
| 4   | Dr Operating charges                  | £  | 162,000                         |         | -£   |         |              | 162,000 |
|   | Cr Inter company creditor             |    |                                 |         | £  | 162,000 | £            | -       |
| <b><i>Being the recharge of rent and overheads from sportscotland</i></b>   |                                       |    |                                 |         |  |         |              |         |
| 5   | Dr Grants paid                        | £  | 192,000                         |         | -£   |         |              | 192,000 |
|   | Cr Commitment less than 1 year        |    |                                 |         | £  | 192,000 | £            | -       |
| <b><i>Being the reversal of the prior year adjustment in hard commitments</i></b>   |                                       |    |                                 |         |  |         |              |         |
| 6   | Dr Investment                         |    | £                               | 254,949 | £  |         |              | -       |
|   | Cr Income                             | £  | 254,949                         |         | £  |         |              | 254,949 |
| <b><i>Being the increase in the market value of the NLDF per the interim 2010 certificate</i></b>   |                                       |    |                                 |         |  |         |              |         |
| 7   | Dr debtor - sportscotland             |    | £                               | 441,000 | £  |         |              | -       |
|   | Cr general Fund                       |    |                                 |         | £  | 441,000 | £            | -       |
| <b><i>Being the recognition of the sportscotland debtor for the £441K owed at the year end (relates to restatement of IAS 19 pension liability to sportscotland which is discussed in the annual report</i></b> |                                       |    |                                 |         |  |         |              |         |
| Total effect of adjustments   |                                       |    |                                 |         | £  |         | 30,589       |         |
| Rounding  |                                       |    |                                 |         | £  |         | 411          |         |
| Decrease in fund per final accounts   |                                       |    |                                 |         | -£   |         | 1,184,000    |         |

# Appendix 4: Group reconciliation

| Income and Expenditure                                       | SportsScotland |               | SportsScotland Trust Company |              | Total before consolidation adjustments |               | Consolidation adjustments |              | Per Group accounts |               |          |               |
|--|----------------|---------------|------------------------------|--------------|--|---------------|---------------------------|--------------|--------------------|---------------|----------|---------------|
|  | £000's         |               | £000's                       |              |  |               | Dr                        | Cr           |                    |               |          |               |
| <b>Revenue</b>   |                |               |                              |              |  |               |                           |              |                    |               |          |               |
| Big Lottery  | -£             | 3,355         | £                            | -            | -£                                     | 3,355         |                           |              | -£                 | 3,355         |          |               |
| Donations from sportscotland to Trust                        | £              | -             | -£                           | 2,558        | -£                                     | 2,558         | £                         | 2,558        | £                  | -             |          |               |
| sports trust trading income                                  | £              | -             | -£                           | 3,393        | -£                                     | 3,393         |                           |              | -£                 | 3,393         |          |               |
| other operating income                                       | -£             | 858           | -£                           | 52           | -£                                     | 910           | £                         | 13           | -£                 | 897           |          |               |
| <b>Total Income</b>  | <b>-£</b>      | <b>4,213</b>  | <b>-£</b>                    | <b>6,003</b> | <b>-£</b>                              | <b>10,216</b> |                           |              | <b>-£</b>          | <b>7,645</b>  |          |               |
| <b>Expenditure</b>   |                |               |                              |              |  |               |                           |              |                    |               |          |               |
| Donations from sportscotland to Trust                        | £              | 2,571         | £                            | -            | £                                      | 2,571         |                           | -£           | 2,571              | £             | -        |               |
| sports development and capital grants                        | £              | 37,815        | £                            | -            | £                                      | 37,815        |                           |              | £                  | 37,815        |          |               |
| staff costs  | £              | 5,332         | £                            | 2,535        | £                                      | 7,867         |                           |              | £                  | 7,867         |          |               |
| other operating charges (inc relocation)                     | £              | 4,095         | £                            | 3,172        | £                                      | 7,267         | £                         | 92           | £                  | 7,383         |          |               |
| <b>Total expenditure</b>                                     | <b>£</b>       | <b>49,813</b> | <b>£</b>                     | <b>5,707</b> | <b>£</b>                               | <b>55,520</b> |                           |              | <b>£</b>           | <b>53,041</b> |          |               |
| <b>Operating deficit</b>                                     | <b>£</b>       | <b>45,600</b> | <b>-£</b>                    | <b>296</b>   | <b>£</b>                               | <b>45,304</b> |                           |              | <b>£</b>           | <b>45,396</b> |          |               |
| Interest receivable  | -£             | 12            | £                            | 6            | -£                                     | 6             |                           |              | -£                 | 6             |          |               |
| Notional costs   | £              | -             | £                            | -            | £                                      | -             |                           | -£           | 92                 | -£            | 92       |               |
| IAS 19 (pension finance cost)                                | £              | 140           | £                            | 22           | £                                      | 162           |                           |              | £                  | 162           |          |               |
| Corporation tax  | £              | -             | £                            | -            | £                                      | -             |                           |              |                    |               |          |               |
| <b>Net operating cost before Scottish Government funding</b> | <b>£</b>       | <b>45,728</b> | <b>-£</b>                    | <b>268</b>   | <b>£</b>                               | <b>45,460</b> | <b>£</b>                  | <b>2,663</b> | <b>-£</b>          | <b>2,663</b>  | <b>£</b> | <b>45,460</b> |

**Scott-Moncrieff**

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