

NAO Para 2.3 – financial support to The Globe Centre (TGC)

NOF 729/1

8. Recommendation 2.3.3 - Accepted, but this should be standard financial control.
Recommendation 2.3.4 – Accepted, but comments in my paras 5-6 (above) refer.

For TGC, the sponsor section acknowledges that there was a failure to pursue bi-monthly financial statements in 1998-99. The sponsor section, however, maintains regular contact with TGC and has a good working relationship with TGC's other funders, East London & City HA and Tower Hamlets LA.

Para 2.4 – ex-gratia payment made by The Macfarlane Trust (MT) to a retiring officer

9. Recommendation 2.4.3 – Accepted. Action will be taken to recover this money. I should comment, however, that –

Vol 3
(1) the approach in 1998 was from the Deputy Chairman of MT's trustees, not "a senior employee". MT is an almost unique position within the S64 General Scheme, having been created by the Department to administer a trust fund solely to benefit those affected by contaminated blood products. The S64 grant is given for MT's core administrative costs. MT has no source of voluntary income and only a few employees. The trustees wished to mark the retirement of MT's first Administrator, who had done so much to set up its organisation, but could not use the non-S64 fund money under the terms of their trust deed,

(2) internal Departmental advice was certainly against MT using its S64 funds in the way proposed. The failure was in not passing on this advice to MT – it is misleading to say that "this payment was made against Departmental advice", and

(3) in the opinion of the sponsor section, it would have been totally out of character for MT to have ignored Departmental advice had it been given.

GRO-C

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13/4/2000

1. Please return Vol 3 to the closed room.

2. Please file this in Vol 4 + 8/F 6 weeks for further action.

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13/4/2000

2.4 EX-GRATIA PAYMENT MADE BY THE MACFARLANE TRUST TO A RETIRING OFFICER

Observation

2.4.1 In February 1998 a senior employee from the Macfarlane Trust approached the Department with a suggestion to use Section 64 grant monies to fund a tax-free, ex-gratia award of £4,000 to a retiring officer. The Department advised against the use of Section 64 grant monies, however, from liaison with the Macfarlane Trust's contact at the Department, we established that this payment was made against the Departmental advice.

Implication

2.4.2 Payment of an ex-gratia sum to a retiring member of staff of a recipient body does not contribute to the Department's objective or meet the conditions under which Section 64 grants are made. The fact that the Department was not able to ensure that the Macfarlane Trust followed its advice also raises a concern as to the ability of the Department in practice to ensure that grant conditions are adhered to.

Recommendation

2.4.3 When concerns regarding contentious payments by sponsored bodies are identified, it is essential that adequate measures are adopted to dissuade sponsored bodies from making such payments, including sanction to reduce future payments to recover such amounts.

Priority: Medium

Management response