

Payments to FAI under Sport Ireland COVID-19 Resilience & Recovery Fund (COVID-19 Grants Scheme)

- The sports sector in Ireland faced an existential threat between 2020 and early 2022, due to COVID-19 restrictions. Significant levels of decreased income to the sector brought a threat of insolvency, job losses, loss of investment and the upkeep of vital sporting infrastructure.
- The objective of the COVID-19 Grant Scheme was to protect the sports sector from permanent financial and strategic harm arising from income disruption due to the public health crisis, including preventing any viable sports organisation from becoming insolvent (*i.e. unable to pay debts as they fall due*). Just over €177M was provided to sports organisations between 2020 – 2022.
- Sporting bodies could only apply for funding under the Scheme on the basis of verifiable COVID-related losses. Pre-existing debt or deficits were not permitted to be added into the construction of the claim at point of application. However, once successful in its application, sporting bodies were permitted to utilise the grant funds to meet scheduled financial obligations and commitments as they fell due, in order to remain solvent. This approach was entirely in line with the primary objective of the COVID-19 Grant Scheme.
- Sport Ireland acknowledges that this distinction merited greater clarity in the written funding guidelines. However, this distinction is important, and the FAI's application for funding and utilisation of the COVID-19 grant was in line with the Grant Scheme Assessment Criteria.
- In relation to the FAI, the COVID-related losses arose primarily due to very significant lost ticketing and match-day revenue.
- It is important to underline how dependent the field sport organisations are on ticketing and other match-day revenue. The absence of large attendance fixtures undermined their entire business models.
- Sport Ireland is satisfied that all monies (€33.7M) received by the FAI were in correct accordance with the COVID-19 funding scheme and were correctly used to support the operational costs of the organisation, including for instance, loans falling due for repayment (a total of €1M). The payments made by the FAI during this period were consistent with the usual schedules, mirrored pre-covid repayment arrangements and ultimately mitigated any solvency risk arising from income disruption during the COVID-19 emergency. This was in accordance with the primary objective of the scheme.
- KOSI¹ audited both the 2020 and 2021 COVID-19 allocations to the FAI and provided high assurance ratings in relation to same, i.e. the FAI's consumption of COVID-19 grant funds was in line with the objective of the scheme.

¹ KOSI Corporation (<https://kasicorp.com/>) provides audit, accountancy and professional services in government organisations in Ireland, the UK and internationally and has worked with Sport Ireland as its internal auditor since 2019

COVID-19 Funding to FAI

Background

The objective of the COVID-19 Resilience & Recovery Fund was to protect the sports sector from permanent financial and strategic harm arising from the public health crisis. The primary purpose of the scheme was to prevent any viable sports organisation from becoming insolvent (i.e. unable to pay debts as they fall due).

The secondary purpose of the scheme was to ensure that the sports sector has the capacity to make a significant medium and long-term contribution to the public health of the nation.

Funding to FAI

In total, €33.7m was allocated to the FAI in Covid funding between 2020 and 2022, as follows:

2020 – Total €13.2m

Covid Related Loses and Costs €11m

Support for FAI Clubs and Affiliates €2.2m

2021 – Total €19m

Covid Related Losses and Costs €12m

Support of League of Ireland and Women's National League €5m

Support for FAI Clubs and Affiliates €2m

2022 – Total €1.5m

Return to Sport Initiatives €1m

Recovery Grant €0.5m

Over 600 clubs received direct support under the 2020 and the 2021 Fund. A full breakdown of these clubs was provided to Sport Ireland by the FAI as part of the reporting process.

Allocation process

When assessing applications, Sport Ireland reviewed a number of key focus areas to be fully satisfied that the grant was required.

These included:

- The technical merits of the application (i.e. verifiable evidence of need)
- The quality of parallel interventions (i.e. business plan to support an application)
- The likelihood of meeting the primary objective of the scheme (i.e. avoiding insolvency and maintaining operations)
- The likelihood of meeting the secondary objective of the scheme (i.e. contributing to public health)
- The existing Governance and Funding Model of the Organisation
- The strategic significance of the sport and meeting other national strategic objectives (e.g. numbers, area, sport, facility sharing, diversity of activity & membership)
- The Organisation's ongoing adherence to Sport Ireland Terms and Conditions

Requirement to establish a sub-committee

In relation to the distribution of funding to Clubs and affiliates, National Governing Bodies were recommended to establish a sub-committee to evaluate requests and make recommendations to the Board for final decision.

The purpose was to ensure an independent assessment and evaluation of the Club applications prior to Board approval.

It was perfectly acceptable for Governing Bodies with professional Executives and appropriate business functions such as finance, governance, or club development to act as this independent assessment.

KOSI reviewed the FAI's distribution of Club Funding as part of their 2020 and 2021 Audits and were satisfied that all funds were distributed in line with the Scheme Conditions.

Audit process

KOSI audited both the 2020 and 2021 Funds. The 2020 audit returned a Substantial Assurance, with the following comments:

- *Based on our audit findings, KOSI conclude that SUBSTANTIAL assurance can be placed on the adequacy and effectiveness of the internal financial controls in place.*
- *Audit are satisfied that all €11m had been expended in line with cashflow projections provided to Sport Ireland.*

The 2021 audit returned an Excellent Assurance, with the following comments:

- *Based on our findings, it is concluded that EXCELLENT assurance can be placed on the adequacy and effectiveness of the internal financial controls in place in relation to Covid funding received.*
- *Audit are satisfied that the funding received by the FAI (€12 million) was used to offset the operating challenges faced because of Covid-19. The impact on the FAI income in 2021 was measurable and there is evidence that this funding was needed to fund operational demands in 2022.*

The impact of the COVID-19 pandemic was felt particularly severely by the three main field sports (FAI, IRFU, GAA) due to the Government regulations that were put in place in March 2020 preventing mass gatherings including sporting events and matches played in front of spectators.

It is important to underline how dependent the field sport organisations are on ticketing and other match-day revenue. The absence of large attendance fixtures undermined their entire business models and difficult decisions had to be made by the FAI and the other field sport organisations to

ensure they remained solvent during this period. The elimination of summer camps, raffles and social events to generate income during Covid also had a significant impact on clubs.

Monitoring of expenditure

- A strong post-allocation monitoring and compliance scheme in relation to the Covid-19 funding was put in place by Sport Ireland. This included National Governing Bodies of Sport (NGBs) reporting to Sport Ireland along with an external auditor review and a Sport Ireland internal audit review.
- Each NGB was required to provide financial reports to Sport Ireland along with written reports on the allocation process followed, financial management and oversight of the funding they received.
- In addition, NGBs who received funding to support Provinces, Affiliates and clubs were also required to submit a report that includes the following minimum information.
 - Details of the Eligibility and Assessment Criteria used.
 - Details of the Allocation Process followed.
 - Details of any post allocation monitoring and compliance mechanisms in place.
 - A breakdown of the funding awarded to Clubs/Affiliates.
 - Details of any unallocated funding to date and actions taken by NGBs to address.
 - Copies of Scheme Frameworks, Evaluation Criteria or Terms & Conditions.
 - An additional statement from the Chief Executive confirming that that the governance, compliance and necessary conditions attaching to the Club Resilience Fund as issued by Sport Ireland was fully complied with.
- As a further layer of assurance, Sport Ireland increased its level of internal audit testing of NGBs with a particular focus on the COVID-19 Grant Schemes.
- Separately and in accordance with Sport Ireland's Terms & Conditions of Grant Investment, any NGB in receipt of €200,000 or more annually must provide accounts fully audited by a registered auditor in accordance with Irish GAAP, to include a signed audit statement from the auditor that each grant was expended for the purposes intended as set out in the Approved Grant.