



Northern Ireland Audit Office

## ***MEDIA RELEASE***

### **The Northern Ireland Events Company**

#### **A Report to the Assembly by the Comptroller and Auditor General for Northern Ireland**

There was a complete breakdown of financial control within the Northern Ireland Events Company (NIEC) which resulted in the Company's ultimate failure including the accumulation of a £1.5 million deficit according to a report issued today by Kieran Donnelly, the Comptroller and Auditor General.

The report concludes that the NIEC Chief Executive and Accounting Officer, Janice McAleese, was involved in covering up escalating financial losses with misleading and, on occasion, fabricated documentation which was provided to both the NIEC Board and to the Department of Culture, Arts and Leisure (DCAL). Janice McAleese also had a number of conflicts of interest which were poorly handled.

Mr Donnelly added **"I am not aware of any other Accounting Officer failing so comprehensively to uphold the Nolan principles of conduct in public life"**.

The Public Accounts Committee will take evidence on this report on 7 and 21 October.

Janice McAleese resigned in May 2007. In September 2007 the acting NIEC Chief Executive notified DCAL that NIEC had accumulated an estimated £1.2 million financial deficit. In November 2008, the Department of Enterprise, Trade and Investment (DETI) appointed Company Inspectors (the Inspectors) to investigate and report on the affairs of NIEC. The Inspectors completed their investigation in March 2014 and at that time concluded that of the £1.5 million deficit identified, £1.3 million could be attributed to overspending on events promoted by NIEC between 2005 and 2007; the majority of this deficit related to Motocross and Supermoto events. DCAL have since funded this deficit.

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The Police Service of Northern Ireland is in the final stages of an investigation into NIEC's funding of several specific events between 2004 and 2006. DETI has advised us that it has examined the issues raised by the Company Inspectors and is considering potential disqualification proceedings.

## **Key Findings**

### **The events that led to the accumulation of a financial deficit**

- In 2005 NIEC started to promote its own major events as opposed to providing grant funding to event organising applicants. There is no evidence that this change in business activity was approved by the NIEC Board. The Board was unaware of the greatly increased financial and operational risk that NIEC was exposed to.
- NIEC accumulated a significant financial deficit promoting Motocross and Supermoto events between 2005 and 2007. Expenditure on these events spiralled out of control and cash income from gate receipts was significantly lower than anticipated.
- NIEC appear to have worked in partnership with a promotions company to promote the 2005 Motocross Grand Prix and Supermoto events. The promotions company was paid around £450,000 by NIEC and it appears that NIEC paid out a further £350,000 directly to various suppliers. It is unclear exactly how much the promotions company actually contributed to the cost of the two events.

### **The failure of the NIEC Board to provide adequate oversight**

- NIEC's Board, and in particular the Chair, placed undue reliance on the information provided to it by Janice McAleese and failed to maintain a healthy balance between support and challenge in its dealings with her. The information provided to the Board in relation to Motocross and Supermoto events was woefully inadequate.
- The Board's ability to exercise a challenge function was fundamentally weakened by the lack of financial skills and low attendance amongst some members.

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- The Board placed reliance on the opinion of the external auditors despite never meeting with them between 1997 and 2007. It is likely that NIEC became technically insolvent during the year ending March 2005, but this remained undetected by both the Board and the Company's auditors for two years.

**Weaknesses in DCAL's oversight**

- DCAL failed to fully scrutinise key information that was made available to it, or consistently challenge NIEC when inadequate supporting documentation was provided.
- DCAL representatives at all levels appeared to have complete trust in Janice McAleese and they relied on her representations and did not apply a satisfactory level of challenge.
- From early 2004, DCAL received a number of whistleblower complaints relating to NIEC. Had DCAL thoroughly investigated all the complaints made to it, it is possible that the issues within NIEC could have been identified much earlier.

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**NOTES FOR EDITORS**

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1. In 1997 NIEC was incorporated as a limited liability company to support international standard events in Northern Ireland. Its main source of funding was an annual budget provided by central government (the Department of the Environment from 1997 to 1999 and the Department of Culture, Arts and Leisure from 1999 onwards). Grant funding from DoE and DCAL to support NIEC projects and general running costs totalled more than £18 million between 1997 and 2008.
2. The seven principles of public life, known as the Nolan principles, were defined by the first report of the Committee of Standards in Public Life, May 1995. They are: Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty; and Leadership.
3. The Department of Enterprise, Trade and Investment had powers under Part XV of the Companies (Northern Ireland) Order 1986 to appoint Company Inspectors to investigate the affairs of NIEC. Following this investigation, DETI have the statutory power to apply to the High Court for a Disqualification Order against a person who is, or has been, a director or shadow director of a company.
4. The financial statements of the Northern Ireland Events Company for the year ended 31 March 2009 are the first subject to audit by the Comptroller and Auditor General under the Companies (Public Sector Audit) Order (Northern Ireland) 2008. Prior to 2008-09 the Company's financial statements were audited by auditors appointed by the Company in accordance with the Companies Act 2006.
5. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He, and the NIAO, are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
6. This report is available from the Audit Office website at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk). The report is embargoed until 00.01 hrs on Tuesday 29 September 2015.
7. Background briefing can be obtained from the Audit Office by contacting **Denver Lynn (028 9025 1063)** or **Roger McCance (028 9025 4312)**.