



REPORT

BY THE

MALTA FOOTBALL ASSOCIATION

IN CRITICISM OF THE

REPORT BY THE NATIONAL AUDIT OFFICE

ENTITLED

“AN ANALYSIS OF THE NATIONAL LOTTERIES GOOD CAUSES FUND”

28TH NOVEMBER 2013

INTRODUCTION

The Malta Football Association (MFA) makes reference to the Report, tabled in Parliament on the 26th November 2013, entitled "An Analysis on the National Lotteries Good Causes Fund" compiled by the National Audit Office (NAO), and points out that with regard to funds allocated by the Government to the Malta Football Association, the Report contains various inaccuracies and erroneous figures and assumptions, which have led the Maltese public to believe that the Government, in years 2012 and 2013 has allocated to the MFA the amount of Eur 5,689,243, which amount does not correspond to the real amount received by the MFA in the construction of various football pitches around Malta and Gozo for the benefit of Maltese and Gozitan children.

This report refers to section 2.3 of the NAO's report, entitled "Grants to the Malta Football Association and Football Clubs", and explains the inaccuracies contained in the Report. For better understanding this report is divided in three parts, Part I being a critical analysis of Article 2.3.1 and 2.3.2 of the NAO report, and Part II being critical analysis on money from the Good Causes Fund allocated to the MFA particularly in the light of statements made in the NAO's report in Articles 2.3.3., 2.3.4 and 2.3.5.

PART I - Articles 2.3.1 and 2.3.2 of the NAO Report

In Articles 2.3.1 and 2.3.2 of the Report, the NAO has stated that the MFA and the Government had signed an agreement on the 11th February 2012, whereby the MFA has to receive funding from the Government in the amount of Eur 5,689,243. The report states that these amounts were to be paid to the MFA in 2012 and 2013.

Whilst confirming that it is correct to state that an agreement was signed between the Government and the MFA on the 11th February 2012, an analysis of the figures shows that in actual fact, the real amount of funds received by the MFA are not more than Eur 592,250. Table 1.1 below shows what the figures established in the agreement between the Government and the MFA really imply, with comments by the MFA.

TABLE 1.1

Government Allocation to MFA as per agreement dated 11th February 2012 EXPLAINED	
Total Allocation according to Contract	€ 5,689,243
1 Allocation by Kunsill Malti għall-Isport	€ 2,441,176
a Building of Football Grounds	€ 320,000
<i>MFA Comments: This amount was distributed to the MFA and used in the building of football grounds</i>	
b Ground at St. Vincent De Paule	€ 100,000
<i>MFA Comments: This amount was distributed to the MFA and used in the building of the said football ground</i>	
c Subsidy on the commercial rent of public land	€ 1,752,196
<i>MFA Comments: This amount was never distributed in cash to the MFA. In fact this subsidy has been given to individual football clubs, which although being members of the MFA are not property of the MFA. Football Clubs are separate legal entities with their own constitution and since 1997 the Government has leased public land to these clubs. Therefore even the subsidies are not to be considered as funds or even subsidies allocated to the MFA, as these were allocated directly to these clubs.</i>	
d Wages of public employees assigned to the MFA	€ 90,000
<i>MFA Comments: This amount was never distributed to the MFA and these employees receive their wages directly from the</i>	

Government. This figure includes wages paid to National Team Players.

e	Financial Assistance for Doping Tests (2012)	€ 18,750
	MFA Comments: This amount was distributed to the MFA in order to carry out doping tests which are compulsory according to law.	
f	Youth Development Scheme (2012)	€ 2,500
	MFA Comments: This scheme never materialised and as such the MFA did not receive any funding in this respect.	
g	Financial Assistance for the purchase of equipment (2012)	€ 3,500
	MFA Comments: This amount was distributed to the MFA in order to purchase the equipment.	

Note by the MFA: An analysis of the above shows that the real actual figure that was received by the MFA in direct allocation by the Government related to items a, b, e and g for a total of **Eur 442,250**

2	Allocation by Ministry of Finance, Economy and Investment	€ 1,448,067
a	Good Causes Fund	€ 400,000
	MFA Comments: The actual amount received by the Good Causes Fund was Eur 150,000 in the dates mentioned by the Report at point 2.3.3. This is explained in better detail in PART II below.	
b	Refund of 15.25% on Capital Expenditure	€ 1,048,067
	MFA Comments: This amount was refunded to the MFA as part of a scheme introduced by the Government, and carried on under the current administration, whereby VAT paid by the MFA in the purchase of materials and services in the construction of football pitches is refunded. The reasons for this are as follows: i. The MFA is spending money on property which belongs to the Government. Therefore whilst increasing the value of public land, not MFA property, the improvement of these facilities are for the benefit of children from various Maltese towns and villages, who are now training on adequate synthetic turf facilities and not on hard ground as was the norm up to a few years ago. ii. The MFA actually recouped from the Government part of the money it had spent out of its own funds, and did not receive direct allocation from the Consolidated Fund or any other fund.	

Therefore the amount indicated should not be considered as a direct allocation of funds by the Government to the MFA.

Note by the MFA: An analysis of the above shows that the real actual figure that was received by the MFA in Cash by the Government is part of item a for a total of **Eur 150,000**

3	Foundation for Tomorrow's Schools (FTS) Allocation	€ 800,000
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a	The buliding of a new stadium by the Government in Santa Venera	€ 800,000
	<i>MFA Comments: The expenditure in the construction of a new football stadium in Santa Venera can never be attributed as being allocation by the Government to the MFA. The reason is that the stadium was entirely built by the Government and the MFA took no part in either the planning, design or the construction of such stadium. Therefore such funds cannot be considered to have been allocated to the MFA. Moreover, there is no intention to lease such land to the MFA.</i>	

Note by the MFA: An analysis of the above shows that the real actual figure that was received by the MFA in Cash by the Government in this case is 0.

4	Department for the Design and Implementation of Projects Allocation	€ 1,000,000
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a	The buliding of a new football ground in Birzebugia	€ 1,000,000
	<i>MFA Comments: This football ground, which was to be built by the Government and then leased to Birzebugia St. Peters FC (not the MFA) has up till today not been built. In fact plans are still there to build such football ground as announced by the Minister of Finance in the 2014 Budget Speech. Therefore such funds canont be considered to have ben allocated to the MFA. Moreover, there is no intention to lease such land to the MFA.</i>	

Note by the MFA: An analysis of the above shows that the real actual figure that was received by the MFA in Cash by the Government in this case is 0.

Therefore the actual amount received by the MFA in direct allocation by the Government is NOT Eur 5,689,000 as stated in the Report, but actually Eur 592,250

i.e. 10.41% of what was actually stated to have been received by the MFA and tabled in Parliament as fact.

Moreover, the MFA would like to point out, that it fails to understand why, in a report analyzing the National Lotteries Good Causes Fund, the NAO felt the need to include in such report figures on allocations and subsidies by the Government to Maltese football which have no connection whatsoever with the Good Causes Fund.

PART II – Articles 2.3.3, 2.3.4 and 2.3.5 of the NAO Report

Article 2.3.3, 2.3.4 and 2.3.5 of the Report state that the MFA received approximately Eur 1 million in direct allocation from the National Lotteries Good Causes Fund. In Article 2.3.3 the Report states that the MFA received Eur 400,000 from such fund directly. The MFA objects to this statement which is based on the assumption that the amount stated in the contract between the Government and the MFA of the 11th February 2012 is really Eur 400,000. The facts show that whilst the MFA has indeed received the sum of Eur 150,000 on the 29th May 2012, 30th August 2012 and 28th January 2013, the MFA did not receive the amount of Eur 150,000 in Q1 of 2013 as stated in the report. Moreover, it is indeed wrong to state that the MFA received Eur 400,000 when in actual fact the Report acknowledges that the sum received does not tally to that amount.

In relation to any excess that the MFA may be perceived to have received from the Eur 50,000 maximum amount of funds to be allocated according to the Good Causes Fund guidelines, the Report does not take into consideration the fact, that an agreement had been reached between the the MFA and the Government whereby, funds that had to be allocated directly to clubs, which funds were used in the construction of new football pitches, were requested by and distributed to the MFA, on behalf of these clubs, in order to collect the money that the MFA was going to spend on the construction of these grounds, and the money received from the Good Causes Fund in one account, and this to make the processes of payment simpler and more efficient. Therefore, it is absolutely wrong to state that an amount received by the MFA is in excess of the amount permitted by the guidelines, as such amount was not received by the MFA for the use of the MFA.

Moreover, in Article 2.3.4 the Report states that a total of Eur 501,000 was distributed directly to clubs for their own needs. This is correct, however the last sentence of the paragraph states that, "The grant to MFA exceeded permissible allocations". Once again the MFA points out that the Eur 501,000 distributed directly to clubs cannot be considered to have been distributed to the MFA as these clubs, although being members of the MFA, are separate legal entities, owned by their members and not by the MFA.

Therefore, whilst confirming that the conclusions in Article 2.3.5 are erroneous, the MFA declares that in actual fact it did not receive any direct funding from the Good Causes Fund. This implies that in relation to the MFA the Report is factually wrong when stating that the MFA received funds in excess of permissible allocations.

The MFA would like to point out that in its concluding remarks in Article 2.6.1 "Overall Opinions" states that, "*The guidelines also stipulate that the total contributions towards and one proposed project should not exceed €50,000 while promoters would commit themselves to co-finance their project by a minimum of 33 per cent of its total cost.*" The MFA fully agrees with the co-financing aspect of the Good Causes Fund, so much so, that when one calculates the amount of money spent by the MFA on the construction of football pitches in Malta and Gozo, which

amount to over 22 million Euro, to the amount received by the Good Causes Fund, which is €150,000, the percentage of the total costs actually covered by the MFA amounts to 99.32%, with 0.68% received from the Good Causes Fund.

PART III - CONCLUSION

The document shows the real figures actually received by the MFA from direct government funding and from the Good Causes Fund. The MFA would like to point out that normally it does not enter into the merits on what is being discussed in Parliament as the MFA is independent of any political party. The MFA stresses that it has always had and has an excellent relationship with both the Labour Party and the Nationalist Party, who have both strived in the advancement of football and all kinds of sport whenever they have been entrusted with leading the Government.

However, the MFA cannot allow the spreading of misinformation to the public and therefore has produced this report to explain facts, in contrast to the Report which is based on assumptions and unverified documentation. The MFA, believes that it has addressed this issue in the most exhaustive way and will not comment any further on the Report. However, the MFA would like to point out that had the Auditor General sent for the MFA in order to check and discuss its figures, the MFA would have most gladly accepted the invitation. No invitation was sent to the MFA, and that is why, unfortunately, the figures presented in the Report do not correspond to solid fact.